

# Department Of Defense



## Competitive Sourcing Program

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# *Bush Administration Impacts on A-76*



## ➤ **President's Management Agenda (PMA)**

### ✓ **Objective**

- Improve management and performance of Federal Government

### ✓ **Five Government-wide Initiatives**

1. Strategic Management of Human Capital

### ➔ **2. Competitive Sourcing**

3. Improved Financial Performance

4. Expanded Electronic Government

5. Budget and Performance Integration

# Competitive Sourcing Drivers



## ➤ **Cost Savings**

- ✓ Public and private sector studies show that cost savings, ranging from 10% to 40% on average, result regardless of whether the competition was won by a private sector contractor or the government
- ✓ DoD alone projects savings of more than \$6B from A-76 competitions completed from 2000 through 2003, involving approximately 73,000 positions

# DEPARTMENT OF DEFENSE

## *Competitive Sourcing Program*

### *Summary of Execution Trends (FY 97 through August 2003)*



- Completed Competitive Sourcing Initiatives = 1,105 (80,485 positions)
  - ✓ **453 Cost Comparisons**
  - ✓ **603 Direct Conversions**
  - ✓ **49 Streamlined Cost Comparisons**
- Completion Times
  - ✓ **36 months for Multi-function Cost Comparisons**
  - ✓ **20 months for Single-function Cost Comparisons**
  - ✓ **20 months for Streamlined Cost Comparisons**
  - ✓ **13 months for Direct Conversions**
- Small Business Awards
  - ✓ **71 Cost Comparisons**
  - ✓ **181 Direct Conversions**
  - ✓ **1 Streamlined Cost Comparison**

# DEPARTMENT OF DEFENSE

## Competitive Sourcing Program

### Summary of Execution Trends (FY 97 through August 2003)



- Completion Data for 453 Cost Comparisons impacting 67,040 positions
  - ✓ **33% Contract Decisions:** 151 cost comparisons -- 26,343 positions (39%)
  - ✓ **67% In-house Decisions:** 302 cost comparisons -- 40,697 positions (61%)
  - ✓ **174 Large Cost Comparisons** (100+ positions)
    - 36% Contract Decisions & 64% In-house Decisions
  - ✓ **279 Small Cost Comparisons**
    - 32% Contract Decisions & 68% In-house Decisions
  - ✓ **182 Disputes & 17 Reversals**
    - 153 Administrative Appeal Process Led to 12 Reversals
    - 29 GAO Bid Protests Led to 5 Reversals
  - ✓ **34% Average Competition Manpower Savings**
  - ✓ Civilian Reductions in Force (RIF) Resulting from A-76
    - 2,785 Permanent Employees out of 76,281 Spaces Competed



## ***New OMB Circular A-76***

# ***Performance of Commercial Activities***

***May 29, 2003***

# OMB Circular A-76



## ➤ **Purpose**

- ✓ Establishes federal policy for the competition of commercial activities

## ➤ **Supersedes**

- ✓ OMB Circular Number A-76 (Revised 1999)
- ✓ Supplemental Handbook to OMB Circular A-76 (Revised 2000)
- ✓ OFPP Policy Letter 92-1, Inherently Governmental Functions (23 Sep 92)

## ➤ **Authority**

- ✓ Reorganization Plan No. 2 of 1970 (31 U.S.C. § 1111)
- ✓ Executive Order 11541
- ✓ Office of Federal Procurement Policy Act (41 U.S.C. § 405)
- ✓ Federal Activities Inventory Reform Act of 1998 (31 U.S.C. § 501 note)

# OMB Circular A-76

## *Comparison of Old vs New Policy*



### **NEW CIRCULAR**

- ***The longstanding policy of the federal government has been to rely on the private sector for needed commercial services. To ensure that the American people receive maximum value for their tax dollars, commercial activities should be subject to the forces of competition.***

### **OLD CIRCULAR**

- ***Achieve Economy and Enhance Productivity***
  - ✓ Competition enhances quality, economy, and productivity
  - ✓ If private sector performance of a commercial activity is permissible, a cost comparison between government and private sector performance is required
- ***Retain Governmental Functions In-House***
  - ✓ If functions are so intimately related to the public interest, government performance is mandated and the functions are inherently governmental
  - ✓ Inherently governmental functions are not in competition with the private sector
- ***Rely on the Private Sector***
  - ✓ The government shall rely on the private sector for commercial services and products
  - ✓ The government shall not start or perform a commercial service.



