

**Congress of the United States**  
**U.S. House of Representatives**  
**Committee on Small Business**  
2361 Rayburn House Office Building  
Washington, DC 20515-6515

To: Members, Subcommittee on Contracting and the Workforce, Committee on Small Business  
From: Committee Staff  
Date: June 4, 2012  
Re: Hearing: "Scheduling Success? Issues and Opportunities for Small Businesses on the GSA Schedules"

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On Thursday, June 7, 2012 at 2:00 pm in Room 2360 of the Rayburn House Office Building, the Subcommittee on Contracting and Workforce of the Committee on Small Business will meet for the purpose of receiving testimony on various contracting issues related to the General Services Administration's (GSA's) Multiple Award Schedules (MAS or simply Schedules) program. The hearing will specifically address the following areas: 1) voluntary set-asides on the Schedules; 2) strategic sourcing and the Schedules; 3) GSA's proposed Demand Based Efficiency Model; and 4) Brooks Act contracting on the Schedules.

Witnesses on the first panel will include Thomas Jacobs, Principal, Krueck Sexton Architects of Chicago, IL, testifying on behalf of the American Institute of Architects; Larry Allen, President, Allen Federal Business Partners of McLean, VA; Charles Forman, Executive Vice President, Independent Stationers, of Indianapolis, IN and Mike Tucker, Chairman, Independent Office Products & Furniture Dealers Association (IOPFDA), of Alexandria, VA (minority witness). The second panel will consist of witnesses from the federal government, including Steven J. Kempf, Commissioner, Federal Acquisition Service, GSA; and William Woods, Director, Acquisition and Sourcing Management, Government Accountability Office.

**I. Overview of GSA Schedules**

GSA's Federal Acquisition Service (FAS) provides other federal agencies with contracting assistance. It does so primarily in two ways: (1) establishing contracting vehicles that other federal agencies may use to purchase goods and services; and (2) contracting on behalf of other agencies. The most well known of the contract vehicles established by GSA are the MAS. The MAS account for approximately 10% of all federal contract dollars, which presently translates to about \$50 billion per year.<sup>1</sup> Currently, there are approximately 19,000 vendors holding MAS contracts, 80 percent of which are small businesses, and they receive approximately 35 percent of the value of all MAS sales.<sup>2</sup>

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<sup>1</sup> GSA, FOR VENDORS – GETTING ON SCHEDULE, available at <http://www.gsa.gov/portal/category/100635> [hereinafter GETTING ON SCHEDULE].

<sup>2</sup> *Id.*

The MAS are broken up into 31 broad categories of goods and services, each of which is known as a Schedule, and a list of which is provided as Attachment A.<sup>3</sup> These Schedules are subdivided into special item numbers (SINs), which further categorize the products and services being offered. For example, Schedule 70 contains all of the information technology related MAS contracts, but it is subdivided into 24 SINs which cover everything from software to hardware to commercial satellite communications.<sup>4</sup> While a vast oversimplification, it is perhaps easiest to compare this to Amazon website, where Amazon will present multiple resellers of the same product, often at different price points. Amazon's search features, much like the Schedules, organize the various offerings under subtabs, subdividing them into common groups like the Schedules, and then into subgroups like the SINs.

All MAS contracts are Indefinite Delivery, Indefinite Quantity (IDIQ),<sup>5</sup> so the contracts serve as frameworks, including all necessary clauses and the maximum price negotiated between the vendor and GSA. Awardees are not guaranteed any set amount of sales during the five year base period of the contract, but instead, each is simply guaranteed a minimum sale of \$2,500 over those five years, or during any of the three successive five year option periods.

Currently, if a firm wishes to be awarded a Schedule contract, it may apply at any time using the Request for Proposals (RFP) available at the Federal Business Opportunities website (FBO).<sup>6</sup> While the GSA Office of Small Business Programs offers courses in how to complete a Schedule offer, many businesses use expensive outside proposal preparation services, since the process requires providing detailed records of all commercial sales.<sup>7</sup> According to GSA, the median time to have a proposal processed is eight to nine months, with more complex items and services requiring longer processing times.<sup>8</sup> Thus, submitting a schedule application is not something firms undertake without deliberation.

Schedule contracts are available for use by GSA contracting officers, other federal agencies (without needing to contact GSA contracting personnel), state and local government, and certain non-profit agencies. Schedule holders are able to bid on task orders placed against those Schedules.

The fundamental tenet of federal procurement law is that competition leads to the government obtaining the best value. The existence of the Schedules does not undermine that principle. However, since each Schedule contract is based on the "best" prices from each particular contractor, these do not utilize open competition in the same ways as other contracts. Task orders under \$3,000 may be placed with the Schedule holder without additional competition<sup>9</sup> Contracting personnel considering purchases greater than \$3,000 but less than \$150,000<sup>10</sup> must review the price lists or obtain quotes from at least three Schedule holders, in order to preserve a modicum of competition. Contracts in excess of the SAT may only be issued after the agency issues a Request for Quotations (RFQ) or a Request for Proposals (RFPs).<sup>11</sup> These RFPs or RFQs must be issued to all Schedule holders within a particular SIN using GSA's E-Buy.<sup>12</sup> In the

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<sup>3</sup> *Id.* This does not include the Schedules operated by the Department of Veterans Affairs under a delegation of authority from GSA.

<sup>4</sup> GSA, SCHEDULES E-LIBRARY, SCHEDULE: 70 available at.

<http://www.gsaelibrary.gsa.gov/ElibMain/scheduleSummary.do?scheduleNumber=70>

<sup>5</sup> IDIQs means that the contract will list a variety of goods and services that can be purchased, but will not guarantee any actual task orders over the five year base period for the contract.

<sup>6</sup> [www.fbo.gov](http://www.fbo.gov).

<sup>7</sup> Committee research indicates that these services charge between \$5,000 and \$40,000 for a standard proposal, with the average price being for a basic application being approximately \$15,000 to \$25,000, and more complex proposals easily costing six figures.

<sup>8</sup> GETTING ON SCHEDULE.

<sup>9</sup> FAR § 8.405-1. This threshold is referred to as the micro-purchase threshold.

<sup>10</sup> FAR § 8.405-1, § 8.405-2. \$150,000 is the current Simplified Acquisition Threshold (SAT).

<sup>11</sup> FAR § 8.405-2. RFQs are simple quotes for defined products, RFPs include more detail, such as the proposed approach for meeting the requirement.

<sup>12</sup> E-Buy is GSA's system for issuing RFQs and RFPs to all vendors on specific SINs.

alternative, the contracting officer may issue the RFP or RFQ to specific Schedule holders, but must ensure that at least three offers are received by the agency. For any of these task orders, the ordering agency can request additional discounts.

GSA does not receive appropriations to run the MAS program. Instead, it recoups its operating costs by charging a fee to agencies that use its contracts or services. In the case of the MAS, the fee is known as the Industrial Funding Fee (IFF) and amounts to 0.75 percent of the cost of each Schedule order. The IFF is factored into each of the advertised prices provided by Schedule holders, who then charge it on all orders and remit the funds quarterly to GSA.<sup>13</sup> Schedule holders are required to sell at least \$25,000 worth of goods and services using their Schedules over the first two years of holding the contract, and then at least \$25,000 a year thereafter, so that the IFF remitted will cover the costs of the program.

