

TRANSCRIPT OF PROCEEDINGS

FEDERAL STRATEGIC SOURCING)
INITIATIVE OS3 INDUSTRY DAY)
)

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IN THE GENERAL SERVICES ADMINISTRATION

FEDERAL STRATEGIC SOURCING)
INITIATIVE OS3 INDUSTRY DAY)
)

6th Floor Conference Rooms A/B
Jacob K. Javits Federal
Building
26 Federal Plaza
New York, New York

Wednesday,
August 6, 2013

The parties met, pursuant to notice, at 9:44 a.m.

PRESENT:

ROBERT WOODSIDE, PM
Federal Strategic Sourcing Initiative
OS2 Program Office

ERIC BEALE, Program Liaison
U.S. AbilityOne Commission

SHERYL CARRINGTON
GSA, Northeast Region

MICHAEL CULLIS
GSA, Northeast Region

ZACHARY LERNER
GSA, Northeast Region

FRANK MAYER
GSA, Northeast Region

JOSHUA ROYKO
GSA, Northeast Region

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P R O C E E D I N G S

(9:44 a.m.)

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MR. WOODSIDE: Good morning, everybody.
Thank you for coming.

FEMALE VOICE: Good morning.

MR. WOODSIDE: Good morning. Thank you. If everybody on Webex can mute their line just before we begin. There's some noise coming through. But thank you. Thank you everybody on Webex for attending as well.

Okay. So I think we can start. Okay. All right. Sorry for the delay. Some people had to get through security downstairs, and we were having some issues with the Webex. But thank you, everybody, for coming. We really appreciate it. We realize, you know, in August a lot of people are busy, and we realize not everybody, you know, can travel to New York that easy. So thank you all for coming.

Today we want to talk about, you know, the acquisition for OS3. We're in the last year of the Federal Strategic Sourcing Initiative for OS2.

By the way, so I need to introduce myself. My name is Bob Woodside. I'm the FSSI PMO for those of you who don't know me. And as I said, we're in the last year of FSSI OS2. We're working today to develop

1 the acquisition strategy for OS3. And today's really
2 your day. We're here to listen to you. We want to
3 listen to industry to get your thoughts on how we can,
4 you know, create even a better acquisition in OS3 than
5 we did in OS2. We've achieved a lot in OS2, but we
6 want to achieve even more for OS3. So we want to
7 listen to all of you in industry to see what we can do
8 to improve the program.

9 So first I'd like to turn it over to my
10 acting regional commissioner, Frank Mayer, to say a
11 few words.

12 (Applause.)

13 MR. MAYER: Thank you, Bob. Welcome,
14 everyone. Welcome to everyone who is in person and
15 also with us virtually on the Webex. I just want to
16 say a few items about the Industry Day today.

17 I started -- last year I was working and I'm
18 very close to the office supplies initiatives because
19 I was working in that position with the FSSI
20 specifically. Today I'm the acting regional
21 commissioner, as Bob said, of the Northeast and
22 Caribbean region.

23 I'd like to start off today by just saying
24 that GSA has an important and challenging role in
25 government procurement. We really play this role of

1 balancing the needs of many stakeholders. For
2 example, we support small businesses. The schedule
3 program itself in FY13 year-to-date, we've seen \$28
4 billion of spend come through so far. Out of that, 35
5 percent of that goes directly through small business.

6 Subcontracting plans for small business,
7 we've seen in FY12 \$41 billion of eligible
8 subcontracting dollars; 26 percent of those dollars
9 went to small businesses in the form of subcontracting
10 dollars.

11 So GSA plays a major role in supporting
12 small business. Our agency specifically, last year we
13 met all of our small business thresholds. We received
14 an A+ from the SBA in terms of how we deal with small
15 business. So I think you can see that we do in fact
16 strongly support small business.

17 We also support other initiatives, such as
18 AbilityOne. We ensure that folks are buying from the
19 mandated sources and help support the NIB and NISH and
20 all of the firms that do business and help support the
21 blind and severely handicapped.

22 In addition, we also support federal
23 mandates. We ensure that there is TAA compliance,
24 that we're not purchasing from sources that are
25 noncompliant with that act. But most importantly, I

1 think we support our customer agencies and ultimately
2 the taxpayer. The customer agencies are looking for
3 quality goods and services, and they're obviously
4 looking for them at a fair and competitive price.

5 I don't think I have to really explain to
6 folks that, you know, there are less dollars available
7 now. Everyone is experiencing cuts, and out of the
8 dollars that are there, folks are looking to stretch
9 them. So obviously making those dollars go further is
10 a big issue.

11 And I think that's what today is all about.

12 I think today is about balancing the needs of all the
13 stakeholders. And this is an opportunity for you
14 folks who have come here most specifically for office
15 supplies, but for us to get input from you for any
16 future contract solutions that we put in place. It's
17 an opportunity to gather feedback.

18 I think one of the things that we'll be
19 looking at not specifically but in general is we'll be
20 looking at a contract solution that will take care of
21 our acquisition channel customers and our requisition
22 channel customers. So we'll be looking for a total
23 solution going forward.

24 Now what format we'll take is something
25 again that gets decided by input from all the various

1 stakeholders that I've just discussed. But that's
2 kind of what I wanted to just leave you off with. As
3 you know, Bob is the program manager. He'll kind of
4 lead you through the day. Hopefully today will be
5 used as an opportunity to explore many of the issues
6 that would come up as we start to formulate opinions
7 about this new solution.

8 So enjoy the day, participate. Thank you
9 for coming. And I will turn it over to Bob.

10 MR. WOODSIDE: Okay. I'd like to talk a
11 little bit about some of the successes we had in OS2,
12 so I'd like to turn it over now to our lead data
13 analyst, Joshua Royko.

14 MR. ROYKO: Thank you and good morning. I
15 thank you all for coming up to New York. I know it
16 was not an easy trip to make, so I'd like to jump
17 right in and share a little bit about where the OS2
18 program is at and what has been accomplished and a
19 little bit of what we're looking to move towards in
20 the future regarded to data reporting.

21 If we can go to the next slide here.

22 So this is the chart on our OS2 performance
23 since inception. We've done about \$647 million since
24 June of 2010. Of that, about \$490 million or 76
25 percent has gone to one of the 13 small businesses

1 that were awarded a BPA. Our savings rate since
2 inception, we've saved our customers just over 13
3 percent now. In recent months, we've actually
4 expanded that, and most recently, in June, we saved
5 our customers an average of 18 percent, which that is
6 very helpful in the sequestered environment. As there
7 is less dollars available, it's very important that
8 our customer agencies use their precious resources
9 wisely.

10 So we've been very fortunate to partner with
11 the current OS2 vendors to drive savings while
12 supporting small business. We're all on track to
13 approach \$900 million for the total contract vehicle,
14 I believe just under that, and close to \$150 million
15 in direct savings.

16 Additionally, as a result of OS2 being
17 awarded, it's moved the marketplace lower and
18 indirectly saved about \$100 million as well. So we're
19 anticipating government-wide savings of close to a
20 quarter of a billion dollars through the OS2 vehicle
21 by the time it's all said and done.

22 We're looking to continue to improve on this
23 throughout OS3 while protecting small business,
24 ensuring fair opportunity, and ensuring that our
25 customers' needs are met and the products and services

1 that -- or excuse me, the products that are being
2 offered are, you know, TAA-compliant, and there's the
3 same type of issues, the need to meet the AbilityOne
4 mandates. We want to keep those types of
5 socioeconomic programs supported as well.

6 If we could go to the next slide, please.

7 Another thing that I'm very involved with is
8 the data quality. Within the OS2 initiative, we track
9 at a very granular level the transactions, and we
10 report out to customer agencies to give them better
11 insight into their spending patterns. And so one of
12 the things that have been very helpful with OS2 is
13 collecting data at the part number level. We're
14 looking to improve the quality of this data moving
15 forward into OS3. We think that we can reduce a lot
16 of systemic costs as well, and there's a lot of
17 benefits for our suppliers in providing standard data.

18 One of the things is it improves the
19 customer's shopping experience. It makes it much
20 easier when you have standardized part numbers, when
21 it's clear -- you know, the customer -- make sure
22 they're getting what they anticipated. So, in turn,
23 that reduces the supplier's return rates. If the
24 customer is getting an item that, you know, they did
25 not expect, they're much more likely to return it. So

1 that's one of the ways we're able to drive some of the
2 systemic costs out of the acquisitions.

3 Additionally it ensures a level playing
4 field for all of our suppliers. You know, we want to
5 make sure that the vendors that are offering -- you
6 know, are fairly representing their products at a
7 competitive price, are the ones that show up first and
8 the ones that are most likely to be purchased from.
9 We don't want there to be nonstandard part numbers or
10 something that's misleading being purchased at a lower
11 price point because the customer thought they were
12 getting something else.

13 Additionally, you know, it just increases
14 the transparency in government expense. So we were
15 able to use this data to identify pricing at a
16 granular level that was not reasonable, and we've put
17 up a couple examples of some of the nearly 100,000
18 price reductions we achieved by comparing pricing
19 horizontally. This transparency allows us to, you
20 know, learn about price variance and what is
21 reasonable and have discussions with our vendors that
22 have pricing that may or may not be, you know,
23 competitive. So that also allows them to have
24 discussions with their suppliers. In many cases, some
25 of the data that we provided was able to be used to

1 negotiate even more competitive pricing or lower costs
2 on the contractor end.

3 Moving forward, we're looking to increase
4 that transparency and standardization. Some of the
5 things we're considering and we'd like to talk to you
6 guys about in our general discussion session are the
7 use of maybe a UPCA code and standard reporting of
8 that or the global trade identification number.
9 They're all part of the same hierarchy.

10 Another thing we're going to be very
11 interested in is more specificity around the number of
12 items in a package, such as a box of 12, a box of 48,
13 to make sure that we're providing transparency to our
14 customers so they know what they're ordering, and we
15 can compare pricing and help them make an educated
16 decision.

17 Another thing would be the removal of some
18 of the marketing language to make it easier for the
19 customer to understand what they're getting. But
20 these are some of the items moving forward into OS3
21 that we'd like to discuss and improve upon, and we'd
22 welcome your feedback on ways to do that.

23 That's just a brief update on OS2 and where
24 we're looking to go with OS3's data type items. I'll
25 turn it back over to Bob here to continue talking

1 about the acquisition strategy for OS3.

2 MR. WOODSIDE: Okay. Thank you, Josh. So,
3 in OS2, you know, two things were required. You had
4 to be AbilityOne certified, and you had to, you know,
5 be able to supply Level 3 data. There was a lot of
6 other requirements besides that, but, I mean, those
7 two requirements, you know, we're fairly certain we're
8 going to move forward with those in OS3.

9 We're going to want everyone to be
10 AbilityOne certified, and we are going to have a
11 presentation later today from Eric Beale from
12 AbilityOne. And also, you know, we are going to need
13 Level 3 data. What OS2 achieved, we achieved a great
14 deal of savings, \$200 million in savings both direct
15 and indirect. If you count direct savings and
16 indirect, it's \$200 million.

17 We achieved great socioeconomic spend; 76
18 percent of spend has gone to small business. And we
19 also achieved a great deal of data knowledge.
20 Agencies now know what they're buying. They know down
21 to the part number level, as Josh described, what
22 they're buying.

23 So we're definitely going to require some
24 type of Level 3 data, and the exact fields we can
25 discuss later. But I would like to turn it over now

1 to Michael Cullis, one of our contract specialists,
2 who works on the data and analyzes the data actually
3 reported every month. Michael?

4 MR. CULLIS: Hello, everyone. Now I know
5 you guys are all -- really, the real reason why you're
6 here is, I want to make it clear, how do I get on OS3?
7 That's one of the real reasons why you guys are here.
8 And when you guys hear; great, AbilityOne certified,
9 Level 3 data -- when I first came on board, I had to
10 Google Level 3 data. I had no idea what that even
11 was.

12 So I'm going to go over today what is the
13 data that we require right now from our OS2 vendors
14 and what we expect from you guys, so that way you can
15 get your systems in place, have them up and running by
16 the time you get the award so there is no lag time, no
17 turnaround time. So just to give you a good idea of
18 what we're looking for.

19 Can you go to the next slide?

20 Currently the vendors in OS2, on the 15th of
21 every month, they give us transactional data. They
22 tell us every individual sale that they did for that
23 month or just prior. So for the first time the
24 government knows what we're buying, how we're making
25 those purchases, how we're paying for them, are they

1 coming overnight, standard delivery. And so some of
2 these data fields that we ask for from the vendors on
3 the 15th of the month are the order date. When was
4 this product actually ordered? And the order number,
5 either the PO -- easy ways for us to identify whether
6 it's a global supply order or maybe your own PO.

7 Product description. And there we look
8 for -- we try to standardize the product descriptions
9 a little bit, but also the most important thing is the
10 manufacturer name and part number. We're really
11 working, as Josh said, on standardization, try to get
12 the same thing so that way we can look at the part
13 numbers from each vendor and try to make them the same
14 so we can analyze the data, crunch it, and see what
15 are the top items that the government is purchasing
16 and how are we purchasing that.

17 In fact, we developed what we call our
18 market basket item where we first started with about
19 300 -- well, 476 items. Now we're up to over 1,000
20 items, which captures about 70 percent of what the
21 government buys in office supplies.

22 Because of the standardization of part
23 numbers, we're able to crunch this data, and I guess
24 it's like the baseball movie, you build it, they will
25 come. Now agencies haggle -- you know, hassle us

1 every minute of the month. When is this report coming
2 out? When is the data? We want to know what we're
3 buying. So the 15th of the month, all the vendors
4 have to get us these reports. That is required of
5 them. So this is what's going to be expected in OS3
6 also.

7 Again, a unit of issue. As Josh said, we're
8 really trying to work on the unit of issue. We may
9 see a case, but it's not exactly standardized. Some
10 cases may have 10, some may have a dozen, some have
11 24. So we're really trying to standardize that unit
12 of issue also. Some vendors sometimes put their own
13 little unit of issue that's not really standard
14 because there are over, what, 180 different kinds of
15 unit of issues that we put out there.

16 The Federal Supply Code, the United Nations
17 standard Products and Services Code, subcategory -- we
18 divide our products into really four subcategories so
19 we can price them accordingly and put them in our
20 different pools. We have paper, toner, ink, and then
21 just general office supplies. So that way you guys
22 have to be able to identify which items are in which
23 category during your reports.

24 Next slide.

25 And also we have the BPA price. We want to

1 see all prices so that way we can identify our
2 savings. We have the BPA price first. We have the
3 MAS price, whichever is the prices on your MAS
4 schedule. And then the commercial list price.

5 In the beginning of the program, we found
6 that the customers don't always hit the right button.

7 So originally with the BPA price, it was lower than
8 the MAS contract price for the vendor. What we did is
9 have all the vendors put a temporary sale price on
10 their MAS price so that way no matter what the
11 customer is charged the FSSI price, because the
12 customer was not hitting the BPA button, they were
13 hitting the MAS contract price, which may have been
14 higher at the time.

15 So now, as you will see, if you go on GSA
16 Advantage, all the prices are equal, and they should
17 be, so we do double-check that so that way the
18 customer is not overly charged. So just be aware,
19 right now BPA price and MAS price will be matched.
20 But we want still the data on the real MAS price and
21 the commercial price so we can calculate our savings.

22 Also, is it an environmentally preferred
23 product? A simple yes or no on the Excel sheet. Is
24 it a CPG or no? Is it a compatible or reman toner?
25 We want to know. Also, there is that discrepancy.

1 What is compatible? What is a reman? A reman is a
2 compatible toner. So we want to basically separate
3 those two so we can pull apart what exactly the
4 government is buying.

5 Also, is it a recycled product, yes or no?
6 What is the total recycling content? A lot of that
7 you can get from your wholesaler catalogs. So we want
8 to make sure we get that information because we do
9 want to know are we going green. What is considered a
10 green product? So make sure your systems are all set
11 up to have this information.

12 Also, delivery method. Was it standard
13 delivery? Was it overnight? Was it secure desktop?
14 We want to know because we found through our data
15 reports that we captured from the vendors currently in
16 OS2, we found some agencies were ordering everything
17 overnight, which we never knew before, and we wanted
18 to know why are you guys ordering overnight office
19 supplies. You should at least know your stock, so
20 have available in your systems to capture this
21 information.

22 Also, if there's any additional charges for
23 sending the overnight. We want to make sure so we can
24 see the BPA price plus the delivery charge. Is it
25 going to be equal to the total amount purchased? Also

1 the shipping weight.

2 The next slide, please?

3 And a discount amount, any other fees. And
4 again, the total purchase amount is very important.
5 We're now analyzing the data where we're looking at
6 each report, making sure the BPA prices are matching
7 your contract prices that you agree to. So now we're
8 going back to the vendors currently in OS2 saying,
9 hey, we notice in your report your BPA price is over
10 what the contract price should have been. You have to
11 give credits out to those customers and put the
12 credits in next month's report so that way we can
13 capture that data. So your systems have to be able to
14 capture this information which we call Level 3 data.

