



**Massachusetts Bay  
Transportation Authority**

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# **Warehousing and Logistics Update**

**Fiscal and Management Control Board**

**January 9, 2017**



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## Overview: Proposal to Contract Out MBTA Warehouse Operations Will:

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### **Improve service for MBTA riders and job experience for T workers:**

- Broken vehicles account for about one of five dropped bus trips
- Missing parts and long delivery times waste mechanics' time
- Better inventory accuracy and faster delivery = quicker repairs and more reliable service

### **Help the MBTA save money that can be invested into the core system**

- Recommended partner will save MBTA about \$5.0M a year in operating costs
- MBTA will avoid \$16.0 million in capital improvements to current warehouse
- \$22.7 million potential savings from inventory reduction

### **Current warehouse employees**

- Procedure for current warehouse employees is consistent with recent agreement with Local 589



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## Warehouse Operational and Financial Challenges Go Back Decades

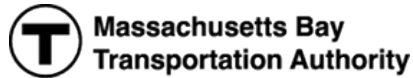
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- **MBTA facing a forecast FY17 \$80M operating budget deficit, has been actively reviewing all options to control costs and improve service**
- **Analysis by warehousing and supply chain expert, showed that current system completely broken**
  - Inventory sits in warehouse for 2 years: Very high even for transit industry
  - Inaccurate inventory: MBTA at 61% due to severe dysfunction
  - Wasted mechanic time: ~4% of productive time spent searching for parts
  - Slow parts delivery: Takes 68+ hours to deliver parts from warehouse to base location (industry average under 12 hours)
  - Poor productivity: Completes part collection 90% below industry standard
- **MBTA released the warehousing and logistics RFP to industry in July and the evaluation committee recommendation will be presented to FMCB today**



## Final Bidders All Offer Better, Expanded Service To Mechanics At Car Houses & Bus Garages

### Types of service offerings



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### All Bidders



#### Current Service Offerings

- × Limited (8-hours X 5-days) coverage
- × Poor warehouse organization
- × Inaccurate inventory tracking & stocking
- × Accuracy – ~50%
- × Parts delivered 68+ hours after request
- × Productivity – 6.5 lines per hour

- ✓ Provide 24/7 operations coverage
- ✓ Excellent warehouse organization
- ✓ Accurate inventory tracking and stocking
- ✓ Accuracy – 95%+
- ✓ 10-hour guarantee on standard requests
- ✓ Productivity – 85+ lines per hour

#### Additional Service Offerings

- ✓ Dedicated transportation with vendor vehicles
- ✓ Guaranteed 2 hour emergency part delivery
- ✓ New state of the art warehouse with proper safety components, temp control, lighting and storage
- ✓ Best in class Warehouse Management System
- ✓ Best in class Inventory Management System with real time report sharing



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## Banneker, MANCON and Neovia Logistics are Worldwide Industry Leaders in the 3PL Warehousing and Logistics Industry

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<b>Employees</b>	80-100	899	8,400
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<b>Total clients</b>	45	36	97
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**Marquee clients**

- |  |   |  |
|--|---|--|
| <ul style="list-style-type: none"><li>• Raytheon</li><li>• CVS / Caremark</li><li>• Dennison Pharma</li><li>• Johnson Controls</li><li>• BAE Systems</li></ul> | <ul style="list-style-type: none"><li>• Ohio DOT</li><li>• Virginia DOT</li><li>• Rochester Transit Authority (RGRTA)</li><li>• Irish Rail</li><li>• South West Trains</li><li>• Metro Trains Melbourne</li></ul> | <ul style="list-style-type: none"><li>• Bombardier</li><li>• Harley Davidson</li><li>• Ford</li><li>• Walmart</li><li>• CAT</li><li>• Land Rover</li></ul> |
|--|---|--|



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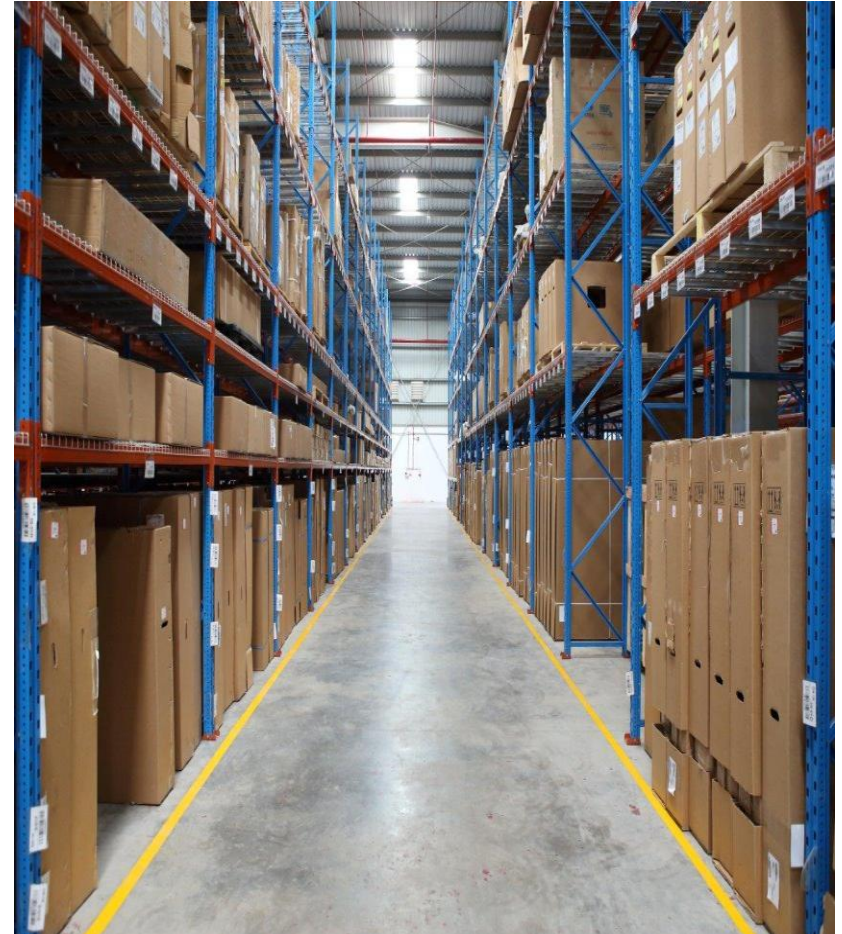
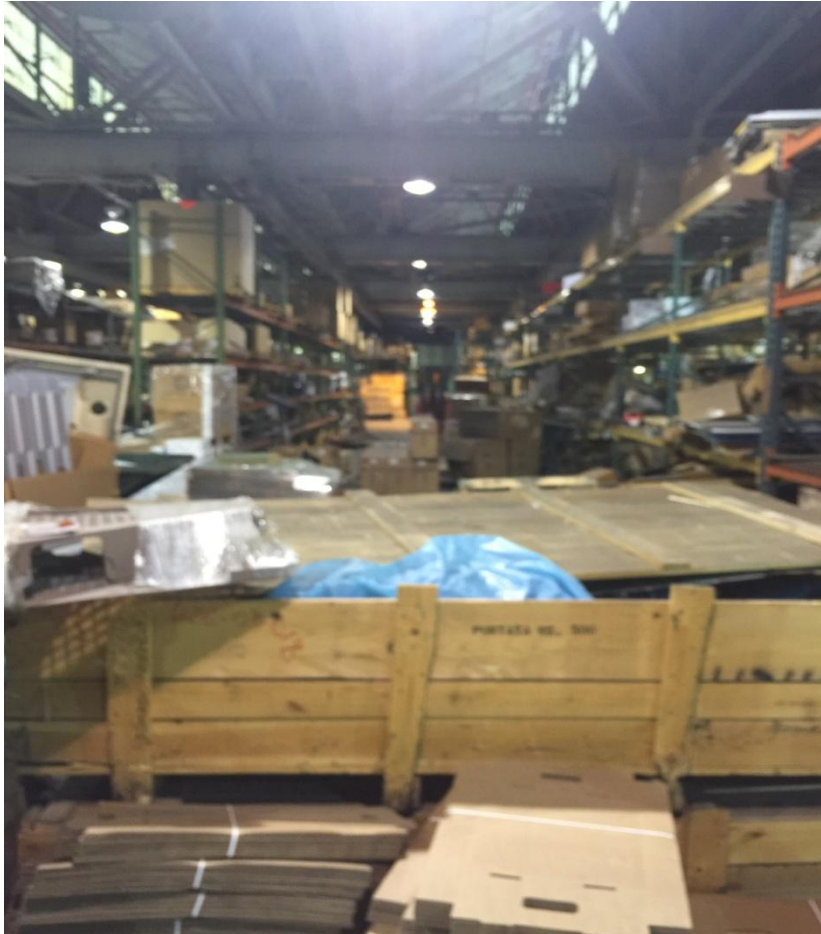
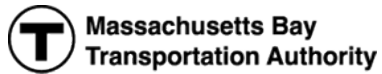
## Summary of Evaluation Committee Recommendation for MANCON

