



**EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503**

FOR IMMEDIATE RELEASE
April 20, 2006

2006-10

Competitive Sourcing Continues to Save Billions for Taxpayers
OMB's "Best Value" Rules Help Improve Government Operations

Washington, D.C. – Competitive sourcing (i.e., public-private competition) continues to produce impressive results for taxpayers, according to two reports released today by the Office of Management and Budget (OMB). Reports released by OMB today show that public-private competitions completed in FY 2005 are expected to yield \$3.1 billion in savings over the next five to ten years and that changes to the competitive sourcing rules made by OMB in 2003 to give greater consideration to the quality of service is helping agencies to make transformational improvements to their operations.

“Federal employees are taking strategic advantage of competitive sourcing to achieve quantifiable savings and provide better service to taxpayers,” said Clay Johnson, OMB’s Deputy Director for Management. “Managers of commercial activities, such as information technology support and logistics, are making common-sense determinations, based on the results of competition, about whether our taxpayers are better served through performance by the most efficient government organization or, alternatively, by the best qualified contractor.”

Competitive sourcing is one of five initiatives in the President’s Management Agenda (PMA), an effort to ensure that taxpayer dollars are used efficiently and effectively each year. Competitions are used to compare the costs and overall value of commercial services among private sector and federal government providers. Providers are selected based on who can deliver the best services for taxpayers.

Cumulative projected savings from competitions completed between FY 2003-2005 are expected to generate \$5.6 billion, or about \$1 billion in annualized estimated savings. This translates to about \$27 for every dollar spent on competition, regardless of who performs the work. Savings are being achieved in many ways. In addition to workforce realignments, agencies expect cost reductions and better performance through leveraging of technology, lower contract support costs, and clearer performance standards. Federal employees won competitions for over 80 percent of the work competed over the past 3 fiscal years.

The reports describe how agencies are able to achieve transformational improvements, such as the modernization of flight services by the Federal Aviation Administration, when they are allowed to consider both cost and quality in the selection of a provider. In 2003, OMB revised its competitive sourcing rules, found in Circular A-76, to permit consideration of both cost and quality (as opposed to just cost) when comparing offers by federal employees to private sector contractors. Taxpayers, the reports conclude, will be deprived of the full benefit from competition, in some cases, if forced to choose between the government and the private sector solely based on lowest cost, as required by a provision in the FY 2006 Transportation, Treasury, Housing and Urban Development Appropriations Act.

To read OMB’s reports, go to www.results.gov or www.omb.gov. For additional information, please contact OMB Communications at 202-395-7254.

###