



January 28, 2016

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Senior Procurement Executive
General Services Administration
1800 F Street, NW
Washington, DC 20002

Kevin Youel Page
FAS Deputy Commissioner
General Services Administration
1800 F Street, NW
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Subject: Maximum Order Threshold Changes under Schedule 71

Dear Jeff and Kevin,

I am writing on behalf the Coalition for Government Procurement's (the Coalition's) Furniture Committee members regarding changes to the Maximum Order (MO) thresholds for installation services under Furniture Schedule 71. It is our understanding that the proposed changes are a response to recent reviews of pricing for installation services under Furniture Schedule 71.

The Coalition is a non-profit association of firms selling commercial services and products to the Federal Government. Our members collectively account for a majority of the sales generated through the GSA Multiple Award Schedules (MAS) program including Schedule 71 contractors. Coalition members include small, medium, and large business concerns across the furniture industry. The Coalition is proud to have worked with Government officials for more than 35 years towards the mutual goal of common sense acquisition.

As a threshold matter, the Coalition acknowledges the Integrated Workplace Acquisition Center's (IWAC's) dialogue and efforts to address the proposed MO threshold and pricing changes. The IWAC is in a very difficult situation as it is attempting to implement a pricing and compliance contract framework/structure that is inconsistent with commercial practice. The inconsistencies with standard commercial practices will increase cost and risk for GSA, its customer agencies and MAS furniture contractors. Moreover, by raising the MO threshold GSA has actually reduced the competition requirements for installation services. The deviation from standard commercial practice and the corresponding negative impacts on cost and compliance risk for government and industry raise significant policy concerns. As such, the Coalition requests that your offices review the current contract structures and work with the IWAC and its furniture contractors to address installation services in a holistic manner that incorporates commercial best practices that deliver savings, value and efficiency for GSA's customer agencies and contractors.

Background

The Schedule 71 refresh incorporates the following pricing compliance changes. **First**, the MO thresholds for installation services have been increased as follows:

MO Threshold Increase for Installation Services

SIN	Previous MO	Revised MO	Change	No. Contractors Affected
711 95 Office Furniture Installation Services	\$500	\$150,000	\$149,500	≈135

The increases in the MO threshold to \$150,000 for SIN 711 95 Office Furniture Installation will have profound impacts on the efficiency and cost effectiveness of Schedule 71. Coupled with the increase in the MO to \$150,000 is the requirement that the MAS furniture contractors will be required to identify and maintain a tracking customer for compliance with the Price Reduction Clause (PRC). However, the complexity, structure and commercial business practices of the furniture industry make the imposition of the PRC on installation services problematic at best.

Pricing for installation services are fundamentally driven by the uniqueness of the individual government or commercial requirement. It is a case by case analysis. Factors include, but are not limited to, condition of the site, geographic location, rural or urban location, drop off and delivery location, square footage, location/floor within the building or facility, amount and complexity of the furniture to be installed and the timing for installation. These variables are compounded by the standard commercial business practices employed in the furniture industry with installation services provided by dealers and their installers as essentially subcontractors to the manufacturers. As a result, tracking installation services provided by dealers and installers that are driven by the unique requirements of each commercial customer does not lend itself to accurate, consistent or effective tracking. It is precisely what for over a decade ago the MO threshold was established at \$500 to ensure—that competition drives pricing for installation services rather than an artificial, outmoded oversight tool. Here, the MO thresholds not only create a high risk compliance requirement, they are also anti-competitive as the increase in the MO threshold **decreases** the instances when a customer agency would be required to seek price reductions and compete requirements.

Second, it is our understanding that in many, if not most, instances the MAS furniture contractors are being required to establish labor rates for installation services. In particular, the Original Equipment Manufacturers (OEMs) are being required to submit labor rates. This is inconsistent with standard commercial practice. Given the complexity of individual requirements and the organization of the commercial furniture market (i.e. manufacturers, dealers and installers) installation services are not competed or priced on a labor rate basis. The negotiated labor rates approach is a government unique requirement. As a result, it is unclear on what basis these rates would be determined to be “fair and reasonable” and how a contractor should establish an appropriate compliance system. Requiring Installation labor rates under Schedule 71 when they do not exist in the commercial market creates a significant compliance risk for both GSA and the Schedule

71 contractors. In sum, GSA is asking contractors to create a government unique pricing methodology that is not used in the commercial marketplace and establish a tracking system for the very same government unique pricing requirement.

As a result of the pricing and MO threshold changes, Schedule 71 contractors are being forced to create new internal, pricing, accounting and compliance practices. Moreover, the changes will drive fundamental changes in the structure of the commercial market. Small business dealers who provide the Installation services will also be negatively impacted. Invariably, customer agencies will pay higher prices and see reduced competition through Schedule 71 as furniture firms seek other contract vehicles with appropriate pricing methodologies and sound risk profiles.

Finally, the Coalition understands that a number of Schedule 71 contractors may have signed the modification with the MO threshold changes. However, we do not believe that this should be viewed as consent with the current contract structure based on the concerns expressed from our members and other affected contractors in discussions with the IWAC to date. Rather, it is a situation where they feel compelled to sign as they have no other alternative. As such, the Coalition looks forward to working with FAS, the Office of Government-wide Policy (OGP) and the IWAC on addressing this important policy issue. The following recommendations are provided for GSA's consideration.

Recommendations

To maintain best value Installation services for Federal agencies under Schedule 71, the Coalition recommends that GSA:

1. Waive the Price Reductions Clause for 711 95 Office Furniture Installation Services (given that there is no Basis of Award tracking customer)
2. Retain the MO threshold for Office Furniture Installation Services at \$500
3. Work with stakeholders from FAS, OGP and industry to develop a pricing model and associated contract terms for Installation services so that the government benefits from the economies and efficiencies of the commercial marketplace.
4. Extend the deadline for contractors to respond to Refresh 12 to accommodate the stakeholder dialogue and resulting recommendations.

Thank you for your attention to this matter. The Coalition would be happy to meet with you to discuss this topic and our recommendations at your earliest convenience.

Sincerely,



Roger Waldron
President