



November 7, 2016

Darbi Dillon  
Office of Federal Procurement Policy  
Office of Management and Budget (OMB)  
1800 G Street NW  
Washington, DC 20006

Re: Proposed New OMB Circular A-XXX

Dear Ms. Dillon,

The Coalition for Government Procurement (“the Coalition”) appreciates the opportunity to provide comments in response to the draft OMB Circular Implementing Category Management for Common Goods and Services.

The Coalition for Government Procurement (“the Coalition”) is a non-profit association of firms selling commercial services and products to the Federal Government. Our members collectively account for a significant percentage of the sales generated through General Services Administration (“GSA”) contracts including the Multiple Award Schedules (“MAS”) program. Coalition members are also responsible for many 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 for more than 35 years towards the mutual goal of common sense acquisition.

The Coalition appreciates the Office of Federal Procurement Policy’s (OFPP’s) focus on better managing Federal spend for commonly purchased products and services, reducing contract duplication, improving requirements development, and sharing best practices government-wide through Category Management. We also support the development of the Acquisition Gateway as an essential resource for Federal purchasers to conduct market research and identify already existing contracts to meet agencies’ mission critical needs. There are, however, aspects of Category Management that the Coalition recommends OFPP address prior to further implementation—

1. The statutory authority that would allow the OFPP to issue a Circular directing agencies to adopt Category Management “as the principle way in which all Executive agencies must acquire and manage common goods and services.”
2. More specific and quantifiable metrics to measure Category Management’s performance.
3. Greater transparency and stakeholder participation, for both Government and industry, in the selection of best in class preferred and best in class mandatory contracts.
4. Additional information about supplier/vendor management and the importance of industry engagement in Spend under Management.
5. The collection, use and protection of transactional data and the need for a Federal system to aggregate data that already exists within the Government.

In addition, it is important to remember that the Advisory Panel on Streamlining and Codifying Acquisition Regulations (809 Panel) established per Section 809 of the 2016 National Defense Authorization Act is currently in the process of reviewing Department of Defense acquisition regulations to streamline and improve the efficiency and effectiveness of the defense acquisition process. The 809 Panel very well could suggest reform that is contrary to the Category Management approach anticipated. Therefore, in order to avoid any waste of time and resources, we suggest that OFPP capitalize on the period of time during which the 809 panel completes its review to consider the 809 Panel reform recommendations and assess the effectiveness of Category Management, given that it is still a new concept to the acquisition workforce, before formally codifying Category Management government-wide through the Circular.

## I. Statutory Authority for Category Management as Proposed

The draft circular cites OFPP Act, 41 U.S.C. 1121 and the Clinger-Cohen Act, 40 U.S.C. 11101 as authorities for the issuance of an OFPP Circular on Category Management. The draft Circular sets forth, however, actions that raise questions about OFPP’s authority to implement Category Management as proposed. For example, 41 U.S.C. 1121(f) states that the Administrator’s authority “shall not be construed to interfere” with agency determinations of their need for, or their use of, specific property/services “including particular specifications,” or with the “determination by executive agencies of specific actions in the award or administration of procurement contracts.” Based on the statutory limitation on the OFPP Administrator’s authority, the following components of the draft Circular should be explored:

- The establishment of a “government-wide approach to acquiring common goods and services”
- The establishment of Category Management “as the principle way in which all Executive agencies must acquire and manage common goods and services”
- The requirement that “agencies must use CM principles and practices articulated in this Circular...”
- Key principles being set forth to acquire and manage an organization’s common requirements
- The specific steps that agencies must follow “to take advantage of existing [best in class (BIC)] contract sourcing solutions”, such as migrating to a mandatory BIC contract or utilizing a preferred BIC contract
- The overall impression that the proposed Circular will be mandatory

The Office of Management and Budget (OMB) can only designate contracts based on its existing authority per 40 U.S.C. 11302(e), which is limited to Governmentwide acquisition contracts (GWACS) for information technology (IT). Therefore it is unclear by what authority OFPP would require agencies to use BIC preferred or BIC mandatory contracts, or adhere to Category Management as the principle approach to acquiring products and services in the 10 identified categories.

## II. Metrics to Assess the Performance of Category Management

According to OFPP’s notice, one of the primary objectives of the proposed Circular is to “identify the core metrics by which category management success will be measured with an emphasis on Spend under Management.” The draft also focuses on savings as an important metric. We find, however, that the savings and Spend under Management metrics are broad or not necessarily related to performance.

