

FROM RED TAPE TO RESULTS

REINVENT-GOV



CREATING A GOVERNMENT THAT WORKS BETTER & COSTS LESS

**Reinventing
Support Services**

**Accompanying
Report of the National
Performance Review**

Vice President Al Gore

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NTIS

REINVENTING SUPPORT SERVICES



Accompanying Report of the
National Performance Review
Office of the Vice President
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This accompanying report, prepared by the staff of the National Performance Review (NPR), laid the groundwork for the recommendations in the NPR report "From Red Tape to Results: Creating a Government that Works Better and Costs Less," released on September 7, 1993. This report is based on the best information available at that time. The specific recommendations within these reports have been and will continue to be given priority as part of the FY95 Budget, legislative proposals, or other Administration initiatives, as appropriate.

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IMPLEMENTATION CATEGORIES

Each action is followed by a number in parentheses that indicates the necessary avenue for effective implementation. Appendix A organizes all actions according to these categories.

- (1) Agency heads can do themselves
- (2) President, Executive Office of the President, or Office of Management and Budget can do
- (3) Requires legislative action
- (4) Good idea, but will require additional work, or may be better suited for future action

ABBREVIATIONS

| | |
|-------|---|
| ACUS | Administrative Conference of the United States |
| ADP | Automated Data Processing |
| CASU | Cooperative Administrative Support Unit |
| CBD | Commerce Business Daily |
| CG | Comptroller General |
| DL | Depository Libraries |
| DLA | Defense Logistics Agency |
| DOD | Department of Defense |
| FAR | Federal Acquisition Regulation |
| FBF | Federal Buildings Fund |
| FIRMR | Federal Information Resources Management Regulation |
| FPI | Federal Prison Industries |
| FPMR | Federal Property Management Regulation |
| FSS | Federal Supply Schedule |
| FTE | Full time Equivalent |
| FTR | Federal Travel Regulation |
| GAO | General Accounting Office |
| GATEC | Government Acquisition through Electronic Commerce |
| GPO | Government Printing Office |
| GSA | General Services Administration |
| IRM | Information Resources Management |
| IRS | Internal Revenue Service |
| IT | Information Technology |
| JCP | Joint Committee on Printing |
| M&IE | Meals and Incidental Expenses |
| MAS | Multiple Award Schedule |
| NARA | National Archives and Records Administration |
| NIB | National Industries for the Blind |
| NISH | National Industries for the Severely Handicapped |
| NIST | National Institute of Standards and Technology |
| NTIS | National Technical Information Service |
| OIRA | Office of Information and Regulatory Affairs |
| OMB | Office of Management and Budget |
| PBS | Public Buildings Service |
| PCMI | President's Council on Management Improvement |
| USDA | United States Department of Agriculture |
| USPS | United States Postal Service |
| VA | Department of Veterans Affairs |

EXECUTIVE SUMMARY



Back in 1860, its reasoning may have been sound: The year before the Civil War began, Congress created the Government Printing Office (GPO) to promote efficiency, to protect agencies from profiteering and abuse by commercial printers, and to eliminate the duplication of effort.¹ But, as times change, so do government's needs.

Today, GPO is a public anachronism. It symbolizes a kind of centralized, monopolistic control in government's support services that keeps the costs of goods high and the quality of services low for the agencies they serve. Along with printing federal documents, GPO must approve all privately contracted government printing jobs. This includes printing orders less than \$1,000, of which there were 270,000 in 1992. Simply for processing orders to private companies, GPO charges 6 to 9 percent.

Other forms of support services—real property, mail management, and logistics (which includes supply delivery systems, travel, vehicle fleet management, and personal property disposal)—involve other forms of inefficiencies. While these may be seen as annoyances to some, support services are vital to the effective operation of the federal government. They assist 2.1 million civil servants and 1.8 million military personnel.² The government spends \$109.45 billion a year acquiring or delivering them.³

Unfortunately, the government provides these services based on decades-old principles of monopolies, central management, and rigid control. Often, the results are non-responsive, expensive services ill-suited to a modern, technology-driven society. Also, agencies must comply with a myriad of costly rules and regulations to obtain these services.

Reinventing such services means improving the quality, expediting the delivery, and reducing the costs of goods and services that directly support federal agencies' missions and programs. It requires rescinding unnecessary rules and regulations, introducing competition for goods and services, and authorizing line managers to manage for results. The line managers, in fact, are the key figures in this reform. Admittedly, central management and monopolies enable customers to benefit from economies of scale or achieve social objectives. But, by their very nature, monopolies stifle competition, reduce choice, and minimize innovation. Moreover, they have little incentive to reduce costs, operate efficiently, or control fraud. Consequently, the government cannot hold line managers, with little discretion in where they get supplies and services, accountable for making cost-effective administrative decisions.

The circumstances justifying central control and monopoly processes have long since

passed. Furthermore, practices associated with excessive control and monopoly tend to inhibit cooperation among federal line managers who deliver government programs to the public. For one thing, monopoly practices hinder the speedy delivery of goods and services to congressionally mandated federal programs. For another, the single-source mentality contributes to the public's perception of poor quality federal services and government-sponsored wastefulness. Modern technology and prevailing business practices dictate fundamental changes in the federal government's delivery of support services.

Take printing, for instance. The government's monopoly provider, the Government Printing Office (GPO), was created when printing was produced on expensive, labor-intensive typesetting equipment. But technology has taken printing from paper reproduction to electronic databases. Printed information is now routinely produced with off-the-shelf software on personal computers that federal employees use. Modern equipment and copying techniques make mass communications easy and put inexpensive reproduction capabilities in every office. To control the use of these reasonable, alternative means of printing is counterproductive.

Congress should empower the executive branch to make its own printing policy and, in the process, eliminate its requirement to use GPO. Presumably, GPO would then market its services to the executive branch at competitive prices. The executive branch, meanwhile, will be able to manage its printing needs more effectively, enhancing quality and cutting costs. Presuming it gets legislative authority, the General Services Administration (GSA) will work with customer representatives, specifically the Interagency Council on Printing and Publications Services, to develop an executive branch printing policy.

To ensure public access to federal information, the executive branch and Congress should take several steps. Congress should give the executive branch responsibility for distributing printed federal information to

the public and depository libraries through the current mechanisms. However, it should task the executive branch with identifying more effective and cost-efficient ways of doing so. The Office of Information and Regulatory Affairs plans to require agencies to develop Government Information/Inventory Locator Systems (GIILS) to help the public access information.

With regard to logistics, the federal government created its supply and depot systems when its method of saving federal consumers money was to buy goods in bulk, store them in federal warehouses, and deliver them when requested. Now, modern technology and innovations in delivery and inventory management permit direct, immediate delivery by private suppliers at much lower costs, making the government's distribution network virtually obsolete.

GSA and the Defense Department plan to largely eliminate mandatory sources of supplies, while those two organizations and the Department of Veterans Affairs plan to reduce the federal government's investment in central distribution facilities and government inventories. Agency heads will contract directly with vendors. In addition, agencies will expand the use of electronic commerce for processing orders and payments and will increase the use of commercial item descriptions for required products.

GSA plans to help agencies more easily acquire supplies and information technology by eliminating the announcement requirement in *Commerce Business Daily* for information technology purchases from supply schedules, make it easier for agencies to buy more items off of supply schedules, and pilot test innovative strategies for reducing the costs of goods under the Multiple Award Schedule program.

GSA will update the government's vehicle replacement standards and raise emergency repair limits. It also plans to allow agencies to dispose of excess or surplus property and to keep the proceeds from selling excess property. It will streamline travel regulations and increase choices for federal travelers.

When it comes to real property, the government acquires, manages, and disposes of most of its assets through central management agencies similar to those providing printing services and supplies. GSA, with a virtual monopoly providing general purpose office space to federal agencies, is the best example of such real property mega-management. While some agencies recently acquired permission to manage their own space, the government still should dramatically reduce GSA's omnipresence. Its monopoly stifles motivation and incentives to manage federal real property assets efficiently so that the government realizes their optimum value. It also hinders government's strategic use of its real property assets.

GSA plans a host of initiatives, including letting all federal agencies independently acquire the real property services that they need, establishing competitive enterprises that will deliver the services that GSA currently provides and that will compete for agencies' business, and giving agencies information about all real estate alternatives that would satisfy their requirements. Congress should simplify procedures under which agencies lease small amounts of space or renew space. Finally, the federal government spends over \$1 billion each year on postage. But it lags behind the private sector in taking advantage of postage discount programs. The government could save an estimated \$100 million or more each year through an aggressive mail management program allowing agencies with large mail volumes to implement worksharing initiatives, such as presorting and prebarcoding for themselves and other federal agencies at the same location.⁴

To help agencies to implement or expand postage discount programs, GSA plans to create work groups of experienced mail managers from successful agency mail management programs. Agency heads will delegate authority to let line managers manage their postal budgets.

Endnotes

1. See Sherman, Andrew M., "Impact of Proposed Federal Acquisition Regulation (FAR) Revision on the Federal Printing Program" (Washington, D.C., June 1987), citing Harold C. Relyea, *Title 44 United States Code—Public Printing and Documents: A Brief Historical Overview*, No. 79-36 (Washington, D.C.: Library of Congress, Congressional Research Service, February 23, 1979), p. 6.
2. U.S. Office of Management and Budget, *Budget of the U.S. Government* (Washington, D.C., 1994), p. 39.
3. Information provided by the following sources:

| Function | Amount | Source |
|--------------------------|-------------------------------|--|
| Printing | \$1.0 billion | U.S. General Accounting Office, <i>Government Printing Office: Monopoly-Like Status Contributes to Inefficiency and Ineffectiveness</i> , GGD-90-107 (Washington, D.C.: U.S. General Accounting Office [GAO] September 1990), p. 14. |
| Multiple Awards Schedule | \$4.9 billion | U.S. General Services Administration, Federal Procurement Data Center, <i>Annual Report Fiscal Year 1992</i> (Washington, D.C.). |
| Depots | \$85 billion | U.S. General Services Administration, Federal Supply Service, Office of Distribution Management. |
| Travel | \$10 billion \$6.4 billion | U.S. Department of Defense U.S. Office of Management and Budget, General Management Division. |
| Rent/leases | \$4.3 billion | U.S. General Services Administration, Public Buildings Service, Office of the Comptroller. |
| Personal Property | \$0.15 billion | U.S. General Services Administration, Federal Supply Service, Office of Transportation and Property Management. |
| Fleet Management | \$1.0 billion | U.S. General Services Administration, Federal Supply Service, Fleet Management Division, Office of Transportation and Property Management. |
| Mail Management | \$1.0 billion | U.S. General Services Administration, Intergovernmental Mail Task Force, <i>Mail Management Initiative</i> (Washington, D.C., October 1992), p. 1. |
| Total | \$109.45 billion | |

4. U.S. General Accounting Office, *Mail Management: GSA Needs to Improve Support of Agency Programs*, GGD-90-49 (Washington, D.C.: GAO, U.S. General Accounting Office, August 1990), pp. 3 and 8.

PRINTING SERVICES



SUP01: AUTHORIZE THE EXECUTIVE BRANCH TO ESTABLISH A PRINTING POLICY THAT WILL ELIMINATE THE CURRENT PRINTING MONOPOLY



BACKGROUND

Federal printing is big business, totaling \$1 billion annually.¹ Executive branch expenditures account for 75 percent, or \$750 million, of that total.² Approximately 7,100 people perform printing or printing-related services in the federal government.³

The Joint Committee on Printing (JCP), a congressional committee, makes detailed printing policy for the entire federal government.⁴ This situation is unique: the executive branch normally makes detailed policy for its administrative programs, with Congress exercising a broader level of oversight review.

The JCP was originally established in 1846 to reduce profiteering and patronage abuses by the commercial sector, contain printing costs, and eliminate duplication of effort.⁵ JCP's current oversight is far-reaching. In fact, federal agencies maintain that the JCP micromanages their printing

programs. For example, the use of parchment paper for Naval Academy graduation certificates requires the approval of the JCP, when the decision should, in fact, rest with the Department of Defense.⁶

The Government Printing Office (GPO) is the mandatory source for obtaining congressional and executive branch printing. GPO satisfies most congressional printing requirements through its in-house printing plants; it meets executive branch needs through commercial contracts, supplementing its own in-house facilities when they are not being used for congressional work. GPO charges overhead of 6 to 9 percent for each print order it forwards to private sector printers. Agencies complain—and the General Accounting Office has confirmed—that printing done in-house by GPO costs 50 percent more than printing done in the commercial sector.⁷

It should be noted that while the executive branch has historically acquiesced to GPO's role as the mandatory printing

source, several Supreme Court cases call into question the constitutional legitimacy of the GPO monopoly.⁸ Specifically, because the GPO is under the domain of the legislative branch, it is arguably a violation of the constitutional principle of separation of powers for the GPO to function in this fashion. In any case, Congress should take the necessary steps to clearly give the executive branch the authority to make its own printing policy.

NEED FOR CHANGE

There has been little incentive for GPO to ensure that its printing services are competitive or that its customer service is satisfactory since it is the only game in town. Though GPO has improved some services, agencies believe GPO still has a long way to go.⁹ For example, GPO's billing process must be fixed; agencies are often unable to verify billings, many of which appear years after product delivery. Also, agencies are restricted from working directly with the GPO-approved contractors selected to process agency orders, resulting in rework at additional cost or unsatisfactory printed products, both avoidable if agencies work directly with contractors.¹⁰

The JCP has delegated to agencies some minimal printing authority outside of the GPO printing monopoly, such as establishing small in-house production operations and placing small printing jobs under \$1,000 with commercial contractors. However, JCP recently revoked this delegation of authority. The JCP now requires agencies to obtain a waiver from GPO before they can acquire small print jobs under \$1,000 from outside contractors. Obtaining a waiver for such small dollar jobs can hardly be justified as cost containment when the majority of executive branch printing transactions are under \$1,000. In fiscal year 1992, approximately 71 percent or 270,000 printing transactions performed through GPO were under \$1,000.¹¹ Further, agencies have a legitimate need for limited in-house reproduction

operations for time-critical and sensitive materials: e.g., at midnight, when a cabinet Secretary finishes a report due to members of Congress the next day at 8:00 a.m., agency administrative personnel should themselves have authority to reproduce the document to meet the overnight deadline.

