

STATEMENT OF ROGER D. WALDRON

PRESIDENT OF THE COALITION FOR GOVERNMENT PROCUREMENT

BEFORE THE

SUBCOMMITTEE ON CONTRACTING AND WORKFORCE OF THE COMMITTEE

ON SMALL BUSINESS

UNITED STATES HOUSE OF REPRESENTATIVES

JUNE 13, 2013

Chairman Hanna, Ranking Member Meng, and Members of the Subcommittee, I appreciate the opportunity to appear before you to address "Putting the Strategy in Sourcing: Challenge and Opportunities for Small Business Contractors." An efficient, effective, and open procurement system plays a critical role in delivering best value solutions to meet agency missions and serve the American people. The Coalition for Government Procurement (the Coalition) is pleased that the subcommittee is focusing on the role of the GSA Multiple Award Schedules (MAS) program in promoting strategic acquisition and opportunities for small business concerns. The MAS program is a highly successful strategic source for the government to leverage the marketplace and achieve its socioeconomic goals.

The Coalition is a non-profit association of firms selling commercial services and products to the Federal government. Collectively, our members account for about half the commercial item solutions purchased annually by the Federal government.

Coalition members include small, medium, and large business concerns from across the commercial marketplace. Coalition members include office supply, furniture, professional services, information technology, maintenance and repair companies. Our members have been involved in many of the government's strategic sourcing acquisitions to date. Next year will mark our 35th anniversary as an association, and we are proud to have worked with government officials over the years toward the mutual goal of common sense acquisition that delivers best value to customer agencies and the American people.

## **I. GSA's MAS Program and Small Business**

GSA's MAS program is the most successful shared services models in government. The MAS program provides more than 20,000 established contracts that bring millions of commercial services and products to the federal marketplace. Agencies can order items from directly existing contracts rather than go through the long and costly process of establishing their own contracts. MAS contracts account for over \$50 billion in government purchases annually (including GSA and MAS contracts delegated to the Department of Veterans Affairs). Customer agencies rely on the MAS contracting framework to compete and place tens of thousands of delivery and/or task orders effectively each year. It is a shared services framework that empowers customer agencies and contractors to focus on requirements and pricing at the task order competition level rather than through lengthy, cumbersome contracting processes and procedures.

Equally as important, year in year out, the MAS program is also one of the most successful government-wide small business contracting programs available. In a typical fiscal year, over 30 percent of the dollar volume of purchases under the MAS program goes to small business concerns. The MAS program provides small businesses with an economical, efficient entry point into the federal marketplace. The keys to the success of the program are tri-fold: (1) Continuous open seasons; (2) MAS ordering procedures and electronic tools that provide the flexibility for customer agencies to consider socio-economic status when competing and placing orders; and (3) expanded marketing and business opportunities for small companies.

#### **A. Continuous Open Seasons**

All commercial firms (small, medium, and large) have an opportunity to submit an offer for a GAS MAS contract any time. This attribute is especially important for small business concerns seeking entry and opportunities in the federal marketplace. Fundamentally, continuous open seasons reflect a faith in the commercial market, providing access to the latest commercial services, products, and solutions for GSA and its customer agencies. Continuous open seasons enhance competition and innovation while meeting the program's statutory mandate that it remains open to all sources.<sup>1</sup>

#### **B. MAS Ordering Procedures**

Over the years, the MAS ordering procedures have provided an efficient, effective means for creating opportunities for small business concerns. Historically, under the MAS ordering process, customer agencies have conducted market research using GSA's electronic tools (GSA e-library and GSA Advantage!). These tools encourage agencies to consider socio-economic status when identifying MAS contractors for task order

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<sup>1</sup> Last year GSA proposed a Demand Based Model that would have eliminated continuous open seasons under the MAS program. The Coalition submitted comments opposing the closure of the MAS program to new offers. A copy of our comments is attached to this testimony. Moreover, Coalition members remain uniformly opposed to closing the MAS program to new offers, as it would limit opportunities for small businesses, restrict competition, and inhibit access to commercial innovation by the government. Closing schedules, even if it is targeted, will hurt customer agencies and the private sector alike. At a time when government is seeking greater opportunities for small business concerns through its Small Business Jobs Act of 2010 initiatives, eliminating continuous open seasons will limit small business opportunities. Moreover, there is concern that closing the MAS program in this manner would raise Competition in Contracting Act concerns.

competitions. This capability was further enhanced by the Small Business Jobs Act of 2010, which authorized customer agencies, at their discretion, to set-aside MAS delivery and/or task orders for small business concerns.

