

Federal Competition Talking Points

Competition is key to managing the performance of federal commercial activities.
And the Administration's competitive sourcing program is under attack.



The Reason for Competition

- Since 1955 it has been federal policy to utilize the private sector to deliver commercial services. Congress furthered this policy in 1998 with the Federal Activities Inventory Reform (FAIR) Act, requiring agencies to inventory commercial activities each year.
- Federal agencies under the Clinton administration performed the first FAIR inventory, identifying 850,000 commercial positions. These jobs—making maps, writing software, mowing lawns and others from high tech to the routine—are done every day by private firms, including small businesses, across the United States.
- President Bush's Management Agenda set the goal of having half of the commercial activities performed by federal agencies face competition over the next four years. Competition is a reform tool effectively used, not just by Republicans, but by Democrat mayors in Philadelphia and Chicago, and Democrat governors in Georgia and Arizona.

The Results of Competition

- Research by GAO, the Center for Naval Analysis, and many other sources shows typical savings from competition are around 30 percent.
- Under new OMB guidelines for competitive sourcing, winners are chosen by who offers the “best value,” meaning the best combination of performance and low cost, so the outcome is not just reduced costs, but improved performance for the taxpayers.
- Research by GAO, DoD, the National Commission on Employment Policy and others show that federal workers win competitions about half of the time, and when they do lose the majority go to work for the contractor or shift to open positions elsewhere in the federal government. Typically 7 percent or less are laid off.

EXAMPLE: In 2002 OMB decided to use competition in response to poor performance by the Government Printing Office and offered the job of printing the fiscal 2004 federal budget to competitive bidding. GPO turned in a bid that was almost 24 percent lower than its price from the previous year in order to keep its job. That was \$100,000 a year that GPO could have saved taxpayers any time it chose, but it never chose to do so until it was forced to compete.

The Bottom Line

- Competition of commercial activities improves the performance of federal agencies and reduces costs to taxpayers while giving federal workers a fair chance to show if they can deliver results.
- We should resist efforts by some to shield favored commercial activities from competition. Let the results of competition determine the right way to deliver services.

Reason Foundation
www.rppi.org



Performance Institute
www.performanceweb.org



Authors:

Dr. Adrian Moore
(Adrian.Moore@Reason.org)
Geoffrey Segal
(Geoffrey.Segal@Reason.org)
Carl DeMaio
(DeMaio@Performanceweb.org)