The executive branch should be responsible for the establishment, oversight, and operation of its printing program, just as it is for other administrative programs. The executive branch should also be able to meet its printing needs in a number of ways and from a multitude of sources.

ACTIONS

1. Give the executive branch the authority to make its own printing policy that will eliminate the mandatory printing source. (3)

Title 44 of the U.S. Code should be modified to (1) remove the executive branch from coverage; (2) transfer policymaking for the executive branch to the General Services Administration; and (3) eliminate the mandatory requirement to use the Government Printing Office (GPO).¹² This anticipates that GPO would market its services to the executive branch at competitive prices.

In order to responsibly reconfigure GPO following its elimination as a mandatory printing source, the executive branch should be required to use GPO as its printer for a two-year transition period, excepting individual printing transactions under \$2,500. Agencies would immediately have discretion to obtain printing purchases under \$2,500 from any competitive source.¹³ The transition period grants Congress a reasonable period to properly reconfigure GPO. Above all, the executive branch will be able to manage its printing needs more effectively. The eventual removal of the mandatory source will ensure timeliness of delivery and product quality, as well as reduce costs.

SUP01: AUTHORIZE THE EXECUTIVE BRANCH TO ESTABLISH A PRINTING POLICY THAT WILL ELIMINATE THE CURRENT PRINTING MONOPOLY

2. Develop an executive branch printing policy for the 21st century. (3)

Within 180 days of receiving legislative authority, the administrator, GSA, should develop the new executive branch printing policy jointly with designated customer representatives, specifically the existing Interagency Council on Printing and Publication Services.

The new executive branch policy should, at a minimum:

- recognize the Interagency Council on Printing and Publication Services as an integral partner with GSA in the establishment and oversight of the executive branch's printing policy;
- provide high-level guidance;
- take advantage of rapid changes in printing technology;
- not include in its definition of printing (1) documents produced with commercially available software (e.g., desktop publishing) and on common automation equipment (e.g., laser printers), or (2) photocopying (regardless of volume);
- not mandate sources for obtaining printed materials (after the 2-year GPO transition period), but instead authorize agencies to acquire printing from any competitive source (e.g., GPO, commercial sector, or other federal agency) that meets business needs, and is timely and cost-effective;¹⁴
- require agencies to meet printing needs primarily by using commercial sector contracts pursuant to the Federal Acquisition Regulation;
- allow agency management (and budget constraints) to determine the acquisition of printing equipment;
- increase and emphasize electronic input and output for printing;
- minimize agency reporting requirements; and

- ensure continued dissemination of printed information to the depository libraries through GPO's Superintendent of Documents.

The Joint Committee on Printing will be assured that the new executive branch policy contains costs and minimizes redundancies. Specifically, the emphasis on commercial sector contracting through normal federal acquisition procedures will preserve cost controls. Further, line managers will have greater control over the development and acquisition of printed materials supporting critical agency missions.

Endnotes

1. U.S. General Accounting Office (GAO), *Government Printing Office: Monopoly-Like Status Contributes to Inefficiency and Ineffectiveness*, GGD-90-107 (Washington, D.C.: U.S. General Accounting Office, September 1990), p. 14.
2. See U.S. Government Printing Office, (GPO) "Fiscal Year 1992, Billing Breakdown and Billing Stratification by Dollar Amount," Washington, D.C., 1993.
3. U.S. Office of Personnel Management, "Occupations of Federal White Collar and Blue Collar Workers," Washington, D.C., September 1991, pp. 124, 156-158.
4. Title 44, U.S. Code—Public Printing and Documents, 1970 ed., 101-103.
5. See Sherman, Andrew M., U.S. Government Printing Office, "Impact of Proposed Federal Acquisition Regulation (FAR) Revision on the Federal Printing Program," Washington, D.C., June 1987.
6. Letter from Wendell H. Ford, Chairman, Joint Committee on Printing, to Secretary of Defense Les Aspin, April 22, 1993.
7. GAO, p. 4.
8. *Boushner v. Synar*, 478 U.S. 714 (1986); (Under the constitutional principle of separation of powers, Congress may not exercise removal power over an officer performing executive branch functions); *Metropolitan Washington Airports Authority v. Citizens for the Abatement of Aircraft Noise, Inc.*, 111 S. Ct. 2298, 2311 (1991) (Congress may not invest itself or its agents with functions beyond the legislative sphere); *Buckley v. Valeo*, 424 U.S. 1, 137-41 (1976) (Striking down assignment of functions to Congressional agent that were not "in aid of the legislative function").
9. Interviews with departmental printing officers, April and May 1993.
10. Letter #93072 from Wendell H. Ford, Chairman, Joint Committee on Printing to Heads of Departments and Agencies, March 19, 1993.
11. See GPO.
12. Title 44, U.S. Code, 501.
13. NPR intends that the 2-year mandate to use GPO applies to printing as defined under the new executive branch printing policy. NPR recommends, under SUP01, Action 2, that the new executive branch printing policy not

PRINTING SERVICES

define printing to include photocopying, regardless of volume (as is currently defined under the Printing and Binding Regulations published by the Joint Committee on Printing). NPR intends that agency photocopying jobs costing greater than \$2,500 would not be considered printing and therefore, not mandated to be acquired through GPO during the 2-year transition period. Agencies would be free to obtain photocopying transactions, regardless of cost, from any source, including GPO, other federal agencies, or the private sector.

14. NPR intends that the elimination of mandatory printing sources also applies to printing facilities of the Department of Defense (DOD). Currently, DOD requires the use of its printing plants as mandatory sources in many instances. The Secretary of Defense should eliminate such mandatory use when printing can be obtained from other sources for a lower cost.

SUP02: ENSURE PUBLIC ACCESS TO FEDERAL INFORMATION



BACKGROUND

Information means power, and government information is power available to every American. Government-generated information provides citizens with knowledge of their government, ensures the government's accountability to its citizenry, and is a commodity often with great economic value in the marketplace. Depository libraries (DLs)—local public and university libraries—are essential to making government publications and information available for free use to the general public.

Congressional legislation authorizes the Joint Committee on Printing (JCP) to designate depository libraries and instruct the Government Printing Office (GPO) to disseminate printed material to the approximately 1,400 DLs nationwide.¹ Congress appropriated \$25 million in fiscal year 1993 to GPO to provide copies of federal information to the DLs.² Federal agencies are also required to provide GPO with copies of printed materials for distribution to DLs when they do not use GPO for printing services. Approximately 71,000 unique documents were distributed to DLs in fiscal year 1992.³

The JCP is particularly concerned with protecting the public's access to federal information. The JCP ensures DL receipt of

information by wielding its monopolistic printing authority, particularly through GPO.⁴

NEED FOR CHANGE

Federal agencies maintain that GPO's funding for information dissemination to the DLs is inadequate and that the current distribution system needs refining. In light of advances in computer access and database technology, the requirement for the majority of DLs to receive and retain copies of each type of printed federal information is significantly reduced. Further, most libraries are equipped with personal computers and modems to access available databases or locate federal information.

State-of-the-art technology enables transmission of federal information via electronic rather than printed media, but the federal government's current access networks are not integrated or easily accessible to the public.⁵ The problem lies in the fact that it is difficult to identify, locate, or obtain federal information.⁶ Scientific information is available from the National Technical Information Service (NTIS). Non-scientific documents are sold or distributed by GPO and other federal organizations through numerous outlets. Nonetheless, there is an exponentially increasing public demand for

a locator system that easily identifies the various distributors/repositories of information. And the efficiencies and cost savings associated with one-stop shopping for the sale of documents can now be easily achieved with current technology.

ACTIONS

1. Give the executive branch responsibility for the distribution of printed federal information to depository libraries. (3)

Authority over the designation of depository libraries (DLs) should be retained, but Title 44 of the U.S. Code should be modified to give the executive branch responsibility for the distribution of its printed federal information to the public and DLs. The new executive branch printing policy should include provisions for the continued dissemination of printed information to the DLs through the Government Printing Office, Superintendent of Documents. This change will make the executive branch directly accountable for ensuring public access to printed federal information.

2. Disseminate federal information effectively and efficiently to depository libraries. (3)

Within 180 days of the transfer of authority for distribution of printed information to the executive branch, the administrator, GSA, should present a plan identifying the most effective and efficient methods for information dissemination to the public through the depository libraries (DLs). This should include recommendations on appropriate funding levels to acquire personal computers for the DLs, if required, and agency funds (e.g. a percentage of each agency's printing budget would be set aside) to cover printing and dissemination to the DLs. At a minimum, GSA should involve representatives from federal agencies (printing officers), the

Office of Management and Budget (including the Office of Information and Regulatory Affairs), congressional members or staff, the Government Printing Office, the National Archives and Records Administration, and library associations in reforming the dissemination process. Reinventing the distribution process will help control costs and disseminate information more efficiently.

3. Develop agency locators for public access to federal information. (2)

By April 1994, the Director of the Office of Management and Budget will issue a directive that requires agencies to inventory their existing data holdings and establish an agency-based Government Information/Inventory Locator System (GIILS) to be made available to the public, describing the information that is available and how it can be accessed. The Director of OMB will immediately convene an advisory committee to establish data elements and standards for the identification, dissemination, receipt, and archiving of electronic information. The advisory committee will consist of representatives from the National Technical Information Service, GSA, the National Institute of Standards and Technology, and the National Archives and Records Administration.

4. Create one-stop shopping for the sale of federal documents. (3)

Congress should enact legislation that creates one-stop shopping for the sale of federal documents. Centers selling federal information (e.g. NTIS, GPO, GSA) should be consolidated where appropriate. Long-term, the feasibility of selling federal documents in private bookstores should be examined.

Cross References to Other NPR

Accompanying Reports

Reengineering Through Information Technology, IT03:
Develop Integrated Electronic Access to Government Information and Services.

SUP02: ENSURE PUBLIC ACCESS TO FEDERAL INFORMATION

Endnotes

1. American Library Association, "The Essential Federal Role in Support of Libraries," Washington, D.C., undated. (Fact sheet.)
2. U.S. Office of Management and Budget, *Budget of the U.S. Government* (Washington, D.C., 1994), pp. 186-187.
3. U.S. Government Printing Office, "Fiscal Year 1992 Distribution to Depository Libraries," Washington, D.C., 1993.
4. Title 44, U.S. Code—Public Printing and Documents, 1970 ed., 1911.
5. U.S. General Accounting Office, *Federal Information Users' Current and Future Technology Needs*, GGD-89-20FS (Washington, D.C.: U.S. General Accounting Office, November 1988), p. 1.
6. U.S. Department of Commerce, National Technical Information Service, "Fedline: A Feasibility Study of the Establishment and Operation of FedWorld™—A Governmentwide Information Locator System for NTIS," Washington, D.C., April 28, 1993.

LOGISTICS SERVICES



INTRODUCTION



THE CURRENT PROCESS

Logistics includes federal supply depots and delivery systems, the Multiple Awards Schedule program (MAS), personal property disposal, and travel. Approximately 27,000 people in the General Services Administration (GSA), Department of Veterans Affairs (VA), and the Department of Defense (DOD) currently provide logistics services to federal customers.¹ This figure does not reflect the total logistical support personnel for all federal agencies.

The federal government manages a supply distribution network of depots and warehouses. This network seeks to leverage volume purchases of commonly used supplies into cost savings for the government and requires warehouses to maintain large stocks for delivery to consumers, when required. Procurement of supplies from depots is not mandatory for purchases up to \$5,000. In addition, GSA manages various supply sources through its MAS program. Under the MAS program, GSA negotiates and manages competitive contracts offering such items as office equipment, supplies, furniture, scientific and laboratory equipment, and automated data processing and telecommunications products and services for sale to the federal government. Many products sold under the MAS program are mandatory.

GSA retains central control over the disposal of personal property the federal government no longer needs. GSA sets governmentwide policy and conducts operations for property screening, donation, and sale. GSA also manages official federal travel through the Federal Travel Regulation (FTR). Finally, GSA sets policy for managing the federal government's vehicle fleet, with Congress setting limits in agency appropriations on the type, number, and prices of vehicles that can be bought. GSA establishes vehicle replacement standards and serves as the mandatory source for the disposal of all federal government vehicles. GSA also operates a program that leases 136,000 vehicles to various federal agencies on a reimbursable basis and at a cost of \$1.1 billion annually.²

PROBLEMS WITH THE CURRENT PROCESS

The depot and warehouse system is too costly to maintain in its present configuration. In contrast, direct supply sources have become extremely efficient and competitively priced due to advanced technology, modern delivery services, streamlined inventory management practices, and private marketplace momentum. In recent years, GSA and DOD have

reduced depot operations from 16 to 4 and 30 to 26 respectively, introduced automation such as electronic ordering, and increased direct delivery to customer agencies. VA recently announced its intention to convert to commercial distribution and phase out its depot operations. Nonetheless, the reform is not nearly complete.

The MAS program is troubled by allegations that the government may actually be paying higher prices for the commercial products it offers than vendors charge to the private sector. Agencies have also complained that the acquisition of goods and services from the schedules is cumbersome and needs to be further automated to cut processing times.

The current lack of an automated system coupled with legislative mandates on disposal and donation priorities cause long lead times and increase costs for disposing of personal property such as old furniture and typewriters. Furthermore, GSA controls all disposals no matter how little residual property value remains. This process forces agencies to hold great amounts of old, generally low value, property for extended periods, thereby occupying valuable space and needlessly consuming staff time for warehouse and product maintenance. Agencies complain that GSA's disposal processing timeframes range from six months to one year.³ The disposal rules give agency managers little discretion about disposal. The irony is that the bulk of excess federal equipment returns only a few thousand dollars for hundreds of used items, yet requires inordinate resources to accomplish.