The powerful combination of a continuous, open program and ordering procedures that allow a preference for small business have, over the last two decades, consistently created opportunities for small business concerns. In fact, over the last decade, annual purchases from small business contractors under the MAS program have consistently and significantly exceeded the government-wide small business goal of 23 percent, achieving on average 30-33 percent.

### **C. Marketing Tool**

Finally, a GSA MAS contract provides a powerful marketing tool for small business concerns when dealing with all contracting offices across federal, state, and local governments. A GSA contract validates a small business concern and reflects the presence of a buying vehicle, *i.e.*, access, to the firm. How many times has a small business entrant to the federal marketplace been asked by a contracting officer, “Do you have a GSA schedule?” GSA provides an essential service to small businesses and customer agencies through the continuous evaluation, validation, and award of schedule contracts. Moreover, many state and local governments rely on, or reference, GSA’s MAS program when conducting market research and contracting with small businesses. As such, the positive, opportunity-based impact of the MAS program for small business concerns ripples throughout local economies across the United States of America.

## **II. The MAS Program and Strategic Sourcing**

GSA, as the central procurement arm of the Federal government, has a responsibility to control costs and efficiently utilize its acquisition resources, and the Coalition has long supported GSA’s efforts to do so. Although the Coalition generally supports the government’s strategic sourcing efforts, we have a number of concerns about the impact of GSA’s current acquisition strategies on businesses of all sizes, and particularly on small companies.

## A. Mandatory Use

The Coalition is concerned that moving towards a mandatory use model for GSA Blanket Purchase Agreements (BPAs) will have the unintended, long-term consequences of reducing opportunities for small businesses. “Mandatory use” is a promise that all requirements will be purchased from a specific contract or limited set of contracts. By its very nature, mandatory use limits access to the federal buyer to a small group of contractors. Conversely, mandatory use limits agency access to the commercial marketplace. All told, mandatory use will restrict opportunities for small business. It closes the federal marketplace to small businesses.

Mandatory use requirements also put the government at greater risk. Under a mandatory use agreement, the failure of the government to purchase 100 percent of its requirements from the mandatory source results in breach and liability on the part of the government buyer to the mandatory source. Twenty years ago, the MAS program was a mandatory source and the government paid the price. At that time, significant “diversions” or purchases outside the MAS program resulted in litigation and subsequent payments to MAS contractor(s) for breach of the mandatory terms. Learning from this experience, the MAS program was made optional and continuous open seasons were implemented. As a result, it has grown from a \$3-4 billion program in the 1990s to the \$50 billion program it is today.

Rather than imposing mandatory use terms that limit or otherwise close the federal marketplace, the Coalition supports use of volume commitments or guaranteed minimums that are based on improved requirements development.<sup>2</sup> When agencies make specific volume commitments, contractors have the economic incentive to offer lower prices for their commercial solutions. At the same time, the government maintains flexibility to access the commercial marketplace and compete opportunities for small business. It is a win-win for government and industry!

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<sup>2</sup> Improved requirements development will increase competition while reducing overall bid and proposal costs for government and industry. Competition for well-articulated requirements with corresponding volume commitments will increase savings for customer agencies and the taxpayer. Moreover, we believe that competition for focused, known requirements at the agency level will accelerate Administration’s strategic sourcing initiative and provide opportunity and jobs for commercial firms doing business under the MAS program, especially small businesses.

## B. Government-wide BPAs

The Coalition also is concerned that the current approach to strategic sourcing includes the use of some generic, government-wide MAS BPAs that **do not include** specific requirements or volume commitments upon which effective competition can be based. These generic, government-wide BPAs will rely on task order technical and price competitions for agency specific requirements. In response to the growth in generic, GSA government-wide BPAs, the Coalition has developed a statement of BPA best practices that we have shared across the procurement community. A copy of the BPA best practices is attached to this testimony.

For example, the National IT Commodity Program (NITCP) awarded BPAs to 43 small business concerns for tablets, mobile products, monitors, laptops, desktops, notebooks, netbooks, and data center equipment. These BPAs, however, do not include specific requirements or volume commitments from the government. Rather, it is our understanding that the BPAs contemplate subsequent task order competitions among the NITCP BPA holders for agency-specific requirements. It is also our understanding that GSA is incorporating a reverse auction feature for the task order competitions.

