

## CHANGE IN GPO PROCUREMENT METHODS IS ESSENTIAL

### **GPO print procurement methods must be updated to reflect best practices.**

The U.S. Government Printing Office (GPO) is the mandatory source for federal print procurement under 44 U.S.C. §501. Some believe it is this “monopoly” status that generates ongoing criticism of GPO.<sup>1</sup> In fact, there are major benefits to centralized print procurement: customers do not have to duplicate testing labs, expertise, and procurement and contract administration staff; private sector printers have one source where they can look for government contract opportunities (*GPO outsources 75% of agency printing*).

GPO is most commonly criticized by its customers and vendors not for its “monopoly” status, but for *failure to update its procurement methods to better meet customer needs*. Echoing this realization, the recent OMB Memo of print procurement (M-02-07) promotes “best value” purchase decisions.

### **Past “Government Print Reform” efforts have failed.**

Over the past decade there have been numerous attempts to close GPO, or make use of GPO optional, or re-affirm GPO’s status as the mandatory source for government print procurement. Such efforts on Capitol Hill and in the Executive Branch have been unsuccessful. Perhaps the reason for these failures is an unspoken recognition that the methodology used by GPO—not the entity—is the core problem.

The latest attempt at “reform” is OMB Memo M-02-07, which establishes a “policy” that use of GPO is optional, and requests new FAR regulations to implement the policy. Although the Memo includes a directive to use universally accepted best value award criteria, it will not resolve the problems agencies face for several reasons. First, many Agencies interviewed do not have the funds to gear up staff to replace GPO print procurement services, even with the 7% fee they would not be paying to GPO. Others simply do not want to take on a new non-core mission. Second, the OMB Memo is in direct conflict with 44 U.S.C. §501.<sup>2</sup> Agencies representing a significant portion of GPO’s volume are unlikely to ignore §501 until a federal court declares it unconstitutional.

Printing Industries of America (PIA) estimates that even if OMB Memo M-02-07 is implemented in the FAR, more than half of current agency printing will still go through GPO—underscoring the need to modernize GPO procurement methods

### **CHANGES NEEDED IN THE GPO PROCUREMENT SYSTEM:**

**1) Adopt “best value” award criteria used by all other agencies.** While all other agencies use *best value*<sup>3</sup> purchasing and award methodologies, the GPO does not. At GPO, the bidder with the lowest price meeting minimum standards wins. Back in the days of GPO’s founding when there were only a few printers, and all of them had to be craftsmen in order to perform their job, accepting a bidder based on low price alone may have made sense. However, with GPO’s over 12,500 “qualified” bidders ranging from commercially unacceptable to world class, being required to always accept the lowest bidder often results

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<sup>1</sup> There are numerous single authority designations in the federal government. Post 9-11, we have seen that decentralization of function can be ineffective.

<sup>2</sup> The OMB Memo relies on a 1996 Justice Dept, Office of Legal Counsel Memo opining that 44 U.S.C. §501 is unconstitutional.

<sup>3</sup> Best value awards are based on price, quality, technical capability, service, and past performance.

in a substantial loss due to errors, reduced quality, increased administrative costs and the lack of supplier driven efficiencies and savings.<sup>4</sup>

A less obvious, but very detrimental effect of *low-price-wins* is that it discourages Agencies from using the multi-year contracts that foster efficiencies through relationships and cut administrative and start-up costs. Agencies are wisely hesitant to enter into a long-term contract with an unknown low bidder, which may just meet minimum requirements. And without a long-term contract, vendors will not invest in new equipment and production methods.

**2) Utilize “bundled services” contracting to provide efficient, integrated information dissemination/management contracts.** Due to the technology forced convergence of all information management, creation and dissemination industries agencies have a desire, and indeed an economic need, to combine the related information and dissemination services they need into a single contract vehicle. Functions such as design, print, print-on demand, CD-ROM, internet, digital storage/management, warehousing, mail<sup>5</sup> and/or shipping can be integrated into one contract in order to obtain a better price, more efficiency, and dramatically reduced administration costs for the purchaser.