Similarly, line managers face legislative, regulatory, and administrative barriers that hinder effective management of vehicles. These include inconsistent replacement standards, restrictions on the number and types of vehicles that can be purchased, and artificially low limits on the use of the government credit card for emergency repairs.

Travel regulations include overly complex procedures and unnecessarily restrictive

rules, as well as minimal line manager discretion to make travel decisions. Agencies also tend to supplement these fairly explicit regulations with their own complex rules and procedures. Finally, the current negotiated airfare contracts offer limited travel routes for federal government travel. Consequently, federal government travelers must extend travel times or take circuitous routes.

A VISION FOR A NEW LOGISTICS PROCESS

The reinvention of logistics functions will reduce administrative rules and regulations, give line managers additional decisionmaking authority, and provide more choices for obtaining goods and services for federal program support.

MAS product purchases should not be mandatory. Moreover, GSA and VA should move aggressively to enhance the automation capabilities of supply schedules to improve customer access, streamline the acquisition process, and increase vendor access and competition. Increased use of an electronic marketplace could potentially increase vendor competition and reduce item prices, as well as spur agencies to authorize line managers to acquire goods and services without procurement personnel concurrence. Though GSA has significantly reduced its number of depots from 16 to 4 and VA is moving away from a depot distribution source, depot and warehouse systems governmentwide should continue to be closed as private sector direct delivery contracts come into force.

GSA should free agencies to sell surplus personal property and immediately implement a nationwide electronic bulletin board, a type of on-line government trade mart, for agencies to use in selling their excess personal property. Congress should enact legislation allowing agencies to retain the proceeds from personal property disposal. GSA should work with agency travel specialists, managers, and travelers to

streamline federal travel regulations and give line managers more flexibility and authority over travel decisions.

Endnotes

1. Includes the Department of Veterans Affairs, Office of Acquisition and Material Management, Materiel Management Service (280 employees); Department of

Defense (22,700 employees); and the General Services Administration, Federal Supply Service, Office of the Commissioner (3,600 employees).

2. Data provided by General Services Administration, Office of Transportation and Property Management, as of July 1993.

3. Interviews with agency line managers and senior executives, April and May 1993.

SUP03: IMPROVE DISTRIBUTION SYSTEMS TO REDUCE COSTLY INVENTORIES

BACKGROUND

A distribution system is a combination of fixed facilities including warehouses and transportation hubs, inventories of materials and supplies, operating equipment, data systems, support personnel, and transportation links. Distribution networks focus on leveraging volume purchases, storing and maintaining stock, and delivering items to customers.

The federal government manages large distribution networks, which deliver goods and services for line managers' daily agency use. Approximately 24,000 people operate these depot systems governmentwide.¹ The distribution network handles a diverse inventory, running from paper and pencils to toilet paper to medical supplies. The estimated total inventory value is \$99.8 billion, of which \$99.5 billion resides in Department of Defense (DOD) depots.² Some of the goods available through this network are produced pursuant to government-unique specifications as opposed to commercial item descriptions. In fact, commercial suppliers are often forced to charge the government higher prices due to idiosyncratic, and often superfluous, government specifications. In reality, many commercially available items are just as satisfactory as government-designed products, and are far less expensive.³

To obtain goods from government distribution networks, line managers prepare appropriate paperwork identifying desired products and submit the paperwork through an often elaborate approval process, which often includes senior officials and budget personnel. Procurement personnel then order the goods from the distribution centers. Much of this process is manual and paper-intensive.

The use of these federal depots and warehouses in the distribution network is mandatory for federal line managers for certain products or services. For example, goods and services provided by the Federal Prison Industries (FPI), National Industries for the Blind (NIB), and National Industries for the Severely Handicapped (NISH) are mandatory. Federal managers, logicians, suppliers, and federal auditors are increasingly critical of federal distribution systems. With increasing costs for labor, storage, handling, and distribution, federal depots and warehouses have begun to lose their inherent cost advantages. Moreover, significant improvements in automation and enhanced commercial delivery systems have reduced the viability and cost-effectiveness of federal distribution networks.⁴ Although use of federal government sources of supply, such as the General Services Administration (GSA), the Department of Veterans Affairs (VA), and the Defense Logistics Agency (DLA),

traditionally have been mandatory, these entities are aware they must compete and reduce costs by using alternative delivery systems.

NEED FOR CHANGE

Competition between federal depot systems and the private sector is giving the distribution system a healthy shake-up. Private sector delivery systems are now viable, customer-driven alternatives. By increasing the use of commercial sources of supply, federal organizations can improve service to their line managers by lowering costs from the manufacturer and delivering goods faster. Furthermore, in too many cases, the government abides by precise and voluminous prescriptions for even simple items such as ashtrays (where a recently published solicitation required 10 pages to describe specifications). Reliance on unique specifications precludes offers from the private sector of equal or better products and only ensures higher prices and burdensome paperwork. These circumstances, together with the benefit of private and public sector evaluations of distribution networks, show that significant changes are needed in the federal government's traditional distribution networks.⁵

The new focus needs to be on increased choices; increased use of information technology including electronic commerce for ordering and payment; innovative contracting strategies including leveraging of volume where cost-beneficial; use of third-party distribution strategies; establishment of longer-term relationships with vendors; and frequent use of the commercial marketplace to better meet government requirements. Mandatory supply sources should be retained only when required to ensure standardization (e.g., financial management systems on the Financial Management Software Schedule) or to achieve social policy goals. For example, the government should maintain contract coverage for high-demand services such as health

care, safety, and essential, time-critical supply needs of DOD.

Likewise, supply and customer agencies should voluntarily establish team pools to leverage aggregate purchasing to achieve significant cost savings. All agencies should review internal supply monopolies to ensure they are consistent with sound management practices and effectively serve agency needs.

The Federal Prison Industries' (FPI) mandatory source allows FPI to counter the dangerous effects of inmate idleness and to prepare prisoners for reintegration into society especially considering the rapid growth of the Federal inmate population. However, Federal agency dissatisfaction with the quality of FPI's service requires significant and immediate improvements in product delivery, and ultimately FPI should have to compete more like a private supplier. Agencies have indicated that promised delivery timeframes from FPI are already too long and generally unreliable. Agencies also confirm that other sources can provide equal or better products for less cost. For example, one agency indicated that it was required to buy systems furniture from FPI, even after pointing out that it would cost \$110,000 less from a commercial manufacturer. This same agency also was required to buy chairs from FPI with delivery in 6 months. However, 10 months later, the chairs had not yet been delivered.

FPI's normal delivery times are hardly compatible with most agency requirements, and unmet deadlines only frustrate line managers. In return for agency freedom of choice, FPI must be freed to compete with commercial vendors and improve delivery schedules by removing the requirement that FPI comply with the Federal Acquisition Regulation (FAR) when buying materials for production of its merchandise. Compliance with FAR impairs FPI's ability to compete with the private sector. FPI should issue its own acquisition regulations.

Additionally, contracting officers need legislative authority to contract with more than one source for the same item to ensure continuous delivery of critical goods and ser-

SUP03: IMPROVE DISTRIBUTION SYSTEMS TO REDUCE COSTLY INVENTORIES

vices. In turn, line managers will be satisfied that distribution systems are responsive, dependable, flexible, reasonably priced, and provide high-quality products.

ACTIONS

1. Permit customer choice in sources of supply. (1)

By September 1994, the Administrator, General Services Administration (GSA), and the Secretary, Department of Defense (DOD), should revise applicable regulations and directives to eliminate mandatory sources of supply, except when required for standardization pursuant to legitimate government specifications (e.g., financial management systems) or the achievement of socioeconomic policy goals. This should also affect the distribution systems of the Department of Veterans Affairs (VA). These changes should be timed to coincide with obligations under existing contracts. Furthermore, by December 1994, GSA, DOD, and VA should complete a plan to reduce the federal government's investment in central distribution facilities and government inventories. Finally, by December 1994, federal agencies should revise internal policies and procedures to eliminate mandatory sources except where there are compelling reasons to maintain them.

2. Compare depot distribution costs with commercial distribution systems. (1)

Agency heads should reduce their agencies' dependency on depot systems by contracting directly with vendors. Depot systems should only be used when there is an economic advantage, national security requirement, or socioeconomic policy goal. Governmentwide inventories should decrease accordingly.

3. Allow the Federal Prison Industries to compete commercially. (3)

Title 18 of the U.S. Code should be amended to allow the Federal Prison Industries (FPI) to act as a viable business by being statutorily exempted from the Federal Acquisition Regulation (FAR) and authorized to promulgate its own procurement regulations.⁶ With this mandate, FPI should be able to improve its service delivery time-frames and costs.

4. Eliminate the Federal Prison Industries as a mandatory source. (3)

Title 18 of the U.S. Code should be amended to eliminate the Federal Prison Industries (FPI) as a mandatory source.⁷ The Federal Acquisition Regulation and the Federal Property Management Regulation should also be revised to reflect this change. Implementation of this change would give line managers greater flexibility to meet agency deadlines and at reasonable costs.

5. Increase the use of electronic commerce for ordering from depot systems. (1)

All federal agencies, including those presently operating depot systems and warehouses (e.g., GSA, VA, DLA, FPI), should expand the use of electronic commerce for processing orders and payments.⁸

6. Increase the use of commercial item descriptions. (1)

All federal agencies, including those that currently operate depot systems and warehouses (e.g., GSA, VA, DLA), should increase the use of commercial item descriptions for required products in lieu of federal/military specifications. Greater reliance on commercial item descriptions would eliminate the need to write and maintain sophisticated specifications, and accordingly reduce product costs and increase competition.

7. Provide agencies with parallel contracting authority. (3)

The Federal Property and Administrative Act and the Armed Services Procurement Act should be amended to provide civilian and defense agencies with the authority to award more than one contract to satisfy supply or service requirements. The use of multiple contracts is necessary to maintain a continuous and reliable source of supply for critical items or services and to satisfy projected needs due to high demand for the supply or service.

8. *Identify innovative logistics models. (1)*

By December 1994, the Administrator, GSA, should identify other logistics models for acquiring goods and services that provide federal customers with non-mandatory sources at reasonable costs.

Cross References to Other NPR Accompanying Reports

Reinventing Federal Procurement, PROC13: Foster Reliance on the Commercial Marketplace; and PROC14: Expand Electronic Commerce for Federal Acquisitions.
Reengineering Through Information Technology, IT11: Improve Methods of Information Technology Acquisition.

Endnotes

1. Includes the Department of Veterans Affairs, Office of Acquisition and Material Management, Material Management Service (280 employees); Department of Defense (22,700 employees); and the General Services Administration, Federal Supply Service, Office of the Commissioner (1,099 employees).
2. Includes the Department of Veterans Affairs, Office of Acquisition and Material Management, Material Management Service (\$60 million); Department of Defense (\$99.5 billion) and General Services Administration, Federal Supply Service, Office of the Commissioner (\$251 million).
3. Center for Strategic and International Studies, *Integrating Civilian and Military Technologies: An Industry Survey* (Washington, D.C., April 1993).
4. See U.S. General Accounting Office, *General Services Administration: Increased Direct Delivery of Supplies Could Save Millions*, GGD-93-32 (Washington, D.C.: U.S. General Accounting Office, December 1992).
5. Interview with Associate Deputy Assistant Secretary for Acquisitions, Department of Veterans Affairs, Washington, D.C., May 1993.
6. Title 18, U.S. Code—Crimes and Criminal Procedures, chap. 307.
7. Ibid.
8. The timeframes for implementation of this action should be consistent with those identified in the NPR Accompanying Report *Reinventing Federal Procurement*, PROC14 : Expand Electronic Commerce.

SUP04: STREAMLINE AND IMPROVE CONTRACTING STRATEGIES FOR THE MULTIPLE AWARD SCHEDULE PROGRAM

BACKGROUND

The General Services Administration (GSA) manages the Multiple Award Schedule (MAS) program for the federal government.

Under this program, GSA negotiates and awards contracts to more than one vendor for services and comparable commercial products (e.g., office furniture, calculators, typewriters, appliances, and information technology items such as personal computers, peripherals, and off-the-shelf software). GSA then creates a schedule for a particular good or service identifying all vendors awarded contracts and the negotiated item prices. Additionally, GSA delegates authority to the Department of Veterans Affairs (VA) to negotiate and award single and multiple award contracts for pharmaceutical and medical items.

The goal of this program is to provide federal customers with a convenient, cost-effective mechanism for obtaining goods and services to support mission programs. Although use and sales under the MAS program are extremely high—1.8 million orders totalling \$4.9 billion—customers and other interested parties question its effectiveness.¹

Federal agencies obtain information about items for sale on the schedules in two

ways—through the automated system provided by GSA and through vendor catalogues. Both GSA and VA maintain mailing lists of agencies wishing to receive vendor catalogues either by product line or vendor. The vendors then use the lists to mail their catalogues directly to agencies. Agencies refer to the schedules, identify the vendor proffering the desired item at the lowest cost, and then submit orders and payments directly to the selected vendor. There are over 154 schedules in the MAS program. Of these schedules, 117 are mandatory for civilian federal agencies.²

Though the schedules facilitate the acquisition process by providing a readily available source of vendors and prices, agencies are still required to comply with the Federal Acquisition Regulation (FAR), Federal Information Resources Management Regulation (FIRMR), and the Federal Property Management Regulation (FPMR) when ordering from the schedules.

There are approximately 365 employees who manage the Multiple Awards Schedule program at GSA and VA.³ The GSA program is funded by direct appropriation; VA's is not. Agencies do not pay a service fee or increased product cost for items purchased from the supply schedules.

