

INPUT ON ISSUES for GAO COMMERCIAL ACTIVITIES PANEL

**Submitted
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**Key Macro Messages: Government Processes, Industry Commitment,
Congressional Support, Planning for Transition of Commercial Activity Functions
to Private Sector**

**IT'S NOT ABOUT GOVERNMENT VS PRIVATE SECTOR COMPETITION
FOR THE CHEAPEST GOOD AND SERVICES!**

Government Processes

- It's about what government should be doing—the core business of government is the act of governance. All non-core functions are commercial activities, and, unless precluded by national risk assessments, should be performed by the commercial sector.
- It's about recognition that any comparison of government verses industry costs can never be “apples to apples” unless the true and total cost the government spends to conduct the function is accurately measured.
- It's about recognition that the OMB A-76 process is cumbersome, costly, demoralizing to the workforce, fundamentally outdated, and flawed in concept--especially in light of the current national policy of transitioning commercial work out of government.
- It's about recognition that the current national outsourcing policy as implemented in OMB A-76 has created serious trust and credibility disconnects between the workforce and employee unions and the government leaders and managers.
- It's about recognition that President Bush's goal of transferring 400,000 federal jobs to the private sector costs up front startup money—with the likelihood of

long-term payback to the taxpayer in the form of the fair and reasonable prices the government can achieve through the effects of a competitive marketplace.

- It's about government becoming an efficient buyer of "best value" goods and services from the private sector.
- It's about government procurement process operating with the same "profit motive" used in Business-to-Business (B2B) transactions. Government "profit" must be measured in stewardship of the taxpayer dollars and maximizing ROI on appropriated funds.
- It's about government operations and procurement officials understanding that industry must achieve a fair and reasonable profit in order for it to survive and provide the goods and services required to operate the non core government functions.
- It's about government (and industry) understanding that entering into "previously government only functions" can often require capital investment, requiring higher up front costs. Long term contracts, based on performance, mitigates risk and encourages industry to consider capital investment to accomplish the transition of functions—with the reasonable expectation of ROI balanced through the life of long term (10-15 year) contracts.
- It's about government recognition that contracts for government goods and services must have built-in "surge" capabilities to accommodate national emergency requirements—the same situation that the agencies and military departments have always faced—national needs often require mobilization of all assets. The agencies have typically been "reimbursed" with special appropriations to accommodate the disruption of programmed expenditures caused by the crisis. The contractors performing previous government functions must be treated in the same way, with methods to efficiently revise their contracts to account for national emergencies.
- It's about government capitalizing on the lower contract prices that can be achieved through the use of existing government facilities (GOCO) where a business case can be made.
- It's about government closing and selling-off of government facilities and transitioning them to private sector ownership where a business case can be made.
- It's about government pursuing an ultimate goal of privatization of the commercial activity functions, wherever possible, turning them into commodity goods and services such as utilities, transportation, communications, etc.
- It's about government agencies being measured as cost centers and made accountable for accomplishing performance based and value based contracts.

Industry Commitment

- It's about industry standing up and accepting the challenge of transitioning the functions, and the associated workforce, to the private sector.
- It's about industry understanding that it must also shoulder part of the up-front investment with the prospects of stable, long term contracts in which they can recoup initial investments and make long term profits.
- It's about industry and the agencies standing before Congress with a unified plan to work together to accomplish the transition.

Congressional Support

- It's about Congress recognizing that the FAIR Act must be revised to codify the requirements for the departments and agencies to conduct totally unbiased and unemotional inventories of their commercial activities.
- It's about Congress recognizing of making the commitment ensure stable funding of the agency's commercial goods and services contracts (no significant FY by FY fluctuations), and budgets must be allowed to increase based on mission and inflation.
- It's about Congress recognizing and honoring the spirit, good faith, and credibility of the "social contract" the government has made over time with its workforce:
 - Employees under FERS have a reasonably transportable pension and retirement plan.
 - Employees under CSRS do not have a transportable pension, and those not eligible for early or full retirement can suffer serious financial damage if they are forced to transition to the private sector according to current regulations (a significant percentage of the current federal workforce falls in this category).
- It's about Congress passing new legislation and appropriating funds to implement revision of the CSRS retirement rules (in cases of directed outsourcing of positions) to lessen, if not eliminate, the personal impact on the workforce.
- It's about creating a credible "soft landing" environment to encourage the workforce and employee unions to "willingly" participate in the transition process.

Planning for Transition of Commercial Activity Functions to industry

- It's about Congress and government recognizing that the potential large-scale transition of previously government functions to industry is only a pipedream in the short term. The agencies are likely to continue resisting a "cold turkey" switch, as a mission risk. In each case, there must be a clear plan for an orderly transition, starting with a period of increased levels of outsourcing with industry accountable via smart performance based service contracts.
 - Government would initially retain responsibility, but would develop a formal plan for turnover of full accountability and responsibility to the contractor via a series of readiness reviews based on clear criteria to measure contractor's ability to accomplish the function with acceptable risk to agency mission.
 - When the contractor passes the readiness review requirements, total accountability and responsibility turns over with government now only exercising performance measurement and contract control.
 - Finally, as an experience base and solid past performance is established, government should consider total privatization of the function wherever possible.

Summary

- It's about establishing clear national policy for government getting out of the business of performing commercial activity functions.
- It's about strengthening FAIR Act provisions to require the agencies to develop the commercial activity inventories of functions in an unbiased, nonprotective, manner.
- It's about eliminating the requirement in A-76 to conduct cost comparison studies, and allow the agencies to procure commercial activity goods and services according to standard procurement laws and regulations including sole source to preferential procurement sources as needed.
- It's about developing "soft landing" provisions for the government workforce—primarily retirement portability for CSRS employees to ease the impact of the workforce leaving the federal rolls and joining the private sector.
- It's about instantiating planning and implementation requirements, guidelines, and regulations to initiate and measure the progress of the transition to meet the President's goals, with the ultimate goal of privatization of as many government commercial activity functions as practical.