In all other areas of the federal government, these types of integrated contracts have become commonplace, due to their cost savings and effectiveness. However, in the case of information dissemination, since printing of some quantity of publications or documents is typically required, that need must be sent to the GPO, as it alone can procure printing under 44 U.S.C. §501. Unfortunately, GPO has not updated its procurements to include integrated information dissemination contracts. As a result, agencies face the constant frustration and unnecessarily high costs created by coordinating the efforts of multiple suppliers. GPO must work with its customers and vendors to broaden contract vehicles to allow for procurement of related “bundled services.”

**3) Utilize Requests for Proposals (RFP) on large or complex jobs.** The current print buying system has no effective way to offer Agencies commercial market best practices and production methods. The GPO system fails to capture the savings realized in the private sector and in other federal government procurement systems because it cannot take advantage of industry best practices or new or creative production methods. The GPO, again, unlike all other agencies, rarely, if ever, uses Requests for Proposals (RFP) under which a number of buyers compete to provide the federal government with the most effective and most economical methods of providing high quality products and services. Instead, the GPO consistently uses Requests for Bids (RFB), under which its personnel draft detailed specifications, which are often based on outdated technology, and simply require the bidder to provide a price. Bids that suggest cost savings methodologies or new technologies are rejected as non-responsive.

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<sup>4</sup> OMB Memo M-02-07 (which mentions best value 4 times) evidences an understanding that under the current GPO system, many agencies get a mediocre vendor who bid \$50,000, when they could have had an excellent vendor for \$50,100, if GPO used “best value.” Note that GPO has begun to use best value on a few Simplified Purchase Agreements where the maximum purchase is \$2,500.

For the vendors, the current low-bid-wins procedure offers no reward for excellent quality or service.

<sup>5</sup> Printed publications that are distributed by mail offer an opportunity for significant savings through bundling print, addressing, and mailing *and* postage. Many of these contracts for the IRS and SSA have a postage cost of \$200,000 to millions. New mail delivery methods used by industry leaders can reduce postage costs by up to 15% over traditional mailing methods.

**4) Maintain the Congressional Printing function at GPO; conduct a 5-year Congressional Print Needs Study.** Given the need to maintain “peak load” staffing and production capacity—and have it on call for the daily Record and other Congressional printing, the close relationship with Hill staff, the unpredictable page count, and the declining number of copies needed, Congressional printing is not the prime outsourcing target that some printers saw in the 1980’s. There is currently no empirical evidence that the private sector could provide the same service to Congress now delivered by GPO at a lower cost. Given the private sector’s “no bid” on the \$140 million DOD DAPS A-76, we must question whether printing companies would be interested in the reservation of production capacity and investment necessary to produce this demanding publication.

Not enough information is available regarding the Congress’ projected print needs over the next 5 years, the ways in which they might be met, and the appropriate way in which to maintain public access to Congressional information. A definitive needs analysis study is required to formulate a viable plan of action to meet Congressional needs.

The appropriate Committees should conduct a Congressional Print Needs Study for 2003-8.

#### **THE JOINT COMMITTEE ON PRINTING CAN AND SHOULD CORRECT GPO PROCUREMENT SYSTEM SHORTCOMINGS.**

The Joint Committee on Printing (JCP) has broad power under 44 U.S.C. §103:

“The Joint Committee on Printing may use any measures it considers necessary to remedy neglect, delay, duplication or waste in the public printing, binding and distribution of government publications.”

Clearly, the above changes would: avoid waste, by the use of best practices and bundled services; and prevent duplication of services at the Agencies simply so they could buy print on a best value basis, as directed by OMB.

In addition to this broad general power, the Committee (not OMB) has specific authority under 44 U.S.C. §504 to allow any agency to purchase its printing directly from the private sector, if to do so would be more economical or in the better interest of the government. The Committee has exercised this power, when appropriate.

Implementation of all of the above improvements could be accomplished by the Committee, with none of the complications that thwarted past Congressional and Executive Branch efforts to provide a better system for agency customers.

Adoption of the best procurement practices used throughout the rest of the federal government would meet the needs of GPO’s Agency customers and printer vendors, and give GPO the foundation that its procurement and production operations need to remain viable. Without these customer-driven improvements, GPO cannot succeed.

Such a “fix” also avoids the potential damage to the Superintendent of Documents function that the Library and information communities associate with an optional GPO.

Implementation of the suggested changes would be supported by Printing Industries of America, the largest printing industry trade association, the Office of Management and Budget, the major federal agencies, and GPO’s print contractors.

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