

Competitive Sourcing

Basic Facts

- Each year, agencies pay for billions of dollars for commercial services (e.g., lawn care, janitorial, building maintenance, administrative, computer support, etc.).
- Competitive sourcing asks agencies to compare the costs of having federal employees do the work versus relying on private sector businesses. Whoever provides the taxpayers with the best value gets to do the work.
- Right now, there are approximately 400,000 Federal employees doing commercial work.
- \$5-7 billion can be saved each year if these jobs were competed.
- The President's Management Agenda challenges agencies to make competitive sourcing a regular management tool. Agencies are expected to develop plans for *the reasoned and responsible* use of competition to improve the efficiency and effectiveness of commercial activities that may be suitable for performance by the private sector.

Results

- Competitive sourcing is helping agencies reduce costs, improve performance, and achieve a better alignment between its mission and workforce through the redirection of resources to fill mission critical skills gaps.
- Competitions completed in FY 2003 and 2004 are expected to save taxpayers more than \$2.5 billion over the next 3-5 years.
- In FY 2004, agencies completed 217 competitions involving approximately 12,500 jobs. These competitions are expected to generate \$22,000 in annualized net savings for every job examined, or a reduction in costs of about 27%, regardless of who won the competition.
- Federal employees re-engineered most operations before competing against the private sector. Civil servants won around 91% of the work competed in FY 2004.
- Savings were greatest where there was robust participation (i.e., more than \$30,000 in annualized savings per FTE studied where agencies received 2 or more private sector bids) -- demonstrating that the combination of competition and reengineering, rather than reengineering alone, is the main driver of savings.

Success Stories

- FAA
 - Competed more than 2000 positions at the Automated Flight Service Stations
 - The private sector was selected as the best value provider.
 - Stations (which provide weather briefings, flight planning, and search & rescue support) will be consolidated (from 58 to 20) and modernized.
 - Expected savings: \$2.2 billion from the date the competition was first announced through the life of the 10-year contract.
- IRS
 - Competed 360 jobs at their forms distribution centers.
 - The federal employees were selected as the best value provider.
 - Warehouses will be consolidated, from 3 to 1, and new technologies will be leveraged to increase service levels.
 - Expected savings: \$108 million over 5 years.
- Forest Service
 - Competed 1200 Forest Service information technology jobs.
 - The Federal employees were selected as the best value provider.
 - They voluntarily reduced personnel from 1200 to 600.
 - Expected savings: \$147 million over 5 years.