

A-76 Training Objectives

- **Communicating the philosophy**
 - Commands, base commanders, functional managers
- **Managing the A-76 program**
 - Collecting inventory data and identifying candidates
- **Running the competitions**
 - PWS, MEO, and cost comparisons using software tools

Training courses play an important role in communicating a change in direction. They can also help managers implement the program appropriately and make them aware of new tools and techniques. Different ways of achieving these objectives are discussed on the next slide.

A-76 Training Courses

- **The Navy (CNET) has suspended its A-76 course but continues its PWS courses**
- **The Air Force uses contractor-provided courses**
- **The Army Management Engineering College (AMEC) conducts Army courses**
 - AMEC is privatizing
 - Incorporating commercial products and software as well
- **Classroom instruction can be supplemented with video and computer courses and written material**

The Navy has traditionally used in-house staff to train and advise prospective A-76 users. The Air Force is using two courses developed by Management Concepts Incorporated (MCI). These courses were modified by the contractor (at no charge) to fit Air Force requirements. Both Army and Air Force personnel have taken the MCI course, and reports are generally favorable.

The Army Management Engineering College has developed its own course. They are privatizing themselves and are relying on contractor support and software for their course.

Because an important part of the training is communicating philosophy, and because these courses have already been developed, the Navy should consider using these new options as it starts to ramp up A-76 competitions.

Speeding Up the Process

- **Incentives for study participants**
- **Generic work statements**
- Automating PWS and MEO development
- **Automating cost comparisons**
- Changing the independent review
- **Get the audit service out of the process**

Increasing the number and scope of A-76 studies is only part of the effort. A single study can take about 2 years, and some multifunction competitions have taken more than 5 years. Telling base COs that they can have a fraction of the savings for a limited time after a study has been initiated will **encourage them to realize the savings as quickly as possible and better screen candidates.**

But there were other problems as well. For instance, each new study effort was often started from scratch and did not build on the experiences of previous studies -at other bases. In the past, there was no effective way for bases to share lessons learned.

Three of the study components that take the longest are preparing the performance work statement, developing the acquisition plan, and reviewing the proposals. Although a single site may not have contracted out a particular function before, other sites have. The Navy has developed a broad range of generic performance work statements. (These are currently available over the Internet at: www.usace.army.mil/organizations/usacpw/libraries/libraries.html. The Air Force is also distributing A-76 information over the Internet at: www.afcesa.af.mil/AFCESA/Contracts.) This effort can be expanded to cover all major functional areas and can be used to share other lessons learned as well. These generic statements could be tailored to fit the requirements of local sites, while saving the time and expense of starting from scratch.

For similar reasons, cost comparisons could be automated into a PC-based program. The Air Force developed such a program, called 'COMPARE,' and has sent copies to relevant Navy managers. This program should become a standard part of the A-76 study.

Speeding Up the Process (Cont.)

- **Incentives for study participants**
- **Generic work statements**
- **Automating cost comparisons**
- Automating PWS and MEO development
- **Changing (automating) the independent review**
- **Get the audit service out of the process**

The Army uses software (FENYX) to help automate performance work statements and the MEO. The National Guard tested FENYX and has reported up to 70-percent reductions in the time to complete management studies. Much of the savings comes from automation and a work group environment where the PWS is developed without numerous drafts. This software, along with the cost comparison software, could help speed up the A-76 process, especially if the two steps can be integrated and automated together. Currently, the MEO data are manually loaded into the COMPARE software, even if the MEO was developed electronically.

As we mentioned earlier, the Air Force saves time by using local financial managers, rather than central auditors, to conduct the independent review. They also save time by having the COMPARE software approved as a valid method for all cost comparisons, so that the main source of concern during the independent review is the data entered into COMPARE rather than the methodology. Some would disagree, but we believe unnecessary audits send the wrong signal to Navy managers in the field.

Making the Playing Field Level

- **Eliminate the 10% cost advantage for the in-house team**
- **Eliminate in-house sunk costs**
- **In-house teams should conform to FAR and Cost Accounting Standards**
- **Establish a contract-like MOU when work stays in-house**
- **Specify a contract end-date no matter who wins**

Currently, for a function to be outsourced, the best contractor's bid (plus oversight costs) must be at least 10 percent (or \$10 million) below the in-house MEO. A 10-percent cost difference for a large function can be a great deal of money. (Transferring work does have hidden costs; however, contracting also has hidden advantages, such as greater flexibility, e.g., contracts can be canceled more easily than in-house personnel can be let go. Contracting out can also mean a smaller support structure.)

All costs that are incurred whether or not the contractor wins are sunk costs and should be ignored. Examples may include contract initiation costs that are incurred prior to the performance decision. Similarly, costs that the contractor incurs for performance beyond what the in-house team provides (such as additional quality control) should be excluded as well. Alternatively, those costs (and additional performance requirements) could be added to the in-house bid. For a level playing field, in-house bids should have the same accounting standards and other business practices as contractors.