15 Again, is it a credit or debit. The agency,
16 the customer. This is very important. You have to
17 align your systems so we can capture and go down to
18 the granular level. A lot of the agencies want to
19 know not only what agencies to go into but bureau.
20 They want to know if it goes down what MAJCOM, which
21 base. They want to capture that data so they can tell
22 McGuire Air Force Base is buying this much, so it's
23 not only part of the Air Force, not only part of DOD.
24 They want to know what -- some of the vendors even
25 already capture what building are buying certain

1 products.

2 Some agencies realize, hey, they're buying
3 more products than they have people in the office. So
4 the systems have to be able to capture that. Right
5 now we're required to at least go down to two levels.

6 But the more levels, the better. In the reports we
7 actually had to go down to five different levels
8 granularly. So the MAJCOM, the base, subagency,
9 information like that. So you must have your system
10 set up to capture that data.

11 And again, what we do every month is we
12 will -- right now currently we give you GSA Advantage
13 reports. We give the vendors GSA Advantage reports
14 where we will help them capture this data. So again,
15 for E-mall, it's a little more difficult, but your
16 systems also for the vendor portals, you have to have
17 your home websites available to capture this
18 information. So, when you have someone register, not
19 only would you say, hey, I'm part of the Air Force, in
20 your registration you should have exactly what base,
21 what subagency you work for so that way when someone
22 registers, that data is captured on your home systems.

23 Again, DoDAACs, the pay methods, currently
24 all OS2 vendors have to accept all methods of payment.

25 So you have to be able to accept the PO, smart card,

1 DoDAAC. Every method of payment has to be available
2 and you have to be able to track this.

3 Right now we also have point of sale. So,
4 if you have a storefront, and you pay a -- someone
5 comes to your store and pays with a purchase card,
6 that discount has to be applied automatically to your
7 storefront, and you have to also be able to capture
8 the data of who is making the purchase.

9 I know sometimes that's not available for
10 the storefront, but you have to do the best you can.
11 But one thing is the government has to get that
12 discount if the item is on contract. That's a key
13 thing since we all know if you have a storefront,
14 especially for the large businesses, not every item is
15 TAA compliant, so not every item is on contract. So
16 those items will not receive the FSSI discount, but if
17 it is on contract, it has to immediately automatically
18 get the discount, and it has to be seamless for the
19 customer.

20 Pay date, so you have to get the pay, the
21 date the payment was received, and also the sales
22 channel. Very important. How is this item being
23 ordered, through GSA Advantage, E-mall, through your
24 own website, by phone, email? Your systems have to be
25 able to capture this, and we're going to hold you to

1 it, especially for OS3. We don't want you to just
2 say, yeah, I can capture this data. You're going to
3 have to capture it day one after award because that
4 first month's report is going to be due the 15th the
5 following month after award.

6 Next slide, please.

7 Again zip code, where was the product
8 delivered to? And again, you're going to get a copy
9 of all this, so you don't have to write it all down.
10 But this information will be available for you guys.

11 The charge processing date, transaction
12 number, and again, the easy stuff, your contract name
13 and your contract number. So not only do the vendors
14 have to supply this report to us every month on the
15 15th of the month, but again -- next slide -- they
16 have to give another performance report every quarter
17 where they tell us the percentage of transactions
18 delivered on time. What is the explanations for any
19 latenesses, any complaints, the number of transactions
20 that were on back order, and what steps did you guys
21 provide to correct these issues.

22 Again, what transactions were fill-or-kill?

23 Fill-or-kill is if you can't fill the order, you kill
24 it and the customer can go to another place. That way
25 they're not held up on any items that are on back

1 order.

2 Any items reported as damaged by the
3 customer or returned by the customer. Again, part of
4 our green initiative is how many products were
5 environmentally preferred content. How many toners
6 were recycled through you guys? How many toners were
7 sent back to you?

8 So this information is very important
9 because we want to make sure it's up and running. We
10 want to give you guys a head start to get your system
11 available because we want you guys to get this award.

12 That's plain and simple. We want to make sure
13 everything is simple for us and helps us out also.

14 And any customer complaints, what issues you
15 had and how did you correct them. And we do track all
16 complaints from all the vendors currently in OS2. And
17 again, these are self-reported complaints, and we do
18 check, you know, back and forth, and we do audit the
19 OS2 vendors, especially when it comes to prices,
20 complaints, and issues because we are being looked at
21 very closely not only by the office supply environment
22 and the community now but OMB, other agencies.

23 So we want to make sure everything gets off
24 to a smooth start in OS3. So I just want to help you
25 guys out and let you know what is expected of you when

1 you hear Level 3 data, so that way you can get your
2 systems up and running and everything goes smoothly.

3 And I'm going to hand it off to Bob.

4 MR. WOODSIDE: Thank you. Thank you very
5 much. So thank you, Mike. So, you know, Mike
6 described what we currently require for Level 3 data
7 because we want maximum competition in OS3. Maximum
8 competition gives us the best quality vendors, gives
9 us the best price.

10 So, you know, we expect to issue the OS3
11 solicitation sometime in the fall or winter of 2013,
12 and we expect to issue it on FedBizOpps. So look for
13 it on FedBizOpps. We will have a preproposal
14 conference around that time as well. Hopefully, all
15 of you can attend. But we do expect to issue it on
16 FedBizOpps. And the point of Mike's discussion was to
17 give an update to everybody of what we currently
18 require for Level 3 data. We probably will have some
19 slight changes, some additions maybe for Level 3 data.
20 And that's part of today's discussions is, you know,
21 what should we have for Level 3 data.

22 But most of that will be required in OS3, so
23 thank you very much, Mike, for giving everybody that
24 overview.

25 So now, you know, we'd like to have a little

1 bit of an open discussion. You know, we've been doing
2 a lot of talking. As I say, it's really your day.
3 It's really for us to listen to you. So we'd like to
4 throw some things out there as an open discussion and
5 get your ideas on it.

6 The first few questions are the ones we've
7 already posted on the OS3 Interact for those of you
8 who are signed up on OS3 Interact. And the first
9 thing I'd like to discuss is currently in OS2, we put
10 out the definition for office supplies as fairly
11 narrow. It was, you know, pens, toner, paper, you
12 know, the basic office supplies. But it didn't
13 include things like restroom products. It didn't
14 include things like transactional furniture like, you
15 know, a side chair that's delivered, you know, maybe
16 in a box to somebody, not modular furniture, but maybe
17 like a small piece of furniture.

18 It didn't include maybe some small plug-in
19 IT items, like a small plug-in personal printer. So I
20 guess, you know, we like to know, you know, how are
21 you guys set up, you guys in the office supplies
22 industry. Do you only sell basic office supplies, or
23 do you sell some small transactional IT and some small
24 transactional furniture, and if that's something that
25 you think we should or should not include in OS3.

1 So I'd like to throw that out there for
2 anybody. You know, please raise your hands if you'd
3 like to comment. Also Tina will be coming around with
4 the microphone. Could you also please introduce
5 yourselves before you ask the question? Thank you.

6 AUDIENCE MEMBER 1: Good morning. My name
7 is Paul Baumgarten. I'm from Houston, Texas. And I
8 went to USAspending.gov, and you emphasize that you're
9 busy collecting the data on work products comprising
10 toner, pens, paper, and I forget the last category.
11 But I did a USAgovernmentspending.gov search for a
12 product called a permanent marker. I found that
13 Office Depot was awarded in 2010 to the current
14 something about \$50,000 worth of sales that were
15 awarded to their regular contract, not to the FSSI BPA
16 contract, and I see that had all those sales that they
17 made in the regular schedule been applied to the FSSI
18 BPA they ultimately earned perhaps as much as \$400,000
19 in additional IFF fees.

20 So, to me, it appears that if you have a
21 BPA, you should not be awarded a regular schedule 75-
22 200. It gives an opportunity I think for integrity to
23 be questioned because if I were the owner of that
24 organization, I would have put that permanent marker
25 on my FSSI BPA and provided the government a better

1 product, a better price, TAA-compliant, et cetera, et
2 cetera.

3 I don't think the integrity of the system is
4 sufficient right now. Again, I just see Office Depot
5 recording more sales dollars on their regular 75-200
6 contract than on the FSSI BPA, and that's an anomaly.
7 And certainly that should raise a big red flag.

8 Additionally, I'm from Houston, Texas. I
9 note that Security Engineered Machinery, which is a
10 company that sells a lot of high-security paper
11 shredders, they're like number six on the current 75-
12 200. They do a very, very good job. We also do a
13 good job.

14 We were selected by the GSA in Fort Worth to
15 install a high-security paper shredder in the private
16 office of a former president. Yet I note that in the
17 State of Texas, Fort Bliss has a location in El Paso,
18 Texas. There is no representation in San Antonio,
19 Austin, Houston, Dallas. Fort Bliss, El Paso, is
20 closer to L.A. than it is to Dallas. So I think there
21 has to be a geographic component added to the next
22 FSSI BPA. Currently, everybody on the BPA is either
23 East Coast or West Coast.

24 MALE VOICE: Well, I'm in El Paso.

25 AUDIENCE MEMBER 1: Okay. That's the win.

1 You can vouch for it, right? We are gaining 1,000
2 people a day in Texas. That's how fast our economy is
3 growing. We are proud to say that when we have a
4 customer let's say contact us from Ramstein Air Force
5 Base and he wants to buy let's say a dozen high-
6 security paper shredders, well, the first question we
7 ask is what voltage do you want. Oh, good question.
8 Yeah, 230 volts, 50 hertz. We offer the opportunity
9 to ship that 230-volt, 50-hertz paper shredder
10 directly to the end user there, with free shipping
11 from the manufacturer in Europe.

12 So, you know, there is some quality metrics
13 that I think you folks are missing. For example, if
14 we were an industry partner of a security agency and
15 we had let's say a high profile with that agency, you
16 should take that metric into concern. And it
17 currently doesn't address that.

18 And lastly, I think that you could help
19 agencies achieve their small business purchasing
20 goals. There are numerous agencies that didn't meet
21 the 2012 target, and I think that it should be part of
22 your marketing practice to direct those organizations
23 to us so that we can help them fulfill their small
24 business purchasing goals.

25 MR. WOODSIDE: Okay. Thank you, sir.

1 AUDIENCE MEMBER 1: Thank you.

2 MR. WOODSIDE: I would like to say, you
3 know, per that topic, GSA did meet its goals. We got
4 actually an A+ from SBA, and we did meet all our small
5 business goals. I think Frank alluded to that before.
6 But thank you very much for that topic. Also, later
7 on today during the open discussion, we will talk
8 about a little -- yeah, I know. We will talk a little
9 bit about, you know, should vendors report sales to
10 the federal government that's not on contract. That's
11 something we'd like to discuss later on. Yes.

12 AUDIENCE MEMBER 2: Hi. My name is Ashley.
13 I'm with Colson Business Systems, and we're in south
14 Georgia. I had a question. You said there's 13 small
15 businesses on the BPA, and these 13 small businesses,
16 are there businesses that -- because we just sell
17 toner and ink, a couple different paper products but
18 mostly is just kind of geared towards toner and ink.

19 Now these small businesses, do they sell all
20 office products? Are they all available? Or will we
21 be rooted out because we do not offer, like, pens?

22 MR. WOODSIDE: That's a good question.
23 Currently in OS2 -- and that's something we'd like to
24 discuss for OS3. Currently we have -- you know,
25 there's nine small businesses that sell everything,

1 the full catalog. There's then a pool two that
2 includes two large businesses and one small business
3 that sells everything. And then there is a pool three
4 that sells toner only, that has a very heavy SDBVOB
5 component, two out of three companies are service-
6 disabled veteran-owned small business.

7 So that's how currently it's structured now
8 where you have a group of companies that sell
9 everything and a group that sells just toner. And I
10 guess going back to you, you know, how do you think we
11 should have OS3? Should we have, you know, full-
12 catalog vendors, vendors that just sell toner, vendors
13 that just sell paper? What are your thoughts on that?

14 AUDIENCE MEMBER 2: My thoughts are whenever
15 I'm on Advantage or, you know, doing the E-Buy I'll
16 see these toner FSSI, you know, things out there, and
17 we can't bid on them, and it's heartbreaking. I would
18 like an opportunity kind of for people like us who can
19 only really sell, you know, a certain product to be
20 given the opportunity to be a part of FSSI because for
21 us that's where everything is going with toner. It's
22 going further and further into the FSSI. And we'll be
23 completely rooted out, and that's a scary thought to
24 us because we depend on the federal government.

25 MR. WOODSIDE: So you would be in favor of

1 like a toner only.

2 AUDIENCE MEMBER 2: Oh, yeah.

3 MR. WOODSIDE: Okay.

4 AUDIENCE MEMBER 2: Yes, I would be.

5 MR. WOODSIDE: Okay. Thank you.

6 AUDIENCE MEMBER 3: Hi. I'm Janet Myhre
7 with JM Procurement. I've been in this industry for
8 about 10, 15 years. Just a quick question. I know
9 as far as the success of the program you always claim
10 18 percent savings, \$200 million in hard and soft
11 costs. Can you share with us exactly how you're
12 coming to that savings and how you're reporting that
13 back to Congress?

14 One other thing too is that initially in OS2
15 you were talking about that you were going to get an 8
16 percent savings by the pool three where those -- is
17 that the right one with the large and one small --

18 MR. WOODSIDE: Pool three is toner only.

19 AUDIENCE MEMBER 3: Okay, pool two. So you
20 were saying that you were going to save 8 percent with
21 this program because in the retail environment, when a
22 government credit card holder walks into a Staples or
23 Office Depot, they would get the BPA price. Can you
24 share if that has gone through, if that has been a
25 successful program or not?

1 MR. WOODSIDE: Okay. Well, I'm going to
2 turn over the specific question to my data person,
3 Josh. But I can tell you that, yeah, the companies,
4 Office Depot and Staples, who have stores or anybody
5 else who has a store, has to be able to take the
6 government credit card at the store for items that are
7 on contract. Now there are a lot of things in stores
8 that are made in China that are not, you know, federal
9 items, not that you can sell contract. But for
10 contract items we do get the FSSI price.

11 AUDIENCE MEMBER 3: So just to clarify, sir,
12 to clarify, if I am a GCC holder --

13 MR. WOODSIDE: Yes.

14 AUDIENCE MEMBER 3: -- at Fort Belvoir in
15 Virginia walking into Staples in Springfield,
16 Virginia, and that item is on the BPA, then I'm going
17 to get that discounted price --

18 MR. WOODSIDE: Yes.

19 AUDIENCE MEMBER 3: -- regardless of whether
20 it's published or not.

21 MR. WOODSIDE: Yes, exactly.

22 AUDIENCE MEMBER 3: And you're verifying
23 that.

24 MR. WOODSIDE: Yes, we are, yeah. Let me
25 turn it over to Josh on the other data question.

1 MR. ROYKO: Great. Thank you very much for
2 your question. And I will admit the savings
3 calculation gets a little down in the weeds without
4 the aid of a visual chart to demonstrate how it works.
5 The savings calculation really is a basis of a study
6 conducted by an independent consultant.

7 On the typical discount, our agency
8 customers were getting before OS2 in a number of
9 different product categories, as mentioned before,
10 such as toner, ink, paper, general office supplies,
11 that discount is off of the major wholesaler's list
12 price. So, if you were to say on a given toner that's
13 \$200, if a customer typically got a 25 percent
14 discount, their historical price would be \$150. If
15 they bought it under the OS2 BPA for \$100, that would
16 be \$50 savings, and that's how that savings is
17 calculated. That is done at the line item level and
18 then aggregated, so it's what they save versus what
19 they would have paid.

20 The 18 percent that you mentioned is just
21 the most recent month. It has been climbing upwards
22 steadily over the past 18 months. Since inception,
23 it's been about 13 percent. So I do want to clarify
24 that. It has improved as, you know, volume discount
25 tiers have kicked in that were part of OS2, as well as

1 granular pricing analysis where we help vendors
2 understand their competitive position, and we
3 identified some pricing that was not very competitive
4 and were able to partner with the vendors to improve
5 that pricing.

6 I'd be happy to continue the discussion, you
7 know, offline with any specific questions if anyone
8 would like additional information on that process.
9 But it does get a little down into the weeds as to how
10 that's calculated. Essentially it's based off of, you
11 know, an independent third party's analysis of what
12 customers historically paid for items. Thank you.

13 MR. WOODSIDE: Okay. Thank you, Josh. Are
14 there any other questions on the scope of office
15 supplies? Yes.

16 AUDIENCE MEMBER 4: My name is Tiffany
17 Broad, and I'm from S&B Computers. Pardon my hoarse
18 voice. I have asthma. Following up on the savings on
19 the BPA, FSSI BPA, I have come across several opinions
20 in my understanding where I think it was the E-Buy --
21 we were about 4 to 5 percent lower than FSSI vendors.

22 But we were told that, first, we are supposed to buy
23 only on FSSI even if the price is lower in other
24 territories. So, you know, I am of the opinion it
25 doesn't fly, and I understand it's difficult.

1 MR. WOODSIDE: Okay. Right. So, if it was
2 up to me, I would -- different agencies have different
3 levels of commitment, we get the levels of commitment
4 from the agencies. We have shown that, you know, time
5 and time again FSSI overall does have the lowest
6 prices. It doesn't mean that, you know, every single
7 hour of every single day on a particular item it may
8 always be the lowest. It's the lowest in aggregate.

