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To: David C. Childs A-76comments/OMB/EOP@EOP
cc: "Suttle, Jim" <jsuttle@hdrinc.com>
Subject: RE: Comments on Revised A-76 Policy

Mr. David C. Childs
Office of Federal Procurement Policy
Office of Management and Budget
725 17th Street NW #9013
Washington, DC 20503

RE: Comments on Revised A-76 Policy

Dear Mr. Childs:

HDR is pleased to submit comments on the revision of A-76 policy. We applaud the effort to revise A-76. We strongly believe that activities not inherently governmental should be made available for performance by the private sector. We further urge that the policy on federal procurement should be based on the assumption that all federal activities are commercial until demonstrated to be inherently governmental.

We endorse the comments of the Construction Industry Roundtable on the proposed policy.

The following are our specific comments:

The Brooks Architecture and Engineers Selection (A/E) Act (PL 92-582) is federal law for all federal agencies. We urge that "qualifications based selection" (QBS) be a specific exemption for competitive sourcing under A-76 which requires costing. All covered A/E services are procured by selection by qualifications and negotiation of a fee, based on an agreed on scope of work.

Attachment C - Direct conversion, should include A/E services as it does research and development without a competition. A/E services, like research and development, are highly technical, and require licensed practitioners to perform them.

Base operations contracts (BOS) should have a \$100,000 exclusion for A/E services. It is inappropriate to compete base operations, which may have many non-professional services (maintenance, repair, etc.) totaling millions of dollars annually, that also include A/E services. Any A/E services totaling more than \$100,000 in such contracts should be separately procured using QBS.

We urge that the policy revisions include a broader policy on agency-to-agency “work for others” arrangements. We applaud the proposal to eliminate Interagency Service Agreements (ISSAs). We find that some agencies unfairly compete by offering services to state and local governments at a federal subsidy. We believe that these services could be provided more cost effectively and with more innovation by private sector technical professionals. If the administration wants to provide water resources, technical studies, and other services to local and state governments, they should offer a competitive grant or federal indefinite quantity contract program provided by the private sector.

Finally, we must object to the proposed increase in the cost guidelines from 10% to 12% in the A-76 competitions. The federal agencies already enjoy a significant advantage in overhead (liability immunity, imputed space cost, federal, state, and local taxes, training costs, etc.) not counted. To permit award to federal agencies by giving them additional 12% cost advantage suggests that the competition is not truly designed to provide the best and most cost effective professional services to the customer and the taxpayer.

HDR has actively followed the A-76 policy and supports the reforms. However, because the implementation of the A-76 competitions have been far from consistent among federal agencies, we decided to assist the process by developing what we believe to be an improved approach which has been successfully utilized by several agencies. The process, called “bid to goal”, “guarantees” saving targets or goals on a well-defined service agreement. We have enclosed a description of bid to goal with this letter. We urge OMB to review it and would be happy to discuss its advantages.

Thank you for your consideration of our comments.

Sincerely,

James H. Suttle, P.E.
Executive Vice President
Vice Chairman, Board of Directors

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HDR ALTERNATIVE TO A-76 STUDIES FOR DEPARTMENT OF DEFENSE

Background

Since 1955 the national policy has been for federal agencies to procure goods and services from the private sector. OMB Circular A-76 was issued in 1966 to establish a managed competition process for carrying out this policy and has been codified into law for Department of Defense (DoD).

In 1997, as part of the Defense Reform Initiative, DoD began a major effort to reduce expenditures and personnel for base operating support (BOS) functions. To date, A-76 studies have been the primary tool to reduce BOS costs and personnel. However, DoD has recently begun to supplement the A-76 studies with Business Process Reviews (BPRs). The BPR does not include a solicitation for private sector bids to perform the function under study; it simply eliminates, improves and streamlines processes and organizations. The new strategy combining BPRs and A-76 is called “Strategic Sourcing”.

HDR Alternative

A-76 Supplement: Part I lists nine “conditions permitting government performance of commercial activities”. Condition seven states, *Agencies may demonstrate that the activity meets or exceeds generally recognized industry cost and performance standards.*

HDR has developed an alternative called “Bid-to-Goal” which will satisfy condition seven (which a BPR does not) and eliminate the costly and difficult A-76 process.

Developed for San Diego’s Metro Wastewater Dept, “Bid-to-Goal” provided City leaders with an alternative to managed competition. It “guarantees” savings targets or goals based on a well-defined service agreement. Bid-to-Goal involves the establishment of three criteria that must be met by public employees to avoid bidding against private companies. The criteria include the provision of: (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 and (3) Firm schedule for submitting a jointly signed offering (management and labor endorsed) and for accomplishing the promised savings. In the event that any of the three criteria are not met, the “purchasing entity” has the option of moving to direct managed competition. HDR worked with the Metro’s staff to develop best industry practices, determine current costs and establish competitive pricing ranges. Compiling this information and helping Metro develop a most efficient organization led to dramatic cost reductions without adversely impacting customer service delivery.

Bid-to-Goal combines the advantages of a BPR (short time frame for implementation and relatively low costs) with the goal of the A-76 process to meet industry standards and costs.

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