



Competitive Sourcing: Driving Federal Government Results

by Geoffrey F. Segal



Overview

Upon entering office, President Bush offered a comprehensive management agenda designed to improve the efficiency and effectiveness of federal services. The President's Management Agenda (PMA) is a set of initiatives designed to improve the management of federal agencies by adopting performance-based criteria for decision-making and action, and ultimately tying performance to budget appropriations. There are five pillars of the PMA: Strategic Management of Human Capital; Competitive Sourcing; Budget and Performance Integration; Improved Financial Performance; and, Expanded Electronic Government. The PMA is the natural extension of President Clinton's National Partnership for Reinventing Government (NPR).

History

In 1950, President Truman issued the country's first policy on what the federal government should make versus what it should buy. It simply stated "it is the policy of the Government of the United States to rely on commercial sources to supply the products and services the government needs...[the government] shall not start or carry on any activity to provide a commercial product or service if the product or service can be procured more economically from a commercial source." While the original policy statement has changed over the years, the central tenets remain the same.

What Is Competitive Sourcing?


The concept is simple. The Federal Activities Inventory Reform (FAIR) Act identifies activities of federal government that are commercial in nature, meaning they could be done by the private sector. Competitive sourcing is a process for determining the most efficient and effective source—private or government—for performing specific functions.

Goals

The overriding goal is to make government work better and cost less. Nearly half of all federal employees perform tasks that are readily available in the commercial marketplace—tasks like data collection, administrative support, and payroll services. Increased competition to provide non-core activities will allow agencies and programs to become more mission-centric, and will lead to significant cost savings and dramatic performance improvements.

Benefits

Experience at every level of government indicates that competition produces various benefits including flexibility, access to personnel or skills not avail-



able in-house, and private-sector innovation. General Accounting Office studies have shown that competitive sourcing can reduce the costs of providing services regardless of who wins the competition. A 2001 Center for Naval Analysis study showed that competition leads to sustained cost savings on average of 31 percent. Additionally, the experience of government agencies—from competition for printing of the federal budget to competition for maintenance of Air Force One—shows that the result of competition is quality and cost savings. Put simply, at its root competition promotes innovation, efficiency, and greater effectiveness.

What Jobs Will Be Competed

Under the FAIR Act agencies are required to submit a list of activities to the Office of Management and Budget (OMB). Those lists break down the federal workforce into two broad job classifications: inherently governmental (jobs that only government does or should do) or commercial (jobs that could be provided by the private sector). From there, agencies determine what services should be put up for competition. Only activities that can be readily provided by a commercial entity will even be considered for competition.

Outcomes

Historically, the in-house federal government team has won more than 51 percent of competitions against private companies and realized cost savings between 20 and 50 percent. Under the new A-76 circular (which delineates the criteria for competitive sourcing) the in-house teams have a larger majority of contracts. According to recent GAO data, in-house teams held onto 84 percent of full-time jobs placed up for competition with the private sector at the Defense Department (DOD) and five major civilian agencies in fiscal 2003. From 1995 through 2000, the DOD completed over 550 A-76 initiatives, which resulted in an average 34 percent reduction in cost. DOD expects to achieve \$11.7 billion in savings as a result of competitions between 1997 and 2005.

2004 Outlook

Last year's appropriations cycle offered several amendments restricting or prohibiting federal agencies from conducting competitive sourcing studies. Congress certainly has an oversight role and a stake in improving the competitive sourcing process, but the proven benefits are too high to place an arbitrary prohibition.



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