9 But, you know, please send the information.
10 But again, we're not telling the agencies to do
11 anything. The agencies, you know, are coming in with
12 their own levels of commitment and they're coming up
13 with commitment letters. So that's between the
14 agencies and the OMB. We're just trying to, you know,
15 make sure we craft the best acquisition and try to
16 reduce prices as much as possible.

17 AUDIENCE MEMBER 5: Hi. My name is Jeremy.
18 I'm with American Toner and Ink. I'm a HUBZone
19 certified small business in Spring Lake, Minnesota,
20 probably a small business that you're going to see
21 this morning. I have a few questions and one comment.

22 First I guess our original question or inquiry as far
23 as what's available.

24 Typically, if the manufacturer offers the
25 toner or ink in your four categories, we have all the

1 hardware and associated supplies available from those
2 same manufacturers. For instance, you know, like
3 Brother. If we had Brother ink and toner, we can also
4 get Brother pressure tape. We can also get Brother
5 printers. If you want to go outside Bic pens, you
6 know, those aren't the same supply channels, so trying
7 to address the original inquiry.

8 Three questions. First of all, has there
9 ever been any talk or any consideration for a HUBZone
10 set-aside in FSSI? We are toner only, so we're
11 interested in that as well.

12 Secondly, I wanted to address her point. We
13 have over 6,000 items on contract. Over 50 percent of
14 those items we offer at the same or better price than
15 an FSSI vendor. And I want to know how that is in the
16 best interest of the government, how there isn't an
17 exception there for a buyer to say, you know, I can
18 get the same product from American Toner and Ink at a
19 better price. Why isn't that a better value for the
20 government? I'd like someone to explain that to me.

21 And third of all, I don't know if GSA is
22 aware, but there are industry discounts in place for
23 FSSI vendors. All the suppliers are pretty tight-
24 lipped about it. I've been given numbers of 3 to 12
25 percent. My average margin in the GSA is right around

1 10 percent. So that means I got to go 2 percent below
2 cost on some items and sell below cost to even get in
3 the game with these guys. How do we get in? You've
4 created this elite group of people that get discounts
5 from the vendors. Those vendors will not give those
6 discounts to me until I get the contract. So how can
7 I bid and compete?

8 MR. WOODSIDE: Okay. Thank you for your
9 comments, sir. Regarding HUBZone, you know, we can
10 have further discussion with SBA, and maybe you can
11 send me some information. But what I've been told so
12 far is with HUBZone, to do let's say a HUBZone set-
13 aside, that would mean the items have to be
14 manufactured by a small business.

15 So, if you're a HUBZone dealer let's say
16 selling Hewlett Packard toner cartridges, we all know
17 Hewlett Packard is not a small manufacturer. So
18 that's the issue we have with HUBZone. You know, I'd
19 like to further discuss that with SBA. But from my
20 understanding, a HUBZone set-aside means the item
21 needs to be manufactured by a small manufacturer in
22 that zone. So that's one of the issues we have with
23 that.

24 As far as -- I know you had mentioned, you
25 know, how can you get in. That's really the point of

1 the discussion today. OS3 will be fully open to
2 everybody, and we want everybody, you know, who is
3 here in addition to additional people to compete. So,
4 you know, we are going to put it out there to compete.

5 The current vendors, I know you're saying
6 the current vendors are getting certain deals from
7 suppliers. But the contract expires. We have to
8 recompile it. The contract expires May 31. So
9 everyone is going to be back in the same boat again to
10 compete for OS3. I hope that addresses most of it.

11 Yes?

12 AUDIENCE MEMBER 6: My name is A.J. I came
13 from Wecsvs, one of the FSSI grantors. One of the
14 issues that we struggle with is how to define office
15 supplies. And there's a lot of definition for office
16 supplies, especially, you know, there is a grey area
17 where we struggle with especially desk accessory. Is
18 that office supply or furniture?

19 And in OS3, I think either GSA look at FSC
20 code in defining what is FSSI so that that way at
21 least we deal with some of the confusion on how to
22 define what is office supply. Initially when 75 was
23 proposed, I believe they were using either Office Max,
24 Office Depot, United Stationers, and SP Richards
25 catalog, and that was what they used in office supply.

1 A lot of customers would call me and say,
2 this is office supply because it's in your catalog.
3 Why are you saying it's not office supply. I say it's
4 furniture. So I believe if you consider adding
5 something there that's not going to conflict with all
6 the other schedules, you know, because when you look
7 at small computers, small printers, those are not
8 anchor-priced rentals. They should be allowed to go
9 into OS3 if you want it.

10 And above all, you know, I think you should
11 be better off to add more, more small business and
12 large business rather than routine that you have now,
13 you know. The general like, you know, all the other
14 guys who have probably 20, 30, and let the commercial
15 business take care of themselves. Thank you.

16 MR. WOODSIDE: I do want to go into a couple
17 of other questions, but does anyone else have any
18 comments about the scope issue before I move to the
19 next question? Okay.

20 AUDIENCE MEMBER 7: Good morning. Charles
21 Forman, Independent Stationers. My question -- and I
22 think I agree with A.J. -- is that -- and to answer
23 your original question, I do think that there are some
24 items outside of the current scope that make sense in
25 terms of transactional furniture and things of that

1 nature.

2 But I had a question about a comment you
3 made in answering some of the other questions. You
4 said it will be opened up to everyone. So is the
5 intent it's going to be opened up to everyone
6 currently holding a schedule or anybody in the office
7 products industry today?

8 MR. WOODSIDE: Right. We think we will be
9 putting it out on FedBizOpps, so it will be opened up
10 to not only MAS-75 companies but companies outside of
11 MAS-75. So it will be opened up to the entire office
12 supplies industry. That's our intent.

13 AUDIENCE MEMBER 8: So the MAS contract will
14 not be a prerequisite?

15 MR. WOODSIDE: I'm sorry. What was that,
16 sir?

17 AUDIENCE MEMBER 8: The MAS contract will
18 not be a prerequisite?

19 MR. WOODSIDE: That's our plan. To be an
20 MAS-75 contractor won't be required. That's what our
21 plan is right now. And part of the reason is, you
22 know, again MAS-75 has been closed for a while, so we
23 haven't allowed new companies to come in, so one could
24 argue it's not really fair to limit it to MAS-75.

25 AUDIENCE MEMBER 7: Are there any thoughts

1 about the MAS-75 after the award of the generation
2 provision?

3 MR. WOODSIDE: No. Right now we're just
4 trying to get OS3 done. The only thing I could say is
5 we're planning to have, you know, an OS3 solicitation
6 issued on FedBizOpps sometime in the fall or winter.

7 AUDIENCE MEMBER 7: Okay. Thank you.

8 AUDIENCE MEMBER 9: Don Hamilton with
9 Document Imaging. Just to follow up on that last
10 question. You said you were going to open it up to
11 everybody. If they don't have an MAS schedule, they
12 won't be able to get AbilityOne certified.

13 MR. WOODSIDE: Well, we're going to be
14 talking about it. The gentleman from AbilityOne will
15 be giving his presentation soon on that, so we'll be
16 covering that soon. But, yeah, we are going to
17 require people to be AbilityOne certified.

18 AUDIENCE MEMBER 10: Hi. I'm Paul Miller
19 with National Office Products. Just to follow up on
20 Charles' question. You said a schedule 75 wouldn't be
21 needed. We have also heard that the plan is once the
22 awards are made in May or whenever of 2014 that the
23 plan is to eliminate Schedule 75 altogether. Is that
24 true? Is that going to be the case?

25 MR. WOODSIDE: Well, we don't have any plan

1 on that now. Like I said, we're just trying to get
2 OS3 stood up.

3 AUDIENCE MEMBER 10: Okay. Because we had
4 heard from GSA in Washington that the plan was once
5 the awards were made that you would be eliminating
6 Schedule 75 altogether.

7 MR. WOODSIDE: Yeah, I mean, what we had
8 originally, we said we were going to post the MAS-75
9 solicitation in the fall. We're now posting the OS3
10 solicitation. But, you know, that's what we're
11 focused on. We have to recompet. OS2 expires
12 May 31. So our goal is to recompet OS2. We want to
13 get OS3 set up.

14 AUDIENCE MEMBER 10: Can we get a commitment
15 what day that GSA will not plan on --

16 MR. WOODSIDE: I don't know. I don't know
17 what's going to happen with that.

18 AUDIENCE MEMBER 10: But there is a
19 possibility that you may cancel 75?

20 MR. WOODSIDE: I just don't know. I don't
21 know what's going to happen with that. All we're
22 worried about is getting OS3 set up.

23 MR. ROYKO: One of the things I would say to
24 that to give you as much of an answer as we can at
25 this point is we are looking to make sure that OS3 in

1 the future is as open as possible to on-ramping a wide
2 spectrum of office supply vendors within the purview
3 of the FSSI program.

4 So, at this time, there hasn't been a set
5 plan for what's going to happen with 75. We want to
6 make sure that OS3 is able to offer opportunity
7 throughout the life cycle of the contract vehicle for
8 additional on-rampings of vendors who can offer a
9 competitive value proposition to the government. So
10 that's going to be a component of OS3. We want to
11 make sure that there is fair opportunity for those
12 that, you know, maybe aren't initially awarded an OS3
13 contract to come on at a later time. So we're trying
14 to make sure that there is, you know, fair opportunity
15 for everyone to participate.

16 AUDIENCE MEMBER 11: Do you foresee the same
17 number of awards like on OS3?

18 MR. WOODSIDE: Well, that's one of the
19 things we'd like to discuss today, how many awards do
20 we make. And like Josh said, we expect to have, you
21 know, opportunities, open seasons as you will for more
22 vendors to come on board. So we don't know the exact
23 --

24 AUDIENCE MEMBER 11: So is it going to be
25 the same, more, less?

1 MR. WOODSIDE: Well, I mean, that's one of
2 the things. I mean, what do you think? How many
3 vendors do you think we should have on OS3?

4 AUDIENCE MEMBER 11: I'm concerned that
5 you've taken MAS-75 with a pool of over 500 vendors
6 and now we're narrowing it down to 13 or 15 or --
7 don't you think that limiting the marketplace and the
8 diversity of the marketplace is a dangerous thing to
9 do? And isn't the GSA essentially picking favorites?
10 I mean, we're talking about getting rid of Schedule
11 75. You're talking about getting rid of hundreds of
12 small businesses when you do that.

13 MR. WOODSIDE: But we're not talking about
14 getting rid of Schedule 75.

15 AUDIENCE MEMBER 11: You were just a few
16 minutes ago, and no one up there could give a firm
17 answer of whether you were or were not.

18 MR. WOODSIDE: Someone asked a question. I
19 don't have any plans of getting rid of Schedule 75.
20 We don't have anything about that now. We're just
21 trying to get OS3 stood up. But as far as number of
22 vendors, what do you think would be a good balance
23 between -- you know, we have to get a number where we
24 reduce prices, we get excellent data, we also increase
25 small business spend. So I don't know. What number

1 would sound good to you? I mean, that's one of the
2 things we'd like to talk about today, how many vendors
3 we should have.

4 AUDIENCE MEMBER 11: I'll give you an
5 answer. I hate to pull an arbitrary number out of the
6 air, but, you know, is the GSA aware -- and I'm sure
7 you are, but small business particularly goes through
8 considerable time and expense to get that MAS
9 contract. And now 76 percent of our potential
10 customers are being told, oh, no, you can't buy from
11 them even if they have the same product at a better
12 price. No, you can't buy from them.

13 MR. WOODSIDE: Well, like I said --

14 AUDIENCE MEMBER 11: I'm wondering where the
15 common sense lies in this.

16 MR. WOODSIDE: Well, like I said, it's up to
17 the agency. It's up to the agencies to decide, you
18 know, what level of commitment they want to make to
19 OS2 and OS3.

20 AUDIENCE MEMBER 11: It may be up to the
21 agency, but it's not up to the buyers.

22 MR. WOODSIDE: Okay.

23 AUDIENCE MEMBER 11: They're being mandated.
24 They're being told they have to spend more money on
25 products even if they can find a better value

1 somewhere else. How is that in the best interest of
2 the government?

3 MR. WOODSIDE: Okay.

4 MR. ROYKO: So I think just to answer that
5 just a little bit, you know, we're looking to
6 incorporate those vendors who are able to offer a
7 competitive value proposition. So, if you're able to
8 offer lower pricing, we want you to participate in the
9 OS3 initiative. That's how this is going to be
10 determined. We expect exceptionally competitive
11 pricing in the OS3 contract vehicle.

12 So, without specific examples, I couldn't
13 comment on, you know, the competitiveness of an
14 individual firm, but we are looking for participation
15 to make sure that it's competitive pricing. We don't
16 want it to be a situation where there is waste where
17 someone could buy it cheaper outside of that contract
18 vehicle. One of the major purposes in addition to
19 supporting small business --

20 AUDIENCE MEMBER 11: I can give you hundreds
21 of examples off my contract.

22 MR. ROYKO: I'd be happy to look into some
23 of that. One of the things I would say is that's part
24 of the reason we're maximizing competition for OS3.
25 We want to make sure that the vendors that are able to

1 offer the best value proposition are the ones that are
2 awarded. And as far as a number, I mean, you know,
3 that's something that's being discussed. Again, we
4 want to have enough at play to make sure that there is
5 competitive pricing, and we also want a mechanism to
6 ensure that those vendors such as you've indicated
7 yourself to be can participate if not initially
8 awarded.

9 We want to make sure those vendors have a
10 chance to participate, the vendors that can offer a
11 good deal to the customers, you know, aren't locked
12 out. That's one of the things that we're trying to
13 move towards, and that's been continuous feedback that
14 we have heard from the vendor community.

15 So that's what we're kind of telling you is
16 we are looking to make sure that's not the case. We
17 want to make sure that the vendors that are
18 competitive get to play, that it's not, you know, a
19 situation where the customer's forced to pay a higher
20 price to, you know, go through the OS3 contract
21 vehicle. We're trying to make that improvement for
22 OS3.

23 AUDIENCE MEMBER 11: I know you're looking
24 for numbers. I can give you an arbitrary number, but
25 it's a diverse marketplace, and it needs to remain a

1 diverse marketplace. And I'm not going to give you a
2 number, but 15 is ridiculously small.

3 MR. WOODSIDE: Okay.

4 MR. ROYKO: Thank you.

5 MR. WOODSIDE: All right. Well, thank you.

6 So let's move on to the next question. We still have
7 a few other questions we want to go over.

8 AUDIENCE MEMBER 12: Can I just follow up?

9 MR. WOODSIDE: Sure.

10 AUDIENCE MEMBER 12: Because we should be
11 looking for answers. As a national office products
12 line, we feel that --

13 MR. WOODSIDE: Okay. Hold on. Just wait
14 until the microphone gets to you, sir.

15 AUDIENCE MEMBER 12: Okay. In OS2 you had
16 48 people submit in the last go-around. We think that
17 at least 48 to 50 would be a good number because at
18 15, the gentleman is right, you have a lot of people
19 getting locked out of the marketplace right now. We
20 also would like to recommend that a fourth pool be
21 created and that be for consortium models only. That
22 way consortiums and larger groups aren't competing
23 against individual smaller companies. Let the
24 individual smaller companies bid in one pool against
25 one another, and let the consortium models go against

1 each other in the other pool.

2 We think that would more of an alignment for
3 more small business participation by encouraging the
4 consortium model in that separate pool.

5 MR. WOODSIDE: Okay. Thank you for your
6 comment, sir.

7 Let me just move to the next question so we
8 can cover some more questions. And this is kind of an
9 open question. How can we reduce costs? And this --
10 anyway, how can we reduce your costs so that you can
11 give us better prices and we reduce prices to the
12 federal government. So any ideas on, you know, what
13 we're not doing that we can do to reduce costs?

14 AUDIENCE MEMBER 7: Charles Forman again,
15 Independent Stationers. And what I'm going to address
16 is not so much product cost but activity cost. So,
17 you know, we're a current FSSI BPA holder, and there
18 is a lot of cherry-picking that goes on within the BPA
19 today. So we have a federal government end user that
20 needs 10 items, buys three from one vendor, three from
21 another, and four from another. Okay. That adds
22 tremendous cost to the supplier but also to the
23 federal government because you've now got three
24 receipts of product, three orders placed, three credit
25 cards, you know, to process, not to mention, you know,

1 the federal government obviously has a screening
2 initiative.

3 You know, that's putting three more
4 deliveries on the street to let you know -- and all
5 the corresponding environmental impact associated with
6 that. So one thing I'd ask is to try to understand
7 what the federal government is doing in terms of
8 giving guidance to the end users who are placing those
9 orders, and is there a way, you know, you can save a
10 penny or two on a pen or a Post-It note or something
11 like that that you can call a whole lot more in
12 dollars being added to the supply chain, so something
13 to think about.

14 MR. WOODSIDE: Okay. Thank you. Any other
15 comments on that?

16 AUDIENCE MEMBER 13: Hi. Gail Wojciechowski
17 with Stephens Office Supply. We're an FSSI holder
18 too. I would offer that maybe since we've saved a
19 couple hundred million dollars that we do away with
20 the issue of 1-1/4 percent IFF because that could
21 reduce your costs further and ours as well.