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- ✓ Extensive and superior performance managing spare parts operations for public sector entities including both bus and train operations
- ✓ Deep global train operations experience
- ✓ Dedicated Operations Manager and team to work exclusively with MBTA
- ✓ Strongest culture of customer service and flexibility
- ✓ Best Transition Plan with superior approach to fixing the problems at the Central Warehouse sooner than other vendors
- ✓ Clear understanding of MBTA system and challenges
- ✓ Ability to grow and support future MBTA service needs such as Vendor Managed Inventory (VMI)



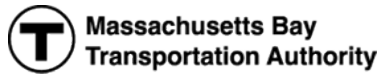
## Excellent Warehouse Organization: MANCON Brings Modern Techniques and Industry Best Practice



Note: Photo of MANCON facility taken by MBTA staff touring facility during RFP review process.



## Excellent Warehouse Organization: MANCON Provides An Organized and Standardized Industry Approach



Note: Photo of MANCON facility taken by MBTA staff touring facility during RFP review process.



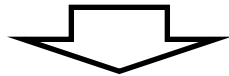
## Case Study:

# Ohio DOT Contracts with MANCON For Parts Supply Management Since 2012



## ISSUES

- ODOT's parts supply system was burdened by numerous inefficiencies including:
  - Carrying large amounts of inventory—some obsolete
  - High transaction costs
  - Multiple mandatory contract
  - Failure to return improperly ordered parts



**As a result, Ohio DOT decided to outsource warehouse operations to MANCON**

## CONTRACT RESULTS

- **Savings of \$5.6M**
- MANCON **leverages bulk pricing** to increase savings
  - Pools its purchasing with other states
- **No Layoffs:** The 43 ODOT positions affected by the MANCON contract were shifted to other roles internally
- ODOT **eliminated all inventory costs**
  - MANCON now holds and manages all inventory, delivering parts on a just-in-time basis
- **Mechanics** have been able to spend an **additional 80,765 hours** direct time to equipment since contract implementation



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## Case Study:

# Virginia DOT Has Contracted With MANCON For Parts Supply Management Since 2002

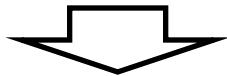
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## ISSUES

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- VDOT had suffered from a lack of expertise in inventory management
  - Plagued by "dead inventory," items that never move off the shelves
- Parts delivery was also an issue
  - Technicians had to frequently track down parts themselves
  - Resulted in lost repair time and increased down time for vehicles



**As a result, Virginia DOT decided to outsource warehouse operations to MANCON after pilot with NAPA**

## CONTRACT RESULTS

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- MANCON's services include:
  - Order direct from the manufacturer
  - **Negotiate prices that reflect buying in large quantities** for the whole department
  - Deliver **90 percent of emergency items, including snow operations** within one hour
  - Ensure "obsolescence protection" so that items can be returned for credit
- **Cost reductions and increased efficiencies** as result of no longer maintaining inventories
- **Reducing procurement paperwork**
- **Increasing time on equipment** for technicians



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## Case Study:

# TFL Subcontracted Unipart Rail for Supply Chain and Warehouse Services

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## ISSUES

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- Carillion, a private-sector railroad maintenance provider, was tasked with renewing the signaling equipment across **Transportation for London's East London Line**



**Carillion contracted Unipart Rail to manage and deliver all project materials**

## CONTRACT RESULTS

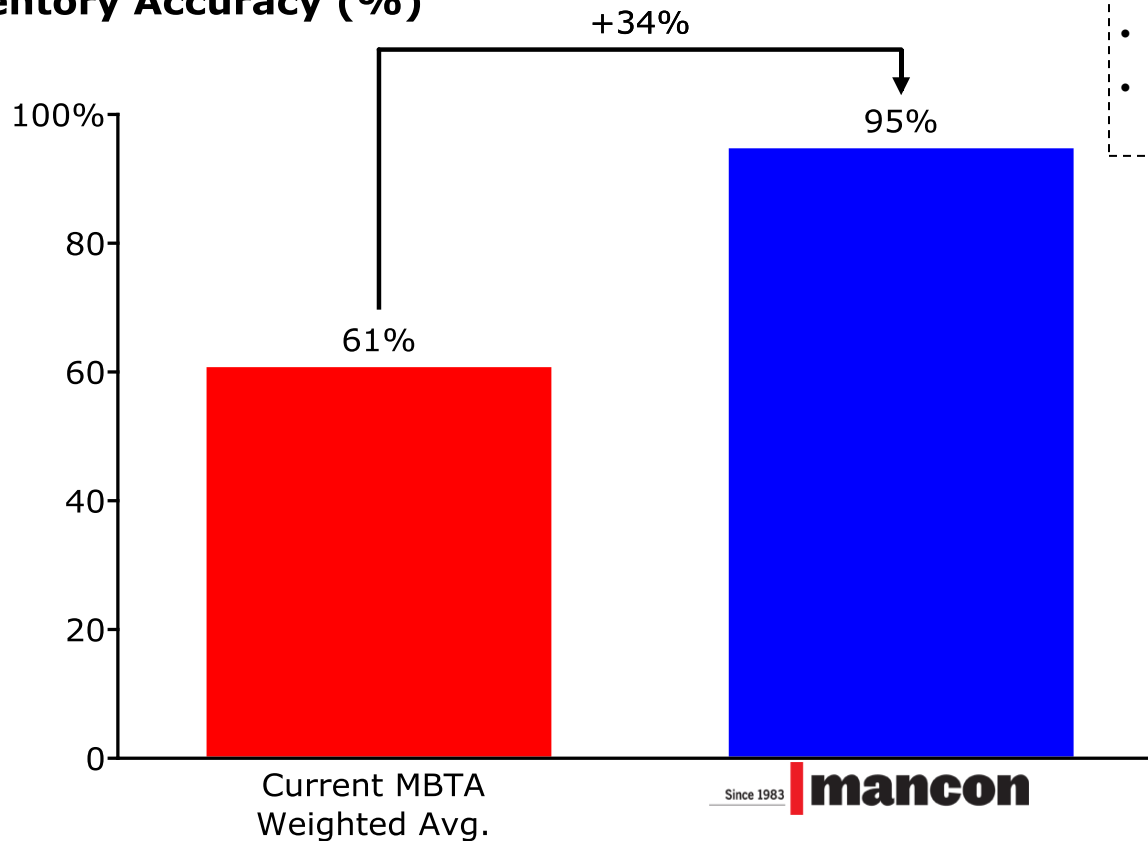
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- Unipart Rail's solution responsible for a **£120K annual savings**
- Unipart Rail developed a comprehensive logistics strategy that included:
  - **Virtual/Remote Warehousing** with 100% material visibility and just-in-time delivery
  - Consolidated delivery and **installation-ready "kitting"** of needed materials
  - **Agreed delivery schedules and transport**



