BUNDLING ANALYSIS FOR OFFICE SUPPLIES
For the Requisition Channel of OS3

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Northeast and Caribbean Region (Region 2)

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GSA GLOBAL SUPPLY (GGS) MISSION

GSA Global Supply (GGS) provides supply chain solutions for the global needs of its customers by delivering dependable, reliable, and timely supplies at best value. The GGS business line manages global supply acquisition and distribution functions. It is a vital component of the National Supply System and supports military, civilian, and some state/local supply requirements throughout the world. Large-scale support is provided through two large distribution centers, acquisition call centers, and more than 30 stores and forward supply points located within the Continental United States (CONUS) and abroad, including multiple sites in Europe and Asia. For office supplies, GGS currently uses about 1,721 contracts (with 888 contractors) to support its offering. Of those 888 contractors for FY13, 265 of them had sales totaling over $3,000, 113 had sales over $25,000, 66 had sales over $100,000, and 18 had sales over $1,000,000. Under GSA's three strategic goals for savings, efficiency, and service, GGS now proposes to consolidate these contracts under six contracts by seeking strategic partners capable of performing the functions that GSA currently manages in its Stock program.

Because the majority of the contract dollars were with small businesses in the past (or could have been performed by small business), GGS conducted an analysis of the proposed substantially bundled and/or consolidated contracts. GSA notes that, as discussed further within, four of the six proposed contracts under discussion are expected to be set aside for small business concerns. As such, these do not fall within the Federal Acquisition Regulation (FAR) definition for bundling. With respect to the other two contracts under discussion, the FAR requires a bundling analysis and the bundled action cannot take place unless its benefits meet or exceed thresholds stated in the FAR.

GGS SUPPLY TRANSFORMATION INITIATIVE

The primary objective of Supply Transformation is to modernize the Office of General Supplies and Services (GSS) Office of Supply Operations (SO) business line's wholesale and retail programs. This initiative aligns with the Supply Operations Modernization Decision Memorandum that was approved by the FAS Commissioner on April 9, 2007.

The Supply Transformation (ST) vision is driven by a commitment to provide best value to agency customers and to serve as efficient stewards of taxpayer funds. The proposed contracts discussed within will meet several key initiatives including moving commercially available products toward direct vendor delivery (DVD). By acheiving this, GGS will be able to provide its worldwide customer base with faster product delivery, more competitive pricing and stellar service under this enhanced business model. The commercial marketplace forces all business operations to raise the bar on customer support and this is one tangible sign of our commitment to our customers.

GSA Global Supply past practices have relied significantly on acquiring products from industry and storing them in GSA-owned distribution centers and forward stocking locations, including retail. With advances in business practices and technology, there are now more efficient, strategic ways to serve federal agency customers. In 2011, the General Supplies and Services portfolio's Office of Supply Operations began planning and implementing a Supply Transformation (ST) initiative designed to modernize the business line's wholesale and retail programs.

ST will focus the wholesale program on the concept of greater reliance on Strategic Partner Delivery (SPD) for commercially readily available items, while meeting customer demands for competitively priced products and faster delivery. The ST vision is to be more responsive to customers while saving taxpayer dollars by developing and maintaining a strongly competitive, full-service retail and wholesale supply chain offering (product breadth/depth, pricing, delivery, quality, continuous process improvement, and sustainability) via continual transformation, velocity, and agility.

The primary impetus for ST is the realization that status quo is not an acceptable option for GSA and the ST effort is an attempt to concurrently carry out the GSA Administrator's mandate to maximize use of FSSI while building a new, more sustainable business model. The new model, which is designed to leverage industry supply chain capabilities to the maximum extent, should increase internal efficiencies and our effectiveness in supporting customer requirements, while lowering our costs and thus increasing savings to customer agencies and the taxpayer.

BUNDLING

"Bundling," as defined in the Federal Acquisition Regulation (FAR) Part 2, is the term used to describe the act of combining two or more existing requirements into a single solicitation when one of the requirements was or could have been performed by a small business and the solicitation will be unsuitable for award to a small business and the work will be performed in the United States.

To meet the definition of a bundled acquisition, at least one of the requirements being consolidated must have been previously performed by a small business or could have been performed by a small business.

This bundling analysis is only applicable to the unrestricted awards expected to be made under the requisition channel of OS3. The purchase channel of OS3 is also a consolidated acquisition, but is not bundled.   As such, a separate consolidation analysis has been prepared.