The intermediate step of establishing generic, government-wide GSA BPAs, like the NITCP BPAs, results in vertical contract duplication that increases bid and proposal costs for both government and industry. In the case of the NITCP, the small business concerns expended significant bid and proposal costs in competing for the BPAs simply for the right to continue to expend funds to compete for the subsequent task orders under those BPAs. In effect, despite their investment, the awarded small businesses do not gain any sales at all by bidding and winning a place on the government-wide GSA BPA. The Coalition believes that a more efficient, effective, and open approach would be to conduct task order competitions for specific requirements among all eligible MAS small business contractors rather than establishing intermediary GSA government-wide contracts like NITCP and other Federal Strategic Sourcing Initiative (FSSI) BPAs. These intermediary GSA BPAs represent vertical contract duplication. We have even seen instances where agencies have awarded a second set of BPAs under a pre-existing set of MAS BPAs.

The establishment of government-wide GSA BPAs is a costly, intermediate step that is unnecessary in delivering best value to customer agencies and creating opportunities for small business concerns. Indeed, the costs associated with establishing and

managing these government-wide GSA BPAs are significant for government. For many of the government-wide GSA BPAs, GSA has included a supplemental industry funding fee of 1.25 percent to be included in the GSA BPAs for a total fee to agencies of 2 percent. It is our understanding that the additional fee is intended to offset GSA's operational costs associated with the GSA BPAs. In turn, agencies will be incurring additional operational costs when conducting the task order level competitions under these GSA BPAs.<sup>3</sup>

We recommend that the Office of Management and Budget (OMB) and GSA consider using a more focused approach to strategic sourcing. Generic, government-wide GSA BPAs should be eliminated to the maximum extent practicable. Agencies should compete and establish strategic sourcing MAS BPAs based on their specific requirements, including volume commitments. Specific requirements and volume commitments will lead to rational, realistic competition, competitive pricing, and improved efficiency. A program of agency specific BPAs will also provide greater opportunities for all small business concerns. Finally, to ensure strategic sourcing accountability and transparency, agencies should be required to report performance results for their BPAs to OMB. These reports would allow OMB to monitor each agency's strategic sourcing progress.

### **C. Data Collection**

The government has imposed new data collection and reporting requirements as part of its strategic sourcing initiatives. This requirement shifts the responsibility for collection and reporting to the contractor. Creating infrastructures to comply with the government's data requirements can be difficult for all contractors, but particularly so for small business. This practice also has a negative impact on Federal agencies because

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<sup>3</sup> GSA is currently developing BPAs for janitorial and sanitation (JanSan) products (e.g., cleaning supplies and motorized equipment), and maintenance and repair (MRO) products (hardware, paint and cooling equipment) which represent a further closing of the marketplace. As currently structured, the JanSan and MRO BPAs will result a limited number of government-wide BPAs. The JanSan effort anticipates award of 15 BPAs with 8 set-asides. The MRO effort also anticipates a total of 15 BPAs with of them 9 small business set-asides, The draft BPAs do not include any specific requirements or volume commitments. It is also our understanding, based on comments made by GSA at the industry day meeting, that with the award of the BPAs, GSA will close the underlying MAS schedules to new offers and essentially the marketplace.

increased costs ultimately are passed on to end-user customers in the form of higher prices. The Coalition supports a data dialogue between government and industry to determine appropriate data collection parameters (e.g. what is the purpose? What data should be collected? Are there best commercial collection practices that can be followed?)

#### **D. Measuring Total Acquisition Cost**

The **current** strategic sourcing approach seeks to drive down prices to achieve savings. Price, **however**, is just one element of the government's Total Acquisition Cost (TAC). TAC **includes** price and all other costs incurred in the acquisition process, including the government's administrative costs for planning and conducting an acquisition. There may be **instances** where the TAC actually increases even though the price paid decreases. Considering TAC, rather than simply price point, provides an opportunity to streamline acquisition processes and procedures. The Coalition promotes the government using TAC as part of acquisition planning.