## Accurate Inventory Tracking and Stocking: MBTA Inventory Accuracy Will Improve 34% By Partnering with MANCON

### Inventory Accuracy (%)



#### Inventory accuracy will result in:

- Improved mechanic productivity
- Better, more reliable service
- More efficient use of working capital

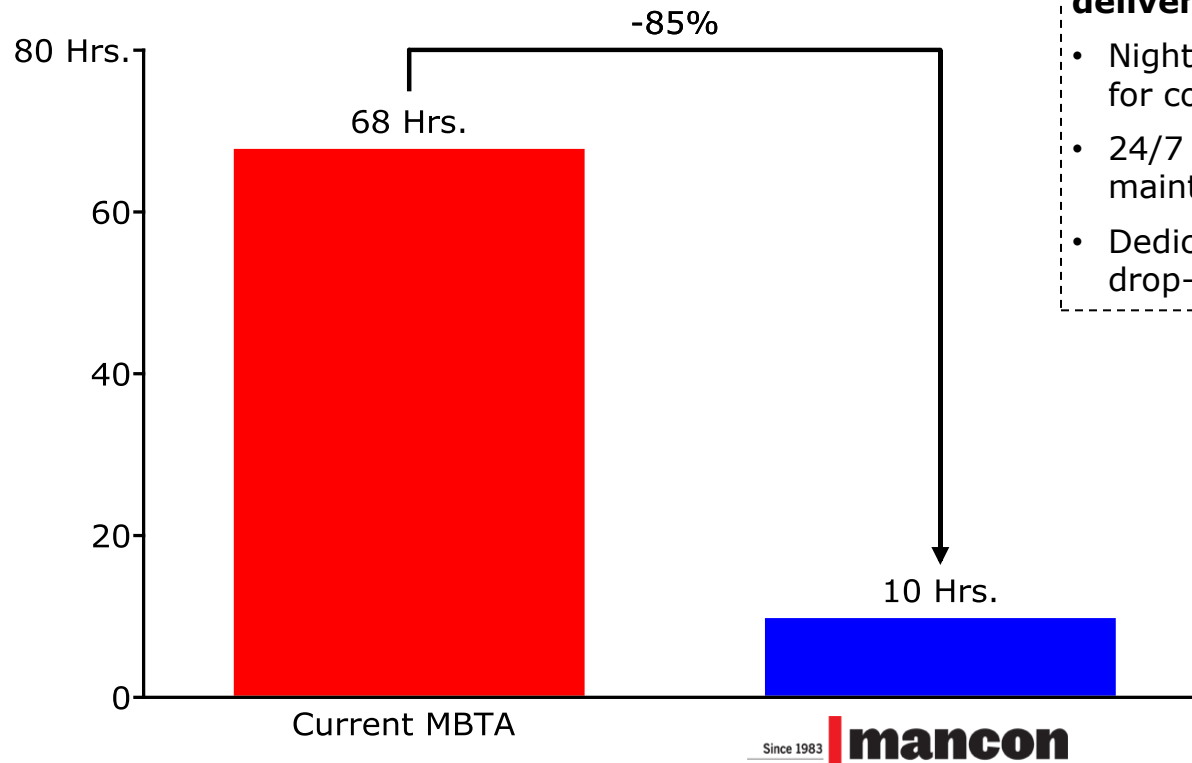
Note: Inventory accuracy defined as 100% of items counted equal exact amount as in the system of record.



## 10 Hour Guarantee on Standard Requests: MBTA Parts Delivery Will Improve By 58 Hours (2.5 days)

### Time to Respond and Deliver Parts

Hours of Clock Time



#### Improved part response and delivery includes:

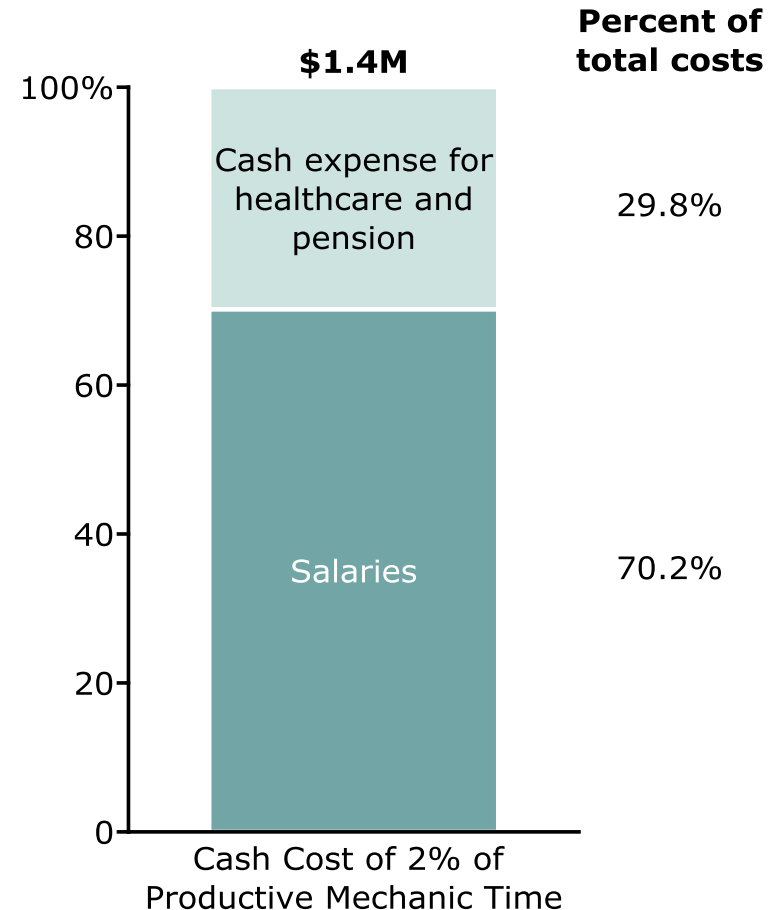
- Night time operation of warehouse for collecting parts for delivery
- 24/7 delivery of parts to maintenance facilities
- Dedicated times for pick-up / drop-off and same daily routes

Note: Time to Respond and Deliver Parts defined as time from ERP system regeneration to calculate part replenishment request to delivery of the part to the car house or bus garage and put away into inventory.