Making the Playing Field Level

(Cont.)

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- **Eliminate in-house sunk costs**
- **In-house teams should conform to FAR and Cost Accounting Standards**
- **Establish a contract-like MOU when work stays in-house**
- **Specify a contract end-date no matter who wins**

Just as Navy managers want to prevent contractors from “buying in” (buy-in is avoided by recompeting the contract periodically), they should not let the in-house team buy in either. Currently, work that remains in-house cannot be recompeted for 5 years. In practice, that work may never be recompeted. One way to ensure accountability is to use a contract-like Memorandum of Understanding (or other Interservice Agreement). This document should specify the work to be performed (at what cost), establish penalties for nonperformance, and have a definite end-date. For example, the Indianapolis municipal government, (which has competed many functions, including water treatment facilities and airport operations), has used these agreements very successfully when its in-house workers have won competitions.

Best Service Contracting Practices

- **A good PWS**
- **Eliminate unqualified bidders**
- **Encourage competition (additional bidders)**
- **Best value**
- **Outsource contract management by bundling small functions**
- **Involve the base commander in contract decisions**

As explained in [1 1], there are two types of bid procedures: sealed bids and competitive negotiations. Sealed bid competitions are awarded based solely on the low bid. Competitive negotiations can use either a **Low Price Technically Acceptable approach** or a **Best Value approach**. The Best Value approach uses both cost and quality factors-as laid out in the solicitation-to evaluate proposals. Quality factors include technical approach, managerial capabilities, and past performance. Under the Best Value process, the government need not award to the low-price bidder.

The Navy has always been able to use competitive negotiations, but the Competition in Contracting Act (CICA) of 1984 encouraged sealed bidding. Competitive negotiations were to be the exceptions, not the rules. This premise was reversed by the Acquisition Streamlining Act of 1994 (and Executive Order 12931 which implements it), which encourages best value competitions [1 1].

The Navy can encourage private companies to bid by eliminating as many restrictions as possible and by bundling functions in a way that is most attractive to potential bidders. The Navy can also encourage participation by further distributing its requests for bids [1 1]. (Perhaps this is also something that could be made available over the Internet.)

What Happens to the Workers?

- **About 82% of Navy outsourced competitions resulted in some job loss**
- **Median number of displaced employees is 7**
- **About 38% of displaced employees found other federal jobs**
- **Only about 3% were hired by the winning contractor**

The Navy competition data identify what is expected to happen to displaced employees. Each site projects how many people will be displaced when a contractor wins a competition, but we do not know what actually happened. Unfortunately, no similar data are collected when work stays in-house, and recall that work stays in-house about half the time.

Most (82 percent) of competitions won by commercial suppliers were expected to displace at least one employee. Because most competitions have been fairly small, only a few employees were affected by the average competition. (There have, however, been cases involving hundreds of displaced workers.)

Only about 3 percent were expected to be hired by the winning firm. Navy A-76 experts confirmed that few people took a job with the contractor. At first, this seems surprising, because displaced workers receive a right of first refusal with the contractor. In other words, these workers receive priority when the new firm hires. Apparently, many workers preferred to (and were able to) remain in the civil service. Of course, federal jobs are harder to find today (due in part to the effects of recent base closures and realignments), so many more workers may be forced to pursue non-government employment.

Working With Workers

- **Training staff**
 - A-76 should be viewed as one tool available to managers
- **Continuous communication**
 - An Army report on lessons learned emphasized good communications
 - The human resources staff can help ease the transition

Earlier we mentioned the role of a training staff. The A-76 process should be viewed as one tool to manage base workload, and so training should go on even if no competitions are taking place.

Good communication is vital. One Army report [12] interviewed **workers at sites where work stayed in-house. Many of the workers** were surprised at the number of people laid off. They assumed that because the work stayed in-house, things would go on as usual. The Air Force managers **we interviewed, and their Navy counterparts,** echoed the importance of communication. Successful managers work with and communicate regularly with unions and employees (even when there is nothing to communicate).

Top-level managers need to communicate their support of the process. The Navy lost at least one contract appeal, partially because senior managers "acted in bad faith" by "conspiring to get rid of the contractor" [13].

Similarly, the human resource staff should be informed early in the process. They can delay new hirings as well as verify and implement the competition outcome.

Other Transition Ideas

- **The Army report also mentions the following:**
 - Rehire retired functional personnel to work on the study team
 - Develop a transition plan to the MEO even before a decision is made to stay in-house
 - Provide a “hot line” for personnel to call with ideas and questions
 - Contract with a psychological counseling firm early in the process
 - More hostility at the start than when the study was under way
 - Arrange for staff to receive training as soon as possible after the RIF

The Army report identified other ways to ease the transition. Some of these are ideas that they had implemented already (such as the hot line and hiring retired personnel). Others were things they wished they had done.