

E-Commerce strong in the Federal Market; Print procurement system lags behind

By Frederic G. Antoun, Jr.

In 1994, Congress passed the Federal Acquisition Streamlining Act, P.L. No. 103-355 (FASA). FASA provided that the Office of Federal Procurement Policy (OFPP) would oversee a program for “the development and implementation of the Federal Acquisition Computer Network Architecture” or FACNET. This system was to allow executive branch agencies throughout the government to use the internet to: A) provide notice to the public of solicitations; B) receive responses to those solicitations; C) give the public notice of award; D) exchange information, including questions regarding solicitations; E) issue awards and orders; F) make payments through EFT; G) provide for electronic data change (EDI) between private sector contractors and federal agency customers. As an additional benefit, FACNET was to archive data relating to procurement actions and purchases so that both the federal agencies and the private sector customers would have access to historical procurement information.

Congress was so serious about agencies’ entry into the world of e-commerce that it added an incentive to the FACNET system: agencies who could show that they had moved to electronic commerce in a serious way would have their small purchase limitations (the dollar value under which formal procurement methods are not required) raised from \$25,000 to \$100,000.

Congress continued to promote e-commerce for the federal government with the Federal Acquisition Reform Act of 1996 (FARA) and the Information Technology Management Reform Act for FY ’96 (ITMRA).

Despite the initial fanfare over FACNET, it has not been as successful as anticipated; as a result, the government’s emphasis on FACNET has all but disappeared.

President Clinton, a strong supporter of electronic commerce in government procurement, recognized early on that the e-commerce explosion has been created by and led by the private sector. As a result, his announced policy was to discourage regulation of e-commerce and the internet, and to foster development of systems that could be used not only by the private sector, but also by government agencies. At the same time, the Administration also began to encourage and support the growth of e-commerce systems created and run by the government.

Probably the most successful government e-commerce system today is GSA Advantage (<http://www.gsaadvantage.gov>), which lists over 1 million items and services bid on GSA’s purchasing schedules. GSA Advantage allows government employees to purchase goods of all types and various services online, after “shopping” for the item or service and the best price. The system now also allows the government purchaser to distinguish between mandatory sources (contractors who are the required supplier of a

particular item) and “preferred” sources, which may include a number of vendors, each having a different price for the same or similar items.

GSA Advantage has been very successful. In 1999, GSA reports that it increased the number of items online by approximately 60%. In 2000, GSA has continued to increase the items online, and has added a number of services, including document archival, document management, and logistics services.

Another success story in the federal government move to put procurement online is CBDNET. CBD (Commerce Business Daily) is the publication wherein notices of other than small purchase procurements are required to be published. CBD also publishes notices of award, and other procurement information.

The current widespread use of credit cards by government employees has greatly facilitated e-commerce for federal purchases.

Using the printed CBD publication was extremely difficult, because it required reviewing the daily CBD and attempting to keep track of job opportunities and awards. All of that information is now online at CBDNET (<http://cbdnet.access.gpo.gov>), and any potential bidder can log on and get information. However, the specifications required to bid the work are not online, making CBD an excellent resource, but not a full service for potential bidders. Likewise, CBDNET is not a full e-commerce system, and does not allow online bidding, award, etc.

With the lack of success for the government wide FACNET program, the government has taken a new view, which abandons the belief that one government-wide e-commerce system for all procurement can be created, and instead allows and encourages agencies to try to find their own solutions. This encouragement came primarily in the form of a revision to Federal Acquisition Regulation (FAR) 4.502(a) from a *you will use FACNET* approach to a simple statement that encourages agencies to use electronic commerce wherever practical or cost effective.

Encouraged by this change, a number of agencies attempted to create their own internet e-commerce sites, but were less than successful. Perhaps the reason is that without the “critical mass” which puts related products and services online at the same place to encourage contractor participation, e-commerce in the federal government simply will not work. Using the “critical mass” philosophy, GSA partnered with Interior, Treasury, Transportation, Air Force and NASA to create the electronic posting system (EPS) in order to provide a “single entry point” to solicitation notices and solicitations for contractors doing business with all of those agencies. Currently, the system is a “notice” system only, and provides solicitation information. Eventual plans are to develop a full e-commerce site.

Government procurement watchers predict that the eventual solution developed by the government for the purchase of commodity type goods and services will be one site that not only offers e-commerce services for agencies of the federal government, but also links agency customers and suppliers to all other federal government e-commerce sites.

