

DEPARTMENT OF DEFENSE



COMPETITIVE SOURCING PROGRAM ***April 15 2003***

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What is Competitive Sourcing?

- Competitive Sourcing = A-76

- OMB Circular A-76, *Performance Of Commercial Activities*
 - ✓ Federal Policy Since 1955 (Bureau of Budget)
 - ✓ Office of Management & Budget

- What is a Commercial Activity?
 - ✓ Recurring Service
 - ✓ Available in Private Sector
 - ✓ Government Funds & Controls Service

- Objectives
 - ✓ Achieve Economy & Enhance Productivity Through Competition
 - ✓ Retain Inherently Governmental Activities In-house
 - ✓ Rely On the Private Sector For Commercial Activities

The Process and Challenges

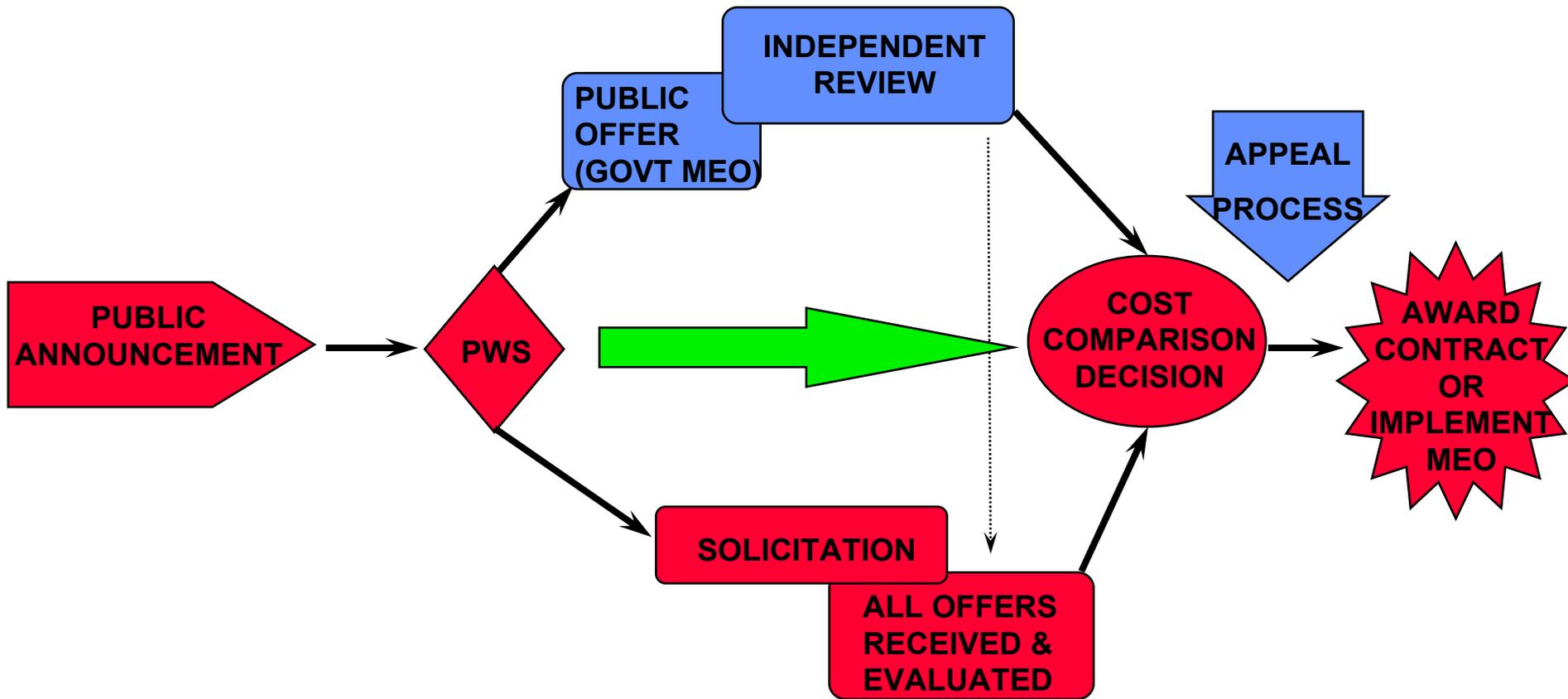
➤ A-76 Process

- ✓ Step 1: Review Government-performed Activities
 - To Determine Commercial and Inherently Governmental Activities
- ✓ Step 2: Record Review Results in Inventory
 - To Submit Report to Congress & OMB
- ✓ Step 3: Compete Commercial Activities
 - Perform Cost Comparison or Direct Conversion