The MAS program faces several challenges as other agencies increasingly create contracts that mirror the Schedules. However, these other contracts do not charge an IFF since they are supported by direct appropriations to the agencies that create the competitor vehicles.<sup>14</sup>

In addition to the duplicative efforts required of small businesses by the competitor vehicles, there a number of small business problems specific to the administration of the Schedules. The following is a brief survey of these issues and is by no means exhaustive.

## **II. Set-Asides on Schedules**

Given the scope of Schedule contracting, and the cost of obtaining a Schedule contract, it is important to note that these contracts are governed by a different set of rules pertaining to small business set-asides. Traditional federal contracts allow for small businesses to receive set-aside contracts. Contracts can be set aside for small businesses in two ways. First, all contracts below \$150,000 are reserved for small businesses unless the contracting officer (KO) determines there is not a reasonable expectation of obtaining offers from two or more firms.<sup>15</sup> Second, any contract over \$150,000 should be set aside for small business if the KO determines that at least two small businesses will make offers, and award can be made at a fair price.<sup>16</sup> Additional set-asides are permitted for subcategories of small businesses.<sup>17</sup>

However, task orders under the MAS program were held exempt from all set asides until the Small Business Jobs Act was enacted in 2010.<sup>18</sup> This was based on the interpretation that only contracts, not the SINs or the task orders, could be set aside.<sup>19</sup> Instead, task orders under the Schedules could identify a socio-economic category as a primary evaluation factor.<sup>20</sup> In essence, this allowed KOs to ensure that a task order would go to a small business.<sup>21</sup> The key difference between this and a set aside involved the

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<sup>13</sup> This is different than the fees paid to GSA for use of its other contracting vehicles, such as the Government Wide Acquisition Contracts (GWACs) or its assisted acquisition services, where the fee is paid by the agency to GSA.

<sup>14</sup> The creation of these duplicative contracts requires additional explanation by the agencies creating the new contracts. Each new contract created requires time and effort on the part of government employees, and requires all businesses to spend bid and proposal money on applying for the new contracts, without any additional value to the taxpayers.

<sup>15</sup> FAR § 19.502-2(a).

<sup>16</sup> *Id.* at (b). There is no price limit on the rule of two set aside.

<sup>17</sup> For a detailed explanation of all the small business contracting programs, please see the Committee memorandum "Small Business Programs: Misrepresentation and Fraud in the Certification Process" (October 21, 2011).

<sup>18</sup> Pub. L. No. 111-240, § 1331, 124 STAT. 2536, 2541 (2010).

<sup>19</sup> The Government Accountability Office (GAO) rejected this rationale and recognized the validity of set-asides on Schedule for some time. *See, e.g.*, Delex Sys. Inc., B- 400403. 08 CPD ¶ 181 (Comp. Gen. Oct. 8, 2008). However, GSA long argued that such set-asides were not allowed under the fair opportunity provisions of the Federal Acquisition Streamlining Act, 41 U.S.C. § 4106, and rejected the GAO decisions.

<sup>20</sup> GSA SOCIO ECONOMIC PROGRAMS UNDER THE SCHEDULES, Acquisition Policy Letter V-05-12 (2005).

<sup>21</sup> Large firms could submit offers, but would not be found to meet one of the evaluation factors.

requirements regarding who performed the work. With set-aside contracts, the size of the business can be challenged, limitations are placed on the small business subcontracting work, and companies are required to provide the products of a domestic small business when such product exists. Under the primary evaluation factor model, none of these protections applied.

With the enactment of Section 1311 of the Small Business Jobs Act, discretionary set-asides rather than the primary evaluation factor process were permitted. Specifically, Section 1311 of the law requires regulations that will allow agencies to, at their discretion:

- (1) set aside part or parts of a multiple award contract for small business concerns, including the subcategories of small business concerns identified [15 U.S.C. § 644] (g)(2);
- (2) notwithstanding the fair opportunity requirements under [10 U.S.C. § 2304c(b)], and [41 U.S.C. § 4106], set aside orders placed against multiple award contracts for small business concerns, including the subcategories of small business concerns identified in [15 U.S.C. § 644] (g)(2); and
- (3) reserve 1 or more contract awards for small business concerns under full and open multiple award procurements, including the subcategories of small business concerns identified in [15 U.S.C. § 644] (g)(2).<sup>22</sup>

These changes reflect three categories of opportunities for small businesses on the MAS. First, the law clarified that SINs could themselves be set aside for small businesses. Next, it permitted the set aside of task orders. Finally, it stated that in cases of multiple award contracts, some of the prime contract awards could be reserved for small businesses. While GSA has previously set aside SINs,<sup>23</sup> the latter two options are truly new for small businesses, even though they remain voluntary.

These changes are being implemented through dual rule makings – one by SBA, and one by the Federal Acquisition Council (FAC).<sup>24</sup> Since the law made set-asides voluntary, SBA's proposed rule allows agencies to choose whether or not to include clauses allowing for set-asides of task orders but requires that any agency that does not allow for set-asides provide their written rationale.<sup>25</sup> If an agency chooses to use contract clauses allowing set-asides of task orders, the clause may commit the agency to using the set-aside, or simply allow the agency to choose at the time of the task order.<sup>26</sup> This is consistent with the interim rule published by the FAC that clarified that set-asides are permissible for Schedules.<sup>27</sup> GSA has chosen to allow ordering agencies to decide whether to set aside a task order.

SBA's proposed rule also seeks to make sure that set-asides of Schedule task orders go to actual small businesses and are performed by small business. While the FAC required that agencies only receive credit for using a small business if the business performing the work was indeed small for that type of work, it did not explain how agencies were to implement this change.<sup>28</sup> Therefore, SBA requires that when any solicitation occurs for a Schedule, the contracting officer must apply the correct size standard, and that to do

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<sup>22</sup> *Id.*

<sup>23</sup> *See, e.g.*, GSA's Corporate Schedule, which set aside certain SINs exclusively for small businesses.

<sup>24</sup> SBA's rulemaking updates title 13 of the Code of Federal Regulations. Acquisition Process: Task and Delivery Order Contracts, Bundling, Consolidation, 77 Fed. Reg. 29,130 (May 16, 2012). FAC's rulemaking updates the Federal Acquisition Regulations. Federal Acquisition Regulation; Set- Asides for Small Business, 76 Fed. Reg. 68,032 (Nov. 2, 2011).

<sup>25</sup> 77 Fed. Reg. 29,130, 29,132 (May 16, 2012).

<sup>26</sup> 13 C.F.R. § 125.2.

<sup>27</sup> 76 Fed. Reg. 68,032.

