



Presentation to the GSA Multiple Award Schedule Advisory Panel

On Shareholder Expectations

By

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I will preface my remarks by describing how I personally participate in the MAS program. First, Centre Consulting, Inc., for whom I work, is a MAS holder, holding both a Schedule 69 Training and Schedule 874 MOBIS contract. Under these vehicles we offer comprehensive training and acquisition management services to federal agencies. Second, through our *Federal Contracting Institute*, our company provides training to government and industry personnel through both public and in-house training programs that focus on the advantages of and best practices for acquiring and using Schedules contracts. Third, Centre Consulting assists prospective and current Schedule vendors to negotiate, acquire and administer their Schedule contracts. In this capacity, we are frequently called upon to negotiate Schedule pricing.

My remarks today specifically concern the expectations of MAS Program participants in the area of pricing policy. To that end, I will focus on what I consider to be the core question impacting expectations: *What do all participants in the MAS program want most from the program?* I submit that if you pose that question to both Government and industry participants you will find that the answer is: **FLEXIBILITY**. Without flexibility, there really is no reason for either buyers or sellers to use the MAS program. We already have other tools, such as negotiated procurements under FAR Part 15, where more formal procedures are desired. Likewise, we have FAR Part 12 to provide procedures for procuring products and services that meet the definition of “commercial

items.” Both of these procurement techniques, however, require vendors to submit detailed proposals in response to rigid deadlines imposed by buyers, followed by a potentially time consuming source selection efforts. In contrast, under the MAS program, vendors are permitted to acquire Schedule contracts based on their own timelines. Likewise, they are permitted to tailor their contracts to reflect their unique capabilities, technical capabilities, and pricing features. Buyers are then able to “shop” among vendors using electronic tools such as GSA Advantage! and e-Buy to focus their procurement actions on those vendors that best possess the service capabilities or product features they desire. It truly is a highly flexible buying and selling environment.

It is therefore my fundamental recommendation that GSA embrace pricing practices and policies that preserve the **FLEXIBILITY** of both industry and Government to respond to future Schedule opportunities based upon their respective priorities. Here is a short list of pricing subjects where this high **FLEXIBILITY** is currently at stake:

1. **Should the MAS price be the lowest price a particular vendor has ever sold the product or service in question?** In my experience, there is a great deal of confusion today within GSA and among the vendor community regarding whether the MAS price must reflect the vendors most favored customer price in the commercial marketplace. *The reality is that there is no such legal requirement, but many GSA contracting officers and vendors have been misled to believe otherwise.* We need to stop sending this erroneous and confusing message. If our goal is to preserve the flexibility of the MAS program, it must be left to the vendor to decide whether it wants to offer GSA its most favored customer price. Why? Because it should be readily apparent that an offered price typically reflects the degree of risk and the degree of opportunity that is at stake in a particular transaction! In a commercial environment most selling entities adopt pricing practices that reflect the reality that *“the more you buy, the better the deal.”* Unfortunately, because vendors are required to negotiate prices and rates with GSA without regard to the size of a particular opportunity, the final negotiated price or rate has to accommodate both low volume and high volume sales opportunities. Indeed, on many Schedules, the minimum order quantity that a vendor is obligated to accept is as low as

\$100. A rational person cannot reasonably expect that a commercial entity will reflect the same unit price or rate for a \$100 deal as it will for a \$1 million deal. Furthermore, Schedule vendors are often called upon to offer Buyers discounts below their MAS rates. This occurs any time a Blanket Purchase Agreement (BPA) is established or an order is being pursued that exceeds the maximum order threshold for that Schedule.

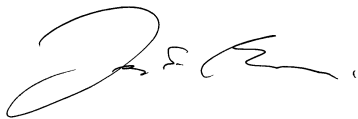
2. **What about post-award pricing transactions, such as modifications?**

Many MAS Program participants are dismayed about the difficulty associated with modifications to Schedules. When a vendor develops a new product or service, it naturally desires the flexibility of quickly placing the new product or service on its Schedule contract. Likewise, buyers very much want to be able to acquire these new product and service offerings without inordinate delays. The problem is not a lack of desire on GSA's part to accomplish these transactions, but simply the fact that GSA contracting officials are extremely overtaxed in terms of the number of transactions they are charged with performing and the great complexity of many of those transactions. It is my perception that that greatest single factor contributing to this problem is the dramatic increase in the number of contract renewals GSA is confronted with today. Because of the dramatic success of the MAS program over the last ten years, GSA faces an ever increasing number of contract renewals as contractors reach the five-year and ten-year anniversary dates of their contracts. In addition, many of these modifications require intensive action to assess vendor compliance with contract requirements. I would therefore recommend that GSA task special teams or special contracting personnel to the performance of contract renewals, thereby freeing up the majority of its contracting personnel to focus their attention on core transactions, and specifically contract modifications.

3. **Are MAS Schedules currently viable selling instruments for large commercial companies?** The MAS program has witnessed an explosion in popularity beginning in the mid 1990's. In FY 97, total MAS sales were @ \$5.6 billion. Now in 2008, GSA is forecasting that total MAS sales will be @ \$40 billion. This phenomenal growth coincided with the enactment of the Federal Acquisition Streamlining Act (1994)

and the Clinger-Cohen Act (1996) which collectively created preferences for commercial item contracts and expanded the use of large IDIQ contract vehicles to fulfill federal procurement requirements. Both of those statutes carried with them the proposition that when commercial items are being acquired, the Government should not impose significant Government unique obligations on the vendors. Large commercial companies responded very positively to this proposition and directly entered the federal market through their own MAS vehicles. This response was highly beneficial to the Government because it reduced the Government's reliance on re-sellers and other "middle man" to acquire commercial products. Unfortunately, recent pricing trends significantly undermine the appeal of the MAS program for these companies. *The inflexible application of the MAS Price Reductions Clause creates extraordinary challenges for large commercial companies.* In addition, their standard commercial rebate and partner incentive programs are now being characterized by the Department of Justice as constituting illegal "kickbacks." If we continue to "turnback the clock" on the reforms of the 1990s, the result will be predictable – large commercial companies will respond by abandoning the federal market, to the detriment of all.

Thank you for time and attention.



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