## Improved Productivity: MBTA Mechanics Waste Time Searching For and Retrieving Parts

- Time studies documented mechanics' shifts\*
  - Found **mechanics used first 17 minutes of each shift** to retrieve parts from stockrooms
- New service with third party stockroom to **eliminate time searching for parts**
  - Parts will be selected for mechanics and presented as kits before shift start, saving valuable time
- New process should reduce mechanics' time spent looking for parts **by at least 50%**<sup>^</sup>
  - 17 mins / day = ~4% of productive mechanic time per year
  - Save half of lost time so gain 2% additional productive mechanic time = 1.06M mins per year across 587 mechanics
  - 1.06M mins x \$0.93/min = \$980K in avoided wage costs per year @ MBTA
  - Including cash expense for healthcare and pension, new process to save \$1.4M per year



\*Northeastern Interns under direction of OPTIO TEMPORE performed detailed time study analysis 2 Bus Garages and 2 Train Car Houses in March & April, 2016

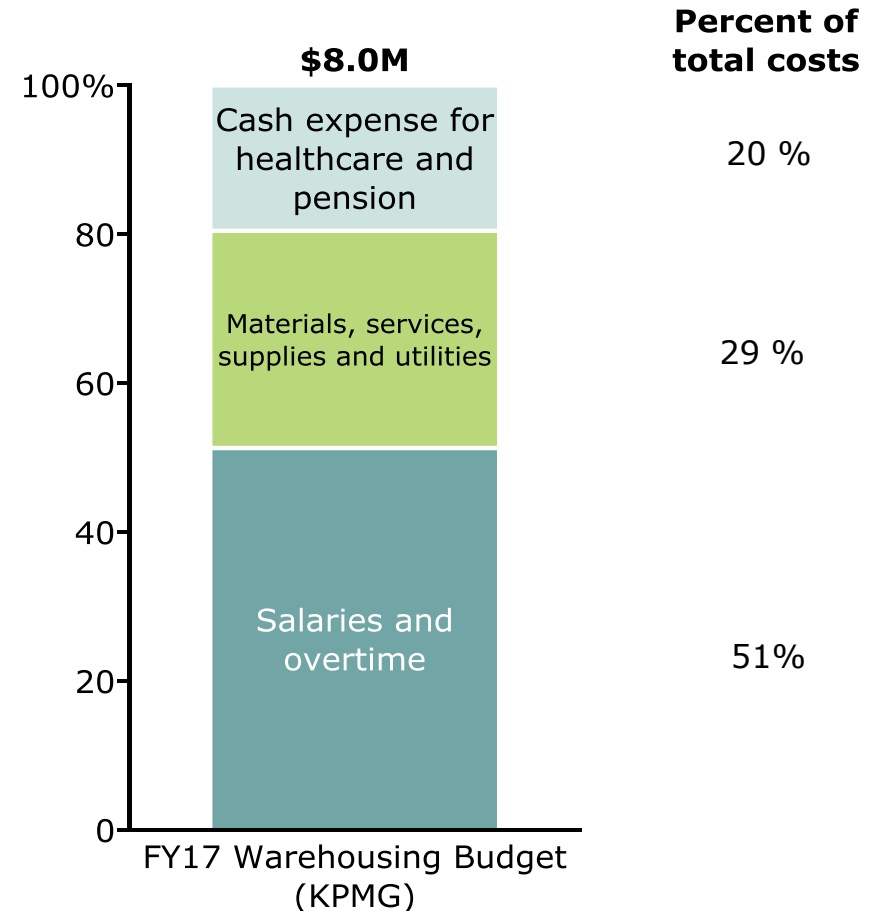
<sup>^</sup>"Mechanics" include rail repairers and bus machinists (069200, 067400, 067600); assuming all time savings are straight time, not OT



## Total Cash FY17 Warehouse And Logistics Costs \$8.0M

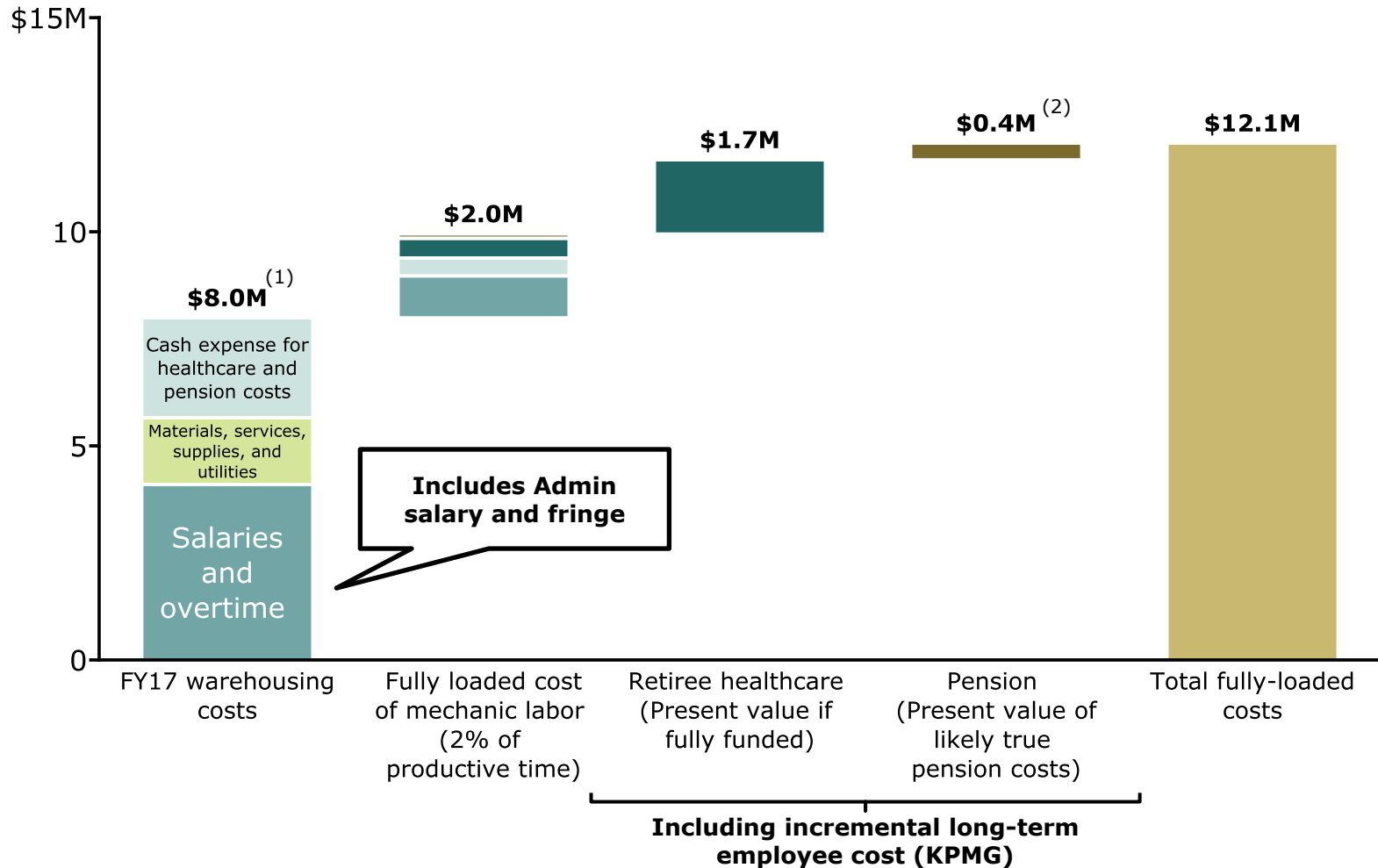
### Warehousing and Logistics operating budget includes:

- Warehouse Salaries: \$3.62M
  - \$3.25M in salary
  - \$0.37M in overtime
- Fringe: \$1.41M in cash fringe, HC and pension costs
- Other operating costs: \$1.01M
  - \$0.70M damage to inventory
  - \$0.31M for utilities and other
- Overhead: \$1.32M for building use
- Administrative: \$0.66M
  - \$0.46M in administration salary
  - \$0.18M in administration OH
  - \$0.02M admin transportation





## Totally Loaded Budget of MBTA Warehousing and Logistics Costs Exceed \$12M Annually



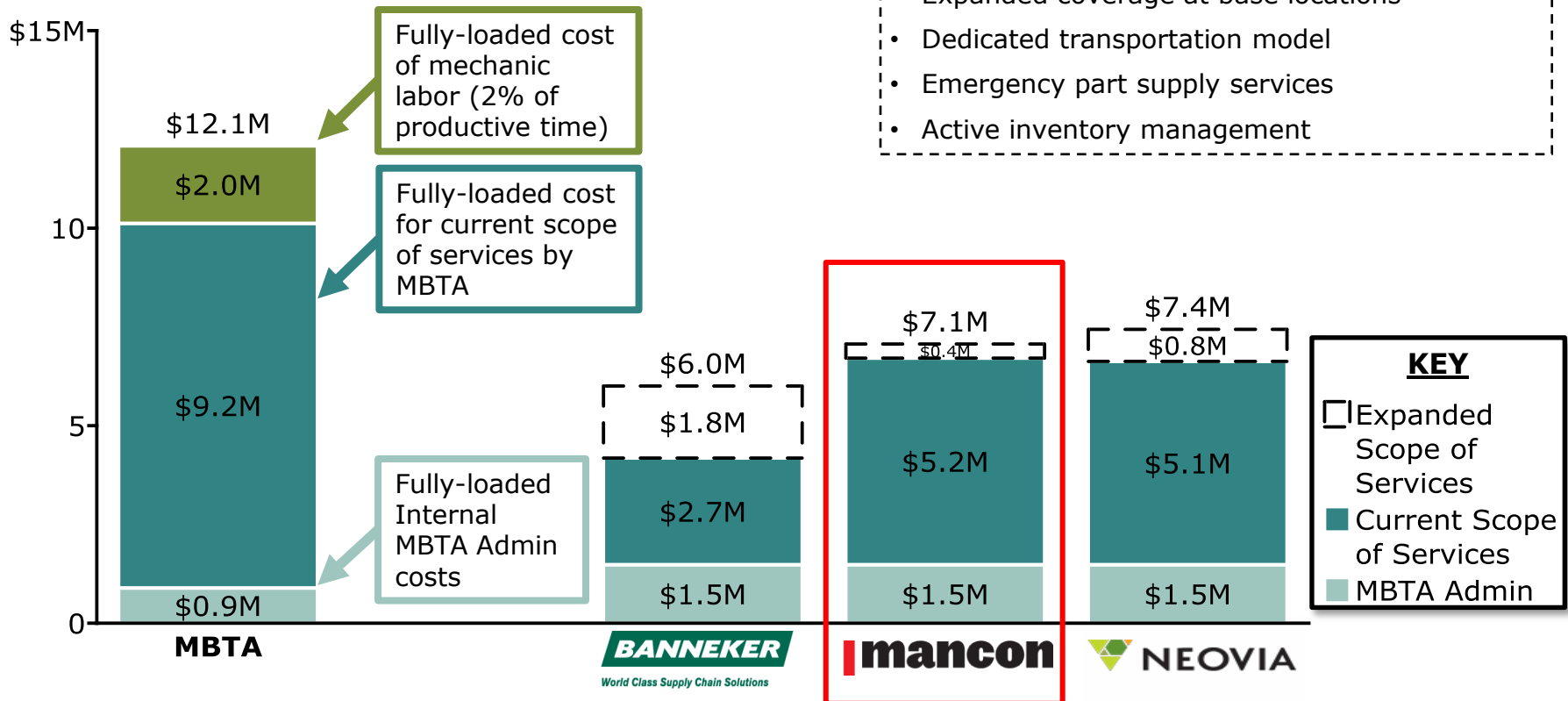
(1) FY17 budget includes executive and management costs but excludes consulting services.

(2) Actuarially derived pension fund liability calculations use a 7.75% discount rate. However, average historical pension fund returns have underachieved, increasing MBTA's pension contribution and unfunded liability over time. Given current low return environment and pension profile, a 5.0% discount rate more fully reflects MBTA's expected costs. \$0.5M represents incremental funds required to fund a 5.00% discount rate environment.



## The Evaluation Committee Recommends That MBTA Partner With MANCON

Estimated Annual Cost Based on 5 YR Contract Average (Fully Loaded)





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## Why Does the MBTA Need to Consider Fully Loaded Employee Costs?

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In order to compare internal Warehousing and Logistics operational costs versus contracted service bids, the MBTA needed to quantify the full cost of internal positions

### **Current cash costs of MBTA positions understate the long-term liability for Authority**

- Current costs include salary and overtime, healthcare, actuarially derived pension costs, and other fringe benefits
- FY16 Warehousing and Logistics cash budget for positions totaled **\$4.1M**

### **Excluded from cash costs include long-term healthcare and pension costs**

- MBTA pays for retiree healthcare, but does not set aside funds in advance
  - Unfunded liability is **\$34K** per employee or **\$291M** across authority based FY16 budget
- MBTA is obligated to pay for retiree pensions, but current contributions likely too low
  - Actuarially derived discount rate of 7.75% likely overstates returns
  - Assuming a lower long-term discount rate of 5.00% would require an additional annual contribution of \$500k

### **KPMG has reviewed the assumptions underlying the long-term healthcare and pension costs**

- No adjustments proposed
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## Capital Savings Are Significant

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### **\$22.7M potential savings from inventory reduction**

- \$11.0M to \$16.0M in 12 months or less by managing inventory more efficiently
- \$11.7M from liquidation, sale back, or scrapping of obsolete and excess inventory