# **Attachment A**

## ***Inventory Process***

# OMB Circular A-76

## *Inventory Process*



### ➤ **Inventory Requirements**

- ✓ An agency shall prepare two annual inventories that categorize all activities performed by Government personnel as either commercial or inherently governmental by 30 June.

### ➤ **Commercial Activity Reason Codes**

1. Restricted from Contract Performance by CSO Written Determination
2. Is Suitable for a Streamlined or Standard Competition
3. Is Subject to an In-Progress Streamlined or Standard Competition
4. Is Performed by Government Personnel as a result of competition
5. Pending Agency Approved Restructuring Decision
6. Restricted From Contract Performance by Legislation

### ➤ **Challenge Process**

# Inherently Governmental Activity



- **An activity that is so intimately related to the public interest as to mandate performance by government personnel. Involves:**
  - ✓ Binding the U.S. to take or not to take some action by contract, policy, regulation, authorization, order, or otherwise.
  - ✓ Determining, protecting, and advancing economic, political, territorial, property, or other interest by military or diplomatic action, civil or criminal judicial proceedings, contract management, or otherwise.
  - ✓ Significantly affecting the life, liberty, or property of private persons.
  - ✓ Exerting ultimate control over the acquisition, use, or disposition of U.S. property, including establishing policies or procedures for the collection, control, or disbursement of appropriated and other federal funds.

# DoD's Competition Plan



FY 04 - FY 08

- 131,733 positions are in the plan
- Examples of commercial activities in the plan
  - ✓ Administrative support
  - ✓ Aircraft maintenance
  - ✓ Audiovisual
  - ✓ Facility operations and maintenance
  - ✓ Information technology
  - ✓ Logistics
  - ✓ Supply and Transportation
  - ✓ Storage, warehousing, & distribution
  - ✓ Vehicle operation & maintenance



# Combined A-76 & Alternatives

Combined Totals	Completed *	InProgress **	Planned Initiations ***					Total	Target ****	Delta
			FY04	FY05	FY06	FY07	FY08			
Army	28,831	3,271	-	12,483	12,483	12,483	13,084	82,635	77,873	4,762
DON	22,565	11,780	4,048	6,480	6,717	6,267	22,409	80,266	63,420	16,846
Air Force	18,867	2,778	4,444	4,768	4,888	5,100	4,254	45,099	51,501	(6,402)
DeCA	3,572	30	480	436	422	936	222	6,098	6,392	(294)
DCAA	-	-	481	63	63	63	8	678	258	420
DFAS	783	460	621	1,343	2,136	2,882	-	8,225	8,259	(34)
DISA	-	2,355	77	99	104	113	113	2,861	432	2,429
DLA	4,433	2,784	77	-	-	30	30	7,354	9,212	(1,858)
DoDEA	-	719	-	-	230	88	300	1,337	5,316	(3,979)
WHS	37	-	58	35	21	5	65	221	213	8
Other	-	-	206	1	27	-	-	234	1,673	(1,439)
<b>Total</b>	79,088	24,177	10,492	25,708	27,091	27,967	40,485	235,008	224,549	10,459



## **Attachment B**

# ***Public-Private Competition***

# Public-Private Competition

## *Preliminary Planning*



### ➤ **Required Steps**

- ✓ Scope of Competition
- ✓ Grouping for Competition
- ✓ Workload Data and Systems
- ✓ Baseline Costs
- ✓ Type of Competition
- ✓ Competition Schedule
- ✓ Roles & Responsibilities of Participants
- ✓ Competition Officials
- ✓ Inform Incumbent Service Provider

# Public-Private Competition

## *Preliminary Planning*



- **Final Report – Sourcing Recommendation**
  - ✓ **Competitive Sourcing**
  - ✓ **Reengineering**
  - ✓ **Privatization**
  - ✓ **Divestiture**
  - ✓ **High Performance Organization (Pilot Program-FY04 NDAA)**
  - ✓ **Public-Private Partnership**

