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July 5, 2006

Via E-Mail
Via UPS Next Day Air

Daniel K. Reisner
State of Utah
Department of Administrative Services
Division of Purchasing
3150 State Office Building
Salt Lake City, UT 84114

Ref: DR6917 - WSCA Small Package Delivery Services

Dear Mr. Reisner,

On behalf of UPS, I would like to thank you for the invitation to bid on the WSCA small package RFP. After careful review of the terms and conditions of service, UPS has concluded that we will not bid at this time.

UPS bases its decision not to bid on WSCA's deviation from industry business practices. As you are aware, for nearly twenty years the federal government has encouraged its agencies to mirror standard industry practice whenever possible. As a result, UPS has actively participated in these contracts, and the federal government has realized significant savings and efficiencies. Individual states have mirrored the federal practice and realized substantial savings as well.

UPS had concerns with the WSCA RFP in the areas of indemnification and accessorial fees. In particular, WSCA's 'hold harmless' provision is not in keeping with standard commercial practice. UPS believes it unlikely that any commercial carrier would be willing to extend blanket indemnity at any rate.

In addition, WSCA's decision to forego negotiations on the matter of weekly service charges is another area of concern. While UPS appreciates the aggregate buying power that WSCA has assembled, WSCA's stand on weekly service charges limits UPS' ability to set prices competitively. By insisting on a blanket weekly service charge waiver, WSCA exposes UPS to the prospect of operating many no- and low-volume accounts while shouldering the costs of making daily pickups. Ironically, the predicted costs of no- or low-volume accounts would actually force UPS to offer rates that were not as competitive in order to protect against under performing accounts.

Again, UPS appreciates the opportunity to review the WSCA RFP. UPS is always ready to suggest changes and modifications to this RFP or future proposals, and we always look forward to working with you in the future.

Thank you for your consideration.

Sincerely,

Stefan K. Svilich
Government Accounts Manager