### **\$16.1M of avoided capital costs**

- To upgrade current warehouses: \$15.1M
- To upgrade software: \$1.0M

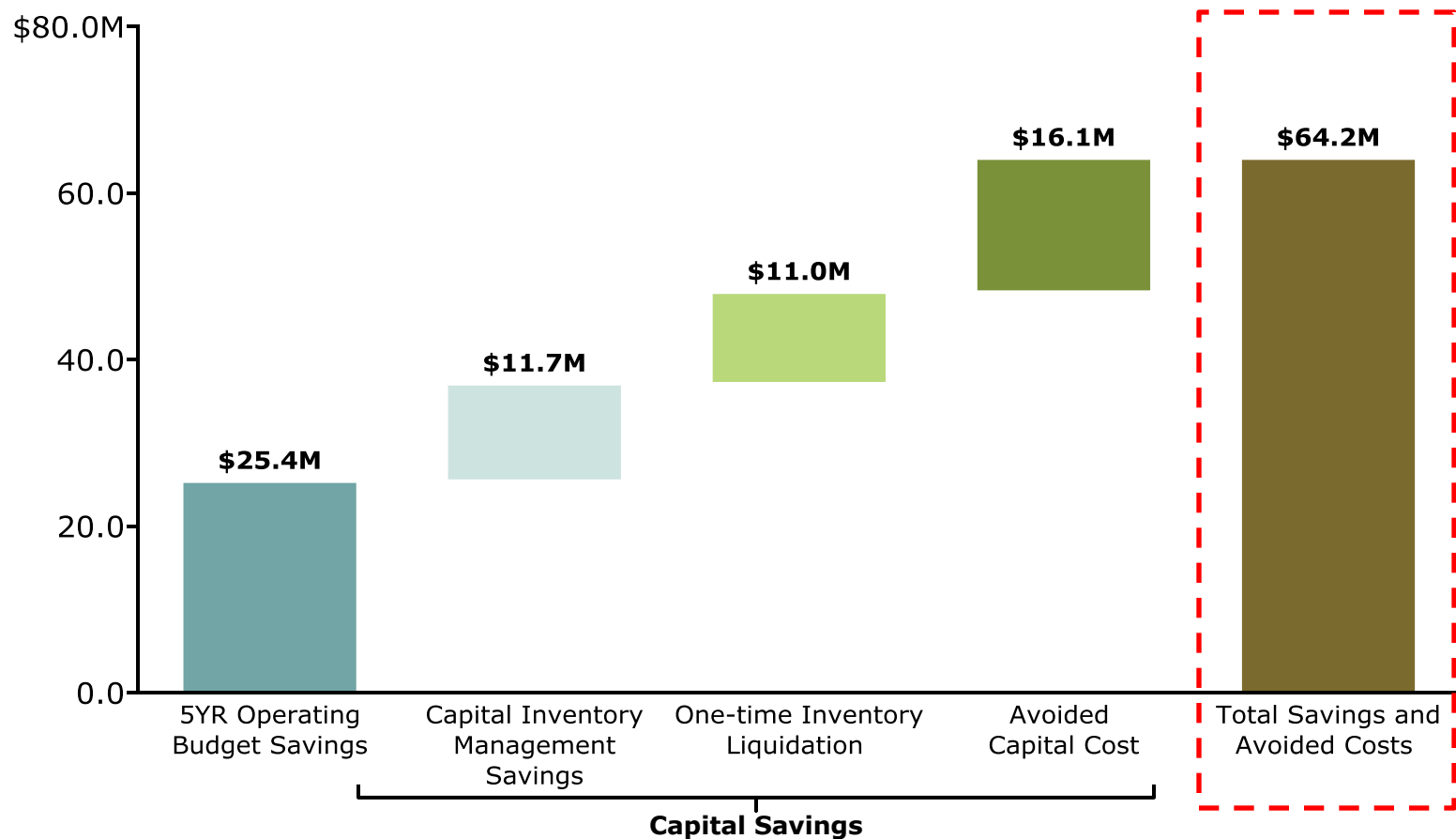


**\$38.8M of capital funds comprised of avoided costs and projected sale of assets would be invested back into core MBTA operations**



## MBTA Will Realize Significant Operating Savings and Capital Value

### 5 Year MBTA Operating and Capital Savings





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## Overview of Terms, Conditions and Service Level Agreements (SLA)

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Contract structure based on number of components serviced by vendor  
(as laid out in RFP Scope)

- Vendor utilizes their own facilities, labor, vehicles, software, inventory/warehouse management system, and equipment
- 5 years with 2 two-year options

MBTA established SLA's (documented in bidder response to RFP) including:

- Escalating vendor penalty regime based on schedule adherence and service quality
- Delivery schedule adherence, inventory accuracy, inventory turns, emergency parts delivery (2 hours or less 24/7 365 days)

MBTA Governance & Termination Rights

- MBTA reserves full audit rights
- Detailed Termination requirements such as transfer of key contracts and maintenance of a detailed Handover Package are documented



## Inventory Reconciliation and Visibility

### MANCON offers ability to reconcile daily

- MANCON will become the official system of record; MBTA will have real time visibility through a web-based platform
- MANCON will reconcile part counts based on real time scanned transactions
- MBTA will reconcile to MANCON's count daily and audit based on MBTA electronic information
- MBTA has full audit rights
- MANCON's WMS system gives MBTA total visibility from purchase to consumption
- MBTA has access to 24/7 inventory information and visibility into MANCON's count via industry leading software



### MANCON's Reports Include:

- Purchase Order info
- Quality reporting
- Daily inventory summary
- Adjustment activity
- Order activity
- Purchase Order info
- Quality reporting
- Daily inventory summary
- Adjustment activity
- Order activity



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## **MBTA Will Monitor Contract Closely With Performance-based Penalties and Bonuses**

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Contract contains Service Levels and performance-based penalty and bonus regime in line with industry standard

- SLAs and penalty regime phased in over time as MANCON stands up operation
  - Cumulative bonus and penalty regime to incentive vendor
  - Key SLAs include:
    - › Innovatory accuracy
    - › On time part delivery
  - Key Tracking Metrics include:
    - › Inventory turns
    - › Receipt to put-away time
- Daily, weekly, and monthly reports and governance included in contract increase visibility
- Contract management and warehousing and logistics teams will actively enforce contract



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## Termination and Separation Provisions To Protect the MBTA

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### **MBTA may terminate for any reason with 30 days notice**

- Termination for cause: Vendor pays all reasonable costs associated with separation and transfer of contracted activities
- Termination w/o cause: Vendor is reimbursed for reasonable costs incurred to date, stranded assets and separation costs

### **Separation provisions specify key vendor requirements**

- Ensures MANCON will provide all background data on parts and logistics
- Requires open cooperation with the new vendor taking over the MANCON work
- Guarantees MANCON continuation at current rates for up to 1 year after termination
- Dictates transfer of Vendor purchased assets & equipment at minimum cost
- Requires MANCON to provide all relevant information on operational practices, such as staffing, process maps, procedures, work instructions, routes etc.
- Specifies transfer of Central Warehouse lease & other key contracts at current rates and terms at termination if requested by MBTA
- Failure to comply with the transition requirements is subject to 10% holdback of otherwise properly invoiced fees

