



# The Coalition for Government Procurement

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Mr. Brett Lambert

Deputy Assistant Secretary of Defense for Industrial Policy

Department of Defense

3330 Defense Pentagon

Washington, DC 20301

## **Re: Efficiency Initiative Effort to Reduce Non-Value-Added Costs Imposed on Industry by Department of Defense Acquisition Practices**

Dear Mr. Lambert,

On behalf of The Coalition for Government Procurement, the following comments are provided in response to the Department of Defense inquiry regarding non-value-added costs involved in defense acquisition.

The Coalition for Government Procurement is a non-profit association of more than 300 firms selling commercial services and products to the Federal Government. Our members collectively account for approximately 70% of the sales generated through the GSA Multiple Award Schedules (MAS) program and about half of the commercial item solutions purchased annually by the Federal Government. Many of our members are also information technology contractors on most, if not all, of the Governmentwide Acquisition Contracts. In addition, our members are contractors on many agency

wide multiple award contracts as well as multi-agency contracts. Coalition members include small, medium and large business concerns. The Coalition is proud to have worked with Government officials over the past 30 years towards the mutual goal of common sense acquisition.

The Coalition appreciates the Department of Defense's (DoD's) interest in reducing non-value-added costs for its industry partners. In this regard, of particular interest to our members are the non-value added costs associated with contract duplication<sup>1</sup>. The Coalition recognizes that there are potential benefits to the creation of multiple contracts for similar goods and services as they encourage competition among contractors and potentially among servicing agencies. This environment may help to drive down costs for the benefit of the American taxpayer. It may also be warranted in cases where one agency contract vehicle has unique requirements in alignment with the agency's specific needs and mission.

However, the Coalition is concerned that, on balance, the costs associated with contract duplication outweigh the benefits. Duplicative contracts increase bid and proposal costs and contract administrative costs for both Government and industry, costs that could be avoided through greater use of interagency contracts. As such, the Coalition believes that addressing the redundancies involved in establishing and managing multiple contracts for the same or similar products and services would provide Government and industry with significant

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<sup>1</sup> To clarify, by "duplicative contracts" we are not referring to number of contractors participating under a multiple award IDIQ contract which essentially increases competition for the benefit of the taxpayer and the customer agency. Rather, our concerns regarding "duplicative contracts" refer to the widespread circumstance where individual companies or firms hold multiple contracts for the same or similar services.

reductions in non-value-added costs. In particular, duplication could be reduced through increased use of existing government-wide contract vehicles when there is an opportunity for both contractors and the Department to realize cost savings. Government-wide multiple award contracts, such as the GSA Schedules program, provide a streamlined competitive ordering process that can save both the public and private sectors time and money in the bid proposal context. The use of these pre-negotiated contracts allows the ordering activity to focus on requirements development rather than the administrative aspects associated with setting up an entirely new contract.

### **Contractor Costs**

Companies pursuing contract awards have a limited pool of bid and proposal funds. Bid and proposal costs include, but are not limited to business development, teaming, capture management, proposal development, pricing, negotiations, and decision-making. The costs of these efforts are multiplied by new procurements and exasperated by the extension of these procurements.

In addition, with multiple contracts for the same products and services there are duplicative contract administrative costs. Overseeing subcontractors, responding to task and delivery orders, compliance and reporting, as well as marketing for new opportunities are standard activities which add to the cost of products and services provided under contracts. Typically contractors will establish a program office to manage individual contracts. Contractors that hold multiple contracts for the same goods and services must increase investment in these overhead activities to accommodate the unique requirements of each contract. For example, a service contractor could have multiple

contracts for the same services yet have very different qualifications for the labor categories under each contract that must be monitored and tracked during performance. These contract administration functions can account for millions of dollars in non-value added costs. Of course, there are significant pre-award and post-award costs involved in the administration and management of duplicative contracts for the Government as well.

Finally, the Coalition believes that a significant barrier for small businesses in the government market is the resources and investment required to pursue and manage duplicative contracts within the DoD and other Federal Agencies. In the current environment, competition in the federal market requires a constant pursuit of new contract awards for the same products and services, and the supporting infrastructure to maintain post-award contract compliance. These costs are especially significant cost drains on a small business's bottom line. Small business members have also expressed concerns with the inability of current contracts to live up to anticipated order volumes. The failure to meet order volumes may result from the growth of competing contracts for the same or similar products and services.

### **Recommendations**

The Coalition suggests the following recommendations as a part of the Department's acquisition process to reduce non-value-added costs associated with duplicative contracts:

1. As part of the acquisition planning process, DoD contracting officers should be required to document and explain why existing contract vehicles do not meet the agency's needs prior to establishing new contracts. This explanation should

specifically address why creating a new contract is the best procurement method to meet the government's needs.

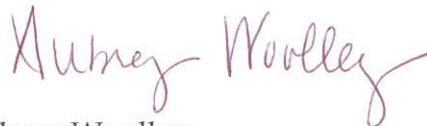
2. A regulatory preference already exists for utilizing GSA Federal Supply Schedules. See FAR 8.002. DoD should issue additional guidance reminding contracting officers that the Federal Supply Schedules have priority over other commercial sources.
3. The DoD and GSA should work together to establish a cost-reimbursement contracting capability through the GSA Schedules program.

### **Further Analysis**

The Coalition believes that additional data analysis regarding the costs associated with contract duplication would be of value to the Department in addressing non-value-added costs. Therefore, the Coalition has initiated the development of a study to further assess the non-value added costs associated with contract duplication. We hope that the Coalition can engage DoD in further dialogue as we move forward with our analysis.

The Coalition appreciates the opportunity to submit comments on the non-value-added costs to the Office of Manufacturing and Industrial Base Policy. If you have any questions, I may be reached at (202) 331-1053 or [awoolley@thecgp.org](mailto:awoolley@thecgp.org).

Regards,



Aubrey Woolley  
Manager of Policy