22 AUDIENCE MEMBER 14: Just a quick followup.
23 I know that --

24 MR. WOODSIDE: Can you wait until the
25 microphone comes because we have people on Webex.

1 AUDIENCE MEMBER 14: Way back to the
2 original FSSI for office products we visited with OMB
3 and OFFP Office and we talked about best value. It
4 seems like now we're structuring to lowest cost, like
5 Charles was saying. It's how much does one widget
6 cost. And one of the things I'd like for you to --
7 you're really getting very strong in the analytical
8 and the systems and the e-commerce that we talk about
9 a market basket, that the system helps a buyer go out
10 and say, I'm building my list. I'll compare these
11 prices against GSA contract holders and come back with
12 a best market basket.

13 So I don't know if that's something that --
14 you know, you're acquiring a lot of information and
15 data from suppliers and vendors, but maybe within your
16 e-commerce platforms, maybe there is a capability -- I
17 know you can selectively choose which vendor comes up
18 on top. So maybe then there is a way that within your
19 platform that you can create like a market basket
20 analysis versus in each individual item.

21 MR. WOODSIDE: Okay. Thank you. By the
22 way, I would like to add, you know, we do have a court
23 reporter in front who is taking notes of everything
24 that is being said. The plan is to post the entire
25 Industry Day transcript on the OS3 Interact page. So

1 we will be able to post that out there so not only all
2 of you can see it, but everybody who couldn't attend
3 could also see it. Like I said, we're trying to be as
4 transparent as possible, increase competition as much
5 as possible.

6 Okay. A final question before we have a
7 break. As Frank mentioned before, we want OS3 to be a
8 total solution not just for GPC card holders in a
9 CONUS environment, Continental U.S. environment, but
10 also, you know, the requisition channel in the OCONUS
11 environment.

12 So one thing I'd like to discuss is, you
13 know, what is industry's ability, especially small
14 business industry ability, to do the OCONUS, the
15 markings and the packaging and so forth. If anyone is
16 not familiar with it, we do have someone who is
17 familiar with it with us who can go over it a little
18 bit. But, you know, if some of you know about the
19 OCONUS packaging requirements, marketing requirements,
20 we'd like to get an idea of, you know, what is
21 industry capability to do that.

22 AUDIENCE MEMBER 15: We ship OCONUS all the
23 time.

24 MR. WOODSIDE: Okay. Could you wait until
25 the microphone gets to you?

1 AUDIENCE MEMBER 15: We ship outside the
2 continental United States all the time. EPOE or USPS
3 addresses are easiest. But there's always increased
4 costs, there's always significant increased costs. So
5 it's really hard to have your BPA price or your MAS
6 price applied to those sales. There needs to be an
7 additional shipping charge.

8 MR. WOODSIDE: And you're able to do the
9 packaging and marketing requirements? Those are fine?

10 AUDIENCE MEMBER 15: It's usually a cost
11 issue.

12 MR. WOODSIDE: Okay.

13 AUDIENCE MEMBER 15: And particularly -- and
14 it's also an issue if we get an order from a buyer
15 because a lot of times they're on the other side of
16 the world, and you want to offer them that direct
17 service, but it's at additional cost, and that
18 additional cost, you know, isn't located on the order.

19 So it's hard to communicate. You know, you'd like to
20 offer the service, but you can't, so you end up
21 shipping to a consolidation point, and they call you
22 three days later and want to know where it's at.
23 Well, good luck. It's all delayed.

24 MR. WOODSIDE: Okay. All right. Thank you,
25 sir. Anything else on that?

1 (No response.)

2 MR. WOODSIDE: Okay. Jeff, are there any
3 comments on the Webex we should answer now?

4 MR. WELLEN: We did get one question.

5 MR. WOODSIDE: Okay. Do you mind reading
6 it, Jeff, and then I'll answer it. Just wait until
7 Tina comes over to you.

8 MR. WELLEN: The question is, is toner
9 recycling required of all vendors, and what is the
10 number of toners that are returned for recycling?

11 MR. WOODSIDE: Well, I mean, we are
12 definitely going to have, you know, sustainability
13 requirements in OS3. I mean, you know, one of the
14 government's initiatives is to be as green as
15 possible. So I believe we would have, you know, a
16 toner recycling program in place.

17 I don't know. Josh, do we know the number
18 of toners returned? I don't know if we have that
19 data.

20 MR. ROYKO: We don't have that.

21 MR. WOODSIDE: Okay. So we don't know the
22 answer to that question. But we would expect to have
23 that and other green initiatives in OS3.

24 Okay. We're going to have a presentation in
25 a little while from Eric Beale from AbilityOne, and

1 he's going to be doing it actually virtually, so it's
2 going to take some time to set up. So this might be a
3 good time for a break.

4 If we could all be back in 15 minutes, there
5 is restrooms down the hall, and there is a cafeteria
6 down the hall to the left if you want to get some
7 coffee. Be back, you know, in 10, 15 minutes so we
8 can start on time. Thank you.

9 (Whereupon, a brief recess was taken.)

10 MR. WOODSIDE: Okay. We're going to start
11 in a couple of minutes a presentation from Eric Beale.

12 Okay. Mr. Eric Beale, the commercial distribution
13 coordinator for AbilityOne, is going to give a
14 presentation now via Webex. So hopefully this will
15 work. Hopefully we'll be able to hear him. We've
16 been practicing this yesterday, so let's see how this
17 goes. Hold on.

18 MR. BEALE: Good morning, everyone. I hope
19 that everyone can hear me clearly. This is Eric Beale
20 with the AbilityOne program. I want to first thank
21 GSA for its strong support of the AbilityOne program
22 and thus the support for individuals who are blind or
23 have another significant disability.

24 I'm sorry I couldn't be there in person.
25 Unfortunately, as many of you know in the audience,

1 I'm a federal employee, and given the sequestration we
2 don't have a travel budget at this time. So I do
3 apologize for not being there in person. I'd like to
4 acknowledge and say hello to all of our participants
5 in the audience who are currently authorized as
6 AbilityOne distributors. And those of you who are
7 not, I look forward to potentially working with you in
8 the near future.

9 So, with that, we can go to the next slide,
10 please.

11 The learning objectives for this particular
12 presentation are to provide an overview of the
13 AbilityOne program, its mission and program history,
14 statutory and regulatory framework, and our current
15 distribution program, which of course is why we're
16 here today.

17 Next slide, please.

18 The mission of the AbilityOne program is to
19 create jobs and provide employment opportunities for
20 people who are blind or have another significant
21 disability, and we do that through the manufacturing
22 of products and the provision of services required by
23 federal government personnel.

24 Next slide, please.

25 Why is that important? There are currently

1 over 18 million working adults who are blind or have
2 another significant disability. Unfortunately,
3 approximately 70 percent, 7 out of 10 in the
4 population, is not employed. Obviously that's an
5 untapped labor pool. The program provides training
6 and support to allow these individuals to become
7 productive members of society in the workforce, to
8 feel good about themselves and provide for their
9 families.

10 We currently employ roughly 50,000 people
11 across the country at over 600 nonprofit agencies,
12 premier agencies like Goodwill Industries, Lighthouse
13 for the Blind, Easter Seal Societies, and agencies
14 like that. They are 501(c)(3) nonprofit agencies, and
15 their purpose is to provide jobs and light skill
16 training and support for these individuals who are
17 blind or have another significant disability.

18 (Electronic interference.)

19 MR. BEALE: -- AbilityOne program, the
20 original Wagner-O'Day Act from 1938, and we are now
21 celebrating our 75-year anniversary, so we're
22 extremely excited about that. And at that time, it
23 just provided that the federal government purchase
24 certain products made by people who were blind, and
25 the act stayed that way until 1971, when Jacob C.

1 Javits of New York came along and expanded the act and
2 made it the Javits-Wagner-O'Day Act.

3 At that time, the federal government agency
4 that administered the program where I work was
5 established, and the program was opened up to services
6 and also opened up to people with other significant
7 disabilities. And that's when formerly NISH came into
8 existence also. Now many of you probably haven't
9 heard that NISH has changed their name to
10 SourceAmerica. So, when you hear SourceAmerica, that
11 is NISH.

12 Next slide, please.

13 We have a couple hundred different products
14 on the procurement list. Our most prominent product
15 line is office products. We also do janitorial/
16 sanitation items, and we have a very strong
17 comprehensive reading initiative, understanding that
18 that's obviously the way the government is going.

19 That's the framework. I'm not really going
20 to go through everything on here. If you're
21 interested in this kind of thing and want to read up
22 on our regulations under the act, where we are in the
23 FAR is subpart 8.7. Those are all of our offerings.
24 Again, if that's something that interests you and you
25 want to learn a little more detail about the program,

1 that's certainly where you can go and get more
2 information.

3 Next slide, please.

4 Okay. So our nonprofit agencies manufacture
5 the product and then we have multiple distribution
6 channels. One of them is authorized commercial
7 distributors like yourself who are out there marketing
8 some products to the federal government. So as
9 authorized AbilityOne distributors, you are
10 incorporating the appropriate AbilityOne items into
11 your product mix and you're selling those to the
12 federal customer.

13 In order to distribute those products, you
14 want the product to become authorized. You have
15 established authorization criteria, and you authorize
16 additionally things that are by the commission staff.

17 We are authorizing distributors in three product
18 categories: office products, janitorial/sanitation,
19 and hardware MRO, and you can only properly be
20 authorized for all three if you're in the business of
21 distributing all three.

22 We will give you the URL where you can get
23 the application there in the block, and the criteria
24 for authorizations are also posted there.

25 Next slide, please.

1 Currently we are working with three
2 wholesalers where you would pull the AbilityOne
3 products from. You must have an account with one of
4 the authorized distributors for office products to be
5 authorized. Those three wholesalers are LC
6 Industries, which happen to be one of our nonprofit
7 agencies. They are obviously in the business of
8 providing wholesale support. And then of course we
9 work with two other major wholesalers in the country,
10 SP Richards and United Stationers.

11 And now that indicates we do recommend that
12 you establish an account with more than one
13 wholesaler. It's not required, but we do recommend
14 it. That way you have a backup obviously, and the
15 wholesalers may have different product offerings, so
16 to maximize your ability, we do recommend that you
17 have an account with more than one. But again I want
18 to make clear that it is not required. All you need
19 is to have an account with one of these three
20 wholesalers.

21 Next slide, please.

22 There is something there that we come up
23 with. We are calling it the preauthorization process,
24 and basically what this is going to allow folks that
25 are not currently authorized to do is to comment with

1 a very quick form that may be pulled out. They will
2 get preauthorization, which means we will clear the
3 way for you to get pricing from the wholesaler that
4 you have an account with for wholesalers. This will
5 allow you to be able to bid on this opportunity
6 without going through the full authorization process.

7 Now a couple things you need to know. First
8 of all, if you are awarded a part of the OS3, you will
9 need to then go through the full authorization
10 process.

11 Secondly, if you are preauthorized, that
12 does not allow you to market or sell those products.
13 You are simply preauthorized to the extent it will
14 allow you to get access to pricing from the
15 wholesalers so you can quote the bid.

16 Now you do not have to go through the
17 preauthorization process. If you feel regardless of
18 whether you're an awardee of this opportunity or
19 not -- if you like the program, you want to be
20 authorized regardless of whether you get a piece of
21 the OS3 or not, you can go through the full
22 authorization process and become authorized.

23 The other thing to know is we authorize if
24 there is more than one distributor. We're not just
25 authorizing you for this OS3 opportunity. We expect

1 that you're going to market the availability of our
2 products to all federal customers, even those that are
3 not participating in the OS3 opportunity.

4 So what you would do if you're interested in
5 the authorization process, you can email me, that's my
6 email address, and I will send you the form. You can
7 fill it out. Again, it's a very quick print form.
8 And then you would send that back to me. I will issue
9 a preauthorization document to you, which you can then
10 provide to the wholesalers, who will authorize you to
11 gain access to the pricing. Now you will not be able
12 to gain access to the actual product. I want to make
13 that very clear.

14 Next slide, please.

15 Exceptions made are ETF. Because the
16 AbilityOne products are mandatory for federal
17 customers to purchase when they meet their need,
18 federal customers should not be purchasing commercial
19 items that we have determined essentially do the same.
20 And basically, you know, what we're doing is reviewing
21 the salient characteristics of the product and we're
22 making a determination that they basically serve the
23 same function, and so if the commercial item is deemed
24 essentially the same, again, our distributors should
25 not be selling them to federal customers, and federal

1 customers should not be purchasing them.

2 We do maintain a consolidated list of all
3 the commercial product numbers that we determine are
4 essentially the same, and that list is updated
5 quarterly.

6 Next slide, please.

7 The requirements once authorized require you
8 to make all AbilityOne products available from the
9 wholesaler or wholesalers which you have an account
10 with which includes A list, 48 loose items. The A
11 list contains office type products for faster moving
12 problem duties and basically I think are used in every
13 single federal office, every federal office. So these
14 are very common products.

15 The B list are also divided by products, but
16 not all federal offices will purchase these. These
17 are some of the, you know, types of office products
18 that again not everybody is going to have a need for.

19 It also contains multiple janitorial/sanitation and
20 hardware MRO items. That A list and B list is updated
21 quarterly.

22 Now the thing to understand is that both the
23 A list and B list products are said to be mandatory
24 purchases for federal customers. There's a lot of
25 confusion out there, you know, obviously in people's

1 mind A is better than B, and so there is a
2 misconception out there that the B list items are not
3 technically mandatory for a federal customer, and that
4 is not the case. Both A and B list products are
5 mandatory for federal customers.

6 Next slide, please.

7 As I mentioned before, when you commit to
8 becoming an AbilityOne authorized distributor, you are
9 committing not to sell those products that are
10 essentially the same product to federal customers.
11 And we do require that you have a methodology on your
12 Order 65 form to ensure that even if a federal
13 customer orders one of these essentially the same
14 items that you're able to convert to an AbilityOne
15 item.

16 And, you know, what we recommend you do is
17 be proactive with that and frame it as a service to
18 your customers because, you know, what you're doing is
19 you have a system in place that's going to keep them
20 compliant with the FAR and their purchase price
21 requirements, so that is a service that you're
22 providing. And, you know, there's audits that go on
23 for AbilityOne, and so again, you know, we really
24 recommend that you frame that as a service to the
25 federal customer.

1 Pricing, we do not dictate the end customer
2 pricing, but of course we do hope and expect that all
3 products are priced in the competitive range.
4 Basically what we do is the federal government
5 commissions steps that went out to wholesale price or
6 cost. So that cost is set, and that's what the
7 wholesalers buy that, and that's what anybody who buys
8 direct can go buy it at.

9 After that, unfortunately, we lose control
10 over pricing. We don't dictate what United, SP, and
11 LCI mark up our products. We don't have that kind of
12 a relationship with them, and obviously they don't
13 want us to have that kind of relationship with them.
14 That's another reason it's a good idea to maybe look
15 at the three and analyze who is talking the best
16 pricing.

17 Cataloguing, you would ask that you, you
18 know, show AbilityOne products in any kind of federal
19 marketing that you're offering, whether it's a person
20 on the Congress side, if you're doing any kind of a
21 catalog. Both United and SP offer an AbilityOne
22 insert that they combine into their full line catalog.

23 If you can believe there's not much call for that
24 catalog, but you do have to incorporate those products
25 into the marketing effort to federal customers in the

1 same fashion you do with showing your commercial
2 items.

3 Next slide, please.

4 Benefits of authorization. We currently
5 have over 500 authorized distributors under numerous
6 schedules and from that we have schedules. I heard
7 the question come up earlier about being required to
8 have a schedule to be authorized under office
9 products. That in fact was the policy. That policy
10 has changed. We now do not require a GSA schedule for
11 authorization under any of our product categories.

12 So this partnership gives you access to
13 federal customers mandated to purchase mandatory
14 AbilityOne products. You have the ability to compete
15 for Blanket Purchase agreements or other types of
16 contracts. You have the ability to fulfill AbilityOne
17 set-aside bids and solicitations, whether it's coming
18 to you on FedBizOpps, E-buy, FedBids.com. You have
19 the ability to respond and bid for those large
20 requirements. And of course, last but not least, when
21 you're selling AbilityOne products, you're assisting
22 people who are blind or have another significant
23 disability to obtain or maintain or job, which is
24 again what we are all about here at the AbilityOne
25 program.

1 Next slide, please. Are we having trouble
2 with the slides? There we go. Thank you.

3 We work with a lot of -- we have a lot of
4 programming partnerships. We work with a lot of
5 providers that are well known. Some of our
6 manufacturing partners include 3M, GOJO, Purell, ACCO,
7 Avery Dennison, Ecolab, Johnson Diversey. So a lot of
8 AbilityOne products that are coming from outside
9 agencies are actually the same basic product as these
10 commercial partners. It's just our product has some
11 sort of value added labor to the policy of finishing
12 the end product.

13 Next slide, please.

14 So we're working together. You know, we
15 rely heavily on our distribution network to get our
16 products out to the federal customers and to keep the
17 jobs there for people who are blind or have other
18 disabilities. We provide a lot of support to you. We
19 do try to make it a team effort. We assist you in
20 complying with AbilityOne Distributor criteria. We
21 educate on newly launched AbilityOne products. We
22 provide one-on-one training to your organization. So
23 unlike the standard commercial manufacturers,
24 unfortunately, you know, samples and things like that
25 aren't built into our pricing at our nonprofit agency

1 level. However, we are able to provide some -- and
2 they're in a small sample initiative we have.

