

Management Instruction



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Originating Organization & OCC Code Mail Processing Department MP310	
Signature <i>Vincent J. ...</i> Assistant Postmaster General	

Title
Highway Contracts--Negotiated
Service Changes

I. PURPOSE

To provide systemwide guidelines for negotiation and implementation of contract rate adjustments resulting from service changes to advertised highway contracts.

II. GUIDELINES

- A. Authority. The authority for contract rate adjustments is authorized by Section 5204 (a) of Title 39, U. S. Code.
- B. Policy.
 - 1. The Law authorizes the U. S. Postal Service (USPS) to increase or reduce the service required under surface mail transportation contracts, and to negotiate corresponding increases or decreases in contract pay.
 - 2. USPS policy is to negotiate with holders of-contracts-to effect service changes to routes when conditions and/or requirements warrant such changes and the changed or additional service will become an integral part of that route.

III. ADMINISTRATIVE INTENT

- A. These instructions apply to adjustments in compensation which are the result of service changes.

- B. USPS contractors will be compensated equitably for increased service requirements.
- C. USPS negotiators are expected to negotiate adjustments that are consistent with the change(s) in service. (Increased or decreased service would normally indicate increased or decreased compensation.)

IV. LIMITATIONS AND RESTRICTIONS

- A. Restrictions related to the negotiation of service changes are outlined in PCM 19:132.3 and are incorporated in this document by reference.
- B. Contracting officers must not allow adjustments that will result in the correction of a bid error or omission.
- C. Requests for increased operational costs, which are not directly related to the proposed service change may not be considered during the negotiation process.
- D. Economic adjustments cannot be considered and/or approved as part of a negotiated service change adjustment.

V. PROCEDURE

- A. Forms. For each negotiated service change the following forms will be completed and executed.

<p>Distribution</p> <p>Standard distribution plus Management Sectional Centers, Bulk Mail Centers, and Transportation Management Offices.</p>	<p>Special Instructions</p> <p>Organizations listed under Distribution may order additional copies. Use Form 7380, <u>Requisition for Supplies</u>; specify the filing number; and send the request to the Eastern Area Supply Center.</p> <p>You may photocopy, but do not paraphrase or rewrite any of this Instruction.</p>
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1. Form 7406, Amendment to Transportation Services Contract.
 2. Form 7464-A, Negotiated Cost Statement (short form) Highway Transportation Contracts, or
 3. Form 7463-A, Negotiated Cost Statement-Highway Transportation Contracts, as appropriate. Use Form 7464-A or Form 7463-A to identify the increased or decreased cost allowed for each specific line item of cost a contractor will experience as a result of the proposed service change. Use Form 7406 to amend the contract pursuant the negotiated agreement between the USPS and the contractor.
- B. Column I of Form 7463-A or 7464-A must be completed by the contracting officer to show the last approved cost for each line item.
 - C. Column II of Form 7463-A or 7464-A must reflect the actual increased or decreased cost for each line item that is impacted by the proposed service change. The difference between, column I and column II for each line item will indicate the amount allowable for the purpose of establishing a new approved cost statement and a new rate of compensation.
 - D. If an economic adjustment is pending while a service change is being negotiated, only column II (number of units or a negotiated dollar amount) can be completed. When the economic adjustment is completed; the contracting officer will complete all columns of the appropriate forms (7463-A/7464-A) and forward a copy to the contractor for informational and reference purposes.
 - E. The contracting officer will summarize the total effect of the negotiated service change on Form 5496, Negotiated Service Change Analysis and Summary.

- VI. GUIDELINES FOR DETERMINING ALLOWABLE LINE ITEM CHANGES (PS FORM 7463-A)
 - A. Line 1A (Vehicle Cost) - If the Proposed service change will not require any additional investment in vehicles, the present cost per mile times the increased or decreased mileage will equal the vehicle cost change. When additional equipment is required, the annual cost increase should be prorated against the expected useful life of the equipment.
 - B. Line 1B (Operational Cost) - Increases or decreases in the allowable cost for this line item should generally reflect the prorata increases or decreases in the annual miles.
 - C. Lines 2 and 3 (Taxes and Vehicle Registration) - Adjustments in these line items should reflect the documented cost increases or decreases incurred by the contractor pursuant to the service change being negotiated.
 - D. Line 4 (Bond) - This line item is not subject to increase or decrease during negotiations for a service change.
 - E. Line 5 (General Overhead) - In negotiating adjustments in this line item, consideration should be given to the nature and size of the proposed service change. However, pro-rata adjustments as related to the change in miles can be considered during negotiations.
 - F. Lines 6 and 7 (Fuel and Oil) - Adjustments in the number of units for these line items should be in direct proportion to the change in the annual miles. Some variation may be appropriate depending on the specific nature of the change; i.e., driving environment/topography.
 - G. Line 8 (Insurance) - Adjustments in this line item should reflect the actual increased or decreased cost incurred by the contractor as a result of the proposed service change.
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- H. Line 9 (Miscellaneous Road Tax) - Adjustments in this line items should be considered if the proposed service change requires different or additional equipment. The adjustment should reflect the actual documented cost incurred by the contractor as a result of the proposed service Change. proportion to the change in hours. Adjustments should not exceed the minimum requirements of the applicable wage determination. (Fringe benefits are based on the first 40 working hours.)
- I. Line 10 (Tolls) - Adjustments in this line item should be considered if they are the direct result of the proposed service change.
- J. Line 11 (Total Fixed Operational cost) - This line is the sum of lines 1 through 10.
- K. Line items 12 and 13 (Straight Time and Overtime) - Adjustments in the number of units for these line items should be considered in direct proportion to the proposed service change.
- L. Line 14 (Payroll Taxes) - Adjustments in the number of units for this line item should be in direct proportion to the change in hours.
- M. Line 15 (Fringe Benefits) - Adjustments in the number of units for this line item should be in direct proportion to the change in hours. Adjustments should not exceed the minimum requirements of the applicable wage determination. (Fringe benefits are based on the first 40 working hours.)
- N. Line 16 (Total Operational Labor cost) - This line is the sum of lines 12 through 15).
- O. Line 17 (Contractor's Wages) - In negotiating adjustments in this line item, give consideration to the nature, size, and specific operating requirements of the proposed service change. Give consideration to additional or reduced administrative or driver responsibilities that the proposed service change will place on the contractor.
- P. Line 18 (Total Cost) - This line item is the sum of lines 11, 16, and 17.
- Q. Line 19 (Return on Investment) - As a guideline, 10 percent of the amount shown on line 1A of Column II may be allowed.
- R. Line 20 (Total Bid) - This line item is the sum of lines 18 and 19.
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