

July 1, 2008

To: Potential Suppliers

Subject: Time-Definite Surface Network Draft RFP

The U.S. Postal Service is posting to FedBizOps.gov a draft request for proposals (RFP) for a Time-Definite Surface Network (TDSN), the next step in a process following last year's RFI on the same subject. The Draft RFP provides an opportunity for industry to review and understand the Postal Service's requirements and to provide comment and feedback on the various sections of the solicitation including the Statement of Work (SOW) and provisions and clauses. Interested parties are encouraged to submit comments or questions. The Postal Service believes industry feedback is important and is receptive to ideas from industry which will result in enhanced competition.

The Draft RFP package includes a number of appendices, some of which are sufficiently voluminous that they cannot be posted on FedBizOps for downloading. Interested parties wishing to obtain those appendices should email [Surtrancmc\\_SM@usps.gov](mailto:Surtrancmc_SM@usps.gov) and provide a mailing address to which the Postal Service will promptly dispatch by Express Mail a copy in DVD format.

#### ***Instructions to Responders***

All questions and comments provided in response to this Draft RFP will become the property of the Postal Service and will not be returned. At this time, the Postal Service is not soliciting proposals in response to the Draft RFP and no contract will result from it. The Postal Service has not made the decision to issue a final solicitation. Feedback on the Draft RFP will be considered and may or may not be reflected in any future solicitations.

The Postal Service does not intend to release publicly the questions and comments received or its responses to those questions and comments, although it will provide answers to questions posed to the party submitting them. Notwithstanding this stated intention, interested parties submitting questions or comments that include data they do not want used or disclosed by the Postal Service for any purpose other than the further revision of the Draft RFP may take the following steps:

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This submission includes data that may not be duplicated, used, or disclosed outside the Postal Service – in whole or in part – for any purpose other than with respect to the further development of the TDSN Draft RFP. This restriction does not limit the Postal Service's right to use information contained in the data if it is obtained from another source without restriction. The data subject to this restriction are contained in sheets [*Submitter insert numbers or other identification of sheets*]."

- B. Mark each sheet of data they wish to restrict with the following legend: "Use or disclosure of data contained on this sheet is subject to the restriction on the cover page of this submission."

The Postal Service intends to utilize IBM Global Business Services support (and possibly other contractors) in review and evaluation of any responses. All final decisions will remain the responsibility of the Postal Service.

Questions about this Draft RFP should be e-mailed to [Surtrancmc\\_SM@usps.gov](mailto:Surtrancmc_SM@usps.gov) with the subject "TDSN Questions". Questions should be set out as text in the email message (not an attachment), and must be clearly stated with references to the appropriate section of the Draft RFP and, when possible, with examples or illustrations to amplify or clarify the question or comment. Please submit questions by Noon on July 14, 2008 in order for the Postal Service to respond before comments on the RFP are due, as discussed below.

Comments on the Draft RFP should be received by August 1, 2008, for consideration by the Postal Service. Comments may be submitted as attachments in Microsoft Word, Excel, or PowerPoint (2002 SP-2) compatible files. Responses can be e-mailed [Surtrancmc\\_SM@usps.gov](mailto:Surtrancmc_SM@usps.gov). Email responses must not exceed 5 MB in size in order to be received. Multiple responses may be submitted, but, in general, responses must not comprise more than 100 hard-copy pages.

Alternatively, comments may also be delivered by via US Mail to: Manager, Surface Transportation CMC, P.O. Box 44374, Washington, DC 20026-4374.

Any submission (questions or comments) should include the following information in the email message or cover letter

- The party's name
- The party's Company point of contact: name, title, address, telephone number, fax number, and email address
- The notice discussed above concerning data provided by the submitter for limited use, if applicable
- Date submitted

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Sincerely,

  
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Manager  
Surface Transportation CMC

U.S. POSTAL SERVICE

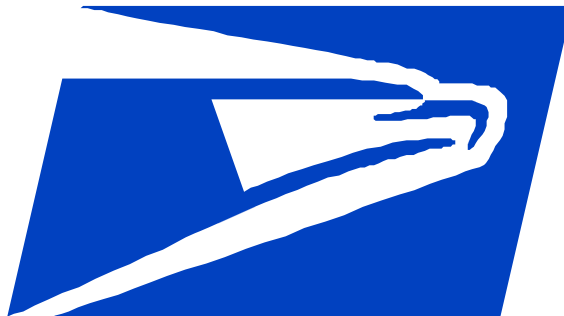
Network Operations

**DRAFT  
REQUEST FOR PROPOSAL**

Concerning A

**TIME-DEFINITE SURFACE NETWORK**

for the U.S. POSTAL SERVICE



**July 1, 2008**

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## **Part I: Statement of Work**

# 1 Introduction

## 1.1 About USPS

Each day the Postal Service receives and delivers on average 703 million pieces of mail. Distribution and transportation of these letters, parcels, catalogs, and magazines occur across a network of nearly 37,000 post offices and other retail outlets, and over 400 mail processing facilities. The mail is securely and reliably delivered to nearly 148 million addresses. No other single organization in the world comes close to the level of connectivity that the Postal Service has with households and businesses across America.

Over the past several years, operations have improved to produce better, more consistent service with fewer resources. In the next five years, there will be more change. In the *Strategic Transformation Plan 2006–2010*, the Postal Service has committed to maintaining a tight focus on core products ensuring universal, affordable services, and providing the capability to communicate, reach key audiences, and help bind America together. A key objective of the *Strategic Transformation Plan* is the optimization of postal distribution and transportation networks.

In addition to the *Strategic Transformation Plan*, the *Postal Accountability and Enhancement Act*, Public Law 109-435 (2006), requires the Postal Service to develop a long-term vision for rationalizing its infrastructure and workforce. Congress recognized the need for the Postal Service to “streamline [its] distribution network,” and “rationalize the postal facilities network,” and encouraged the Postal Service to “expeditiously move forward ....” The Act specifically requires the Postal Service to address the following items:

- Development of a strategy to rationalize the postal facilities network and remove excess processing capacity and space from the network, including estimated timeframes, criteria, and processes to be used for making changes to the facilities network
- Identification of anticipated costs, cost savings, and other benefits associated with infrastructure rationalization alternatives

More information on the Postal Service may be found at [www.usps.com](http://www.usps.com).

## 1.2 Background – Current BMC Network

The Postal Service currently operates a national network of 21 Bulk Mail Centers (BMCs)<sup>1</sup> which primarily supports the distribution and transportation of Standard, Periodical, and Package mail. The BMCs were built and began operations in the early 1970s. Mail was processed through manual and mechanized operations, and it was then floor-loaded onto trailers.<sup>2</sup> Because nearly all customer volume was entered at origin locations, facility and transportation utilization was efficient.

Throughout the years, changes in customer mailing patterns due to work-share discounts have affected the BMC work content. When mail preparation and transportation discounts were introduced, customers began bypassing origin BMCs, presorting mail, and entering it into the mail stream closer to destination postal facilities, such as BMCs, Sectional Center Facilities (SCFs), and Delivery Units (DUs). This trend of destination entry has accelerated over the last decade. In 2007, 52 percent of Parcel Post was dropped at the delivery unit and 45 percent of Standard Mail was dropped at the destination SCF, thus completely bypassing BMC processing. The results of changes in customer mailing patterns are excess distribution capacity and shrinking workload in the BMCs.

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<sup>1</sup> See [Appendix A](#) for a list of current BMC facilities.

<sup>2</sup> Floor loading, also known as bedloading or deck loading, refers to the use of a brick-laying or T-stacking technique for loading individual handling units into trailers. Floor loading utilizes every available cubic foot by loading the trailer from floor to ceiling and from back to front. This method results in the most efficient trailer utilization and reduces the number of trailer equivalents required to transport a given amount of mail.



With the introduction of the Integrated Mail Handling System (IMHS) in the 1990s, containerization became the prevalent mail loading practice. Since mail was automatically loaded into containers from the distribution equipment and moved to trailers in palletized containers, IMHS was successful in reducing workhours associated with the loading and unloading of trailers. However, the introduction of IMHS contributed to transportation network inefficiencies. Concurrent with the implementation of IMHS, the extendable conveyors necessary to efficiently floor load trailers were removed from most BMC facilities. To begin floor loading trailers at all BMC facilities today, the Postal Service would be required to make capital investments to purchase and install extendable conveyors.

The BMC facilities are strategically situated near major metropolitan areas and transportation centers. They are valuable assets that provide significant logistical reach for various mail product lines. However, because of increased customer sortation and drop shipments, these facilities are currently underutilized. BMC underutilization, combined with increases in transportation contract expenses and an aging distribution infrastructure, has precipitated an evaluation of the BMC network to ascertain how it can best support future postal operations.

The Postal Service is also considering the Phase II deployment of new Flats Sequencing System (FSS) equipment. This new equipment will support the walk-sequencing of flats for high volume delivery zones. Deployment of FSS machines requires millions of square feet of floor space. The current BMC facilities would be attractive for such a deployment if the current workload could be extracted.

Consequently, the Postal Service is pursuing an outsourcing solution – combining enhanced mail distribution, product visibility, and advanced transportation management techniques – for some of the existing BMC workload. This solution will move the distribution and transportation of this volume into a supplier network, allowing the Postal Service to utilize the BMCs for alternative postal work.

### **1.3 Network Objectives**

#### **1.3.1 Contract Award and Period of Performance**

The Postal Service anticipates awarding a contract to a single supplier to perform all functions detailed in this Statement of Work (SOW).

The supplier will not be permitted to subcontract any portion of the distribution work. Subcontracting of non-distribution work is permitted, but is limited to 30% of the total contract value.

The initial term of performance will be eight (8) years, with the possibility for two (2) extensions of three (3) years each, at the Postal Service's option, for a total of up to 14 years. Activation of the supplier network will occur within the first eighteen (18) months of the initial term.

#### **1.3.2 Scope and Scale**

The Postal Service requires a network design that will accommodate the origin and destination distribution and transportation of all handling units and pallets that are within the scope of this SOW.<sup>3</sup> A handling unit is defined as an individual package/parcel, letter tray, flat tub, or sack. A pallet is not considered a handling unit until it is opened, at which time the contents of the pallet (e.g., parcels) become handling units. Specifically, the supplier will be responsible for:

- Processing and distribution of mail to destinating supplier facilities
- Transportation between supplier facilities (generally in floor-loaded trailers, including tandems and triples)
- Distribution and containerization of mail at destinating supplier facilities
- Application of bar codes as necessary

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<sup>3</sup> Pallets are either “working pallets” which must be broken (opening the pallet so that its contents are processed individually for distribution purposes) or “intact pallets” which must not be broken and are treated as a single unit (when cross-docked in the facility from inbound to outbound transportation).

- Bar code scanning and data reporting throughout these activities

In addition, the Postal Service requires suppliers to provide pricing for the following transportation, but the Postal Service in its sole discretion may or may not choose to include this activity in the contract award:

- Transportation of containerized trailers from postal plants or associate offices to supplier's facilities
- Transportation of containerized trailers from supplier's facilities to postal plants, delivery units, or customer's facilities<sup>4</sup>

The supplier's network design must be robust enough to process the volumes in [Figure 1](#) within the required transit time expectations, provided in [Appendix B](#). Additional information on volume estimates is provided in [Appendix C](#).

*Figure 1: Summary Volume*

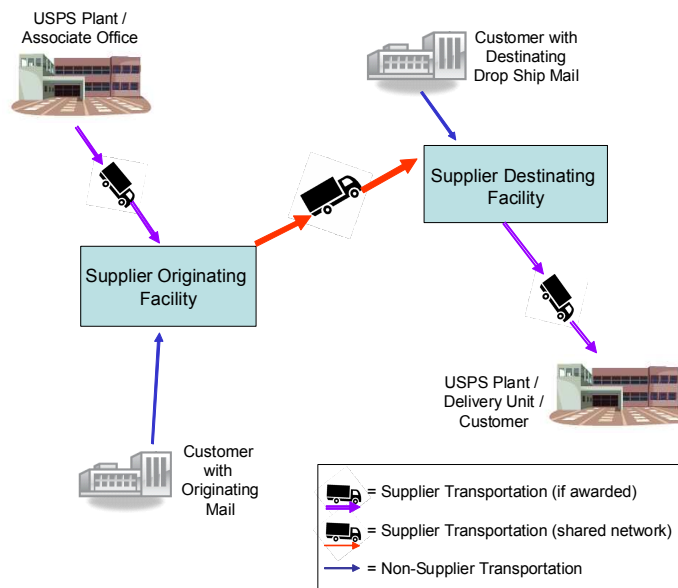
| Shape                          | Annual Total         | Annual End to End Total | Annual Drop Ship / Turnaround Total | Average Daily Volume (across the entire year) |
|--------------------------------|----------------------|-------------------------|-------------------------------------|---|
| Machinable Parcels             | 817,219,351          | 272,089,608             | 545,129,743                         | 2,251,293                                     |
| Non-Machinable Parcels         | 44,481,953           | 12,078,162              | 32,403,791                          | 122,540                                       |
| Irregular Parcel Post          | 37,029,050           | 9,948,703               | 27,080,347                          | 102,009                                       |
| Sacks                          | 64,506,210           | 64,506,210              | 0                                   | 177,704                                       |
| Letter Trays                   | 66,637,653           | 66,637,653              | 0                                   | 183,575                                       |
| Flat Tubs                      | 4,466,883            | 4,466,883               | 0                                   | 12,306  |
| <i>Subtotal of Non-Pallets</i> | <i>1,034,341,100</i> | <i>429,727,219</i>      | <i>604,613,881</i>                  | <i>2,849,425</i>                              |
| Pallets                        | 2,023,021            | 2,023,021               | 0                                   | 5,574   |
| <b>Total</b>                   | <b>1,036,364,121</b> | <b>431,750,240</b>      | <b>604,613,881</b>                  | <b>2,854,998</b>                              |

In the current surface network, approximately 60% of the volume processed at an individual BMC facility does not reach a second BMC facility. This is turnaround mail (i.e., mail that both originates and destines within the facility's service area) or mail that is entered at the destination BMC by commercial customers. The Postal Service requires the supplier to accept volume entered by commercial customers at its facilities, and the supplier should facilitate entry of this volume in a manner that provides a high level of service to postal customers.

The Postal Service anticipates that the optimal network design may include the integration of postal products with a supplier's products in a shared network concept. A basic network design is presented in [Figure 2](#); the supplier must propose and describe its own network design.

<sup>4</sup> All, none, or part of this transportation may be awarded under this RFP. Local containerized transportation for a particular supplier site will be evaluated independent of the other sites, and may or may not be awarded.

Figure 2: Network Design



### 1.3.3 Product Visibility

The Postal Service will use scan data to monitor network performance, support invoice processing and payment, and verify that all mail is delivered. The product visibility characteristics of the network are as follows:

- Bar codes will be affixed to handling units, pallets, trailers, and containers in advance of tender to the supplier
- If a bar code has not been affixed to the handling unit, the supplier will need to apply a unique bar code to it
- Scan data will be used to track handoffs between USPS and the supplier, providing visibility of mail throughout the network, from possession to delivery, and during routing of the mail
- Handling units and pallets will be tracked either through direct scanning, nesting scans, or some other supplier-designed, USPS-approved solution
- Visibility will be achieved at the trailer, container, and handling unit levels, at the time of both possession and delivery

The supplier must transmit scan data into Postal Service information technology systems. The Postal Service requires timely access to the scan data and associated reports as products move through the supplier's network. The scan data will measure volume, track transit time, and serve as a basis for operating reports.

Currently, some handling units do not have bar codes or the bar codes do not allow for unique tracking throughout the network. The supplier must apply unique bar codes to these handling units to allow for end-to-end product tracking and to support invoice processing and payment, and the supplier must create and apply placards<sup>5</sup> with bar codes on containers at destination. Furthermore, the supplier will track trailers used to transport mail between postal and supplier facilities through the application and scanning of USPS-specified bar codes or through an equivalent solution (e.g., Global Positioning System [GPS]) provided by the supplier.

For further information on the product visibility requirements, see [Section 2.4](#).

<sup>5</sup> A placard is an 8.5 x 11 inch piece of paper affixed to Mail Transport Equipment used in transport; the placard provides the destination bar code for Surface Visibility scanning.

### 1.3.4 Performance Metrics and Standards

The supplier must meet or exceed the transit time expectations as specified in [Appendix B](#). These standards are specific to each product line and are expressed in terms of:

- Transit times (in days) through the supplier's network
- 95% achievement for each lane for each service period

On-time performance is measured from the possession point to the delivery point. Possession will occur at the supplier's facilities and may occur at postal facilities if the local transportation is awarded. [Figure 3](#) describes the pickup and delivery windows.

Figure 3: Pick Up and Delivery Time Windows

| Pick Up Window<br>(at origin USPS<br>plants) | Destination Facility <sup>6</sup>   | Delivery Window<br>(at destination) | Latest Delivery Time<br>(at destination) |
|--|-------------------------------------|-------------------------------------|--|
| 1400 - 0200                                  | Sectional Center Facility (SCF)     | 0800-2400                           | 1600                                     |
| 1400 - 0200                                  | Automated Distribution Center (ADC) | 0800-2400                           | 1600                                     |
| 1400 - 0200                                  | Destination Delivery Unit (DDU)     | 0800-1600                           | 1600                                     |
| N/A  | Customer                            | 0800-1600                           | 1200                                     |

Note: actual customer delivery windows will be determined locally. In response to this SOW, suppliers must use the given delivery window.

The pick-up window is until 0200 all seven (7) days. The supplier must pick up all mail processed and ready to go by 0200.

The delivery time is the latest time that the mail must arrive at the destination facility to be considered on time. The delivery window (in [Figure 3](#)) is longer than the latest delivery time at SCFs and ADCs. The Postal Service will continue to accept mail after the latest delivery time, up until 2400, so that the supplier can advance mail (i.e., deliver a day early) or deliver late mail. If the supplier is not awarded the local transportation (Activity 1 in [Section 3](#), Compensation), then the supplier will determine the latest times by which trailers must be loaded for dispatch to the destination facility. These dispatch times must allow for reasonable travel times from the supplier facilities to the destination facilities, taking into account conditions such as weather and traffic.

Each combination of possession and delivery points, referred to as lanes, has a maximum transit time expectation (listed in [Appendix B](#)). The expectation is defined in the number of days. Day 0, when the supplier picks up the mail, is defined as the hours of 1400 to 0200. If the transit time expectation is four (4) days, and the supplier picks up the mail at 2300 on a Monday, Tuesday is the first day and the volume must be delivered to the destinating postal facility or customer on Friday earlier than the latest delivery time listed in [Figure 3](#).

The Postal Service is receptive to proposals with improved transit times that do not increase the cost.

## 2 Network Components

The supplier will provide a complete network solution consisting of the components presented below. Network components consist of:

- Network Design
- Distribution
- Transportation

<sup>6</sup> Note: the Postal Service designates specific plants to handle different types of mail based on distribution (i.e., a plant can be referred to as both a SCF and an ADC).

- Information Technology
- Facilities
- Personnel
- Security

The Postal Service seeks to leverage a supplier's existing capabilities, including but not limited to, automated distribution of individual handling units, product visibility, floor loading, utilizing tandem and triple trailers, and other industry best practices.

## **2.1 Network Design**

### **2.1.1 Overview**

The supplier must provide a network design that meets or exceeds 95% on-time service performance (as specified in [Appendix B](#)) from the time of mail receipt until tender back to the Postal Service at final destination. The network design consists of distribution, transportation, information technology, facilities, personnel, and security; and the supplier will respond in detail to each of these six (6) network components as described in [Sections 2.2](#) through [2.7](#). In response to this section, the supplier must provide an overview of the network design and descriptions of how each component is integrated with the other components to ensure that on-time service performance standards are achieved.

As part of the network design, the supplier is required to create an activation plan as detailed in the following section.

### **2.1.2 Activation Plan**

#### **2.1.2.1 Schedule**

As part of its proposal, the supplier will provide its activation plan and schedule for all 21 BMC service areas. There will be no activations of supplier facilities during the month of December. The entire network must be operational within the first 18 months of the contract period of performance. The schedule must include a gradual implementation of facilities throughout the 18-month implementation period.

The supplier will first activate facilities covering the six (6) BMC service areas specified below (others may be included depending on network design). A listing of the USPS and customer facilities served by each BMC service area can be found in [Appendix D](#).

- Atlanta (GA) BMC
- St. Paul (MN) BMC
- Cincinnati (OH) BMC
- Chicago (IL) BMC
- Seattle (WA) BMC
- Detroit (MI) BMC

For the purposes of the activation plan and in response to the RFP, the supplier can propose any order it chooses for the remaining 15 BMC service areas. However, the order and method of the activations will be subsequently determined after contract award by the Postal Service in consultation with the supplier.

#### **2.1.2.2 Acceptance Testing**

The supplier must perform a three-day test of total system operations at each facility prior to activation (based on the Postal Service approved activation schedule). The test must include the following components and mirror the supplier's approved network design:

- Unloading containers from trailers at the facility
- Unloading mail from the containers

- Applying bar codes
- Distributing mail
- Capturing and transmitting all required visibility (scan) data
- Loading mail into containers
- Loading mail onto trailers

The supplier must demonstrate the ability to process the equivalent of an Average Daily Volume (ADV) for each shape category. This can be demonstrated by processing the supplier's product or postal-provided handling units. If the supplier's product is utilized in the test, then the following must hold:

- The amount of volume flowing through the facility is equivalent to the expected Postal Service volume
- There is sufficient capacity in the facility on an average day to accommodate the additional Postal Service volume in addition to the supplier's product

The demonstrated distribution must reflect the requirements specified during the implementation period, and volume visibility (scanning) must occur. The results of the acceptance test will be used by the Postal Service to determine if the supplier's operation meets the requirements in this SOW. If there are issues during testing, the supplier must submit an action plan to the Postal Service within five days following receipt of the acceptance test results. This action plan must address any components of the supplier's process that did not pass the requirements of the test plan. Upon Postal Service acceptance of the action plan, the supplier will retest these components.

#### **2.1.2.3 Certification**

The Postal Service will utilize a certification process for each new supplier facility. The certification process will include specific metrics for each of the network components and associated activities for distribution, transportation, facilities, personnel, and security to ensure the supplier can achieve the capabilities defined in the contract. There will be a separate certification process surrounding the IT requirements, which may be broken down into multiple phases. For example, the first part of certification is related to the capture of event data for payment purposes and service measurement, and the second part of certification is related to the automated transmission of that data (see [Section 2.4](#)).