SUITABILITY FOR SMALL BUSINESS

To be a bundled acquisition, the proposed consolidation must be likely to be unsuitable for award to a small business firm. The following factors make a bundled acquisition unsuitable for award to small business:

- ❖ Diversity, size, or specialized nature of the requirement

❖ Total dollar value of the anticipated award
❖ Geographical dispersion of contract performance sites
❖ Any combination of the above factors

SUBSTANTIAL BUNDLING

When the bundling would result in a contract or order with an estimated value of $6.0 million or more, it is defined as substantial bundling. The contract value of this bundled requirement is estimated at $200 million per year with a base period of one year and four, one-year option periods, resulting in a potential value of $1.0 billion.

The acquisition strategy team is contemplating issuing a solicitation that would combine two or more requirements that previously had been procured under separate contracts, previously performed by small business firms, some of which may be unsuitable for small businesses. Therefore, the following steps as depicted in Figure 1 were followed to determine if the acquisition strategy team could still execute that part of its acquisition strategy that constituted a bundled requirement.

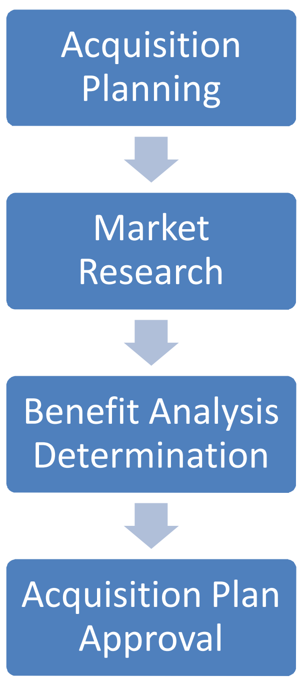

Figure 1. Steps to Determine if Acquisition Strategy Could be Executed

MARKET RESEARCH

Market research was conducted to collect and analyze information about capabilities within the office supplies market. Market research encompassed reviewing acquisition history, identifying potential sources, and, based on a review of industry practices, structuring the acquisition strategy so as to afford both maximum practicable competition and a cost-effective means for meeting the government's needs.

Because the acquisition strategy also considered bundling requirements, the acquisition strategy team used market research to answer these questions:

- Was a small business the incumbent contractor on any of these requirements?
- Could a small business have been the contractor on any of these requirements?
- Will the solicitation likely result in a contract that is unsuitable for award to small businesses because of its size, diversity, geographical dispersion, aggregate dollar amount of the award, or any combination of those factors?

BENEFIT ANALYSIS

The term "benefit analysis" is used to describe the calculation and comparison of benefits for the bundled acquisitions. The purpose of the benefit analysis is to determine the relative benefit to the government among the alternative acquisition strategies. This means that, prior to issuing the solicitation for the bundled requirement, a determination has been made that the bundling is necessary and justified. More specifically, this means that sufficient justification warrants proceeding with the issuance of the solicitation.

The benefit analysis for this bundled acquisition served as a tool by which the contracting officer determined that bundling is necessary and justified as compared to the benefits derived if the requirements were not bundled.

The benefit analysis also includes the following:

- Identification of specific benefits that will occur as a result of bundling
- Identification of alternative strategies that would minimize the scope of the bundling
- The rationale for not choosing those alternatives

The benefit analysis demonstrates that the dollar value of the benefits accruing from the proposed acquisition strategy is measurably substantial, meaning it exceeds the threshold of five percent of the estimated contract value (including options).

The benefits include price savings, reductions in specification review volume, improved procurement-related operating expenses, and other identifiable benefits to include those expected to be derived from the Supply Transformation initiative.

The contracting officer—after reviewing the market research, benefit analysis, and any other relevant documentation—has determined that the solicitation can be issued because its benefits reach the measurably substantial threshold.

DOCUMENTATION

The following documentation was used in supporting this analysis:

- Market research results
- Assessment of alternative contracting strategies and an explanation of why they were not adopted
- Benefit analysis
- Determination

SUMMARY

Described above, in very broad terms, are the processes used to determine that part of the proposed acquisition strategy would result in a bundled requirement. Furthermore, it has been determined that the benefits of the proposed strategy are measurably substantial and substantially exceed those of alternative strategies.

COMPOSITION OF GGS CONTRACTS PROPOSED FOR BUNDLING

GGS' current contracts for products have evolved more or less independently, from diverse sources, and in multiple types and sources (e.g., fixed price, Blanket Purchase Agreements, GSA Schedules, Federal Strategic Sourcing Initiative for Office Supplies (OS2), etc.).
The socio-economic breakdown of these contracts by type and dollar value is in Figure 2, below:

Business Size	Number of Contractors	Total Value (FY13 to date)
Other Than Small	121	$69,989,433.62
Small	767	$72,285,139.70

Figure 2. Socio-Economic Breakdown of GGS Contracts Proposed for Bundling

Of the 767 small business firms, 22 were awarded paper and toner contracts in FY13.