<sup>28</sup> *Id.* at 68,034.

so, contracts with “discrete categories” such as SINs, must have size standards applied at the SIN level instead of the current practice of only applying size standards at the Schedule level.<sup>29</sup>

Furthermore, when a small business receives a set-aside or sole-source contract under one of the contracting programs, the government has a vested interest in ensuring that the small business performs a significant portion of the work. Otherwise, the small business could pass through the work to a large contractor. Consequently, the Small Business Act imposes restrictions on the amount of work a business may subcontract on a set-aside contract.<sup>30</sup> While the FAC required that the limitation on subcontracting clauses be included in the overall contract solicitation, SBA proposes to apply the clause on a task order specific basis, noting “that requiring the limitations on subcontracting to apply on an order by order basis for a multiple award contract . . . is the best approach to allow contracting officers to monitor such compliance.”<sup>31</sup> Finally, the FAC and the SBA require the inclusion of the nonmanufacturer restrictions, which requires small businesses to provide the end product, when available, of domestic small business when receiving a set-aside contract, with SBA again applying the rule at the task order level.<sup>32</sup>

Unfortunately, both rules leave open important questions regarding set-asides on Schedules. First, there is the issue of correctly identifying which vendors are small. GSA’s current system does not draw from the same data sources contracting officers traditionally use to identify which firms are large or small.<sup>33</sup> Instead, well-known large businesses are listed as small businesses on GSA’s Schedules.<sup>34</sup> Additionally, given that GSA does not currently know the contents of the majority of task orders issued, the question remains as to how GSA will enforce the various contracting provisions required by the addition of set-asides to Schedules.

### **III. Strategic Sourcing and Schedules**

Strategic sourcing is an effort by the government to understand how it buys what it buys, so that it may better leverage its purchasing power. OMB has directed agencies to utilize strategic sourcing based on its perceived benefits to taxpayers.<sup>35</sup> Following this directive, GSA, in conjunction with the Department of Treasury, implemented the Federal Strategic Sourcing Initiative (FSSI), which sets for itself five goals:

1. Strategically source across federal agencies;
2. Establish mechanisms to increase total cost savings, value, and socioeconomic participation;
3. Collaborate with industry to develop optimal solutions;
4. Share best practices; and
5. Create a strategic sourcing community of practice.<sup>36</sup>

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<sup>29</sup> 77 Fed. Reg. at 29,132.

<sup>30</sup> 15 U.S.C. § 644(o). Generally the law requires that the small firm perform 50 percent of the cost of the labor or the cost of manufacturing.

<sup>31</sup> 76 Fed. Reg. at 68,035; 77 Fed. Reg. at 29,145.

<sup>32</sup> 76 Fed. Reg. at 68,035; 77 Fed. Reg. at 29,141.

<sup>33</sup> [www.ccr.gov](http://www.ccr.gov); [www.dsbs.gov](http://www.dsbs.gov); [www.orca.gov](http://www.orca.gov).

<sup>34</sup> See, [www.gsaadvantage.gov/advantage/contractor/contractor\\_detail.do?mapName=/s/search/&cat=ADV&contractNumber=GS-07F-5778P](http://www.gsaadvantage.gov/advantage/contractor/contractor_detail.do?mapName=/s/search/&cat=ADV&contractNumber=GS-07F-5778P) (BAE Systems as a small business).

<sup>35</sup> OMB, IMPLEMENTING STRATEGIC SOURCING (May 20, 2005), available at [http://www.whitehouse.gov/sites/default/files/omb/procurement/comp\\_src/implementing\\_strategic\\_sourcing.pdf](http://www.whitehouse.gov/sites/default/files/omb/procurement/comp_src/implementing_strategic_sourcing.pdf). OMB defined strategic sourcing as “the collaborative and structured process of critically analyzing an organization’s spending and using this information to make business decisions about acquiring commodities and services more effectively and efficiently.”

<sup>36</sup> GSA, FSSI, available at <http://www.gsa.gov/portal/category/25623>.

To achieve these aims, GSA created commodity based blanket purchase agreements (BPAs)<sup>37</sup> against the Schedules in five major categories, of which only the BPA for office supplies has generated any controversy.<sup>38</sup> Four of the five categories resulted in multiple awards, with the majority of all awards and dollars going to small businesses.<sup>39</sup> However, to the small firms that did not win BPAs, the fact that small businesses in general are doing better is rarely persuasive.

As with all government contracts, strategic sourcing results in winners and losers. This is a risk fully understood by all small businesses, so traditionally this Committee has not inquired into specific winners and losers on any contract as long as small businesses overall prospered. However, in the case of strategic sourcing, while small businesses may be doing better as a category, losing firms claim they risk exclusion from the market. This is particularly well illustrated by the OS II BPAs.

OS II is GSA's second attempt at utilizing strategic sourcing for office supplies. For OS II, GSA issued BPAs against its existing Office Supply Schedule (Schedule 75).<sup>40</sup> At the time of request for quotations there were 527 Schedule 75 vendors, of which over 90 percent were small businesses.<sup>41</sup> However, of these, approximately half received no or low sales (sales under \$25,000).<sup>42</sup> Of the 260 or so active vendors, 48 submitted offers, and 13 small businesses won BPAs, raising questions about the fate of over 200 remaining active vendors. While these firms are allowed to continue receiving task orders, they have complained that the volume of businesses they receive has drastically declined, especially since some agencies are mandating the use of the OS II BPAs.

While all vendors were technically allowed to submit offers for OS II BPAs, certain statutory and administrative requirements made many over 80 percent of vendors ineligible. Some requirements, such as the requirement to be an AbilityOne authorized reseller,<sup>43</sup> the requirement to comply with the Trade Agreements Act,<sup>44</sup> and other environmental requirements, were not within GSA's discretion - awarding BPA's to companies not following these rules would have resulted in GSA itself breaking the law. Other requirements that excluded certain Schedule holders included requirements that vendors supply detailed purchase data on all contract purchases and that vendors offered all the items required by the BPA.<sup>45</sup> These requirements were necessary to ensure that the BPA met the needs of the customer agencies and that

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<sup>37</sup> BPAs do not constitute a purchase, but are instead the result of a competition to establish charge accounts against which orders under the SAT may be placed without additional competition. The award of a BPA requires the same level of competition as a task order above the SAT. FAR § 13.303.

<sup>38</sup> The five are: Express and Ground Domestic Delivery Services (DDS 2), Wireless Telecommunications Expense Management Services (TEMS), Print Management, SmartBUY (software), and Office Supplies (OS II). GSA, ABOUT FSSI, available at <https://strategicsourcing.gov/about-fssi>.

<sup>39</sup> DD2 resulted in one award to UPS. GSA, Domestic Delivery Services, <http://www.gsa.gov/portal/content/105105>. TEMS resulted in 3 BPAs, of which 2 were small business awards. GSA, TEMS, available at <http://www.gsa.gov/portal/content/105139>. Under Print Management, GSA awarded BPAs to 11 vendors, including 2 small businesses. GSA, FSSI PRINT MANAGEMENT, available at <http://www.gsa.gov/portal/content/111983>. SmartBUY resulted in BPA for 27 different software manufacturers, with over 20 small businesses receiving contracts as resellers. GSA, ALL SMARTBUY SOFTWARE, available at <http://www.gsa.gov/portal/content/231349>. Finally, 13 of the 15 OSII BPAs were awarded to small businesses. Under OS II, GSA awarded 15 BPAs, with 13 of the BPAs going to small businesses (OS II will be discussed in greater detail below). SECOND GENERATION FSSI OFFICE SUPPLY BPAs, available at <http://www.gsa.gov/portal/content/141857> [hereinafter, Second Generation FSSI].

