ECONOMIC IMPACT OF CBP’s CEEs AND TRADE MISSION TECHNICAL PROPOSAL

OVERVIEW
U.S. Customs and Border Protection (CBP) has begun transforming our country’s systems and processes to suit the 21st Century international trade environment. The vision for the future focuses on leveraging these improvements to stamp out unfair trade practices, while reducing the costs associated with both importing and exporting goods. By continuing to find efficiencies and expanding our international footprint, CBP can deliver a pathway that meets the demands of a complex and ever-changing trade environment. This is accomplished by highlighting CBP’s role in supporting a prosperous U.S. economy, creating partnerships with the trade community and international partners, and ensuring predictability for the trade community. The study discussed below is a proposed continuation and expansion of CREATE’s Phase 1 effort of examining the economic impact of CBP’s Centers of Excellence and Expertise (CEE).

BACKGROUND
CBP’s trade enforcement efforts provide a myriad of benefits to the U.S. trade community, U.S. government, and U.S. macro-economy. CBP is a truly unique agency within the Federal law enforcement community because of its dual role as both an enabler and a regulator of international trade. Securing and interdicting unlawful cargo and enabling the swift movement of legitimate trade are mutually dependent activities and CBP’s focus and strategic approaches to enable lawful trade shape and support its enforcement efforts. Enforcing U.S. trade laws and international trade agreements at the border protects the economy, our national security and the safety of the American people by protecting against counterfeit and unsafe goods, disease and plant pests, and financial schemes that defraud the U.S. government of lawfully owed revenue and undermine lawful business. Building upon the outcomes from CBP’s efforts to enable legitimate trade, CBP’s trade enforcement efforts seek to better identify, detect, and interdict high-risk shipments through collaborative partnerships with the private sector, advanced technology, and integrated enforcement capabilities.

INNOVATIVE APPROACHES TO IDENTIFY HIGH-RISK SHIPMENTS
In the constantly growing and changing world of international trade, CBP must drive innovative solutions to address the total volume of trade crossing our borders and identify the small segment of trade that can harm the American people or economy. Risk-segmentation, which helps expedite low-risk trade, also enables CBP to strengthen comprehensive trade enforcement by focusing enforcement resources on the shipments with the highest risk of containing unsafe or dangerous merchandise and detecting fraudulent trade practices that undermine the competitiveness of compliant American industries. Automating CBP’s risk segmentation and trade processing capabilities enhances CBP’s ability to detect and interdict high-risk cargo faster and earlier in the transit process. Supplemented by trade intelligence from the private sector, CBP’s automated systems that target high-risk shipments will be able to automatically adjust to changes in trade patterns and trends. Furthermore, the advanced analytical capabilities that CBP uses to identify high-risk cargo can also be used to better identify emerging or consistent risks and identify new threats before they fully emerge.

Leveraging private sector innovations can greatly improve CBP’s ability to detect and interdict high-risk cargo. Many of the tools and techniques the private sector uses to manage their supply
chain can help identify risk indicators that CBP can use to enhance trade enforcement. In addition, maintaining a constant awareness of the practices and methods of compliant businesses can help identify non-compliant importers and exporters who do not adhere to those practices.

INTEGRATED ENFORCEMENT OPERATIONS

Although CBP is the primary Federal agency for enforcing U.S. trade laws at the border, many of our Federal, state, local, and territorial partners also play a role in protecting our Nation from dangerous and unsafe products, pests and disease, unfair trade practices, and from criminals using strategic and dual-use commodities. CBP works closely with other Department of Homeland Security (DHS) components, especially Homeland Security Investigations, U.S. Immigration and Customs Enforcement, to investigate and prosecute illegal trade activities. Sharing information with our enforcement partners is critical to effectively and accurately identify high-risk cargo. By integrating capabilities across the law enforcement and interagency communities, CBP can lead the development of a seamless enforcement network capable of addressing the challenges and complexity of the modern international trade environment.

In addition to building a network of domestic enforcement agencies, CBP is also a leader in developing an international network of customs authorities and law enforcement agencies capable of defeating the global networks of criminals involved in unlawful international trade practices. Sharing information forms the bedrock of all of CBP’s international partnerships, but CBP is also actively engaged in forming more collaborative relationships by integrating enforcement capabilities through forward deployment of CBP personnel to pre-screen and target cargo before it departs for the United States.