ACQUISITION HISTORY

There is no comparable precedent for this requirement, as traditionally the contract requirements above have been contracted through separate, lower dollar value contractual vehicles. Similarly, each of the contractual vehicles specified packing, marking and shipping instructions as applicable. Delivery orders written against the Second Generation Federal Strategic Sourcing Initiative Office Supplies (FSSI OS2) Blanket Purchase Agreements (BPAs) are the most recent contractual vehicles used to procure these requirements. The FSSI OS2 BPAs were awarded after an RFQ was sent out to all Multiple Award Schedule 75 (MAS 75) contractors under Special Item Number (SIN) 75-200, which was the general office supplies SIN. There were approximately 500 contractors under this SIN at the time and approximately 47 offers were received, the vast majority from small businesses. All vendors who met the technical qualifications then participated in a reverse auction and BPAs were awarded to the vendors who met the technical qualifications with the best prices. Fifteen BPAs were established. There was a preference for small business and Service Disabled Veteran Owned Small Business for many of the BPA awards, and only two of the fifteen BPAs were subsequently awarded to large businesses. Because the OS2 BPAs will expire in June 2014, this effort cannot utilize the FSSI OS2 BPAs as is the current practice. In addition, over 40% of the GGS business is international. OS2 was developed around requirements for delivery in the continental United States. There are significant additional challenges in overseas delivery, ranging from export packing to marking and labeling. OS2 was not designed to meet this need.

MARKET RESEARCH

The Supply Transformation Program Office (QS) and Office of Supply Operations (QSD) conducted market research from April through September 2012. The QS/QSD market research team, consisting of several representatives from GSA, met with several office supply companies. The objectives of this market research were to inform potential vendors of the supply transformation program goals, gather information on potential vendors' supply chain capabilities and business practices, and obtain information on how small businesses are involved in the large business supply chain. Based on the meetings, QS/QSD determined that there were large businesses that are willing to work with small business firms and GSA in order for small businesses to have a meaningful piece of the supply transformation work. It was further determined based on these meetings that soliciting for a vendor with specific small business goals included in the requirements would meet the goals of GSS and the Supply Transformation Program.

In addition, an acquisition strategy team was formed within GSA/FAS Region 2. The acquisition strategy team performed significant additional market research to gather data on the product and service, to learn about the capabilities of potential small business sources, and to better understand the business practices of the marketplace. A Request for Information/Sources Sought (RFI) notice QSDJ-RFI-2013-0001 was posted on the Federal Business Opportunities website (FedBizOpps.gov) on April 19, 2013. The notice invited interested concerns to provide capability packages to the acquisition strategy team members. Vendors were also asked to submit any questions regarding the RFI/Sources Sought by April 26, 2013. A listing of the all questions received from industry and answers provided by the government was posted on FedBizOpps on May 3, 2013, allowing vendors to submit capability statements by May 15, 2013. The RFI sought vendors capable of providing the required commercial products and services.

Specifically, the following information was requested in response to the RFI:

- ❖ Capability Statement to provide office supplies and products catalog and/or services to U.S. government to include sourcing of office supplies and products, distribution path to complete deliveries timely, to include overview of supply chain (including scale) and services levels.
- ❖ How the vendor will maximize small business utilization in a meaningful way.
- ❖ Ability to comply with Electronic Data Interchange (EDI).
- ❖ Any potential challenges foreseen.
- ❖ Two relevant past performance references of the similar scope and size, to include POC name and email, contract value, contract identification information (contract number, etc.) and brief description of work.

In addition to a National Industries for the Blind (NIB) submission, a total of 16 firms responded to the notice with capability statements.

Of the RFI respondents, a total of 14 small businesses, including five woman-owned and three service-disabled veteran-owned, indicated their interest with varying ability to comply with the product and service requirements contained in the RFI. Of the 14 small businesses, eight indicated a partnership and/or reliance in some capacity with United Stationers and one business indicated a distribution relationship with Staples, Inc. Two additional small businesses have a known relationship with United Stationers, although their capability statements did not explicitly indicate this. Because none of the small businesses submitted capability statements or relevant past performance references of a similar scope and size of this requirement, it is difficult to firmly determine at this time that these small businesses are fully capable of satisfactorily performing a contract of this size and magnitude. Although it is believed that the use of their existing partnerships and relationships with large wholesale distributors of office products gives them increased capability to fulfill this requirement, none of the small business respondents convincingly presented capability statements to support their ability to perform the total requirement estimated at $200,000,000 per year.

To further assist in determining if this requirement should be set-aside for small business participation, additional market research was conducted to ascertain whether the use of small business set-asides would add value to the strategic vision of Supply Transformation and not simply serve as a “pass through” supply source. The OS2 PMO office held discussions with two current OS2 small business BPA holders. One BPA holder utilizes seven different suppliers, only one of which is one of the large office supply wholesalers. The wholesaler fulfills approximately 26% of their orders, with the remaining six suppliers fulfilling the rest. No one supplier fulfills more than 26% of their orders.

