

STATEMENT OF
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BEFORE THE
COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

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Chairman Carper, Ranking Member Coburn, and members of the Committee, thank you for the opportunity to appear before you today.

Today, as budgets tighten, the U.S. General Services Administration (GSA) is uniquely positioned to help federal agencies get better outcomes from their program dollars by leveraging the scope and scale of the federal government to deliver common sense solutions and significant savings. By utilizing GSA solutions, agencies can free up valuable resources that allow them to focus on their core missions. GSA is pursuing a number of common sense initiatives to help agencies reduce their costs, from assisting agencies to shrink their real estate footprints, right size their fleet, or ensure cost effective travel, by utilizing GSA solutions.

The Federal Strategic Sourcing Initiative (FSSI) is an integral part of this effort. This program is a structured and collaborative process of critically analyzing an organization's spending patterns to better leverage its purchasing power, reduce cost and improve overall performance. By going out to the market as one large buyer, an approach common to the private sector and even state governments, the federal government will enhance buying power, streamline acquisition operations, improve service, and create significant savings.

Current Solutions –

GSA currently has in place four strategic sourcing vehicles:

- Express and Ground Domestic Delivery Services (FSSI DDS2);
- Office Supplies;
- Print Management; and
- Wireless

These initiatives create significant savings by making purchases as if we are a single, unified buyer, rather than purchasing through thousands of small, duplicative contracts. By encouraging agencies to commit to the collective purchase of certain commodities, GSA is able to negotiate better prices and services, while simultaneously reducing wasteful contract duplication across

government. For example, by going out to the market as one large buyer for office supplies, GSA has been able to negotiate prices for these supplies that are 13 percent below what we have previously paid. We have also saved agencies the time and money that would otherwise be devoted to their own office supply contracts. To date, GSA has saved agencies more than \$330 million since 2010 through these solutions.

Strategic sourcing also enables us work with small businesses across the country. The program not only allows us to access the savings and services they offer, but also provide them with an invaluable opportunity to work with the federal government. In the area of office supplies alone, GSA has increased the total dollars going to small businesses from 67% prior to the strategic sourcing solution to 76% through the solution, representing more than \$461 million in sales. Through this initiative, we have been able to save the government \$200 million on purchases of common office supplies while also supporting small businesses.

Another benefit of the strategic sourcing program is that these contracts provide greater visibility into pricing, allowing the government to further reduce prices within strategically sourced solutions, as well as other contract vehicles. Contractors are required to report transactional data on all program sales. For the first time, this level of financial information collection provides us with a clear picture of agency spending behavior. Over the last several months, GSA has used this data to show contractors their pricing item by item, compared with their competitors in an anonymous fashion. This has empowered contractors to understand their competitive position, and in many cases offer better deals. For instance, after GSA shared this data with office supply contractors, every one of them sharply reduced prices. As a result, we expect our savings for office supplies to increase to 20 percent heading into the next fiscal year. GSA also found that by creating competition through this strategic sourcing solution, even vendors not participating in it lowered their prices by 10 percent compared to 2010. This improved pricing has resulted in an additional \$98 million in savings.

Finally, strategic sourcing also dramatically reduces agency contracting cycle times and duplication, saving additional administrative burden and cost. Strategic sourcing is able to eliminate the significant amount of time and money wasted by putting in place thousands of duplicative contracts across the government, and even within agencies, for similar items and with many of the same vendors. For instance, our work through FSSI identified large pricing and service disparities in agency wireless contracts that is costing the government millions in unnecessary spending. We even found vastly different pricing with the same carrier, for the same plan, in the same agency.

In the case of the just mentioned wireless plans, to assist agencies and eliminate unnecessary duplication, GSA recently awarded a strategically sourced solution for wireless service plans and devices. This new solution provides a single acquisition vehicle for the more than 4,000 wireless agreements and 800 wireless plans that are currently scattered across the agencies. Not only will this contract save agencies \$300 million over five years, it will allow agencies to run these plans and services at least as efficiently as your typical family plan. We will now be able to pool minutes, shut down lines with zero usage, and receive an inventory of devices.

This is not isolated to wireless services. We have thousands of duplicative contracts across government for cleaning supplies, power tools and software licenses, all with vastly different prices. In the area of IT and professional services alone, we have 16,000 contracts scattered across agencies with nearly 5,000 vendors. Significant progress is being made by both GSA and other agencies to eliminate this duplication but there is still more we can do to streamline purchasing, improve service and pursue government-wide contracting goals.

Strategic Sourcing Moving Forward –

Over the next two years, in coordination with the Office of Management and Budget (OMB), GSA will create ten new government-wide strategic sourcing contracts for a range of products and services commonly purchased by federal agencies. GSA is working towards establishing strategic sourcing solutions for FY 2013 in the areas of:

- Large Desktop Publisher Software;
- Print Management Phase 2;
- Maintenance, Repair, and Operations Supplies; and
- Janitorial and Sanitation Supplies.

These efforts, similar to the solutions for office supplies and delivery services, will save hundreds of millions in taxpayer dollars and deliver the best value to agency customers. For these solutions, vendors will provide detailed data on pricing and usage that allows us to drive even greater savings for agencies, and also makes it clear to agencies the savings that they are leaving on the table by not using strategic sourcing. We are also able to use the pricing data to negotiate even greater savings from our vendors. GSA estimates the potential savings from strategic sourcing at \$1 billion annually when all ten solutions are in place and agencies are fully participating.

A key element to our success is that these solutions are being created by the agencies, with a cross governmental team of acquisition professionals, program officials, and subject matter experts to identify agency needs, requirements, draft the requests for proposals, evaluate the solutions, and manage agency implementation. This team decides what products will go into the solution, what services they may require, and which vendors we will select to provide us with these products and services.

Increasing Utilization –

We are also focused on increasing agency participation in these strategically sourced contract vehicles. In order to help partner agencies achieve greater savings for the taxpayer, I have been meeting with agency Secretaries and Deputy Secretaries to discuss ways in which we can collaborate. Among the topics I have been discussing with them is an analysis of each agency's

use of schedules and opportunities to expand and improve cooperation. We show the agencies that using GSA schedules save time and money over creating their own contracts. We also show them that GSA schedules are an excellent opportunity to increase their small business participation and this is also the case for our strategically sourced solutions.

At the same time, we are working with program and acquisition staff from agencies across government to understand their concerns about using GSA's services so that we can better tailor the schedules to their needs and show them the vast array of procurement solutions our agency has to offer. GSA offers a wide range of solutions through its strategic sourcing initiatives, schedules, and government-wide acquisitions (GWACs). We are constantly exploring new ways to make our partners more aware of not only the savings that can be achieved through use of these vehicles, but also the cost of replicating existing, available vehicles. Finally, we are developing a continuous reporting framework to provide agency leadership with feedback on agency use of GSA vehicles and the available opportunities to reduce workload and save time in both developing contracts and fulfilling the agency's need.

Conclusion –

In the months ahead, GSA will continue to drive savings, streamline agency procurement operations, and deliver the best value for our partner agencies and the American people. As part of this broad commitment to savings and efficiency, GSA will continue to take a leadership role in developing and implementing strategic sourcing solutions. In fact, it was an early attempt to leverage the scale and scope of the Federal Government through strategic sourcing that led to the creation of GSA. Our Federal Acquisition Service exists exclusively to aggregate the demand and purchases of the Federal Government to get the best value and price. We are one of the key players in strategic sourcing for the Federal Government.

I appreciate the opportunity to be here today and I am happy to answer any questions you have. Thank you.