<sup>40</sup> GSA, OFFICE SOLUTIONS: SUPPLIES & SERVICES – SCHEDULE 75.

<sup>41</sup> SSWG BRIEFING at 3.

<sup>42</sup> Email from Saul Japson, Senior Advisor for Congressional Affairs, GSA, to Committee Staff (May 22, 2012) (on file with recipient).

<sup>43</sup> AbilityOne is the government's program for setting aside contracts for industries employing the blind and severely disabled.

<sup>44</sup> The Trade Agreements Act of 1979, Pub.L.No. 96-39, 93 STAT. 144 (1979) codified at 19 U.S.C. §§ 2501–2581 limits the government's ability to buy products manufactured in countries with which the United States does not have a trade agreement governing federal purchasing, such as China.

<sup>45</sup> *Id.*

savings could be tracked. GSA attempted to offset these requirements by extensive market research, increasing minimum purchase requirements, changing delivery requirements, and otherwise making the proposed BPAs more small business friendly. However, some small businesses complained that both the statutory requirements and the administrative requirements were confusing and unduly restrictive. Notably, approximately only 100 small businesses were able to comply with the statutory and administrative requirements, and 48 small businesses submitted offers for the 15 OS II BPAs.<sup>46</sup>

Ultimately, 13 of these 15 OS II BPAs were awarded to small businesses, with three specifically awarded to service-disabled veteran owned small businesses (SDVOSBs).<sup>47</sup> Furthermore, approximately 170 small businesses benefit from the awarded BPAs by acting as a consortium with those BPA awarded small businesses.<sup>48</sup> Nineteen agencies use the OS II BPAs, generating \$319 million in sales as of March 2012.<sup>49</sup> These 13 BPA holders are now receiving more orders than all of the small businesses combined prior to OS II – in 2009, small businesses received it was 66.6% of all sales, in 2010 it increased to 71.6%, and currently 75.2% of orders are going to small businesses.<sup>50</sup>

However, the small businesses that did not win a BPA allege that the BPAs constitute contract bundling, and that BPAs are resulting in higher prices. The first assertion is erroneous. Contract bundling means “consolidating 2 or more procurement requirements for goods or services previously provided or performed under separate smaller contracts into a solicitation of offers for a single contract that is likely to be unsuitable for award to a small-business concern.”<sup>51</sup> Since the BPAs were awarded to small businesses, they were not unsuitable for award to a small business, and the contracts were not bundled. While contract bundling seeks to save money at the expense of small business, strategic sourcing seeks to save money by increasing the use of small businesses, since it is “an *overall* strategy to obtain better value by obtaining cheaper pricing, more favorable warranties, better terms or conditions, and increased realization of socio economic goals.”<sup>52</sup>

In order to examine pricing, it is important to understand how GSA awarded the BPAs. GSA required all offerors to submit pricing on 377 items, termed the market basket, which are the Government’s most frequently purchased office supplies.<sup>53</sup> Compliant offerors with the lowest prices won, and agreed to provide additional discounts if certain sales volumes were met. GSA contends that use of this approach is lowering the cost of these goods in the marketplace as well, with a 4.7% decrease in non-OSII vendor prices and 2.3% decrease in OSII vendors market basket prices.<sup>54</sup> Thus, while any one item may have lower price point when offered by a non-BPA holder, GSA argues that overall basket save the government money.

GAO examined these claims in a December 2011 report independently assessing a November 2010 GSA study examining office supply purchases at the 10 largest federal agencies, specifically looking at savings attributable from the use of OS II.<sup>55</sup> GSA’s study indicated that, on average, agencies not using Schedules “paid 75 percent more than [S]chedule prices and 86 percent more than OS II prices for their retail

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<sup>46</sup> *Id.*

<sup>47</sup> SECOND GENERATION FSSI.

<sup>48</sup> GSA, FSSI Consortium Listing – OS2, (Provided by GSA on May 14, 2012).

<sup>49</sup> SSWG BRIEFING at 7.

<sup>50</sup> *Id.* at 3.

<sup>51</sup> 15 U.S.C. § 632(o)(2).

<sup>52</sup> JOANIE F. NEWHART, NATIONAL CONTRACT MANAGEMENT ASS’N, STRATEGIC SOURCING: WHAT’S ALL THE BUZZ, 26 CONTRACT MANAGEMENT (Jan. 2006) available at [http://www.ncmahq.org/files/Articles/24CF9\\_CMJan06\\_p26.pdf](http://www.ncmahq.org/files/Articles/24CF9_CMJan06_p26.pdf).

<sup>53</sup> SSWG BRIEFING at 11.

<sup>54</sup> *Id.* at 15.

<sup>55</sup> OFFICE SUPPLIES PRICING.

purchases.”<sup>56</sup> Reviewing the GSA’s study, GAO noted that GSA experienced data limitations which altered the formulas for calculating cost savings.<sup>57</sup> Despite this, GAO concluded that while the “magnitude”<sup>58</sup> of savings indicated by GSA’s study may have been exaggerated, the Government is saving money through OS II.<sup>59</sup> Further, GAO found that as improvements are made to OS II and FSSI moving forward with enhanced agency participation, there is greater potential for increased savings.<sup>60</sup> Despite limitations cited by GAO, the general consensus from GAO, GSA, and other federal agencies is that OS II, when viewed from a market basket approach, provides economic benefits and the best utilization of taxpayer dollars.

Although there continues to be debate regarding the cost savings associated with OS II, the more common complaints are those expressed by small businesses not possessing OS II BPAs. As illustrated by the transition from GSA Schedule 75 to OS II, the number small businesses awarded contracts were limited due to the structure of BPAs. Many small businesses who maintained a contract under Schedule 75 felt unfairly targeted due to this and expressed fears that small business contracting within GSA would substantially decrease.

#### **IV. Demand Based Efficiency Model**

While some small businesses are concerned that they are no longer receiving task orders due to the OS II contract, even more businesses may be affected by GSA’s proposed Demand Based Efficiency Model (DBEM), which will preclude many businesses from applying for Schedules, and terminate many current Schedule vendors. In January 2012, GSA briefed Committee staff and staff for all Committee members on the proposed changes to the Schedules.<sup>61</sup> The briefing materials may be found in Attachment B.

As originally proposed, there are two key features of the DBEM. First, the DBEM would change GSA’s twenty-year practice of allowing firms to submit offers for a Schedule at any time, and instead shut down certain SINS to new offers for 1 year, with the possibility of expanding the freeze for up to three years. While a vendor could still apply to a Schedule that had open SINS, the business could not apply to the SINS that best represent its offerings. In some cases, all SINS on a Schedule would be shut down, thereby shutting down the entire Schedule to new offers.