The other small OS2 BPA holder the OS2 PMO office had discussions with utilizes 25 different suppliers with orders below $500 going to one of the two large wholesalers, but orders above $500 being fulfilled by the manufacturers. The manufacturers fulfill approximately 30%, by dollar value, of the orders they receive.

The Northeast Supply Operations Center (NSOC) currently has separate awards to small business firms for paper and toner, with each award made at fair market prices and each small business firm currently meeting the technical and performance requirements of the contract. The procurements for paper and toner received adequate competition and pricing from small businesses and, because there is proven performance on these contracts, it is believed that these two commodities should continue to be set aside for small business participation.

Based on the above, it is reasonable to expect that small business firms can participate to an extent and add value to the supply chain, while the government continues to realize pricing and volume discounts. While a total small business set-aside was considered, market research did not yield a reasonable expectation of obtaining offers from two or more responsible small business concerns that are competitive in terms of market prices, quality, and delivery for the total $200 million per year requirement, especially when looking at the requirements for integration into GSA's automated supply chain management system. As part of the impact analysis, the CO examined several alternatives to create opportunity for small business.

When Federal agencies buy through GSA Global Supply, the price they pay includes both the price of the product and a GSA markup. GSA's markup is highest for items stored in a distribution center, where costs of renting and operating the facility are passed along. GSA's mark up is lower when customers order through a direct vendor delivery channel. Based on the commitment to driving customer savings, GSA has been working to reduce its markup.

Including its markup, for the first 8 months of FY 2013, GGS had sales of $171,034,982 in office supplies, 92% of which could have gone through OS2. If the customer had bought through OS2, they would have experienced a savings of $22,389,584 or 14.2%.

See Figure 3 below.

FY13 Global Supply FSG 75 Sales through May 31, 2013	$ 171,034,982
% Matched	92%
Matching OS2 NSN Transaction Data	$ 157,530,322
Matched Transactions at OS2 Average Transaction Price	$ 135,140,738
Savings at OS2 Pricing	$ 22,389,584
Savings % @ Average OS2 Transaction Price	14.2%
% of NSN's Where Average OS2 Unit Price is Less than Average Global Unit Price	77%
% of NSN's Where Average Global Supply Unit Price is Less than OS2 Unit Price	23%

Figure 3. FSSI OS2 and GGS Price Comparison

As illustrated above, had strategic sourcing been used for all items that were included in FSSI OS2 catalog, substantial savings would have been realized for GSA customers due to the lowering of the GGS mark-up. This savings is estimated to be 14.2%.

CONSULTATION WITH SMALL BUSINESS ADMINISTRATION (SBA)

The acquisition strategy team consulted with the local Small Business Technical Advisor for GSA Region 2.Several discussions were held to identify feasible alternative strategies that would reduce or minimize the scope of bundling and the impact on affected small business firms. Additional consultation with the Small Business Administration is continuous and ongoing.

THE BENEFIT ANALYSIS FRAMEWORK

The framework displayed in Figure 4 depicts the benefit analysis process that was performed to ascertain whether this proposed acquisition that bundles requirements meets the criteria for necessary and justified.

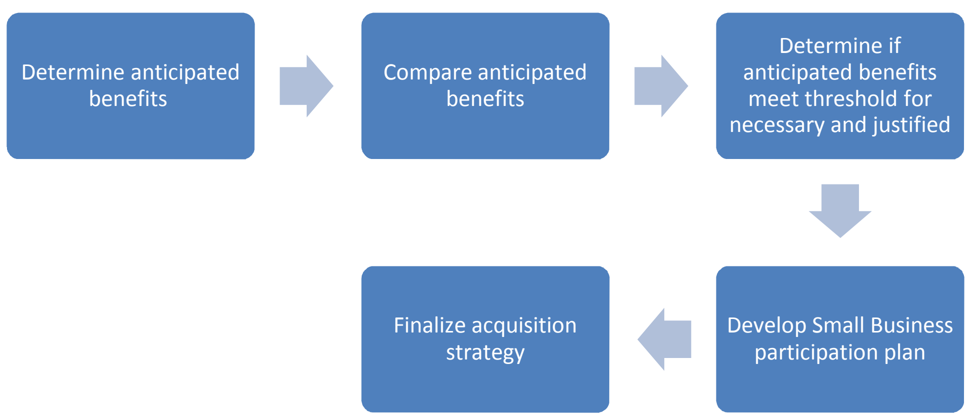

Figure 4. Benefit Analysis Framework

ANTICIPATED BENEFITS: SUPPLY TRANSFORMATION (SUPPLY OPERATIONS MODERNIZATION)

GSS is presented with the opportunity to reduce supply chain costs for many products through Supply Transformation. Federal “Strategic Sourcing” initiatives point the way as well as apply new concepts to all customers, including the DoD supply chain. Through these new concepts, GGS expects to: lower overhead; create less impact on the environment; continue to provide best products and services to customers and taxpayers at lowest possible cost; increase product breadth; obtain competitive pricing; and achieve best value to customers and taxpayers.