NEED FOR CHANGE

The Office of Management and Budget (OMB), the General Accounting Office, and the Office of the Inspector General question the effectiveness of the Multiple Awards Schedule program.⁴ They are particularly concerned that the government may be paying higher prices because of deficiencies in vendor-supplied information used in the negotiation process. Their concern is so significant that the MAS program is now on OMB's high-risk list which identifies weaknesses in federal programs that warrant the personal attention of the agency head and Congress to ensure correction.⁵

Agency personnel ordering from supply schedules complain that:

- It is difficult to readily identify desired items because the schedules include a vendors' full product line and the automated system's product-referencing capabilities are inadequate.
- Item price information in vendor catalogues is generally outdated. Agency personnel who do not use the automated information must call vendors to obtain current prices. This protracts the ordering process and delivery of required products.
- There are delays in replacing expiring contracts. Agencies must wait until GSA negotiates new contracts to replace the expired ones or expend administrative resources and time to purchase directly from the open market in lieu of using a schedule. In many cases, months pass before new vendors are identified for agency ordering.
- There are delays in adding new products for sale. This is particularly troublesome for federal agencies wanting to take advantage of the rapidly changing technology; and
- The procedures are different for acquiring IT items (e.g., personal computers, off-the-shelf software, and

related supplies) and other products from the schedules. The FIRMR currently requires that any IT acquisition over \$50,000 be announced in *Commerce Business Daily*. This lengthens acquisition timeframes and increases administrative processing costs of preparing the solicitation and review of bids received from non-schedule vendors. The negotiation process for selecting vendors for a supply schedule should ensure an appropriate level of competition without placing additional burdens on the acquisition process.

In addition, the acquisition process associated with the schedules program, as well as the entire federal acquisition process, is paper- and labor-intensive. A number of federal initiatives could serve as models for automation. For example, the Government Acquisition Through Electronic Commerce (GATEC) project in the Department of Defense (DOD) partially automates the acquisition process by using an electronic bulletin board. DOD entities use the electronic bulletin board to advertise their requirements, receive quotations from vendors, and issue purchase orders. According to DOD, this process significantly streamlines and expedites the acquisition process. It takes approximately five business days to conduct a procurement transaction under GATEC, whereas it may take 3 weeks or more under the normal acquisition process. GSA also has mandated that by October 1, 1993, all vendors with which it directly deals under the MAS program must receive orders electronically. In spite of such appreciable progress, other agencies have done comparatively little to automate their vendor interfaces.

Finally, products offered for sale under the MAS program should not be mandatory except when required by law, to ensure standardization, or where agencies voluntarily establish team pools to aggregate purchasing and achieve significant cost savings.

ACTIONS

1. Eliminate mandatory supply schedules. (1)

By August 1994, the Administrator, General Services Administration (GSA), should revise the Federal Property Management Regulation (FPMR) and Federal Information Resources Management Regulation (FIRMR) to remove any mandatory requirements for goods and services under the Multiple Award Schedule program (MAS). Mandatory sources should be retained only when required by law to support federal social policy programs, when standardization is necessary, or when aggregate purchasing would significantly reduce costs. This change would also affect contracts of the Department of Veterans Affairs. The Federal Acquisition Regulatory Council should also revise the Federal Acquisition Regulation to incorporate changes to the FPMR and FIRMR.

2. Eliminate the announcement requirements for IT acquisitions from supply schedules. (1)

By December 1994, the Administrator, GSA, should revise the Federal Information Resources Management Regulation to eliminate the announcement requirement in *Commerce Business Daily* for IT purchases from supply schedules.

3. Raise the maximum order limitations for IT acquisitions from supply schedules. (1)

By October 1994, the Administrator, GSA, should revise the Federal Information Resources Management Regulation to raise the ordering limitation for acquiring IT items off of supply schedules from \$300,000 to \$500,000 and provide a higher limit for individual items costing above \$500,000. GSA should implement this increase with the next round of schedule negotiations in order to achieve price discounts commensurate with the threshold increase.

4. Reduce the administrative burden for acquisitions under \$10,000 from supply schedules. (1)

By August 1994, the Administrator, GSA, should revise the Federal Property Management Regulation (FPMR) and the Federal Information Resources Management Regulation (FIRMR) to eliminate the requirement to compare other prices/vendors on items under \$10,000 on the supply schedules. This should simplify the acquisition process, in turn permitting agencies to allow line managers, rather than procurement personnel, to order directly from the schedules for small-dollar items. The Federal Acquisition Regulatory Council should revise the Federal Acquisition Regulation to incorporate changes to FPMR and FIRMR.

5. Accelerate the improvements to the automated Multiple Award Schedule system. (1)

By March 1995, the Administrator, GSA, and the Secretary, Department of Veterans Affairs, should complete improvements currently under way or planned for the automated Multiple Award Schedule system. A representative sample of customers who use the automated system should be surveyed to ensure that planned enhancements will facilitate the ease and use of the automated system. Any additional requirements identified by agency users should be incorporated into the current effort and completed by March 1995, if practical. Improved system automation should enhance ordering efficiency and timeframes and reduce administrative costs and paperwork burdens.

6. Identify and test innovative procurement strategies that reduce costs for goods under the Multiple Award Schedule program. (1)

By January 1994, the Administrator, GSA, should identify and begin pilot testing alternative procurement strategies to achieve greater cost savings and efficiencies under the Multiple Award Schedule (MAS)

program. These may include pilots in which GSA negotiates with experienced merchants (e.g., Wal-Mart and Price Club), whose business it is to effectively purchase commodity products, to provide federal customers with a variety of supplies or to pre-negotiate government price discounts for certain products for distribution by commercial vendors.

7. Pilot test innovative approaches under the Multiple Award Schedule program. (1)

By September 1994, the GSA Administrator should begin pilot tests under the Multiple Award Schedule program (MAS). These tests should be evaluated by an interagency group designated by the GSA Administrator and include information resources managers, procurement specialists, and line managers from federal agencies. The interagency group can determine the appropriateness of expanding the test concepts to the entire schedule program, as well as the appropriateness of increasing ordering limitations to \$1 million for IT items if these test concepts are adopted. Each proposed pilot tests the efficiencies of increased automation in the acquisition process, as well as one or more of the specific concepts below:

- the need for GSA to negotiate statutorily required contract terms and conditions or prices to be put on supply schedules;
- methods to increase competition; and
- methods to allow faster introduction of new products, especially IT items, to the federal government.

GSA should also integrate into these pilots the freedom for line managers to order directly from the schedules without having to go through procurement personnel; this can be accomplished in pilot (a). for items under \$10,000 and (c). using a small sample of line managers.

Following are the proposed pilots:

a. Use an electronic bulletin board for re-quote or spot bid procedures on items above \$100,000. GSA should continue to negotiate prices, as well as terms and conditions. Prices negotiated would be used by agencies to place orders up to \$100,000. The current procedures would be used in placing orders (the ordering agency selects the lowest priced item that meets its needs). For orders over \$100,000, the ordering agency would invite schedule contractors to lower their prices for the individual order using a re-quote procedure. The ordering agency would then select the lowest priced item based on the result of the re-quote process. The Price Reduction Clause would not be applied to orders that are placed through the re-quote process. This clause provides that if the contractor gives a customer (buying under like terms and conditions) a price that is lower than the schedule prices, the contractor must subsequently provide customers placing orders under the schedule the same price. GSA would make product and pricing information available to agencies electronically and provide a mechanism for the ordering agencies to conduct the re-quote process electronically as well. Information on all transactions would be posted on the bulletin board for reference by vendors and ordering agencies.

b. Use an electronic bulletin board for spot bid procedures for all acquisitions, regardless of dollar value. GSA would negotiate standard terms and conditions but not prices. Ordering agencies would post their requirements on an electronic bulletin board provided by GSA. Schedule contractors would quote prices for individual agency requirements. The ordering agency would then select the lowest priced item that meets its requirements and place the order. All transactions would automatically be posted on the bulletin board for reference by vendors and customers.

c. Test a fully electronic marketplace. GSA would negotiate standard terms and

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conditions but not prices. Schedule contractors' products and prices would be listed in an electronic marketplace. Ordering agencies would simply select the lowest priced item that meets their requirements and place the order electronically. Schedule contractors would be permitted to add new products and to change prices at any time. Adding new products and services would not require GSA's participation since vendors would certify under the original terms and conditions that new products would meet those same terms and conditions. Information on each order would automatically be posted in the electronic marketplace for reference by vendors and ordering agencies. This electronic marketplace would be a paperless operation similar to the National Association of Securities Dealers Automated Quotations (NASDAQ) or the London Stock Exchange electronic stock market. Full automation should confirm that the visibility of prices and competition for a share of the federal market will drive the prices to an appropriate competitive level and give line managers easy access to rapidly changing technology.

Cross References to Other NPR

Accompanying Reports

Reinventing Federal Procurement, PROC08: Reform Information Technology (IT) Procurements; PROC13: Foster Reliance on the Commercial Marketplace; and PROC14: Expand Electronic Commerce for Federal Acquisitions.

Improving Financial Management, FM04: Increase the Use of Technology to Streamline Financial Services.

Reengineering Through Information Technology, IT11: Improve Methods of Information Technology Acquisition.

Endnotes

1. Data provided by General Services Administration, Office of Acquisition Policy, as of July 1993.
2. Data provided by General Services Administration, Federal Supply Service, Office of the Commissioner and General Services Administration, Office of Acquisition Policy.
3. Consists of the General Services Administration's, Federal Supply Service and Office of Information Resources Procurement, and the Department of Veterans Affairs, Office of Acquisition of Materiel Management.
4. U.S. General Accounting Office, *Multiple Award Schedule Purchases: Improvements Needed Regarding Publicizing Agencies' Orders*, NSIAD-92-88 (Washington, D.C.: U.S. General Accounting Office, May 1992).
5. U.S. Office of Management and Budget, *High Risk Areas for Management Improvement, Fiscal Year 1992* (Washington D.C., 1993). This report identifies two activities of the General Services Administration: the Federal Supply Service and Information Resources Management Service Multiple Award Schedules.

SUP05: EXPAND AGENCY AUTHORITY AND ELIMINATE CONGRESSIONAL CONTROL OVER FEDERAL VEHICLE FLEET MANAGEMENT

BACKGROUND

The federal government, excluding the U.S. Postal Service, operates a fleet of 551,000 vehicles.

Annual governmentwide expenditures for vehicle fleet management—including acquisition, maintenance, operation, and disposal—are estimated at \$4.6 billion.¹

The General Services Administration (GSA) sets policy for fleet management through the Federal Property Management Regulation (FPMR). While agencies can buy or lease their own vehicles, GSA offers these fleet services on a cost-reimbursable basis to federal line managers. GSA has exclusive disposal authority for all government vehicles.

Congress establishes thresholds in agency appropriations on the type, number, and price of vehicles that can be acquired.

NEED FOR CHANGE

Currently, the line manager is faced with statutory, regulatory, and administrative barriers that preclude effective use and manage-

ment of vehicles. These barriers are evident in the acquisition, maintenance, and disposal processes.

In the acquisition arena, governmentwide replacement standards are not applied uniformly. The FPMR allows replacement of sedans after 6 years or 60,000 miles, whichever comes first. For the past several years, GSA has operated under its own waiver from the FPMR allowing it to replace sedans and station wagons every 3 years or 60,000 miles. In 1992, GSA issued a temporary regulation allowing all federal agencies to use the 3-year replacement cycle for sedans and station wagons provided they complete a cost-trade study that justifies this action.² GSA finds the 3-year replacement cycle to be cost-effective, yet it has not extended this waiver governmentwide without placing an administrative burden on agencies to perform independent studies.

In addition, the limitations Congress imposes on agencies through the appropriations process restrict agencies from determining their own priorities and needs, which often results in the inefficient use of vehicles. For example, statutory limitations on purchases of sedans and station wagons require agencies to use less efficient vehicles

such as vans and light trucks to transport passengers. Congressional limitations on the purchase prices for sedans and station wagons severely restrict the replacement and/or acquisition of security and law enforcement vehicles. The acquisition costs for these specialized vehicles normally exceeds congressionally authorized limits. In the maintenance arena, GSA operates a vehicle leasing program for use by federal agencies on a reimbursable basis. Agencies using this program find it to be highly efficient both in terms of service and cost. One criticism, however, involves the current limitation on the U.S. Government National Credit Card that is used solely for GSA's leasing program. GSA requires government employees who use leased vehicles to use this card for emergency repairs and fuel purchases. The current limit is \$50 for any emergency repair action. Repairs over \$50 require prior approval from a GSA control center. It has been years since a simple vehicle repair, such as the replacement of a battery or tire, has cost less than \$50. The requirement should account for current prices.

Agencies are required to use GSA for the disposal of agency-owned vehicles. The use of a third party—GSA—naturally delays the vehicle disposal process, which often results in the loss of proceeds from increased depreciation, as well as the expenditure of additional funds for storage and reconditioning. Agencies should have a choice in determining the best method for disposing of vehicles.

The President's Council on Management Improvement (PCMI) studied the federal government's vehicle fleet management practices and identified numerous areas for improvement. The PCMI comprised line managers from most of the large federal agencies. As a result, recommendations were made dealing with acquisitions, operations, maintenance, disposal, alternative cost comparison studies, and future analyses of the federal fleet program. This study has been accepted by GSA and the Office of Management and Budget. Additionally, the National Performance Review endorses

implementation of the PCMI recommendations.³

ACTIONS

1. Update vehicle replacement standards. (1)

By December 1993, the Administrator, GSA, should revise the Federal Property Management Regulation (FPMR) to reflect a governmentwide vehicle replacement requirement (e.g., 3 years or 60,000 miles) for all government-owned sedans and station wagons. GSA should immediately initiate a pilot study on reduced replacement cycles for light trucks and vans and revise the FPMR to reflect the study results. This would ensure that vehicle replacement is consistent and based on data guaranteeing the best return on investment.