# Better Planning for Competitions

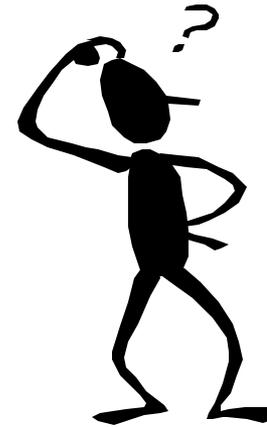


- **Agencies must also appoint:**
  - ✓ CSO – Competitive Sourcing Official
  - ✓ ATO – Agency Tender Official
  - ✓ CO – Contracting Officer
  - ✓ PWS Team Leader
  - ✓ HRA – Human Resource Advisor
  - ✓ SSA – Source Selection Authority

# Performance Based Work Statement



- Allowing the service provider freedom to determine how to meet Gov objectives
  - ✓ Gov determines objectives
  - ✓ Gov determines quality
  - ✓ Gov determines appropriate measurement/incentives
  - ✓ Service Provider determines how work will be done



# An Agency Tender



- **Responds entire solicitation which includes Section L (Instructions to Offerors) and Section M (Evaluation Factors) of a solicitation**
- **Includes:**
  - ✓ **An MEO**
  - ✓ **A certified agency cost estimate**
  - ✓ **An MEO quality control plan**
  - ✓ **An MEO phase-in plan**
  - ✓ **Copies of any existing awarded MEO subcontracts**

# An Agency Tender

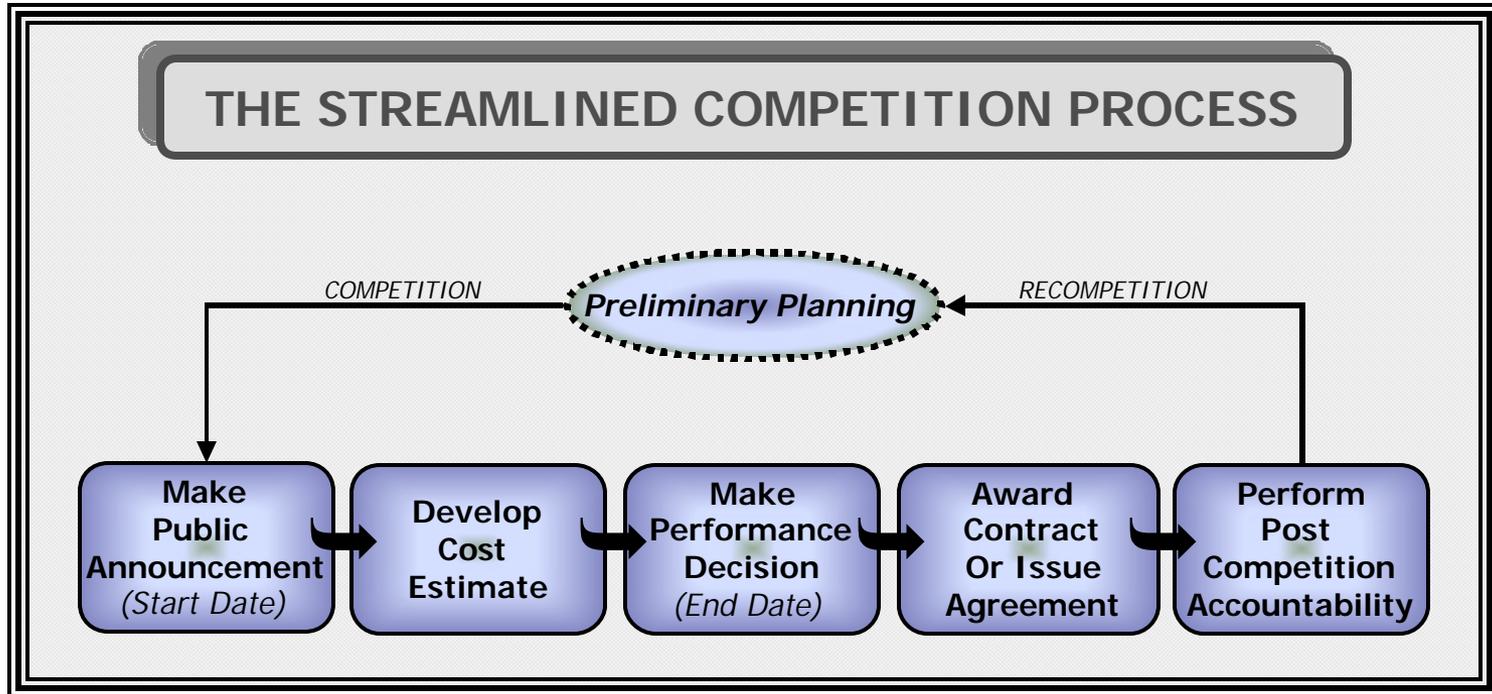
## Cont'd



### ➤ **Is not required to include:**

- ✓ A labor strike plan
- ✓ A small business strategy
- ✓ A subcontracting plan goal
- ✓ Participation of small disadvantaged businesses
- ✓ Licensing or other certifications
- ✓ Past performance information