### **III. Enhancing Opportunities for Small Businesses**

In order to enhance opportunities for small business in the Federal market, the Coalition suggests that GSA adopt an Opportunity-based Model. Key components of this model are:

1. **Maintain continuous open seasons:** The MAS program's continuous open season policy allows companies to enter the Federal market every day like the commercial marketplace. Under continuous open seasons, companies can submit offers to GSA any work day of the fiscal year. This model provides new commercial firms of all sizes with an ongoing opportunity to participate in the vital federal marketplace. In particular, continuous open seasons provide opportunities for small businesses seeking to enter the federal market. As a result, competition is enhanced, and the government gains access to the latest commercial services and products.
2. **Focus on Requirements Development.** Sound requirements development is the "blocking and tackling" of federal acquisition. It requires great effort, but it is fundamental to achieving best value outcomes for customer agencies and the taxpayer. Clear, effective communication of sound requirements increases competition, improves mission performance, reduces risk, and ultimately saves



taxpayer dollars. Federal strategic sourcing initiatives would more effectively reduce the total cost of acquisition with the development of well-articulated requirements that establish a realistic basis for ongoing competition.

3. **Reduce contract duplication:** Contract duplication is the ongoing government practice of creating multiple contract programs for the same or similar services and products. Last year, the Coalition conducted a survey of our members on contract duplication and its impact. Our members confirmed that contract duplication increases bid and proposal, as well as contract administration costs. Not only does contract duplication increase costs for contractors, it increases costs to government and the taxpayer. Contract duplication reduces competition and creates barriers to entry, especially for small businesses. Small businesses do not have the bid and proposal resources to repeatedly compete to be included on the next new major contracting initiative. Rather than creating new contract vehicles for services or products, the Office of Federal Procurement Policy should direct customer agencies can avoid creating duplicative contracts therefore increasing opportunities for all small business concerns by utilizing the MAS program.
4. **Align data reporting requirements with commercial practice:** Data is not a free good. Over the years GSA has asked for additional data reporting from MAS contractors. Often, businesses are being asked to report data that the government already has. In one sense, GSA is avoiding the direct cost of data collection by passing the burden on to contractors. These data collection requirements increase operational costs for contractors, which are especially burdensome for small business. This practice also has a negative impact on Federal agencies because increased costs ultimately are passed on to end customers in the form of higher prices. A “data summit” between GSA and MAS contractors would serve to inform both parties about the role of **data collection in the MAS program and how the associated** cost burdens can be reduced for government and industry.
5. **Adopt Federal Acquisition-based contract flexibilities for commercial solutions:** Since at least 2008, the Federal Acquisition Regulation (FAR) has included standard commercial item contracting clauses that include accountable, flexible mechanisms for the acquisition of materials, other direct costs and indirect costs as part of a commercial item contract. GSA has yet to

implement these standard FAR terms in its MAS contracts. Adopting these terms would increase task order competition and contract efficiency, translating into cost savings for customer agencies, GSA, and contractors. This change presents an opportunity to increase the shared services value of the MAS program and reduce contract duplication by improving the ability of contractors to meet customer needs. Implementing these 21<sup>st</sup> century commercial solutions will increase opportunities for small businesses. In addition, the ability to include materials and other direct costs on MAS orders will promote teaming and subcontracting opportunities for small businesses.

6. **Put “commercial” back into commercial item contracting:** Over the years, the number of laws, regulations, and provisions applicable to commercial item contracts has grown significantly. These additional regulatory burdens add to the cost of doing business with the Federal government and serve as a barrier to entry for many small businesses. It is time for a top down review of MAS contract provisions to identify and address terms and conditions that are inconsistent with commercial practice. Where the costs of certain terms and conditions outweigh the benefits, they should be eliminated from MAS program contracts.

#### **IV. One Acquisition Solution for Integrated Services (OASIS) and OASIS Small Business**

OMB’s FSSI seeks to leverage purchasing power across the federal enterprise. To date, FSSI has focused on commodities. Federal strategic sourcing, however, continues to evolve with an apparent interest in the strategic sourcing of complex professional services. GSA’s business case for OASIS and OASIS Small Business calls for a contracting vehicle that will “incorporate strategic sourcing principles to the maximum extent practicable” and achieve “strategic sourcing-like benefits at the Federal level and take critical first steps to bring professional services under spend management.”