STATEMENT OF WORK

1. RESEARCH QUESTION/SUBJECT TO BE DISCUSSED

CREATE will provide economic impacts of CBP’s trade facilitation and enforcement efforts for the five Priority Trade Issues (PTI): Intellectual Property Rights (IPR), Import Safety, Free Trade Agreements (FTA), Anti-Dumping and Countervailing Duty (ADCVD) and Textiles, utilizing CBP administrative data and survey information. CREATE will also finalize the estimates of CEE membership impacts developed in Phase 1 of the project, and develop related macroeconomic impact estimates using a computable general equilibrium (CGE) model.

2. DATA

CREATE may use existing data on importing activity and administration. This database spans FY 2008-2013. CREATE will also be provided with access to CBP administrative data on enforcement actions and their outcomes. The degree to which economic impacts of enforcement efforts can be quantified will depend on the nature of administrative data on enforcement actions. CREATE may also utilize several surveys of the Advisory Committee on Commercial Operations (COAC). This includes COAC surveys of the trade community (COAC, 2012; 2013), along with the upcoming 2014 COAC Trade Efficiency Survey.

3. METHODOLOGY

This research should establish a baseline for CBP trade operations, including assigning a value or cost per activity on protests, dwell time, and Post-Entry Amendments/Post-Summary Corrections (PEA/PSCs) (see table below). In addition, the methodology should continue to calculate the
CEE membership impacts—segmenting out the trusted trader benefit from the CEE population. The methodology should quantify CBP’s enforcement efforts impact on the domestic industry.

### CEE Impacts

<table>
<thead>
<tr>
<th>Activity/Form</th>
<th>FY 2013 Activity Level (number)</th>
<th>Cost per Activity (dollars)</th>
<th>Projected Cost Change for Future CEE Members</th>
<th>Projected Trusted Trader Benefit</th>
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<tr>
<td>28 (RFIs)</td>
<td>52&lt;sup&gt;a&lt;/sup&gt;</td>
<td>$105&lt;sup&gt;b&lt;/sup&gt;</td>
<td>To be finalized</td>
<td>To be determined</td>
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<td>19 (Protests)</td>
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<td>$88&lt;sup&gt;b&lt;/sup&gt;</td>
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<td>PEA/PSCs</td>
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**Protest Timeframe**: To be determined

**Ruling Requests Timeframe**: To be determined

**Dwell time**: To be determined

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**Trade Enforcement Impacts**

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<tr>
<th>CBP Revenue Positions</th>
<th>Trade Enforcement Impact on Domestic Industry</th>
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<td>Customs attorney</td>
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<td>Customs auditor</td>
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<td>Drawback specialist</td>
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<td>Entry specialist</td>
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<td>Financial systems specialist</td>
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<td>FP&amp;F specialist</td>
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<td>National import specialist</td>
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4. **PROJECT ACTIVITIES, DELIVERABLES AND DELIVERY SCHEDULE**

Table 1- Phase 2 Research Activities lists the specific activities to accomplish project goals and answer research questions. Interim project deliverables include four presentations: presentation of finalized trade facilitation cost impacts, presentation of trade facilitation CGE analysis, presentation of a methodological framework for trade enforcement analysis, and presentation of
preliminary trade enforcement impact estimates. A final report covering both trade facilitation and trade enforcement impacts will constitute the key final deliverable of the project.

Deliverables for this contract shall be subjected to, but are not limited to the following:

4.1. An Entrance Conference will be conducted for this task order within five business days from the date of award.

4.2. An Exit Conference will be conducted for this task order as determined by the COR.

4.3. A Project Plan with milestone due dates is due to the COR five business days after the Entrance Conference and/or a given task, assignment or project. The government will provide a response to this Project Plan within five business days. The Project Plan will be finalized within five business days thereafter.

4.4. Project development and methodology is due to the COR by the date agreed to in the finalized Project Plan.

4.5. Final Written Project report(s) is due to the COR by the date agreed to in the finalized Project Plan.

4.6. Specific project deliverables are listed in Table 1- Phase 2 Research Activities of the Statement of Work.

5. PLACE OF PERFORMANCE

The contractor shall work primarily at its own offices and at CBP, Office of International Trade headquarters in Washington, DC and potentially at Office of Science & Technology. However, travel to and work at such CBP permanent or temporary facilities as deemed necessary and appropriate by the COR or Contracting Officer in fulfillment of the terms of the contract may be authorized. Estimate periodic (2-4) non-local trips per year between Contractor Facility and CBP locations including in Washington, DC for meetings or other activities, as required.