3 We can also provide technical and
4 environmental content, bio-preferred information,
5 stocking positions, ordering. We can also assist with
6 ordering challenges and questions. So, once you're
7 authorized, you know, we like to think you're not on
8 your own. We are there. We have a staff to support
9 you as best we can, and so that's something you need
10 to know.

11 Next slide. Okay. So that's my contact
12 information, and so anybody that needs to reach out to
13 me, that's how you can get in touch with me. So I do
14 believe that it's the end of the AbilityOne
15 presentation, so I guess at this time we are going to
16 open up the floor for questions I believe.

17 MR. WOODSIDE: Yes. Is there any questions
18 for Eric while he's on?

19 AUDIENCE MEMBER 16: Hey, Eric. It was a
20 little hard to hear you because of the echo, but I was
21 wondering, you were mentioning the fact that you
22 changed because we had to be on the GSA contract
23 before to be AbilityOne, and you've changed that. Now
24 you're relying more --

25 MR. BEALE: I'm not sure what that means for

1 the prior questions.

2 MALE VOICE: Yeah, we're typing them out
3 here.

4 AUDIENCE MEMBER 16: Oh, okay. Why did all
5 that change, but then still kind of make us only buy
6 through three distributors? And when we do that, it's
7 kind of cutting out -- basically what you're saying is
8 if we have a compatible toner, we have to get rid of
9 that and only sell your AbilityOne.

10 MR. BEALE: I would like to thank you again
11 for allowing me to participate in this Industry Day.
12 Now I'm being told that questions are being
13 transcribed.

14 MR. LERNER: We don't mind if you want to
15 actually come up here and write it and then --

16 (Laughter.)

17 MR. WOODSIDE: Again, also, yeah, I realize
18 it's a little hard. Like I said, we're trying to get
19 this done, you know, with the travel restrictions. We
20 couldn't fly 10 people down to D.C., just like Eric
21 couldn't fly up here. So if we're going to be able to
22 get to this question, Eric did put his contact
23 information up. You know, please feel free to email
24 him.

25 MR. BEALE: It looks like you have a few

1 questions.

2 MR. WOODSIDE: Okay. We'll try to get as
3 many as we can this way, trying to work around the
4 travel restrictions. But if you're taking everybody's
5 question, we are going to post the PowerPoint up there
6 with the rest of the presentation and the transcript,
7 so we will have his email address. You could always
8 reach out to him directly.

9 MR. LERNER: If you have a question you want
10 to email, jeff.wellen, W-E-L-L-E-N.

11 MALE VOICE: Jeffrey.

12 MR. LERNER: Jeffrey Wellen. If you want to
13 have your question transcribed rather than have you
14 come up here and type it, if you send an email with
15 the text of your question to Jeffrey Wellen,
16 J-E-F-F-R-E-Y, dot, W-E-L-L-E-N @gsa.gov, it will
17 allow us to paste it into the box so that Eric Beale
18 can read it and then respond this way over the
19 microphone. And I apologize. It's very circuitous,
20 but it's probably the best for us to capture exactly
21 what you want to say. Thank you. Yes, sir?

22 AUDIENCE MEMBER 17: I have a question more
23 for you about the AbilityOne program. It's probably
24 better for you to answer.

25 MR. LERNER: Okay. Let me bring the

1 microphone over.

2 AUDIENCE MEMBER 17: Have you figured out
3 yet how much of the business will be made up of
4 AbilityOne products? Has that been determined yet?

5 MR. WOODSIDE: I think we have -- Josh,
6 AbilityOne products is what, 27 percent or something
7 like that?

8 MR. ROYKO: Currently it's in the low 20s I
9 believe. It is something that's really based off the
10 customers' ordering needs, so it's not something that
11 we control or set or have specific goals for. Our
12 goals are, you know, for full FAR compliance, for full
13 compliance with ETS. But we don't have a specific
14 goal as far as a percentage of sales.

15 MR. WOODSIDE: Okay. Thank you for typing
16 that question in. Zach, just so we can make sure we
17 capture the question, the transcriptionist captures
18 it, can we read it aloud? Is that possible?

19 MR. LERNER: We'll just ask him to read out
20 the question.

21 MR. WOODSIDE: Okay, okay.

22 MR. BEALE: Okay. Here is the question.
23 You mentioned that you allowed the policy to change
24 from the prior inactive market. Why is this okay, but
25 then you still make us get rid of our toner compatible

1 in order to only sell AbilityOne products? Also this
2 functions to -- and virtually cuts out profit and
3 competition.

4 We felt like we did not want to limit the
5 ability for folks to be able to provide AbilityOne
6 products to federal customers. Unfortunately, we had
7 layoffs at National Industries for the Blind, a
8 nonprofit agency, to the tune of about 3- or 400
9 people. These are blind workers that have been laid
10 off. And so we felt like we wanted to give more
11 opportunity to distributors that did not have a
12 schedule.

13 In addition, as many of you know, the GSA
14 schedule has been closed. So we felt it was unfair to
15 continue to lock out folks that might want to be
16 authorized, and also the fact that GSA is looking at
17 opening this up to all distributors also played a part
18 in that, for us removing that requirement to be a
19 Multiple Award Schedule 75 holder.

20 We are actually just administering the law
21 as the law states. The law says that, you know,
22 AbilityOne products are mandatory, and federal
23 customers when the item meets the need should buy our
24 product and not a commercial equivalent. So we are
25 just administering the law, which again is designed to

1 create jobs and maintain jobs for people who are blind
2 or have another significant disability.

3 MR. WOODSIDE: Okay. So like I said, unless
4 someone really wants to ask a question right now and
5 wants to come up here and type it, we do have his
6 phone number, and we do have his email address. Or
7 you can send us a question as well. The gentleman
8 there?

9 MALE VOICE: I just -- maybe one of the
10 suppliers can address it.

11 MR. BEALE: I will add that the price that
12 the AbilityOne program sets is a negotiated price
13 between the federal government contracting activity
14 and our nonprofit agency. So it is a negotiated
15 price. We just don't define, you know, what we're
16 going to charge for AbilityOne items. It is a
17 negotiated price between the contracting activity and
18 our nonprofit agency.

19 MR. WOODSIDE: Yes, sir.

20 AUDIENCE MEMBER 18: Perhaps -- can answer
21 this, that will be fine. The question is, if I have a
22 schedule 75-200 --

23 MR. BEALE: We have additional questions
24 coming in. Everybody please pitch in.

25 AUDIENCE MEMBER 18: -- schedule 75-200

1 contract, do I have to offer AbilityOne items outside
2 the scope of that contract?

3 MR. WOODSIDE: Outside? Well, are we
4 talking about in OS3, for OS3?

5 AUDIENCE MEMBER 18: Well, for AbilityOne.
6 It says you're required to carry all A and B. Does
7 that mean include items outside the scope of your
8 contract, so like, for instance, janitorial wouldn't
9 be required to carry AbilityOne.

10 MR. WOODSIDE: No. In this case, you'd be
11 an office products dealer.

12 Okay. Let me throw out some general
13 questions. Like I said, any additional questions on
14 AbilityOne, you can either contact us or contact
15 AbilityOne directly.

16 So currently on OS2, the minimum award is
17 \$100. The required minimum award is \$100. Vendors
18 can offer lower. Some go down as low as \$25. But we
19 require nothing above \$100. Yes.

20 (Discussion held off the record.)

21 MR. WOODSIDE: We're just going to wait a
22 couple of minutes so we can get the Webex people back
23 on.

24 MR. BEALE: It seemed like there were
25 questions coming in.

1 MR. WOODSIDE: This is the first time we
2 tried this. At least we were able to do it fairly
3 well. We're good? Okay.

4 (Pause.)

5 MR. WOODSIDE: Okay. So currently the
6 highest minimum can be \$100 in OS2. So we can't have
7 a minimum above \$100. What does everybody think about
8 that? Is that the right level? Office supply -- I
9 can tell you office supply customers, some customers
10 complain about \$100 minimum. They think that's too
11 high. So we realize probably from a price point of
12 view, maybe \$1,000 minimum would be better, but we
13 have to be realistic between what the customer wants
14 and, you know, what is economical.

15 So what do people feel is an appropriate
16 minimum order in office supplies? Yes, sir.

17 AUDIENCE MEMBER 9: Don Hamilton again. The
18 problem with the \$100 minimum, it doesn't make any
19 difference because the customer is not buying it from
20 one person. So they might buy \$100 on GSA Advantage,
21 but we might only get \$10, and then they spread it out
22 among a bunch of other vendors. So the \$100 minimum
23 is not really helping unless they understand that that
24 has to be per vendor.

25 MR. WOODSIDE: Okay. Any other comments?

1 AUDIENCE MEMBER 19: A hundred is good.

2 MR. WOODSIDE: Okay. Did you capture that?

3 The gentleman said \$100 is good. Okay.

4 AUDIENCE MEMBER 20: I've got a question.

5 MR. WOODSIDE: Yes.

6 AUDIENCE MEMBER 20: Chris with Mono
7 Machines. Just back to the \$100 minimum, isn't it
8 required per vendor if they're spending \$100, or is it
9 in total?

10 MR. WOODSIDE: No. It's total order. I
11 mean, so the idea is it's per vendor, per -- so if
12 someone sends in an order, it should be \$100 per
13 vendor.

14 AUDIENCE MEMBER 20: Okay. Then I think
15 \$100, if you're requiring us to offer free shipping to
16 you guys standard, then to go below \$100 is difficult,
17 but \$100 makes sense.

18 MR. WOODSIDE: Okay. Thank you. Any other
19 comments on that?

20 (No response.)

21 MR. WOODSIDE: Okay. Something that was
22 alluded to before was about vendors, you know, selling
23 items not on the OS2 contracts or OS2 vendors selling
24 items to the federal government not on the OS2
25 contract. So currently in OS2 we require the vendors

1 to report their OS2 sales. Should we attempt to
2 require them to report all federal sales, so not just
3 OS2 sales, but -- or we can say an open market or non-
4 OS2 sales to federal agencies, is that something that
5 industry feels we should require our vendors to
6 report?

7 MALE VOICE: What would be the purpose?

8 MR. WOODSIDE: Okay. So the purpose would
9 be to basically capture, you know, what's going on,
10 more data for the agency. So let's just say an agency
11 finds out that, you know, 40 percent of their office
12 supply spend is let's say open market. So it's not on
13 contract, not on OS2. There are some items that can't
14 be on large federal office supply contracts, like non-
15 TAA items.

16 However, if it's below a certain dollar
17 value, sometimes people will do small open-market
18 buys. So maybe an agency would want to know, hey, you
19 know, how much of my spend is not going through a
20 federal contract and not going through OS3 or, you
21 know, not going through any federal contract, just
22 going totally open market. That might be information
23 the agency may want.

24 But I'd like to know, you know, what is
25 industry's thoughts on if we decide to require that,

1 you know, what are some feelings from industry about
2 that?

3 AUDIENCE MEMBER 21: It already takes a
4 significant amount of time to generate these reports
5 and resources as well. So, if you're going to all of
6 a sudden require all non-FSSI sales as well, gathering
7 industry or agency data and -- I mean, the columns
8 wouldn't even fit into -- there would have to be a
9 whole separate report if you don't capture a lot of
10 that data you're requiring.

11 MR. WOODSIDE: Any other comments on this?

12 AUDIENCE MEMBER 22: I think a lot of us
13 here have helped with GSA get more data in the first
14 place. We are the first industry that adapted to
15 Level 3 credit card processing. We did it back six,
16 seven years ago. It's now industry standard in the
17 office products category. So I guess the question
18 back is we've already done that. They're providing --
19 the government has a Level 3 credit card requirement
20 with their GPC program. So why are you not getting
21 the data from your credit card companies that you've
22 negotiated with?

23 MR. WOODSIDE: Okay. We talked about
24 delivery before, and right now in OS2 there's pool
25 one, pool two, pool three. Pool two is the pool that

1 has two large businesses and one small business. But
2 the idea with pool two is it was unrestricted, and we
3 asked a little bit more of pool two vendors. And one
4 thing we did ask was that they be able to deliver next
5 day if needed.

6 If we make this, you know -- well, first of
7 all, what's the right delivery time in office supplies
8 as a standard delivery time to get the best price?
9 And also, you know, can small business, if a customer
10 needs next day delivery, can small business deliver
11 next day? So it's kind of a two-part question.

12 Right now the standard delivery time is
13 three to four days. Is that right? Is that too
14 little, too much? And also, is small business able to
15 deliver next day if needed, if a customer does need
16 that? So is there any comments on that?

17 AUDIENCE MEMBER 22: Keep in mind with
18 sequestration simply you now have a problem with the
19 individual who placed the order being available to
20 receive it when in fact at times of difference between
21 the day he placed the order or she placed the order
22 may involve her or him being absent and can't receive
23 the order. So I think you have to allow a lot more
24 flexibility in this operating environment.

25 MR. WOODSIDE: Okay. Thank you. Any other

1 comments?

2 AUDIENCE MEMBER 23: Say our contract turned
3 to one-day shipment. I think we should look at a time
4 to ship rather than a time to deliver for the same
5 reason he brought up. You know, people in remote
6 areas know shipping takes longer to get to them, and a
7 realistic factor is if we have to provide shipping to
8 that location, there is increased costs. And the
9 industry standard on shipping costs is we will ship.

10 MR. WOODSIDE: Okay. Thank you. Any other
11 comments on that question?

12 AUDIENCE MEMBER 24: Would there be a way
13 for you all to maybe tie in the awarded vendors, some
14 sort of authorization from your contract with UPS with
15 our suppliers so that we could get the government --
16 your prenegotiated government rates, which would help
17 reduce our costs and yours?

18 MR. WOODSIDE: Okay. That's a good idea.
19 Thank you.

20 Okay. We're going to have a question about
21 UPCA code. I'm going to turn it over to Josh to ask
22 that question.

23 MR. ROYKO: So, as we mentioned earlier, one
24 of the things that we're looking to do is provide
25 increased transparency into what is being purchased.

1 I'll jump to the government purchase card data
2 question first as it ties in pretty nicely.

3 One of the challenges we've had with the GPC
4 card data is the manner in which it's reported doesn't
5 have the same level of granularity that we're looking
6 for. It doesn't allow us to uniquely identify items
7 at the part number level. The information or the
8 reliability of the information is not at that
9 appropriate level.

10 Long-term, if that were to be improved, that
11 could be something that would be beneficial for
12 everyone involved. But at this time, the government
13 purchase card data that I've seen is not sufficient to
14 extract much value out of it.

15 So along those same lines, as we're looking
16 to increase that transparency and help customers
17 understand exactly what they're purchasing, we're
18 looking to standardize the part numbers or at least be
19 able to map them. So one of the things that we wanted
20 to throw out there would be requiring to report the
21 UPCA code or GTIN 12 (Global Trade Identification
22 Number).

23 What are your thoughts on providing that
24 data? I mean, that's information that's received from
25 the wholesalers, correct, or the manufacturers? How

1 difficult is that to provide?

2 FEMALE VOICE: (Away from microphone.)

3 MR. ROYKO: No. The UPCA, the 12-digit bar
4 code, part of the global trade identification number
5 standard.

6 AUDIENCE MEMBER 25: I'm Cory at New York
7 Inkjet. UPC is not hard to do, but it's a very
8 specific standard, and we don't always get clean data
9 from the supplier. So, on a commercial market, that's
10 pretty normal. When you sell in a commercial market,
11 you really need to have like UPC. You want to do like
12 Amazon or some of the other places that require that.

13 So oftentimes we have to get a third party to clean
14 up the data so we can get a clean UPC. If we give you
15 the wrong UPC, then we are listing the wrong product.

16 We give you wrong data. It just gets really messy.

17 So it's got to be cleaned up, and it's got
18 to be standardized. I don't know if the compatible
19 supplies are recycled. There's a UPC for that. So,
20 if I made a compatible or recycled HP toner, then I
21 don't know if there is a UPC that's standardized. You
22 know, I'd have to -- we'd have to figure that out.

23 MR. ROYKO: So we are aware that there's not
24 a UPCA code available for every single office supply.

25 It is in the vast majority, and it tends to be

1 higher-volume items. So I think there would be some
2 understanding that not every item would have a UPC
3 code that is reportable. I do think that it's an
4 issue that we have to partner on because, you know,
5 the data quality issue would cause some issues.

6 I think it's one of the things that we're
7 going to use as a tool. I think we could provide a
8 master list of the UPC codes that have been reported
9 for part numbers, and it would be kind of a back-and-
10 forth engagement to ensure that we clean that data up.

11 We don't anticipate that it's going to be a day one
12 solution that fixes everything. We think that we can
13 partner and clean up the data quality significantly to
14 help provide that additional transparency.

15 But we do not want bad data reported or
16 anything like that, and I think there would be a lot
17 of back-and-forth partnership to try and clean up the
18 bad data. So we would probably run something like an
19 exception report that says, hey, you're reporting this
20 part number. You know, it's been reported standardly
21 as this UPC. You reported something different. Could
22 you confirm this is in fact the same part number?

23 But I don't think we're looking at this as a
24 day one solution but more as an evolution to try and
25 move towards a state where we're standardizing part

1 numbers.