# Public-Private Competition



# Public-Private Competition

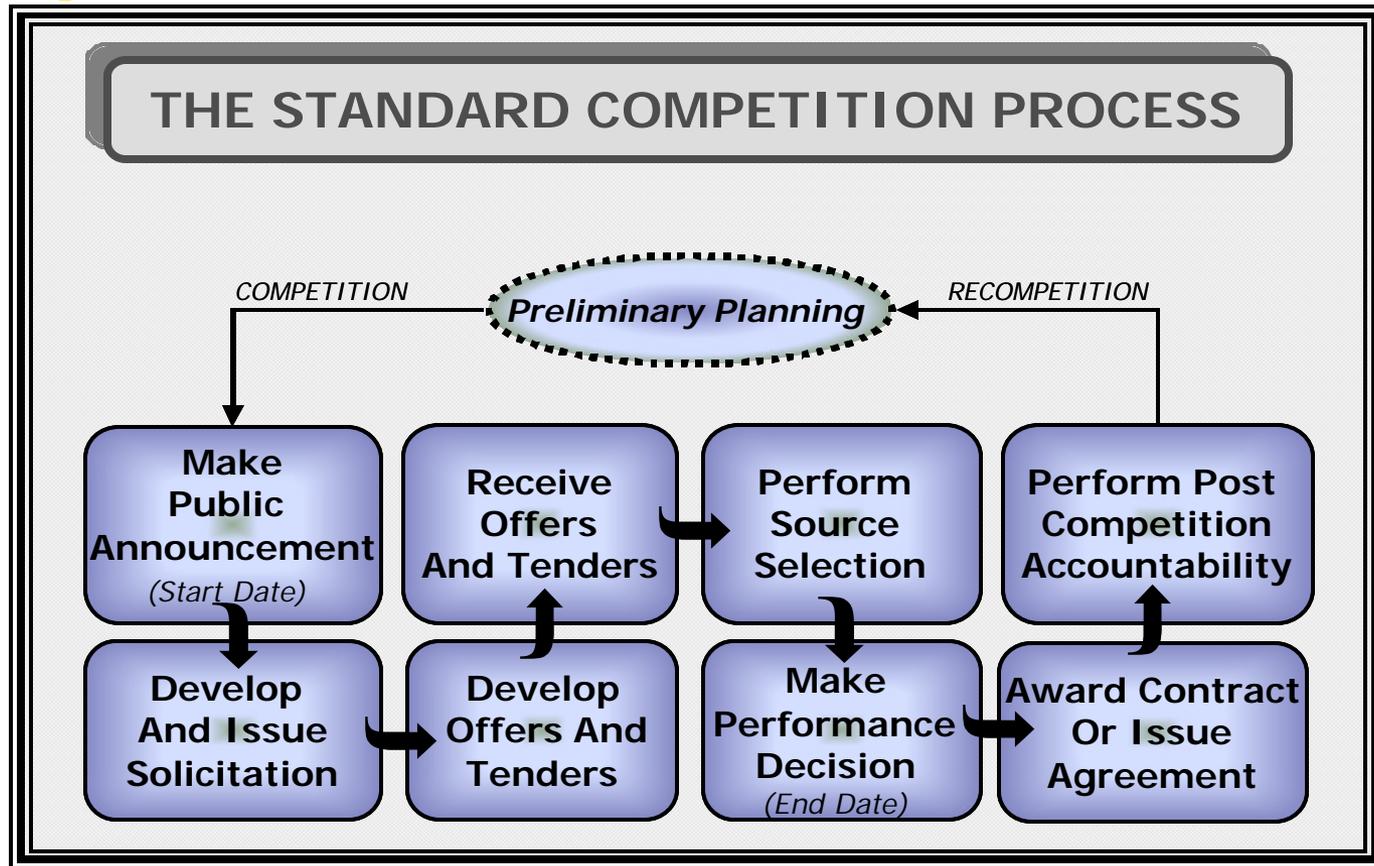
## *Streamlined Competition*



- **Time Limit of 90-135 Calendar Days**
  - ✓ To exceed time limit OSD CSO must request OMB deviation
- **MEO or Incumbent Organization**
- **Solicitation or Market Research**
- **Streamlined Competition Form (SLCF)**
  - ✓ Calculates Costs for Agency, Private Sector/Public Reimbursable
  - ✓ Required Certifications
  - ✓ Required Firewalls
- **Public Announcement of Performance Decision**
- **Implementing the Performance Decision**



