GPO's Slow Transition to Best Value Awards
May Encourage Issuance of "Optional GPO" Regulations

by Frederic G. Antoun, Jr.

On May 3, 2002, Mitchell Daniels, Director of the Office of Management and Budget (OMB) issued a memorandum criticizing the U.S. Government Printing Office (GPO) longstanding practice of awarding printing contracts to companies which met minimum requirements, and had the lowest bid price. Instead, Daniels said that GPO should be awarding contracts on "best value" which considered not only price, but also quality, timely delivery, service, and experience important to the particular job in question.

Proposal for an Optional GPO. Daniels directed that new Federal Acquisition Regulations (FAR) be issued giving vendors the option to buy their printing without having to go through GPO, so that they could obtain "best value" for the federal dollars spent.

Shortly thereafter, proposed regulations were published in the Federal Register for public comment. The Final Regulation was to be issued in late 2002—but it never was.

The Legal Issue. The legal argument that the Daniels memo and the proposed regulations presented is that Title 44 of the U.S. Code requires agencies to buy their printing through the GPO. Thus, Daniels memo and the proposed regulations conflicted with an existing law. But the Administration says that law (enforced for over 100 years) is unconstitutional.

GPO and best value type awards. Legal issues aside, GPO recognized that OMB may well have a point, and it may be time for GPO to adopt a best value type procurement system in order to meet the needs of its agency customers, and make sure they are getting value for the dollars spent through GPO. GPO contracting officers recited a number of situations in which the low bidder was qualified, but mediocre, while the second bidder, whose price was only a few dollars more, provided excellent quality, service, and on-time delivery. Unfortunately, they noted that under the current GPO regulations, the award has to be made to the lowest price vendor meeting *minimum* requirements, even though the government would get a "better deal" and "better value" if it spent $50 or $100 more and awarded the job to the excellent second bidder.

In the summer of 2002, GPO began to plan a transition to a best value type contract award, under which it would consider not only price, but also quality, timely delivery, service, etc. in analyzing who should be awarded a particular contract. Meetings were held at GPO among staff and with representatives of the private sector. In addition, best value and how GPO should develop that type of system were the topics for two Interagency Council meetings (the Interagency Council consists of GPO's agency customers). Many think that it was GPO's apparent willingness to transition to a best value type of procurement that resulted in the final regulation getting "lost."

But nothing has happened at GPO. Why? Apparently, in the process of analyzing how to make the transition, someone at GPO came up with an alternative solution that would avoid analyzing all value components, including price, and instead continue to award a contract to the lowest bidder.

A bad alternative. An alternate plan was floated around the big brick GPO building at North Capitol and H Streets in Washington, DC: why not dramatically reduce the number of vendors from whom GPO would accept bids, structuring the new vendor list to only include printers whose quality, service, on-time delivery, experience, etc. was top-notch. Then, GPO could still make its award solely on the basis of price, because all the vendors in the pool would be basically equal. This method, some at GPO argued, would keep things simple, while still giving the agencies the best bang for their bucks, and avoid awards to printers who should have never received the job in the first place, but got it because they bid a very low number. These proponents also pointed out that this system is used widely in the private sector.

As a result of this possible alternative, transition to a best value type system modeled to suit GPO has stalled.

What's wrong with the alternative of dramatically reducing the vendor pool? While the method of keeping the number of vendors limited, so that you only have top-level vendors in your pool, may work for some companies in the private sector, the private sector has no pressure from Congress and the Small Business Administration to operate an open, competitive procurement system. Private sector companies are not spending taxpayer dollars–but GPO is. In the past 20 years, GPO's primary claim to fame has been that it operated one of the very few open and competitive procurement systems in the federal government, resulting in a massive 76% award ratio to small businesses. This is 3 times the rate achieved by any other government entity. GPO's popularity has consistently been surprisingly high in Congress, because GPO contracts are awarded all over the country, keeping printers (and their elected representatives in Washington) happy.

The large current GPO vendor base is misleading. Of the 12,000 or so registered vendors, only about 3,000 win work. But those 3,000 can be very active and very vocal, and form a base that has helped keep GPO alive. If vendor pool drops to only a few hundred, no matter how large the printers, they will not have the critical mass to help save GPO when it goes on the chopping block—as it has every few years for the past two decades.

If the size of the vendor pool is reduced, GPO's two main claims to fame – "the best small business program in the government" and "open competitive procurement" will go away.

Perhaps more importantly, the GPO system would become a club of favorites. Whether they were favorites of the GPO staff or favorites of a particular Congresspersons or Senators, pressure would be exerted to include or add certain vendors to the system. And that pressure will result in those with political power or influence getting placed on the list, and those without such power or influence (read small businesses) not being placed on the new small vendor list.

Equally as important is the fact that, no matter how small the vendor pool, all printers are simply not equal, especially when it comes to some of the particularly unique jobs that GPO buys for federal agencies. Analysis of each bidder's price, quality, service, and past experience at the type of work in question is necessary to give the taxpayers and the agencies the best value for their dollar. *Frankly, no entity is better suited to do this type of analysis on larger or complex jobs than the U.S. Government Printing Office.*

GPO needs to kill whatever proposals are floating around the building to dramatically reduce its vendor pool and end open its competitive procurement system.

At the same time, GPO needs to complete plans, begun more than 5 years ago, to develop an electronic commerce system. Since GPO has always kept detailed performance and delivery records, it is not a difficult task to have an e-commerce system apply that data to award criteria established by GPO. Once the computer picks out the top bidders, GPO staff can do a best value analysis on the more complex or costly jobs. For small purchases, an electronic commerce system can automatically apply best value weights to each printer's bid, and suggest a winner to contracting personnel. Of course, that suggestion could be accepted or ignored – but it would save countless hours (and money) of unnecessary work on thousands of small jobs (85% of GPO's orders are under $2,500). With a good web-based e-commerce system, it is not material how many bids are submitted, so GPO's open competition can flourish. Best value criteria and price determine the winner.

Let's not forget about the FAR revision to make GPO optional. Although no final rule has come out making GPO optional, I suspect this is because GPO agreed to transition to a best value type award system, accomplishing the goals that OMB Director Daniels set out in his memo. But now that GPO has not made this transition, and is talking about killing its open competitive procurement system, will OMB push issuance of the final FAR regulation to allow agencies to buy their own printing?

Solidify the base to build for the future. Although there has been a lot of talk lately about GPO's transitioning to a digital services provider, the fact is that in 2003—and for *at least* the next 5-10 years—GPO's relationship with its federal agency customers will be based on their print (read "information dissemination") needs. Unless those needs are handled properly, efficiently, and in a manner the executive branch feels is providing good value, GPO may not get the opportunity to provide the broad range of digital/web information publication, management, and dissemination services it believes are critical to its future. On the other hand, if GPO provides perceived value in meeting the agency's needs to acquire hundreds of thousands of small, medium, and large printing orders, that GPO service will provide the base upon which to expand into a wide variety of essential services that Federal Agencies need now, and in the future. *April 7, 2003*

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