



September 14, 2006

Ms. Opal A. Dill
President
Dill's Star Route, Inc.
419 N. Thompson Street
Portland, OR 97227

RE: Disagreement of Non-renewal of HCR 98042 and HCR 98040

Dear Ms. Dill:

You lodged a disagreement on August 14, 2006 as defined in 39 CFR Part 601, with respect to the non-renewal of award for mail transportation services. I have reviewed all of the information you provided. I have also reviewed the contracting officer's contract file. Based on my examination of the facts presented to me, your request to have the contracting officer's non-renewal decision vacated is denied.

According to your disagreement, you attended a meeting with the Western Area Distribution Networks Office (WADNO) contracting officer in June 2005 to discuss irregularities and other concerns about your performance on HCR 98042. You stated that it was the decision of the contracting officer at the conclusion of the meeting that both contracts (HCR 98042 and HCR 98040) would be placed on a one-year probationary period. You further stated that when the official signed paperwork detailing the decision for probation was forwarded to you, the probationary period was extended to fifteen months and not the twelve months agreed upon in the meeting with the contracting officer. You also asserted that the contracting officer was wrong to have included HCR 98040 in the decision for probation, since HCR 98042, rather than HCR 98040 was discussed in the contracting officer's meeting. You propose in your disagreement that each contract should be considered on its own merit, that HCR 98040 should not have been on probation, and should not have been excluded from renewal.

In the contract file provided to me by the contracting officer, Dill's Star Route, Inc. (DSR) was issued a contract renewal letter for HCR 98042 on July 13, 2005. The letter stated that your contract had been renewed for an additional one-year, from July 1, 2005 through September 30, 2006. The letter further stated the following: "this is a probationary renewal due to unsatisfactory performance, unsatisfactory equipment and unresponsiveness to correspondence. During this time the WADNO, Seattle Branch along with the Manager of Transportation & Networks, Seattle P&DC will closely monitor your performance. Continued unsatisfactory performance will result in the termination of your contract." Subsequently, on July 28, 2006 DSR was issued a Notice of Non-Renewal letter for both HCR 98042 and 98040. The letter notified you that the Administrative Official for your contract had documented performance failures during the probationary renewal term. You appealed the contracting officer's non-renewal decision through an administrative process of which you were notified.

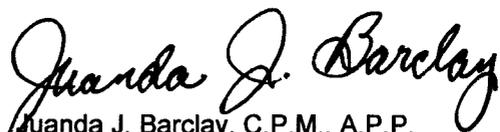
On August 30, 2006 your administrative appeal was denied by Russell A. Sykes, Manager of Surface Transportation CMC. Mr. Sykes concluded that the contracting officer's decision not to renew both

HCR 98042 and HCR 98040 due to service deficiencies, including poor performance, vehicle quality and safety was valid and the contracting officer's decision was upheld. Mr. Sykes' letter concluded that his review of the DSR contract file revealed a clear pattern of poor performance and other concerns that cover a wide range of irregularities involving equipment and driver retention. His review further stated that the contracting officer's file was supported by reports from the Postal Service's internal performance reporting system which indicated DSR's on-time performance for HCR 98042 from September 1, 2005 to August 29, 2006 was extremely substandard. Accordingly, your appeal was denied by Mr. Sykes.

It is my opinion that the contract file has been sufficiently documented with warning letters and irregularity reports for DSR of unsatisfactory performance, unsatisfactory equipment problems and being non-responsive to postal correspondence. At the time of your probationary renewal, you were notified that unsatisfactory performance during the probationary period could result in the termination of your contract. Since that probationary renewal, there were several chargeable irregularities documented in the contract file for both HCR 98042 and HCR 98040. For example, one incident involved a lost load of mail due to the driver's failure to have properly secured the load; one unsatisfactory vehicle irregularity was reported, and two other performance failures involved your driver's failure to have observed the contract schedule. Your documented contract failures jeopardized the safety of others and had a negative impact on postal service operations. You were reminded that further instances of failed performances on both routes would not be tolerated. Additionally, according to the information in the contract file, the probationary period was extended by three additional months, due to a change in renewal cycles for all postal transportation contracts, from renewals becoming effective on July 1 to becoming effective on October 1. The renewal paperwork, which was signed by DSR, identified the ending date of September 30, 2006. You therefore were aware of, and agreed to the three-month extension. Renewal of a Postal Service mail transportation contract is not mandatory, but is to be accomplished by the agreement of the parties. Here, the Postal Service opted not to renew these contracts, and based that decision on the less-than-satisfactory service under your expiring contracts. This decision by the contracting officer, as reviewed and agreed to by Mr. Sykes, is in the best interest of the Postal Service. Accordingly, your disagreement is denied.

This is the Postal Service's final decision on this disagreement regarding HCR 98042 and HCR 98040 under 39 CFR 601.108(h).

Sincerely,



Juanda J. Barclay, C.P.M., A.P.P.
USPS Supplier Ombudsman

cc: Raymond K. Luke
Russell A. Sykes