Benefit Calculation Method: Upon completion, Supply Transformation will generate $65 million in annual savings by instituting a new business model. A summary analysis of the savings associated with the new business model is found in Figure 5.

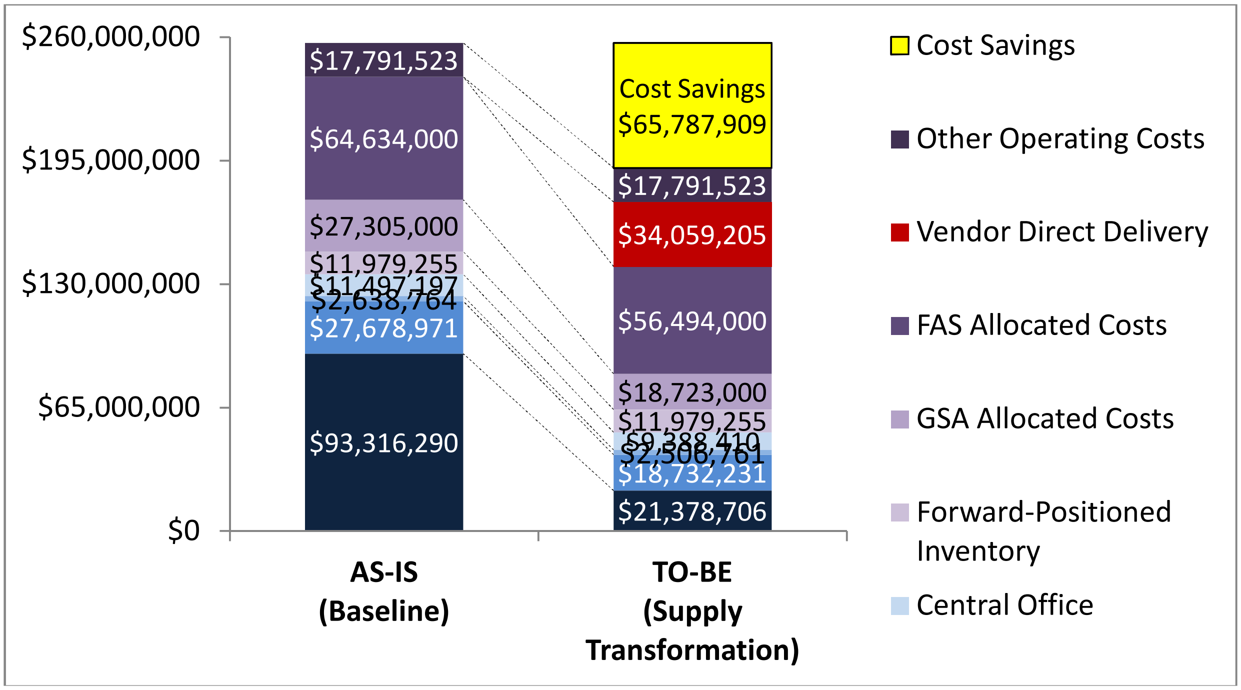

Figure 5. Summary Analysis of Savings Associated with New Business Model

Source: New Business Models and Business Case Analysis. Deloitte Consulting LLP, November 9, 2006, page 6. This study was updated in December 2011 and its savings have been re-validated by the company.

Additional anticipated benefits include:

- Low prices driven by scale and operational efficiency
- Significant reduction in frustrated freight. When DOD orders office supplies from GSA for overseas delivery, they have numerous marking, packaging, and labeling requirements necessary to be shipped by the Defense Transportation System. In dealing with over 880 different contractors, there has been an on-going substantial problem with products not being appropriately marked or labeled. As a consequence, the shipment is stranded or "frustrated" at an export facility. The customer keeps re-ordering, as it is not receiving its items. Currently, 87% of frustrated freight is driven by vendor performance issues.
- Improved service delivery: items delivered within 3-4 days on average, worldwide, since awardee(s) must have an adequate global delivery network
- Electronic integration with GSA and supply chain partners for seamless, automated transactions

Total Anticipated Savings: Of the estimated $65 million per year, 36.15% is attributed to the office supplies portion of the new business case. This percentage is derived from Acquisition Center revenue including stock, stock direct delivery, and SOP and was extracted from the FY12 Supply Operations Financial Statements.

Thus, total projected savings for the bundled requirement's base period, plus four, one-year options periods is 36.15% of $65,000,000 * 5 years = $117,487,500.