Second, DBEM would enforce the \$25,000 minimum annual sales requirements by terminating the contracts of vendors not meeting the annual requirements. In doing so, GSA hopes to reduce the cost of processing Schedule offers and modifications. According to GSA, the “volume of MAS offers [GSA] receives has more than doubled in recent years, and the volume of contract modifications has tripled.”<sup>62</sup> GSA states this volume can be a benefit when it “represents innovation and new solutions,” but that frequently it simply represents “numerous contractors offering the same item at different price points.”<sup>63</sup> Consequently, GSA estimates that “well over 50% of the MAS contracts awarded in 2011 will not have significant sales” but that GSA “will spend over \$24 million to support and manage such low/no sales contracts” and that in many SINS, the additional contractors are simply being added to “a flat or declining market, thus subdividing rather than strengthening the infrastructure.”<sup>64</sup> By closing these SINS to new offers, GSA can instead deal with the backlog of offers. GSA argues that this will allow them to focus their

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<sup>56</sup> *Id.* at 4.

<sup>57</sup> *Id.* at 8 For example, although most items cost savings differed by less than 5 percentages points, GAO found that drawing and graphic arts supplies’ “price premium was 68 percent, as compared to the 278 percent reported in the study.” *Id.* at 11.

<sup>58</sup> *Id.* at 11.

<sup>59</sup> *Id.* at 14.

<sup>60</sup> *Id.*

<sup>61</sup> Committee staff was briefed on January 5, 2012, and then GSA provided a briefing to staff for all Committee members on January 11, 2012.

<sup>62</sup> See Attachment B.

<sup>63</sup> *Id.*

<sup>64</sup> *Id.*



resources on improving the availability of new technologies and will prevent small businesses from using their resources to pursue contracts with very few opportunities.<sup>65</sup>

GSA originally anticipated that these changes would allow it to save \$24 million per year based on FY 2011 data.<sup>66</sup> GSA calculated the savings by stating that it costs an average of \$3,200 per year to maintain and administer a Schedule contract, and that 54.1 percent of Schedule contractors had low or no sales.<sup>67</sup> Thus, they multiplied the percentage by the number of vendors, and then multiplied that number by \$3,200. GSA has since revised that number to approximately \$6 million in reallocable savings, recognizing that the personnel costs are fairly fixed regardless of the number of vendors.<sup>68</sup> However, even this number may overestimate the savings, since the \$3,200 administrative cost is based on the total number of Schedules and the total cost of administering the program, and does not differentiate between the cost of administering a contract with no modification or no sales.

GSA's problem with administrative costs is understandable – if a firm makes only the minimum sales requirement of \$25,000 annually, the IFF remitted to GSA is only \$187.50. However, on the \$50 billion per year program, the IFF amounts to approximately \$375 million annually. The question must become whether a \$6 million savings offsets the lost opportunities to small businesses.

The removal of nonperforming vendors raises the first issue, since these firms spent considerable amounts of time and effort to get their Schedules. The question remains as to why they would do this and then not make sales or only make minimal sales. The answer may be that the market is saturated, as suggested by GSA. However, it may also reflect that the Schedules serve purposes other than those intended by GSA. Specifically, many government agencies like to see a Schedule contract as a form of credential – indeed, SBA's website states “getting a GSA Schedule contract is the lowest cost entry into government contracting . . . [g]etting onto the GSA Schedule means you've passed the government's “credibility test”; it means the government has certified that your prices are fair and reasonable.”<sup>69</sup> This alone may make it worth the cost to some small businesses. Second, states such as Texas and California use the Schedules as a prerequisite for their own state level multiple award contracts.<sup>70</sup> Therefore, a company interested in doing business with either of these states but not interested in doing business with the federal government may obtain a contract, and the loss of the Schedule contract will result automatically in the loss of the state contract. There is also the question of whether this will actually reduce GSA's workload, since a company that failed to meet the minimum sales requirement may simply reapply in a year, and processing an application is more time consuming and expensive than the actual administration.

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<sup>65</sup> *Id.*

<sup>66</sup> GSA's Written Responses to Committee Staff Questions 2 (May 10, 2012) (on file with the Committee) [*hereinafter*, Committee Questions].

<sup>67</sup> *Id.*

<sup>68</sup> *Id.*

<sup>69</sup> SBA, FOR VETERAN OWNED BUSINESS – GOVERNMENT CONTRACTING ADVICE. (April 30, 2012) available at

<http://www.sba.gov/community/blogs/guest-blogs/industry-word/veteran-owned-businesses-government-contracting-advice>

<sup>70</sup> According to the State of Texas's website, “The Texas Procurement and Support Services (TPASS) has established, as an alternative purchasing method, the use of Texas multiple award schedule (TXMAS) contracts that have been developed from contracts awarded by the federal government or any other governmental entity of any state. As the responsible federal entity, the General Services Administration's (GSA) Federal Supply Service awards Federal Supply Schedule contracts by competitive procurement procedures for more than 50 schedules that cover multiple commodities and services. The prices reflected on GSA schedule contracts are the most favored customer (MFC) prices and the maximum price allowable. TXMAS contracts take advantage of the MFC pricing and under certain circumstances, an agency or local government entity, may negotiate a lower price for the goods or services offered on a schedule contract. A “best value” purchase can be made by following the TXMAS purchasing procedures.” <http://www.window.state.tx.us/procurement/prop/txmas/>. Calls between the Texas Comptrollers office and Committee staff indicated that 99% of TXMAS vendors qualify based on a Schedule contract. California has similar procedures and numbers <http://www.documents.dgs.ca.gov/pd/cmas/ApplicationInfo/GSARrequirements.pdf>.

Further, businesses that are not currently on Schedule may lose significant opportunities. For example the Temporary and Professional Services Schedule (Schedule 736 or TAPS), which is reserved for small businesses, generated nearly \$126 million in sales last year. However, GSA intends to close it to new vendors even though GSA indicates that “each year, contractors graduate to become large businesses [, and a]t that point, they lose their schedule contracts.”<sup>71</sup> Likewise, GSA shut down the Office Supply Schedule, and plans to shut down PES. For the various Schedules that will be partially or completely closed, the table below provides overall dollars spent with each schedule and totals sales for SINs which remain open to new offers, and demonstrates that of the \$8.8 billion sold under these Schedules last year, new offers will only be allowed in areas responsible for \$929 million of those sales – barely 10 percent of the total value of those contracts.