The current FSSI strategic sourcing approach (e.g. leveraging volume, collecting transactional data, and driving prices down), however, has limited application to the cost-effective, best-value acquisition of complex, professional services. Best value

services acquisitions are about leveraging economies of skill.<sup>4</sup> Service contracts should not be structured to limit the private sector's ability to provide cutting edge, best in class capabilities that save money. Rather, service contracts must be structured to provide flexibility at the task order level to meet actual customer agency mission requirements across the best value continuum. There may be instances where a low cost approach makes sense. However, the successful performance of complex mission requirements often requires a best value solution and/or a performance-based statement of work. For example, it is not in our national interest to acquire cybersecurity services on a low cost technically acceptable basis. Maintaining flexibility in the contracting process for complex professional services will ensure access to best value solutions for customer agencies and the American taxpayer. It also enhances opportunities for small businesses.

The Coalition is pleased that GSA has taken industry concerns regarding the potential strategic sourcing of complex services seriously and adjusted course as reflected by the current draft OASIS and OASIS Small Business Requests for Proposals (RFPs).

## **V. Conclusion**

In summary, the GSA MAS program provides a strong foundation for strategic acquisition which allows the government to access the commercial marketplace and provides significant opportunities for small business. Based on a policy of "continuous open seasons", the MAS program brings millions of commercial services and products to the federal market every day. This continual open door policy allows the government to access commercial solutions from businesses of all sizes at a best value to federal agencies. The adoption of an Opportunity-based Model would even further enhance opportunities for small businesses by utilizing best practices from the commercial market and reducing many of the inefficiencies and costs that are currently involved in doing government business. Members of the subcommittee, the Coalition for Government Procurement is pleased that you are focusing on the role of the MAS program in promoting strategic acquisition and opportunities for small business concerns. We stand ready to provide you with any additional input at your request. Thank you.

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<sup>4</sup> As highlighted in Section III of this testimony, requirements development and flexible contract structures are the keys to efficient, effective best value service solutions that support customer agency missions for the American people.



August 22, 2012

General Services Administration  
Regulatory Secretariat  
(MVCB), Attn: Hada Flowers  
1275 First Street NE, 7<sup>th</sup> Floor  
Washington, DC 20417

Subject:  
Multiple Award Schedule (MAS)  
Program Continuous Open Season-  
Operational Change Notice-QDA-2012-01

The Coalition for Government Procurement (Coalition) appreciates the opportunity to submit comments on the above referenced change notice which establishes procedures for temporarily closing Multiple Award Schedules (MAS) and Special Item Numbers (SINs) for the receipt of new offers.

The Coalition is a non-profit association of more than 250 firms selling commercial services and products to the Federal Government. Our members collectively account for approximately 70% of the sales generated through the GSA Multiple Award Schedules program and about half of the commercial item solutions purchased annually by the Federal Government. Coalition members include small, medium and large business concerns. The Coalition is proud to have worked with Government officials over the past 30 years towards the mutual goal of common sense acquisition.

The Coalition recognizes that GSA has a responsibility to control costs and wisely use its acquisition resources. The Coalition has long supported common sense efforts to do so. With respect to the Demand Based Model, however, our members have expressed the following:

- The Demand Based Model does not directly address the stated problem of low and no sales contracts.
- GSA already has contract requirements and procedures in place to address low and no sales contracts.
- The Demand Based Model attempts to achieve efficiency at the cost of innovation and flexibility.

The Coalition opposes closing Schedule solicitations for new offers. The Coalition believes that there are more effective ways to reduce the number of low sales contracts, reduce processing times and better utilize acquisition resources, without limiting innovation.

#### **I. The Demand Based Model Does Not Address Current Low/No Sales Schedule Contracts**

In the Federal Register notice GSA states that 50% of MAS contractors have no, or low sales and that to mitigate the cost of managing these contracts it is necessary to close Schedules and SINs to the receipt of new offers. However, there does not appear to be a direct correlation between closing Schedules and reducing the number of these contracts. Essentially, this operational change does not address the problem without further action regarding the current backlog of low or no sales contracts. If GSA moves forward with its plan to close schedules without additional action, the 10,000 low or no sales contracts on its books will continue to exist until their end date. GSA's demand based approach unnecessarily limits competitive opportunities for new commercial firms seeking to enter the federal marketplace instead of effectively addressing the low sales performance of some firms currently on schedule.

