

Agency Competitive Sourcing Reports Show Ongoing Benefits of Public-Private Competition

According to agency reports submitted to Congress at the end of 2007, competitive sourcing continues to be an effective tool for improving the government's work efficiency. Improvements set in motion by competitions completed in FY 2007 are expected to generate net savings or cost avoidances of nearly \$400 million over the next five years. The aggregate results of agencies' competitive sourcing efforts for FY 2007 and trends over the last five years are discussed in OMB's annual report on competitive sourcing, available at www.omb.gov.

Competitions in FY 2007, like those conducted between FYs 2003-2006, show that agencies:

- Focus on highly commercial functions that are readily available from and can be suitably performed by the private sector, such as information technology support, logistics, and property management.
- Compete only a small portion of their commercial activities – about 1.5 percent in FY 2007 (13 percent between FYs 2003 – 2007) of the commercial activities identified as suitable for competition by agencies in their workforce inventories – and only about 3 percent of all government activities.
 - All *inherently governmental* activities are automatically excluded from consideration for competition.
 - According to agency inventories prepared under the Federal Activities Inventory Reform Act, a substantial number of commercial activities are excluded from consideration for competition in order to preserve in-house core capabilities.
 - Additional commercial positions are excluded from consideration for competition for other business reasons (e.g., private sector interest unlikely).
- Complete most streamlined competitions in a three-month period and standard competitions in a 12- to 18-month period under OMB's revised Circular A-76.
- Give in-house teams the resources necessary to compete effectively.
- Select in-house teams when they develop most efficient organizations (MEOs) that eliminate waste and compare favorably to private sector solutions; in-house teams were selected to perform 73 percent of all work awarded in FY 2007 (83 percent of all work awarded between FY 2003 – 2007).

Agencies project that:

- Competitions completed between FYs 2003 – 2007 will save taxpayers \$7.2 billion, with the majority of savings to be realized over the next five years.
- Annualized expected savings are over \$1 billion. Savings will continue to grow as more competitions are conducted and cost control and other performance improvements are applied to more of our commercial activities.
- The average net savings per FTE competed over the last five fiscal years is approximately \$25,000, a 27 percent return for each position competed.
- The incremental cost (i.e., one time, out-of-pocket expense) for competitions conducted between FYs 2003 – 2007 was \$239 million, meaning taxpayers will receive a return of about \$30 for every dollar spent on competition.

Actual savings (i.e., baseline costs, less actual costs) are approaching close to \$1.9 billion. This represents a 96 percent increase in cumulative actual savings from that achieved through the end of FY 2006.

Results on initial validations of completed competitions have substantiated the majority of savings. The balance of validations is expected to be completed by the end of the fiscal year.