2 AUDIENCE MEMBER 25: Do you see the burden
3 of identifying those discrepancies falling on GSA or
4 falling on the vendor?

5 MR. ROYKO: I think it's a shared burden. I
6 mean, I think that we would have to provide the
7 resources of what has been reported, and, I mean, we'd
8 have to understand that some items just don't have a
9 UPC code. I think from what I've seen, there is a lot
10 in the remanufactured toner area that may not have a
11 UPC code. But most of the major high-volume items do.

12 So if we could standardize the majority of spend,
13 that would be very helpful in especially cleaning up
14 our e-commerce platforms. That would be very useful.

15 So I do think, you know, it's a burden on both of us.

16 AUDIENCE MEMBER 26: You had mentioned that
17 reman compatibles, that you feel like it will be a
18 messy job. I don't know how other people have their
19 compatibles, but much of ours do not have UPCs on
20 them, and not every compatible is made the same, so
21 you might have one machine that there are dozens of
22 companies that make a compatible for that machine.
23 And it is like where is the line drawn almost, like
24 because look at C250A. You might have like 30
25 different places you can get this from. How would you

1 put that UPC -- would you generate a UPC? Would it
2 apply to all compatibles?

3 MR. ROYKO: So let me try and clarify
4 because I think that a lot of the concern is about the
5 compatibles. We are talking about exactly the same
6 items, the unique items, same manufacturers, same
7 yield. So, you know, we're not talking about 30
8 different compatibles being lumped together as one.
9 We're talking about the manufacture of that compatible
10 being mapped to it. So they would each -- if it
11 doesn't have it, there is not much we can do. You
12 know, we're not looking to change commercial
13 practices. If it has it, we'd like the information I
14 think. But we're not looking to call all reman or all
15 compatibles the same because there's different quality
16 issues, there are different yields. So we're not
17 looking to lump them all together.

18 AUDIENCE MEMBER 27: Another thought too
19 about having a UPC as a requirement, that might help
20 minimize some of the unit of measure problems we'll
21 have. So I think if you were to put out a
22 solicitation, you do your due diligence, you put it
23 out with the UPCs, then you would minimize greatly the
24 problems that we would have with suppliers like United
25 or SP or LCI or any other because they use the same

1 part number, but they all have -- sometimes they have
2 different unit of measure.

3 But if you gave us the right UPC, that might
4 minimize some of that issue as well.

5 MR. ROYKO: Okay. Thank you for that
6 comment. Any additional folks? A.J.?

7 AUDIENCE MEMBER 28: And it doesn't help
8 everybody.

9 AUDIENCE MEMBER 29: A.J. again. If you're
10 trying to reduce costs, then that will be defeated
11 because when you look at the way United and SP
12 Richards merchandise their product, some people --
13 some of them will use each. Now UPC is mainly for
14 retail. So if you try to reduce costs, some people --
15 some of them will use both of them to reduce the
16 actual costs. And like you said, if the cost unit,
17 then that would defeat the purpose of reducing your
18 cost because you have the UPC for one, and when a
19 dozen comes in, it's a different UPC.

20 MR. ROYKO: Okay. I'm having a little bit
21 of difficulty understanding how you're saying that's
22 going to increase costs.

23 AUDIENCE MEMBER 29: Because when you use
24 the UPC for one unit and the UPC for a dozen and you
25 want to eliminate the duplicate -- it's the same part

1 number. So it's a different part number, it's a
2 different UPC. So, if you use the lowest UPC to
3 eliminate the large quantity UPC based on quantity,
4 then your price will go up.

5 MR. ROYKO: I think we want to be clear that
6 we're still talking about having multiple units at
7 issue. So you can have box 12, and we would map that
8 UPC code to box 12 and not to each. So it would be
9 very different. I'm still not seeing the issue there.

10 I understand what you're trying to say, but
11 I think that as long as it's mapped to the correct
12 unit of measure and package quantity, I don't see an
13 issue, unless anyone else has a concern on that.

14 AUDIENCE MEMBER 30: So aren't you saying
15 you're requiring your buyers to be a little bit more
16 savvy because what he's saying I believe is a buyer is
17 just going to go out and take the most common UPC,
18 which is usually going to the each price or the singly
19 boxed item, where there might be a separate UPC where
20 that item comes in a 10-pack let's say. And that's
21 going to be a much more favorably priced product. But
22 you're going to -- the buyer is going to have to be
23 savvy to know that 10-pack's UPC --

24 MR. ROYKO: So we're not talking --

25 AUDIENCE MEMBER 30: -- whereas if they just

1 post the part number, we as vendors can go to them and
2 say, listen, I've got a 10-pack that's a better value.

3 MR. ROYKO: We're not talking about
4 eliminating the part number. We're talking as a back-
5 end use to maybe even improve our systems as well.
6 You know, we're not talking about asking the customer
7 to shop by UPC. There will still be that part number,
8 unit of measure. And the UPC probably won't affect
9 that many customers. I don't know that many customers
10 that look for a specific UPC code when they're looking
11 for an item. I could be wrong.

12 AUDIENCE MEMBER 31: Jim Obonte from Digitec
13 Computer Products. I would take your analysis to a
14 separate level or a new level. UPC coding would allow
15 you to customize or standardize a description both
16 long and short, and I think that would eliminate a lot
17 of misrepresentation of product on the schedule. That
18 would standardize for the users how they could look at
19 product and certainly make it a fair market --

20 MR. ROYKO: That's exactly the goal.

21 AUDIENCE MEMBER 31: -- for all in the room.
22 So I think that's the challenge. I certainly thought
23 that for HP in a separate meeting and talked about,
24 you know, specifically using that formula going
25 forward. So I would recommend that kind of a

1 suggestion --

2 MR. ROYKO: Thank you.

3 AUDIENCE MEMBER 31: -- as we look at
4 identifying products using UPC codes.

5 MR. ROYKO: Thank you.

6 AUDIENCE MEMBER 32: Kris Colt with Mono
7 Machines. If you're going to use it for standardizing
8 content, how are you going to come up with that
9 content?

10 MR. ROYKO: That's one of the issues that
11 has to be worked through. You know, there is --

12 AUDIENCE MEMBER 32: Because some of us
13 provide great content while others don't. So that's a
14 disadvantage to us if we are providing that. So I'm
15 just curious where does that come from?

16 MR. ROYKO: That's a discussion I think we
17 would seek, you know, feedback on what the best way to
18 do that is. I could see it being done, you know,
19 through the use of wholesalers or manufacturers to
20 come up with a high-quality description. One of the
21 things we'd like to also look at is removing some of
22 that marketing language. You don't want to have to a
23 read a paragraph in to learn about the actual product.
24 You know, it's confusing for the customers.

25 So that's something that we haven't worked

1 all the way through yet. We're just talking about the
2 feasibility of collecting that and, you know,
3 partnering to provide some clarity around the products
4 being purchased.

5 AUDIENCE MEMBER 32: I think you would get
6 plenty of agreement from manufacturers to follow that
7 guideline to actually be involved in that process and
8 create that content.

9 MR. ROYKO: Great.

10 AUDIENCE MEMBER 32: I know those
11 discussions are started.

12 MR. ROYKO: Thank you. All right. Well, if
13 there's no other comments on that, I'll turn it back
14 over to Bob for additional open discussion here.

15 MR. WOODSIDE: Okay. Thank you. That was
16 great feedback. That's really the purpose of the day,
17 to get some, you know, feedback from all of you on
18 what we're thinking of doing or some ideas that we can
19 initiate for OS3.

20 Another thing currently in OS2, we currently
21 have -- the offerors had offered aggregate tiered
22 discounts, and in the pricing area that was part of
23 the way they got awarded in OS2 BPA. And currently it
24 was at the 25 million, 50 million, 75 million, \$100
25 million threshold. So what they did is they offered a

1 price for an item and they said, okay, when we hit 25
2 million in aggregate sales, we'll give you an
3 additional 2 percent off as an example; 50 million, an
4 additional 3 percent off; 75 million, an additional
5 whatever, 2 percent off; 100 million, an additional 5
6 percent off. And we actually calculated, and that was
7 one of the ways that vendors got contracts in the
8 pricing area.

9 AUDIENCE MEMBER 33: Is that per item or
10 total?

11 MR. WOODSIDE: That's total aggregate sales,
12 total aggregate sales. So that was a way to drive
13 volume to the vehicle. That was a way to achieve some
14 additional savings for federal agencies because, you
15 know, we told federal agencies, hey, if you use the
16 vehicle and, you know, vendor X hits \$100 million in
17 sales, you're going to get all this additional
18 discount, you know, from vendor X and all the other
19 vendors you go to.

20 So that was the idea, you know, drive volume
21 to the vehicle. As vendors hit those tiered
22 discounts, they give additional savings. So basically
23 the more money that is spent to the vehicle, the
24 greater the savings.

25 So, I mean, I'd like to, you know, ask

1 industry what they think about that. Does that make
2 sense? Are those the right numbers, 25 million, 50
3 million, 75 million, 100 million? Should it be
4 something different? Should it be weighted different?
5 We weighted them last time equally. Should we weight
6 the front end more this time perhaps? Just some
7 thoughts on that.

8 AUDIENCE MEMBER 34: Okay. That was a joke,
9 the way you did that contract. If you set a fixed
10 price and that price stayed for the life of the
11 contract, yes. Volume discount at 25 million, 100
12 million, you can go to see that they originally
13 negotiated a dollar, and when you hit 25, it's now 95
14 cents. But that didn't happen. You allowed price
15 increases, changes, all that. So doing it on an
16 aggregate of the contract doesn't make sense.

17 I would like to see a task order discount
18 negotiation. If you in addition -- we keep going back
19 to this per unit and messing around with a penny per
20 unit. But if you want to take costs out of the
21 acquisition process, you want to streamline and get
22 people to buy in, I would suggest doing a task order
23 discount volume.

24 You know, you have credit cards up to
25 \$3,000. If they place a \$100 order, they get no

1 discount. If they consolidate their order and they
2 negotiate, and at the 2,500, that's when your skill
3 kicks in at the task order.

4 MR. WOODSIDE: Okay. Thank you. Any other
5 comments on that?

6 (No response.)

7 MR. WOODSIDE: Okay. I think those are all
8 the ideas, you know, we had, all the questions we
9 wanted to throw out to you all. I know you all
10 probably have a lot more other suggestions of how we
11 can improve. So I'm just basically opening it up to
12 anyone who'd like to make a comment about anything we
13 can do to make OS3 better than OS2.

14 AUDIENCE MEMBER 35: This is Paul Miller
15 with the National Office Products Alliance. Will FSSI
16 become a mandatory buying program across the
17 government?

18 MR. WOODSIDE: Well, that's not our
19 decision. That's going to be between OMB and the
20 Strategic Sourcing Leadership Council and up to each
21 agency as far as what level of commitment each agency
22 wants to commit. So that's definitely not my
23 decision.

24 AUDIENCE MEMBER 35: Will any part of the
25 bid be conducted as a reverse auction?

1 MR. WOODSIDE: Possibly. That's one of the
2 things we're looking at. We did do a reverse auction
3 in OS2. GSA actually just put out a reverse auction
4 tool that agencies can use for GSA vehicles. So I
5 think reverse auctions, you know, work well, so that's
6 something we're considering for the pricing round.

7 AUDIENCE MEMBER 36: Cory from New York
8 Inkjet. You know, I think that OS2 having just the 15
9 supplies on that might be a little imbalanced. And I
10 think that moving forward it should probably be an
11 open BPA where if the technical requirements are met
12 and if that vendor can prove that they have
13 competitive pricing to be a part of that, then they
14 should be invited in as long as they can compete. You
15 know, you guys have an elaborate system where you can
16 determine whether we're competitive with our pricing
17 or not.

18 So, if that person is able to prove that and
19 of course the technical requirements are met, then
20 they should be welcomed in, you know. The MAS, you
21 know, the way it looks like to me, you know, maybe
22 following on what someone else said, is that the
23 government is moving more toward FSSI, and for the
24 foreseeable future, it's not going anywhere.

25 So, I mean, we could probably debate this

1 until the cows come home, but, you know, we know that
2 FSSI is here. So it makes sense to, you know, allow
3 the people to be a part as long as they can prove that
4 they can be competitive in this area. So that would,
5 you know, eliminate a lot of the frustration of, hey,
6 I got locked out, you know, but I can compete, so give
7 them an opportunity to compete, make it open.

8 You know, you have an issue time where
9 everyone will bid on it, and then maybe open it up
10 another three, four months later, maybe have a
11 recorder and allow more people to compete. It would
12 lower the costs for the government because now you
13 have more people being able to compete in that area.

14 So ultimately, you know, you're concerned
15 about saving money for the government. So, if that is
16 the case then, let more people compete.

17 MR. WOODSIDE: That's a good point. We
18 definitely --

19 AUDIENCE MEMBER 36: Let me also preface
20 this by saying that I'm also part of the FSSI BPA pool
21 two -- pool one in OS2.

22 MR. WOODSIDE: Right. Okay. That's a good
23 point. Right, we definitely are planning to add more
24 vendors during the life of OS3, you know, possibly
25 anywhere -- you know, have open seasons, you know,

1 maybe six months to 18 months after, maybe before.
2 Maybe, you know, we'll take some of those ideas. But
3 we are planning to have some type of mechanism in
4 place to add qualified vendors who, you know, meet the
5 pricing criteria throughout the vehicle. We're not
6 planning to close this off to everybody for, you know,
7 four or five years. We are planning to have some type
8 of open season to add new vendors on.

9 AUDIENCE MEMBER 37: Joe Bradford, Shelby
10 Distribution. Are you going to allow participating
11 dealers in all OS3?

12 MR. WOODSIDE: Well, yes, that's something
13 we're considering, so right now participating dealers,
14 the MAS rules for that. We would have to find a way
15 to work that in, you know, if we do an open-market
16 acquisition. But I think the participating dealers
17 has been a good thing for us overall, so I would like
18 to see if we can continue that.

19 AUDIENCE MEMBER 38: Mike with George Allen
20 Company. Kind of a question regarding past
21 performance regarding BPAs and things that our company
22 has dealt with in the past. It was always required
23 that you talk about the capabilities of your company
24 and how you have demonstrated those capabilities in
25 other contracts and things, and now you're talking

1 about opening up a BPA for companies who haven't had a
2 GSA contract and possibly haven't had very much, if
3 any, experience in selling to the federal government.

4 I'm just curious how you're going to handle
5 that in the language of the solicitation.

6 MR. WOODSIDE: Right. Well, past
7 performance is definitely going to be something that
8 we look at, so we are going to be looking at past
9 performance. Past performance could be past
10 performance on MAS-75. It could be past performance
11 in an open-market contract with an agency. It could
12 be past performance, you know, with a large commercial
13 company possibly. So we will be looking at past
14 performance. It doesn't necessarily mean that past
15 performance has to be under MAS-75, though. It could
16 be other areas that we need to look at or we can look
17 at for past performance. But that will definitely be
18 a criteria.

19 AUDIENCE MEMBER 39: Back to your comments
20 about the weighted average of the market basket, when
21 OS2 was awarded, there were several vendors who
22 basically bought their way in to a better-priced
23 market basket by offering exorbitant back-end at the
24 50, \$100 million level aggregate pricing. And
25 effectively, that didn't allow the government to save

1 money on their pricing because they were rolling the
2 dice pretty much knowing they were never going to get
3 to that level, and bought into the contract, and their
4 prices consequently were significantly higher than
5 other vendors in the program because they never
6 realized those levels of sales.

7 So I would offer that you don't have very
8 much, if any, weighting on the back end because for
9 all of us it's really a matter of whether or not you
10 get the sale. So it is like the odds of whether or
11 not you're going to get to that level for those
12 aggregate discounts, and they do only apply from that
13 point forward. So, if you get through three years and
14 11 months without having to offer that higher discount
15 in the long run, the government is paying a higher
16 price.

17 MR. WOODSIDE: So how would you change it?
18 You'd put more weight at the front end? I mean, how
19 would you change it if it was up to you?

20 AUDIENCE MEMBER 39: How would I change it?
21 I think you need to have much more weight on the
22 pricing that is being bid.

23 MR. WOODSIDE: In the front end?

24 AUDIENCE MEMBER 39: Because as a current
25 FSSI holder, I will tell everybody in this room if you

1 think you're going to buy in with low prices and
2 increase your prices later, you'll be out of business
3 because really it doesn't work that way, and I can
4 vouch for that. They are doing everything they can to
5 keep pricing competitive for the government.

6 And I kind of agree with Mike's comments
7 too. If you have some of these commercial companies
8 in that are used to buying their way into commercial
9 contracts, they could effectively put quality
10 businesses out of the game of supporting the
11 government because we understand how to service the
12 market, not that they wouldn't as well, but going in
13 with below-cost pricing, they won't be able to perform
14 really, and then you'll kind of be back to square one
15 without having any vendors who can support you.

16 MR. WOODSIDE: Okay. Thank you.

17 AUDIENCE MEMBER 36: Cory, New York Inkjet
18 again. To add on to what Gail said, if you allow the
19 other vendors who don't have an MAS, how will you
20 award it based on a discount from the MAS to the BPA?
21 Because that's what everything is based on right now
22 is MAS to BPA discount percentage. That's how it was
23 for OS2. So what will you do?