➤ A-76 Challenges

- ✓ Adversarial and Controversial Process
- ✓ Takes Investment of Time And Resources
- ✓ Disliked by Unions/Employees, Private Sector, Commanders
- ✓ Threatens Public Sector -- Government Jobs and Union Membership
- ✓ Threatens Private Sector -- Industry Profits
- ✓ Bid & Proposal Skills Non-existent in Government
- ✓ Bias at Installation Level vs Bias at Top Management Level

Cost Comparison Process



* MEO = Government's Most Efficient Organization that is the basis for the Government's Bid

Why Competitive Sourcing?

- *A-76 is a Neutral Process*
 - ✓ Does NOT Presume Public or Private Or Contract Is Better
 - ✓ Leads to Fact-based Decision-making
 - ✓ Is a Resource Management Tool
 - ✓ Competes Public and Private Sectors to Determine the Best Source

- *A-76 Bottom Line*
 - ✓ Competition Drives Efficiencies & Lower Operational Cost
 - ✓ A Government Program With Results Regardless of the Source
 - ➔ Achieves Dollar Savings
 - ➔ Continues Government Control of Requirement
 - ➔ Determines a More Efficient Operational Approach
 - ➔ Minimizes Government Infrastructure

Commercial Activities Panel

- Panel and Report Required by Law
 - ✓ FY01 NDAA Section 832

- Panel Report Issued April 30, 2002
 - ✓ Four Major Categories of Recommendations
 1. Adopt Federal Sourcing Policies & Principles
 2. Develop a FAR-type Process
 3. Incorporate Limited Changes to A-76 Cost Comparison Process
 4. Promote High Performing Organizations

- Integrate A-76 Into the FAR
 - ✓ Common Language and Viewed as Fair
 - ✓ Well Known Inside and Outside Government

