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Create Vendor Relationships To Generate Competition

By MARK WERFEL

The acquisition leadership is attempting to resolve through new regulations the widespread lack of competition when agencies purchase services. This objective will not be accomplished for the reasons outlined below. Instead, what is needed is a commitment to improved planning, effective execution and accountability for all involved. Doing so is impossible without a new kind of contract.

One problem is there is a resistance to competition. As we know, the business volume of unjustified, noncompetitive order awards is great, amounting to billions of dollars annually. This has been the case for many years and the subject of many an audit report. The executive branch leadership has failed to resolve it. How many contracting officers were demoted, fired or given poor performance reports when they erred? Would they take these or the proposed new regulations seriously when their leaders did not? Did Congress reduce funding for programs that did not complete work, or justify why they did not?

The past presages the future — contracting officers who failed to follow old rules will now fail to follow new ones.

Another problem is that contracting practices are cumbersome. Years ago, large information technology contracts were awarded to a single firm after competitions, but significant and rapid market improvements drove post-award changes. These were negotiated without competition, losing the benefit of extensive pre-award periods. Subsequently, a preference for multiple-award, General Services Administration federal supply schedule and blanket purchase agreement (BPA) contracts resulted in many quick but ineffective awards.

Firms received schedules and contracts in excessively brief pre-award cycles, but many of those companies' received little if any real work at the order level. Further, requirements for fair competition were ignored. Today, the proposed requirement to consider all proposals submitted, or ensuring that a specific number is received, is clearly problematic.

I believe any solution must include a new form of contract, which I will call a multiple-award requirements contract (MARC). This new contract approach would be tailored to and mandated for specific communities of purchasers that have distinct needs and requirements — for example, hospitals or field investigators — and relate each community with several dedicated and competing firms.

Organizing business relationships in this natural way drives common understanding, responsible commitment and accountability, and shared management processes. Accordingly, this new contract type would optimize outcomes, and permit effective, ongoing competition that avoids the encumbrances of the proposed regulation.

This new type of contract would promote greater competition because each contract — tailored to a group of purchasers having common requirements — would become its own



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minimarketplace for the community it serves. Requirements and selection criteria for orders would be posted electronically by government purchasers. Contractors in each grouping would list proposed products and prices, offer quantity discounts and other incentives. Community users would select products from one or all contracts in their grouping, saving administrative time, effort and cost by using information technology to make payments, collect performance data and conduct oversight.

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Fewer people would be required to manage these contracts, but they would be more highly skilled with significantly greater business acumen. Past performance information on companies could be collected and shared within each community of purchasers, making it more effective and relevant.

As a result, more natural partnerships between vendors and buyers would emerge. Buyers would be more informed and effective. Less competitive vendors on the MARC contract will not only have lower sales, but also will have the same infrastructure costs with less business to absorb it. Accordingly, some would leave the contract grouping to be replaced by others.

There would be greater communication between MARC vendors and buyers, which would improve product development, reduce risk, and increase customer acceptance of products.

For more information, go to emissary.acq.osd.mil/dar/dfars.nsf, click on case number 2001-D017, then click on the public comments submitted by Mark Werfel.

Mark Werfel is a senior procurement analyst for the Army. The views expressed are his own.



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