24 MR. WOODSIDE: We could just use, you know,
25 real prices. We could just look at what exactly is

1 the price of the item. So here is the thing. Let's
2 say this item is a dollar, and you're giving me, well,
3 a dollar -- you're selling to the government for a
4 dollar. So it's an 80 percent discount from your MAS-
5 75 contract, but for somebody else it's a 10 percent
6 discount.

7 AUDIENCE MEMBER 36: That's assuming that
8 it's a standardized product.

9 MR. WOODSIDE: Right, right, UPCA code,
10 right. But, I mean, you know, I think we want to look
11 at -- we don't want to look so much at discounts
12 against something. We want to look at real prices,
13 you know, real dollars and cents prices.

14 Do you want to add anything to that, Josh?

15 MR. ROYKO: So one of the things, we had had
16 in mind was conducting a horizontal market analysis,
17 and we do that now as part of how we evaluate pricing
18 for non-market basket items. But schedule prices
19 vary. You can look at the most commonly purchased box
20 of paper. I think it's Hammermill 86-700. You can
21 buy it on schedule for \$36 to about \$200.

22 So a discount off that \$200 price of 10
23 percent really doesn't get you anywhere. You're
24 paying \$180 for a box of paper. A discount of 10
25 percent of that \$36 price may not be feasible. So we

1 don't want to treat a 10 percent discount equally.
2 We're looking to compare across what you can buy that
3 for in the government marketplace and conduct fair and
4 reasonable price analyses to ensure that there is
5 fair, reasonable, and competitive pricing across the
6 board on every item as opposed to a discount off a
7 price that may or may not be competitive.

8 AUDIENCE MEMBER 36: You determine fair and
9 reasonable pricing based on our GSA price. That's how
10 we were awarded a GSA contract, based on fair and
11 reasonable pricing. So, if someone doesn't have a GSA
12 contract and they provide maybe past receipts,
13 invoices that they sold to the government outside of a
14 GSA contract, that may not be fair and reasonable
15 pricing. They may have just been a local guy that
16 they wanted to maybe solicit, you know, the government
17 because, you know, that's how it works in some areas
18 where they just want to buy local.

19 So this is proof that they've done business
20 with the government, but that's not determined to be
21 fair and reasonable. But we had to prove that our
22 prices were fair and reasonable and wanted to be part
23 of the GSA Schedule 75. So I think by not allowing
24 the others to have an MAS to bid on this, that creates
25 an unfair competition right off the bat.

1 MR. ROYKO: Well, obviously it would be the
2 same criteria for all bidders, so you'd be comparing
3 pricing at the item level. If it were to be a
4 solicitation put out on FedBizOpps, it would be open
5 to all, so it's not going to be limited like you said.

6 So you're comparing -- it would be an equal playing
7 ground for all bidding on that contract vehicle.

8 AUDIENCE MEMBER 36: I don't know. I think
9 somebody else should comment on that. I just don't
10 see the fair playing ground. If I had to negotiate
11 with you years ago in schedule 75 and someone else
12 just walks up and they don't have to compete on that,
13 it just doesn't sound like we're on the same playing
14 ground. Please, someone else.

15 AUDIENCE MEMBER 40: I agree with what he's
16 trying to say there. You know, on the commercial
17 side, it's a different business, like he said. There
18 is people in the habit of buying their way in. I
19 think you really open up a can of worms and hurt the
20 marketplace by opening it up to non-MAS contract
21 holders.

22 I'm not here to fight a losing battle.
23 Nobody wants to say it, but I think schedule 75 is
24 dead. FSSI is the future. I would just like to say I
25 think schedule 75 did a really good job of supporting

1 small businesses. With FSSI, I hope, I hope GSA
2 doesn't get in the habit of creating margins.

3 MR. WOODSIDE: I mean, I know disregarding,
4 you know, whether we should go out MAS-75 or open
5 market, being that MAS-75 has been closed to new
6 offers for quite a while, would that be fair to shut
7 all those companies out who haven't ever gotten a
8 contract?

9 AUDIENCE MEMBER 41: Yeah, open it up.

10 MR. WOODSIDE: But, I mean, the fact is it
11 has been closed. I mean, I can't change the past. So
12 it's been closed since I think October 2010.

13 AUDIENCE MEMBER 42: You know, with all this
14 emphasis to narrowing the diversity of the marketplace
15 and increasing the volume, you don't see how that is
16 dangerous to small business?

17 MR. WOODSIDE: Well, I mean, I think --
18 well, again, we want to have absolute maximum
19 competition. So, you know, we want to be able to have
20 everybody compete for this. I don't know if we want
21 to segment it.

22 AUDIENCE MEMBER 42: But you have to have
23 \$25 million in sales to be able to do it.

24 MR. WOODSIDE: I don't know if that's true,
25 but we definitely want to have maximum competition.

1 So that's, you know, one of the things we're looking
2 at, how can we have maximum competition.

3 AUDIENCE MEMBER 43: I think I agree with
4 the other guys. We're all kind of fighting our way
5 within the GSA as it is, and it feels like you're
6 going to just open it, like, come on, a little more.
7 We've proven our compliancy. How are you going to --
8 I mean, there are so many China knockoffs at our
9 department, like how are you going to see that this
10 person bought at open market -- I mean, sold at open
11 market. Who's to say it wasn't a China knockoff? How
12 can they -- we went through hoops in order to even get
13 the GSA contract to begin with. You know our stuff is
14 legit. And I don't know. It feels kind of sad when
15 you feel like we're going to be -- it's like we're
16 getting a narrow margin with the FSSI, and then you're
17 going to kind of increase competition, and we're just
18 somewhere in the middle.

19 MR. WOODSIDE: So, I mean, honestly, any new
20 government-wide vehicle for office supplies, we're
21 going to definitely comply with the AbilityOne
22 mandates. That's why we had Eric give the
23 presentation for AbilityOne. We're going to
24 definitely comply with the Trade Agreements Act. So
25 we will have to comply with the Trade Agreements Act,

1 comply with AbilityOne, comply with all the
2 sustainability mandates. That's all going to still be
3 true. Again, we're trying to get absolute maximum
4 competition for this vehicle.

5 AUDIENCE MEMBER 43: So they're going to
6 have to follow all the rules in the MAS contract but
7 not have a MAS contract.

8 MR. WOODSIDE: Oh, these are government-wide
9 rules, so any government-wide contract over a certain
10 dollar value has to comply with the Trade Agreements
11 Act. AbilityOne, as Eric Beale said, he's just
12 stating what the law is. The AbilityOne and the block
13 are essentially the same item as the law. So we're
14 going to comply with all the laws that are required of
15 any large government contract.

16 AUDIENCE MEMBER 44: I guess from the
17 association side, we're trying to figure out who are
18 you looking to bring into this market that's not
19 already able to compete. We have 540-some odd
20 schedule holders. Who else are you looking for? Are
21 you looking for somebody -- I guess our concern would
22 be if you get nonindustry players and they're all
23 seeing how much money can be made in this sector
24 moving in here, the big guys, and pushing all the
25 little guys out of the market -- so who are you trying

1 to allow to compete that's not already competing? If
2 it's those folks who 75 is closed to, we would like to
3 see it opened and allow for more people to get a
4 schedule 75, and maybe go through the current schedule
5 holders and clean that process up, and whoever aren't
6 meeting the requirements, maybe they should have an
7 opportunity to meet the requirements or not have their
8 schedule 75. I guess we're trying to figure out who
9 are you trying to allow to compete that currently
10 isn't able to compete for this OS3?

11 MR. WOODSIDE: Well, I don't know. I mean,
12 we're not trying to, you know, give the contract to
13 anybody. What we're just trying to do is have maximum
14 competition.

15 AUDIENCE MEMBER 44: But you already have
16 that. You have a pool of 540-some odd vendors who are
17 GSA approved, gone through that. You've vetted them
18 in a sense. That's why they got a schedule. But now
19 you're saying the schedule is kind of worthless
20 because you're going to open it up to anybody. And I
21 think this gentleman hit the nail on the head in a lot
22 of points. Who are you looking to bring into this
23 again that's currently not able to compete?

24 You've got a huge pool of very good
25 qualified vendors to pick from. And if we're only

1 going to limit it to 15 to 30 BPAs anyway, you got a
2 huge pool to choose from already, so why open it up
3 any more to people who aren't currently in the
4 industry?

5 MR. WOODSIDE: And then, like I said, we do
6 want to definitely on-ramp new vendors. So let's say
7 we decide to on-ramp new vendors in six months. Are
8 you saying we constantly restrict it to current MAS-75
9 contractors? We're going to have a smaller and
10 smaller pool.

11 AUDIENCE MEMBER 45: Then put the schedule
12 back up and they can get the schedule and they compete
13 on the ramp-on.

14 AUDIENCE MEMBER 46: Schedule 75 is my
15 answer to all that.

16 MR. WOODSIDE: I don't know if they're
17 capturing you. I'm sorry. I want to make sure the
18 transcriptionist captures everything.

19 AUDIENCE MEMBER 46: I guess my answer to
20 that would be open 75 up, let people apply for that
21 again, and if you need to go through schedule 75 and
22 look at who aren't meeting those requirements, then
23 maybe they don't have a schedule 75 anyway, and so you
24 eliminate that way. But open it up so who want to get
25 in it can be able to compete for the next round.

1 MR. WOODSIDE: Okay.

2 AUDIENCE MEMBER 47: Well, I'd also like to
3 bring to your attention too that the people who are
4 really vulnerable under FSSI are actually the vendors
5 because the wholesalers are going to get the business
6 no matter what because we only have certain channels
7 we can buy these products from. So, when it comes
8 time to bidding on these FSSI vehicles, of course the
9 wholesalers are then competing with each other to
10 align themselves with the vendors.

11 So they give us pricing that is favorable so
12 we can win using their pricing. Well, they pretty
13 much only guarantee our pricing for pretty much 90
14 days, all right? So after 90 days we're left holding
15 the bag, okay, because then they have free will to
16 increase their pricing. So it's kind of become --
17 you're kind of making it a buy-in at that point for
18 the wholesalers to put us in the position to win, but
19 then they have no risk after that. We have all the
20 risk.

21 MR. WOODSIDE: Okay. So following on to
22 that question, I think the current economic price
23 adjustment clause in the BPA is fairly rigid. I don't
24 know if you'd like to say, Gail, what would you like
25 to see for an EPA clause?

1 AUDIENCE MEMBER 47: Well, you made us
2 follow the EPA price adjustment, but there's nothing
3 that says we can make the manufacturers or the
4 wholesalers be limited to those restrictions. And
5 then we have to submit your detailed schedule so you
6 can run it through your reasonableness price checker.

7 So you're then comparing our pricing versus the other
8 500 schedule holders who have not maybe had active
9 sales or sales ever or very minimal sales or never
10 sold that particular item, and you're comparing our
11 pricing against the low-priced vendors on Advantage or
12 they have schedules who may have never had sales for
13 that product. And it's really not taking into account
14 what our pricing is from the wholesalers.

15 And unfortunately for us as the vendors, you
16 know, we can't dictate what they charge us. And
17 they're only going to pass off what the pricing is
18 from the manufacturers. And I think that's where your
19 economic price adjustment was originally created for
20 the schedule 75 or for all schedules, because it's
21 based on the trickle-down effect from price changes
22 from the supply chain.

23 AUDIENCE MEMBER 36: You know, as I think
24 about this more and more about the MAS, the people
25 having the MAS and not, it really makes sense for you

1 to open that up and allow them to pursue a schedule 75
2 before you put it out, before you put out the OS3
3 solicitation. I'm not a lawyer, but I think that, you
4 know, it will be a huge legal problem, right, if they
5 can't, you know, compete on this because they don't
6 have a schedule 75 and you're only opening it up to
7 schedule 75 people, and then you closed it two years
8 ago.

9 So I think maybe that's internally what you
10 guys have to think about is the legal problem behind
11 that. So maybe that's why we're saying, well, now
12 allow them to compete just whether you have the GSA or
13 not. But then it creates a secondary legal problem I
14 suppose then, you know, because right away it's an
15 unfair competition ground because they don't have a
16 schedule 75.

17 So my question now is -- first of all, I
18 want to thank you for allowing us to voice our opinion
19 here, you know, because this is very important that
20 you hear from us, and we appreciate that. So what's
21 stopping GSA from opening up the ability for people to
22 get schedule 75 now? That's not rhetorical. I
23 wondered if you could --

24 (Laughter.)

25 MR. WOODSIDE: That's something, you know,

1 we'll take note of. Like I said, here's the thing,
2 and you know this, Cory, yourself, OS2 is expiring
3 May 31. So we do have to get a vehicle in place
4 before it expires. It does take sometimes companies a
5 long time to get, you know, an MAS contract, as you
6 know. But also, going --

7 AUDIENCE MEMBER 48: Our work and investment
8 is basically worthless.

9 MR. WOODSIDE: No, no. I'm not saying that
10 at all. But also, there could be other issues as
11 well. And let's say -- I guess one thing I'd like to
12 throw out too, in the MAS world, what does everybody
13 think about things such as the price reduction clause.
14 Does that cause any issues on us getting, you know,
15 good -- so we're looking at horizontal price
16 comparison. Are there any issues with the price
17 reduction clause in making sure we get the best
18 possible price at the line item level?

19 AUDIENCE MEMBER 49: Can I go back a second?
20 We can address that in just a minute. We're talking
21 about opening up the -- you have the open market and
22 then you have the GSA who will both compete for the
23 FSSI. So basically we would be the ones to pay the
24 GSA costs still because anybody on the contract, if
25 it's a product that you have and if it's on the FSSI,

1 you're still paying GSA percentages, like we pay money
2 back to the GSA for sales. So basically we would have
3 to give money back to the government and the open
4 market people would not be paying anything in.

5 MR. WOODSIDE: No. I mean, whatever the fee
6 would be would be applicable to all. It would apply
7 to all. So whatever the fee -- let's say the
8 administrative fee to run the program, the people --
9 whoever wins the contract would pay the same fee.
10 You're not going to have MAS-75 vendors paying a
11 higher fee on that vehicle than non-MAS-75 vendors.
12 For that vehicle, the fee would be the same.

13 AUDIENCE MEMBER 49: I guess I just don't
14 understand what is the difference between that and
15 having a schedule. They're having us go through all
16 the rules, they're having to pay the same fees. I'm
17 just confused honestly.

18 MR. WOODSIDE: Okay. Like I said, this is a
19 good discussion. We're taking notes on this. You
20 know, once again, one of our goals is to have maximum
21 competition. The fact that schedule 75 has been
22 closed to new offers for a while, you know, that could
23 be an issue possibly. So that's why we want to have
24 this discussion.

25 Yes, sir.

1 AUDIENCE MEMBER 7: This is Charles Forman,
2 Independent Stationers again. Obviously I respect all
3 the comments of my colleagues in the room here. I
4 think I'd be remiss, though, if I did not point out
5 yet once again the consortium model and the
6 opportunity that that provides to have greater small
7 business participation, the government manage less
8 contracts, and put some of the burden of that, you
9 know, adherence to all the rules on the consortium,
10 which we're doing today. I mean, we have 126 small
11 businesses participating under our contract, and it
12 works very well I think.

13 So I am just going to encourage GSA as you
14 think about OS3 to think about a way to incorporate
15 that in because it achieves so much all the goals you
16 set out plus the support of small business.

17 MR. WOODSIDE: And do you know how many
18 consortia are out there, how many organizations like
19 yourself are out there?

20 AUDIENCE MEMBER 7: There is four to six
21 legitimate consortia.

22 AUDIENCE MEMBER 50: And they all have MAS-
23 75?

24 AUDIENCE MEMBER 7: Not all do. Some do.
25 We do.

1 AUDIENCE MEMBER 50: Once again, you're
2 talking about funneling the entire schedule 75 with
3 four to six.

4 AUDIENCE MEMBER 7: No, that's not what I'm
5 saying at all. I'm saying make the number of awards
6 you're going to make, but make a number of them to
7 consortia. So that way if somebody feels locked out,
8 they have a means to participate through another
9 vehicle. And again, it's working today.

10 AUDIENCE MEMBER 51: I just want to say I
11 think the consortium is a great idea. When they have
12 the consortium, they actually, you know, discipline
13 the folks that are in that consortium. They tell them
14 how to do it, whereas someone who is not in that
15 consortium, they don't know how to do it. And so
16 you're going to have a nightmare on your hands because
17 you're going to get people who don't know how to sell
18 to the government. They'll be doing a lot of the TAA
19 stuff. You'll be policing them all over the place.
20 They won't understand the AbilityOne, although they
21 just got certified to be, you know, AbilityOne, but
22 they just don't have the experience to do that.

23 So now, on a compliance end, it's just going
24 to be nightmare. We who have schedule 75, we're
25 experienced. We know how to sell to the government.

1 These folks don't. So I think that's one of the
2 reasons why, you know, you want to consider it.

3 Now I'm going to ask you to hold the
4 tomatoes because I'm going to say something that's
5 probably not so popular here. But if you don't have
6 enough time to, you know, grab the folks and bring
7 them on and put out a solicitation so they can be a
8 part of schedule 75, then go ahead and extend the
9 deadline from May 2014 and make it a little longer so
10 you have time to allow people to get on schedule 75.
11 Hold the tomatoes.