GGS' customers are not only expected to benefit from projected savings, but are also likely to experience greater overall satisfaction based on the results of an SPD pilot survey. An overall customer satisfaction score of 97.6% was received in March 2013, with customers providing positive ratings/comments on delivery times, products received, and packaging.

ANTICIPATED BENEFITS: E-PROCUREMENT

In the current environment, there are 1,721 contract actions awarded to 888 different contractors between FY11-13, using the typical cycle from receipt of individual requirement through contract award by several contracting professionals. The vast number of unique contractors does not lend itself to the deployment and integration of these contractors into GSA's EDI (or automated e-procurement system) process due to the time and expense to onboard a contractor into the system and the lack of EDI capability by all of the contractors. EDI involves the electronic transmission of data between GSA and its suppliers, allowing for timely and accurate information. Using EDI, there are many types of data being directly transmitted, including purchase requisitions, purchase orders, purchase order acknowledgement, order status, advanced shipment notification, tracking and tracing information, and invoices. Because this requirement will deploy the use of EDI for the significantly fewer awardees, additional benefits are expected to be derived due to the ability to automate inventory and procurement through its use.

Market research indicates there are countless examples of savings through the use of e-procurement. Reports indicate that e-commerce tools have proven cost reductions, reduction in purchasing cycle time or order time, reduction in number of suppliers, increase in number of products supplied by main suppliers, inventory savings, and reduction of purchasing prices.

Operations that automate inventory and procurement typically report savings in the range of 5 percent to 15 percent through efficiencies as well as direct cost savings. The following 5 reasons support automated inventory and procurement:

- ❖ Monetary savings: Reduced administrative costs and shortened procurement and fulfillment cycles can deliver big savings. Furthermore, buying power can be maximized by consolidating orders, which typically lowers the cost per transaction and results in deeper volume discounts.

- ❖ Time savings: Automation eliminates time spent on matching receipts with deliveries, figuring out invoices, and keying in redundant information. It has been shown to reduce administrative tasks involved in vendor management, such as creating contracts and soliciting bids. An added benefit is realized because purchasing managers spend less time overseeing administrative details and more time analyzing spend patters and negotiating favorable terms with suppliers.

- ❖ Increased accuracy: Due to the elimination of data re-entry from paper documents, clerical errors and ordering mistakes are reduced.

- ❖ Enhanced negotiations: Automation brings information on what is being purchased, in what volumes and at what price. This allows procurement professionals greater leverage to negotiate price breaks, volume discounts and favorable payment terms.

- ❖ Increased compliance: Employees are using pre-negotiated pricing, which ensures a single standard for buying a certain kind of product.

It is believed that the explosion in EDI usage in the commercial sector has come from the recognition of its associated benefits, including standardization of data, more accurate and timely information, shortening of lead times with associated reductions in inventories, and reduced total cost of ownership.

It has been found that e-procurement is one area delivering rapid and quantifiable results by significantly increasing purchasing efficiencies and reducing costs for the acquisition and ongoing management of business expenditures. Additionally, automating and distributing transaction processing frees the procurement team to do more value-added work and eliminates the largely paper-based process that is inefficient and error-prone.

APPLYING THE THRESHOLD TEST

Bundled acquisitions must meet specific dollar-value thresholds. To meet this threshold, the benefits must equal or exceed five percent of the estimated contract value (including options). For this acquisition, the estimated contract value including options is $1.0 billion for a one-year base period with four, one-year option periods; therefore, the anticipated benefits for this acquisition must equal or exceed $50.0 million. As illustrated above, total anticipated benefits of the substantially bundled and/or consolidated requirement is $117,487,500 and exceed this threshold.

DETERMINING THE BENEFITS

The acquisition team presents this justification by expressing the benefits and risks anticipated from the proposed acquisition using the following categories:

- Achieving Pricing Discounts
- Achieving Administrative Cost Reductions
- Increasing Small Business Participation
- Meeting Applicable Policy and Guidance
- Aligning Procurement Strategy to GSA and FAS Priorities
- Adequately Mitigating Risk

The criterion for determining that any proposed bundling is necessary and justified combines benefits from more than one category.

PROPOSED STRATEGY

- Award six (6) contract awards, consisting of two small business set-aside awards for toner requirements, two small business set-aside awards for paper requirements, and two unrestricted awards for the remaining items in the scope of this requirement.

