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30th year



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June 24, 2010

Dr. Robert M. Gates
Secretary of Defense
Department of Defense
1400 Defense Pentagon
Washington, D.C. 20301-1400

Dear Secretary Gates:

On behalf of the Coalition for Government Procurement, I would like to thank you for your continued leadership in protecting our nation and your dedication to common sense federal acquisition. The Coalition respects your call for reduced spending inside the Department of Defense (DoD), and realizes that this effort is critical given the current economic climate. The Coalition has specific recommendations for DoD to consider as it implements the process of reducing acquisition overhead and overall acquisition costs.

The Coalition for Government Procurement is a non-profit association of over 300 companies offering commercial services and products to Federal, and increasingly State agencies, through the General Services Administration (GSA) schedule and other contracts. Our members account for approximately 70% of the business conducted through the GSA Multiple Award Schedule contracts and about half of the commercial solutions purchased annually by the Federal Government. The Coalition is proud to have worked with officials in Government for 30 years to promote common sense acquisition solutions.

The Coalition's members have on an ongoing concern about duplicative contracts inside DoD, particularly in the information technology and professional services fields. Our members tell us that they work with dozens of different Indefinite Delivery/Indefinite Quantity contracts, many of which perform the same or similar functions. This system of duplication not only increases DoD's overhead costs, but is also inefficient because different operations are performing similar or identical functions. These inefficiencies increase costs to both industry and the government, because industry is required to maintain separate contracts for the same services and products, and these costs are ultimately passed on to the government.

...representing commercial service and product suppliers to the Federal Government

We believe the current situation of contract duplication is unsustainable because of the limited resources of the current DoD acquisition workforce. At the same time DoD's acquisition workforce is stretched thin, acquisition professionals within DoD are being rewarded for the implementation of new contracts, instead of for managing and conducting acquisition through established contracts. The Coalition believes this incentive program is contrary to the best interests of the Department. We believe that the acquisition workforce should be properly incentivized to make the best use of existing contract vehicles that provide exceptional value to DoD, regardless of where the contract originated. This type of incentive will lead to a reduction of duplicative contracts and will make better use of the acquisition workforce's limited resources, ultimately resulting in reduced costs for DoD.

Specifically, the Coalition recommends that DoD increase the use of procurement programs managed by GSA, including both GSA Multiple Award Schedule (MAS) and Government-Wide Acquisition Contracts vehicles (GWACs). These contracts provide exceptional values over a wide array of service and product offerings, and meet the competition definition as set out in the Competition in Contracting Act. Over recent years, consistent reviews show that GSA has proven itself to be a sound and trustworthy partner of DoD.

We believe that at least some DoD acquisition offices don't currently make maximum use of GSA contracts because of the Industrial Funding Fee (IFF) involved; the IFF for these contracts, however, is only 0.75 percent, or less in the case of some GWAC acquisitions. The same is also true of the Federal Supply Schedule (FSS) contracts managed by the Department of Veteran's Affairs, where the access fee is half of one percent. These are exceptionally low overhead rates that support the superior operation and professional management of the Schedules program. We believe that the cost of establishing and maintaining duplicative contracting operations inside DoD is inherently higher than these low fees when all costs of maintaining such operations are considered.

In addition to the low overhead that GSA is able to operate on, at the Task Order (TO) level, competition is strong and market-driven so that in most cases, spot discounts are negotiated, whereby DoD realizes further savings. Therefore, the belief held by some of the DoD acquisition workforce, that using DoD contracts is more effective than other contracts, may not always be true. The Coalition believes that GSA offers the best overall acquisition value when the cost to DoD of maintaining complete contract operations that do the same things is considered.

It is also important to note that many DoD contracts have their own fees and that new programs are sometimes created to generate revenue for operations, without necessarily serving a previously unmet need.

In addition to receiving a great value at low costs, GSA provides access to many small businesses. By using GSA schedules, DoD can meet its socioeconomic goals and provide business to the many small firms that drive the economic engine of this country, including service-disabled veteran-owned small businesses.

The savings achieved through the methods discussed above will allow substantially increased support for the warfighter, and allow for shorter acquisition lead times. This will result in increased material and logistical support for the conduction of national security efforts. The procurement and acquisition management services of GSA are key tools that can help DoD achieve mission success.

The Coalition welcomes the opportunity to work with your office to increase the use of GSA contracts inside DoD. We have, and continue to, work with the Office of Defense Procurement and Acquisition Policy on these issues and we believe that additional gains are possible with the involvement of your office. We believe that DoD will inherently benefit through significant reductions in acquisition costs and that this will help meet the key goal you outlined in your announcement about reducing costs within the Department. This is one way to substantially achieve that goal, achieve positive contract outcomes, and efficiently use scarce DoD resources. Again, we sincerely appreciate your leadership in providing for our nation's defense.

Sincerely,



Larry Allen
President

CC: Sen. Carl Levin, Chairman, Senate Armed Services Committee;
Sen. John McCain, Ranking Member, Senate Armed Services Committee;
Rep. Ike Skelton, Chairman, House Armed Services Committee;
Rep. Howard McKeon, Ranking Member, House Armed Services Committee