A facility has been fully activated when the facility is processing and transporting 100% of the originating and destinating volumes for its service area. Each facility must be fully activated and pass the certification process by the end of the 18-month network implementation period or within two (2) months of the start of activation at that facility, whichever comes first. The supplier cannot begin the activation of a new facility until approval is granted by the Postal Service.

#### **2.1.2.4 Distribution Requirements During Implementation**

During implementation, there may be circumstances where the distribution requirements will be different than the specified requirements in [Appendix E](#). This may happen, for example, when the Postal Service and the supplier do not serve the exact same ZIP Codes from similarly located distribution facilities. This will be discussed with the supplier during the implementation period.

#### **2.1.2.5 Interfaces with USPS Network Management**

##### **2.1.2.5.1 Reporting during Implementation**

The supplier must provide the following during the implementation period:

- Progress report (narrative) – required every other week
- Milestone chart using Microsoft Project<sup>®</sup> software – required every other week

The supplier must submit the progress report and milestone chart to the following individuals, who will later be named by the Postal Service:

- Contracting Officer

- Project Manager
- Contracting Officer's Representative

Each progress report and milestone chart must be transmitted electronically (internet e-mail addresses will be provided within 30 days of contract award). The supplier must also conduct a technical review meeting each month. The supplier must conduct and attend ad hoc and other unscheduled meetings as required by the Postal Service.

#### *2.1.2.5.1.1 Progress Report*

A brief summary of all work accomplished during the reporting period with specific reference to events listed in the milestone chart must be included in Section 1 of each bi-weekly progress report.

The following must be included in Section 2 of each progress report:

- A discussion of all problems encountered during the reporting period. The discussion must include a description of each problem encountered, supplier-implemented or supplier-recommended resolution, impact (if any) of each problem on schedules, action items identified in the milestone chart, and steps taken (or to be taken) by the supplier to recoup time lost as a result of each problem encountered
- Any other information pertinent to supplier performance including, but not necessarily limited to, the plan and performance-to-plan regarding:
  - Facility renovation and modification as necessary
  - Screening, hiring, and training of personnel
  - Start-up of network operations
  - Logistics planning
  - Acquisition of surface transportation as necessary
  - Security and IT updates

The following must be included in Section 3 of each progress report:

- A discussion of the supplier's planned accomplishments for the next month
- A list of all outstanding action items

#### *2.1.2.5.1.2 Milestone Chart*

Microsoft Project® software must be used to create the detailed milestone chart which must include a comprehensive list of all supplier-identified activities related to the activation and maintenance of all facilities and related services necessary to support the network.

The supplier must include in the milestone chart a schedule of all contract-related events and actions along with "start" and "complete" dates for each event and action. At a minimum, the schedule of events must identify and address the status of the distribution design and information requirements as well as logistics implementation, training, and activation of facilities, and other information deemed necessary by USPS.

#### *2.1.2.5.2 Planning and Other Meetings*

In addition to meeting requirements specified herein, the supplier may be required to attend and participate in a number of planning and other meetings. The Postal Service reserves the right to specify the number of supplier personnel who will attend each meeting, and to request that specific supplier personnel attend a meeting. Such meetings will likely include, but will not necessarily be limited to, the following:

- A kick-off meeting, which will take place subsequent to contract award at USPS Headquarters, Washington DC: the purpose of the meeting will be to introduce the key stakeholders and discuss issues and requirements associated with the contract. The meeting is expected to be one to two days (not including any required travel time) in duration.

- A meeting for each supplier's facility with key personnel from the supported plants will be scheduled subsequent to contract award. The purpose of these meetings will be to introduce the supplier's personnel to personnel from the supported plants and review roles and responsibilities of the entire team. Each meeting is expected to be one to two days in duration.
- Monthly (or more frequent as required) planning meetings with the Contracting Officer Representative and other plant personnel to discuss anticipated short- and long-term workload fluctuations and other pertinent requirements of the contract.
- Operations Meetings: reviews between the Postal Service and the supplier will be held to discuss problems and implement solutions to improve reliability and resolve actual as well as potential problems.

## **2.2 Distribution**

### **2.2.1 Overview**

The following is a description of distribution activities. It is the Postal Service's view of how the required work could be performed. The supplier must provide its proposed distribution design. The supplier plan must accommodate both anticipated and unforeseen volume fluctuations and seasonal spikes.

- Unloading trailers from postal or customer facilities
  - Unload Postal Service-supplied containers and pallets from the trailers
  - Unload handling units from the containers and working pallets
  - Scan all units with unique bar codes; separate those units without unique bar codes for supplier bar coding
- Perform primary distribution, which will separate the handling units into two categories:
  - Local Volume – this is mail that came out of the origin operation that will also require a secondary distribution at the origin supplier facility (turnaround or destinating drop shipped mail)
  - Network Volume – this is mail that will require another distribution at a different facility that serves the destination ZIP Code area
- Load network volume and dispatch trailers
- Unload trailers from upstream supplier facilities and customer trailers containing mail for the destination ZIP Code area
- Perform secondary distribution, which will separate volume as required in [Appendix E](#)
- Load local volume and dispatch trailers
  - Scan each unit and associate the unit with its appropriate container and trailer
  - Load mail into Postal Service-supplied containers
  - Load containers and pallets onto trailers and then dispatch

The supplier can expect a 15 to 20 percent increase in handling units during the peak period of November 1 to December 24 each year. The supplier must account for peak season volumes when developing distribution plans.

### **2.2.2 Mail Acceptance**

The supplier must accept customer-prepared mail from Postal Service customers at its origin or destination facilities. The supplier will receive this mail through drop shipments or plant loads. Drop shipments are transported to the supplier's facility by a Postal Service customer. Plant loads are transported to the supplier's facility either by the Postal Service or supplier transportation.

Some of this mail will have been accepted at a postal facility prior to entry at the supplier's facility. This mail will require only receipt activities at the supplier's facility. The supplier is required to provide appointment times for postal customers to drop mail at each supplier facility. Further details are provided in [Appendix F](#).



The remaining shipments will need to go through the mail acceptance process. Mail acceptance will occur at supplier facilities through an on-site, postal-operated Business Mail Entry Unit (BMEU). The supplier must provide facility space and dedicated dock doors for the BMEU functions (see [Section 2.5](#)). In general, the hours of operation for the mail acceptance unit will be 0700-2000. For further information on mail acceptance, including Postal Service Forms and scanning requirements, see [Appendix F](#).

Some customer volume will be distributed to downstream postal facilities. The supplier must maintain the integrity of these customer-prepared pallets during transportation through its network. Customers will also enter working pallets at the supplier's facility; these pallets will require distribution by the supplier.

### **2.2.3 Special Circumstance Mail**

Some mail products require special handling and the supplier will handle these as exceptions. These categories are described below.

#### **2.2.3.1 Hazardous Materials**

Hazardous Materials are articles or substances designated by the U.S. Department of Transportation (DOT) as being capable of posing an unreasonable risk to health, safety, or property during transportation. For safety reasons, most hazardous materials are non-mailable; however, certain items are mailable.

The supplier is required to transport mailable hazardous materials as defined in the Domestic Mail Manual (DMM 601.8–601.11, <http://pe.usps.gov>) and the supplemental material in Publication 52 (<http://pe.usps.gov/text/pub52/welcome.htm>). The supplier must ensure its employees and the employees of its subcontractors who have access to the mail receive the most current hazardous materials training.

#### **2.2.3.2 Damaged Mail**

Handling units and pallets (referred to as “items” or “mail”) may be occasionally damaged in transit or during processing. The supplier must identify damaged mail, which includes articles found loose in the mail (i.e., items separated from their containers or wrappers). Every reasonable effort must be made to match articles found loose in the mail with the envelope or wrapper from which they were separated.

This section addresses, but is not limited to, the following types of damage where the item:

- Strapping is loose, separated, or missing
- Wrapping is torn or very loose
- Is wet, damp, or rain-soaked
- Contents are exposed through the cover
- Is leaking
- Flaps are loose and not taped and/or strapped down
- Corner is split or separated
- Contents are separated from original packaging
- Is crushed
- Container is empty

For damaged mail, minor rewrap must be performed by the supplier in each operating area. This is a “first aid” approach in which the items can be repaired with minimal intervention and re-inducted into the processing stream. This will reduce the delays and improve the probability that the handling unit will maintain its integrity. In cases where the damage cannot be repaired in the operating area, the item must be dispatched to a supplier-designated rewrap area.

Mail that requires rewrap must be removed from the mail stream immediately upon identification. Further processing without corrective action may cause the mail to be damaged beyond repair and result in an undeliverable handling unit. These items must go to the designated rewrap area.

### 2.2.3.3 **Rewrap / Loose-in-Mail Operations**

Rewrap or loose-in-mail (LIM) operations must take place as part of the normal operating cycle and must be adequately staffed to ensure this mail meets its intended dispatch. The purpose of this area is to repair damaged mail, match loose contents with opened items, and route mail to the appropriate operation.

The supplier must move damaged mail to the rewrap area promptly. Handling units that are incomplete must be secured in a plastic bag and placed in a container to be sent to the rewrap area. Loose mail pieces that have become separated from their handling units (e.g., letter tray or flat tub) will not be sent to the rewrap area; they will be given to the Postal Liaison (a Postal Service employee stationed onsite at the supplier facility) for return to the designated postal facility.

Rewrap or LIM area supervisors must review the condition of the rewrap area to ensure:

- All damaged mail is repaired and entered back into the processing stream by the end of the processing shift
- Containers do not contain inappropriate mail for the rewrap area (e.g., minor damage)
- Only an employee whose duties are in the rewrap area, should be allowed to go through the containers while in the staging area
- Containers of LIM/rewrap are properly identified
- Maintenance is notified of damaged mail when the cause is suspected to be machine related

#### 2.2.3.3.1 *Dispatch to designated Postal facility*

Repaired mail must be placed back into the processing stream and delivered to USPS. If the item cannot be repaired or articles separated from their wrappers cannot be matched, it/they must be placed in a container. The supplier must utilize the Mail Transport Equipment Labeler (MTEL) application (see [Appendix G](#)) to produce a damaged mail placard. This placard must be attached to the container and returned to the designated USPS plant on the next available transportation dispatch. The Postal Service will provide the placard layout and the bar code specifications shortly after contract award.

### 2.2.3.4 **Non-Network Mail**

The Postal Service will make reasonable efforts to ensure that only the intended products are tendered to the supplier. However, there may be occasions when the supplier receives non-network mail. Non-network mail includes Express Mail, Priority Mail, First-Class Mail, and Registered Mail.

*Express Mail:*



*Priority Mail:*



### *First-Class Mail*



### *Registered Mail:*



The supplier may see non-network items as single pieces or in sacks or trays. Supplier's employees must be trained to identify these classes of mail. When this type of mail is scanned, the bar code will contain data that will aid in identification; see [Appendix H](#).

The supplier must separate these products from the remaining network mail and place them into a container. For Express, Priority, and First-Class Mail, an MTEL non-network mail placard must be attached to the container in which they are placed, and the container returned to the designated USPS plant on the next available transportation dispatch. If the next dispatch is not until the following day, the supplier must contact the Postal Liaison to determine appropriate action. USPS will provide the placard layout and bar code specifications within 30 days of the contract award.

For Registered Mail, the supplier must record the Registered Mail number and keep the mail in a locked area with limited access. The supplier must then contact the Postal Liaison to schedule pick-up by Postal Service personnel.

## **2.2.4 Distribution Contingency Planning**

The supplier must develop, maintain, and follow contingency plans when necessary, and determine alternate processes to use in the event of occurrences that disrupt normal operations and could impact service performance. At a minimum, the supplier must submit contingency plans in its proposal that address the following circumstances:

- Equipment breakdowns
- Power losses
- Volume significantly above planned levels
- Severe weather
- Natural disasters
- Labor actions and/or disruptions
- Staffing shortages
- Periods of national emergency
- Handling of suspicious or dangerous materials
- Other events or conditions that may impact on-time operations

The intent of the contingency plans is to continue to meet service requirements in spite of the disruption, and to return operations to normal as quickly as possible.

Events may affect the ability of Postal Service facilities to operate. The supplier must cooperate with the Postal Service when the Postal Service invokes a contingency plan that changes normal operations.

## **2.3 Transportation**

### **2.3.1 Overview**

The following is a description of transportation activities:

- Transportation to the supplier's origin facility (if awarded)
  - Transport mail in containers from the postal plant or delivery unit to the supplier's originating facility, up to seven (7) days per week between 1400 and 0200 the following day; refer to [Appendix I](#) for the current number of trips
- Transportation from the supplier's origin facility to the supplier's destination facility
  - Transport outbound trailers to the facility that serves the destinating service area (other than turnaround or destinating drop shipped mail)
- Transportation from the supplier's destination facility (if awarded)
  - Transport mail in containers to its final destination for delivery: USPS plants for acceptance between 0800 and 2400 each day, seven (7) days per week; delivery units and customer facilities for acceptance between 0800 and 1600 each day, five to six (5-6) days per week (excludes Sunday; may exclude Saturday)

The supplier will provide the Postal Service with a volume arrival profile by product type for each facility. The profile must include the schedule of transportation, the percentage of expected daily volume, and the mail makeup on each trip. The arrival profile is subject to final approval by the Postal Service. If a trip will arrive more than fifteen (15) minutes after the scheduled arrival time, the supplier will notify the on-site Postal Liaison.

If the local transportation is awarded to the supplier as part of this contract, the supplier must optimize its routings, utilizing round trips when possible, while maximizing trailer utilization and minimizing costs. The Postal Service and supplier will review the utilization of local transportation trips on a quarterly basis. At that time, the Postal Service may require changes to the transportation routing schedule (e.g., elimination of a trip going directly to a postal delivery unit).

### **2.3.2 Use of Mail Transport Equipment**

The Postal Service will provide the Mail Transport Equipment (MTE) required for the transportation of its products from originating postal and customer facilities to the supplier's originating facilities if this transportation is awarded. The supplier will utilize the provided MTE to return sorted mail to postal and customer facilities.

The most common types of rolling stock MTE are: General Purpose Mail Container (GPMC), Eastern Region Mail Container (ERMC), Heavy Duty Over-the-Road (HD OTR), Rigid Wire Containers, and Collapsible Wire Containers. Within each of these MTE containers or on pallets, the supplier will receive various types of handling units: parcels, letter trays, flat tubs, and sacks. Each handling unit will contain individual mail pieces (i.e., letters, flats, and parcels). Each of these MTE types is described in detail in [Appendix J](#), and guidelines for pallets are contained in [Appendix K](#).

The Postal Service will provide MTE for work under this contract. All MTE remains the property of the Postal Service and is to be used only for performing work under this contract. Postal rolling stock must not be used during transportation between supplier facilities.

The supplier will provide a weekly MTE inventory report for each facility by 11:00 am local time, on the same day each week, to a USPS designee. This report must be completed in a USPS approved template and sent electronically. The report will include, at a minimum, the counts of on-hand MTE by the categories listed in [Section J](#).

The supplier is responsible for maintaining an appropriate inventory of MTE to meet the requirements of the contract and to contact the Postal Liaison if in need of additional equipment. Excess equipment must be returned to the Postal Service on a space-available basis on scheduled transportation.

### **2.3.3 Transportation Contingency Plans**

The supplier must develop, maintain, and follow contingency plans when necessary, and determine alternate processes to use in the event of occurrences that disrupt normal operations and could impact service performance. The supplier must submit contingency plans that address the following circumstances:

- Delays and/or cancellations of surface vehicles caused by weather conditions
- Delays and/or cancellations of surface vehicles caused by mechanical failure
- Traffic disruptions
- Highway infrastructure issues
- Labor actions and/or disruptions
- Driver shortages
- Periods of national emergency
- Delays caused by environmental issues such as fuel spills, hazardous materials, etc.
- Natural disasters
- Other events or conditions that may impact on-time operations

The intent of the contingency plan is to continue to meet service requirements in spite of the disruption and to return to normal operations as quickly as possible.

## **2.4 Information Technology**

### **2.4.1 Product Visibility**

Visibility data allows the Postal Service to track service, enable payment, protect revenue, and ensure that all mail tendered to the supplier is delivered back to the Postal Service. The data will be captured through the tracking of unique bar codes on trailers, MTE, placards, and units.<sup>7</sup> When a unique bar code is not available, the supplier will produce a bar code for trays, tubs, and sacks using the ATLAS software, and for pallets and rolling stock using the MTEL software. For parcel bar codes, the supplier will print an Intelligent Mail® parcel bar code. Each unit is tracked either through direct scanning, nesting/denesting scans,<sup>8</sup> or some other supplier-designed process/system such as GPS, RFID, or another passive data capture method.

The remainder of the product visibility section describes a general process to accomplish the Postal Service's visibility requirements. The Postal Service will consider a supplier-designed solution as long as it meets the Postal Service's requirements. Any supplier-designed solution must include the ability to determine:

- Time/date and location of possession for each handling unit and intact pallet
- Time/date and location of delivery for each handling unit and intact pallet
- Departure time/date and location of any supplier provided transportation that is not between two supplier facilities (must indicate transportation was supplier transportation)
- Arrival time/date and location of any supplier provided transportation that is not between two supplier facilities (must indicate transportation was supplier transportation)
- Arrival events for any non-supplier transportation arriving at a supplier facility (must indicate transportation was not supplier provided)

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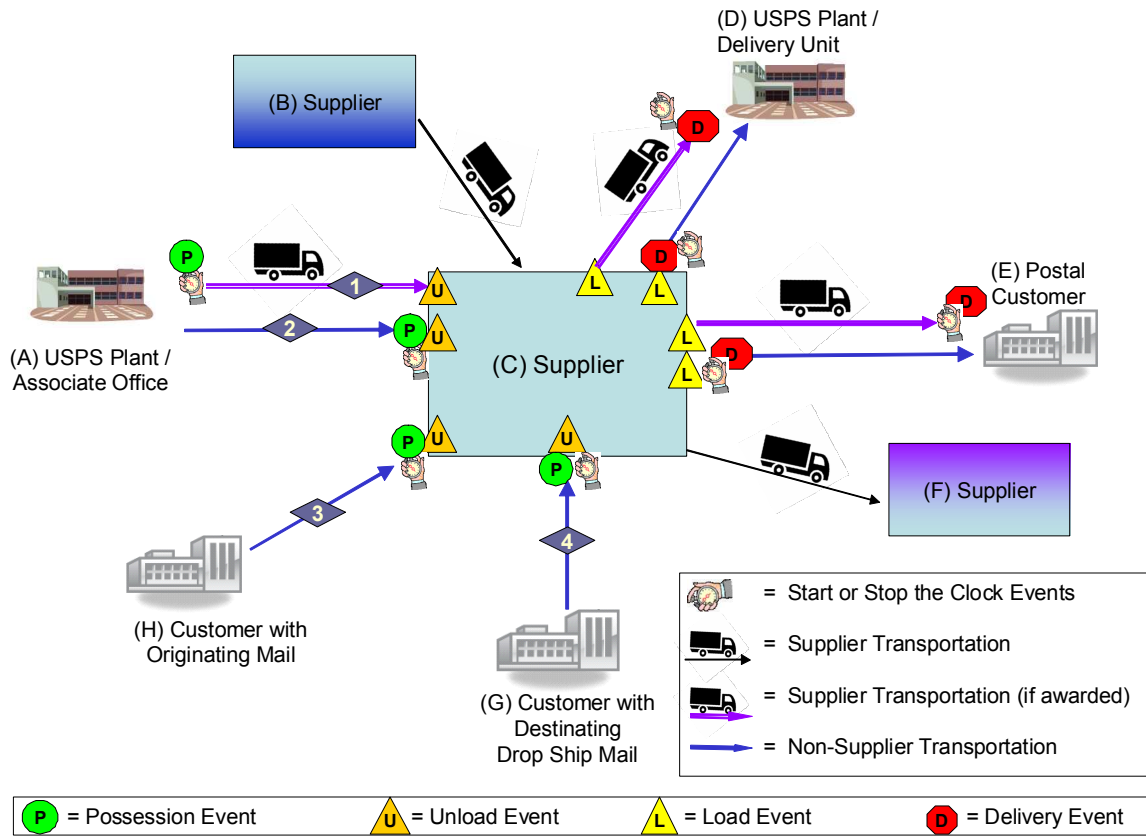
<sup>8</sup> Nesting is the association of a smaller unit with a larger unit in order to track the smaller units through association when the larger units are scanned. This association can be made during the loading or unloading of the larger unit. In the event that the association is made during the unloading process, the tracking system must retroactively apply the tracking data of the larger unit to smaller unit. Nesting may be considered to be any of the following – containers/pallets to trailer, handling units to a container/pallet, or parcels to a sack.

- Departure events for any non-supplier transportation leaving a supplier facility (must indicate transportation was not supplier provided)
- Arrival time/date and location of any customer-entered drop ship transportation
- Unload start and end time of any customer-entered drop ship transportation

The following section describes the visibility events required by the supplier. To facilitate integration into existing Postal Service systems the event capture will be based on scanning bar codes.

Figure 4 represents the required visibility events. Each handling unit or pallet will go through some series of events: one possession event, at least one unload event, at least one load event, and one delivery event.

Figure 4: Required Visibility Events



### 2.4.1.1 Possession

Possession events determine the location at which the supplier took possession of the unit and provides the start-the-clock time for the purpose of service measurement. The actual possession event occurs at the trailer level, but possession must be established at the handling unit or pallet level. As mail is unloaded from a trailer, the supplier must capture an unload event by scanning each bar code on handling units or each placard bar code on intact pallets. The unit's unload event must be linked to the possession event for the trailer.<sup>9</sup> This process is sometimes referred to as "denesting" and serves to establish possession at the handling unit/intact pallet level.

<sup>9</sup> If the MTE container is not immediately unloaded, the handling units can be directly linked to the container, and the container then linked to the trailer.

In the event a handling unit or container does not have a unique bar code, the supplier must apply one at this “denesting” point (see [Appendix G](#) for bar code specifications).<sup>10</sup>

Trailer possession will occur at supplier facilities. If local transportation is awarded, possession will also occur at postal facilities. [Figure 5](#) lists the various possession scenarios, and each scenario is described below it.

