



United States
Department of
Agriculture

April 15, 2002

EOD-109

Farm and Foreign
Agricultural Services

NOTICE TO THE TRADE

Farm Service
Agency

The United States Agency for International Development (USAID) and USDA's Farm Service Agency (FSA) and Foreign Agricultural Service (FAS) are soliciting industry comments on the proposed changes in the ocean freight bid submission process.

Kansas City
Commodity Office
P.O. Box 419205
Kansas City,
Missouri
64141-6205

Under the current system, for purchases by USAID under Title II and the Foreign Agriculture Service, Food For Progress (FFP)/416 and Global Food for Education Initiative (GEFI), ocean carriers are permitted to bid in the second round of the two-step bidding process without bidding for like service in the first round. The first round of bids or price indications is used to determine ports of cargo allocation based upon the concept of "lowest landed cost." This concept matches freight bids with commodity bids to arrive at the best overall value for the government. Allowing carriers to bid different ports of service during the second round may defeat the "lowest landed cost" concept in that commodity awards may have been different based on the different second round carrier bids. Therefore, we are proposing to implement a change in the policy that would disallow second round offers/bids from carriers that were not offered in the first round allocation process.

In addition, in some instances, first-round bids are submitted for service at ports that historically have not been served by a carrier. Since only the initial round is used to determine the ports of allocation, these bids may capture the business or eliminate competing carriers from the bid evaluation using the priority rules when it appears that there is no intention to actually serve these ports. This also tends to skew the "lowest landed cost" calculations and may have the net effect of increasing overall costs to the government. To eliminate what is considered an unfair practice, we are proposing that, for any port for which a carrier provides a bid or price indication, the carrier must be prepared to document service actually provided to that port within the past 12 months.

Prior to implementing this change, we are inviting comments from industry, non-government and government participants. In addition to comments regarding the specific proposals we encourage other suggestions for assuring that the process for obtaining commodity and freight bids are as fair and competitive as possible. Comments should be submitted by May 15, 2002 to:

Office of the Director, KCCO
Farm Service Agency
P.O. Box 419205
Kansas City, MO 64141-6205

George W. Aldaya
Director