    - Benefits: This alternative conforms to the vendor responses received from the RFI. Although utilizing more than one supplier, there continues to be an expectation that this option would result in great pricing discounts, as evidenced by 13% savings achieved under the FSSI OS2 and tremendous savings achieved on NSOC's current paper and toner contracts. The unrestricted awards would continue to contain stringent subcontracting requirements for small business firms. Moreover, an estimated $144,776,165.07 or 72% of the estimated contract value of $200M would be set-aside for small business awards, which would lessen the impact on the small business vendor base. This strategy is consistent with FAR Subpart 19.202-1 that states small business concerns shall be afforded an equitable opportunity to compete for all contracts that they can perform to the extent consistent with the Government's interest. It should also enable the total solution to meet its small business spend goal of 75%. The business risk of building a dependency on one supplier would be mitigated, with the government retaining the right to move work as necessary should one supplier experience performance issues. Substantial administrative savings would be achieved under this strategy in terms of reduced procurement-related operating expenses and decreased contract performance monitoring. This alternative will increase small business spend in the requisition channel from 58% to 72%.

- o Risks: The purchasing power and subsequent volume discounts may decrease due to the separation of approximately 72% of the requirement. Congressional, public, and small business concerns are highly likely to continue. The risk of associated with small business stakeholder concerns is that the general office supply requirement is not set-aside for small business. There would also be an increase administrative complexity and performance risk by having to integrate six additional vendors into GSA systems.

BENEFIT ANALYSIS DETERMINATION

It has been determined that the above mentioned alternative offers the best solution when compared to the other alternatives that were considered. Furthermore, it has been determined that, to the extent that the proposed strategy involves bundling, it is necessary and justified and sufficient justification warrants proceeding with the issuance of the solicitation.

PLANNING FOR SMALL BUSINESS PARTICIPATION (Small Business Action Plan)

It is recognized that statutory and regulatory provisions relating to contract bundling emanated from a Congressional concern about the impact of these types of acquisitions on small business participation in federal procurement.

In coordination with the Small Business Technical Advisor, this strategy was structured, as much as practicable, to facilitate competition by and among small businesses.

Given that the definition of bundling leads to those requirements that specifically will displace small businesses or will make small business participation unlikely, the regulations provide additional requirements for those bundled acquisitions that involve substantial bundling. Specifically, because the cumulative maximum potential value, including options, of the contract is greater than $6.0 million, additional documentation—a small business action plan—must be provided prior to proceeding with the solicitation. The intent of the action plan is to mitigate the effects of the bundling upon small business and to enhance and encourage small business participation at both the prime contractor and subcontractor levels. This includes encouraging teaming and joint venture arrangements with small firms. This proposed plan includes the following:

- ❖ Identification of the specific benefits expected as a result of bundling the contract

- ❖ Assessment of the specific impediments to small business participation in the contract.

- ❖ Action plan to maximize participation by small businesses as contractors, including efforts that will encourage small business teaming

- ❖ Outline of the specific steps that will be taken to ensure participation by small businesses as subcontractors

- ❖ Specific determination that the anticipated benefits justify the decision to bundle.

Although this acquisition is not likely to afford opportunities for small business firms to participate as prime contractors in all areas, the contracting officer has taken steps to ensure that small business firms have increased opportunities to participate as prime contractors for toner and paper set asides and also subcontractors for the unrestricted award.

Because this acquisition offers a significant opportunity for subcontracting, the proposed pre-award strategies are offered to mitigate the effects of bundling:

- ❖ Encourage teaming or joint venturing between and among small businesses. This will be in the form of language contained in the solicitation and emphasis placed during the pre-proposal conference.

- ❖ During the pre-proposal conference, the government will conduct an industry outreach forum (e.g., matchmakers) in conjunction with prospective large prime contractors to determine small business interest and capabilities as subcontractors. This strategy provides for a team approach to outreach via the government and large contractors to prospective small business subcontractors.

- ❖ Promote subcontracting to small businesses by ensuring that the solicitation contains a separate evaluation factor to encourage this behavior. This strategy provides an incentive to prospective large prime contractors to consider small businesses in their planning processes.

- ❖ Encourage offerors to make subcontracting opportunities public in the Federal Business Opportunities (FedBizOpps), Subcontracting Network (SUB-Net) or other communication media. This strategy provides more visibility for opportunities to team or subcontract.

The following strategies also provide greater incentive to prospective large contractors to increase subcontracting with small businesses:

- ❖ Include incentives that motivate prime contractors to provide substantial subcontracting opportunities to small businesses. For example, the exercise of an option to extend the term of the contract will be contingent on the achievement of identified aggressive small business subcontracting goals.

- As part of the source selection, large business offerors will be required to submit previous subcontracting plans and associated Standard Forms 294/295 to demonstrate their performance in subcontracting to small businesses.

- An aggressive subcontracting plan with the prime contractor will be negotiated. In addition, subcontracting goals will be established in relation to the contract's total dollar value rather than in relation to the prime contractor's planned subcontract dollars to enhance small business subcontracting opportunities.