*Figure 5: Possession Scenarios*

| Possession Scenario* | Location                                 | Transportation Provider   |
|----------------------|--|---------------------------|
| 1                    | USPS Plant / Associate Office            | Supplier                  |
| 2                    | USPS Plant / Associate Office            | Postal Service            |
| 3                    | Customer with Originating Mail           | Customer / Postal Service |
| 4                    | Customer with Destinating Drop Ship Mail | Customer                  |

\*See [Figure 4](#) for corresponding numbered reference arrow

#### 2.4.1.1.1 Possession Scenario 1

For transportation type 1 in [Figure 4](#), the supplier will capture the supplier’s trailer departure at the postal facility. The capture of data will occur through either a manual scan or other passive scanning method. By associating the trailer departure information with the unload event data, the clock starts for each handling unit and pallet.

#### 2.4.1.1.2 Possession Scenario 2

For transportation type 2 in [Figure 4](#), the supplier will capture the trailer arrival event at the supplier’s facility. The trailer arrival must be captured at the time the trailer arrives at the supplier’s site even if the trailer is not immediately unloaded. By associating this trailer arrival information with the unload event data, the clock starts for each handling unit and pallet.

#### 2.4.1.1.3 Possession Scenario 3

For transportation type 3 in [Figure 4](#), the supplier will capture the trailer arrival event at the supplier’s facility. The trailer arrival must be captured at the time the trailer arrives at the supplier’s site even if the trailer is not immediately unloaded. By associating this trailer arrival information with the unload event data, the clock starts for each handling unit and pallet.

For shipments in need of postal acceptance, postal customers must submit mail for acceptance to the Postal Service BMEU at the supplier’s facility. The association with appointments and the availability of bar codes is the same as possession scenario 4 below, where the difference occurs when the trailer is unloaded. This mail must first be moved to the BMEU and then provided to the supplier for possession. The supplier is responsible for unloading the customer’s trailer and must scan and associate the containers and pallets with the trailer. This mail is then placed in the BMEU for verification by the Postal Liaison. After the Postal Liaison has verified the mail, the supplier will officially take possession. The supplier will scan the containers, indicating that the container came from the BMEU. This scan serves to indicate both possession and start the clock for service performance.

#### 2.4.1.1.4 Possession Scenario 4

For transportation type 4 in [Figure 4](#), the supplier will capture the customer’s trailer arrival event at the supplier’s facility. The supplier will provide arrival events by associating trailer arrival data to the appointment number, not the trailer bar code.<sup>11</sup> The Postal Service will provide to the supplier a data feed of appointments, scheduled dates, times, and locations. The trailer arrival must be captured at the time

<sup>10</sup> The start-the-clock time for handling units with a supplier bar code occurs when the bar code is applied.

<sup>11</sup> On occasion, a customer comes in unscheduled without an appointment. In that case, the supplier will use the customer’s ID located in the *Scheduler ID* field on PS Form 8125 when scanning the arrival of the trailer.



the trailer arrives at the supplier's site even if the trailer is not immediately unloaded. By associating this trailer arrival information with the unload data, the clock starts for each handling unit and pallet.

For all customer inducted volume, the supplier shall scan the Advance Shipping Notice (ASN) bar code printed on PS-Forms 8017, 8125, 8125-C, 8125-CD, or 3152A. The supplier will associate this data to the mail being inducted.

As the customer trailer is unloaded, the supplier will scan all container placards with bar codes. If the containers do not have placards with bar codes, suppliers will count the number of containers and pallets to protect Postal Service revenue. Additionally, the supplier will capture the unload start time and the unload end time for the load. The supplier will associate the scans, the count of containers, and the unload times to the appointment number.

When the placard does not contain a bar code, the supplier will determine whether the container is working mail or is cross-docked. If it is working mail, the supplier will complete the unload events by scanning the handling units. If the pallet is cross-docked, the supplier will print an MTEL placard and complete the bar code application event in [Section 2.4.1.4](#).

By associating the handling unit unload data with the trailer and the handling units with pallets, where appropriate, with the trailer arrival data, possession is established and the start-the-clock time is determined for each unit.

Some destination entry mailings require Electronic Verification Shipments (e-VS) (see [Appendix F](#)). The supplier will determine which trips require e-VS by the provided appointment information. Only some shipments will actually be verified. The Postal Liaison will inform the supplier in advance which trailers contain mail that will be electronically verified. The start-the-clock time for the supplier is the time when the Postal Liaison releases the mail to the supplier. For the mail on the trailer that is not e-VS mail, the process is the same as described above.

#### **2.4.1.2 Load Events**

When loading a trailer for departure to a postal or customer facility, the supplier will provide visibility data to establish the specific handling units and intact pallets are loaded onto the trailer. Suppliers will nest parcels into sacks as specified by the distribution requirements, and the sacks or other handling units into containers. The containers and intact pallets will then be nested into the trailer. The supplier must utilize the Postal Service trailer bar code during the load event.

In addition to the load scans, the supplier must provide the trailer departure date/time and as well as the destination for each handling unit or intact pallet. This can be accomplished through nesting/association.

#### **2.4.1.3 Delivery Events**

Upon arrival at the final destination (i.e., postal or customer facility), the supplier will capture the trailer arrival event. The delivery time/date and location for each handling unit or intact pallet will be determined by linking the load event data with the arrival data.

If the Postal Service provides the transportation from the supplier's facility to the final destination, the supplier will capture the trailer departure time/date at the supplier's facility. The delivery time/date and location for each handling unit or intact pallet will be determined by linking the load event data with the departure data.

#### **2.4.1.4 Bar Code Application Events**

The supplier will utilize the MTEL system to produce a bar code for a container or pallet. To produce a unique bar code for a tray, sack, or tub, the supplier will utilize the ATLAS system. For parcels, the supplier shall print the bar code according to the specifications for the Intelligent Mail® parcel bar code (see [Appendix G](#) for further information).



The supplier will create a bar code application event containing the following information: the newly created bar code, the site where the bar code is applied, and the date and time of application. If the supplier is applying an MTEL placard to a piece of rolling stock, the supplier will scan the container license plate bar code and associate it to the MTEL placard bar code. The container license plate is a bar code affixed to the rolling stock, and it identifies the type of MTE as well as provides a unique asset identification number (see [Appendix G](#) for the Container License Plate specification). This association will be provided to the Postal Service. If there is no Container License Plate, the supplier will notify the Postal Liaison and complete a bar code application event without the Container License Plate data.

When possible, the supplier will provide the origin of the product. If the bar code application is a result of an irregularity with the original unique bar code, the supplier must provide the original bar code and newly created bar code information.

#### **2.4.1.5 Additional Events**

If the supplier captures data concerning additional events not provided for herein as part of its normal operations, these events must be defined as part of the supplier's visibility capture plan and the data provided to the Postal Service. For example, if the supplier tracks trailers carrying postal products and moving between its facilities, this data must be provided to the Postal Service.

#### **2.4.2 Visibility Data Capture Reliability/Retention**

Since the data is used to support payment, the supplier's data capture solution will be audited. The supplier's data capture process must be designed to demonstrate that an event happened at the time/date and location that the data was captured. Data generated by any means other than direct data capture will be considered invalid. The supplier will provide and have an approved detailed visibility plan prior to implementation. The data capture plan will be reviewed prior to any site being activated, and the system will be audited once it is designed.

Additionally, to ensure that all data is received, the supplier will provide by type of event, the number of scans provided at the end of each day as well as the locations that the scans were completed. The data capture process and supporting systems are subject to audit by the Postal Service or its representatives throughout the contract.

All visibility data collected to support this contract are considered to be owned by the Postal Service and must be safeguarded by the supplier. The supplier must maintain the data for a period of five (5) years after the completion of the contract.

#### **2.4.3 Visibility Data Exchange Requirements**

The supplier will provide the Postal Service with all raw scanning data. The supplier will transfer this data to the Postal Service within eight (8) hours of the scan event. If the supplier cannot provide raw data within eight (8) hours of the scan event, the supplier will provide the exception areas and explanation for why more time is needed.

To support reconciliation, the supplier will provide a record with the complete visibility history for each handling unit or pallet. The complete history includes tracking from the possession event through the delivery event. The record must also include an assessment of service<sup>12</sup> of this unit. The data must be sufficient to support the differentiation between pallets kept intact throughout the network or broken at either origin or destination. This record must be provided within 24 hours of the delivery event.

Based upon the design of the successful supplier's visibility strategy, the Postal Service will provide a draft format for each scan type that is required under this contract work. The Postal Service and the supplier will finalize the formats shortly after contract award.

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<sup>12</sup> The assessment of performance includes whether a unit is late or on time. If the unit is late, the supplier shall provide the number of hours and minutes late.

The supplier shall use technology compatible with the Postal Service systems when sending and receiving scan data.

#### 2.4.4 Bar Codes

For product visibility, a unique bar code must be affixed to each handling unit, pallet, container, and trailer. The supplier's IT systems must read and capture the Postal Service bar codes. [Appendix G](#) provides the bar code specifications.

[Figure 6](#) describes the bar codes that the supplier must capture through scanning or other passive method.

Figure 6: Bar Codes

| Unit                    | Bar code Specification – Unique  | Non-Unique Bar code   |
|-------------------------|--|---|
| Trailer                 | <ul style="list-style-type: none"> <li>Postal Service trailer bar code</li> </ul>  |   |
| Pallet                  | <ul style="list-style-type: none"> <li>MTEL placard bar code (Postal Service applied)</li> <li>Intelligent Mail® container bar code (customer applied)</li> </ul>  |   |
| Rolling Stock Container | <ul style="list-style-type: none"> <li>MTEL placard bar code (Postal Service applied for distribution)</li> <li>Intelligent Mail® container bar code (customer applied for distribution)</li> <li>Container License Plate (Postal Service applied for inventory management)</li> </ul> |   |
| Tray/Tub/Sack           | <ul style="list-style-type: none"> <li>Enhanced Distribution Label (Postal Service applied for distribution)</li> <li>Intelligent Mail® tray bar code (customer applied)</li> </ul>  | <ul style="list-style-type: none"> <li>10-digit tray label (customer or Postal Service applied)</li> <li>8-digit tray label (customer applied)</li> </ul> |
| Parcels                 | <ul style="list-style-type: none"> <li>Intelligent Mail® parcel bar code (customer applied)</li> <li>Delivery Confirmation (Postal Service applied)</li> <li>PVI (Postal Service applied)</li> <li>Intelligent Mail® parcel bar codes (customer applied)</li> </ul>                    | <ul style="list-style-type: none"> <li>PostNet bar code (customer or Postal Service applied)</li> </ul>   |

The Postal Service does not currently apply bar codes to all handling units and pallets that the supplier will receive. Additionally, some of the bar codes on handling units do not allow for the unique tracking of the handling unit throughout the entire network. The supplier can scan these to obtain distribution information, but non-unique bar codes cannot be used for compensation. Data on non-unique bar codes is not required to be provided to the Postal Service. In these cases, the supplier will need to create and apply unique bar codes to the handling units.<sup>13</sup>

Rolling stock and pallets have placards affixed to them indicating distribution information. Containers that originate from customer transportation or customer facilities may have a unique bar code printed on the placard. For a customer-applied placard, the bar code will be the Intelligent Mail® container bar code. For a Postal Service-applied placard, a bar code is printed with the MTEL bar code. These bar codes are unique and may be used for compensation purposes. Additionally, a rolling stock container such as an All-Purpose Container (APC) will have a label affixed to it called the Container License Plate.

For trays, tubs, and sacks, the labels may contain various bar codes, both unique and non-unique. There are two non-unique bar codes that the supplier may see: 10-digit tray labels and 8-digit tray labels. The

<sup>13</sup> Supplier-generated bar codes must be linked to the possession event to determine the start-the-clock time for the unit.

supplier may scan one of these bar codes for routing information and utilize that information to create a replacement bar code from the ATLAS system, which creates unique bar codes. Scans with non-unique bar codes will not be used for compensation. There are two versions of the unique tray, sack or tub bar codes. A customer applies the Intelligent Mail® Tray bar code, and the Postal Service applies the Enhanced Distribution Label bar code.

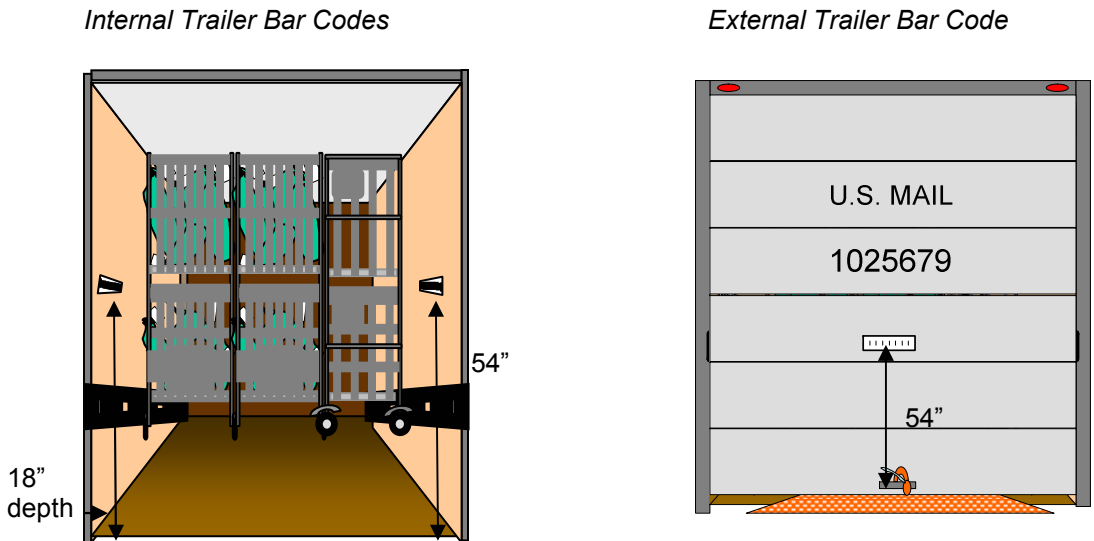
For parcels, there are a variety of bar codes. The full details are included in [Appendix G](#). By scanning the PostNet bar code in addition to the unique parcel bar codes, the supplier can obtain the distribution information.

The Postal Service will provide unique facility codes to each of the supplier’s facilities. These codes will be used by the supplier to identify the location that the processing of the mail/scanning is occurring. To identify the location that the bar code application occurs, the Postal Service will determine the origin of the mail by gathering that data from the bar code printing systems including ATLAS and MTEL. For the parcel bar code printing, the supplier will have a different “Mailer ID” for each of the supplier locations to identify where the printing occurred. The supplier’s bar code must follow the format specified in [Appendix G](#) and be unique to allow for tracking throughout the end-to-end network. Suppliers cannot create the same bar code within a period of 30 days.

The Postal Service does not know how many units will require a supplier-created unique bar code. The anticipated percent of mail that will need to be bar coded by the supplier could be 50% at the beginning of contract performance.

For transportation used to pick up from or drop off at postal or customer facilities, the supplier must place bar codes on its trailers. The Postal Service will provide to the supplier the trailer bar code specifications. The supplier will provide information on trailer characteristics to support interfaces to existing Postal Service systems. [Figure 7](#) illustrates the correct placement of these bar codes.

*Figure 7: Trailer Bar Code Placement*



**2.4.5 Data Transfer**

The supplier must provide all data related to the product visibility to the Postal Service. Standard formats for transferring data to and from the supplier will be provided by the Postal Service 30 days after contract award. The possible options include Internet EDI, Web Services, and Secure FTP.

In addition, the supplier will provide the following data:

- Routings to support MTEL and ATLAS
- Daily confirmation files for all data transferred to the Postal Service
- Expected late trailer arrival profile including expected time of arrival and volume profile

The Postal Service will also provide data to the supplier including:

- The Postal Service systems data on trailer departures to supplier locations when available
- Payment notifications
- Service notifications
- Appointment schedule information

#### **2.4.6 IT Infrastructure**

The supplier will support the data exchange needs of the contract through its IT infrastructure. The supplier will support a Postal Service-provided LAN connection to provide access to multiple systems required for use including, but not limited to:

- ATLAS – Distribution Label Printing
- MTEL – Container/Pallet Placard Printing
- FAST – Customer Appointment Schedules

#### **2.4.7 Summary Reporting**

The Postal Service requires frequent monitoring of this network. The Postal Service may require five (5) daily reports, as many as five (5) weekly reports, and as many as five (5) monthly reports. The actual number and details of required reports will be determined during the initial months of operations. Reports may include information about the quantity of mail (total and subgroups), known operational issues (transportation or distribution), service achievement, or customer load/unload times and metrics at the site level.

Distribution by email is assumed; a supplier-maintained web site may substituted if desired by the supplier.

#### **2.4.8 Payment**

The data collected as part of product visibility processes are used to support payment to the supplier. Additional details are provided as part of the overall compensation section (see [Section 3.4](#)).

### **2.5 Facilities**

The supplier will provide the facilities necessary to meet the requirements of this SOW. The supplier must provide office equipment, computer equipment, and communications equipment to be used in support of its operations. The supplier must provide all supplies required to support and maintain its operations. This includes, but is not limited to, administrative and maintenance supplies.

Within each facility, the supplier will provide space for postal personnel to perform the mail acceptance procedures. At least 5,000 square feet must be provided in each supplier facility where mail is entered at the BMEU. This space includes:

- Three dedicated platform bays (available during BMEU operating hours) for the Postal Service to accept mail from its customers
- 3,000 square feet of enclosed space adjacent to the platform bays
- 1,600 square feet of staging space adjacent to the enclosed area
- 400 square feet of waiting area for drivers, adjacent to the mail acceptance area
- Two desks, two chairs, two Internet connections and two telephones

Additionally, the supplier must provide an additional on-site office at each facility with two desks, two desk chairs, two visitor chairs, two four-drawer lockable file cabinets, four internet connections for computers

supplied by USPS, and two telephones in the office with supplier-provided local and long distance service, for use by the Postal Liaisons at the facility.

## **2.6 Personnel**

The supplier will provide the personnel necessary to meet the requirements of this SOW. This includes staffing to cover the peak volume period from November 1 – December 24 each year.

## **2.7 Security**

All security procedures and the supplier's proposed Security Design Plan are subject to review and approval by the Postal Inspection Service. The supplier and all subcontractors must maintain and preserve the sanctity of the mail at all times. A failure to protect and secure the mail may result in the supplier being subject to liquidated damages. The supplier may also be held responsible for claims made against the Postal Service for items stolen while in the supplier's possession.

### **2.7.1 Security Requirements**

#### **2.7.1.1 Facility Access for Postal Service Employees**

At any time, the supplier must allow postal officials, with proper credentials, access to all buildings, field areas, and ground equipment being used to sort, stage, or transport mail under this contract or under any service subcontract. Postal employees cannot be denied facility access because a supplier representative is not available. The Postal Inspection Service has the right to conduct both scheduled and unscheduled inspections.

#### **2.7.1.2 Personnel Screening**

##### **2.7.1.2.1 Section 1: Forms**

The supplier and all subcontractors are responsible for ensuring that all employees undergo the following security screening process prior to having access to the mail. The supplier must provide each employee the following forms and return the required information to the Security Investigations Service Center (SISC), 225 N. Humphreys Blvd., 4th Floor, Memphis, TN 38161-0008. Forms can be obtained by calling the SISC at (901) 747-7712 or by email at Meg@uspis.gov.

1. *PS Form 2025, Contract Personnel Questionnaire*. Each item on the questionnaire must be fully addressed.
2. *PS Form 2181-C, Authorization and Release - Background Investigation (one original form)*. Applicants must provide their complete residential address, including city, state, and ZIP+4. The form must be signed and dated by the applicant within one (1) year of submission to the administrative official.
3. *Form FD 258, Fingerprint Card (two original cards)*. The fingerprint chart will be submitted to OPM by SISC for a check against the FBI national database. In the event that a print cannot be obtained, a second card submission is allowed. The following rules must be adhered to:
  - Prints must be taken using black ink only
  - Ink must be distributed evenly on the inking slab
  - Impressions must be recorded in order
  - Notations of amputations or deformity must be made in the individual finger block
  - If a physical condition makes it impossible to obtain perfect impressions, documentation must be attached to the card explaining the circumstances
  - The *Reason Fingerprinted* block must include the Postal Service contract number
  - *Employer* and *Address* must include the name and address of the supplier, not the applicant
  - The United States Postal Inspection Service is not responsible for fingerprinting applicants

- Exception: If Case Closing Transmittal (CCT) results from OPM are available, the CCT results may be submitted in lieu of FD-258s; the CCT must be dated within the previous 12 months
4. *Certification and Transmittal Cover Sheet.* The administrative official's name, telephone number, facility name, and mailing address must be included.

2.7.1.2.2 *Section 2: Background Investigations*

The supplier is responsible for conducting the following background investigations and submitting the results to the SISC along with items 1-4 from Section 1. The background investigations must include:

1. *A criminal records check.* The criminal records check for felonies and misdemeanors will be performed through local agencies (city, county, state) where the employee has lived and worked for the past five years. In order to perform a complete criminal history check the employee must have lived in the United States for the previous five (5) years. If a complete criminal check cannot be performed the clearance will not be authorized. In addition, the clearance will not be authorized if the employee:
  - Has been convicted of a criminal violation during the past five (5) years for offenses that involved dishonesty, financial gain, or assault
  - Is on parole, probation, or under suspended sentence for commission of a felony
  - Has serious criminal charges pending such as murder, rape, robbery, burglary, physical assaults, sale and distribution of drugs, or weapons violations; if criminal charges are pending, the clearance is not to be authorized until the charges have been resolved
2. *Employment verification.* The verification will identify reasons for termination or resignation from previous positions during the five (5) years prior to employment under this contract. In order to verify employment the employee must have lived in the United States for the previous five (5) years.
3. *The results from a drug-screening test for prohibited drugs.* The term "prohibited drugs" refers to the five (5) most abused substances, as defined by the Substance Abuse and Mental Health Services Administration (SAMHSA), cocaine, marijuana, amphetamine / methamphetamine, opiates, and phencyclidine (PCP). The screening test must be performed by a SAMHSA approved and certified laboratory and must meet the cut-off levels established by SAMHSA. The certification must include the name of the employee, the name of the institution that performed the test, the name of the agency that certified the laboratory, the date of the test (within 90 days of the submission of the results), and the negative results of the test.
4. *Verification of U.S. citizenship or legal work status authorizing the employee to work in the United States.* Proof of citizenship may consist of: a certified copy of the employee's birth certificate (U.S. Citizen), copy of State Department issued passport (U.S. Citizen), or copy of permanent resident card or unexpired work visa from the U.S. Citizenship and Immigration Services (USCIS) agency within the Department of Homeland Security. If unique expertise arises and a foreign supplier without the required five (5) years of United States residency is necessary, the Inspection Service will be contacted immediately.
5. The supplier will retain the certification and transmittal cover sheet for each employee.

