



June 11, 2015

Mr. Jeffery L. Calhoun
 Management & Program Analyst
 Integrated Workplace Acquisition Center
 Philadelphia, Pennsylvania

Dear Jeff,

Members of the Coalition for Government Procurement appreciate the information that the Schedule 71 team provided in a May 28 email regarding changes to the Maximum Order (MO) thresholds for the four services SINs listed below.

SIN	Previous MO	Revised MO	Change	No. Contractors Affected
711 91 Project Management	\$500	\$150,000	\$149,500	28
711 93 Reconfiguration & Relocation Services	\$500,000	\$150,000	(\$350,000)	33
711 94 Office Design/Layout Services	\$500,000	\$150,000	(\$350,000)	79
711 95 Office Furniture Installation Services	\$500	\$150,000	\$149,500	138

Coalition members urge the government to retain the MO for both Installation and Project Management at \$500. The specific requirements for tasks under the contract are too uncertain to allow a rational basis for pricing. Attempts by contractors to price under these circumstances will likely result in significantly higher schedule prices. Installation cost will increase dramatically to ensure every possible contingency. The government should expect an increase in its workload and costs as contractors seek change orders and modifications to cover increased costs.

Your email states that the MO is set as the threshold at which an ordering activity should seek additional price reductions given the nature of the items included under a particular SIN. All service MO's are now set at \$150,000. As a result for two SINs (711 93 Reconfiguration and Relocation Services and 711 94 Office Design/Layout Services) the threshold were significantly decreased. Agencies will be required to seek price reductions more often than they did previously; the number of competitions for individual requirements will increase. On the other hand, for SIN 711 91 (Project Management) and 711 95 Office Furniture Installation the change to the MO effected the opposite result. The MO was significantly increased thereby *decreasing* the instances when a customer agency will be required to seek price reductions. This result can only be positive if the contract prices for these SINs are expected to fair and reasonable for all orders up to the MO.

Our members indicate that, particularly for Installation, it is virtually impossible to negotiate a reasonable price covering all orders up to \$150,000. Under the Multiple Award Schedule the buyer,

location, condition of the site and item to be installed are all unknown. The contracts are government-wide and nation-wide in scope. At the time of award a contractor could well not know whether it will be asked to install systems furniture for an entire agency in a high rise in New York City or assemble conference tables at a ranger station in Montana. The cost of installation will vary considerable depending on circumstances which will be known only at the time a task order is placed. Given the widely varying circumstances, a contractor has no reasonable basis upon which to construct a price. Your May 28 email states that based on an examination of orders the IWAC concluded that an ordering activity would not typically seek a price reduction at a threshold below \$150,000. That conclusion is incongruent with the solicitation document and actual experience of our members. Prior versions of the solicitation stated:

The maximum rates negotiated will only apply to installations valued at \$500 and below. The reason for the \$500 maximum order is the nature and complexity of installation. Services above \$500 shall be negotiated with the government on a case-by-case basis, as the customers will be seeking a lower rate than that negotiated for the smaller orders.

Given the difference in views and the dramatic impact that this change will effect on Schedule contractors, we ask that GSA share the specifics of the orders that it examined and how it reached the determinations to increase the MO. Should GSA demand that a contractor bid a contract level price to cover a broad range of technical, geographic, and legal unknown circumstances, a prudent contractors that does so will be forced to raise their prices to cover all contingencies. Even with increased prices, some contractors, would likely choose to no-bid projects – further limiting competition and exposing agencies to higher acquisition costs. These consequences are likely to have an inordinate impact on small businesses whether they are primes or subcontractors.

An effort which raises schedule prices significantly would be totally inconsistent with GSA's current initiatives to drive prices down, and is likely to erode customer confidence. Because of the impracticality of negotiating prices across such a wide variety of unknown circumstances, GSA previously assigned a low, \$500 dollar MO for installation. Under these circumstances GSA was able to negotiate a price for small orders and subsequently direct agencies to seek price competition for other tasks based on their particular requirements. We strongly recommend that GSA retain a \$500 MO for installation and project management.

Given the impact of revising the service MO, we request that GSA have a meeting with affected schedule contractors to communicate its response to these and other comments received, prior to moving forward with implementation.

Sincerely,



Roger Waldron
President