- The solicitation and contract language will address the method for monitoring small business performance. Aside from the standard subcontract plan reporting requirements, the prime contractor will be required to address performance toward its small business goals in any planned periodic program reviews.

- The accepted subcontracting plan will be incorporated into, and made a material part of, the contract and the solicitation and contract will provide for liquidated damages when the contractor fails to make a good-faith effort to comply with its subcontracting plan.

- Regular monitoring of the prime contractor's subcontracting performance as provided in the contract. This strategy ensures there are no surprises at the end of the period of performance.

- Post-award, establish periodic face-to-face meetings with representatives from the prime contractor, along with Contracting Officer and local Small Business Technical Advisor. Recommendation will be for meeting attendance by not only the prime contractor's small business representative, but also a senior member of its project management organization. This should signal the importance of meeting subcontracting goals to the large business prime contractor.

- In the early stages of the contract, meetings with the prime contract will occur frequently (e.g., no less than monthly) to ensure that the prime contractor gets off to a good start toward meeting subcontracting goals. A checklist from the subcontracting plan will be created as a road map for the meetings, to monitor compliance. More dialogue—early on—will provide the prime contractor an opportunity to improve performance, if necessary, before final assessments are given. Progress (or lack thereof) will be reported to the contractor's senior management. This strategy helps ensure that the prime contractor starts off on the right footing.

- A substitution letter that spells out the prime contractor's rationale for any anticipated changes from small businesses that are identified by name in the offeror's proposal, or changes in the role to be played by the identified subcontractor, will be required. This strategy guards against "bait and switch," a practice that occurs when a large contractor names a small business in its proposal and then releases the business after award.

- The Contractor Performance Assessment Reporting System (CPARS) will be used to document the contractor's performance in small business subcontracting. The CPARS offers a consistent means for tracking a contractor's performance in meeting small business subcontracting plans and makes this information easily accessible to other contracting officers.

While GSA has determined that the proposed acquisition strategy, which includes some contract bundling, is necessary and justified, the strategies described above are expected to lessen the impact of such bundling.

30-DAY NOTIFICATION

Before proceeding with the release of the solicitation, specific notifications will be issued.

At least thirty days before releasing a solicitation, the contracting officer will notify all affected incumbent small business firms of the government's intent to bundle some part of this requirement. The contracting officer will also notify the firms as to how to contact the SBA.

ACQUISITION STRATEGY

To assist in determining the final acquisition strategy, statutory and regulatory guidance was reviewed to ensure full compliance. The Small Business Act of 1958 articulates the "declared policy of the Congress" that: the Government should aid, counsel, assist, and protect, insofar as is possible, the interests of small-business concerns in order to preserve free competitive enterprise and insure that a "fair proportion" of the total purchases and contracts or subcontracts for property and services for the Government be placed with small-business enterprises. FAR Subpart 19.202-1 that states small business concerns shall be afforded an equitable opportunity to compete for all contracts that they can perform to the extent consistent with the Government's interest. Furthermore, the Contracting Officer shall divide proposed acquisitions of supplies and services into reasonably small lots to permit offers on quantities less than the total requirement. In accordance with FAR Subpart 19.502-4, contracting officers may, at their discretion, when conducting multiple-award procurements using full and open competition, reserve one or more contract awards for any of the small business concerns identified in 19.000(a)(3). Furthermore, OMB's

December 2012 Memo on “Improving Strategic Sourcing” establishes that all proposed strategic sourcing agreements baseline small business use under current strategies and set goals to meet or exceed that baseline participation under the new strategic sourcing vehicles.

In the final analysis in determining acquisition strategy and small business participation, the OS2 PMO office had discussions with the Director of SBA’s Office of Government Contracting, responsible for SBA programs and policies including goaling, size standards, size protests, procurement center representatives, subcontracting, certificate of competency, and women owned and service-disabled veteran-owned small business programs. He confirmed that for prime contract goal purposes all of the dollars awarded on the contract are counted based on the status of the prime contractor. Subcontracts do not count toward the prime goal. Therefore, we would not be able to award to one or two large businesses and utilize an aggressive subcontracting requirement to meet our small business goals.

After reviewing the available market research, the bundling/benefits analysis above, and applicable policy and guidance to include the OMB Memo, it is determined that the proposed acquisition strategy will consist of six contract awards: two small business set-aside awards for toner requirements, two small business set-aside awards for paper requirements, and two unrestricted awards for the remaining items in the scope of this requirement. This alternative is expected to increase small business spend in the requisition channel from 58% to 72%. Contractors awarded each specific requirement (i.e. toner, paper, etc.) shall also have the capability to provide the full scope of requirements under the full breadth of products and the government will retain the right to move work as necessary. We note that under this strategy only two of the six potential awards, General Office Supplies, would constitute bundling pursuant to the FAR.