# Public-Private Competition



# Public-Private Competition

## *Standard Competition*



### ➤ **Time Limit of 12-18 Months**

- ✓ Waiver permitted-- if prior to public announcement
  - CSO signs waiver based on complexity of competition
  - Waiver is limited to 6 months
  - OMB is provided a copy
- ✓ If waiver exceeded, CSO must notify OMB in writing

### ➤ **Teams**

- ✓ Designations After Public Announcement
  - PWS
  - MEO
  - SSEB
- ✓ Firewalls clearly stated and required

# Public-Private Competition

## *Standard Competition*



- **Agency Tender**
  - MEO
  - Agency Cost Estimate
  - Quality Control Plan
  - Phase-in Plan
  
- **Private Sector Offers**
  
- **Public Reimbursable Tenders**
  
- **No Satisfactory Private Sector Source**
  - ✓ CSO involvement required

# Public-Private Competition

## *Standard Competition*



### ➤ **Source Selection Processes**

- ✓ Sealed Bid Acquisition
- ✓ Negotiated Acquisition
  - Lowest Price Technically Acceptable
  - Phased Evaluation
  - Tradeoff
    - Low Cost Performance Decision
    - Other Than Low Cost Performance Decision

### ➤ **Special Considerations During Source Selection**

- ✓ Evaluation of Offers and Tenders, Use of COMPARE
- ✓ Exchanges with Sources
- ✓ Deficiencies in an Offer or Tender
- ✓ Price Analysis & Cost Realism of Cost Proposals & Estimates

# Public-Private Competition

## *Standard Competition*



### ➤ **Performance Decision**

- ✓ Certification
- ✓ End Date of Competition
- ✓ Public Announcement of Performance Decision
- ✓ Debriefing
- ✓ Release of Certified Standard Competition Form
- ✓ Release of Agency and Public Reimbursable Tenders
- ✓ Implementing the Performance Decision
  - **Awarding the Contract and the Right of First Refusal**
  - **Issuing the Letter of Obligation**
  - **Issuing the Fee-For-Service Agreement to a Public Reimbursable Provider**

# Strengthening Accountability for Results



- **Centralized oversight responsibility**
- **Letter of Obligation**
- **Improved post competition oversight**



# Challenges

- **Definition of Inherently Governmental Activity**
- **Forming the Government A-76 Team**
- **Developing the MEO**
- **Developing the PWS-QASP**
- **Costing the In-House Cost Estimates**
- **Federal Employee Concerns**
- **Loss of Internal Expertise**
- **Impact on Military Rotations**
- **Perception of Cost Growth**
- **New Contracting Officer Responsibilities**