### Schedules with Closing SINs

Schedule Name	Percent Open	FY11 Sales	Total Sales for Open SINs
738 X HR EEO	26%	\$225,786,199	\$58,170,017
72 Furnishings and Flooring	9%	\$64,799,535	\$6,082,110
36 The Office	49%	\$700,969,238	\$341,265,518
58 1 Professional AV/Telemetry	48%	\$212,158,048	\$100,980,526
81 1B Shipping and Packaging Supplies	36%	\$104,907,591	\$37,902,100
78 SPORTS	18%	\$327,308,093	\$58,858,563
871 Professional Engineering	0%	\$2,934,033,735	\$0
51V Hardware Superstore	12%	\$667,714,309	\$77,021,216
736 Temporary Admin and Professional Staffing (Schedule 736 is a fully set-aside Schedule to small business. All sales are to small businesses.)	0%	\$125,902,614	\$0
67 Photographic	16%	\$41,335,500	\$6,789,857
75 Office Supplies	0%	\$690,258,478	\$0
56 Building and Building Materials	40%	\$605,906,789	\$244,663,480
84 Security and Law Enforcement	19%	\$2,631,116,895	\$504,007,887
73 Food Service/Hospitality/Cleaning (no sales reported on open SINs)	0%	\$234,530,142	\$0
541 Advertising and Integrated Marketing	0%	\$442,394,298	\$252,814
<b>TOTALS</b>	<b>78%</b>	<b>\$38,660,009,502</b>	<b>\$30,086,882,126</b>

Source: Committee Questions at 3-4.

<sup>71</sup> Committee Questions at 3-4.

This means small businesses not currently on will not have opportunities to pursue nearly \$8 billion in sales. Given that there are approximately 350,000 small businesses currently seeking to do business with the federal government, and only approximately 15,691 currently hold Schedules, this excludes the vast majority of these companies. It is also worth considering that of the current small business Schedule contractors 4,981 are in their third year of contract performance or later but not meeting the \$25,000 minimum sales requirement, and are therefore likely to be terminated, leaving only about 10,000 small businesses on Schedule. Since GSA estimates that over fifty percent of new firms will not meet the minimum sales requirements, that means many of these firms will also lose their contracts. As a result, only about 9,500 firms – large or small – will be able to compete for the 10 percent of federal sales made through the MAS program.

## V. The Brooks Act

While the prior issues addressed looked at broad exclusions from the Schedules, in certain cases small businesses are alleging that items outside of the scope of the contracts are being sold to the detriment of small businesses. In 1972, President Nixon signed into law “An Act To Amend the Federal Property and Administrative Services Act of 1949 in order to establish Federal policy concerning the selection of firms and individuals to perform architectural, engineering, and related services for the Federal Government,” which is commonly known as the Brooks Act.<sup>72</sup> In order to prevent the commoditization of architectural and engineering services (A/E services), the Brooks Act requires that federal agencies procure A/E services in a manner known as Qualifications Based Selection (QBS). Specifically, A/E service providers are supposed to provide “statement[s] of qualifications and performance data” annually, that each agency is supposed to reference for each project requiring A/E services.<sup>73</sup> The agency must then enter into discussions with at least three firms for the project, “to consider anticipated concepts and compare alternative methods for furnishing services.”<sup>74</sup> The top three firms are then ranked according to preference, and the agency begins negotiating a fair and reasonable price with the top ranked firm, progressing only to the other firms if price cannot be resolved with the first firm.<sup>75</sup>

The QBS process enjoys the support of A/E firms, 48 states, and the American Bar Association’s Model Procurement Code.<sup>76</sup> This support is bolstered by economic data. A 2009 study by professors at the University of Colorado, Boulder, and the Georgia Institute of Technology found numerous public benefits from QBS.<sup>77</sup> Specifically, they found that QBS increases competition, and as a result, “QBS-based projects are lower than the national average in terms of both cost and schedule growth,” that the projects have excellent quality ratings, and “receive high scores in terms of designer and owner satisfaction.”<sup>78</sup> The study also found that QBS reduced the risk of incomplete scope, which affects the cost and overall success of the projects.<sup>79</sup>

Despite the benefits of QBS, A/E firms allege that the MAS program allows agencies to circumvent the Brooks Act QBS process.<sup>80</sup> Specifically, A/E services can be found on at least four Schedules:

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<sup>72</sup> 86 STAT. 1279 (1972), now codified at 40 U.S.C. §§ 1101 et. seq.

<sup>73</sup> 40 U.S.C. § 1103(b)

<sup>74</sup> *Id.* at § 1103-1104.

<sup>75</sup> *Id.* at § 1104.

<sup>76</sup> AMERICAN INSTITUTE OF ARCHITECTS, ISSUE BRIEF (2005) *available at* <http://www.aia.org/aiaucmp/groups/aia/documents/pdf/aia078524.pdf>.

<sup>77</sup> PAUL S. CHINOWSKY AND GORDON A. KINGSLEY, AN ANALYSIS OF ISSUES PERTAINING TO QUALIFICATIONS BASED SELECTION (2009).

<sup>78</sup> *Id.* at 33.

<sup>79</sup> *Id.* at 34-5.

<sup>80</sup> *See, e.g.*, Letter from Council On Federal Procurement of Architectural & Engineering Services to Administrator Daniel Gordon, Office of Federal Procurement Policy (OFPP), Office of Management and Budget (2010) *available at* [http://www.cofpaes.org/documents/COFPAES\\_letter\\_OFPPonGSA.pdf](http://www.cofpaes.org/documents/COFPAES_letter_OFPPonGSA.pdf).

Professional Engineering Services (PES or Schedule 871); Environmental Services (Schedule 899); Mission Oriented Business Integrated Services (Schedule 874); and Temporary Administrative and Professional Staffing (Schedule 736). While each of these Schedules states clearly that its scope excludes A/E services as covered by the Brooks Act, Committee staff were easily able to find labor rates for architects and engineers on these schedules. The clear implication is that contracting officers can use these Schedules to purchase services that should be subject to QBS.

The inappropriate use of Schedules to purchase A/E services harms small businesses. QBS allows small businesses to compete by assessing their technical capabilities first, which allows them to demonstrate unique capabilities and niche market expertise. Additionally, small A/E firms are unlikely to apply for a Schedule if they believe the Schedule will not provide an opportunity for them to sell their particular services. If the scope says that A/E services are not included in the definition of the Professional Engineering Services Schedule, a small A/E vendor would not go through the expense of obtaining a schedule contract if their service cannot be offered through that process. Thus, the hidden opportunities for work of A/E services under Schedule contract harms small firms that are not Schedule holders.<sup>81</sup>

## **VI. Issues Before the Subcommittee**

### **1. Voluntary Set-Asides on the Schedules**

As with the issues regarding the Brooks Act, the Subcommittee realizes that GSA cannot monitor each task order to ensure that the appropriate provisions of the Small Business Act are being observed. However, the Subcommittee does wish to learn what systemic changes GSA is making, including changes to its underlying Schedules architecture, commonly known as FSS-19, its E-Buy RFQ system, GSA's training programs, and GSA compliance reviews. Further, the Subcommittee wishes to learn if GSA intends to set aside any Schedules or SINs for small businesses now that this is permissible.

Given that set-asides on Schedules require changes to the base contracts, the Subcommittee wishes to learn how far GSA has progressed in making these changes, and what results GSA is seeing in terms of sales by small businesses. Specifically, has the allowance of set-asides led more small businesses to apply for contracts, or increased the percentage of awards going to small firms?