6. PERIOD OF PERFORMANCE

The period of performance shall be 12-months after date of award.

7. POINTS OF CONTACT

**CONTRACTING OFFICER (CO)**
Jessica Wilson, Contracting Officer
Office of Procurement Operations, Science and Technology Directorate
Department of Homeland Security
245 Murray Lane, SW mailstop XXX
Washington, DC 20528
Office: 202-254-2274
Email: jessica.wilson@hq.dhs.gov

**CONTRACTING OFFICER REPRESENTATIVE (COR)**
Georgia Harrigan, Program Manager
Office of University Programs, Science and Technology Directorate
Department of Homeland Security
245 Murray Lane, SW mailstop 0217
Washington, DC 20528
Office: 202-254-5643
Email: georgia.harrigan@hq.dhs.gov
8. ACRONYMS

ADCVD .................. Anti-Dumping and Countervailing Duty
CBP .............................. U.S. Customs and Border Protection
CEE .............................. Centers of Excellence and Expertise
CGE .............................. Computable general equilibrium
CO .............................. Contracting Officer
COAC ............................. Advisory Committee on Commercial Operations
COR .............................. Contracting Officer Representative
FP&F ............................. Fines, Penalties and Forfeitures
FTA .............................. Free Trade Agreements
IPR .............................. Intellectual Property Rights
ITS .............................. International Trade Specialist
PEA/PSC ........................ Post-Entry Amendments/Post-Summary Corrections
PTI .............................. Priority Trade Issues
RFI .............................. Request for Information

Table 1- Phase 2 Research Activities

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Key task dependencies/notes:
A : Includes writing interim report and presenting results to CBP.
B : Finalizing cost impacts is dependent on having finalized econometric impacts, 2014 COAC survey results, and focused interview results.
C : Evaluating enforcement data depends on team members receiving their suitability approvals. This is estimated to take 6-12 months, so that the earliest that the team could get access to the CBP data is in month 7, and the latest is in month 12.
9. QUALIFICATIONS OF OFFEROR AND PRIOR WORK WITH CBP ON PHASE 1

CREATE is ideally positioned to carry out this project for the following reasons:

- Through the projects carried out for DHS since 2004 and specifically CBP since 2013, it has deep knowledge of DHS’ trade facilitation and enforcement missions and capacities that is key to developing credible quantitative analysis on policies and programs that impact them;
- The recently-completed project on the economic impacts of wait time at ports of entry illustrates these capabilities and knowledge and has given CREATE researchers an in-depth understanding of cargo processing at land ports of entry and its macroeconomic impacts;
- CREATE’s location in Los Angeles, in close proximity to the CEE for the electronics industry, which was established in 2012, will be very useful with regard to the tasks involved;

CREATE recently completed studies for the Office of Field Operations (OFO) of the Customs and Border Protection (CBP) agency of the Department of Homeland Security on the economic impacts of wait times at U.S. ports of entry. This study successfully quantified wait time economic impacts and how change in OFO staff levels affects these impacts, and its results have been cited to CBP stakeholders and in Congressional testimony. CREATE made a strong case for the value of CBPO staffing, and CBP was able to effectively cite the CREATE work as it communicated its resource optimization strategy and reporting requirements to Congress. Furthermore, many of CBP’s stakeholders responded favorably to the CREATE study and similarly cited the work in their own communications.

In addition, CREATE also recently completed a study for the Center of Excellence and Expertise (CEE) Program. This study showed that suggest that the Electronics CEE has been able to reduce the administrative costs to its members by 60%, for those costs which we were able to quantify. These costs are associated with Customs Form 28 (Request for Information) and exams. If these impacts are applied to all importers of record (IORs) that are projected to become members of the Electronics CEE, the change in these costs is projected to be roughly from a $2 to $4 million dollar savings.