2.7.1.2.3 *Section 3: Hiring*

Under this contract, the supplier will not hire any person who:

1. Tested positive for a prohibited drug without an authorized legal prescription or other exemption under Federal, state or local law

2. Has been convicted of any criminal violation during the past five (5) years or is on parole, probation, or suspended sentence for a felony
3. Has been convicted of any criminal violation during the past five (5) years, for offenses involving dishonesty, illegal financial gain, theft or assault or is currently on parole or probation for such violations
4. Has been convicted of illegal use, possession, sale or transfer of controlled substances during the past five (5) years or is currently on parole or probation for such violations
5. Has a pending felony criminal charge or any charges involving drugs, theft or assault
6. Has any active warrant
7. Sex crimes – an individual will be denied a clearance if:
  - S/he has pending felony or misdemeanor sexual assault charges
  - S/he has a conviction for sexual assault (F or M) within the past five (5) years
  - S/he is currently on probation, parole, or under deferred adjudication for a sexual assault
  - S/he has been charged or convicted for failing to register as a Sex Offender (only those states/counties where Sex Offender Registers exist)
8. Has been a suspect in an Inspection Service investigation and has been identified for specific criminal conduct

*2.7.1.2.4 Section 4: Retention of Employee Information*

All information identified through personnel screening will be held by the supplier and made available for review by representatives of the Postal Service upon their request. This information must also be submitted to SISC as stated in Section 2. Upon request for inspection of the personnel screening records, the supplier and subcontractor must identify where the records are kept (records may be stored electronically) and make them available for inspection at the employees' work location. Employee records must contain, at a minimum, the following information:

1. Social Security number
2. Current address
3. Date of birth
4. Employee identification badge number
5. Copy of drug screen results
6. Clearance notification from SISC
7. Sufficient documentation to support items 1-5, Section 2

*2.7.1.2.5 Section 5: Driver Eligibility*

Postal Service policy requires that contract employees be screened to determine their eligibility as drivers and to allow them access to the mail and mail-processing facilities. This policy applies to all Postal Service highway transportation suppliers and their employees, including part-time employees, whose duties and responsibilities involve driving vehicles or require access to Postal Service facilities or to the mail.

In addition to the documentation listed in the Personnel Screening requirements, suppliers are required to submit a current driving record to the SISC for each of their employees, whose duties involving driving vehicles. A five-year driving record (one original form) must be provided, except in states that issue only three-year driving records. The driving record must be dated no more than 30 days prior to the date it is submitted to the administrative official.

Applicants whose driving records reflect offenses or patterns noted in [Figure 8](#) will not be allowed to drive under a Postal Service contract.



Figure 8: Eligibility to Drive

Exhibit Table 131.3  
Driver Disqualifications

| General Disqualifying Factors  |  |  |
|--|--|--|
| 1. Applicant lacks adequate driving experience over the type of terrain and weather to be experienced on the route.  |  |  |
| 2. Applicant has a pending proceeding for suspension of driver's license, or has had license suspended for any moving violation within the last 3 years.   |  |  |
| 3. Applicant has had driver's license revoked within the last 5 years.   |  |  |
| Specific Disqualifying Factors   |  |  |
| Type of Violation  | More than the indicated number of convictions within the last: |  |
|  | 3 years  | 5 years  |
| Reckless or careless driving.  | 1  | 2  |
| Any driving conviction involving use of drugs, alcohol, or other controlled substances.  | 0 (none permitted)   | 0 (none permitted)                                   |
| Any driving conviction involving drugs, alcohol, or other controlled substances while operating a vehicle under Postal Service contract.   | 0 (none permitted)   | 0 (none permitted)                                   |
| At-fault accidents (i.e., accidents for which the driver was convicted of a moving violation).   | 2, or any at-fault accident resulting in a fatality.           | 2, or any at-fault accident resulting in a fatality. |
| Leaving the scene of an accident.  | 0 (none permitted)   | 0 (none permitted)                                   |
| All other moving traffic offenses (includes speeding violations).  | 3 (or more than 1 in the last year)                            | 5 (or 3 or more for same offense)                    |
| <b>Notes:</b><br>For purposes of determining disqualifying violations, only offenses for which there was a conviction are considered.<br>Time frames for disqualification are measured from the date of the offense, not the date of the conviction.<br>The "3 years" column applies only if the 5-year driving record is unavailable. |  |  |

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### 2.7.2 Theft of Mail

In cases where mail theft is committed by the supplier's or subcontractor's personnel, actual investigative costs incurred by the Postal Inspection Service and/or the Office of the Inspector General may be assessed to the supplier as actual damages. These costs will be reasonably determined and may begin accruing only when a specific investigation begins on the basis of probable cause. The costs of routine surveillance not associated with a specific theft or series of thefts will not be assessed. In addition to allocating investigative expenses, the Postal Service may assess actual damages for loss of product value resulting from insurance claims where the payout to postal customers can be traced to the incident/s. The amount of damages assessed for incidents as discussed in this paragraph will not exceed \$10,000.00 per incident.

In cases where mail theft occurs and it is determined that the supplier has failed to diligently follow the mail handling employee screening requirements set forth in the contract, the Postal Service may assess administrative damages in the amount of \$5,000.00. This amount is in lieu of actual administrative costs



that would be associated with a complete audit of the supplier's adherence to the terms and conditions of the appropriate contract clauses and Statement of Work.

Depending upon the circumstances of the incident, the Vice President of Network Operations, in consultation with the Postal Inspection Service or Office of the Inspector General, may determine that damages are not appropriate, and may waive a portion or all of the amounts that may otherwise be due the Postal Service. In reaching that determination, the Vice President of Network Operations will consider such factors as the supplier's level of cooperation in investigations, implementing corrective actions, and efforts directed at loss recovery.

### **2.7.3 Mail Security**

The supplier will conduct regular, at least annual, security self-assessments (security of mail and personnel screening) of its operations and the operations of its subcontractors to ensure appropriate security procedures to protect the mail are in place. The supplier will provide advanced notice to the Postal Inspection Service, who may also participate in the assessment. The results of the assessment will be maintained by the supplier and made available to the Postal Service upon request.

The supplier will immediately notify the contracting officer when a security deficiency is identified, advise the Postal Service of its plans to correct the security deficiency, provide the Postal Service a plan to prevent the security deficiency from reoccurring, and notify the Postal Service when the security deficiency has been corrected.

In the event losses do occur and the postal investigation determines that the supplier or any subcontractor(s) failed to exercise due diligence in either performing security self-assessments or personnel screening, the Postal Service reserves the right to reduce or suspend mail tender to the supplier until such time that the Postal Service is satisfied the deficiency has been corrected.

1. Throughout contract performance, the supplier will provide a level of security that ensures the protection and sanctity of the mail. This includes, but is not limited to, protection from theft, inclement weather, etc.
2. Any time security deficiencies are identified, the contracting officer may unilaterally direct the supplier to upgrade the level of security based on the Inspection Service reports.
3. The supplier will report all security breaches and mail tampering to the Contracting Officer Representative immediately and in writing upon identifying an occurrence.
4. The supplier will establish a system for the identification of individuals having access to mail under the contract. A single system will be used to identify both supplier and subcontractor employees. At a minimum, each employee will be issued a laminated identification badge with a color photograph of the bearer. Badges will be of such nature as to clearly distinguish the bearers from employees who do not have legitimate access to the mail. Accountability controls for badges will be developed and such plans will be included in the Security Design Plan.
5. All supplier employees must store personal effects including, but not limited to, coats (weather permitting), purses, backpacks, etc. prior to accessing the workroom floor or area where mail is processed, staged, or otherwise located.
6. The supplier will provide the following:
  - a. Procedures to protect mail and equipment within its facilities and during transportation outlined in a Security Design Plan. The Security Design Plan must be submitted with the supplier's proposal and be approved by the Postal Inspection Service prior to implementation.
  - b. A system which deters all unauthorized personnel from having access to the mail. This system must be specified in the Security Design Plan.

- c. Inspection Service and other Postal Service employees access to the each site and facility at all times both with and without prior knowledge of a visit.
  - d. A reporting system that identifies all mail that was tampered with or rifled within, and adjacent to, the supplier's facilities and/or vehicles.
  - e. A photo identification system for all employees with authorized entry into its facilities.
  - f. Limited access to its sites and facilities through controlled access points and maintain access records for a minimum of one year. All other doors, except for those used for mail receipt, delivery, and dispatch, must be equipped with a 110 db horn which will sound every time the door is opened and will continue to sound as long as the door remains open. The door should also be equipped with a visual device such as a strobe light. If the door is not on the workroom floor, it is required to have a remote signaling device to notify management that the door is being used.
7. A working burglar alarm system, if mail is stored inside the facility during periods when it is not operating.
8. Criminal Investigative System

If the supplier is using an existing facility, the supplier must describe the existing security capabilities and its ability to meet the requirements listed below. If the supplier has security cameras, the Inspection Service will be allowed access to the cameras. The Inspection Service may coordinate with the supplier's security team for access. The supplier's security team must cooperate with the Inspection Service.

If the supplier is building or significantly renovating a facility, the following requirements must be met:

- 8.1 The supplier is required to provide investigative office space for the exclusive use of the Postal Inspection Service. This space must have a bathroom, a view of the work floor, direct access to the workroom floor, and a covert and secret manner of entry. The supplier will supply and install a burglar alarm system approved by the Inspection Service for the investigative office space.
  - 8.2 The supplier will provide a criminal investigative system which facilitates the collection of evidence for use in Postal Inspection Service investigations. This system is for the exclusive use of Postal Inspection Service. The supplier will not have access to the system except for preventative maintenance and required repairs. The system must provide a clear view of the work floor, loading docks, mail vehicles, lunchrooms, and employee, restroom, and locker room entrances. The system should provide a continuous, uninterrupted, and independent viewing of one or more employees moving through the facility and be fully functioning and operational for the term of the contract.
  - 8.3 The criminal investigative system must provide a clear and detailed view of all employees on the workroom floor under natural, artificial, variable, and low light conditions. The system must provide viewing capability inside trailers at the dock locations. The system must permit scrutiny of hand movements of an employee regardless of the location of obstructions such as sorting cases, counters, cages, desks, and any automated systems that may be installed in these facilities. The system (including cameras) must permit observations and tracking of employee actions from at least three directions simultaneously and provide for the recording of events from these observation points. The system must be designed to provide observation of an individual or a piece of mail throughout the building. The system must provide simultaneous, continuous, uninterrupted, and independent viewing of one or more employees moving rapidly throughout the facility. The system must be able to operate without any environmental interference.
9. The fencing around the facility, if required, must be designed or modified to allow the Inspection Service free and hidden access to the space provided for the criminal investigative system.

#### **2.7.4 Noninterference**

The Inspection Service agrees that, in the exercise of its rights under this contract, it will not unreasonably disrupt or interfere with any supplier operations.

#### **2.7.5 Undercover Operations**

The supplier may, subject to [Section 2.7.4](#), authorize the placement of Inspection Service undercover personnel in its facilities where deemed necessary for investigation involving mail.

The Postal Service will defend and indemnify the supplier for any loss, damage, or other liability arising from the use of undercover personnel in the supplier's facilities.

#### **2.7.6 Contingency Planning and Notification**

The supplier will ensure the Inspection Service is listed as a party to be notified in its critical incident or contingency plans related to the loss, destruction, or delay of mail caused by catastrophic losses of vehicles transporting the mail or at a supplier facility.

#### **2.7.7 Rewrap Operations**

The supplier will provide security to any identified mail or mail contents processed in its rewrap operation and will ensure its transfer to the Postal Service in accordance with local operating plans.

When directly relevant to mail security end investigations, the supplier security team may, in its sole discretion, provide information to the Inspection Service regarding the losses of any supplier product identified in its rewrap operation.

#### **2.7.8 Protection and Disclosure of Information from Investigations**

The supplier and the Inspection Service agree to protect all information obtained in the course of their respective investigations from unauthorized disclosure. Any proprietary or privileged sensitive information obtained during the course of an investigation will be handled under mutual agreement between the Inspection Service and supplier security personnel.

All information related to Inspection Service investigations involving mail in the supplier's system or investigations of the supplier's employees will be maintained in the Inspection Service Investigative File System as prescribed by the Privacy Act of 1974, 5 U.S.C. 552a. Any requests by third parties for records maintained in this system will be processed in accordance with requirements of the Privacy Act.

All public disclosures of information related to investigations conducted by the Inspection Service and supplier's security, including media requests or press releases, will be coordinated between the Inspection Service and the supplier's media relations in accordance with a mutually agreed communications plan.

#### **2.7.9 Modifications**

The protocol and guidelines may be modified based on the mutual agreement of the supplier and the Inspection Service.

### **3 Compensation**

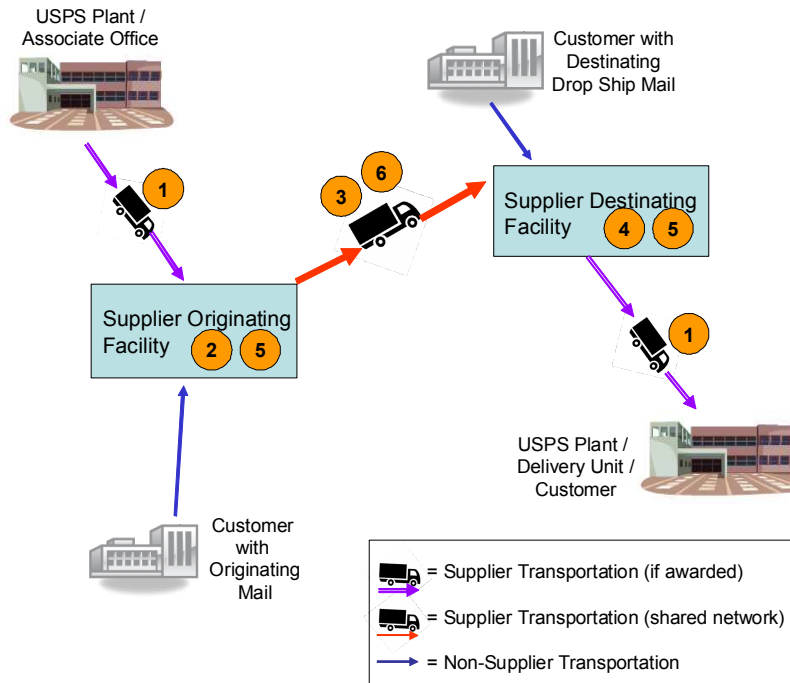
The supplier will be compensated based upon the ten (10) activities listed below. Disincentives will be assessed based on network performance.

The supplier must provide pricing for each activity for each year of the eight-year contract. Contract options will be negotiated, at the Postal Service's discretion, prior to the start of the option period.

### 3.1 Basis for Compensation

The level of supplier compensation will be determined by performance for the following activities. Specific price data must be entered into the templates provided in [Appendix L](#).

Figure 9: Compensation Activities 1 - 6



#### 3.1.1 Trip Compensation (if awarded)

**Activity 1 – Transportation to/from the postal or customer facility to/from the supplier’s facility, and associated scanning.** The Postal Service requires a trip rate for each mileage band and for each supplier facility in [Figure 10](#). Fuel price per trip and a non-fuel price per trip (fuel and non-fuel components add to equal the total trip price) must be included, and the supplier must provide the number of trips during an average week in each mileage band. The supplier must provide routings for all trips between supplier and postal or customer facilities in [Appendix O](#). Route mileages for these trips will be based upon PC Miler Version 19.1, “Practical Route” miles.<sup>14</sup> Trip compensation will occur only if trailer arrival and departure scan events are completed. Note: the supplier will transport only mail under this contract on this leg of transportation.

[Figure 10](#) contains one-way and round trip mileage bands. The supplier must optimize its routings and utilize round trips when possible, while maximizing trailer utilization and minimizing costs. A trip will be compensated at the round-trip rate if it both originates and destines at the same facility within a 24-hour period.

<sup>14</sup> PC Miler versions will be updated periodically as new versions are available.

Figure 10: Mileage Bands for Local Transportation Between Postal/Customer Facilities and Supplier Facilities – Need Mileage Bands for Each Supplier Facility

| <b>Band</b> | <b>One-Way Trip Mileage Bands</b> | <b>Round Trip Mileage Bands</b> |
|-------------|-----------------------------------|---------------------------------|
| 1           | 0 – 50 miles                      | 0 – 100 miles                   |
| 2           | 51 – 100 miles                    | 101 – 200 miles                 |
| 3           | 101 – 150 miles                   | 201 – 300 miles                 |
| 4           | 151 – 200 miles                   | 301 – 400 miles                 |
| 5           | 201 – 250 miles                   | 401 – 500 miles                 |
| 6           | 251+ miles                        | 501+ miles                      |

These mileage bands are intended to cover trips between the postal or customer facility and the nearest supplier facility. The purpose of these trips is to both pick up volume from origin postal facilities and to deliver volume to the postal and customer facilities.

### 3.1.2 Within the Supplier’s Facility

**Activity 2 – Unloading trailers, distributing mail, loading outbound trailers going to its own destinating facility and all associated scanning.** The supplier will provide a price for each supplier facility for all handling units (i.e., one price for parcels, sacks, trays, and tubs for each facility). The supplier will be compensated only once for each handling unit per activity. If mail passes through only one supplier facility, the supplier will be compensated for only Activity 4 and not Activity 2. Furthermore, the maximum distribution payments for any handling unit will be two – one for origin facility processing and one for destination facility processing.

**Activity 4 – Unloading trailers, distributing mail, containerizing mail, loading outbound trailers and all associated scanning.** The supplier will provide a price for each supplier facility for all handling units (i.e., one price for parcels, sacks, trays, and tubs for each facility). Pricing must cover all distribution requirements, as specified in [Appendix E](#), including creating sacks (with bar codes) of parcels. Suppliers will be compensated only once for each handling unit per activity. If mail passes through only one supplier facility, the supplier will be compensated for only Activity 4 and not Activity 2. Furthermore, the maximum distribution payments for any handling unit will be two – one for origin facility processing and one for destination facility processing.

**Activity 5 – Handling a direct or cross-docked pallet: unload from trailer and load outbound trailer and all associated scanning.** The supplier will provide a price for each supplier facility for all pallets. If an intact pallet passes through only one supplier facility, the supplier will be compensated only once under Activity 5. The maximum distribution payments for an intact pallet will be two (both paid at the Activity 5 rate) – one for origin facility handling and one for destination facility handling. Furthermore, Activity 5 compensation occurs only if the pallet remains intact throughout the facility. If the pallet is broken at the facility, Activity 5 compensation will not occur; the supplier will be compensated for each handling unit that made up the pallet under the Activity 2 or 4 rates.

### 3.1.3 Transportation Between Supplier’s Facilities

**Activity 3 – Transportation from the supplier’s originating facility to its destinating facility (handling units).** The supplier will provide a rate-per-handling unit-mile, with fuel and non-fuel components (fuel and non-fuel components add to equal the total rate-per-handling unit-mile). The supplier must provide the routings between its facilities in [Appendix O](#), and the Postal Service will review these routings. Route mileages for these trips will be based upon PC Miler Version 19.1, “Practical Route” miles. The supplier must provide one rate for transportation of handling units.

Specifically,

$$\text{Total Activity 3 compensation} = (\# \text{ of handling units}) \times (\# \text{ of miles}) \times (\text{rate/handling unit-mile})$$

**Activity 6 – Transportation from the supplier’s originating facility to its destinating facility (pallets).** The supplier will provide a rate-per-pallet-mile, with fuel and non-fuel components (fuel and non-fuel components add to equal the total rate-per-handling unit-mile). The supplier must provide the routings between its facilities in [Appendix O](#), and the Postal Service will review these routings. Route mileages for these trips will be based upon PC Miler Version 19.1, “Practical Route” miles. The supplier must provide one rate for transportation of pallets.

Specifically,

$$\text{Total Activity 6 compensation} = (\# \text{ of pallets}) \times (\# \text{ of miles}) \times (\text{rate/pallet-mile})$$

### 3.1.4 Total Unit Compensation

The supplier will receive mail at different points in the network. Some mail will enter the supplier network at origin and will move through the supplier’s network, and other mail will enter at destination. For both pallets and handling units [Figure 11](#) describes the different ways in which mail can enter the supplier network and the corresponding compensation.

Figure 11: Compensation based on Entry

| Entry Point | Entered as a Handling Unit or Pallet | Open Pallet?         | Origin Handling Price Point | Transportation Between Origin and Destination | Destination Handling Price Point |
|-------------|--------------------------------------|----------------------|-----------------------------|---|----------------------------------|
| Origin      | Handling Unit                        | N/A                  | Activity 2                  | Activity 3                                    | Activity 4                       |
| Destination | Handling Unit                        | N/A                  | N/A                         | N/A   | Activity 4                       |
| Origin      | Pallet                               | No – remain intact   | Activity 5                  | Activity 6                                    | Activity 5                       |
| Origin      | Pallet                               | Yes – at origin      | Activity 2                  | Activity 3                                    | Activity 4                       |
| Origin      | Pallet                               | Yes – at destination | Activity 5                  | Activity 6                                    | Activity 4                       |
| Destination | Pallet                               | No – remain intact   | N/A                         | N/A   | Activity 5                       |
| Destination | Pallet                               | Yes – at destination | N/A                         | N/A   | Activity 4                       |

Note: compensation will occur for these activities only if the required start- and stop-the-clock scans are completed (see [Section 2.4](#)).

In addition to compensation for the handling unit or pallet, the supplier may be compensated for the number of trips between the supplier and postal or customer facility. The Postal Service requires suppliers to provide pricing for this transportation, but may not choose to include this in the contract award.

### 3.1.5 Other Compensation Activities

**Activity 7 – Bar code application.** The Postal Service expects a rate per bar code. This rate is for bar codes applied by the supplier for unique tracking of products. It does not include bar codes applied as part of the distribution process (which must be included in the pricing of Activity 4). See [Section 3.4.2.3](#) for further information.

**Activity 8 – Additional distribution separations.** The Postal Service expects that suppliers will provide the number of distribution separations as specified in [Appendix E](#) and that the supplier will maintain flexibility for providing additional one (1) percent distributions across the supplier network in any given year at no additional cost. The supplier must provide a daily fee for each additional distribution separation if more than one (1) percent of the number of distributions provided in this SOW is required.