Ironically, the operational change may actually increase the schedule contract count as the threat of closing a Schedule or SIN will increase the number of offers received. Indeed, a public announcement regarding a GSA decision to close a schedule will likely cause a temporary spike in the number of offers received as new competitive entrants to the market act to ensure they are not shut out of a market. The resulting additional workload will likely significantly hamper GSA's ability to take actions on the very contracts that are causing the problem. As such, implementation of the Demand Base Model will impede GSA's ability to quickly eliminate low and no sales contracts. Moreover, even if we assume that closing schedules will reduce the number of low sales contracts, it will do so at the expense of access to innovation and potentially better prices.

#### **II. GSA already has contract requirements and procedures in place to address low/no sales contracts**

GSA has longstanding proposal preparation procedures and contract terms to prevent and/or address low sales contracts. As part of the proposal preparation process, GSA provides information and guidance designed to ensure potential contractors enter the market in a realistic, competitive and sound manner. These procedures include:

- Schedule solicitations advise that the Schedule is not the best model for all contractors.

- Offerors must take the "Pathway to Success" seminar designed to assist prospective FSS contractors in making informed business decisions as to whether obtaining an FSS contract is in their best interest.
- More recently, offerors have been required to complete a "Readiness Assessment". The assessment is designed to assist in deciding whether an offeror is able to compete as a Schedule contractor.
- Contract provision I-FSS-639 advises potential offerors that a contract will not be awarded if \$25,000 in sales are not anticipated during the first 24 months of the contract and \$25,000 annually thereafter.

If these processes are not sufficient to reduce the number of low and no sales contracts, I-FSS-639 also provides that contracts may be cancelled if sales criteria are not met by the contractor. GSA could *immediately reduce* the number of low sales contracts by exercising its discretion under this provision of the contract. We believe that in exercising this authority the contracting officer should proceed on a case by case basis considering relevant factors such as the contractor's marketing efforts and potential to offer unique or innovative services and products.

### **III. GSA's Demand Based Model attempts to achieve efficiency while sacrificing innovation and flexibility**

Schedules contracts provide an effective framework for commercial firms to compete and customer agencies to acquire commercial services and products. The depth and breadth of commercial items found on schedule reflects the dynamic, competitive nature of the commercial marketplace. The fundamental foundation of the Schedules program is continuous open seasons. Continuous open seasons facilitate rapid introduction of commercial offerings by current contractors and by continuously allowing new entrants, including small business, into the Schedules market. Continuous open seasons acknowledge the flexibility, efficiency, innovation and competitiveness inherent in the commercial marketplace. As a result, contractors can create solutions in response to agency requirements utilizing different business lines within their own company or by teaming with other companies. Our members have expressed concern that the demand based model will limit their ability to:

- Bring new companies into the federal market. Some companies are growing commercially by acquiring other companies. If a schedule is closed, current successful contractors may be limited in introducing a newly acquired company into the federal market.
- Introduce new product lines. It is not clear how the addition of new product/business lines by current contractors will be treated.

- Team with other contractors to create solutions to satisfy government requirements for solutions that cut across schedule.

Closing schedules will reduce the ability of firms of all sizes to effectively and efficiently provide new commercial products, services and solutions to meet customer agency requirements. It will also serve as a barrier to small businesses that bring new technologies to the Federal market. As the Government is looking to increase opportunities for small business through a number of Small Business Jobs Act initiatives, it is critical that the schedules remain open to these companies as a means of accessing the Government market.

The Coalition also notes that there is no mechanism for rapidly reopening a schedule if there is a need. A decision to either close or open a schedule can only be reasonably made based on information about customer demand. GSA has historical information about total sales. The information is not granular enough to adequately analyze previous demand. GSA is even more limited in forecasting what agencies will buy in the future. Consequently, by the time a customer agency concludes that a closed schedule does not have the items or contracts needed to satisfy its requirement, the Schedule program will lose that transaction and possibly lose that agency as a customer of the Schedules program. The inability to quickly respond to these government-wide requirements undermines GSA's ability to be an effective centralized procuring activity.

Finally, if GSA moves forward with the Demand Based Model, it is imperative that it quickly execute changes to facilitate the acquisition of Other Direct Costs (ODC) against the schedule. Otherwise contractors will be further limited in their ability to create solutions when their individual contract does not contain 100% of an agency's need.