### A. Savings

The Coalition understands that there are significant challenges involved in identifying specific and quantifiable metrics that could be used to measure the success of Category Management governmentwide, especially in regards to savings. Under the Federal Strategic Sourcing Initiative (FSSI), the savings calculations (and the actions they incentivized at the agency level) were generally focused on reducing unit pricing without regard to the direct and indirect costs involved in the program. In contrast, Category Management’s focus is to “maximize value for spend” and “reduce

total cost of ownership [TCO].”<sup>1</sup> Recognizing this focus on maximizing value and reducing TCO, we recommend that baseline and post-implementation direct and indirect costs for both government and industry be assessed. Without understanding these costs, it is unclear how savings will be identified, especially given the processes and platforms associated with this effort (*e.g.*, developing and maintaining the Acquisition Gateway for price visibility and information sharing, and the potential impact on market participation, competition, and access to innovation). The direct and indirect costs that will be measured should also be specified. Otherwise, the Coalition is concerned that savings at the agency level will once again focus solely on prices paid, which would be an inaccurate, if not specious, measure of the overall success of Category Management, as it would manifest an incomplete representation of the return on investment for taxpayers.

### B. Spend Under Management

The proposed Circular calls for the identification of core metrics for success “with an emphasis on Spend under Management [(SUM)].” As described in the draft, the SUM is a process, and its measurement is a sign of the adoption/maturity of Category Management, rather than actual performance. In order to assess the success of SUM, metrics would need to be identified that can measure performance improvement and savings. Again, the direct and indirect costs associated with SUM must be a factor here.

## III. Best in Class Contract Sourcing Solutions

The Coalition is concerned about the identification of BIC preferred and BIC mandatory contracts by OFPP as proposed in the draft Circular. Again, there are significant questions concerning whether there is existing statutory authority that would allow OFPP to 1) identify BIC contracts for other agencies, and 2) make those contracts available on a government-wide basis.

The BIC selection process essentially puts OFPP in the position of selecting winners and losers. If Category Management is codified as proposed, there needs to be greater transparency in terms of the specific BIC criteria than what exists, as well as plans for industry engagement. In the draft circular, it is unclear what specific criteria will be used by the Government to identify BIC preferred and BIC mandatory contract solutions. According to the draft, BIC contract sourcing solutions “may involve contract solutions, demand management strategies, or both.” They are developed by cross-functional teams after requirements definition and planning; they enable

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<sup>1</sup> Government-wide Category Management Guidance Document – Version 1.0, May 2015.

“customers to take advantage of effective pricing strategies;” they follow Category Management; and have performance validated independently. These criteria appear to be driven by compliance with a process, not by heuristics that can be applied across solutions. It also is unclear what criteria constitute “best” for “contract solutions” and “demand management strategies.”

In addition, more detailed instructions should be included in the circular regarding industry engagement. Industry participation should be integral to Spend under Management, from providing input concerning the criteria for BIC preferred and BIC mandatory contract solutions, to other decisions impacting purchasing behaviors made within the categories (*e.g.*, at the Level 1 and Level 2 Category levels).

#### IV. Data Collection

Given the scope of Category Management, covering an estimated \$272B spend in FY2015, the Coalition recommends that Government invest in a system that can aggregate transactional data that is already in its possession. Such a system could be used to collect and assess the data that government agencies already have, rather than relying on government contractors and third parties to provide it. The Government could start this process by looking at their accounts payable to aggregate transactional data, which would be similar to the method Great Britain used to implement Category Management for their procurement system.

The Government also needs to be clearer about how any data collected will be protected. As many Blue Ribbon Panels have recognized, fear of the loss of data represents a barrier to market participation, potentially reducing competition and impeding the Government’s access to innovation.

#### V. Questions

The Coalition requests that OFPP address the issues raised in the following questions as Category Management is implemented.