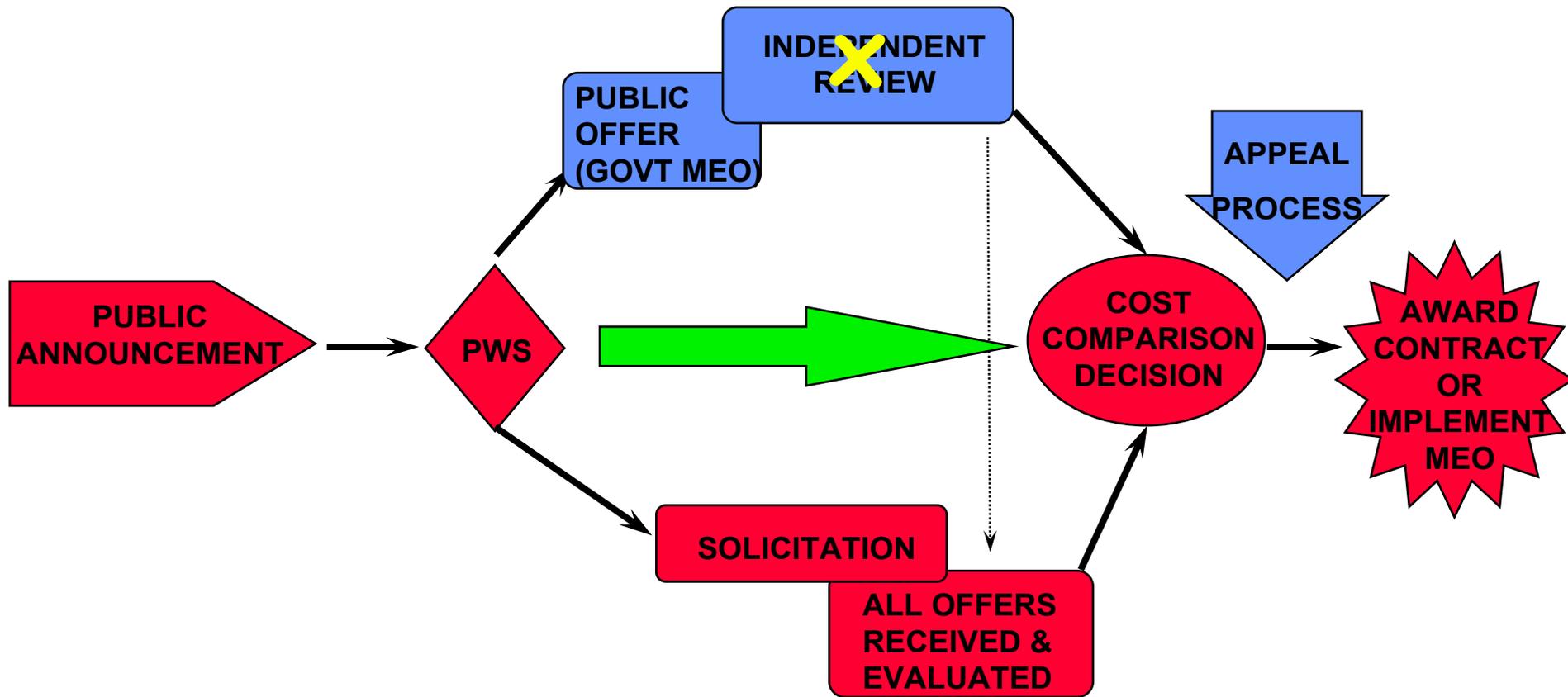
Proposed Revision to A-76

- OMB Issued Proposed Draft in *Federal Register*, 14 November 2002
- Consistent Terminology & Definitions
- Public-Private Competition more FAR-like
- Public Comment Period Closed 19 December 2002
- OMB Review Ongoing
- Better Format & Shorter Two-Page Circular with 6 Attachments
 - ✓ Attachment A – Inventory
 - ✓ Attachment B - Public-Private Competition
 - ✓ Attachment C - Direct Conversion Process
 - ✓ Attachment D – Inter-Service Support Agreements
 - ✓ Attachment E - Calculating Public-Private Competition Costs
 - ✓ Attachment F – Glossary of Acronyms and Definition of Terms