**Activity 9 – Pre-employment screening requirements.** The Postal Service requires suppliers to conduct background checks for each employee handling Postal Service mail. Background checks for each employee include drug screening, fingerprints, criminal records check, employment verification, and verification of US citizenship (see [Section 2.7](#) on Security). All supplier employees whose duties and responsibilities involve driving vehicles are required to submit a current driving record in addition to the background investigation. To the extent that the Postal Service’s requirements are more stringent than

the supplier's screening requirements, the supplier will provide a flat fee per employee related to these hiring costs. Postal Service compensation will not exceed \$75 per employee. The supplier must provide the expected number of employees requiring screening during the implementation period and for the remaining years of the contract.

**Activity 10 – Fixed pricing components.** The supplier can propose one fixed price payment, paid once each service period. The fixed pricing must only include components associated with Activities 2, 4, and 5 (handling unit processing or pallet handling), and the supplier must provide the detail of the components in [Appendix L](#). The fixed components can include the cost of establishing the information technology system, for example.

### 3.2 Contract Options

At this time, the supplier will not provide rates for potential options to the contract.

### 3.3 Disincentives

There are two disincentives included with this contract. The first is for late delivery and the second is for exceeding unload times for customer trailers.

#### 3.3.1 Late Delivery Disincentive

The supplier will only be fully compensated for handling units or pallets that have both possession and delivery scans and are delivered within the service standard to the correct facility. If a handling unit or pallet is missing a possession or a delivery event (see [Section 2.4](#)), then the supplier will not be compensated for the handling unit or pallet. For handling units and pallets with both possession and delivery events, the level of compensation will vary based upon the on-time performance of the supplier.

The standard for supplier on-time delivery to the Postal Service is 95%. On-time delivery is defined as a unit<sup>15</sup> having a delivery event by the correct day, at the correct destination, and by the required critical entry time as indicated in [Appendix B](#). The delivery performance will be based on the number of total units delivered and calculated at the end of the service period. Each unit's actual delivery date determines the service period into which it falls. Performance is calculated for each pair of possession and delivery points, by mail class, at the end of the service period. This is also referred to as the lane level.

The disincentive per unit is calculated at the rate described in [Figure 12](#).

*Figure 12: Disincentive Rate Table*

| Hours Late     | Percent Reduction |
|----------------|-------------------|
| On time        | 0%                |
| 00:01 to 12:00 | 5%                |
| 12:01 to 24:00 | 10%               |
| 24:01 to 36:00 | 15%               |
| 36:01 to 48:00 | 20%               |
| 48:01+         | 25%               |

Disincentives are applied to each unit's compensation (i.e., any combination of activities 2, 3, 4, 5, and 6 for handling units or pallets). If the performance is greater than or equal to 95% on a lane, then disincentives for units on that lane are waived. If performance falls below 95%, then a disincentive will be applied. The total applied lane disincentive is equal to the sum of each individual unit's disincentive less a credit for 5% of the total pieces. The credit is:

<sup>15</sup> "Unit" refers to a handling unit or an intact pallet

$$\text{Credit} = \frac{5\%}{\text{Actual Percent Late}} \times \text{Sum of disincentives for all units delivered}$$

For example, the supplier's total payment for Activities 2 through 6 should have been \$532 for the service period (if every unit were delivered on time), but there were \$32 in disincentives due to late handling units or pallets. The supplier's service achievement for the service period is 92 percent on time (or 8% late). The credit would be:

$$\frac{5\%}{8\%} \times \$32 = \$20 \text{ credit}$$

Before the credit is applied, the supplier's payment would be \$500 (\$532 - \$32). After the credit, the supplier's actual payment would be \$520 (\$500 + \$20 credit).

If a particular lane is consistently below the 95% performance threshold, the supplier must submit an action plan to the Postal Service detailing how the supplier plans to improve performance. Continual performance below network service standards may result in loss of the contract at the discretion of the Postal Service.

### 3.3.2 Customer Unload Disincentive

[Appendix F](#) provides the unload times for drop shipment trailers. These unload times are the commitment that the Postal Service makes to its customers. The Postal Service will charge a disincentive of \$500 for each trailer unload time that exceeds the times outlined in [Appendix F](#) to the supplier. Any disincentives will be applied to future payments.

### 3.4 Invoicing and Reconciliation

After implementation is complete, there will be twelve (12) service periods per year; each service period being either four (4) or five (5) weeks in length. The service period dates and the number of days in each service period are listed in [Appendix M](#).

Although the supplier will be scanning units from the start of contract operations, the Postal Service will ensure timely cash flow for the supplier through estimated weekly payments for activities 1 through 6. These payments will be made based on estimates derived from the volumes provided in this RFP and the supplier's price proposal. [Appendix N](#) describes the methodology for determining these estimated payments. The activities included in this estimated payment, plus payment for activity 7, will be reconciled once per service period. For activities 1 through 7 an invoice is not required from the supplier, due to the use of scan data. For activities 8, 9, and 10, the supplier must invoice the Postal Service for payment.

Weekly estimated payments will discontinue after the scanning system is in place and the payment process has passed an audit by the Postal Service or its designee. The supplier will then be paid weekly based upon scan data.

#### 3.4.1 Invoicing

##### 3.4.1.1 Additional distributions (Activity 8)

In the event that additional distributions beyond the one (1) percent of what is provided in this SOW are required, the supplier must submit an invoice to the Postal Service for the additional distributions. Additional distribution invoices will be submitted no more than once per service period and will be paid within 30 days of Postal Service receipt and verification.



#### **3.4.1.2 Pre-employment screening requirements (Activity 9)**

The supplier must submit an invoice to be reimbursed for pre-employment screening. One invoice will cover the supplier's employees and its subcontractor's employees. Payment is made to the supplier, not the subcontractor. Only completed screenings will be reimbursed. Pre-employment screening invoices will be submitted once per service period and will be paid within 30 days of Postal Service receipt and verification.

#### **3.4.1.3 Fixed pricing components (Activity 10)**

The supplier must submit an invoice to be reimbursed for the fixed pricing components for each facility. One invoice will cover all active supplier facilities. Fixed pricing component invoices will be submitted once per service period and will be paid within 30 days of Postal Service receipt and verification.

### **3.4.2 Reconciliation Process**

The reconciliation process is conducted once per service period for activities 1 through 6. In addition, disincentives for activities 1 through 6 and payment for activity 7 are included in the reconciliation process. The reconciliation process is completed by the end of the next service period. Adjustments to the estimated payment are made 30-45 days after the end of the service period in which the reconciliation process occurs. For example, service period 1 is reconciled in service period 2, and resulting payment, either by the Postal Service to the supplier or by the supplier to the Postal Service, is made 30-45 days after the end of service period 2. During the implementation period, reconciliation process may take longer.

Scan data provided by the supplier determines the final payment amount for activities 1 through 7. To support reconciliation and ensure proper data is transmitted, activities 1 through 7 are "scored" for payment weekly. Scoring for payment includes:

- Determining if all required event (scan) data is present
- Determining if each unit is on time or late; if late, how late is the unit
- Notifying the supplier of the "scoring" results

Based on the scoring, the supplier determines which transportation, handling units, pallets, and bar code labeling are payable during reconciliation. The total payment amount is determined during the reconciliation process based on total volume for the service period. To support timely scoring, only scan data presented within four (4) days of the actual event will be considered. Scoring for a week will be completed by the Postal Service within seven (7) days after the completion of a week. The specific scoring details for each activity are described below.

#### **3.4.2.1 Transportation Scoring (Activity 1)**

If awarded, payment for Activity 1 transportation will occur only if the supplier provides valid depart and arrival events for the trip. The day of the arrival event determines the service period for scoring and payment. For each trip that has a valid arrival event, the Postal Service will provide a scoring notification to the supplier. Trips without a corresponding departure and arrival event will receive a \$0 scoring notification.

#### **3.4.2.2 Scoring for Units (Activities 2, 3, 4, 5, and 6)**

The supplier is compensated for units that have both valid possession and delivery event data. The full end-to-end tracking data for a single unit is used as validation, but not in place of the individual event tracking data. Based on the scan data, the location of possession and location of delivery of the unit are determined, and the scoring for the unit is determined. This score feeds the payment amounts for activities 2 through 6 during reconciliation.<sup>16</sup> For each unit with a valid delivery event, the supplier will be

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<sup>16</sup> It is not possible to be compensated for all activities 2 through 6 for one unit (refer to [Figure 11](#)). Furthermore, based on the possession and delivery locations, some handling units may be compensated for only activity 4, and some intact pallets may be compensated for only activity 5.

notified of the scoring result. Units without a possession event data but with delivery event data will receive a \$0 scoring notification.

#### **3.4.2.3 Bar Code Application (Activity 7)**

The supplier will be compensated for bar code creation/application for units with a supplier-created bar code with a valid delivery event. From the data imbedded in the bar code and the subsequent delivery event the Postal Service determines which bar codes were generated by the supplier. The supplier will not receive payment for bar codes generated to support nesting of parcels into sacks as part of the distribution requirements. The supplier will be notified through the scoring process regarding each supplier-created bar code with a corresponding delivery event. The service period is determined based on the delivery event day.

#### **3.4.2.4 Disincentives**

Disincentives are calculated once per service period as part of the reconciliation process. The disincentives are included in the reconciliation amount and are calculated as described in [Section 3.3](#).

#### **3.4.2.5 Reconciliation Payment Amount**

The total reconciliation amount is the total of pay for Activities 1, 2, 3, 4, 5, 6, and 7, less any disincentives, less the estimated payments for the service period. The payment or deduction will be applied evenly to each payment during the service period following the service period in which reconciliation occurs.

### **3.4.3 Dispute process**

#### **3.4.3.1 Activity 1**

If awarded, if the supplier has not received payment notification within the seven (7) days following the end of the week or has received notification that the trip will not be paid, the supplier may resubmit data supporting the trip within fourteen (14) days (or 21 days after the end of the week). The Postal Service will reconsider payment based upon event data at that time.

#### **3.4.3.2 Activities 2, 3, 4, 5, and 6**

If the individual scans do not support payment but an end-to-end record supports payment, the supplier will be notified as part of the routine scoring. The supplier has fourteen (14) days to supply any missing scans. Upon receipt of the data the delivered unit is reconsidered for payment. Information not received within fourteen (14) days will not be considered as the uniqueness of data can no longer be assured.

#### **3.4.3.3 Dispute data**

As with all data, data resent to support disputes must be original data. Data generated by any means other than direct data capture will be considered invalid.

## **Part II: Provisions and Clauses**

## **4 Provisions**

### ***4.1 Provision 1-1 Supplier Clearance Requirements (March 2006) (Revised)***

The contract resulting from this solicitation requires the contractor or its employees (including subcontractors and their employees) to have access to occupied postal facilities, and/or to postal information and resources, including postal computer systems as defined in [Section 2.7](#) of the SOW.

Suppliers must familiarize themselves with the requirements of that section, taking into account the time and paperwork associated with the screening.

### ***4.2 Provision 1-4 Prohibition Against Contracting with Former Postal Service Officers or PCES Executives (March 2006)***

The supplier represents that former Postal Service officers or Postal Career Executive Service (PCES) executives will not be employed as key personnel, experts or consultants in the performance of the contract if such individuals, within five (5) years of their retirement from the Postal Service, will be performing substantially the same duties as they performed during their career with the Postal Service. In addition, no contract resulting from this solicitation may be awarded to such individuals or entities in which they have a substantial interest, for five (5) years after their retirement from the Postal Service, if the work called for in the solicitation requires such individuals to perform substantially the same duties as they performed during their career with the Postal Service.

### ***4.3 Provision 1-5 Proposed Use of Former Postal Service Employees (March 2006)***

In its proposal, the supplier must identify any former Postal Service employee it proposes to engage, directly or indirectly, in the performance of the contract. The Postal Service reserves the right to require the supplier to replace the proposed individual with an equally qualified individual.

### ***4.4 Provision 3-1 Notice of Small, Minority, and Woman-owned Business Subcontracting Requirements (March 2006)***

All suppliers, except small businesses, must submit with their proposals the contract-specific subcontracting plan required by Clause 3-1: Small, Minority, and Woman-owned Business Subcontracting Requirements. Generally, this plan must be agreed to by both the supplier and the Postal Service before award of the contract.

### ***4.5 Provision 4-1 Standard Solicitation Provisions (Revised)***

#### **4.5.1 Submission of Offers**

Suppliers will submit signed and dated offers to the office specified in this solicitation at or before the exact time specified on this solicitation. Offers may be submitted on PS Form 8203, Order/Solicitation/Offer/Award, letterhead stationary, or as otherwise specified in the solicitation. As a minimum offers must show:

- The name, address and telephone number of the supplier
- A technical description of the services being offered in sufficient detail to evaluate compliance with the requirements in the solicitation. This may include product literature, or other documents, if necessary
- Terms of any expressed warranty
- Price and any discount terms
- "Remit to" address, if different than mailing address
- A completed copy of the representations and certifications
- Acknowledgment of Solicitation Amendments

## **4.5.2 Supplier Specific Proposal Requirements**

The supplier is required to address each of the elements described in the paragraphs below both with narrative explanations and by entering the technical response data required by [Appendix O](#), which collects specific data in a specific format.

### **4.5.2.1 Supplier Eligibility**

Suppliers will provide a narrative and supporting documentation of their five (5) top business relationships that clearly outlines the supplier's business scope, business relationships, and key officers of the corporation. Documentation of business relationships relevant to the performance of the work set forth in the SOW (such as subcontractor arrangements, key suppliers to be utilized, etc.) as well as letters of reference outlining the nature of the business relationship must also be included. The company organization structure and key officers of the corporation is also to be supplied.

### **4.5.2.2 Past Performance**

The supplier will be evaluated on a required narrative with supporting documentation as necessary in sufficient detail in reference to its past performance. The supplier's narrative should provide detailed descriptions of as many as ten previous contracts (all performed in the last five (5) years) of similar size, scope, and operational requirements to the one contained in this solicitation. These descriptions will include enough detailed information on the scale, scope, and operational activities to allow the Postal Service to judge their relevance to the work being performed and must also contain complete contact information for customer references (the Postal Service reserves the right to contact these references).

This narrative must allow the evaluators to be able to determine a supplier's performance record with regard to the following:

- Quality (a record of conformance to contract requirements and standards of good workmanship), including the ability to establish and maintain a proven record of successful performance providing the types and scope of services contemplated under this contract will be evaluated more favorably than a record demonstrating only general business experiences
- Timeliness of performance (adherence to contract schedules, including the administrative aspects of performance), including experience in achieving performance levels required in previous contracts
- Business relations (a history of being reasonable and cooperative with customers; commitment to customer satisfaction; integrity and ethics)
- Cost control (a record of forecasting and containing costs)
- Security of mail/freight products

### **4.5.2.3 Supplier Capability**

Supplier capability will be evaluated in order to determine the supplier's ability to perform upon award of a contract. Suppliers must also demonstrate current capability in the areas of quality and reliability. For partnerships and consortia, each member of the entity must be identified and demonstrate its capability to perform.

Key areas that will be considered when determining a supplier's capability include but are not limited to:

- Having, or have the ability to obtain, resources (financial, technical, etc.) adequate to perform the work
- Ability to meet the required or proposed delivery schedule, and how you proposed to meet it, considering all existing commitments, including awards pending. Suppliers must identify the impact on the postal contract of existing or planned work which will be performed contemporaneously with the postal contract
- Having a sound record of integrity and business ethics
- Having a sound quality control program that complies with solicitation requirements

- Having the necessary organization, experience, accounting and operational controls, technical skills, and production and property controls
- Having, or have the ability to obtain, the necessary production, (sorting/transportation equipment), and technical equipment and facilities
- The supplier must demonstrate that it is otherwise qualified and eligible to receive an award under applicable laws and regulations, and that it is not encumbered in any way with regard to its ability to perform the services required
- The supplier must provide a plan that addresses their environmental programs. The environment plan must address elements including but not limited to, construction, maintenance and operation of facilities, and maintenance and operation of vehicles. Conservation of resources must also be addressed. The supplier should outline where they presently do to meet environmental requirements as well as what is planned for this network. Most importantly, suppliers must outline its plans for managing fuel consumption and greenhouse gas emissions. The supplier should also address its ongoing and planned recycling initiatives.
- The supplier must provide a plan that outlines how it proposes to implement value engineering processes. These processes should focus on service improvements, cost reductions and cost management

The Postal Service will perform a financial capability analysis on each offeror and any major subcontractors in order to assess the capability of each to meet its financial obligations over the first contract year. This analysis will be performed annually thereafter for the successful offeror and any major subcontractors in order to assure that each maintains adequate financial strength to perform. The following information must be submitted by each supplier:

- Financial statements for the past three (3) fiscal years to include at a minimum:
  - Balance Sheet
  - Income Statement
  - Statement of Cash Flows

Note: If the supplier's fiscal year ends if more than six (6) months prior to the proposal submission date, the supplier will also include their latest interim financial statements to include this same information at a minimum.

- Credit Line Information to include:
  - Bank Name(s) and Credit Lines
  - Amount of credit currently available as of the proposal date for each line.
  - Bank contact name and phone number for each line.

The financial data of the supplier's company must be audited by the company's auditors. Certain business information will be obtained to determine that a potential supplier is capable. Sources of such information include:

- The Postal Service list of debarred and suspended suppliers and the General Services Administration's (GSA's) consolidated list of suppliers debarred, suspended, or declared ineligible (additional instruction can be found in Title 39 Code of Federal Regulations (CFR) 601.106.D)
- Records and experience data, including the knowledge of other Contracting Officers, purchasing specialists, and audit personnel
- The supplier's proposal information, business profile, financial data, information on production equipment, production data, questionnaire replies, and personnel information
- Subcontractors, customers, financial institutions, and government agencies that have done business with the supplier
- Business and trade associations

The supplier must also provide its subcontracting plan with its proposal. The plan will be evaluated, negotiated and finalized prior to any contract award under this solicitation.

To ensure quality under this contract, the Postal Service retains the right to verify conformance through process audits, inspections, and testing. The supplier must maintain a quality system acceptable to the Postal Service and make documentation available. The Postal Service will have the right to test and inspect while work is in process. Quarterly review meetings with senior identified management will be conducted to review the supplier's performance to contractual requirements and to resolve any deficiencies that have been documented. In addition, these quarterly meetings will serve as an opportunity to conduct formal supplier relationship meetings.

A pre-award survey will also be conducted for those suppliers who are eligible for award based upon the evaluation of their proposal. The pre-award survey may be conducted by a Postal Purchase Team to determine a supplier's capability and verify information. The survey will include (but is not limited to): 1) examination of financial statements and records; and 2) on-site inspection of facilities and ground handling equipment. This inspection will be limited to a sampling of facilities and equipment to be used in the performance of this contract.

### **4.5.3 Supplier Specific Proposal Technical Requirements**

#### **4.5.3.1 Network Design**

Suppliers must provide an overview of the network design and how each component interacts with the other components to ensure that on-time service performance standards are achieved. Specifically, this must include:

- Number and locations of distribution facilities (depicted on a map)
- Origin and destination ZIP Codes within the distribution facility's service area (depicted on a map)
- Hours of operation
- Origin distribution windows
- Destination distribution windows
- Standard operating procedures for all operations from receipt to dispatch
- Network management
- Metrics used to measure both distribution and transportation activities
- Technology (e.g., GPS, proprietary systems used to measure distribution accuracy and throughput)
- Number and locations of transportation hubs, if applicable (depicted on a map)
- As part of the network design, the supplier must create an activation plan that results in the network being fully operational within eighteen (18) months from date of contract award or such later date as the contracting officer may subsequently determine

#### **4.5.3.2 Distribution Plan**

The supplier must provide a distribution design plan. The supplier's plan must accommodate both anticipated and unforeseen volume fluctuations and seasonal spikes. The supplier's plan must also include how it plans to accommodate the expected 15 to 20 percent increase in handling units during the peak period of November 1 to December 24. The supplier must propose at a minimum how it plans to complete the following:

- Unloading trailers from postal or customer facilities
- Unload Postal Service-supplied containers and pallets from the trailers
- Unload handling units from the containers and working pallets
- Perform primary distribution, including separating the handling units into two categories:
  - Local Volume – this is mail that came out of the origin operation that may also require a secondary distribution at the origin supplier facility (turnaround or destinating drop shipped mail)
  - Network Volume – this is mail that will require a second distribution at the facility that serves the destination ZIP Code area

- Load network volume and dispatch trailers
- Unload trailers from upstream supplier facilities and customer trailers containing mail for the destination ZIP Code area
- Perform secondary distribution, which will separate volume as required in the SOW
- Load local volume and dispatch trailers
- Load mail into postal-supplied containers
- Load containers and pallets onto trailers and then dispatch

The supplier must develop, maintain, and follow contingency plans when necessary, and determine alternate processes to use in the event of occurrences that disrupt normal operations and could impact service performance. At a minimum, the supplier, in its contingency plans, will address the following circumstances:

- Equipment breakdowns
- Power losses
- Volume significantly above planned levels
- Severe weather
- Natural disasters
- Labor actions and/or disruptions
- Staffing shortages
- Periods of national emergency
- Handling of suspicious or dangerous materials
- Other events or conditions that may impact on-time operations

#### **4.5.3.3 Transportation Plan**

Suppliers must provide a transportation network design plan that meets or exceeds on-time service performance of 95 percent measured from the time of original mail acceptance until tender back to the Postal Service at final destination. The Postal Service will provide the mail transport equipment required for the transportation of its products from originating postal and customer facilities to the supplier's originating facilities. The supplier will utilize the provided MTE to return sorted mail to postal and customer facilities. As part of their transportation plan, the supplier must provide the Postal Service with the following information including who will perform this work (i.e., the supplier as the prime contractor or subcontractors) and how the transportation will be managed for optimal efficiency. The supplier's plan must include a discussion of how it will accomplish the following:

- Transportation to the supplier's origin facility (if awarded)
- Transport inbound trailers from the postal plant, delivery unit, or customer facility to the supplier's originating facility, up to 7 days per week between 1400 and 0200 (the following day).
- Transportation from the supplier's origin facility to the supplier's destination facility
- Transport outbound trailers to the facility that serves the destinating service area (except for turnaround or destinating drop shipped mail)
- Transportation from the supplier's destination facility (if awarded)
- Transport mail to its final destination for delivery: USPS plants for acceptance between 0800 and 2400 each day, 7 days per week; delivery units and customer facilities for acceptance between 0800 and 1600 each day, 5-6 days per week (may exclude Saturday, does exclude Sunday)

The plan must include routings between postal or customer facilities and supplier facilities (if awarded):

- Route planned and associated miles between the facilities
- Schedule, including leave and arrive times and frequency
- Number of drivers
- Number of trailers, with cubic capacity
- Number of tractors



- Fleet miles per gallon by trailer type
- Local transportation gallons of fuel used on a daily, weekly, and monthly basis

The plan must include routings between supplier facilities:

- Route planned and associated miles between the facilities
- Schedule, including leave and arrive times and frequency
- Number of tractors
- Number of trailers, with cubic capacity
- Number of planned tandem (trailers) moves
- Number of planned triple (trailers) moves
- Number of team drivers and individual drivers
- Hours of Service (HOS) planned work schedules
- Loading techniques and technology employed
- Movements of intact pallets
- Fleet miles per gallon by trailer type
- Network transportation gallons of fuel used on a daily, weekly, and monthly basis

The supplier must submit a fuel management plan (e.g., buying strategy, hedging).

