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President's Management Agenda Initiative Generates Significant Taxpayer Savings

Washington, D.C. – Competitive sourcing is generating significant savings for taxpayers, according to a report released today by the Office of Management and Budget (OMB). The report details results of competitive sourcing in government agencies and shows that public-private competitions completed in FY 2004 alone are expected to yield \$1.4 billion in savings over the next five years. This savings represents a 27 percent reduction in the cost of commercial activities performed in government agencies compared to costs prior to conducting competition.

Savings have resulted from federal employees reducing costs through innovative approaches to many commercial functions, as well as from private contractors who have offered the best value for a number of these functions.

“Competition has opened the door to new and better ways of completing jobs in government,” said David Safavian, OMB’s Administrator for Federal Procurement Policy. “We are seeing an unmistakable link between the strategic application of competition and an agency’s ability to save taxpayer dollars through consolidations, results-oriented performance standards, and the leveraging of technology.”

Competitive sourcing is one of five initiatives in the President's Management Agenda (PMA), an effort to ensure that taxpayer dollars are used efficiently and effectively each year. For the competitive sourcing initiative, competitions are used to compare the costs and overall value of commercial services among private sector and federal government providers. Providers are selected based on who can deliver the best services at the best value for taxpayers.

The report is based on FY 2004 data collected by agencies whose competitive sourcing efforts are tracked under the PMA. Report findings show:

- **Taxpayer Savings.** Taxpayers save \$22,000 in annualized net savings for every job examined through competition, regardless of whether the work is ultimately awarded to the government or to the private sector. This figure represents an 85 percent improvement from results generated through competitions in FY 2003. A number of activities showed significantly higher savings, ranging from \$25,000 to \$37,000 in annualized gross savings per position studied. These activities include information technology, maintenance and property management, logistics, human resources, and finance and accounting.
- **Results for Government Employees.** In-house government sources offered the best service for more than 90 percent of the positions competed in FY 2004, confirming that agencies can create major savings from internal reorganizations sparked by competition. This information demonstrates that government employees can provide the highest quality work while perpetuating taxpayer savings.
- **More Private Sector Participation Yields Greater Savings.** Agencies saved over \$32,000 per job in competitions with two or more private sector bidders, while they only saved \$18,000 per job in competitions when the private sector chose not to bid.

- **Ongoing Success Requires Agency Commitment.** To continue generating savings through competition, agencies must: properly conduct and validate competitions; fully promote both public and private sector participation in competition; better align competitive sourcing and human capital initiatives; and work with Congress to eliminate legislative constraints that discourage competition.

To read *Report on Competitive Sourcing Results, Fiscal Year 2004*, go to www.omb.gov.

For additional information, please contact OMB Communications at 202-395-7254.

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