2. Eliminate appropriation language limitations on government vehicles. (3)

The specification in agency appropriations of limitations on the type, number, and purchase price of new vehicles, including law enforcement and security vehicles, should be eliminated. Agencies should decide on the type and number of replacement vehicles based on available funding and within the context of the entire appropriation and agency needs and priorities.

3. Increase emergency repair limits. (1)

By January 1994, the Administrator, GSA, should revise the internal fleet management policy to raise the emergency repair limit to \$150 on the U.S. Government National Credit Card without prior approval. This modification would simplify and expedite the process without jeopardizing vehicle warranties.

4. Provide incentives and authorize agencies to dispose of agency-owned vehicles. (3)

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The Federal Property and Administrative Services Act should be revised to give federal agencies the authority to dispose of agency-owned vehicles. The revised legislation should retain the provision that allows agencies to use the proceeds from sold vehicles to purchase new ones. This would give agencies options when disposing of vehicles, spur quick disposal, and save additional costs of storage and reconditioning.

Endnotes

1. Data provided by the U.S. General Services Administration, Office of Transportation and Property Management, Fleet Management Division.
2. See Federal Property Management Regulation (FPMR) G-55, Temporary, January 28, 1992.
3. Data provided by the U.S. President's Council on Management Improvement, "Recommended Improvements for Federal Motor Vehicle Fleet Management," Federal Agencies' report to the President's Council on Management Improvement, Washington, D.C., July 1992.

SUP06: GIVE AGENCIES AUTHORITY AND INCENTIVE FOR PERSONAL PROPERTY MANAGEMENT AND DISPOSAL



BACKGROUND

Personal property includes a wide range of government items such as chairs, desks, calculators, personal computers, lab equipment, etc. It does not include real property and real property-installed equipment. The disposal of excess personal property is a costly burden for the line manager. Valuable operating and storage space within an agency's facilities may be tied up for prolonged periods of time simply to store excess property that is in the disposal process. Furthermore, with few exceptions, agencies must use the General Services Administration (GSA) to dispose of excess property. In fiscal year 1992, GSA processed 1.7 million line items of excess personal property.¹ This included:

- \$1.1 billion of property transferred to other federal agencies,
- \$604 million of property donated to eligible recipients (e.g. state and local governments and nonprofit organizations); and
- \$156 million in sales of surplus property.²

The current screening requirements, donation priorities, and sales methods are mandated by law to meet social policy objectives and are implemented by GSA through the Federal Property Management Regulation (FPMR). The combination of the legal and regulatory requirements and the manual disposal process incur excessive costs and lengthy timeframes for property disposal. Further, there are no incentives for agencies to dispose of surplus personal property because they are prohibited by law from retaining sales proceeds. Instead, proceeds are returned to the Treasury's general fund.

NEED FOR CHANGE

The disposal of excess personal property does not require special expertise; this discounts the need for GSA to be a monopoly for personal property disposal. Moreover, there is no automated process to expedite the screening of excess property governmentwide or by entities that can obtain property through the disposal process. The heavy reliance on manual processes only delays an already overburdened disposal process and increases agency disposal costs.

Agencies have cited numerous examples of delays of up to one year to dispose of old office furniture or technologically obsolete computers and peripherals with current values of less than \$5,000.³

Finally, the legislative impediment precluding retention of disposal proceeds gives no incentive to agencies to quickly dispose of excess property.

ACTIONS

1. Eliminate the monopoly on personal property disposal services. (1)

By August 1994, the Administrator, General Services Administration (GSA), should revise the Federal Property Management Regulation (FPMR) to allow agencies to dispose of excess or surplus property. The FPMR should also be revised to allow for the concurrent screening of excess property by federal agencies and state and local governments, with federal agencies having the right of first choice. While the benefits from this recommendation are limited by the statutory requirements and social priorities for property disposal and donation, the recommended changes will encourage timely disposals.

2. Automate the personal property screening process. (1)

By April 1994, Administrator, GSA, should develop and implement a mandatory electronic bulletin board on which agencies must advertise their excess or surplus property. The bulletin board would be a cost-effective tool for the existing screening process.

3. Provide incentives to agencies to dispose of excess personal property. (3)

The Federal Property and Administrative Services Act should be amended to (1) allow agencies to retain the proceeds from the sale of excess property not transferred or donated; and (2) spend funds to recondition property if this would increase sales value.⁴ Agencies would thus have an incentive to quickly dispose of excess property, reduce disposal costs, and maximize profits.

Endnotes

1. A line item equates to one type of item being disposed of, regardless of volume, e.g., one or 1,000 desks.

2. The value of the excess property cited in the paper is based on original acquisition costs, not current value. Data provided by the General Services Administration, Office of Transportation and Property Management, Property Management Division, as of July 1993.

3. Interviews with federal agency line managers and senior executives, April and May 1993.

4. Title 40, U.S. Code, *Federal Property and Administrative Services Act of 1949*, as amended, 485.

SUP07: SIMPLIFY TRAVEL AND INCREASE COMPETITION



BACKGROUND

Travel by civilian personnel in federal agencies is governed by the Federal Travel Regulation (FTR). The General Services

Administration (GSA) is responsible for establishing travel policy through the FTR. Federal agencies generally supplement the FTR by promulgating internal policies and regulations even though governmentwide travel rules and regulations are fairly specific, with little room for interpretation. For example, one agency issued 300 pages of internal regulations to interpret 200 pages in the FTR, yet issued a simple help guide for its own employees. Because of their unique missions, the Department of Defense (DOD) and the Department of State have different regulations providing guidance to uniformed service members and foreign service personnel.

In addition to duplicating the travel regulations that GSA issues, most if not all agencies use valuable resources to request decisions from the Comptroller General (CG) on relatively minor travel expenditures.¹ The CG also expends staff resources to research and respond to such agency requests. For example, one agency asked the CG whether a special agent-in-charge who presented a plaque and commendation to a local police chief at the latter's retirement

dinner could be reimbursed for the \$35 cost of the banquet. Culminating a decisionmaking process far exceeding \$35, the CG stated in a three-page decision that the meal was incidental to the ceremony and the agent could be reimbursed the cost of the banquet.

The administrative requirements associated with the travel program are extensive. For each trip, the traveler must prepare a travel authorization to be approved by higher level management and financial management personnel who ensure the availability of travel funds. After the travel has been completed, the traveler must complete a detailed travel voucher, which is again signed by higher level management, audited by technicians specifically trained on the travel regulations, accounted for in the financial ledgers, and processed for payment. Some agencies have automated certain aspects of the travel process, but for many others, it remains paper- and labor-intensive.

NEED FOR CHANGE

Each year, GSA negotiates unrestricted fares with airlines for federal travel between various cities. This competitive process enables the federal government to save a great deal of money from the published airfares without paying penalties for the changes to itineraries commonly made by

federal travelers. However, GSA limits the types of routes for bidding, and as a result airlines frequently bid routes that are circuitous or otherwise inconvenient for travelers (e.g., Washington, D.C., to Tampa, Florida, via Detroit, Michigan).

Consequently, travelers must either extend their travel time or justify more expensive routes not covered by the negotiated airfares.

The commercial sector offers a number of off-the-shelf software packages that specifically automate the federal government's travel process. Furthermore, federal agencies also have developed programs to automate their travel processes. Automation of federal travel processes would minimize the paperwork burden, standardize the process, reduce errors, speed reimbursements to travelers, and allow line managers to better manage travel budgets by providing timely information on travel expenditures. Despite the ready availability of automation tools, many federal agencies still rely on the labor- and paper-intensive processes.

In addition, the detailed travel regulations leave managers with little flexibility to exercise common-sense business judgment and, in some cases, make them spend more money than necessary. During a visit by the Vice President to the Department of Interior, an employee explained that she had volunteered to travel on government business using her own frequent-flier ticket, but that it required her to stay over Saturday night, in effect adding a sixth day to her work week. When she filed her travel voucher, she requested reimbursement of \$38 for the Saturday stay. Her claim was rejected in spite of the fact that the government would have paid several hundred more dollars for plane fare than the extra \$38 if the employee had not been willing to use her own frequent-flier ticket.

The detailed travel regulations also give rise to the need for staffs at agencies and the CG's office to address situations that invariably arise and that are not specifically covered in the FTR. Line managers and agencies are wary of being accused of inter-

preting or violating travel regulations, so they just pass the questions, normally involving small amounts of money, up the management chain or to the CG for decision.

ACTIONS

1. Streamline the travel regulations. (1)

By September 1994, the Administrator, GSA, should streamline and simplify the Federal Travel Regulation (FTR). GSA should designate a task force of agency travel specialists, managers, and a cross-section of federal employees who travel frequently to participate in rewriting the FTR. The intent of the FTR rewrite should be to (1) adequately address travel issues on a governmentwide basis, (2) streamline and minimize the administrative paperwork requirements, (3) provide maximum flexibility to line managers, (4) delegate to the lowest feasible managerial level the authority to make travel decisions, e.g., approve expenditures up to \$1,000 without higher management approval; and (5) minimize the need for agencies to supplement the FTR with additional internal policies and regulations. The revision of the FTR should be coordinated, as appropriate, with similar efforts by the Department of Defense for military travelers and the Department of State for foreign service travelers. If possible, all three sets of travel regulations should be consistent in format and policy, except where prohibited by statute.

2. Increase choices for federal travelers. (1)

Beginning with the solicitation to be issued July 1994, the Administrator, GSA, should increase the city pair contracts to offer more choices (e.g. nonstop, no change of plane, etc.). This should provide federal travelers with increased flight choices to meet travel schedules at the lowest possible rates.

3. Pilot test a tender system for airfares. (1)

By December 1995, the Administrator, GSA, should pilot test, in a reinvention laboratory context, the use of a tender system, similar to the trucking industry's, to establish airfare rates. Under the tender system, each airline should submit discount percentages to be applied to published coach rates for a city-pair for each class of service—e.g., non-stop, direct with stop(s), one-stop with change, multiple-stops with change(s)—valid for a stated period of time. Airlines may update their rates (e.g., airfare goes up from \$300 to \$325) during the stated effective period but the discount percentages must stay the same or be increased (e.g., 10 percent discount stays the same or becomes 12 percent). This system could potentially increase competition and reduce airline fares for federal travelers, as well as give agencies greater flexibility in managing their travel requirements. GSA should provide airlines with as much information as possible to allow each airline to bid the best discount percentage. Continuous competitive pressure on the discount percentages should follow from airlines hav-

ing online access to the percentages offered by their competitors. GSA should compare the pilot test with the current method of negotiating discounted, fixed-dollar rates to determine which is more cost-effective.

4. Automate the travel process. (1)

Federal agencies should automate their travel administration processes (travel authorization, voucher preparation, voucher auditing, payment, and accounting) by using readily available off-the-shelf software or software developed by other federal agencies. The selected software should meet OMB's minimum functional requirements.² The automation of travel processes would free travelers and clerical personnel from paperwork burdens, reduce errors, expedite the travel reimbursement process, accelerate accounting, and improve management oversight of the travel budget.

Endnotes

1. Comptroller General, U.S. General Accounting Office.
2. Joint Financial Management Improvement Project, *Travel System Requirements* (Washington, D.C., January 1991).

REAL PROPERTY SERVICES



INTRODUCTION



THE CURRENT PROCESS

Real property and related services are a necessary component in the delivery of government services and programs. The government owns real property assets with an original cost of about \$188 billion and leases space costing approximately \$2.5 billion per year.

A number of federal agencies provide real property support services through internal monopolies. That is, the Department of State provides foreign diplomatic properties; the Department of Veterans Affairs owns veterans hospitals; and the Department of Justice holds prison properties. Office space is provided by a central monopoly—the General Services Administration (GSA). In addition to being the primary provider of office space and services, GSA promulgates and enforces policies on federal agency space usage.

PROBLEMS WITH THE CURRENT PROCESS

From a services standpoint, the current monopoly structure fails to provide adequate performance incentives. Line managers who need real property services to fulfill government functions lack the authority to take their business elsewhere. Consequently, the providers of real property and related

services can lack the motivation to satisfy their customers at the lowest possible cost. Only a competitive environment can truly instill that kind of motivation.

From an asset management perspective, there is little incentive to maximize the yield of the government's enormous investment in real property. For example, agencies do not share in any income derived from the use of the assets under their charge. As a result, there is no motivation to think and act like an owner.

The mixed roles of service provider and enforcer played by GSA only ensure that neither job is done well. Customers will always resent someone else deciding what is best for them, particularly when it is the same organization providing the service.

A VISION FOR A NEW REAL PROPERTY PROCESS

The future of real property services is to give agency customers greater authority to make their own decisions on how to spend funds allocated for those services. Customers will be able to avail themselves of a full array of competitive alternatives, including GSA, for the delivery of real property services. The creation of an ownership enterprise or "asset manager" will further ensure strategic use of the government's portfolio of real property assets.

SUP08: GIVE CUSTOMERS CHOICES AND CREATE REAL PROPERTY ENTERPRISES THAT PROMOTE SOUND REAL PROPERTY ASSET MANAGEMENT

BACKGROUND

The federal government's real property holdings are immense, highly diversified, and located worldwide. The General Services Administration (GSA) reports that as of September 30, 1989 (the most recent date for which figures are available), the federal government owned more than 650 million acres of land and over 450,000 buildings encompassing nearly 3 billion square feet of space. The original acquisition cost of this property is estimated at more than \$188 billion. In addition, as of that date, the federal government leased nearly 1.5 million acres of land and over 270 million square feet of buildings.¹ These real property holdings are controlled by 26 different federal agencies, each of which possesses some form of authority to acquire, manage, and/or dispose of real property.