#### **4.5.3.4 Information Technology Plan**

The Postal Service is open to a supplier designed solution, as long as it meets the Postal Service's requirements. Any supplier designed solution must include the ability to determine:

- Time/date and location of possession for each handling unit or intact pallet
- Time/date and location of delivery for each handling unit or intact pallet
- Departure time/date and location of any supplier provided transportation that is not between two (2) supplier facilities (must indicate transportation was supplier transportation)
- Arrival time/date and location of any supplier provided transportation that is not between two (2) supplier facilities (must indicate transportation was supplier transportation)
- Arrival events for any non-supplier transportation arriving at a supplier facility (must indicate transportation was not supplier provided)
- Departure events for any non-supplier transportation leaving a supplier facility (must indicate transportation was not supplier provided)
- Arrival time/date and location of any customer-entered drop ship transportation
- Unload start and end time of any customer-entered drop ship transportation

The technology must have transparency to be audited for accuracy and business integrity. The supplier's proposed plan must be able to support the data exchange needs of the contract through its IT infrastructure. The supplier must also support a Postal Service-provided LAN connection to provide access to multiple systems required for use including, but not limited to:

- ATLAS – Distribution Label Printing
- MTEL – Container/Pallet Placard Printing
- FAST – Customer Appointment Schedules

#### **4.5.3.5 Facility Plan**

The supplier must provide a facility plan with its proposal that includes the following information:

- Number of facilities used in support of the network
  - Which facilities are currently owned
  - Which facilities are currently leased
  - Which facilities will need to be purchased or leased in the event of contract award
- Address of each facility

- Information about the facility size
- Information about the dock
- Information about the yard, staging areas, and parking
- List of what Postal Service or customer facilities are served by each supplier facility

The supplier will describe the following in its facility plan:

- Operational Site Layout (OSL) of each facility – schematic of workroom floor
- Yard management control systems, if any
- Back-up power supplies
- Material handling equipment for loading and unloading trailers

The supplier's plan must also include provisions for office equipment, computer equipment, and communications equipment to be used in support of its operations. The supplier must include in its plan all supplies required to support and maintain its operations. This includes, but is not limited to, administrative and maintenance supplies.

Additionally, as stated in [Section 2.5](#), the supplier's plan must provide an on-site office at each facility with a desk, a desk chair, two visitor chairs, two four-drawer lockable file cabinets, three to four Internet connections for computers supplied by USPS, and one telephone in the office with both local and long distance service, for use by Postal Service employees at the facility.

#### **4.5.3.6 Personnel Plan**

The supplier will provide the Postal Service within its proposal a plan that includes the following information:

- An overall staffing plan that fully describes how the supplier will provide adequate resources to successfully perform the contract
- Number of people used in distribution and dispatch functions in each facility
  - Full-time
  - Part-time – average daily work hours
- Number of drivers
- Turnover rates for personnel used in distribution and transportation

The supplier must provide its network management structure, including:

- Organizational chart of leadership, from highest level officer through the facility managers
- Resume for each individual on the organizational chart (1 page maximum for each person)
- Management organization structure within the facility
- Employee to supervisor ratio

The supplier will describe its plans for start-up hiring, replacement hiring, and increasing staffing levels for peak periods.

#### **4.5.3.7 Security Plan**

The supplier must outline how it plans to meet all security requires as outlined in the SOW. The proposed plan must include at a minimum how it plans to conduct the following background investigations which must include:

- A criminal records check. The criminal records check for felonies and misdemeanors for the previous five (5) years
- Employment verification. To verify and identify reasons for termination or resignation from previous positions during the five (5) years prior to employment under this contract

- Drug-screening test for prohibited drugs. The term “prohibited drugs” refers to the five (5) most abused substances, as defined by the Substance Abuse and Mental Health Services Administration (SAMHSA), cocaine, marijuana, amphetamine / methamphetamine, opiates, and phencyclidine (PCP)
- Verification of U.S. citizenship or legal work status authorizing the employee to work in the United States

#### **4.5.4 Pricing Proposal Requirements**

These instructions are designed to ensure the submission of information essential to the understanding and comprehensive evaluation of the proposal. There is no intent to limit the content of the proposal. Any additional data or information deemed necessary by the supplier for the purpose of further explaining the TDSN contract pricing proposal should be included.

Failure to follow these instructions may render the proposal unsuitable for review for the determination of price reasonableness and, therefore, may cause the proposal to be eliminated from further consideration.

##### **4.5.4.1 General Instructions**

The supplier’s pricing proposal must contain, at a minimum, the information required by this instruction. All cost proposal submissions will be made via Internet data entry. Specific instructions for the online submission of cost and pricing data will be provided with the final solicitation document. However, all of the cost/price information described herein will be required in formal cost/price proposal submissions. All hard copy data used in support of the supplier’s cost/price proposal will be maintained at the supplier’s facility for review by the Postal Service or its designated representative. It is anticipated that the Postal Service or its designated representative will perform a pre-award audit of the supplier’s cost/price proposal(s).

Subcontractor contract pricing proposals or alternative proposals, if permitted, must be prepared in accordance with this instruction and will be identified as “Subcontractor” or “Alternate.”

The Postal Service may use non-Postal Service employees (outside contractors) to assist in the proposal evaluation. All such individuals will be required to sign confidentiality and non-disclosure statements as a condition of their participation in the evaluation process. By submission of a proposal, the supplier consents to the use of non-Postal Service employees for proposal evaluation.

##### **4.5.4.2 Contract Pricing Proposal Approach**

The contract pricing proposal must include the elemental cost and pricing information described in the SOW. Cost forms are listed below and shown in [Appendix L](#). For each of the ten (10) priced activities and for contract cancellation charges, the supplier will submit annual pricing for each of the eight (8) evaluated contract years via an online internet application. The summarization of the supplier’s cost/price proposal by activity cost will be performed by the online proposal module. Details regarding this application will be provided within the final solicitation document.

##### **4.5.4.3 Cost/Price Proposal Format**

###### **4.5.4.3.1 Part 1 –Required Cost/Price Forms**

- Activity 1 - Transportation by Site (Bands)
  - PS Form TDSN.Cost.A1.Band1.1Way
  - PS Form TDSN.Cost.A1.Band1.RT
  - PS Form TDSN.Cost.A1.Band2.1Way
  - PS Form TDSN.Cost.A1.Band2.RT
  - PS Form TDSN.Cost.A1.Band3.1Way
  - PS Form TDSN.Cost.A1.Band3.RT
  - PS Form TDSN.Cost.A1.Band4.1Way
  - PS Form TDSN.Cost.A1.Band4.RT
  - PS Form TDSN.Cost.A1.Band5.1Way
  - PS Form TDSN.Cost.A1.Band5.RT

- PS Form TDSN.Cost.A1.Band6.1Way
  - PS Form TDSN.Cost.A1.Band6.RT
- Activity 2 - Origin Processing by Site
  - PS Form TDSN.Cost.A2
- Activity 3 - Transport Handling Units, Total Network
  - PS Form TDSN.Cost.A3
- Activity 4 - Destination Processing by Site
  - PS Form TDSN.Cost.A4
- Activity 5 - Pallet Processing by Site
  - PS Form TDSN.Cost.A5
- Activity 6 - Transport Pallets, Total Network
  - PS Form TDSN.Cost.A6
- Activity 7 - Barcoding, Total Network
  - PS Form TDSN.Cost.A7
- Activity 8 - Additional Separations, Total Network
  - PS Form TDSN.Cost.A8
- Activity 9 - Security Screening, Total Network
  - PS Form TDSN.Cost.A9
- Activity 10 - Fixed Costs for Activities 2, 4, and 5 by Site
  - PS Form TDSN.Cost.A10
- Contract Cancellation, Total Network
  - PS Form TDSN Cancellation

#### 4.5.4.3.2 *Part 2 –Cost/Price Detail*

Supplier-generated detailed supporting data for each cost/price form will be required. Instructions for providing this information will be included in the final solicitation document.

#### 4.5.4.3.3 *Part 3 –Administrative/Other*

- Accounting System
- Merit/Promotion Policies and Union Agreements
- Travel Policy
- Relocation Policy
- Prime/Subcontractor Payment/Delivery Terms and Conditions
- Administrative
- Estimating Rationale

#### 4.5.4.3.4 *Part 4 –Inter-Company Transfers*

Under Part 4, the supplier will provide the same data required under Parts 1-3 above for each Inter-Company Transfer.

#### 4.5.4.3.5 *Part 5 – Subcontracts*

Under Part 5, the supplier will provide the same data required under Parts 1-3 above for each subcontractor used. If a subcontractor is proposed, it is the responsibility of the prime contractor to determine the reasonableness of the subcontractor's pricing. This determination may be made by price analysis, cost analysis, or a combination of both. The review must be documented in writing and supported by the analytical data used to arrive at the determination of price reasonableness. This determination and the supporting documentation are subject to USPS review.

#### 4.5.4.3.6 *Optional Proposals*

All optional cost/price proposals submitted must include all applicable data required by Parts 1-5. All optional proposals must be identified as "Optional."

#### **4.5.4.4 Cost/Price Structure**

The contract pricing proposal will be organized to reflect the presentation of the cost and pricing detail by cost element as defined under [Section 3](#) of the SOW and as detailed on each pricing form contained in [Appendix L](#). The pricing structure will include both pricing per unit and fixed pricing per facility.

Price per unit includes fixed costs for all transportation activities (1, 3, 6) and for activities 7, 8, and 9 as well as all variable costs for activities 1 through 9 such as direct labor, oil, maintenance, tolls, taxes, tires, etc. and the associated general and administrative costs and management fees for all of these costs. Total price divided by the total estimated relevant units for each activity will result in the contract price per unit. Relevant units per activity are:

- Activity 1 - Price Per Trip
- Activities 2 and 4 - Price Per Handling Unit
- Activity 3 - Price Per Handling Unit-Mile
- Activity 5 - Price Per Pallet
- Activity 6 - Price Per Pallet-Mile
- Activity 7 - Price Per Bar Code
- Activity 8 - Price Per Additional Separation Per Operating Day
- Activity 9 - Price Per Employee

Fixed price per schedule period includes facilities costs, equipment costs, other fixed costs, management labor and the overhead, general and administrative costs, and management fees associated with these fixed costs for activities 2, 4, and 5. Total fixed price divided by the total applicable contract schedule periods results in the total fixed price per schedule period.

#### **4.5.4.5 Instructions for the Preparation of TDSN Cost/Price Proposal Data**

##### **4.5.4.5.1 Detailed Cost Breakdowns**

Full details regarding the cost/price proposal submission process including form and format will be provided in the final solicitation document. In addition to the detailed cost and pricing data defined in the forms identified under Part 1 of this instruction, the supplier will provide cost/price detail in support of each of its proposed costs.

Elemental data provided in this cost/price submission should mirror elemental data provided in the supplier's technical submission. The Postal Service will compare qualitative and quantitative data from the supplier's technical and cost submissions as one basis of determining the quality and validity of the supplier's entire proposal. The supplier's cost data submission will include at a minimum:

- Activities 1, 3, 6 - Estimating rationale and detailed support for:
  - Work hours - management, full-time, part-time
  - Worker productivity rates - work hour estimating rationale
  - Number of trips and average miles per trip by route
  - Vehicle types and scheduled depreciation
  - Trailer internal dimensions and estimated space for USPS volume (cubic feet)
  - Number of intermediate stops
  - New and used equipment acquisition costs and scheduled depreciation
  - Process types, by equipment and/or manual operation
  - Basis of estimate for each other direct and variable cost
- All other activities - Estimating rationale and detailed support for:
  - Work hours - management, full-time, part-time
  - Worker productivity rates - work hour estimating rationale
  - New and used equipment acquisition costs and scheduled depreciation
  - Equipment throughput rates
  - Process types, by equipment and/or manual operation
  - Basis of estimate for each other direct and variable cost

#### 4.5.4.5.1.1 *Applied Rates*

The supplier will detail, by annual contract period, all applied rates used within the cost/price proposal. Such rates as General and Administrative (G&A), FICA, Workman's Comp, FUI, SUI, fringe rates, and labor escalation must be identified. If any applied rate is not calculated as a percentage, the basis of application must be explained. Any additional rate types must be listed and explained.

Under this firm fixed price contract proposal, the supplier must estimate its costs for the eight (8) year evaluation period. In addition to labor escalation, the supplier must describe and provide the basis for escalation to any other element(s) of cost.

#### 4.5.4.5.1.2 *General and Administrative Expense and Management Fee*

To each cost component within the ten (10) activities pricing structure, the supplier may apply G&A expense and a management fee. G&A expense and management fee are added to the respective total costs of each activity to arrive at a total price for each.

#### 4.5.4.5.1.3 *Total Estimated Fuel*

Estimated fuel cost is the last cost element for each transportation-related cost form (activities 1, 3, and 6). The supplier must provide an estimate of total fuel usage (gallons) and a proposed cost per gallon for fuel for each applicable contract year. Fuel cost will be evaluated within the award criteria and the price per gallon proposed is a fixed price offer which may be used to determine the supplier's total evaluated proposal price and may become the fixed price per gallon applied in the resulting contract. The Postal Service is interested in the most cost-effective approach to managing fuel, and will compare the supplier's fuel management plan to the Postal Service's fuel program.

#### 4.5.4.5.2 *Administrative/Other*

Instructions to suppliers for the submission of the following administrative information will be provided in the final solicitation document.

##### 4.5.4.5.2.1 *Accounting System*

The supplier must identify its fiscal year (FY) ending date, provide a description of the cost accumulation system to be utilized for this program, and provide a chart of accounts. The supplier must provide the written policy for change order accounting procedures.

- General and Administrative and Other Indirect Expense Rates
  - Provide a schedule of the expense accounts for each burden pool and the respective rate calculation for the supplier's previous two (2) fiscal years, year-to-date of the current fiscal year, and the forecast(s) covering the period of performance of this program. The schedule must show, by account, the total expense, expenses eliminated/unallowable and the net expense used in the proposed rate calculation.
- Incentive Pay Policy
  - Provide a copy of any incentive pay policies such as cash bonus or stock option plans. This policy should include, at a minimum, such elements as employee eligibility, and how and when bonuses are calculated.
- Management Fee
  - Provide narrative or calculative rationale for the rate(s) of profit/fee proposed.

##### 4.5.4.5.2.2 *Merit/Promotion Policies and Union Agreements*

Include documentation supporting those Merit/Promotion Policies and Union Agreements which affect any pricing aspect of the proposal. If no formal policies exist but general practices over the years are used to grant wage/salary increase, the supplier must provide complete details on the historic data and how this information was used in the pricing of the proposal. In addition, provide the projected escalation rate proposed and the method of application to the period of performance of this program. Also identify the rates as category averages, averages of specific individuals, specific individuals' rates, or some other methodology. If the rates are weighted averages, the calculation must be shown.

#### *4.5.4.5.2.3 Travel Policy (If Travel is Proposed)*

A copy of the supplier's travel policy affecting any pricing aspect of this proposal must be provided. The travel policy is expected to address class of air travel authorization, per diem rates, car rental, use of private vehicles, and frequency of trips home while on field assignment, etc.

#### *4.5.4.5.2.4 Relocation Policy (If Relocation is Proposed)*

A copy of the supplier's relocation policy affecting any pricing aspect of this proposal must be provided. The relocation policy is expected to address all rules regarding employee relocation authorization as well as detailing the various considerations/benefits provided to the affected employees.

#### *4.5.4.5.2.5 Prime/Subcontractor Payment/Delivery Terms and Conditions (If a Subcontractor is Proposed)*

A narrative of the prime/subcontractor payment and delivery terms and conditions must be provided.

#### *4.5.4.5.2.6 Administrative*

The supplier will include the address(es) of the location(s) where all supporting documentation to the contract pricing proposal, including commercial sales data if applicable, is located and the name, address, and phone number of the supplier's representative who can be contacted regarding the documentation.

#### *4.5.4.5.2.7 Estimating Rationale/Basis of Estimate (BOE)*

The supplier must provide statements of the rationale used to generate cost estimates for the specific tasks or items to be produced. This Basis of Estimates (BOEs) will be used by the Postal Service to evaluate the reasonableness and accuracy of estimates and to support statements made in the supplier's technical proposal. It is essential that the BOEs reference and explain the source data and quantify all factors, calculations, assumptions, and conditions used in the estimating process.

The BOEs should reference such items as proposal number, program title, the period of performance, and the estimator's name and title. Each BOE should indicate the source data, accounting records or departmental operating instructions, and the estimating rationale that ties all of the source information together.

#### *4.5.4.5.3 Late Offers*

Offers or modifications of offers received at the address specified for the receipt of offers after the exact time specified for receipt of offers will not be considered unless determined to be in the best interests of the Postal Service.

#### *4.5.4.5.4 Oral Presentations*

Oral presentations may be scheduled with suppliers deemed capable of successfully performing the contract. The goal of these presentations is to evaluate a supplier's experience, ability, and proposed method to perform the work called for in the solicitation and to provide a better picture of both the supplier's understanding of the solicitation requirements and its proposed approach to meeting the Postal Service's needs. During oral presentations suppliers may address any or all of a solicitation's performance evaluation factors.

#### *4.5.4.5.5 Contract Award*

The Postal Service may evaluate offers and award a contract without discussions with suppliers. Therefore, the supplier's initial offer should contain the supplier's best terms from a price and technical standpoint. Discussions may be conducted if the Postal Service determines they are necessary. The Postal Service may reject any or all offers if such action is in the best interest of the Postal Service; accept other than the lowest offer, and waive informalities and minor irregularities in offers received.

### **4.6 Provision 4-2 Evaluation (Revised)**

The Postal Service will award a contract resulting from this solicitation to the supplier whose offer, in the business judgment of the Postal Service, best conforms to the solicitation and is deemed to offer the Postal Service the best value. Award will be made to the supplier who proposes the best combination of supplier-specific factors, proposal-specific factors, and price. Award will not necessarily be made to the supplier who provides the highest-rated technical proposal (supplier-specific/proposal-specific factors) or

to the supplier who offers the lowest price. While the supplier-specific/proposal-specific factors and the price factors are of equal significance, the importance of price will increase when proposals are closely ranked technically, and technical factors will be of more significance as to proposals closely-ranked as to price. The best value award decision will be made based on a trade-off between the price and technical factors.

In order to meet its stated business, service and financial objectives, the Postal Service will evaluate proposals using the following evaluation criteria which are listed in descending order of importance:

- Supplier-specific criteria is the most important evaluation factor, and the following evaluation elements are listed in descending order of importance with one (1) being more important than (2) two, and so forth. The evaluation elements are: (1) Supplier Eligibility, (2) Past Performance, and (3) Supplier Capability.
- Proposal-specific criteria is the second most important factor with the evaluation focusing on the following elements of the proposal which are listed in descending order of importance with one (1) being more important than (2) two, and so forth. The evaluation elements are: (1) Distribution Plan, (2) Transportation Plan, (3) Network Design, (4) Information Technology, (5) Facility Plan, (6) Personnel Plan, and (7) Security Plan.

In general, the supplier should be concerned with providing specific facts in lieu of broad generalizations and descriptions. The supplier must also complete and return the Representations and Certifications as contained in the solicitation.

#### **4.6.1 Initial proposal review (Pass/Fail) (Step 1)**

The Postal Service is seeking a comprehensive solution to this requirement. By “comprehensive,” the Postal Service means the following:

- The requirements of this solicitation will be met
- The proposal is from a single asset-based company or from an asset-based consortium of companies
  - The consortium is controlled by one company and serves as the point of contact to the Postal Service
- Distribution work is not subcontracted; non-distribution work subcontracting is limited to 30% of the total contract value

A supplier’s proposal will be deemed to have not met the requirements of this solicitation (and will therefore be eliminated from consideration) if it does not meet all of the requirements set forth in the SOW. This criterion is a “pass/fail” requirement.

#### **4.6.2 Supplier Specific Criteria (Step 2)**

The supplier will be evaluated on its business scope, business relationships, key officers of the corporation, and the company organization structure. The Postal Service will also evaluate the supplier’s past performance. The supplier’s narrative should provide detailed descriptions of five (5) previous contracts (all performed in the last ten years) of similar size, scope, and operational requirements to the one contained in this solicitation. The supplier will be evaluated on its capability in the areas of quality and reliability. Supplier’s financial statements for the past three (3) fiscal years including, at a minimum, the balance sheet, income statement, and statement of cash flows will also be evaluated to determine the financial capability of the supplier. The subcontracting plan of each supplier will also be evaluated to determine its compliance with postal policy and law. The Postal Service will evaluate the supplier’s proposed environmental plan to determine its compliance with applicable laws. The supplier’s value engineering plan will be evaluated to assess how the supplier proposes to focus on service improvements, cost reductions and cost management on the contract.



### **4.6.3 Proposal Specific Technical Criteria (Step 3)**

The supplier will be evaluated on how it plans to operate for each proposed location in sufficient detail, to allow the evaluators to determine the supplier understands of the work to be performed and how it intends to successfully meet the technical requirements. This narrative must identify the resources necessary to successfully perform each plan. If the required resources are not currently available, the supplier must submit an acquisition plan. The proposed plan must address, at a minimum, distribution, transportation, information technology, facility(s), personnel, and security as defined in the SOW.