On the other hand, federal agencies who actually have moved heavily into e-commerce are noting a phenomena not dissimilar to that observed in the private sector market: the government employees who buy airplane parts generally don't buy tank parts; government employees that buy office supplies generally don't buy construction materials, and vice versa. The government has also discovered that suppliers are even more affected by vertical market segmentation: Staples does not sell DOD hardware and parts, and Lockheed Martin does not sell office supplies. As a result, individuals in the government are now wondering whether their e-commerce solutions should be vertically targeted, whether or not they are all accessible from one main federal government procurement site via links. In the first half of 2000, DOD created "emall", under a mandate in the National Defense Authorization Act for FY '99. Although emall is not an example of excellent vertical targeting, it is a recognition by DOD that its employees have specific needs in various areas, and it is emall's goal to facilitate e-commerce for the purchase of those needed products and services.

Private Sector Sites

Difficulties with government run ecommerce sites combined with the income opportunity the government market presents has encouraged a number of private sector web start-ups to provide B2G services to federal buyers. FedCenter.com, which offers government buyers a convenient way to buy almost anything from vendors on existing GSA supply schedules, reports that it handles 20% of GSA schedule purchases. Other buying sites, like Staples.com, are also experiencing increased government traffic.

Print procurement not yet affected by ecommerce

Despite the federal government's expenditures in the area of e-commerce, and various administrative and congressional directives for the federal agencies to move into e-commerce in order to save time and money, print procurement is not included in any of the current online systems operated by the federal government. This seems strange, given the fact that there are no less than 20 sites for online print buying in the private sector. However, the reason for this lack of migration to new technology is simple: federal government print (with very few exceptions) is required by Title 44 of the U.S. Code to be produced at or procured by the U.S. Government Printing Office, and GPO doesn't have an e-commerce system.

GPO's lack of an e-commerce system is surprising, when one considers that: 1) GPO was the first agency to make summaries of solicitations available electronically over a bulletin board system, long before the internet revolution; and 2) GPO's website

(www.gpo.gov) serves as a repository for government publications and a gateway to government information stored on other agency servers, and is one of the most visited websites in the world.

Currently, the extent of GPO's entry into "e-commerce" is to simply make full copies of their formal procurements (but not small purchases that comprise 95% of their work) available online through their site. They also have procurement information, and rules and regulations online. However, there is no way to place a bid, receive copy, send a change order, etc. For GPO's agency customers, there is no GPO system to place orders electronically, maintain electronic or web based access to historical data and procurement information, track jobs, etc., through a modern web based e-commerce system. The GPO does maintain PIC, a DOS job tracking/information system, which some agencies access.

There is substantial evidence that even though the GPO is not using e-commerce to buy print, someone is. In the first year of operation of the FACNET system, 2,500 jobs categorized as "printing or graphic services" were broken out in FACNET's transaction report. A number of the small private sector online print buying services have reported traffic from federal government buyers. GPO's procured print volume has gone down substantially, despite the fact that the overall federal budget expenditures on print have remained constant.

According to one high GPO official, GPO is working to develop a system to allow agencies to submit term contract print orders on-line (using Form 2511). While it is certainly possible that GPO could produce a complete web-based print buying system, attacks on its very existence, proposed dramatic budget cuts, and the demands on its current web staff makes such a development unlikely. More likely is that a private sector solution provider will build and manage the web based portal or e-commerce system that will be used by federal government employees to buy print and related services in the future. This scenario follows the Administration's concept that the private sector will be the e-commerce leader.

A private sector company, iDataflow, formed by retired federal print procurement managers, has created one piece of an e-commerce system for the federal print market. The iDataflow system allows federal government print procurement personnel to complete the required GPO print order forms online, transfers those forms to GPO, and in the process creates a database of all of the procurement information. Basically, the web-based application service provided by iDataflow is a web "smart form" link between federal agencies and the GPO.

Two private sector "bid services" buy all solicitations from GPO (including small purchases), sort them by production categories and geographic region and distribute appropriate specs to printers on the web, via email, or overnight. Neither of these services offers any interface to GPO or agencies.

Eventually, a complete, vertically targeted, web-based print procurement system and true ecommerce will come to the federal (and state) government print markets, and when it does, agencies, the GPO and printers will wonder how they survived without it.

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