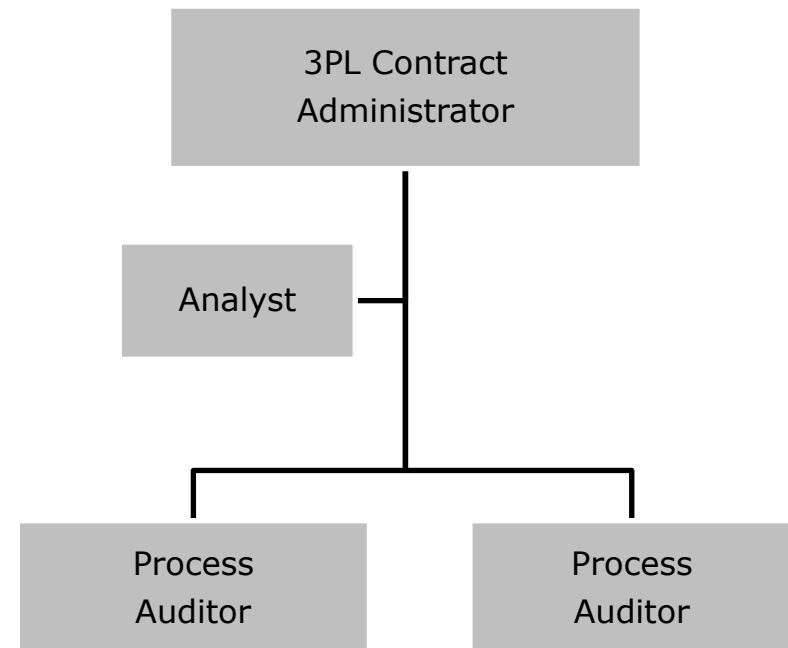


## Contract management strategy

### **MBTA contract management team will actively supervise the service provider:**

- Daily tracking of part availability and part delivery schedule adherence
- Daily tracking of emergency delivery performance
- Daily, weekly, & monthly issue resolution meeting with 3PL manager
- Weekly audit of inventory accuracy process
- Weekly & monthly review of productivity metrics and costs versus targets
- Weekly & monthly review of improvement plans and projects
- Monthly service level agreement and penalty payment reviews

### **New contract management structure**





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## **Proposed FMCB Vote to Award Contract to MANCON, LLC**

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The Fiscal and Management Control Board hereby approves and authorizes the General Manager, or his designee, to execute in the name and on behalf of the Massachusetts Bay Transportation Authority (“MBTA”), and in a form approved by the General Counsel, a contract with Mancon, LLC for Third-Party Administration of MBTA Warehousing and Logistics services, for a term of five years with two options of two years each, in a total amount not to exceed \$28,400,000.



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## Appendix

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## To accurately cost internal operations, the MBTA should account for both current cash costs as well as long-term expenses

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MBTA engaged KPMG to review long-term (unfunded) pension and retiree healthcare for the purpose of comparing actual internal employee cost to contracted service cost

Every full or part-time position at the MBTA (current or future) increases the MBTA's future unfunded healthcare and pension liabilities

### **Healthcare fully loaded cost**

- Currently, the MBTA has an unfunded retiree healthcare liability of \$2.3B and is paying close to \$50M annually in pay go benefits for current retirees
- If MBTA were to fully fund the future healthcare benefits of current employees, MBTA would need to fund \$34K per employee annually (\$219M for across the Authority annually)

### **Pension fully loaded cost**

- Currently, the MBTA has an unfunded pension liability of \$942M and is paying close to \$90M annually
- Actuarially derived pension fund liability calculations use a 7.75% discount rate. However, average historical pension fund returns have underachieved, increasing MBTA's pension contribution and unfunded liability over time.
- Given current low return environment and pension profile, a 5.00% discount rate more fully reflects MBTA's expected costs.

**Annual future unfunded long-term healthcare and pension costs should be considered when comparing the cost of internal services to contracted services**

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**To fully fund retirement, the fringe 'load factor' estimated to be 100.2%**

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<b><u>EXPENSE</u></b>	<b><u>FY17 BUDGET</u></b>	<b><u>LOAD % (ON REGULAR WAGES)</u></b>
<b>Regular Wages</b>	<b>\$485.3M</b>	
Active Employee Healthcare	\$61.6M	12.7%
Group Life	\$0.7M	0.1%
Workers' Comp	\$12.2M	2.5%
Other Fringe Benefits	\$0.4M	0.1%
Health and Welfare Fund (58% of expense for actives)	\$6.0M	1.2%
Unemployment	\$1.4M	0.2%
FICA	Statutory (SEPARATELY INCLUDE ON OT)	7.7%
Pension (7.75% discount)	Determined by actuaries	18.0%
<b>CASH FRINGE LOAD FACTOR</b>		<b>42.5%</b>
Post-Employment Benefits	Determined by actuaries	47.1%
Pension (5% discount rate)	Determined by actuaries	10.5%
<b>FULLY FUNDED LOAD FACTOR</b>		<b>100.2%</b>

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## Fully funded wage rate

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### **Fully funded wage rate equals the cost to fully fund retirement at the MBTA:**

- Typically, the fringe rate at the MBTA includes only current payments to retirees
  - › Authority-wide fringe rate used is ~50%
  - › Removing retiree healthcare from this we get a 42.6% fringe
  
- Retirement factors not included in typical fringe calculations that we include:
  - › **OPEB:** Actuaries calculate that **in order to fully fund our OPEB liabilities (healthcare and other costs of retirement), that we should contribute 47.1% of payroll annually**
  
  - › **PENSION:** Given a weak investment outlook, we believe that the **true cost of the pension will be higher than a 7.75% discount rate suggests**
    - » Using a 5% discount rate, the contribution rate increases to 28.6% from 18.0%, an increase of 10.5% (lower due to rounding)



## Fully funded loaded wages for Warehouse – FY16 Budget

<u>EXPENSE</u>	<u>LOAD %</u>	<u>WAREHOUSE FY16 BUDGET</u>
<b>WAREHOUSE REGULAR WAGES</b>		<b>\$3.25M</b>
Active Employee Healthcare	12.7%	\$413K
Group Life	0.1%	\$3.2K
Workers' Comp	2.5%	\$81.3K
Other Fringe Benefits	0.1%	\$3.2K
Health and Welfare Fund (58% of expense for actives)	1.2%	\$39.0K
Unemployment	0.2%	\$6.5K
FICA	7.7%	\$250K
Pension (7.75% discount)	18.0%	\$585K
<b>WAGES PLUS CASH FRINGE</b>	<b>42.5%</b>	<b>\$4.63M</b>
Pension (5% discount rate)	10.5%	\$340K
<b>LOAD FACTOR INCL. PENSION</b>	<b>53.1%</b>	<b>\$4.98M</b>
Retiree Healthcare	47.1%	\$1.53M
<b>FULLY FUNDED LOAD FACTOR</b>	<b>100.2%</b>	<b>\$6.51M</b>
<b>WAREHOUSE OT WAGES</b>		<b>\$368K</b>
OT FICA	7.65% on OT	\$28K
<b>TOTAL LOADED OT WAGES</b>		<b>\$396K</b>
<b>TOTAL LOADED WAGES (REG+OT)</b>		<b>\$6.90M</b>



## Fully funded loaded wages for Mechanics – Time Spent Searching Parts

<u>EXPENSE</u>	<u>LOAD %</u>	<u>2% OF MECHANIC WAGES</u>
<b>2% OF REGULAR MECHANIC WAGES</b>		<b>\$980K</b>
Active Employee Healthcare	12.7%	\$124.5K
Group Life	0.1%	\$0.98K
Workers' Comp	2.5%	\$24.5K
Other Fringe Benefits	0.1%	\$0.98K
Health and Welfare Fund (58% of expense for actives)	1.2%	\$11.8K
Unemployment	0.2%	\$2.0K
FICA	7.7%	\$75.5K
Pension (7.75% discount)	18.0%	\$176.4K
<b>WAGES PLUS CASH FRINGE</b>	<b>42.5%</b>	<b>\$1,396.5K</b>
Pension (5% discount rate)	10.5%	\$102.9K
<b>LOAD FACTOR INCL. PENSION</b>	<b>53.1%</b>	<b>\$1,499.4K</b>
Retiree Healthcare	47.1%	\$461.58K
<b>FULLY FUNDED LOAD FACTOR</b>	<b>100.2%</b>	<b>\$1,961.0K</b>
<b>2% OF MECHANIC OT WAGES</b>		<b>\$0.0K</b>
OT FICA	7.65% on OT	\$0.0K
<b>TOTAL LOADED OT WAGES</b>		<b>\$0.0K</b>
<b>TOTAL LOADED WAGES (REG+OT)</b>		<b>\$1,961.0K</b>