### **4.6.4 Pricing Evaluation Criteria (Step 4)**

Pricing will be evaluated for a eight (8)-year period. The supplier's cost/price proposal will be submitted in accordance with the pricing instructions of [Appendix L](#), and the prices submitted under that instruction will be used to calculate the supplier's total price evaluation.

The TDSN price evaluation will include variable, per unit, pricing for activities 1 through 9 plus a fixed price component - activity 10 - which will include fixed facility, equipment, and management costs from activities 2, 4, and 5. The relevant units per activity for activities 1 through 9 are:

- Activity 1 - Price Per Trip
- Activities 2 and 4 - Price Per Handling Unit
- Activity 3 - Price Per Handling Unit-Mile
- Activity 5 - Price Per Pallet
- Activity 6 - Price Per Pallet-Mile
- Activity 7 - Price Per Bar Code
- Activity 8 - Price Per Additional Separation Per Operating Day
- Activity 9 - Price Per Employee

#### **4.6.4.1 Activity Evaluation**

- Activity 1, Transportation - The total estimated number of trips by mileage band on both a one-way and a round-trip basis will be evaluated annually for each site. The supplier will provide the estimated number of trips by mileage band by site and by contract year. The supplier's total estimated price for all trips will be divided by the total estimated trips to determine the contracted price per trip. The total of all estimated prices for all sites for all years will be the supplier's total evaluated price for award.
- Activity 2, Origin Processing - Fixed costs for the facilities, equipment, and management of activity 2 will be priced under activity 10. For the variable costs of activity 2, the total estimated number of handling units will be evaluated per site per contract year. The supplier will estimate the number of handling units per site based upon historical system data provided by the Postal Service. The supplier's total estimated variable price for all handling units will be divided by the total estimated handling units to determine the contracted price per handling unit. The total of all estimated prices for all sites for all years will be the supplier's total evaluated price for award.
- Activity 3, Transport Handling Units - The total estimated number of handling unit-miles transported will be evaluated annually on a network basis. The supplier will estimate the number of handling unit-miles based upon historical system data provided by the Postal Service. The supplier's total estimated price for all handling units will be divided by the total estimated handling unit-miles to determine the contracted price per handling unit-mile. The total of all estimated prices for all years will be the supplier's total evaluated price for award.
- Activity 4, Destination Processing - Fixed costs for the facilities, equipment, and management of activity 4 will be priced under activity 10. For the variable costs of activity 4, the total estimated number of handling units will be evaluated per site per contract year. The supplier will estimate the number of handling units per site based upon historical system data provided by the Postal Service. The supplier's total estimated variable price for all handling units will be divided by the total estimated handling units to determine the contracted price per handling unit. The total of all estimated prices for all sites for all years will be the supplier's total evaluated price for award.

- Activity 5, Pallet Processing - Fixed costs for the facilities, equipment, and management of activity 5 will be priced under activity 10. For the variable costs of activity 5, the total estimated number of pallets will be evaluated per site per contract year. The supplier will estimate the number of pallets per site based upon historical system data provided by the Postal Service. The supplier's total estimated variable price for all pallets will be divided by the total estimated handling units to determine the contracted price per handling unit. The total of all estimated prices for all sites for all years will be the supplier's total evaluated price for award.
- Activity 6, Transport Pallets - The total estimated number of pallet-miles transported will be evaluated annually on a network basis. The supplier will estimate the number of pallet-miles based upon historical system data provided by the Postal Service. The supplier's total estimated price for all pallet-miles will be divided by the total estimated pallets to determine the contracted price per pallet-mile. The total of all estimated prices for all years will be the supplier's total evaluated price for award.
- Activity 7, Bar Code Application - The total estimated number of bar codes to be applied will be evaluated annually on a network basis. The supplier will estimate the number of bar codes to be applied based upon historical system data provided by the Postal Service. The supplier's total estimated price for all bar codes will be divided by the total estimated number of bar codes to determine the contracted unit price. The total of all estimated prices for all years will be the supplier's total evaluated price for award.
- Activity 8, Additional Separations - The supplier will submit a network price per additional separation per operating day. This price will be evaluated separately from all other activities and will not be added in with the evaluated prices of the other activities. Additional separation pricing will be considered in the overall best value judgment made for contract award.
- Activity 9, Security Screening - The total estimated number of employees who will require security screening will be evaluated annually on a network basis. The supplier will estimate the required annual quantity of screenings necessary based upon the supplier's staffing plan and on expected employee turnover. The supplier's price can not exceed \$75 per employee for this activity. Also, the quantity of screenings proposed will be capped in any resulting contract at either the supplier's proposed quantity or another negotiated quantity. The supplier's total estimated price for all screenings will be divided by the total estimated number of screenings to determine the contracted unit price. The total of all estimated prices for all years will be the supplier's total evaluated price for award.
- Activity 10, Facilities Fixed Cost for Activities 2, 4, 5 - The total estimated fixed cost for activities 2, 4, and 5 will be evaluated per site per contract year. The supplier will estimate total handling units and pallets per site based upon historical system data provided by the Postal Service. The supplier's total estimated fixed price for all products will be divided by the number of schedule periods to determine the contracted price per schedule period. The total of all estimated prices for all sites for all years will be the supplier's total evaluated price for award.

#### **4.7 Provision 4-3 Representations and Certifications (March 2006)**

##### **4.7.1 Type of Business Organization**

The supplier, by checking the applicable blocks, represents that it:

- Operates as:
  - a corporation incorporated under the laws of the state of \_\_\_\_\_; or country of \_\_\_\_\_ if incorporated in a country other than the United States of America.
  - an individual
  - a partnership
  - a joint venture
  - a limited liability company
  - a nonprofit organization
  - an educational institution
- Is (check all that apply):

- a small business concern
- a minority business (indicate minority below)
- Black American
- Hispanic American
- Native American
- Asian American
- a woman-owned business
- none of the above entities

**4.7.1.1 Small Business**

A small business concern for the purposes of Postal Service purchasing means a business, including an affiliate, that is independently owned and operated, is not dominant in producing or performing the supplies or services being purchased, and has no more than 500 employees, unless a different size standard has been established by the Small Business Administration (see 13 CFR 121, particularly for different size standards for airline, railroad, and construction companies). For subcontracts of \$50,000 or less, a subcontractor having no more than 500 employees qualifies as a small business without regard to

**4.7.1.2 Minority Business**

A minority business is a concern that is at least 51 percent owned by, and whose management and daily business operations are controlled by, one or more members of a socially and economically disadvantaged minority group, namely U.S. citizens who are Black Americans, Hispanic Americans, Native Americans, or Asian Americans. (Native Americans are American Indians, Eskimos, Aleuts, and Native Hawaiians. Asian Americans are U.S. citizens whose origins are Japanese, Chinese, Filipino, Vietnamese, Korean, Samoan, Laotian, Kampuchean (Cambodian), Taiwanese, in the U.S. Trust Territories of the Pacific Islands or in the Indian subcontinent.)

**4.7.1.3 Woman-owned Business**

A woman-owned business is a concern at least 51 percent of which is owned by a woman (or women) who is a U.S. citizen, controls the firm by exercising the power to make policy decisions, and operates the business by being actively involved in day-to-day management.

**4.7.1.4 Educational or Other Nonprofit Organization**

Any corporation, foundation, trust, or other institution operated for scientific or educational purposes, not organized for profit, no part of the net earnings of which inures to the profits of any private shareholder or individual.

**4.7.2 Parent Company and Taxpayer Identification Number**

A parent company is one that owns or controls the basic business policies of a supplier, meaning to own more than 50 percent of the voting rights in the supplier. "To control" means to be able to formulate, determine, or veto basic business policy decisions of the supplier. A parent company need not own the supplier to control it; it may exercise control through the use of dominant minority voting rights, proxy voting, contractual arrangements, or otherwise.

- Enter the supplier's U.S. Taxpayer Identification Number (TIN) in the space provided. The TIN is the supplier's Social Security number or other Employee Identification Number (EIN) used on the supplier's Quarterly Federal Tax Return, U.S. Treasury Form 941, or as required by Internal Revenue Service (IRS) regulations. Supplier's TIN: \_\_\_\_\_
- Check this block if the supplier is owned or controlled by a parent company: \_\_\_\_\_
- If the block above is checked, provide the following information about the parent company:

Parent Company's Name: \_\_\_\_\_  
 Parent Company's Main Office: \_\_\_\_\_  
 Address: \_\_\_\_\_  
 No. and Street: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ ZIP Code: \_\_\_\_\_  
Parent Company's TIN: \_\_\_\_\_

- If the supplier is a member of an affiliated group that files its federal income tax return on a consolidated basis (whether or not the supplier is owned or controlled by a parent company, as provided above) provide the name and TIN of the common parent of the affiliated group  
Name of Common Parent: \_\_\_\_\_  
Common Parent's TIN: \_\_\_\_\_

#### **4.7.3 Certificate of Independent Price Determination**

- By submitting this proposal, the supplier certifies, and in the case of a joint proposal each party to it certifies as to its own organization, that in connection with this solicitation:
  - The prices proposed have been arrived at independently, without consultation, communication, or agreement, for the purpose of restricting competition, as to any matter relating to the prices with any other supplier or with any competitor
  - Unless otherwise required by law, the prices proposed have not been and will not be knowingly disclosed by the supplier before award of a contract, directly or indirectly to any other supplier or to any competitor
  - No attempt has been made or will be made by the supplier to induce any other person or firm to submit or not submit a proposal for the purpose of restricting competition.
- Each person signing this proposal certifies that:
  - He or she is the person in the supplier's organization responsible for the decision as to the prices being offered herein and that he or she has not participated, and will not participate, in any action contrary to paragraph A above
  - He or she is not the person in the supplier's organization responsible for the decision as to the prices being offered, but that he or she has been authorized in writing to act as agent for the persons responsible in certifying that they have not participated and will not participate in any action contrary to paragraph A above, and as their agent does hereby so certify; and he or she has not participated, and will not participate, in any action contrary to paragraph a above.
- Modification or deletion of any provision in this certificate may result in the disregarding of the proposal as unacceptable. Any modification or deletion should be accompanied by a signed statement explaining the reasons and describing in detail any disclosure or communication.

#### **4.7.4 Certification of Nonsegregated Facilities**

- By submitting this proposal, the supplier certifies that it does not and will not maintain or provide for its employees any segregated facilities at any of its establishments, and that it does not and will not permit its employees to perform services at any location under its control where segregated facilities are maintained. The supplier agrees that a breach of this certification is a violation of the Equal Opportunity clause in this contract.
- As used in this certification, segregated facilities means any waiting rooms, work areas, rest rooms or wash rooms, restaurants or other eating areas, time clocks, locker rooms or other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment area, transportation, or housing facilities provided for employees that are segregated by explicit directive or are in fact segregated on the basis of race, color, religion, or national origin, because of habit, local custom, or otherwise.
- The supplier further agrees that (unless it has obtained identical certifications from proposed subcontractors for specific time periods) it will obtain identical certifications from proposed subcontractors before awarding subcontracts exceeding \$10,000 that are not exempt from the provisions of the Equal Opportunity clause; that it will retain these certifications in its files; and that it will forward the following notice to these proposed subcontractors (except when they have submitted identical certifications for specific time periods).
- Notice: A certification of nonsegregated facilities must be submitted before the award of a subcontract exceeding \$10,000 that is not exempt from the Equal Opportunity clause. The

certification may be submitted either for each subcontract or for all subcontracts during a period (quarterly, semiannually, or annually).

#### **4.7.5 Certification Regarding Debarment, Proposed Debarment, and Other Matters**

This certification must be completed with respect to any offer with a value of \$100,000 or more.

- The supplier certifies, to the best of its knowledge and belief, that it or any of its principals:
  - Are \_\_\_ are not \_\_\_ presently debarred or proposed for debarment, or declared ineligible for the award of contracts by any Federal, state, or local agency
  - Have \_\_\_ have not \_\_\_, within the three-year period preceding this offer, been convicted of or had a civil judgment rendered against them for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (Federal, state, or local) contract or subcontract; violation of Federal or state antitrust statutes relating to the submission of offers; or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, tax evasion, or receiving stolen property
  - Are \_\_\_ are not \_\_\_ presently indicted for, or otherwise criminally or civilly charged by a governmental entity with, commission of any of the offenses enumerated in subparagraph (b) above
  - Have \_\_\_ have not \_\_\_ within a three-year period preceding this offer, been convicted of or had a civil judgment rendered against them for commission of fraud or a criminal offense in conjunction with obtaining, attempting to obtain, or performing a public (Federal, state or local) contract or subcontract; violation of Federal or state antitrust statutes relating to the submission of offers; or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, tax evasion or receiving stolen property
  - Are \_\_\_ are not \_\_\_ presently indicted for, or otherwise criminally or civilly charged by a governmental entity with, commission of any of the offenses enumerated in subparagraph (d) above.
- The supplier has \_\_\_ has not \_\_\_, within a three-year period preceding this offer, had one or more contracts terminated for default by any Federal, state, or local agency.
- "Principals," for the purposes of this certification, means officers, directors, owners, partners, and other persons having primary management or supervisory responsibilities within a business entity (e.g., general manager, plant manager, head of a subsidiary, division, or business segment, and similar positions).
- The supplier must provide immediate written notice to the contracting officer if, at any time prior to contract award, the supplier learns that its certification was erroneous when submitted or has become erroneous by reason of changed circumstances.
- A certification that any of the items in Clause 4-3(E)(1) of this provision exists will not necessarily result in withholding of an award under this solicitation. However, the certification will be considered as part of the evaluation of the supplier's capability (see the Conduct Supplier Capability Analysis topic of the Evaluate Proposals task of Process Step 2: Evaluate Sources, in the Postal Service's *Supplying Practices*). The supplier's failure to furnish a certification or provide additional information requested by the contracting officer will affect the capability evaluation.
- Nothing contained in the foregoing may be construed to require establishment of a system of records in order to render, in good faith, the certification required by Clause 4-3(E)(1) of this provision. The knowledge and information of an supplier is not required to exceed that which is normally possessed by a prudent person in the ordinary course of business dealings.
- This certification concerns a matter within the jurisdiction of an agency of the United States and the making of a false, fictitious, or fraudulent certification may render the maker subject to prosecution under section 1001, Title 18, United States Code.
- The certification in Clause 4-3(E)(1) of this provision is a material representation of fact upon which reliance was placed when making the award. If it is later determined that the supplier knowingly rendered an erroneous certification, in addition to other remedies available to the

Postal Service, the contracting officer may terminate the contract resulting from this solicitation for default.

#### **4.7.6 Incorporation by Reference**

Wherever in this solicitation or contract a standard provision or clause is incorporated by reference, the incorporated term is identified by its title, its provision or clause number assigned to it, and its date. The text of incorporated terms may be found at <http://www.usps.com/purchasing/purchasingpubs/pubsmenu>. If checked, the following provision(s) is incorporated in this solicitation by reference: (contracting officer will check as appropriate):

- Provision 1-2: Domestic Source Certificate - Supplies
- Provision 1-3: Domestic Source Certificate - Construction Materials
- Provision 9-1: Equal Opportunity Affirmative Action Program
- Provision 9-2: Preaward Equal Opportunity Compliance Review
- Provision 9-3: Notice of Requirements for Equal Opportunity Affirmative Action

## **5 Contract Clauses**

### **5.1 Clause B-1 Definitions (March 2006) (Revised)**

- Contracting officer. The person executing this contract on behalf of the Postal Service, and any other officer or employee who is a properly designated contracting officer; the term includes, except as otherwise provided in the contract, the authorized representative of a contracting officer acting within the limits of the authority conferred upon that person.
- Subcontracts. Except as otherwise provided in the contract, the term includes purchase orders under this contract.

### **5.2 Clause B-3 Contract Type (March 2006)**

This contract will have Firm-Fixed-Price and an Indefinite-Delivery-Indefinite-Quantity contract [FFP & IDIQ]) components with a minimum contract guarantee of \$100,000,000.

### **5.3 Clause 1-1 Privacy Protection (July 2007)**

- Privacy Act. If the supplier operates a system of records on behalf of the Postal Service, the Privacy Act (5 U.S.C. 522a) and Postal Service regulations at 39 CFR Parts 266-267 apply to those records. The supplier is considered to operate a system of records if it manages records (including collecting, revising, or disseminating records) from which information is retrieved by the name of an individual or by some number, symbol, or other identifier assigned to the individual. The supplier agrees to comply with the Act and the Postal Service regulations in designing, developing, and operating the system of records, including ensuring that records are current and accurate for their intended use, and incorporating adequate safeguards to prevent misuse or improper disclosure of personal information. Violations of the Act may subject the violator to criminal penalties.
- Customer or Employee Information. If the supplier has access to Postal Service customer or employee information, including address information, whether collected online or offline by the Postal Service or by a supplier acting on its behalf, the supplier must comply with the following:
  - General. With regard to the Postal Service customer information to which it has access pursuant to this contract, the supplier has that access as an agent of the Postal Service and must adhere to its postal privacy policy at [www.usps.com/common/docs/privpol.htm](http://www.usps.com/common/docs/privpol.htm).
  - Use, Ownership, and Nondisclosure. The supplier may use Postal Service customer or employee information solely for purposes of this contract, and may not collect or use such information for non-Postal Service marketing, promotion, or any other purpose without the prior written approval of the contracting officer. The supplier must restrict

access to such information to those employees who need the information to perform work under this contract, and must ensure that each such employee (including subcontractors' employees) sign a nondisclosure agreement, in a form suitable to the contracting officer, prior to being granted access to the information. The Postal Service retains sole ownership and rights to its customer or employee information. Unless the contract states otherwise, upon completion of the contract, the supplier must turn over all Postal Service customer or employee information in its possession to the Postal Service, and must certify that no Postal Service customer or employee information has been retained unless otherwise authorized in writing by the contracting officer.

- Security Plan. When applicable, and unless waived in writing by the contracting officer, the supplier must work with the Postal Service to develop and implement a security plan that addresses the protection of customer or employee information. The plan will be incorporated into the contract and followed by the supplier, and must, at a minimum, address notification to the Postal Service of any security breach. If the contract does not include a security plan at the time of contract award, it must be added within 60 days after contract award.
- Breach Notification. If there is a breach of any nature in the security of Postal Service data, including customer or employee data, the supplier must follow the breach notification requirements included in the security plan discussed in (3) above. The supplier must follow Postal Service policies regarding breach notification to customers and/or employees.
- Legal Demands. If a legal demand is made for Postal Service customer or employee information (such as by subpoena), the supplier must immediately notify the contracting officer and the nearest office of the Postal Inspection Service. After notification, the Postal Service will determine whether and to what extent to comply with the legal demand. Should the Postal Service agree to or unsuccessfully resist a legal demand, the supplier may, with the written permission of the contracting officer, release the information specifically demanded.
- Online Assistance. If the supplier assists in the design, development, or operation of a Postal Service customer Web site, or if it designs or places an ad banner, button, or link on a Postal Service Web site or any Web site on the Postal Service's behalf, the supplier must comply with the limitations in subparagraph b (1) above relating to ad banners, buttons, or links, and the use of cookies, web beacons, or other web analysis tools. Exceptions to these limitations require the prior written approval of the contracting officer and the Postal Service's chief privacy officer.
- Marketing E-Mail. If the supplier assists the Postal Service in conducting a marketing e-mail campaign, the supplier does so as an agent of the Postal Service and must adhere to the Postal Service policies set out in Postal Service Management Instruction AS-350-2004-4, *Marketing E-mail*. Suppliers wishing to conduct marketing email campaigns to postal employees must first obtain the prior written approval of the contracting officer.
- Audits. The Postal Service may audit the supplier's compliance with the requirements of this clause, including through the use of online compliance software.
- Indemnification. The supplier will indemnify the Postal Service against all liability (including costs and fees) for damages arising out of violations of this clause.
- Flow-down. The supplier will flow this clause down to subcontractors that would be covered by any portion of this clause if they were the supplier.

#### **5.4 Clause 1-7 Organizational Conflicts of Interest (March 2006)**

- Warranty Against Existing Conflicts of Interest. The supplier warrants and represents that, to the best of its knowledge and belief, it does not presently have organizational conflicts of interest that would diminish its capacity to provide impartial, technically sound, objective research assistance or advice, or would result in a biased work product, or might result in an unfair competitive advantage, except for advantages flowing from the normal benefits of performing this agreement.
- Restrictions on contracting. The supplier agrees that during the term of this agreement, any extensions thereto, and for a period of two (2) years thereafter, neither the supplier nor its affiliates will perform any of the following:

- Compete for any Postal Service contract for production of any product for which the supplier prepared any work statement or specifications or conducted any studies or performed any task under this agreement.
- Contract (as the provider of a component or the provider of research or consulting services) with any supplier competing for any Postal Service contract for production of any product for which the supplier prepared any work statements or specifications or conducted any studies or performed any task under this agreement.
- Contract (as the provider of a component or the provider of research or consulting services) with the supplier which wins award of a Postal Service contract for production of any product for which the supplier prepared any work statement or specifications or conducted any studies or performed any task under this agreement.
- Possible Future Conflicts of Interest. The supplier agrees that, if after award of this agreement, it discovers any organizational conflict of interest that would diminish its capacity to provide impartial, technically sound, objective research assistance or advice, or would result in a biased work product, or might result in an unfair competitive advantage, except advantages flowing from the normal benefits of performing this agreement, the supplier will make an immediate and full disclosure in writing to the contracting officer, including a description of the action the supplier has taken or proposes to take to avoid, eliminate, or neutralize this conflict of interest.
- Nondisclosure of Confidential Material
  - The supplier recognizes that, in performing this agreement, it may receive confidential information. To the extent that and for as long as the information is confidential, the supplier agrees to take the steps necessary to prevent its disclosure to any third party without the prior written consent of the contracting officer.
  - The supplier agrees to indoctrinate its personnel who will have access to confidential information as to the confidential nature of the information, and the relationship under which the supplier has possession of this information.
  - The supplier agrees to limit access to the confidential information obtained, generated, or derived, and to limit participation in the performance of orders under this agreement to those employees whose services are necessary for performing them.
- Postal Service Remedy. If the supplier breaches or violates any of the warranties, covenants, restrictions, disclosures or nondisclosures set forth under this clause, the Postal Service may terminate this agreement, in addition to any other remedy it may have for damages or injunctive relief.

