



***BID-TO-GOAL: A PROVEN, COMPETITIVE  
SOURCING ALTERNATIVE***

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*(Companion Statement to the Presentation)*

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Good afternoon distinguished members of GAO's Commercial Activities Panel and fellow attendees. Thank you for the opportunity to be a panelist at this important hearing.

I am John Williams, Managing Director of HDR's Competitive Outcome Management (COM) group and I am delighted that the panel is convened today to discuss alternatives to current Federal sourcing processes.

The principles contained in my presentation are objective, tested and goal-oriented.

I would like to succinctly address three points. First, I would like to give you a brief introduction to HDR. Second, I will share an example of HDR's experiences with the OMB A-76 process. Finally, I want to present you with a sourcing solution. Our Bid-to-Goal process has produced major savings and positive, competitive outcomes for our clients and communities. For example, using Bid-to-Goal, one of our municipal client's will save almost \$80 million over 6 years—a significant amount of money for that community.

### Introduction to HDR

HDR is headquartered in Omaha, Nebraska and we have about 3,000 employees in 40 offices in the United States. We maintain a group of professionals who have specialized in assisting government bodies in the development and implementation of processes that lead to *successful public/private ventures*. Through these ventures, HDR has led more than \$20 billion in privatization engagements and secured more than \$5 billion in capital. In addition, we also specialize in guiding public workforces toward the use of private sector strategies to achieve *significant savings without going to privatization, also known as direct conversion*.

### HDR's Experience with an OMB A-76 Study

HDR has had significant, hands on experience in conducting an A-76 study for the Department of Defense (DOD), specifically with the Naval Air Station in Pensacola, Florida.

In the DOD, private companies have played major roles in the development of technology and production of equipment used to advance our military objectives. On the contrary, in less technologically dependent arenas, such as energy production or wastewater treatment, DOD employees have been the primary source of support for our military mission. However, a mandate for change is forcing governments at all levels to become more innovative and willing to consider a broader private role.

Based on our OMB A-76 experiences with the Department of the Navy, we do have several observations and concerns with the process including the:

- DOD’s apparent difficulty in launching A-76 programs and continuing questions as to the odds of actually completing the process for these studies,
- Time and expense required to accomplish the process and number of years until the Navy actually saves money as a result,
- Size and content of the bid packages (multiple unrelated service areas and hundreds of positions),
- Limited number and location of viable private companies that could qualify to bid,
- Potential impact on future Naval mission readiness,
- Trauma inflicted on facility personnel,
- Questions relative to short and long-term net savings expected as a result of the program.

Given the amount of time and resources that the Navy has devoted to the A-76 process at its test sites, it may be difficult to accomplish a change. However, OMB A-76 has provisions that allow flexibility in the way that competitive strategies are applied. Still, HDR’s alternative proposal — Bid-to-Goal — builds on that flexibility to clarify, accelerate, and simplify the process.

#### Bid-to-Goal Is a Proven, Competitive Alternative

OMB Circular A-76 lists nine “conditions permitting government performance of commercial activities.” Condition seven states that “*Agencies may demonstrate that the activity meets or exceeds generally recognized industry cost and performance standards.*” The Bid-to-Goal process satisfies condition seven (which a business process review (BPR) does not) and could significantly reduce the costly and difficult A-76 process.

HDR developed the Bid-to-Goal process to be a viable alternative that has been employed extensively with state and local governments. As shown on the chart [see presentation slide #3], the Bid-to-Goal process contains eight steps (nine steps if pursuing this with DOD, which involves inherent national defense activities) to produce competitive results.

Furthermore, we have garnered support on Capitol Hill and Federal agencies, including DOD, about the potential that Bid-to-Goal presents. For example, this spring, three members of the House of Representatives authored a letter that recommended that the Navy pursue Bid-to-

Goal pilot projects at the Naval Aviation Depot in Jacksonville Florida. These four projects alone could affect up to 500 Federal jobs.

HDR developed the Bid-to-Goal process for San Diego's Metropolitan Wastewater Department, known as Metro. This process provided City leaders with an alternative to managed competition. At its core, Bid-to-Goal "guarantees" savings targets or goals based on a well-defined service agreement.

Furthermore, Bid-to-Goal involves the establishment of four criteria that must be met by public employees to avoid bidding against private companies. The criteria include the provision of a (1) goal reflecting the level of savings needed to be competitive with potential private proposals (including normal profit), (2) scope of work describing the level of service, (3) firm schedule for submitting a jointly signed offering (management and labor endorsed) and for accomplishing the promised savings, and (4) service agreement with defined terms and conditions.

In the event that any of the four criteria are not met, the "purchasing entity" has the option of moving to direct managed competition or direct conversion.

As shown in the other chart *[see presentation slide #8]*, Bid-to-Goal combines the advantages of a BPR — short time frame for implementation and relatively low costs — with the goal of the OMB A-76 process to meet industry standards and costs.

The Bid-to-Goal ground rules are to:

- Explicitly define service levels, including regulatory requirements and safety standards;
- Formulate an independently derived budget to maintain the service levels and be competitive with likely private-sector offerings;
- Specify default consequences for inadequate performance; and
- Establish a performance monitoring and reporting program.

The strategy precludes involuntary layoffs as a result of optimization. It allows for positive performance incentives, such as gainsharing and other potential benefits, but these must be funded through operating savings. Bid-to-Goal also yields a comprehensive Memorandum of Understanding (MOU) that details the new operating strategy. In addition, labor and management must endorse this strategy.

One of the most significant features of the Bid-to-Goal process is the Employee Assurance Program (EAP), which provides incentives for performance beyond specified expectations. For example, with Metro each year, up to \$4 million of any “additional” savings (money saved beyond guaranteed budgets) is made available to the employee assurance program on a dollar-for-dollar sharing basis with the ratepayer enterprise fund. Savings beyond the initially shared \$8 million are used to benefit the ratepayer fund by improving financial balances, lowering future debt, reducing future rate increases, or accelerating essential capital projects.

We believe that Bid-to-Goal is a proven, competitive process that involves all stakeholders, which leads to increased workforce morale. In addition, the process has yielded competitive, measurable savings, while maintaining high service levels to taxpayers and communities. We believe that there are many opportunities in the Federal government to use the Bid-to-Goal principles as an alternative to traditional OMB A-76 studies.

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Thank you again for the opportunity to be here this afternoon. I am happy to answer any questions from the panel.