The Coalition appreciates GSA's consideration of our comments on the Demand Based Model. We would be happy to meet with GSA to further discuss our suggestions on the current approach.

Sincerely,

A handwritten signature in black ink, appearing to read 'Roger Waldron', with a long horizontal flourish extending to the right.

Roger Waldron  
President



## **Best Practices for Federal Supply Schedule BPAs**

June 4th, 2012

### **GSA Schedules – Best Practices for Establishing Blanket Purchase Agreements**

The GSA Schedule program provides agencies with an excellent platform to acquire commercial services, solutions and products at reasonable prices. Agencies can forge relationships with commercial partners and further leverage their buying power by establishing Blanket Purchase Agreements (BPAs). The regulatory requirements for establishing BPA's are set forth in FAR 8.4. In addition to complying with the regulatory requirements, there are specific strategies that have proven to be successful in allowing an agency to structure BPA's in a manner that increases the ability of GSA Schedule contractors to respond in a more competitive manner. This paper sets forth best practices that have resulted in BPA's that are successful for both federal agencies and GSA Schedule contractors.

#### **Overview**

Commercial contractors overwhelmingly report that they offer their best terms and prices to customers who provide the most detailed information about their requirements and usage. Commercial customers that get the best deals share the following traits. They have:

1. Known, requirements which they share with potential suppliers
2. Commitment to acquire a specific volume
3. Centralized program management
4. Strategies for partnering with suppliers

Specific information about the factors listed above, when included in a statement of work, have great potential to enhance the Government and industry's ability to provide best value to the taxpayer.

Specific requirements, volume commitments and/or guaranteed minimums for BPAs will lead to enhanced competition and better pricing. Generic BPAs that rely on subsequent task order competitions introduce a level of complexity and cost that is counterproductive.



### **Best BPA Practices**

The following practices have resulted in BPA's that improve efficiency and enhance real competition while providing best value to the government.

1. **Focus on requirements.** BPAs should be structured with a focused set of requirements to enhance effective competition and pricing. Real requirements lead to real price competition in the FSS ordering process.

- BPAs reflecting single agency requirements should be preferred over multiple agency or government-wide BPA's. Single agency BPAs allow the government to state specific, realistic, authentic requirements that can be accurately priced.
- Include maximum as well as minimum requirements. This information enables bidders to provide targeted pricing and avoid the need to build in cushions to cover risks and changes that may never materialize.
- Include a sound estimate of the government's anticipated usage

2. **Include real economic incentives for competition.** Commercial pricing policies commonly extend favorable pricing to customers with terms and guarantees that offer the company an economic benefit. Economic incentives include:

- A commitment to acquire a guaranteed minimum volume.
- Absent a guaranteed minimum the BPA can include a list of required users
- If an agency cannot commit to a guaranteed minimum or list of required user, the BPA should be evaluated based on technical requirements only; price can be established based on competition among technically qualified BPA holders at task order level

3. **Pay attention to BPA management.** Major BPAs should have a program manager assigned to ensure effective execution, implementation and administration. Too often BPAs are established without a focused management plan for effective use. Program Managers can be particularly effective in:

- Establishing robust communication between the contractors and end users to continually improve the contract administration
- Eliminating unnecessary administrative requirements that add unnecessary costs to the process
- Monitoring agency ordering

- Periodically reviewing BPA's to ensure continued best value.

4. **To the extent allowable, involve industry partners in the development of acquisition strategy.** The Government should use industry meetings and statements of work to share statements of the agency objectives. In some cases, agencies are focused entirely on negotiating low price and may miss opportunities to acquire new commercial solutions that could improve the delivery of services or provide cutting edge technology. Agencies may also be focused on lowering the unit price of products or services without considering more significant opportunities to lower the total cost of operations by changing what or how they buy. Fully incorporating industry discussions early in the process can open opportunities for suggestion new, cost saving strategies from commercial partners.

5. **Eliminate "generic BPAs"** (no stated users, no minimum volume, broad statement of requirements). Generic multiple award BPAs that rely on subsequent task order competitions add an extra level to the FSS ordering process that is unnecessary and should be avoided. These BPAs represent vertical contract duplication and increase costs for both government and industry. Moreover, any price competition when establishing these BPAs is illusory. Subsequent BPA task order competitions for specific requirements establish the real price paid by the government—it is more efficient to compete these requirements directly against GSA Schedule contracts.