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## Overview of Contract Service Level Agreements, Bonuses and Penalties

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	Service Level Agreements	Bonuses	Penalties
<b>YEAR 1</b>	<ul style="list-style-type: none"><li>• 92-93% Inventory Accuracy</li><li>• .8 - 1.0 Inventory Turns</li><li>• Delivery SLA - &lt; 2 Hrs Emergency Parts</li><li>• All Overnight Deliveries by 5AM</li><li>• Order to Delivery Time &lt; 10 Hrs</li></ul>	<ul style="list-style-type: none"><li>• 2% Bonus if accuracy &gt;98%</li><li>• 2% Bonus for zero delivery defects</li><li>• Additional 2% if 0 defects for quarter</li></ul>	<ul style="list-style-type: none"><li>• 1st Month Behind on Metrics = 0% penalty (warning and letter)</li><li>• 2nd consecutive month = 2% penalty</li><li>• 3<sup>rd</sup> consecutive month = 5% penalty</li></ul>
<b>YEAR 2</b>	<ul style="list-style-type: none"><li>• 93-95% Inventory Accuracy</li><li>• 1.0 - 1.2 Inventory Turns</li><li>• Delivery SLA - &lt; 2 Hrs Emergency Parts</li><li>• All Overnight Deliveries by 5AM</li><li>• Order to Delivery Time &lt; 10 Hrs</li></ul>	<ul style="list-style-type: none"><li>• 2% Bonus if accuracy &gt;98%</li><li>• 2% Bonus for zero delivery defects</li><li>• Additional 2% if 0 defects for quarter</li></ul>	<ul style="list-style-type: none"><li>• 1st Month Behind on Metrics = 0% penalty (warning and letter)</li><li>• 2nd consecutive month = 2% penalty</li><li>• 3<sup>rd</sup> consecutive month = 5% penalty</li></ul>
<b>YEAR 3</b>	<ul style="list-style-type: none"><li>• 94-95% Inventory Accuracy</li><li>• 1.2 - 1.4 Inventory Turns</li><li>• Delivery SLA - &lt; 2 Hrs Emergency Parts</li><li>• All Overnight Deliveries by 5AM</li><li>• Order to Delivery Time &lt; 10 Hrs</li></ul>	<ul style="list-style-type: none"><li>• 2% Bonus if accuracy &gt;98%</li><li>• 2% Bonus for zero delivery defects</li><li>• Additional 2% if 0 defects for quarter</li></ul>	<ul style="list-style-type: none"><li>• 1st Month Behind on Metrics = 0% penalty (warning and letter)</li><li>• 2nd consecutive month = 2% penalty</li><li>• 3<sup>rd</sup> consecutive month = 5% penalty</li></ul>

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## Termination and Un-Wrap Provisions

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### **MBTA may terminate for any or reason with 30 days notice**

- Termination for cause: Vendor pays all reasonable costs associated with separation and transfer of contracted activities
- Termination w/o cause: Vendor is reimbursed for reasonable costs incurred to date, stranded assets and separation costs

### **Separation Provisions at Normal End of Life of Contract**

#### **Central Warehouse (CWH)& Delivery Equipment Options :**

- 1) Operate using the terminated vendor month to month at current contracted rates for up to 1 year
- 2) Operate the existing CWH & Delivery Equipment using a new 3PL vendor or MBTA personnel. Transfer all equipment and assets in use to execute MBTA contracted services at net book value or fair market value which ever is less and transfer lease at current lease rates to the MBTA.
- 3) Vendor to package, label and prepare for transport all MBTA owned material at vendor cost per MBTA supplied specifications.

#### **Base Location (BL):**

- 1) Operate using the terminated vendor month to month at current contracted rates for up to 1 year
- 2) Operate the existing base locations using a new 3PL vendor or MBTA personnel. Transfer all equipment and assets in use to execute MBTA contracted services at cost of \$1 to the MBTA.

#### **Note:**

Under all scenarios vendor to provide at no cost to MBTA electronic information on all parts including P/N's, location, quantities, DIMS, and documentation detailing all staffing, organization charts, job descriptions, process maps, work instructions, metrics, performance metric records etc.



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## Termination and Un-Wrap Provisions When Early and For Cause

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### **MBTA may terminate for any or reason with 30 days notice**

- Termination for cause: Vendor pays all reasonable costs associated with separation and transfer of contracted activities
- Termination w/o cause: Vendor is reimbursed for reasonable costs incurred to date, stranded assets and separation costs

### **Separation Provisions at Before Normal End of Life of Contract for Cause**

#### **Central Warehouse (CWH)& Delivery Equipment Options :**

- 1) Operate using the terminated vendor month to month at current contracted rates for up to 1 year
- 2) Operate the existing CWH & Delivery Equipment using a new 3PL vendor or MBTA personnel. Transfer all equipment and assets in use to execute MBTA contracted services at net book value or fair market value which ever is less and transfer lease at current lease rates to the MBTA.
- 3) Vendor to package, label and prepare for transport all MBTA owned material at vendor cost per MBTA supplied specifications.

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#### **Note:**

Under all scenarios vendor to provide at no cost to MBTA electronic information on all parts including P/N's, location, quantities, DIMS, and documentation detailing all staffing, organization charts, job descriptions, process maps, work instructions, metrics, performance metric records etc.

**PLUS:** Vendor responsible for any and all reasonable costs associated with transition to the new 3PL vendor



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## Termination and Un-Wrap Provisions When Early and w/o Cause

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### **MBTA may terminate for any or reason with 30 days notice**

- Termination for cause: Vendor pays all reasonable costs associated with separation and transfer of contracted activities
- Termination w/o cause: Vendor is reimbursed for reasonable costs incurred to date, stranded assets and separation costs

### **Separation Provisions at Before Normal End of Life of Contract for Cause**

#### **Central Warehouse (CWH)& Delivery Equipment Options :**

- 1) Operate using the terminated vendor month to month at current contracted rates for up to 1 year
- 2) Operate the existing CWH & Delivery Equipment using a new 3PL vendor or MBTA personnel. Transfer all equipment and assets in use to execute MBTA contracted services at net book value or fair market value which ever is less and transfer lease at current lease rates to the MBTA.
- 3) Vendor to package, label and prepare for transport all MBTA owned material at MBTA cost per MBTA supplied specifications.

#### **Base Location (BL):**

- 1) Operate using the terminated vendor month to month at current contracted rates for up to 1 year
- 2) Operate the existing base locations using a new 3PL vendor or MBTA personnel. Transfer all equipment and assets in use to execute MBTA contracted services at net book value or fair market value which ever is less to the MBTA.

#### **Note:**

Under all scenarios vendor to provide at no cost to MBTA electronic information on all parts including P/N's, location, quantities, DIMS, and documentation detailing all staffing, organization charts, job descriptions, process maps, work instructions, metrics, performance metric records etc.

**PLUS:** Vendor will be reimbursed for any and all reasonable costs associated with transition to the new 3PL vendor