The key personnel that will be contributing to this project include

Bryan Roberts is a Senior Economist at Econometrica, Inc. and an Adjunct Faculty Member at George Washington University’s Trachtenburg School of Public Policy. Dr. Roberts worked in the Department of Homeland Security (DHS) during 2005-2011 carrying out research and analysis on various issues related to terrorism risk, immigration and border policies and programs, trade and non-immigrant travel, and regulatory impact analysis. He has published papers in these areas in the journals Contemporary Economic Policy, Peace Economics, Peace Science and Public Policy, and Foreign Affairs. He has participated in several initiatives to bring the academic researcher community into closer contact with DHS offices and officials, facilitate research to inform policy and program decisions, and promote the development of analytical tools useful to analysis and decision making. He is currently co-authoring a special study of the Council on Foreign Relations on unauthorized immigration and enforcement. He also served as a lead researcher on a recent DHS-sponsored study on the macroeconomic impacts of changes in staffing at U.S. border crossings. He will work closely with Charles Baschnagel, who is considered a key investigator for the purposes of this SOW.
Charles Baschnagel is a Senior Economist at Econometrica, Inc. and leads the Quantitative Analysis Group. He oversees and manages growth of data analysis, coding, and geocoding/mapping within the firm. His research interests include economics of higher education, Pre-K, health care payment reform, socioeconomic status indexes, patient centered outcomes research, immigration, travel, and trade (specifically port efficiency). Current clients include HHS-CMS, and DHS-CBP. Prior to this, Charles was selected by the Japan Foundation with the embassy of Japan as one of the top twelve NEC economists under the age of 35 to participate in a ten day, all expenses paid study tour of Japan. He was selected as a member of this contingent to meet with high level government officials and researchers to learn, collaborate, and consult on developing economic issues arising from the Prime Minister Abe's "three arrows" economic reforms. Charles met independently with immigration, customs, and Nippon Professional Baseball representatives to further his own research agendas while also meeting in groups with the Bank of Japan, JCER, Toyota, university affiliated academics, MOFA, and Keidanren.

Adam Rose is a Research Professor in the USC Sol Price School of Public Policy, and Coordinator for Economics at USC's Center for Risk and Economic Analysis of Terrorism Events (CREATE). Much of Professor Rose's research is on the economics of terrorism and natural hazards. He recently served on a National Research Council panel on Earthquake Resilience, as co-PI of a DHS-sponsored study examining tradeoffs and synergies between urban security and commerce, and as PI of a DHS-sponsored study on the macroeconomic impacts of changes in staffing at U.S. border crossings. Previously, he was the lead researcher on a report to the U.S. Congress on the net benefits of FEMA hazard mitigation grants, and he coordinated 8 studies to arrive at a definitive estimate of the economic consequences of 9/11. A major focus of his research has been on resilience to natural disasters and terrorism at the levels of the individual business, market, and regional economy. Rose is the author of several books and 200 professional papers. His editorial boards’ appointments include, among others, the International Journal of Disaster Risk Science, Journal of Integrated Disaster Risk Management, Resource and Energy Economics, Pacific and Asian Journal of Energy, and Journal of Regional Science. Rose has served as the American Economic Association Representative to the American Association for the Advancement of Science, and as a member of the Board of Directors of the Center for National Policy Resilience Forum, the National Institute of Building Sciences Multi-Hazard Mitigation Council. He is the recipient of a Woodrow Wilson Fellowship, East-West Center Fellowship, American Planning Association's Outstanding Program Planning Honor Award, Applied Technology Council Outstanding Achievement Award, and REMI Outstanding Economic Analysis Award.

Isaac Maya has been Director of Research for the National Center for Risk and Economic Analysis of Terrorism Events (CREATE), DHS' first university Center of Excellence, since its first year. He leads its fundamental and applied research in homeland security, with 158 projects conducted by 154 researchers and 30 subcontractors in the past 8 years. He has over 25 years’ experience in academic and industrial research and development, product development and technology transfer and commercialization. As a senior researcher with technical leadership, his experience is divided between industrial/commercial and academic environments, specializing in multi/interdisciplinary R&D, and ranging in scope from analysis of terrorism events to information technologies and systems to advanced nuclear power reactor systems. Prior to CREATE, Dr. Maya was Director of the Industry and Technology Transfer Programs at USC’s Integrated Media Systems Center (IMSC), an NSF Engineering Research Center, where he
increased technology transfer, licensing and commercialization of prototype technologies, instilled entrepreneurial culture among faculty, increased awareness for patent protection of intellectual property, and facilitated creation of spin-off companies. He has over 100 technical publications, is a Registered Professional Engineer (Nuclear) in California and was an Astronaut Candidate Finalist early in his career.

