



December 9, 2013

Robert Woodside
Program Manager, FSSI OS3
U.S. General Services Administration
26 Federal Plaza
New York, NY 10278-0004

Dear Bob,

Thank you for the opportunity to submit comments on the draft RFP for the third generation of the Office Supplies Strategic Sourcing Initiative (OS3).

The Coalition for Government Procurement is a non-profit association of firms selling commercial services and products to the Federal government. Our members collectively account for approximately 70% of the sales generated through the General Services Administration's (GSA's) Federal Supply Schedule (FSS) program and about half 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 over the past 35 years towards the mutual goal of common sense acquisition.

OS3 is an important acquisition for government and industry. Our members have a number of questions and concerns that we believe should be addressed before GSA issues a final solicitation. We urge GSA to take the time for a robust discussion of the long term impact of its acquisition strategy. Please see our comments below.

1. The Coalition for Government Procurement includes many members in the Office Supply industry. Some members are successful FSSI BPA holders under OS1 and OS2; others are GSA Schedule 75 contractors. Whether they are BPA holders or not, there is consensus among the members that the proposed acquisition strategy does not work well in a number of respects for customer agencies and GSA suppliers. The current FSSI strategy significantly increases the cost of doing business, while at the same time seeking to drive down the unit price of products. Commercial strategic sourcing strategies hinge on the buyer and seller developing a deeper, focused understanding of each other's missions, technical requirements, and business drivers. Greater understanding leads to best value outcomes for customers, contractors and ultimately

the American taxpayer. In contrast, the Federal Strategic Sourcing initiatives continue to drive a more detached business relationship between customer agencies and their supplier base. The one size fits all approach to strategic sourcing removes suppliers from customers with actual requirements. Moreover, the one size fits all approach when combined with burdensome contract terms drives up transactional costs for all, creates barriers to entry, and reduces competition in the supply chain over the long term.

To date, GSA has not been not responsive to the long term negative impact the current strategic sourcing strategies will have on the federal marketplace. Moreover, nothing in OS3 acknowledges or addresses these disturbing trends. The Coalition strongly believes that it is time to take a step back and consider whether, long term, the model adopted by OS3 is good for government, industry, and ultimately the American people. Now is the time to make this assessment since the strategies developed in the Office Supply FSSI have served as the model for all other FSSI.

2. According to the draft “[s]trategic sourcing is a structured, analytical, and collaborative process for optimizing an organization’s supply base...” Quite opposite to this concept, the model presented fragments the supply base. The model divides the market by how agencies order (credit card, requisitions, walk-ins, base stores). The market is further divided by business size and socioeconomic category. There is no obvious rationale for the number of contracts or the designation of status. Taxpayers should be assured that the Government’s strategy results in a supplier base that includes the best in class suppliers from all sizes and socioeconomic classifications. The Coalition requests that GSA articulate its rationale for the manner in which it has segmented the market.

3. One of the most troubling aspects of the draft RFP is the creation of a new contract vehicle that duplicates the MAS Office Supply Schedule. Contract duplication results in significant and unnecessary cost to government, industry and most significantly the U.S. taxpayer. Moreover, to the extent GSA’s rationale is that there are companies not on schedule that could compete for the third generation OS3, such a rationale reflects poorly on GSA’s decision to close Schedule 75 over two years ago. Apparently it is GSA’s view that its decision to restrict competition on Schedule 75 justifies the creation of a duplicative contract program. Coalition members oppose the creation of a separate contract vehicle for office supplies. The Association expressed its opposition to GSA in a September 4, 2013 letter. Attachment 1. GSA’s September 11 response stated that no decision had been made at that time. Attachment 2. In the interest of a transparent myth-busters dialogue and so that our members, will at least, be an informed supplier base, we request that GSA explain the interest of the government which necessitates the use of a strategy that is costly, results in market confusion and will likely be a significant compliance risks for government and industry.

4. An entirely new contract program, similar to the GSA Schedule, is likely to create customer confusion about when and how to use the respective vehicles. We note the draft solicitation contains some GSA Schedule clauses even though it is not a GSA Schedule. The Scope clause states that items from holders of a full GSA MAS contract will be included in OS3 and made available as non-market basket items. As such, the draft raises a number of uncertainties and questions. How will OS3 reconcile to existing Schedule ordering procedures? The draft RFP provides that use of a credit card triggers the OS3 price. What are the practical, business impacts of this provision on GSA Schedule contractors that negotiated in good faith under a separate legal authority? GSA sought a waiver of the non-manufacturer rule for NAIC codes on OS3. Does that waiver apply to the GSA Schedule? If not does this RFP further confuse agencies on how to use set-asides on the Schedule? Improper use of the small business set-aside provisions is an issue that is often raised by both our small and large business members. In sum, the OS3 strategy is at best confusing. In fact, it is likely to be a significant compliance risk for GSA customers and contractors. Lastly, OS3 sets up multiple distribution channels that have not yet been rationalized to each other. Review by GSA legal and audit staff may be advisable given the potential compliance issues.

As the Coalition recommended in its September 4 letter, rather than establishing an entirely new contract vehicle for OS3, GSA should take advantage of the efficiencies offered through existing contract vehicles already awarded under its MAS program.

5. GSA cites significant savings to the government in announcing its decision to launch OS3. The cost savings should not be determined by comparing prices to existing MAS ceiling prices which have not yet been negotiated to account for agency volume, terms and technical requirements. In the interest of transparency, GSA should release any analysis or other documentation forming the basis for the claimed savings. It remains our understanding that some agencies are now paying higher prices for office supplies under OS2 as compared to more favorable pre-existing agency specific BPAs for office supplies. We are also concerned that some agencies may be directing use of specific OS2 BPAs holders for all their office supplies contrary to the requirements of the schedule ordering procedures.

6. The draft RFP states at various points that OS3 utilizes a market driven approach to pricing. However, the solicitation employs methods such as “maximum tolerance” above the lowest price item to control contract prices. This technique does not seem to take into consideration commercial practices for establishing prices. Contractors are also required to report on other government and open market sales, apparently for purposes of horizontal price comparisons. These comparisons ignore among other things differences in terms and therefore are not reasonable bases for comparison.

7. GSA should seriously reexamine its reporting requirements. Some data requested are not elements captured in Level III reporting, requiring costly manual collecting and reporting.

8. The draft RFP contains a number of references to the Trade Agreements Act (TAA.) However because this will not be a Schedules based procurement, and certain CLINs are wholly set aside for small business, the Buy American Act not TAA applies by virtue of FAR 25.401(a)(1). Many CLIN 001 and 004 items available on FSS contracts may not be BAA compliant. As a result, the Government may end up having a more limited number of items eligible for award and may pay more for the products under OS3 then they would under Schedule 75.

9. Finally, our review of the draft RFP also reveals that there are a number of seemingly small areas of confusion that when put together result in an acquisition vehicle that will be difficult for industry to navigate as it attempts to develop proposals and administer any resulting contracts. This will increase costs and reduce competition. We urge GSA to take the time to have robust discussion on this acquisition strategy before it puts a final document on the street.

Sincerely,

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

Roger Waldron
President
The Coalition for Government Procurement