**5.5 Clause 1-11 Prohibition Against Contracting with Former Officers or PCES Executives (March 2006)**

During the performance of this contract, former Postal officers or Postal Career Executive Service (PCES) executives are prohibited from employment by the contractor as key personnel, experts or consultants, if such individuals, within one (1) year after their retirement from the Postal Service, would be performing substantially the same duties as they performed during their career with the Postal Service.

**5.6 Clause 1-12 Use of Former Postal Service Employees (March 2006)**

During the term of this contract, the supplier must identify any former Postal Service employees it proposes to be engaged, directly or indirectly, in contract performance. Such individuals may not commence performance without the contracting officer's prior approval. If the contracting officer does not provide such approval, the supplier must replace the proposed individual former employee with another individual equally qualified to provide the services called for in the contract.

**5.7 Clause 2-22 Value Engineering Incentive (March 2006)**

- General. The supplier is encouraged to develop and submit Value Engineering Change Proposals (VECPs) voluntarily. The supplier will share in savings realized from an accepted VECP as provided in paragraph (h) below.
- Definitions
  - Value Engineering Change Proposal (VECP). A proposal that:



- Requires a change to the instant contract
    - Results in savings to the instant contract
    - Does not involve a change in:
      - Deliverable end items only
      - Test quantities due solely to results of previous testing under the instant contract
      - Contract type only.
  - Instant Contract. The contract under which a VECP is submitted. It does not include additional contract quantities.
  - Additional Contract Quantity. An increase in quantity after acceptance of a VECP due to contract modification, exercise of an option, or additional orders (except orders under indefinite-delivery contracts within the original maximum quantity limitations).
  - Postal Service Costs. Costs to the Postal Service resulting from developing and implementing a VECP, such as net increases in the cost of testing, operations, maintenance, logistics support, or property furnished. Normal administrative costs of processing the VECP are excluded.
  - Instant Contract Savings. The estimated cost of performing the instant contract without implementing a VECP minus the sum of (a) the estimated cost of performance after implementing the VECP and (b) Postal Service costs.
  - Additional Contract Savings. The estimated cost of performance or delivering additional quantities without the implementation of a VECP minus the sum of (a) the estimated cost of performance after the VECP is implemented and (b) Postal Service cost.
  - Supplier's Development and Implementation Costs. Supplier's cost in developing, testing, preparing, and submitting a VECP. Also included are the supplier's cost to make the contractual changes resulting from the Postal Service acceptance of the VECP.
- Content
  - A VECP must include the following:
    - A description of the difference between the existing contract requirement and that proposed, the comparative advantages and disadvantages of each, a justification when an item's function or characteristics are being altered, the effect of the change on the end item's performance, and any pertinent objective test data.
    - A list and analysis of the contract requirements that must be changed if the VECP is accepted, including any suggested specification revisions.
    - A separate, detailed cost estimate for (a) the affected portions of the existing contract requirement and (b) the VECP. The cost reduction associated with the VECP must take into account the supplier's allowable development and implementation costs.
    - A description and estimate of costs the Postal Service may incur in implementing the VECP, such as test and evaluation and operating and support costs.
    - A prediction of any effects the proposed change would have on Postal Service costs.
    - A statement of the time by which a contract modification accepting the VECP must be issued in order to achieve the maximum cost reduction, noting any effect on the contract completion time or delivery schedule.
    - Identification of any previous submissions of the VECP to the Postal Service, including the dates submitted, purchasing offices, contract numbers, and actions taken.
- Submission
  - The supplier must submit VECPs to the contracting officer.
- Postal Service Action
  - The contracting officer will give the supplier written notification of action taken on a VECP within 60 days after receipt. If additional time is needed, the contracting officer will notify the supplier, within the 60-day period, of the expected date of a decision. The Postal Service will process VECPs expeditiously but will not be liable for any delay in acting upon a VECP.

- If a VECP is not accepted, the contracting officer will so notify the supplier, explaining the reasons for rejection.
- Withdrawal
  - The supplier may withdraw a VECP, in whole or in part, at any time before its acceptance
- Acceptance
  - Acceptance of a VECP, in whole or in part, will be by execution of a supplemental agreement modifying this contract and citing this clause. If agreement on price (see paragraph h below) is reserved for a later supplemental agreement, and if such agreement cannot be reached, the disagreement is subject to the Claims and Disputes clause of this contract.
  - Until a VECP is accepted by contract modification, the supplier must perform in accordance with the existing contract.
  - The contracting officer's decision to accept or reject all or any part of a VECP is final and not subject to the Claims and Disputes clause or otherwise subject to litigation under the Contract Disputes Act of 1978 (41 U.S.C. 601-613).
- Sharing
  - If a VECP is accepted, the supplier's share is \_\_\_ percent of the contract savings. If options are included in the contract, the supplier's share for the additional quantity is \_\_\_ percent of the contract savings. The contract savings are calculated by subtracting the estimated cost of the performing the contract with the VECP, Postal Service costs, and the allowable development and implementation costs from the estimated cost of performing the contract with out the VECP. Profit is excluded when calculating contract savings. (contracting officer inserts the negotiated percentage of shared savings. See the Shared Lessons Learned topic of the Manage Delivery and Contract Performance task of Process Step 5: Measure and Manage Supply, from the Postal Service *Supplying Practices*.)
- Data
  - The supplier may restrict the Postal Service's right to use any part of a VECP or the supporting data by marking the following legend on the affected parts:
    - "These data, furnished under the Value Engineering Incentive clause of contract, may not be disclosed outside the Postal Service or duplicated, used, or disclosed, in whole or in part, for any purpose other than to evaluate a value engineering change proposal submitted under the clause. This restriction does not limit the Postal Service's right to use information contained in these data if it has been obtained or is otherwise available from the supplier or from another source without limitation."
  - If a VECP is accepted, the supplier hereby grants the Postal Service unlimited rights in the VECP and supporting data, except that, with respect to data qualifying and submitted as limited rights technical data, the Postal Service will have the rights specified in the contract modification implementing the VECP and will appropriately mark the data. (The terms "unlimited rights" and "limited rights" are defined in the Clarify Data Rights and Intellectual Property Issues topic of the Develop Sourcing Strategy task of Process Step 2: Evaluate Sources of the Supplying Practices.)
- Additional Paragraph j (see the Clarify Data Rights and Intellectual Property Issues topic of the Develop Sourcing Strategy task of Process Step 2:
- Subcontracts
  - The supplier must include an appropriate value engineering incentive clause in any firm-fixed-price subcontract of \$100,000 or more. In calculating any price adjustment for savings under this contract, the supplier's allowable VECP development and implementation costs include any subcontractor's allowable development and implementation costs. Subcontract savings are subject to the sharing arrangements in paragraph h of this clause, and will be taken into account in determining the savings under this contract.

## **5.8 Clause 4-1 General Terms and Conditions (July 2007) (Revised)**

- Inspection and Acceptance
  - The supplier will only tender for acceptance those items that conform to the requirements of this contract. The Postal Service reserves the right to inspect or test supplies or services that have been tendered for acceptance. The Postal Service may require repair or replacement of nonconforming supplies or reperformance of nonconforming services at no increase in contract price. The Postal Service must exercise its post acceptance rights (1) within a reasonable period of time after the defect was discovered or should have been discovered and (2) before any substantial change occurs in the condition of the items, unless the change is due to the defect in the item.
- Assignment
  - If this contract provides for payments aggregating \$10,000 or more, claims for monies due or to become due from the Postal Service under it may be assigned to a bank, trust company, or other financing institution, including any federal lending agency, and may thereafter be further assigned and reassigned to any such institution. Any assignment or reassignment must cover all amounts payable and must not be made to more than one party, except that assignment or reassignment may be made to one party as agent or trustee for two or more parties participating in financing this contract. No assignment or reassignment will be recognized as valid and binding upon the Postal Service unless a written notice of the assignment or reassignment, together with a true copy of the instrument of assignment, is filed with:
    - The contracting officer
    - The surety or sureties upon any bond
    - The office, if any, designated to make payment, and the contracting officer has acknowledged the assignment in writing.
    - Assignment of this contract or any interest in this contract other than in accordance with the provisions of this clause will be grounds for termination of the contract for default at the option of the Postal Service.
- Changes
  - The contracting officer may, in writing, without notice to any sureties, order changes within the general scope of this contract in the following:
    - Drawings, designs, or specifications when supplies to be furnished are to be specially manufactured for the Postal Service in accordance with them
    - Statement of work or description of services
    - Method of shipment or packing
    - Places of delivery of supplies or performance of services
    - Delivery or performance schedule
    - Postal Service furnished property or facilities
    - Any other written or oral order (including direction, instruction, interpretation, or determination) from the contracting officer that causes a change will be treated as a change order under this paragraph, provided that the supplier gives the contracting officer written notice stating (a) the date, circumstances, and source of the order and (b) that the supplier regards the order as a change order.
  - If any such change affects the cost of performance or the delivery schedule, the contract will be modified to effect an equitable adjustment.
  - The supplier's claim for equitable adjustment must be asserted within 30 days of receiving a written change order. A later claim may be acted upon — but not after final payment under this contract — if the contracting officer decides that the facts justify such action.
  - Failure to agree to any adjustment is a dispute under Clause B-9, Claims and Disputes, which is incorporated into this contract by reference (see paragraph s). Nothing in that clause excuses the supplier from proceeding with the contract as changed.
- Reserved
- Reserved

- Reserved
- Invoices
  - The supplier's invoices must be submitted before payment can be made. The supplier agrees that submission of an invoice to the Postal Service for payment is a certification that:
    - Any services being billed for have been performed in accordance with the contract requirements
    - Any supplies for which the Postal Service is being billed have been shipped or delivered in accordance with the instructions issued by the contracting officer and that the supplies are in the quantity and of the quality designated in the contract.
  - To ensure prompt payment, an original invoice (or electronic invoice, if authorized) must be submitted to the address designated in the contract to receive invoices for each destination and shipment. An invoice must contain:
    - The supplier's name, remit to address (including ZIP+4\_) and phone number;
    - Unique invoice number and invoice date
    - Any applicable task or delivery order number
    - A description of the supplies or services and the dates delivered or performed
    - The point of shipment or delivery
    - Quantity, unit of measure, unit price(s) and extension(s) of the items delivered
    - Shipping and payment terms, including GBL number if applicable
    - Any additional information required by the contract.
- Patent Indemnity
  - The supplier will indemnify the Postal Service and its officers, employees and agents against liability, including costs for actual or alleged direct or contributory infringement of, or inducement to infringe, any United States or foreign patent, trademark, or copyright, arising out of the performance of this contract, provided the supplier is reasonably notified of such claims and proceedings.
- Payment
  - Payment will be made for items accepted by the Postal Service that have been delivered to the delivery destinations set forth in this contract. The Postal Service will make payment in accordance with the Prompt Payment Act (31 U.S.C. 3903) and 5 CFR 1315. Payments under this contract may be made by the Postal Service either by electronic funds transfer (EFT), check, or government credit card at the option of the Postal Service. When the EFT payment method is selected, the Postal Service will provide the supplier with Form 3881, Supplier's Electronic Funds Transfer Enrollment Form, at contract award. The supplier must complete the form and submit it to the designated Postal Accounting Service Center to ensure the proper routing of payments.
  - In conjunction with any discount offered for early payment, time will be computed from the date of the invoice. For purposes of computing the discount earned, payment will be considered to have been made on the date which appears on the payment check or the date on which an electronic funds transfer was made.
- Risk of Loss
  - Unless the contract specifically provides otherwise, risk of loss or damage to the supplies provided under this contract will remain with the supplier until, and will pass to the Postal Service upon:
    - Delivery of the supplies to a carrier, if transportation is f.o.b. origin
    - Delivery of the supplies to the Postal Service at the destination specified in the contract, if transportation is f.o.b. destination
- Taxes
  - The contract price includes all applicable federal, state, and local taxes and duties.
- Termination for Default
  - The Postal Service may terminate this contract, or any part hereof, for default by the supplier, or if the supplier fails to provide the Postal Service, upon request, with adequate assurances of future performance. In the event of termination for default, the Postal Service will not be liable to the supplier for any amount for supplies or services not

accepted, and the supplier will be liable to the Postal Service for any and all rights and remedies provided by law. The debarment, suspension, or ineligibility of the supplier, its partners, officers, or principal owners under the Postal Service's procedures (see 39 CFR Part 601) may constitute an act of default under this contract, and such act will not be subject to notice and cure pursuant to any termination of default provision of this contract. If it is determined that the Postal Service improperly terminated this contract for default, such termination will be deemed a termination for convenience.

- Termination for Convenience
  - Prior to contract award, the Postal Service and the supplier will negotiate a mutually agreeable termination clause. The Postal Service will seek a flat rate (sliding scale) for early termination. Examples of this include:
    - This Agreement shall govern the rights and obligations of the parties as to the services commencing as of the Service Commencement Date and shall expire on the last day of the contract period. Not later than 24 months prior to the expiration date, the parties shall commence discussions with a view to renewing this Agreement. At all times during the referenced negotiation period, the supplier shall have the resources or the capacity to acquire the resources necessary to provide the services to USPS which are the subject of the negotiations between the parties.
    - Either party may terminate this contract without cause upon 24 months prior written notice to the other party subject to the payment by the terminating party to the non-terminating party a termination fee of \$100 million payable upon the effective date of termination.
- Termination for Change of Control
  - If a Change of Control Event (as defined below) occurs with respect to the supplier, the Postal Service may terminate this agreement upon 24 months written notice to the supplier without the payment of a penalty of any amount.
  - A "Change of Control Event" is one or more of the following:
    - a) Any Person or group (within the meaning of the Securities Exchange Act of 1934, as amended [the "Exchange Act"], and the rules of the Securities and Exchange Commission promulgated thereunder as in effect on the date thereof) who is not a stockholder of the supplier as of the date hereof becoming the beneficial owner pursuant to Rule 13d-3 or 13d-5 under the Exchange Act of Voting Stock of the supplier's company having more than 30% of the voting power of all of the then outstanding Voting Stock of the supplier
    - b) Individuals who are not Continuing Directors constituting a majority of the Board of Directors of the supplier, or individuals who are not appointed or designated by the supplier's corporation constituting a majority of the Board of Directors of the supplier
    - c) The supplier consolidating with or merging into any other Person, or any other Person consolidating with or merging into the supplier, unless the stockholders of the supplier immediately prior to such transaction hold at least 50% of the outstanding Voting Stock of the surviving corporation
    - d) The supplier consolidating with or merging into any other Person that is not a direct or indirect subsidiary of the supplier, or any other such Person merging with or into the supplier, unless the supplier is the surviving corporation
    - e) The supplier, in one transaction or a series of related transactions, conveying, transferring or leasing, directly or indirectly, all or substantially all of its assets to any other Person that is not a direct or indirect subsidiary of the supplier
    - f) The supplier and one or more of its direct or indirect wholly-owned subsidiaries ceasing to own and control 80 percent of the issued and outstanding Voting Stock of the supplier's company

- Title
  - Unless specified elsewhere in this contract, title to items furnished under this contract will pass to the Postal Service upon acceptance, regardless of when or where the Postal Service takes physical possession.
- Warranty
  - The supplier warrants and implies that the items delivered under this contract are merchantable and fit for the use for the particular purpose described in this contract.
- Limitation of Liability
  - Except as otherwise provided by an express or implied warranty, the supplier will not be liable to the Postal Service for consequential damages resulting from any defect or deficiencies in accepted items.
- Other Compliance Requirements
  - The supplier will comply with all applicable Federal, State, and local laws, executive orders, rules and regulations applicable to its performance under this contract.
- Order of Precedence
  - Any inconsistencies in this solicitation or contract will be resolved by giving precedence in the following order; (1) the schedule of supplies and services; (2) the Assignment, Disputes, Payments, Invoice, Other Compliances and Compliance with Laws Unique to the Postal Service Contracts paragraphs of this clause; (3) the clause at 4-2 Contract Terms and Conditions Required to Implement Policies, Statutes or Executive Orders; (4) addenda to this solicitation or contract, including any license agreements for computer software; (5) solicitation provisions if this is a solicitation; (6) other paragraphs of this clause; (7) Form 8203; (8) other documents, exhibits, and attachments, and (9) the specifications.
- Incorporation by Reference
  - Wherever in this solicitation or contract a standard provision or clause is incorporated by reference, the incorporated term is identified by its title, the provision or clause number assigned to it in the Postal Service Supplying Practices and its date. The text of incorporated terms may be found at <http://www.usps.com/purchasing/purchasingpubs/pubsmenu.htm>. The following clauses are incorporated in this contract by reference:
    - B-1, Definitions
    - B-9, Claims and Disputes
    - B-15, Notice of Delay
    - B-16, Suspensions and Delays
    - B-19, Excusable Delay

**5.9 Clause B-30, Permits and Responsibilities**

- Shipping
  - The supplier must deliver goods that meet the prescribed physical limitations of the current U.S. Postal Service Domestic Mail Manual either by its own personnel/equipment or by use of the Postal Service, unless the contracting officer grants a waiver of this requirement. The supplier is responsible for ensuring that the packing and packaging are sufficient to protect the goods and ensure usability upon receipt.

**5.10 Clause 4-2 Contract Terms and Conditions Required to Implement Policies, Statutes or Executive Orders (March 2006) (Revised)**

- Incorporation by Reference
  - Wherever in this solicitation or contract a standard provision or clause is incorporated by reference, the incorporated term is identified by its title, the provision or clause number assigned to it, in the Postal Service Supplying Practices, and its date. The text of incorporated terms may be found at <http://www.usps.com/purchasing/purchasingpubs/pubsmenu.htm>. The following clauses are incorporated in this contract by reference:

- (1) Clause 1-5, Gratuities or Gifts (March 2006)
- (2) Clause B-9, Claims and Disputes (March 2006)
- (3) Clause B-25, Advertising of Contract Awards (March 2006)
- (4) Clause 9-1, Convict Labor (March 2006)
- (5) Clause 9-5, Contract Work Hours and Safety Standards Act - Safety Standards (March 2006)
- If checked, the following additional clauses are also incorporated in this contract by reference: (contracting officer will check as appropriate.)
  - (1)  Clause 1-1, Privacy Protection (July 2007)
  - (2)  Clause 1-6, Contingent Fees (March 2006)
  - (3)  Clause 1-9, Preference for Domestic Supplies (March 2006)
  - (4)  Clause 1-10, Preference for Domestic Construction Materials (March 2006)
  - (5)  Clause 3-1, Small, Minority, and Woman-owned Business Subcontracting Requirements (March 2006)
  - (6)  Clause 3-2, Participation of Small, Minority, and Woman-owned Businesses (March 2006)
  - (7)  Clause 9-2, Contract Work Hours and Safety Standards Act - Overtime Compensation (March 2006)
  - (8)  Clause 9-3, Davis-Bacon Act (March 2006)
  - (9)  Clause 9-6, Walsh-Healey Public Contracts Act (March 2006)
  - (10)  Clause 9-7, Equal Opportunity (March 2006)
  - (11)  Clause 9-10, Service Contract Act (March 2006)
  - (12)  Clause 9-11, Service Contract Act - Short Form (March 2006)
  - (13)  Clause 9-12, Fair Labor Standards Acts and Services Contract Act - Price Adjustments (March 2006)
  - (14)  Clause 9-13, Affirmative Action for Handicapped Workers (March 2006)
  - (15)  Clause 9-14, Affirmative Action for Disabled Veterans and Veterans of the Vietnam Era (March 2006)
- Examination of Records
  - Records
    - "Records" includes books, documents, accounting procedures and practices, and other data, regardless of type and regardless of whether such items are in written form, in the form of computer data, or in any other form.
  - Examination of Costs
    - If this is a cost-type contract, the supplier must maintain, and the Postal Service will have the right to examine and audit all records and other evidence sufficient to reflect properly all costs claimed to have been incurred or anticipated to be incurred directly or indirectly in performance of this contract. This right of examination includes inspection at all reasonable times of the supplier's plants, or parts of them, engaged in the performance of this contract.
  - Cost or Pricing Data
    - If the supplier will submit cost or pricing data in connection with any pricing action relating to this contract, the Postal Service, in order to evaluate the accuracy, completeness, and currency of the cost or pricing data, will have the right to examine and audit all of the supplier's records, including computations and projections, related to:
      - The proposal for the contract, subcontract, or modification
      - The discussions conducted on the proposal(s), including those related to negotiating
      - Pricing of the contract, subcontract, or modification
      - Performance of the contract, subcontract or modification.
  - Reports
    - If the supplier must furnish cost, funding or performance reports, the contracting officer or any authorized representative of the Postal Service will have the right to examine and audit the supporting records and materials, for the purposes of evaluating:

- The effectiveness of the supplier's policies and procedures to produce data compatible with the objectives of these reports
- Availability
  - The supplier must maintain and make available at its office at all reasonable times the records, materials, and other evidence described in (b)(1)-(4) of this clause, for examination, audit, or reproduction, until three years after final payment under this contract or any longer period required by statute or other clauses in this contract. In addition:
    - If this contract is completely or partially terminated, the supplier must make available the records related to the work terminated until three years after any resulting final termination settlement
    - The supplier must make available records relating to appeals under the claims and disputes clause or to litigation or the settlement of claims arising under or related to this contract. Such records must be made available until such appeals, litigation or claims are finally resolved

### ***5.11 Clause 4-8 Key Personnel (March 2006)***

To the extent that the statement of work provides for services to be performed by key personnel, those services must be performed by the personnel identified in the supplier's proposal to perform them unless substitutes have been approved in writing by the contracting officer. Use of junior personnel, even under key personnel supervision (for example, associates or student workers), is not authorized unless they are identified in the supplier's proposal by name or position, with a description of their duties.

This agreement may be terminated if the key personnel named in the supplier's proposal become unavailable for any reason. If the unavailability of key personnel is not the fault of the supplier, the contracting officer may terminate by giving notice of termination. The supplier will be paid for service performed up to the date of termination. If the contracting officer finds that the supplier is at fault for the unavailability of key personnel, the agreement may be terminated for default.

### ***5.12 Clause 6-1 Contracting Officer's Representative (March 2006)***

The contracting officer will appoint a contracting officer's representative (COR), responsible for the day-to-day administration of the contract, who will serve as the Postal Service's point of contact with the supplier on all routine matters. A copy of the notice of appointment defining the COR's authority will be furnished to the supplier upon award of the contract.

### ***5.13 Clause: Intellectual Property***

Data collected as part of this contract is the property of the Postal Service. The data can be used only in support of the contract for issues surrounding payment and service measurement. The data cannot be used by the supplier for any other purpose.