New Terminology

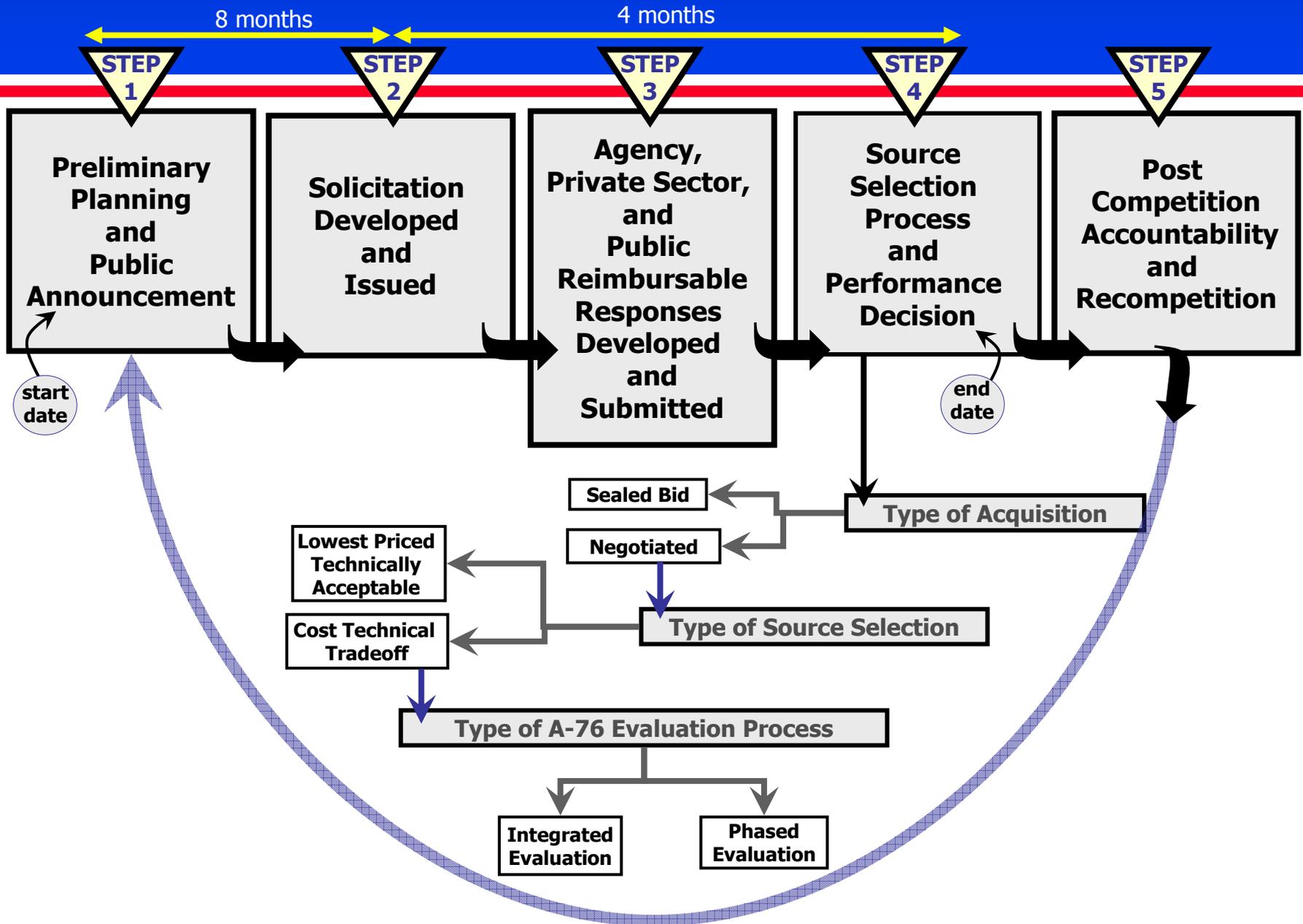
NEW TERM	OLD TERM
Agency Performance	In-house Performance
Agency Tender	In-house Offer
Agency Cost Estimate	In-house Cost Estimate
Agency Tender Official	MEO Certifying Official
Competition Waiver	Cost Comparison Waiver
Public Reimbursable	ISSA or Other Federal Agency
Standard Competition	Cost Comparison
Standard Competition Form	Cost Comparison Form

Standard Competition Process



* MEO = Government's Most Efficient Organization that is the basis for the Government's Bid

Proposed Standard Competition Process



President's Management Reform Agenda

- Purpose is to Address the Most Apparent Deficiencies Where the Opportunity to Improve Performance is the Greatest
 - ✓ Strategic Management of Human Capital
 - ✓ Expanded Electronic Government
 - ✓ **Competitive Sourcing**
 - ✓ Improved Financial Performance
 - ✓ Budget and Performance Integration

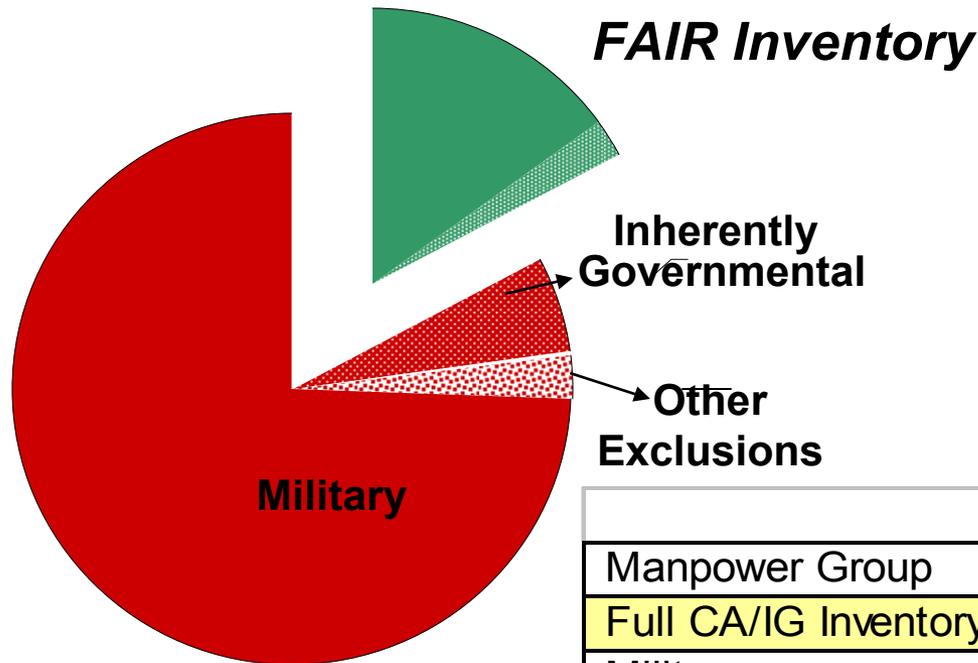
OMB's Agency-wide Focus on Competitive Sourcing (A-76)