<b>Best In Class</b>	If a governmentwide acquisition contract is not selected as BIC, will agencies assume that they should no longer use them? To what extent will agencies needs now be permitted to drive their use of contracts? What guidance will OFPP provide in this case?
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	<p>How will "BIC Preferred" versus "BIC Mandatory" solutions be defined in each category?</p> <p>If a currently defined BIC solution is deemed mandatory/preferred, then for how long will such a classification typically apply? Would the potential supplier(s) of the so-defined BIC solution be invited to/involved in a discussion to make such decisions? Will industry be involved in the decision to make BIC solutions "preferred" or "mandatory"? How will a "mandatory" BIC solution play against competition requirements? In other words, will a "mandatory" BIC solution accept/implement a single vendor/supplier situation or call for at least 2 suppliers being contracted to supply that specific solution?</p> <p>What direct and indirect cost metrics have been defined for "BIC Preferred" and "BIC Mandatory" solutions, and how will they be measured?</p>
	<p>Products with "demonstrated record of success" can be moved from preferred to mandatory. How will OMB make this decision? Is OMB best positioned to make this decision, especially in the case of mission driven needs, like medical devices and treatments?</p>
	<p>Does this approach imply that initially there will be very few mandatory designations as preferred products have shown sustained success?</p>
<p><b>Supplier Relationships</b></p>	<p>A critical part of CM is a strong and well-defined Supplier/Vendor Management (SM), supported by strong processes and a supplier segmentation approach. While the OMB circular calls for improved supplier relationships, how specifically will OFPP drive Supplier Segmentation/Management/Governance to achieve/exceed CM objectives? What key policies and processes will be put in place (a publicly available policy on supplier segmentation)?</p>
	<p>How will OFPP policy incentivize suppliers who develop and/or bring uniquely innovative (current or future) products and solutions to the market, that fall into any of the L1/L2 categories? Does OFPP define "innovative"? Further when a supplier partners with the US Government on innovative new solutions that improve outcomes, reduce costs and increase satisfaction, what are the potential benefits to the supplier who has co-invested with the Government on these innovations?</p>
	<p>Has OFPP assessed where established supplier relationships are most directly controlled by independent agencies and are vendors prepared to provide an enterprise account team to support OFPP's cross agency plans?</p>

<b>Management</b>	While the policy is applicable to all Executive agencies, requiring each to have a CM in place, how does OFPP plan to address the change management efforts in addition to enabling each agency with common content, process and technology?
	How will contracts (current & future) be compartmentalized? What (if any) changes will be implemented to bidding protocols, and rules of engagement with the greater shift to demand aggregation and management, and consolidation of requirements? How accountable are CMX/CMLC towards vendor selection & implementation?
	Are Category Managers empowered to not only provide assistance on increasing savings, but reducing demand through policy administration and strategic alternatives development?
<b>Medical Category</b>	By definition, a commodity product lacks a unique selling point. How will OFPP approach products and services in categories, like the medical category, in particular, where products are often differentiated or specialized and influence patient outcomes?
	Currently the L1 categories (e.g. Medical) and their L2 subcomponents (e.g., Drugs & Pharmaceutical products) have been published. Will OFPP release a more granular and detailed classification/taxonomy of the categories? How would comprehensive medical and surgical products be classified, e.g., implant + specific surgical instruments + modules/components to assist surgery?
	There is language in the draft providing that savings can be derived from 'reduced unit prices based on increased volume or other strategy'. Does this language mean that agencies will seek performance based agreements? If so, given physician preference, for particular medical devices how will performance be measured (e.g. national or regional performance or some other metric)? Will agencies possess the data capability to demonstrate compliance with performance based agreements?
<b>Security</b>	How will expanded use of the "Acquisition Gateway" protect the IP and proprietary information of suppliers?
<b>General</b>	Is there a current list of products, services, or solutions within the categories (as currently defined in the circular) that are considered "essential?"
	Given sustainability/sustainable practices, and competition are defined in the circular as Federal policy objectives, what metrics are/will be in place to measure success in these areas? Does OMB have a definition of "sustainable practices?"

## VI. Recommendations

The Coalition recommends the following for the implementation of Category Management.

1. OFPP provide guidance to Executive agencies rather than issuing a Circular given the risk of exceeding its Limitation on Authority.
2. Capitalize on the period of time during which the 809 Panel completes its review to consider the 809 Panel reform recommendations and assess the effectiveness of Category Management.
3. Incent agencies to identify communities of interest for common acquisition and supply them with tools and resources (*e.g.*, sample statements of work) through the Acquisition Gateway, rather than determining BIC contract solutions that are either preferred or mandatory for other agencies.
4. Invest in a system that can aggregate transactional data that is already in the Government's possession. Such a system could be used to collect and assess the data, rather than relying on Government contractors and third parties to provide it.
5. Specify how the Government will protect the IP and proprietary information of suppliers.
6. Highlight industry engagement as a key principle of Category Management and encourage all levels of Spend under Management to engage with industry.

The Coalition sincerely appreciates the opportunity to provide public comments in response to the draft OMB Circular on Category Management. If there are any questions, I may be reached at (202) 331-0975 or [rwaldron@thecgp.org](mailto:rwaldron@thecgp.org).

Sincerely

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

Roger Waldron  
President