### **2. Strategic Sourcing and the Schedules**

As previously mentioned, as more Federal Agencies transition to FSSI over standard GSA schedules, small businesses have expressed concerns over the fairness in this process and whether it prohibits small businesses from receiving federal contracts. Despite these concerns, it appears that under the OS II program small business participation has increased over prior GSA schedules. The Subcommittee will inquire as to the challenges presented to small businesses in being awarded a BPA under FSSI and the benefits available to the government when small businesses are awarded these BPAs. Additionally, it will inquire as to the effects of closing SINs under the DBEM on future FSSI contracts, especially the eventual OSII recompetes, since no new vendors are currently being developed on the Office Supply Schedule.

### **3. Demand Based Efficiency Model.**

The Subcommittee hopes to learn about any changes to the DBEM since the January 11, 2012 staff briefing, and about GSA's plans to implement DBEM. Of particular interest is the cost benefit analysis - \$6 million

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<sup>81</sup> The Dynamic Small Business Search website, <https://dsbs.sba.gov>, indicates that there are over 50,000 small businesses in A/E seeking to do business with the federal government, but there are only approximately 15,000 small businesses in total participating in the MAS program.

in savings versus potentially displacing thousands of current vendors and hundreds of thousands of potential small business vendors. The Subcommittee will expect a discussion of alternative approaches and why they were rejected. Given that the rules are just changing to make Schedules more attractive to small businesses, the Subcommittee hopes to learn that GSA is reevaluating its approach.

#### 4. Brooks Act Contracting on the Schedules

The Subcommittee realizes that GSA cannot prevent every possible abuse of its Schedules by ordering agencies. However, it is GSA's responsibility to ensure that out-of-scope goods and services do not appear in any vendor's catalog, to educate agency customers on the use of the Schedules, and to monitor the Schedules for potential abuses. The Subcommittee will inquire into what steps GSA is taking to remove labor rates for architects and engineers from the Schedules, how it will educate its customers, and how it is monitoring compliance. Moreover, with the proposed closing of the PES Schedule to new offers, the Subcommittee wishes to learn if change this will abate the problem.

### **VII. Conclusion**

Given that the federal sector is an extremely vital part of the construction market, legislative and policy changes may offer opportunities to correct and clarify contracting requirements as they relate to the MAS program, in order to further maximize small business participation, which in turn leads to business growth and job creation.

Attachment A

*Schedule List*

Source	Description
<b>BPA</b>	<b>MAS Blanket Purchase Agreements (BPAs)</b> - In order to support agencies with their strategic sourcing requirements, GSA is developing a number of MAS Blanket Purchase Agreements for selected commodities and services. These BPAs can be used by all agencies to fulfill requirements. MAS BPAs leverage the government's buying power and achieve significant cost savings through the aggregating of federal demand.
<b>00CORP</b>	<b>THE CONSOLIDATED SCHEDULE</b> - The Consolidated Schedule provides a streamlined approach to fulfilling requirements that fall within the scope of more than one schedule for acquiring a total solution. Contractors under this schedule hold a single contract that includes two or more combined services from schedules.
<b>03FAC</b>	<b>FACILITIES MAINTENANCE AND MANAGEMENT</b> - GSA offers a vast array of innovative, customer-focused facilities products and services. Facilities Maintenance and Management, Schedule number 03FAC, is a Multiple Award Schedule that provides federal agencies a streamlined procurement device to acquire all of the services necessary to maintain and manage a facility.
<b>23 V</b>	<b>AUTOMOTIVE SUPERSTORE</b> - GSA purchases many types of new vehicles and vehicle related products for government agencies and DoD. Use <b>AutoChoice</b> to purchase: Alternative fuel vehicles; Ambulances; Buses; Light trucks; Light trucks - vocational; Medium and heavy trucks; Sedans; Wheelchair vans; Wreckers and carriers.  When using this schedule, you can access vendors directly to place an order for vehicles or accessories or you can contact GSA to place the order on your behalf! More information on these options is available through our CARS line at 703-605-CARS (2277). The following vehicles and accessories are available under GSA Schedule: Aerial Devices and Digger/Derricks; Construction Equipment, Road and Snow Maintenance; Fire Trucks; Low Speed Vehicles (Gas or Electric); Mobile Command Centers; Remanufactured Engines; Snow Maintenance Equipment; Tankers; Tires; Trailers; Trash Collectors and Recycling Vehicles; Truck Bodies; and Vehicle Accessories and Equipment.
<b>36</b>	<b>THE OFFICE, IMAGING AND DOCUMENT SOLUTION</b>
<b>48</b>	<b>TRANSPORTATION, DELIVERY AND RELOCATION SOLUTIONS -</b>
<b>51 V</b>	<b>HARDWARE SUPERSTORE</b> - Includes Household and Office Appliances; Commercial Coatings, Adhesives, Sealants and Lubricants; Hardware Store Catalog and Store Front; Lawn and Garden Equipment, Machinery and Implements; Rental and Leasing (as pertains to products offered under this schedule); Tools, Tool Kits, Tool Boxes; Woodworking and Metal Working Machinery; All Parts and Accessories Related to Products Offered Under This Schedule.
<b>520</b>	<b>FINANCIAL AND BUSINESS SOLUTIONS (FABS)</b> - This Multiple Award Schedule

provides Federal agencies with direct access to commercial experts that can thoroughly address the needs of the Federal financial community. FABS not only gives you access to a multitude of professional financial services, but also provides you with the ability to customize the services to meet your specific needs. The FABS schedule allows for choice, flexibility, ease-of-use and access to quality firms in the financial arena.

- 541 ADVERTISING & INTEGRATED MARKETING SOLUTIONS (AIMS)
- 56 BUILDINGS AND BUILDING MATERIALS/INDUSTRIAL SERVICES AND SUPPLIES - This Schedule provides a full range of commercial products and services covering such areas as buildings and building materials/industrial services and supplies. In addition, this program offers energy saving building supplies, alternative energy solutions, and related services.
- 58 I PROFESSIONAL AUDIO/VIDEO TELEMETRY/TRACKING, RECORDING/REPRODUCING AND SIGNAL DATA SOLUTIONS
- 599 TRAVEL SERVICES SOLUTIONS -
- 621 I PROFESSIONAL AND ALLIED HEALTHCARE STAFFING SERVICES
- 621 II MEDICAL LABORATORY TESTING AND ANALYSIS SERVICES
- 65 I B PHARMACEUTICALS AND DRUGS - Includes Antiseptic Liquid Skin Cleansing Detergents and Soaps, Dispensers and Accessories.
- 65 II A MEDICAL EQUIPMENT AND SUPPLIES
- 65 II C DENTAL EQUIPMENT AND SUPPLIES
- 65 II F PATIENT MOBILITY DEVICES - Includes Wheelchairs, scooters, walkers.
- 65 V A X-RAY EQUIPMENT AND SUPPLIES - Includes medical and dental x-ray film.
- 65 VII INVITRO DIAGNOSTICS, REAGENTS, TEST KITS AND TEST SETS
- 66 SCIENTIFIC EQUIPMENT AND SERVICES - Test and Measurement Equipment, Unmanned Scientific Vehicles; Laboratory Instruments, Furnishings and LIMS; Geophysical and Environmental Analysis Equipment; and Mechanical, Chemical, Electrical, and Geophysical Testing Services
- 66 III CLINICAL ANALYZERS, LABORATORY, COST-PER-TEST
- 67 PHOTOGRAPHIC EQUIPMENT - CAMERAS, PHOTOGRAPHIC PRINTERS AND RELATED SUPPLIES & SERVICES (DIGITAL AND FILM-BASED)
- 70 GENERAL PURPOSE COMMERCIAL INFORMATION TECHNOLOGY EQUIPMENT, SOFTWARE, AND SERVICES - Pursuant to Section 211 of the e-Gov Act of 2002, Cooperative Purchasing provides authorized State and local government entities access to information technology items offered through GSA's Schedule 70 and the Corporate contracts for associated special item numbers. Contracts with the COOP PURC icon indicate that authorized state and local government entities may procure from that contract.
- 71 FURNITURE
- 71 II K COMPREHENSIVE FURNITURE MANAGEMENT SERVICES (CFMS)