- 9 Mar 01 OMB Letter to Agencies --
 - ✓ Agencies to Compete 50% of FY 2000 FAIR Act Inventory
 - ✓ **DoD 50% = 226,000 positions**

- 13 July 01 OMB Budget Guidance
 - ✓ Agencies to **COMPLETE** Competitions
 - ✓ 5% of Positions By FY 02
 - ✓ 10% of Positions By FY 03

- 30 January 02 MFR between OMB & DoD
 - ✓ By FY 03 DoD will Complete 15% of Positions
 - ✓ 67,800 Positions Competed by F Y03
 - ➔ Based on DoD In-Progress A-76 Competitions
 - ✓ Remaining 35% Goal Will Use “Core Competency” Approach

DoD FY 2002 FAIR Act Inventory



	Positions
Manpower Group	
Full CA/IG Inventory	2,795,288
Military	(2,087,225)
Inherently Governmental Civilians	(189,683)
Other Exclusions	
Foreign Nationals	(47,442)
Depot Maintenance	(58,148)
Depot Maint & FN	(2,091)
Total 2002 FAIR Inventory	410,699

DoD Competitive Sourcing Program Execution Trends

- Completed Competitive Sourcing Initiatives = 1,064 (76,281 Spaces)
 - ✓ 444 Cost Comparisons
 - ✓ 572 Direct Conversions
 - ✓ 48 Streamlined Cost Comparisons
- Decision Percentages for **All** A-76 Types of Competition Averages
 - ✓ 44% In-house (53% of spaces) & 56% Contract (47% of spaces)
- Decision Percentages for **Cost Comparisons** (Public-Private Competition)
 - ✓ 66% In-house (60% of Spaces) & 34% Contract (40% of Spaces)
- Average Cost Comparison Duration
 - ✓ Single Function Cost Comparison = 20 Months
 - ✓ Multi-Function Cost Comparison = 35 Months
- Average Competition Manpower Reductions = **34%**

DoD Competitive Sourcing Program Execution Trends

- Impact of Size on Cost Comparison Decisions
 - ✓ Large (>99 spaces) = 63% In-house and 37% Contract
 - ✓ Small (<100 spaces) = 67% In-house and 33% Contract

- Impact on Small Business -- 67% of all Contracts Awarded under A-76
 - ✓ 395 of 591 for All Types of A-76 Competitions (10,738 of 35,557 spaces)
 - ✓ 64% Cost Comparisons with Contract Decisions
 - 97 of 151 Competitions (6,932 of 25,274 Spaces)
 - ✓ 68% Direct Conversions to Contract
 - 297 of 439 initiatives (3,802 of 10,279 Spaces)