More remarkable perhaps than the scope and magnitude of the real property holdings

is the government's lack of a successful asset management program. There exists no estimate of the current value of the government's real property assets and no clear strategy to maximize the value of those assets for the benefit of the taxpayer.² More importantly, there is no system of incentives to encourage the federal government to capture the full value of its enormous investment in real property assets.

Federal agencies that require real property, such as general-purpose office space, to accomplish their missions have little choice in their source of supply. In effect, monopolies exist for providing each kind of real property and related services that agencies need. GSA was created in 1949 to be the government's central management agency with primary responsibility for, among other things, acquiring, managing, and disposing of general-purpose real property.³ As a result, with the principal exception of post office and military facilities, GSA has a monopoly on the provision of general-purpose space.

Other agencies, such as the Departments of State, Veterans Affairs, and Justice are monopoly providers for a variety of other types of space.

Monopolies are characterized by central control, inflexibility, and inefficient asset management. They also inhibit the achievement of total customer satisfaction. The various federal real property monopolies were established during a time when central control appeared to offer benefits. Today, there is no evidence that such monopolies are best suited to provide real property and related services. In addition, there has been a pattern of criticism of federal real property activities and programs in recent years emanating from a number of sources, such as the General Accounting Office, which indicates a lack of strategic thinking in managing the federal government's real property.⁴ Of late, the real estate industry has questioned GSA's market strategy, particularly because the agency continues to construct office space in glutted markets.⁵ The procurement, management, and disposal of real property assets occur in an environment characterized by diminished government resources, changing priorities for the use of those resources, dynamic technological innovations, changing private sector capabilities, an expansion of market alternatives, and the prevalence of successful business management models that stress decentralization and increased delegation of authority.⁶ Existing real property monopolies are not equipped to operate in such an environment.

Perhaps the best known federal real property monopoly is that held by GSA for the provision of general-purpose space. The Public Buildings Service (PBS), a major organization within GSA, was formed for the purpose of administering GSA's real property franchise. Virtually every federal agency must obtain its general purpose space and related services through PBS.

The financial foundation of PBS is the Federal Buildings Fund (FBF). The FBF is the account into which agency rents are deposited. PBS cannot make use of the

funds in the FBF until their expenditure has been authorized and appropriated by Congress for specific purposes. Projects of significant magnitude require authorization by Congress. The law requires that appropriations shall not be made to construct, alter, purchase, or acquire any building to be used as a public building⁷ that involves an expenditure greater than \$1,650,000 unless approved by resolutions of the House and Senate Public Works Committees. The same requirement applies to leases costing more than \$1,650,000 per year, and to alterations of leased space costing in excess of \$800,000.⁸ To obtain such approval for public buildings, project proposals known as prospectuses are submitted to Congress. This prospectus process is a means of congressional oversight focusing on individual transactions rather than on overall agency performance.

NEED FOR CHANGE

Federal line managers need to be freed from monopoly providers and given greater flexibility and choice in the acquisition of their space and real property services. They need to be accountable for space costs in the same way they are accountable for all other costs necessary to accomplish their missions. GSA, as the government's most visible provider of real property, is well positioned to serve as a model for implementing new federal real property asset management and service provision principles. GSA employs almost 10,000 people in real estate activities in PBS and its Federal Property Resources Service.⁹ GSA, as custodian of approximately 8 percent of the government's real property holdings (excluding land), embodies a system the nature and size of which can be redesigned to engender sound asset management strategies and tactics. GSA is responsible for over 50 percent of the office property occupied by the government worldwide. The lessons learned by using GSA as a model for the efficient provision of real property and related services can

be used to determine the pattern and pace of implementation for other federal real property programs.

A restructuring of GSA is necessary to separate the incompatible roles of service provider and regulator, and to create incentives for providing profitable, high-quality service and asset management at the lowest possible cost. The agency culture should be focused on finding the best ways to satisfy the customer and get the job done rather than on conformance to processes and rules.

A rational and efficient system for the provision of real property and related services should embody certain fundamental principles. First, it should recognize that the authority, responsibility, and accountability for accomplishing an agency mission should rest with the head of that agency. Agency heads should have the ability to identify and allocate resources—including real property—so that they can achieve the mission for which they are responsible. Second, the federal government needs sound asset management principles for its real property portfolio that maximize the use and value of its real property investments. Third, real property services provided to agencies should be of the highest quality and available at the lowest possible cost. Finally, the management of the government's real property assets should foster design excellence commensurate with the role of the federal government.¹⁰

Some foreign governments and American corporations have, in large measure, institutionalized these principles by moving beyond structures of central monopoly providers of real property and related services.¹¹ In their place, fully competitive, non-monopolistic real property enterprises have been established. These enterprises provide motivations and incentives to achieve the best service possible and to get full value for every dollar spent on and invested in real property.¹² However, adoption of these new models for providing real property support services is not without some disruption.¹³

Government personnel will be challenged in moving from the monopoly to competi-

tive environments. There is also the prospect of users choosing to move out of properties owned by the government, thereby affecting the value of those assets. Generally, organizations that have chosen to make the changes believe that the benefits substantially outweigh the costs.¹⁴

Real property enterprises created to achieve maximum efficiency should be fully competitive with alternative providers of real property services. Therefore, barriers to the competitiveness of these enterprises should be eliminated. The two most significant barriers are the prospectus approval process and the lack of commercial-equivalent flexibility in the FBF.

A need exists to provide Congress with improved real property oversight mechanisms consistent with a system that embodies agency choice, the use of true asset management principles, and the provision of real property and related services by competitive organizations. The current prospectus approval process will not satisfy this need. In its place, a more strategic process should be substituted that provides Congress and others with legitimate oversight authority and business plans that focus on how real property decisions meet strategic investment objectives in specific markets or communities. Strategic business plans should delineate needs, objectives, and performance measures, and should provide the flexibility necessary to undertake rational transactions in the government's best interests. In other words, such business plans should not lock the government into a particular transaction structure that limits options and puts taxpayer money at unnecessary risk.

In addition to changes in the congressional oversight process, substantial changes are needed to the FBF to provide a businesslike financial system to support more commercially comparable structures. The FBF should be a true enterprise fund where funds may be expended from revenues without prior authorization or appropriation.

To accommodate different rent structures, the FBF should be reorganized to permit an

REAL PROPERTY SERVICES

accumulation of capital to cover operations, maintenance, repairs, and alterations, but not new construction or acquisition. Funds for new construction and acquisition should generally come from receipts from the disposal of federal real property, direct appropriations, or other financing mechanisms.

To the extent that the government requires the ownership or real property service enterprises to perform functions that are not reimbursable, the enterprise should be directly subsidized. For example, if the government requires the retention of properties for their historical or environmental value, then the government should appropriate separately the cost of carrying that property.

A system of incentives for aggressive asset management should be woven throughout the FBF. Such incentives are necessary to ensure top performance by federal managers. For example, allowing the retention of proceeds will encourage managers of real property assets to quickly dispose of property and leverage underperforming assets in other valuable ways.

ACTIONS

1. Give agencies greater authority to choose their sources of real property services. (1)

By October 1994, the Administrator, General Services Administration (GSA), should delegate to all federal agencies the authority to lease their own general-purpose space and to acquire independently the real property services they need (e.g., acquisition, operations and maintenance, design and construction). The delegations should be without restrictions for smaller amounts of space, as defined by the planning group provided for in Action 7, below. For larger amounts of space, the delegations should be subject to the asset management principles articulated by the planning group.

Legislation should be enacted to permanently authorize agencies to lease

space and acquire real property services independently.

2. Create competitive enterprises to provide real property services on a fee basis. (1)

By April 1994, the Administrator, GSA, should begin to establish competitive enterprises to deliver the services GSA currently provides (e.g., leasing, space planning, relocation, development, design, construction, etc.). The enterprises should be fully operational by December 1994. Services of the enterprises should be marketed to agencies and funded from fees paid by agencies. Agencies should have the ability to use the competitive enterprises or alternate public or private sources. The timing of agencies' ability to access private markets for particular services should coincide with GSA's establishment of a competitive enterprise for that service. The competitive enterprises should make maximum use of modern information technology (e.g., electronic bulletin boards) to enhance the ability of all private sector firms to compete for such business and to make agencies aware of the many choices available to them in the marketplace.

3. Create centers of expertise for real property services. (1)

By January 1994, the Administrator, GSA, should designate existing functions as centers of expertise (e.g., architectural design, planning, energy conservation, child care and fitness facilities, building operations, budgeting for major repairs and alterations, and training for real estate and facilities personnel). The centers should be fully operational by October 1994. These centers of expertise should provide, through internal and/or external resources, consultation and guidance to agencies for free or at cost.

4. Create a customer service organization for real property services in GSA. (1)

**SUP08: GIVE CUSTOMERS CHOICES AND CREATE REAL
PROPERTY ENTERPRISES THAT PROMOTE
SOUND REAL PROPERTY ASSET MANAGEMENT**

By January 1994, the Administrator, GSA, should establish an organization of client (agency) account managers to act as single points of contact and responsibility for coordination with GSA and access to its services. Account managers should be readily available for agencies to use at no cost in the facilities planning and space utilization process that supports their missions. Account managers should support strategic planning for management of the government's portfolio and ensure that agencies have continual awareness of current and future alternatives within the federal portfolio.

5. Provide agencies with information about all possible real property alternatives. (1)

Beginning April 1994, GSA should act as a clearinghouse to offer agencies alternatives that satisfy agencies' real property requirements. These alternatives should encompass assets in the government's portfolio, or other assets the government may construct or otherwise acquire. Alternative assets may be those held by other entities of the federal government (e.g., the Department of Veterans Affairs, the Department of Defense), as well as those held by state and local governments, or private sector properties in the custody of the Resolution Trust Corporation, the Federal Deposit Insurance Corporation, or in the control of financial institutions such as banks and insurance companies.

In fulfilling this clearinghouse function, GSA should make maximum use of government programs, databases, and geographic information systems that can supply information relevant to real property decisions. For example, GSA should consider using digitized satellite imagery available through the government's LANDSAT program in conducting site searches and evaluations.

6. Create an enterprise for the sound management of federal real property assets. (1)

By October 1994, the Administrator, GSA, should create an ownership enterprise (the "asset manager") to hold title to and manage the government's portfolio of general-purpose real property assets and obligations. This enterprise should be fully operational by October 1994 and should act like an owner/investor managing the government's general-purpose assets for the optimum return to the public.

The asset manager should offer to agencies incentives to encourage them to occupy federal portfolio properties. Such incentives may include a new rent structure that offers below-market rent and accelerated acquisition periods.

If the asset manager believes a viable, lower cost alternative for an agency requirement exists within the federal portfolio and an agency wishes to execute an alternative transaction, the asset manager should have the ability to have the proposed transaction reviewed by an external board. The board should consider the respective needs of the agency and the asset manager. The external board should be composed of representatives of GSA, the Office of Management and Budget, and client agencies. The board should be authorized to waive the usual asset management guidelines, if appropriate.

7. Establish governmentwide policy for real property asset management. (1)

By January 1994, the Administrator, GSA, should convene a planning group composed of representatives from OMB, governmentwide real property stakeholders, and the private sector with expertise in real property to establish governmentwide policy for real property asset management. By April 1994, the planning group should develop asset management principles to guide the ownership enterprise. The planning group should address, at a minimum, such issues as existing assignments in leased space; occupancy in space with unamortized tenant improvements; classes of actions not subject to federal portfolio analysis; subsidies for retention of historic properties; and location

criteria stemming from public and/or social policies articulated by law or executive order.

8. Establish performance benchmarks for the real property enterprises. (1)

By October 1994, the Administrator, GSA, should establish commercially comparable performance benchmarks for the competitive service and asset management enterprises. The enterprises should be operated like private businesses. As such, they should have performance measures comparable to their commercial counterparts. This should provide oversight organizations with ways to measure the overall performance of the enterprises, rather than the current transaction-by-transaction approach.

9. Commercialize the Federal Buildings Fund. (3)

Legislation should be enacted to permit the Federal Buildings Fund (FBF) to be used by the asset manager in a manner comparable in all respects to similar commercial enterprises. The FBF should be engineered to:

- maintain a balance sheet, operating statement, and cash flow statement that fairly reflect the capital conditions of the various real property assets under the control of the asset manager; the revenues, incomes and expenses of the assets; and the impact of operations, investment, and financing on the assets' cash flows;
- clarify that the current statutory requirement that rents approximate commercial charges includes rents on owned assets determined by the asset management enterprise in negotiations with lessees to optimize investment yields, as commercial owner/investors do;
- provide for the receipt of federal subsidies to the FBF for noncommercial mandates such as historical preservation and environmental considerations;
- substitute for prior authorization and appropriation of FBF expenditures and investments the use of business plans based upon sound investment strategies comparable to those used by commercial enterprises;
- support the use of commercially sound *pro formas* in developing business plans;
- provide for the retention of cash or other proceeds received from the disposal or other use of assets; and
- provide for separate accounting and financial management for the real property services enterprises.

10. Promote competition between existing real property service providers. (2)

By January 1994, the Director, OMB, should issue a directive promoting competition for the federal government's real property business among those federal agencies currently providing such services (e.g., the Army Corps of Engineers, Department of Veterans Affairs, GSA). The directive should encourage managers seeking real property services to look beyond their immediate internal suppliers to find the best available source among government providers.

11. Eliminate statutory impediments to the ownership enterprises. (3)

Legislation should be enacted to eliminate statutory impediments to the new enterprises. If the enterprises are to be held accountable for their performance, they should be permitted to perform in a businesslike manner. Congress should enact legislation eliminating the existing process of reviewing and approving prospectuses transaction-by-transaction and substitute a process involving the review of strategic business plans that establish real property needs and objectives in specific communities and markets, and provide for flexibility and performance measures in the satisfaction of those needs.

Cross References to Other NPR

Accompanying Reports

Improving Financial Management, FM12: Manage Fixed Assets Investments for the Long Term.