10. SECURITY MANAGEMENT
The Agency Contracting Office (CO) or Contracting Officer’s Technical Representative (COR) and the DHS S&T and CBP Security Office shall have the right to inspect the procedures, methods, and facilities utilized by the contractor in complying with the security requirements under this order. Should the COR determine that the contractor is not complying with the security requirements, the CO will inform the contractor in writing of the proper action to be taken to effect compliance with such requirements. The contractor shall be proactive in mitigating all non-compliance security issues by communicating security concerns to the COR and CO immediately upon perceiving even the possibility of a non-compliant security issue.

10.1 - Security Considerations - The contractor shall adhere to Government standards and best practices with regard to security in general. Any CBP information made available or to which access is provided to the contractor, and is marked or shall be marked “Official Use Only,” shall be used only for the purpose of carrying out the provisions of the order and shall not be divulged or made known in any manner to any person except as may be necessary in performing the order.

11. GOVERNMENT-FURNISHED MATERIALS
Government-furnished property (materials, equipment, and/or information) will not be provided. Contractor purchase of hardware or software tools are not anticipated as part of this contract, but if required by the contractor, must be pre-approved by the COR. At the written request of the Government, the contractor shall immediately return any property provided by the Government for the contractor’s use to complete the assigned subtasks under this contract. If not requested, the contractor shall continue to abide by FAR Part 45 until completion of the contract.

12. CONFIDENTIALITY OF DATA AND INFORMATION
The contractor may have access to information in the possession of the Government for which the Government's right to use and disclose the data and information is restricted, or which may be of a nature that its dissemination or use, other than in the performance of this contract, would be adverse to the interests of the Government or other parties. Therefore, the contractor agrees to abide by any restrictive use conditions on such data and not to:

(1) Knowingly disclose such data and information to others without written authorization from the Contracting Officer, unless the Government has made the data and information available to the public;

(2) Use for any purpose other than the performance of this contract.

The contractor agrees to hold the Government harmless and indemnify the Government from any cost/loss resulting from the unauthorized use or disclosure of third party data or software by the contractor, its employees, Sub-Contractors, or agents. While subcontracts are not anticipated under this Statement of Work, if deemed appropriate by both the Government and the contractor,
the contractor agrees to include the substance of this provision in all subcontracts awarded under this contract.

Except as the Contracting Officer specifically authorizes in writing, upon completion of all work under the contract, the contractor shall return all such data and information obtained from the Government, including all copies, modifications, adaptation, or combinations thereof, to the Contracting Officer. Any data obtained from another company shall be disposed of in accordance with the contractor's agreement with that company, or, if the agreement makes no provision for disposition, shall be returned to that company. The contractor shall further certify in writing to the Contracting Officer that all copies, modifications, adaptations or combinations of such data or information which cannot reasonably be returned to the Contracting Officer (or to a company), have been deleted from the contractor's (and any Sub-Contractor's) records and destroyed.

13. KEY PERSONNEL

The Contractor shall notify the COR in writing no less than 10 business days in advance if any key personnel will be replaced. All personnel identified as key personnel herein are considered key personnel. The contractor shall submit a written justification for the replacement and provide the name(s) and qualification equal to or superior to those of key Personnel being replaced and be approved by the COR.

The Government has the unilateral right to approve and disapprove any contractor personnel being considered for work under this Statement of Work.

The Contractor shall designate a Program Manager (PM) for the duration of the task order issued hereunder. The PM shall be the main point of contact for technical issues and administrative issues related to the resulting task order. The PM shall provide technical advice, organize, plan, direct and manage all Contractor staff assigned to the contract. The PM shall ensure that: (1) the goal and objectives of the SOW and (2) problem resolution and customer satisfaction are accomplished within prescribed timeframes and funding parameters.

If at any time, the contractor encounters any technical, financial, personnel, or general managerial problems throughout the period of performance of this contract, the contractor shall immediately contact the COR and CO.