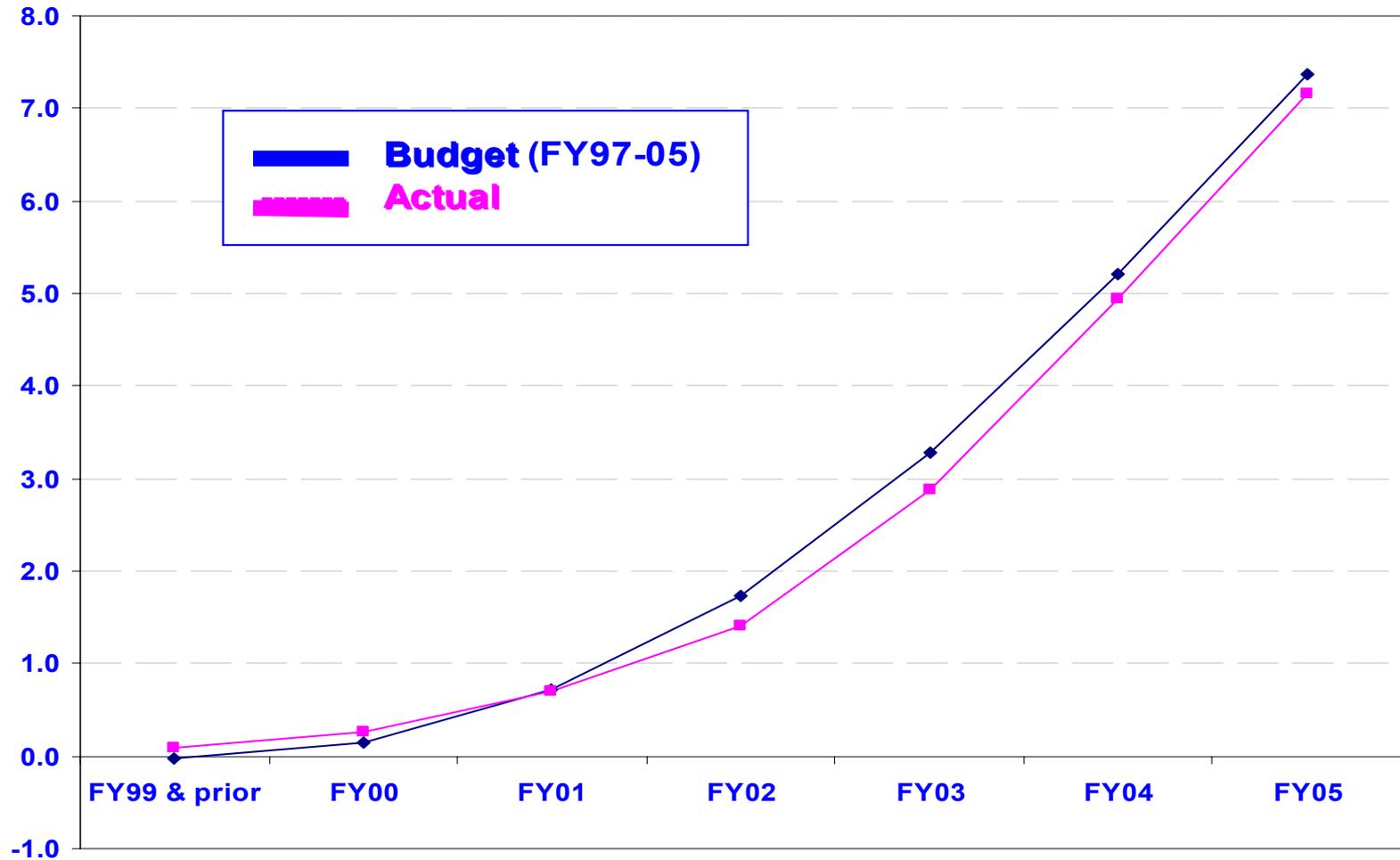
- Civilian Reductions in Force (RIF) Resulting from A-76
 - ✓ 2,785 Permanent Employees
 - Out of 76,281 Spaces Competed

DoD Competitive Sourcing Program Execution Trends

- Disputes of 444 Cost Comparison Decisions
 - ✓ Disputes = A-76 Appeals & GAO Protests
 - ✓ 149 Cost Comparison Decisions Appealed
 - 66% Not Appealed
 - ✓ 26 Cost Comparison Decisions with GAO protests
 - 94% with No GAO Protest
 - ✓ 7 Disputes Resulted in Reversing Tentative Cost Comparison Decisions

- DoD In-Progress Competitive Sourcing Initiatives
 - ✓ 319 Total Initiatives Impacting 32,822 positions
 - 210 Cost Comparisons
 - 99 Direct Conversions
 - 10 Streamlined Cost Comparisons

Net Savings Comparison Budget vs Actual





Questions?

SHARE A-76!
The DoD A-76 Knowledge Management Web Site
emissary.acq.osd.mil/inst/share.ns