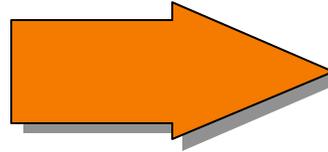


Back-up

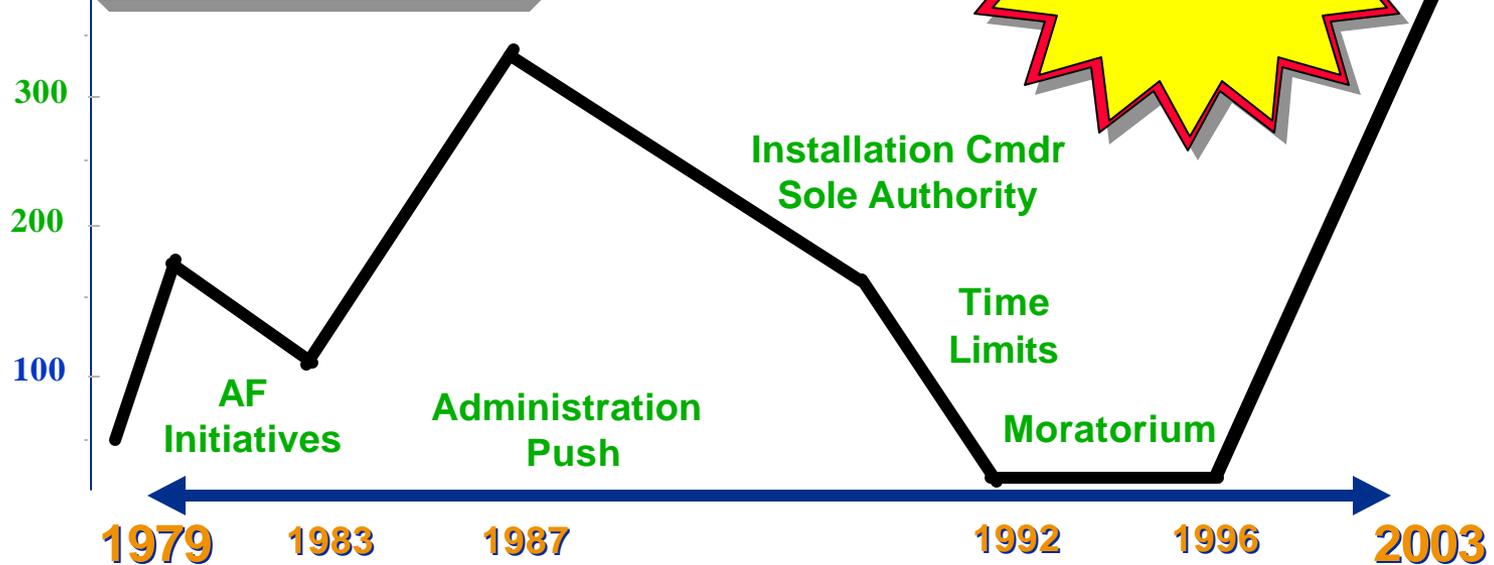
# Competitive Sourcing: U.S. Air Force Savings



**1,560 Initiatives**  
**52,339 FTEs Competed**  
**38% Estimated Savings**



**\$11+**  
**BILLION**



## Competitive Sourcing: Study Example



- **Installation:** Vandenberg AFB (California)
- **Title:** Missile Storage and Maintenance
- **Functions:** Training Control, Quality Assurance, Sortie Generation, Sortie Support
- **Manpower Impacted:** 66
- **Activity Dollar Cost:** \$23 Million/5 Years
- **Study Length:** 9 Months
- **Study Results:** Contract/Commercial
- **Manpower Savings:** 66
- **Dollar Savings:** \$13 Million/5 Years
- **Percentage \$ Savings:** 57%

## Competitive Sourcing: Study Example



- **Installation:** Offutt AFB (Nebraska)
- **Title:** Base Operating Support
- **Functions:** Personnel, Supply, Transportation, Building/Housing Maintenance, Aircraft Maintenance, Comm Systems
- **Manpower Impacted:** 1459
- **Activity Dollar Cost:** \$584 Million/8 Years
- **Study Length:** 3.5 Years
- **Study Results:** MEO/In-House
- **Manpower Savings:** 848
- **Dollar Savings:** 276 Million/8 Years
- **Percentage \$ Savings:** 47%



## Competitive Sourcing: Study Example

- **Installation:** Wright-Patterson AFB (Ohio)
- **Title:** Laboratory Support Services
- **Functions:** Management and Support Services for Research and Development Laboratories
- **Manpower Impacted:** 117
- **Activity Dollar Cost:** \$44 Million / 5 Years
- **Study Length:** 2 Years
- **Study Results:** Contract/Commercial
- **Manpower Savings:** 117
- **Dollar Savings:** \$24 Million / 5 Years
- **Percentage \$ Savings:** 55 Percent



## Competitive Sourcing: Study Example

- **Installation:** Beale AFB (California)
- **Title:** Base Operating Support
- **Functions:** Personnel, Aircraft Maintenance, Communications, Supply, Transportation, Morale/Welfare Services
- **Manpower Impacted:** 364
- **Activity Dollar Cost:** \$95 Million/ 8 Years
- **Study Length:** 3.5 Years
- **Study Results:** MEO/In-House
- **Manpower Savings:** 225
- **Dollar Savings:** \$19 Million/ 8 Years
- **Percentage \$ Savings:** 20%