Endnotes

1. U.S. General Services Administration, Public Buildings Service, "Summary Report of Real Property Owned by the United States Throughout the World as of September 30, 1989," Washington, D.C., September 30, 1989.
2. Interview with John V. Neale, Assistant Commissioner, Federal Property Resources Service, GSA.
3. *Federal Property and Administrative Services Act of 1949*, as amended; Pub. L. 152, Ch. 288, 63 Stat 377.
4. U.S. General Accounting Office, *Building Purchases: GSA's Program Is Successful but Better Policies and Procedures Are Needed*, GGD-90-5 (Washington, D.C.: U.S. General Accounting Office [GAO], October 31, 1989); and U.S. General Accounting Office, *GSA: A Central Management Agency Needing Comprehensive Congressional Oversight*, T-GGD-92-3 (Washington, D.C.: GAO, October 29, 1991).
5. Based on a series of roundtable discussions with industry representatives held around the nation between June 21 and July 2, 1993.
6. U.S. General Services Administration, "Real Property: Planning, Acquisition, Management and Disposal," Washington, D.C., undated, GSA working paper.
7. Section 13 of the *Public Buildings Act Amendments of 1959*, Pub. L. 86-09249, Sept. 9, 1959, defines public building as "any building, whether for single or multi-tenant occupancy, its grounds, approaches, and appurtenances, which is generally suitable for office or storage space or both for the use of one or more federal agencies or mixed ownership corporations, and shall include: (i) federal office buildings, (ii) post office, (iii) customhouses, (iv) courthouses, (v) appraisers stores, (vi) border inspection facilities, (vii) warehouses, (viii) record centers, (ix) relocation facilities, and (x) similar federal facilities, and (xi) any other buildings or construction projects the inclusion of which the President may deem, from time to time

hereafter, to be justified in the public interest; but shall not include any such buildings and construction projects: (A) on the public domain (including that reserved for national forests and other purposes), (B) on properties of the United States in foreign countries, (C) on Indian and native Eskimo properties held in trust by the United States, (D) on lands used in connection with federal programs for agricultural, recreational, and conservation purposes, including research in connection therewith, (E) on or used in connection with river, harbor, flood control, reclamation or power projects, or for nuclear production, research, or development projects, (F) on or used in connection with housing and residential projects, (G) on military installations (including any fort, camp, post, naval training station, airfield, proving ground, military supply depot, military school, or any similar facility of the Department of Defense), (H) on Veterans Administration installations used for hospital or domiciliary purposes, and (I) the exclusion of which the President may deem, from time to time hereafter, to be justified in the public interest."

8. Sec. 7, *Public Buildings Act of 1959*, as amended; Pub. L. 86-249, Sept. 9, 1959. The thresholds noted are in effect through the end of 1993. These thresholds are changed annually based upon changes in the Consumer Price Index.
9. U.S. General Services Administration, *Monthly Report of Paid Employment: Fiscal Year 1993—une 30, 1993* (Washington, D.C., June 1993), p. 3.
10. Discussion with the Vice President, July 15, 1993.
11. Data dealing with alternative real estate support structures in Australia, Canada, Great Britain, and Sweden was provided by the U.S. General Accounting Office. Also see, The Industrial Development Research Foundation, *Strategic Management of the Fifth Resource: Corporate Real Estate, Corporate Real Estate 2000—Phase 1*, Report No. 49, May, 1993.
12. Mellors, John, "Commercialization of Administrative Services: Who Gains When Users Pay?," Hobart, 26-28, May 1993.
13. The Industrial Development Research Foundation.
14. Interviews with senior Australian officials on July 23 and 24, 1993.

SUP09: SIMPLIFY PROCEDURES FOR ACQUIRING SMALL BLOCKS OF SPACE TO HOUSE FEDERAL AGENCIES

BACKGROUND

The procedures used by the government to acquire large leases are essentially similar to those used to acquire small leases. The contract clauses, solicitation provisions, and most of the administrative procedures used to acquire a lease for 1 million square feet are also required to acquire a typical lease of 5,000 square feet.¹ As a result, the cost of acquiring a small lease is disproportionate to its size. Moreover, the overall cost of acquiring small leases far outweighs the relatively small percentage of total leasing costs that small leases represent.

To gain perspective on the scope of this problem, one need only look at how it affects the General Services Administration (GSA). GSA was established in 1949 to be the federal government's central management agency for, among other things, acquiring, managing and disposing of real property.² GSA is primarily responsible for leasing general-purpose office space to house federal agencies. GSA administers approximately 6,718 leases representing 120 million square feet of office space with an annual rental cost of \$1.9 billion and a total rental cost, over the full term of the leases, of

approximately \$18.1 billion. Seventy percent of these leases are for blocks of space smaller than 10,000 square feet, which are considered small leases. The annual cost of these small leases is approximately \$282.2 million, or 15 percent of the annual rental cost of all GSA leases. The rental cost of small leases over their full term is approximately \$2.1 billion, or only 11.6 percent of the total rental cost of all GSA leases over their entire term.³ Thus, even though small leases account for a majority of GSA's leases, they represent a relatively small proportion of total leasing costs.

In order to promote efficiency and economy in contracting, and to avoid placing unnecessary burdens on agencies and contractors, the Federal Property and Administrative Services Act of 1949, as amended, also authorizes the use of special simplified acquisition procedures for small-dollar purchases (currently \$25,000 or less) of non-real-estate property or services.⁴ The intent of this provision of the law is to make small procurement more economical and expeditious. It also makes it easier and less costly for contractors to participate in the often cumbersome federal procurement process.

Although the statutory provision for simplified acquisition procedures applies to

acquisitions of leasehold interests in real property, it has no practical effect. This is because leases are generally needed—and therefore written—for a period of years; when the total value of the lease contract over its full term is calculated, it almost always exceeds the \$25,000 threshold for simplified acquisition procedures. Thus, the government is effectively precluded from using more economical and expeditious acquisition procedures when acquiring a small leasehold interest in real property.

As a result, the procedures that must be used do not ensure the expeditious and economic acquisition of small blocks of space, because they are subject to a wide array of relatively complex and costly administrative steps, solicitation provisions, and contract clauses. The resultant burdens are felt not only by the government, but also by the private sector.

NEED FOR CHANGE

Legislative changes that simplify procedures for the acquisition of leasehold interests in real property of less than 10,000 square feet are needed to (1) increase competition, (2) reduce acquisition costs, (3) reduce the time it takes to acquire small leases; and (4) ensure that small lease acquisitions are efficiently and inexpensively conducted.

Prospective lessors are often discouraged by the paperwork burdens and associated costs that are required when doing business with the government and choose not to compete for government lease contracts. This is particularly true in tight real estate markets, where space can easily be leased to commercial tenants; this is not a problem in current markets, which cannot be described as tight.

The use of simplified acquisition procedures for acquiring small leases will reduce the paperwork burden such acquisitions now entail. This will lower the costs prospective lessors incur in offering their space, thereby encouraging more businesses to compete. Increased competition fostered

by lower costs to enter the competition will generally result in lower rental rates, enabling the government to acquire better quality space for its money.

The use of simplified acquisition procedures will substantially reduce the administrative costs incurred by the government by eliminating unnecessary contracting and leasing provisions. Many of the paperwork burdens involved in acquiring small leases are not cost-effective. These burdens and their associated costs will be substantially alleviated if legislation is enacted to permit simplified acquisition procedures to be used when the government acquires small leases. This cost reduction can be achieved without a detrimental effect on the quality of space leased, because most of the unnecessary requirements that would be eliminated from the leasing process are not related to the space itself.

Time is money; unnecessary costs are incurred when small leases cannot be provided quickly. The application of simplified acquisition procedures to small leases will reduce the time it takes to execute such leases by a substantial amount. This will enable the government to satisfy its needs for space in a more timely and cost-effective manner. More expeditious leasing of small amounts of general-purpose space will also increase competition, which will in turn reduce leasing costs. Prospective lessors cannot hold space off the market for extended periods of time because it reduces their rental income. Frequently, offers are withdrawn and space is leased to commercial tenants because the government cannot process the contract action fast enough.

ACTION

Simplify the procedures for acquiring small amounts of leased space. (3)

The Federal Property and Administrative Services Act should be amended to authorize

**SUP09: SIMPLIFY PROCEDURES FOR ACQUIRING SMALL
BLOCKS OF SPACE TO HOUSE FEDERAL AGENCIES**

the use of simplified acquisition procedures for leasing blocks of 10,000 square feet or less.⁵

Cross References to Other NPR

Accompanying Reports

Reinventing Federal Procurement, PROC04: Establish New Simplified Acquisition Threshold and Procedures.

Endnotes

1. Data provided by staff of the Public Buildings Service, General Services Administration.
2. *Federal Property and Administrative Services Act of 1949*, as amended; Pub. L. 152, Ch. 288, Stat 377.
3. Data provided by staff of the Public Buildings Service, General Services Administration, July 29, 1993.
4. *Federal Property and Administrative Services Act of 1949*, Section 303.
5. Section 303 of the *Federal Property and Administrative Services Act of 1949*, as amended (41 U.S.C. 253).

SUP10: ESTABLISH NEW CONTRACTING PROCEDURES FOR THE CONTINUED OCCUPANCY OF LEASED OFFICE SPACE

BACKGROUND

A large number of federal agencies are housed in leased space. The most recent published statistics indicate that the government occupies over 270 million square feet of leased space under more than 70,000 leases.¹ The Federal Property and Administrative Services Act requires that, for most executive agencies of the government, when the lease for an agency's space expires and the agency still needs the space, a new competition must be conducted to replace the expired lease.² Such competitions are costly and time-consuming for both the government and prospective lessors competing to win the right to lease the space to the government. The law permits a number of exceptions to the requirement for formal competition, but no exception is allowed for satisfying continuing government needs for leased space.

When the government leases space, it typically incurs substantial costs to customize the space and install telecommunications systems to meet agency requirements. Alterations are also required to make the

space accessible to people with disabilities and to ensure that the space meets stringent fire and other safety requirements. These are substantial investments of federal funds. If an agency is relocated, the government incurs moving costs. Moreover, the operations of the agency being moved are disrupted, resulting in inconvenience and additional expense to the public and the government.

When the government conducts a competition to replace leased space for which there is a continuing need, it takes into account the costs of relocation, disruption, and space modifications in deciding whether or not it is economical to relocate. Thus, because of the government's investments in leased space and the expense associated with relocation, incumbent lessors who wish to continue leasing their space have a significant competitive advantage over their competitors. Competitors find this advantage almost impossible to overcome. In effect, the offers of potential lessors are burdened with the costs of moving the agency and making new investments in the space, whereas the offer of the incumbent lessor is not. As a result, most competitions result in the incumbent lessor

winning a lease that provides for continued occupancy of the space initially occupied by the government.

NEED FOR CHANGE

The government needs simpler procedures to award leases to replace those that expire. Under current procedures, a costly and virtually meaningless process of competition is conducted to replace leases for continuing space needs. Further, a substantial amount of time and money can be saved if agencies are given the authority to negotiate directly with and award leases to existing lessors for continuing leases.

The benefits of a simpler process will accrue to both the government and the private sector. The federal leasing process will be more efficient. Resources previously spent on conducting a formal competitive leasing process having no value can instead be spent on other functions such as the fulfillment of agency missions. Potential lessors will not be encouraged to prepare bids that have no chance of being accepted and that provide the government with no additional negotiating leverage. In short, the government will cease to invite prospective lessors to incur unnecessary costs.

Some may argue that the use of procurement procedures other than full and open competition will result in the government paying higher lease costs. This will not occur

for two reasons. First, those conducting the lease negotiations will continue to obtain relevant pricing information to support their negotiations. Second, the government will retain the option to solicit competing bids, either formally or informally, for the purpose of driving the hardest bargain possible on the terms of the continuing lease.

ACTION

Simplify the procedures for renewing leases. (3)

The Federal Property and Administrative Services Act should be amended to authorize executive agencies to negotiate a new contract with the incumbent lessor when a determination is made that the occupant agencies have a continuing need for the space, the space meets the agencies' needs, and the incumbent lessor is willing to provide the space at a fair market price.³

Endnotes

1. U.S. General Services Administration, Public Building Service, Office of Governmentwide Real Property Relations, "Summary Report of Real Property Leased by the United States Throughout the World as of September 30, 1989," Washington, D.C., 1989.
2. Title III, *Federal Property and Administrative Services Act of 1949*, as amended (Pub. L. 152, Ch. 288, 63 Stat 377).
3. Sec. 303(d)(1), *Federal Property and Administrative Services Act of 1949*, as amended (Pub. L. 152, Ch. 288, 63 Stat 377).

MAIL MANAGEMENT SERVICES



SUP11: REDUCE POSTAGE COSTS THROUGH IMPROVED MAIL MANAGEMENT¹

BACKGROUND

The federal government spends over \$1 billion annually on postage.² Federal agencies pay the same rates as other postal customers and are not entitled to send penalty/official mail at nonprofit or subsidized rates. Large private sector mailers systematically seek out ways to reduce mail costs, yet the federal government lags behind in its use of postage discount programs. Seeking out ways to reduce government mail costs is a role that was legislatively assigned to the General Services Administration (GSA).³

The U.S. Postal Service (USPS) initiated postage discount programs, called worksharing programs, as part of an effort to streamline its own operations. The thrust behind the worksharing program was to motivate mailers to implement procedures that reduced the USPS's internal processing of mail; in return, the USPS shared with mailers the savings from its reduced processing. Postage discount programs were not targeted for the standard federal mail room. Rather, mailers with large mailing requirements that used databases and/or computer-generated products (e.g., checks, statements of account, forms, and computer-generated letters) were prime targets for the worksharing programs.