- 72 FURNISHING AND FLOOR COVERINGS
- 73 FOOD SERVICE, HOSPITALITY, CLEANING EQUIPMENT AND SUPPLIES, CHEMICALS AND SERVICES - offers a variety of cleaning equipment and accessories, and cleaning products for daily cleaning - products that keep facilities clean in an environmentally friendly manner. Housing Managers and Facility Managers will enjoy the full range of Hospitality Solutions under this Schedule. In addition, all food service needs from eating utensils to an entire custom designed food court kiosk concept that supports new branding initiatives are available.
- 736 TEMPORARY ADMINISTRATIVE AND PROFESSIONAL STAFFING (TAPS) - Temporary Administrative and Professional Staffing Services
- 738 II LANGUAGE SERVICES - GSA's Language Services Schedule facilitates access to commercial providers of linguists who can supply an array of Language Services, including Translation Services, Interpretation Services, Sign Language and Title III work, and Training Services.
- 738 X HUMAN RESOURCES & EQUAL EMPLOYMENT OPPORTUNITY SERVICES
- 75 OFFICE PRODUCTS/SUPPLIES AND SERVICES AND NEW PRODUCTS/TECHNOLOGY - Includes Videotapes, Audiotapes, Tape Cartridges, Diskettes/Optical Disks, Disk Packs, Disk Cartridges, Anti-Glare Screens, Cleaning Equipment & Supplies, Ergonomic Devices, Next Day Desktop Delivery of Office Supplies, and Restroom Products such as Roll Toilet Tissue Dispensers, Toilet Tissue, Paper Towels, Toilet Seat Covers, Facial Tissues, and Soaps for Restroom Dispensers.
- 751 LEASING OF AUTOMOBILES AND LIGHT TRUCKS
- 76 PUBLICATION MEDIA
- 78 SPORTS, PROMOTIONAL, OUTDOOR, RECREATION, TROPHIES AND SIGNS (SPORTS) - Sports equipment and supplies, fitness equipment, sounds of music, child's play, sports clothing and accessories, safety zone products, camping and hiking equipment, park and playground equipment, wheel and track vehicles, recreational watercraft, flags, awards, trophies, presentations, promotional products, briefcases and carrying cases, trade show displays and exhibit systems and all related products and service.
- 81 I B SHIPPING, PACKAGING AND PACKING SUPPLIES - Bags, Sacks, Cartons, Crates, Packaging And Packing Bulk Material
- 84 TOTAL SOLUTIONS FOR LAW ENFORCEMENT, SECURITY, FACILITIES MANAGEMENT, FIRE, RESCUE, CLOTHING, MARINE CRAFT AND EMERGENCY/DISASTER RESPONSE - The Local Preparedness Acquisition Act, signed June 26, 2008, authorizes state and local governments to purchase from GSA alarm and signal systems, facility management systems, firefighting and rescue equipment, law enforcement and security equipment, marine craft and related equipment, special purpose clothing, and related services.
- 871 PROFESSIONAL ENGINEERING SERVICES
- 874 MISSION ORIENTED BUSINESS INTEGRATED SERVICES (MOBIS) - NOTE: Schedule 69, TRAINING AIDS & DEVICES INSTRUCTOR-LED TRAINING; COURSE



DEVELOPMENT; TEST ADMINISTRATION has been incorporated in SINS 4,5,8&9

874 V LOGISTICS WORLDWIDE (LOGWORLD)

899 ENVIRONMENTAL SERVICES

**Attachment B**

**The Demand Based Efficiency Model --- Success Under the Multiple Award Schedules Program.**

The Multiple Award Schedules Program (MAS) has long been the premier way for Federal agencies to buy commercial services and products, and the low cost entrée for small business into the Government market. Over the last 20 years, the program has expanded to encompass 31 schedules with over 19,000 federal contractors.

With today’s great fiscal challenges, the MAS program needs to sharpen its focus on reducing costs of acquisition across the Federal Government.

Since the early 1990s FAS has operated a 24 x 7 model, in which any company can submit an offer at any point in time. This practice was essential to FAS developing a strong infrastructure. Now, thanks to its success, the program has outgrown this model.

The volume of MAS offers FAS receives has more than doubled in recent years, and the volume of contract modifications has tripled. Where this represents innovation and new solutions, it’s great. However, much of this is simply duplication, with numerous contractors offering the same item at different price points. FAS projects that well over 50% of the MAS contracts awarded in 2011 will not have significant sales; FAS will spend over \$24 million to support and manage such low/no sales contracts. Furthermore, in numerous parts of the schedules program, FAS is adding ever more contractors to a flat or declining market, thus subdividing rather than strengthening the infrastructure.

To respond to today’s fiscal challenge, Federal Agencies need FAS to focus our acquisition professionals on helping them use our schedules better, to bring new solutions to market faster, improve pricing, and simplifying the buying experience. Industry needs FAS to give clear signals, to create opportunity, and to act quickly. Yet, the explosive growth in the number of offers has resulted in long wait times (9 months plus) without creating value.

In response, beginning in early 2012, FAS will move to a Demand Based Efficiency Model. FAS will review the major part of each schedule, (the Special Item Number) and will determine whether it represents an opportunity for innovation and program growth, or a dead-end street. The areas of likely demand will remain open to new offers. The dead-end streets will be closed for the next year. FAS will point to detours available to such businesses. Each year, FAS will update this review and will point to where it sees the greatest customer demand.

Anticipated benefits of the Demand Based Efficiency Model are:

Federal Agencies	Industry	GSA
Brings new technology to market faster	Identifies opportunities post dead-end ahead signs	Greater focus on helping federal agencies save
Focuses FAS resources on helping agencies use schedules better	Faster processing of offers and modifications	Better use of resources
Makes it easier to find best solutions	Decreased failure rate	Improve Supplier Relationship management
Greater focus on price	Focuses Industry on underserved market	Controls expenses and reduces waste/duplication
Helps meet socioeconomic goals	Opens to other small business alternatives	Increase Small Business Access to Market Share