In 1989, at the request of Congress, the General Accounting Office (GAO) obtained information from GSA, the USPS, agency mail program officials, and private industry to review the effectiveness of GSA support to agencies in managing and reducing mail costs. GAO reported that GSA should aggressively pursue mail management initiatives with federal agencies to include acting as a central training source, conducting research benefiting governmentwide activities, sharing expertise, and using contractors rather than providing mail management services directly. GAO estimated that federal agencies could save over \$100 million by taking advantage of postal discount/worksharing programs and through GSA's active approach to mail management responsibilities.⁴

Currently, GSA regulations for the mail management program identify opportunities for achieving savings but lack specific requirements to effectively manage the program and motivate agencies with large mail volumes to reduce costs. Many agencies have made significant reductions in postage costs while others have done little or nothing.

NEED FOR CHANGE

Postage rates have gone up 32 percent since 1988.⁵ The federal government's

postage bill has increased from \$900 million to \$1 billion—an increase of 8.4 percent.⁶ This is a significantly smaller reduction than the total USPS postage rate increase and a reflection of individual agencies' efforts to manage postage costs.

Because most rate incentive programs are available only to large volume mailers, the savings realized to date in government postage costs have been attributable to only a few of the larger agencies. For example, a Department of the Treasury office in Philadelphia has achieved savings on the monthly mailing of Social Security checks of \$300,000 monthly, or \$6 million per year. There is a need to encourage other large volume federal mailers to seek out and implement cost-effective alternatives.

Savings Potential Exists. A separate analysis of individual mailing locations having postage costs exceeding \$1 million revealed that 32 mailing locations generate approximately 25 percent of the total federal postage bill.⁷ Though some of these locations already participate in worksharing programs, they do so independently of other mailers in that geographic area.

These locations need to be reviewed to determine whether they can serve as anchor sites for presort contracts or in-house operations for cooperative efforts with other agencies located in or near the city. For example, the Defense Finance and Accounting Service could lead the other 40 agencies represented in the existing Cooperative Administrative Support Unit (CASU) in Denver. The CASU program, facilitated by GSA, reduces agency costs through the consolidation of administrative services among federal agencies in a single community or multi-city area. CASUs already exist in 42 locations throughout the nation. Currently, the San Francisco CASU, with the Department of Labor serving as the lead agency, has contracted with a local vendor to meter, barcode, and zipcode sort mail for federal agencies and state and local jurisdictions in the Bay Area. Federal agencies will obtain the highest possible cost savings only if they

commingle their mail with other federal, state, and local government mailers, as well as commercial, private sector mailers.

Leadership Counts. There appears to be a lack of clearly assigned authority and responsibility within agencies for mail management. Less than 50 percent of federal agencies have full-time staff working in mail management.⁸ Most mail managers have this function as a collateral duty and, as a result, do not have the time to devote to learn about or implement major cost-saving programs within their agencies. This is especially problematic for agencies that mail large volumes of material and would directly benefit, through significant savings, by implementing worksharing programs. A direct correlation can be made between the greater resources applied to mail management and the greater savings achieved. For example, the Internal Revenue Service (IRS) documented the following example of how investment of time and energy in mail management resulted in significant savings. In fiscal year 1991, the IRS avoided approximately \$4.1 million in postal costs by increased use of presort/barcode/third-class discounts in its 10 service centers. IRS also increased its use of special fourth-class in place of first-class for forms distribution for an offset of \$1.5 million. Decisions made several years ago on presorting and elimination of forwarding for certain classes of tax packages avoid annual costs of approximately \$10 million. Through these and similar measures, IRS has managed to maintain a postal budget that is 14 percent lower than would be necessary if the agency did not have an active mail management program.⁹

Further, in 1986, the U.S. Department of Agriculture (USDA) had only one full-time staff member assigned to mail management, and in 1987, two additional staff members were added. As a result, metered mail and presort programs were implemented. In addition, a mail management training program for headquarters and field offices was developed. USDA's presort programs

SUP11: REDUCE POSTAGE COSTS THROUGH IMPROVED MAIL MANAGEMENT

have saved approximately \$1.1 million annually. In 1990, USDA's mail costs were \$47.8 million. In 1991, costs were \$45.4 million, a savings of \$2.4 million.¹⁰ When considering the 1991 U.S. Postal Service postage rate increase, USDA avoided approximately \$6 million in postage costs.

It is clear from these two examples that significant savings can be achieved with a minimum resource investment. As a whole, the federal government could save at least \$100 million annually with an aggressive mail management program.¹¹

ACTIONS

1. Create work groups to assist agencies with implementing postal worksharing programs. (1)

By December 1994, the Administrator, GSA, should create work groups consisting of mail managers from successful agency mail management programs who have experience in properly and creatively managing mailing programs. These work groups should assist individual agencies with large-scale mailing operations in implementing or expanding postage discount programs. These work groups should also be tasked with developing a publication for use by other agencies in implementing worksharing programs.

2. Identify agencies to lead cooperative mail management initiatives. (1)

By December 1994, the Administrator, GSA, should identify agency mailing locations and programs that would most likely yield savings through improved mail management. These locations should include at least one major mailer that would take lead responsibility in implementing worksharing initiatives, including metering,

presorting, and prebarcoding for itself and all federal agencies at that location.

3. Issue guidelines that encourage postage savings through the implementation of mail management initiatives. (1)

By June 1995, the Administrator, GSA, should issue a Federal Property Management Regulation on mail management that sets policy for an effective governmentwide mail management program. The regulation should provide incentives for agencies to participate in worksharing programs and reduce their postage costs.

4. Allow line managers to manage their postal budgets. (1)

In fiscal year 1994, agency heads should delegate responsibility and authority to local managers to manage their postal budgets. This should empower line managers to make decisions regarding effective mail management and provide a powerful incentive to reduce costs.

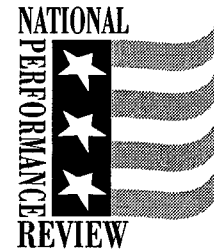
Endnotes

1. Gililand, Robert, and June Bryan, U.S. Department of Agriculture, *Reduce Postage Costs Through Improved Mail Management* (Washington, D.C., July 1993). Consultation was also provided by Jeff Thurston and Joan Rau, of the U.S. General Services Administration.
2. Intergovernmental Mail Management Task Force, "Mail Management Initiative," Washington, D.C., October 1992, p. 1.
3. Responsibility assigned to GSA in the *Federal Records Management Amendments of 1976*.
4. U.S. General Accounting Office (GAO), *Mail Management: GSA Needs to Improve Support of Agency Programs*, GGD-90-49 (Washington, D.C.: U.S. General Accounting Office, August 1990), pp. 3 and 8.
5. Intergovernmental Mail Management Task Force, p. 3.
6. *Ibid.*, p. 4.
7. *Ibid.*, pp. 9-10.
8. *Ibid.*, p. 11.
9. *Ibid.*
10. U.S. Postal Service, "Official Mail Accounting System for FY 1990 and 1991," Washington D.C., 1992.
11. GAO, pp. 3 and 8.

APPENDICES



APPENDIX A: SUMMARY OF ACTIONS BY IMPLEMENTATION CATEGORY



(1) Agency heads can do themselves

| | | | |
|---------|---|---------|--|
| SUP03.1 | Permit customer choice in sources of supply. | SUP04.7 | the Multiple Award Schedule program. |
| SUP03.2 | Compare depot distribution costs with commercial distribution systems. | | Pilot test innovative approaches under the Multiple Award Schedule program. |
| SUP03.5 | Increase the use of electronic commerce for ordering from depot systems. | SUP05.1 | Update vehicle replacement standards. |
| SUP03.6 | Increase the use of commercial item descriptions. | SUP05.3 | Increase emergency repair limits. |
| SUP03.8 | Identify innovative logistics models. | SUP06.1 | Eliminate the monopoly on personal property disposal services. |
| SUP04.1 | Eliminate mandatory supply schedules. | SUP06.2 | Automate the personal property screening process. |
| SUP04.2 | Eliminate the announcement requirements for IT acquisitions from supply schedules. | SUP07.1 | Streamline the travel regulations. |
| SUP04.3 | Raise the maximum order limitations for IT acquisitions from supply schedules. | SUP07.2 | Increase choices for federal travelers. |
| SUP04.4 | Reduce the administrative burden for acquisitions under \$10,000 from supply schedules. | SUP07.3 | Pilot test a tender system for airfares. |
| SUP04.5 | Accelerate the improvements to the automated Multiple Award Schedule system. | SUP07.4 | Automate the travel process. |
| SUP04.6 | Identify and test innovative procurement strategies that reduce costs for goods under | SUP08.1 | Give agencies greater authority to choose their sources of real property services. |
| | | SUP08.2 | Create competitive enterprises to provide real property services on a fee basis. |
| | | SUP08.3 | Create centers of expertise for real property services. |

REINVENTING SUPPORT SERVICES

| | | | |
|--|--|----------|---|
| SUP08.4 | Create a customer service organization for real property services in GSA. | SUP01.2 | Develop an executive branch printing policy for the 21st century. |
| SUP08.5 | Provide agencies with information about all possible real property alternatives. | SUP02.1 | Give the executive branch responsibility for the distribution of printed federal information to depository libraries. |
| SUP08.6 | Create an enterprise for the sound management of federal real property assets. | SUP02.2 | Disseminate federal information effectively and efficiently to depository libraries. |
| SUP08.7 | Establish governmentwide policy for real property asset management. | SUP02.4 | Create one-stop shopping for the sale of federal documents. |
| SUP08.8 | Establish performance benchmarks for the real property enterprises. | SUP03.3 | Allow the Federal Prison Industries to compete commercially. |
| SUP11.1 | Create work groups to assist agencies with implementing postal worksharing programs. | SUP03.4 | Eliminate the Federal Prison Industries as a mandatory source. |
| SUP11.2 | Identify agencies to lead cooperative mail management initiatives. | SUP03.7 | Provide agencies with parallel contracting authority. |
| SUP11.3 | Issue guidelines that encourage postage savings through the implementation of mail management initiatives. | SUP05.2 | Eliminate appropriation language limitations on government vehicles. |
| SUP11.4 | Allow line managers to manage their postal budgets. | SUP05.4 | Provide incentives and authorize agencies to dispose of agency-owned vehicles. |
| (2) President, Executive Office of the President, or Office of Management and Budget can do | | SUP06.3 | Provide incentives to agencies to dispose of excess personal property. |
| SUP02.3 | Develop agency locators for public access to federal information. | SUP08.9 | Commercialize the Federal Buildings Fund. |
| SUP08.1 | Promote competition between existing real property service providers. | SUP08.10 | Eliminate statutory impediments to the ownership enterprises. |
| (3) Requires legislative action | | SUP09.1 | Simplify the procedures for acquiring small amounts of leased space. |
| SUP01.1 | Give the executive branch the authority to make its own printing policy that will eliminate the mandatory printing source. | SUP10.1 | Simplify the procedures for renewing leases. |

APPENDIX B: METHODOLOGY



The Reinventing Support Services team reviewed four principal areas of support: printing; logistics (including supply depots, vehicle fleet management, travel, and personal property disposal); real property; and mail management.

Members of the team were selected from agencies throughout the federal government with specific expertise in these support functions. Further, many team members had been agency line managers responsible for delivering or receiving federal government support services. Team members came from the General Services Administration; the Departments of Veterans Affairs, Commerce, Agriculture, Defense, Transportation, and the Treasury; the Office of Management and Budget; and the National Aeronautics and Space Administration. The team had a mix of field and national office experience.

Between April and July 1993, the team reviewed and analyzed previous government

and private studies and reports; met with representatives of foreign, state, and local governments; held discussions with the academic community; and—in the case of real property—conducted a series of industry forums around the country. The team also interviewed approximately 200 people within the federal government (including line managers), held teleconferences with regional and field locations of government agencies, and met with liaisons from various federal agencies.

The final products of the team's research are a series of recommendations analyzing potential areas of reinvention within support services and nearly 50 actions for executive, legislative, and agency action. The printing, logistics, and real property recommendations have been included in this report, along with a recommendation developed by the Department of Agriculture on mail management.

APPENDIX C: ACCOMPANYING REPORTS OF THE NATIONAL PERFORMANCE REVIEW



| GOVERNMENTAL SYSTEMS | ABBR. | AGENCIES AND DEPARTMENTS | ABBR. |
|---|-------|---|-------|
| Changing Internal Culture | | Agency for International Development | AID |
| Creating Quality Leadership and Management | QUAL | Department of Agriculture | USDA |
| Streamlining Management Control | SMC | Department of Commerce | DOC |
| Transforming Organizational Structures | ORG | Department of Defense | DOD |
| Improving Customer Service | ICS | Department of Education | ED |
| | | Department of Energy | DOE |
| | | Environmental Protection Agency | EPA |
| | | Executive Office of the President | EOP |
| | | Federal Emergency Management Agency | FEMA |
| Reinventing Processes and Systems | | General Services Administration | GSA |
| Mission-Driven, Results-Oriented Budgeting | BGT | Department of Health and Human Services | HHS |
| Improving Financial Management | FM | Department of Housing and Urban Development | HUD |
| Reinventing Human Resource Management | HRM | Intelligence Community | INTEL |
| Reinventing Federal Procurement | PROC | Department of the Interior | DOI |
| Reinventing Support Services | SUP | Department of Justice | DOJ |
| Reengineering Through Information Technology | IT | Department of Labor | DOL |
| Rethinking Program Design | DES | National Aeronautics and Space Administration | NASA |
| | | National Science Foundation/Office of Science and Technology Policy | NSF |
| | | Office of Personnel Management | OPM |
| Restructuring the Federal Role | | Small Business Administration | SBA |
| Strengthening the Partnership in Intergovernmental Service Delivery | FSL | Department of State/ U.S. Information Agency | DOS |
| Reinventing Environmental Management | ENV | Department of Transportation | DOT |
| Improving Regulatory Systems | REG | Department of the Treasury/ Resolution Trust Corporation | TRE |
| | | Department of Veterans Affairs | DVA |

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