12 (Laughter.)

13 MR. WOODSIDE: Thank you.

14 AUDIENCE MEMBER 52: If I could just follow
15 up on what Charles said, from the association
16 standpoint, we would like to see more BPAs go to
17 independents. We would like to see that. But we also
18 would like to see again a pool four of consortium
19 model. To Charles' point, the consortium model does
20 prove a valuable asset to the government and to the
21 independent community because those who may not get an
22 award of OS3 still will have an opportunity to join
23 one of the consortia and participate in the government
24 market instead of for five years -- or even during an
25 on-ramp year, which they may not get -- have an

1 opportunity to compete for government business,
2 because if you're locked out, what are the chances in
3 this go-around that most people are going to continue
4 to focus on the government market on a pipe dream that
5 they may hit a ramp in five years, they may have an
6 opportunity to bid against an even larger pool of
7 outside that you're not going to limit to schedule 75.

8 So, if I'm a small vendor, I may just say
9 I'll just focus on the commercial market and take my
10 resources there versus continuing to try to get a
11 schedule 75. But the consortium model does offer them
12 an opportunity to participate and stay relevant in the
13 government market.

14 MR. WOODSIDE: Okay. Thank you.

15 AUDIENCE MEMBER 53: Jean Reynolds with the
16 HON Company. Just a question. Do I understand your
17 question about the price reduction clause correctly?
18 Are you saying that the new entrants into the market
19 that would not hold schedule 75 would have no PRC
20 responsibilities, whereas those that have a schedule
21 75 would continue to be held compliant in that regard?

22 MR. WOODSIDE: Well, no. First, I want to
23 make something clear. Whatever we go out for in the
24 new vehicle for OS3, everyone is going to have the
25 same rules and requirements. So we're not going to

1 have one set of rules for one group of vendors, one
2 set of rules for somebody else. So whoever gets an
3 OS3 contract will have the same rules, the same fee,
4 et cetera.

5 My point was that we've been told in some
6 cases that the Multiple Award Schedule's price
7 reduction clause can sometimes cause issues with us
8 actually trying to drive down prices at the item
9 level, you know, drive down actual prices, dollars and
10 cents. That was the question I wanted to throw out
11 there. Does anyone feel in the schedules area there
12 can sometimes be a conflict between what the price
13 reduction clause requires as far as, you know,
14 identifying a basis for one customer and maintain the
15 discount relationship, and giving us, you know,
16 absolute lowest prices at the item level, because what
17 we're going to do, however we do OS3, we're going to
18 be looking at actual prices. Our focus is not that --
19 to be honest, our focus is not going to be are you
20 giving us a 30 percent discount or if you're a basis-
21 of-award customer. What we really want to know, are
22 we getting a good price, dollars and cents. And
23 that's what our customers know.

24 The customers don't really care that, you
25 know, we're getting 30 percent better than basis-of-

1 award customers. The customers care that the item is
2 a dollar, and they can buy the item somewhere else for
3 90 cents. That's all they care about.

4 So the question is, is there ever -- and I
5 don't know. I'm throwing that out to the industry.
6 Is there ever a conflict between the Multiple Award
7 Schedule's price reduction clause and giving us very
8 good, excellent prices at the item level? I don't
9 know the answer. I'm just throwing the question out.

10 AUDIENCE MEMBER 54: I think part of the
11 challenge is when you operate in both worlds, so when
12 you're operating in the schedule's world and the price
13 reductions world, and then you're also going for the
14 net price approach with us. So through the history of
15 being on FSSI OS2, there has been a movement in both
16 directions, so, you know, working on our schedule,
17 then working through the market basket, and net
18 pricing into that, you know, market competitive range.

19 So along the way the odd trail breaks for
20 us. And so, if we're going to go to a market range,
21 that price does make sense I think and allows the
22 supplier to offer the best price for that whole market
23 basket of goods.

24 MR. WOODSIDE: Okay. Thank you.

25 FEMALE VOICE: Would you state your name too

1 for the --

2 AUDIENCE MEMBER 54: Judy Smith.

3 MR. WOODSIDE: Any -- I think the gentleman
4 behind has a comment.

5 AUDIENCE MEMBER 55: Jeremy from American
6 Toner & Ink again. I just wanted to say -- she said
7 earlier on -- EPA is 10 percent on MAS. Is it the
8 same on FSSI?

9 MR. ROYKO: If we could just have him repeat
10 that with the microphone just to make sure we capture
11 it.

12 AUDIENCE MEMBER 55: The EPA is capped at 10
13 percent on MAS contracts. Is it the same on FSSI?

14 MR. ROYKO: Because FSSI currently is a
15 blanket purchase agreement against 75, it is--
16 contracting officers within that have the ability to
17 override that. The burden to do that is relatively
18 high. That is another one of the things that is not
19 highly desirable within the schedule's program for
20 FSSI moving forward because a lot of times you don't
21 have a 10 percent fixed, you know, cost increase from
22 a wholesaler over the course of a year. It could be
23 based off a different cost driver that could go up to
24 20 percent over the course of a year, and if you're
25 not able to get that price increase, you have that

1 risk that you're trying to build into your pricing to
2 make sure that you don't end up under water.

3 So that's another one of the reasons for
4 considering something that goes fully open and frees
5 us to give justifiable price increases above 10
6 percent if the cost drivers dictate it based on a
7 horizontal comparison, based off, you know, a
8 comparison of cost drivers.

9 AUDIENCE MEMBER 55: As she said earlier, we
10 don't have the ability to cap our suppliers' increases
11 at 10 percent. They can go wherever they want with
12 them. I think 10 percent is reasonable, but you need
13 to have an exception there, you know, with a letter
14 from your supplier or a vendor letter supply to roll
15 above that. You know, like you said, there is a
16 market condition that calls for a 20 percent increase
17 if you can -- so documentation from your supplier that
18 that's coming from them and not just an increase in
19 margin. I think you need to allow for that.

20 MR. ROYKO: So I think that's one of the
21 things we'd be looking to solve-- that does allow more
22 competitive pricing at the item level. So I think
23 that's something we're trying to solve by possibly
24 looking at this open market option. It's not just
25 bringing in more competition. It's freeing our

1 contractors to offer more competitive pricing and not
2 base it off a base of award discount.

3 I'd rather get a 1 percent discount off \$100
4 price than a 10 percent discount off \$1,000 price.
5 We're looking for the most competitive price, the best
6 value to the government on office supplies. It's just
7 something that we can do to deliver better value to
8 our customers.

9 AUDIENCE MEMBER 36: So, Josh, I know I'm
10 being chatty today, but this is good dialogue. So
11 it's not considered a blanket purchase agreement if
12 you don't have an MAS contract, right?

13 MR. ROYKO: Correct. This wouldn't be a
14 blanket purchase agreement if that were to be the
15 option that was pursued, yes.

16 AUDIENCE MEMBER 36. So it's really not, you
17 know, a followup from OS1 when you had to have a
18 schedule 75. OS2, we had to have a schedule 75. So
19 it's really not in OS3 because it's not the same idea.
20 It's a different contract altogether. It's a
21 different concept.

22 MR. WOODSIDE: There are different ways we
23 can do it, but this can be a full and open -- it could
24 be a full and open IDIQ contract as an example.
25 That's an option.

1 MR. ROYKO: And in fact FSSIs are not
2 defined to be GSA contract vehicles. That's something
3 that's partnered through OMB and the Strategic
4 Sourcing Leadership Council. That's not a strictly
5 GSA thing, so it's not always going to be a schedule-
6 based solution for all commodity categories. Because
7 it historically has, you know, it doesn't mean it
8 won't evolve in the future.

9 AUDIENCE MEMBER 56: I'm competing with Cory
10 today for the floor. One of the things GSA auditors
11 look and ask schedule holders for is to make sure our
12 pricing is less than the commercial pricing or you get
13 zinged on your report card, as anyone may have
14 experienced. So, if you do open this to non-MAS
15 holders, how are you going to ensure that the
16 government pricing they're offering is less than what
17 they're offering their commercial customers?

18 MR. WOODSIDE: Well, we have various tools,
19 and we have a very good data team that's going to look
20 at the pricing, and we're going to do market research
21 on the pricing. Again, you know, we're going to focus
22 on what the actual price is. That's what we want to
23 focus on, more than a discount against basic award.

24 MR. ROYKO: That's also not to say that it
25 couldn't be an aspect of it where it could be a no-

1 greater-than, where there is no -- maybe a discount
2 relationship. That's something that maybe we'd like
3 your feedback on. Would it be reasonable to include
4 language such as no greater than the commercial price.

5 So it wouldn't be a fixed discount percentage. You
6 wouldn't be required to stay a certain percent lower.

7 But, you know, it would be capped at that. And that
8 would be something that we could, you know, talk about
9 doing. We'd welcome your dialogue on that.

10 AUDIENCE MEMBER 57: As an MAS holder, I'm
11 subject to audits to ensure that I'm complying with
12 the CSP. If you have open-market people that are
13 issued these FSSIs, are they going to be subject to
14 the same audits?

15 MR. WOODSIDE: Any large dollar value
16 contract is going to be subject to audits.

17 AUDIENCE MEMBER 58: Stuart Fein from
18 Premier. Just a quick question that happened on OS2.

19 One of the things that happened with OS2 is a
20 category discount outside of the market basket items.

21 Is that the intent on OS3 as well? Because --

22 MR. WOODSIDE: Well, how do you think that
23 would work, the category discount? What's your
24 thoughts on that?

25 AUDIENCE MEMBER 58: That the market basket

1 items, if an item fell within that category, it
2 extended out across that category. So, if we're
3 looking at best price, which I think is the best idea
4 for going ahead, how would that play into the category
5 across everything else? If you get a MAS discount of
6 20 percent off your MAS, you need to extend that
7 across the board. I can give you a best price on that
8 paper, but I might not be able to give you the best
9 price on the photo paper.

10 MR. WOODSIDE: So I think what you're saying
11 is that category discounts may not have worked that
12 well. Is that what you're trying to say?

13 AUDIENCE MEMBER 58: Category discounts were
14 a huge issue on OS2. A lot of the contractors had a
15 lot of private contracts in order to get the discounts
16 down within the range that didn't cause an issue on
17 all the other items.

18 MR. WOODSIDE: Okay. So, yeah. That's why
19 we like to talk about that. From what we hear,
20 category discounts may not be the best way to get the
21 best price. But if anyone -- I would actually like
22 some people to speak up about that as well.

23 MR. ROYKO: Yeah. And that's one of the
24 things we've learned as we've gone along, that you
25 don't have the same markup for every single item

1 within a given category. So that's kind of another
2 change. If there is not a schedule price to base it
3 off of, we're basing it off of real pricing, but we're
4 talking about getting the best price on each
5 individual item. That may be, you know, a different
6 markup for each item. It may be very different. We
7 think it's probably a little too broad to generalize
8 into four categories for office supplies.

9 AUDIENCE MEMBER 59: Well, as a matter of
10 experience, I can tell you that in OS2, to have to
11 give you a discount across every product that was in a
12 category really hurt our business. It hurt it a great
13 deal. We lost sales, an enormous amount, in 2012 as a
14 result of it because when we first went through all of
15 this, we had to give you a major discount on the
16 category, and that discount percentage dropped below
17 our cost on so many items that we couldn't have it on
18 our contract anymore.

19 So, when you finally revised things, we were
20 able to correct that. But I can tell you that if you
21 were to do that again, that really hurts the company
22 to say that you need to give, you know, 20, 30 percent
23 based on something that we negotiated two years ago,
24 and, you know, it just really got really out of whack.

25 So I would say definitely not. Don't do

1 discounts on categories that way. Find another way
2 to, you know, get the discounts that you need, but not
3 across the category. It really hurts the company.

4 MR. WOODSIDE: Okay. Yeah, I like that
5 comment. For those who understand what we're talking
6 about, does anyone think category discounts were a
7 good thing? I do want to make sure I get both sides
8 of the story.

9 (No response.)

10 MR. WOODSIDE: Okay.

11 AUDIENCE MEMBER 60: David Harris, Impact
12 Office. Category discounts create an opportunity for
13 what I'm going to call gamesmanship. And we certainly
14 see this going on on a regular basis as far as the
15 number of products that schedule holders have on
16 contracts. So I won't indicate who is playing the
17 game. It certainly happens. So category discounts
18 sort of I would say encourage that kind of activity.

19 I do want to while I've got the microphone,
20 I want to give some support to Janet Myhre. Her whole
21 idea of task order discounts are actually a very good
22 idea. If you think about what drives down costs, and
23 that's order size. With greater order size, there are
24 more gross profit dollars to manage the costs
25 involved, the shipping profits. So for orders that go

1 up to \$2,500, task order discounts are a great idea.

2 MR. WOODSIDE: So, to that point, however we
3 do OS3, you know, we want to have -- we're going to
4 want it on GSA Advantage or some type of thing like
5 GSA Advantage. We're going to want it to be part of
6 GSA E-Buy, and we're going to want it to be part of
7 GSA's new reverse auction tool.

8 So the reality is, you know, large orders,
9 you know, it will be on Advantage. It will be on E-
10 Buy. So, if someone is planning on doing a large
11 order, they probably will compete it on E-Buy among
12 the vendors, and also we do have a new reverse auction
13 tool.

14 So does that take care of the task order
15 discounts? Because they'll be issuing task orders,
16 you know, let's say a \$100,000 task order on E-Buy,
17 compete among the vendors. Does that take care of the
18 issue?

19 AUDIENCE MEMBER 60: No.

20 MR. WOODSIDE: Okay.

21 AUDIENCE MEMBER 60: But having said that,
22 you know, I don't know if you've noticed this. The
23 PowerPoint presentations put out provide very good
24 information. But it shows that when the FSSI OS2
25 program originally started, 71 percent of all orders

1 going into the system were through GSA Advantage.
2 Fast-forward to August of 2012, and that number
3 dropped to 19 percent.

4 So I'm not sure that GSA Advantage is a good
5 solution for anybody. That's just my opinion, and
6 anybody that wants to dive in and provide some
7 feedback additionally, but, you know, unfortunately,
8 the problem with any public website or any
9 standardization is that it comes down to innovation,
10 and it creates kind of a level playing field for
11 everybody, but it takes away a lot of great ideas that
12 are out there for very creative people.

13 AUDIENCE MEMBER 61: My name is Jim Watts,
14 Watts International. I have a question on how are you
15 going to determine the ground level for the data that
16 you're comparing the price on to be fair and
17 reasonable. Are you receiving cost data from the LCI,
18 United, S.P. Richards to accurately assess whether the
19 price is fair and reasonable? Because everyone in
20 here is probably receiving different cost factors from
21 the wholesaler.

22 So that to me says that it's going to be a
23 floating number unless you have a ground floor that
24 you already determine what is reasonable as an entry
25 point and from that point you assess whether it's fair

1 and reasonable.

2 MR. WOODSIDE: So what we did in OS2 is we
3 had, you know, technical requirements, and there's
4 basically like two rounds. So we had various strict
5 technical requirements. You had to be AbilityOne.
6 You had to be able to Level 3 data. You had to be
7 able to do point of sale, some other requirements.
8 And those vendors who met the technical requirements,
9 we then went into reverse auction for pricing.

10 So that might be something we might consider
11 for OS3, you know, make sure all the vendors meet the
12 technical requirements, which there will be quite a
13 lot of technical requirements. Mike Cullis went over
14 some of them with you today. And then the vendors who
15 meet the technical requirements, in OS2, we had a
16 market basket of items, a market basket of the most
17 commonly used government items. We currently have a
18 market basket in OS2, which represents around 70
19 percent of government spend.

20 So let's say we have, you know, whatever,
21 1,200 items out there, 1,200 part numbers that
22 represent 70 percent of government spend. We can then
23 use that market basket and we can do a reverse auction
24 on that market basket. And we're not going to
25 determine, you know, what the price is. The market

1 will. So we'll get the prices back from the market.
2 You know, we're offering, you know, a price of \$100
3 for this toner cartridge, you know, \$40 for a box of
4 copy paper. So we'll get the prices back from
5 industry as far as what's fair and reasonable.

6 AUDIENCE MEMBER 62: Do you think there will
7 be more commitment from the agencies this go-around if
8 there is an IDIQ? So is there going to be broader
9 acceptance?

10 MR. WOODSIDE: I mean, I think, you know,
11 it's up to the agencies. We do expect to have, you
12 know, just as much, if not more, acceptance from the
13 agencies. But again, it's up to each agency. I don't
14 think the agencies themselves are going to care
15 whether it's MAS-75 or open market. I think again
16 they're looking at are we offering, you know, best
17 prices, are we supporting small business, are we
18 offering superior data.

19 So, you know, the agencies are looking, you
20 know, what can they get out of it. Are they going to
21 get good prices? Are they going to get the data they
22 need to make smart buying decisions? And are we going
23 to continue to support small business? Currently 76
24 percent of spend in OS2 is done in small business.
25 You know, we'd like to at least maintain that. So

1 those are the things the agencies are going to be
2 looking at. Yes?

3 AUDIENCE MEMBER 63: The open market FSSI,
4 is that a definite, or is that an idea that you're
5 throwing around right now?

6 MR. WOODSIDE: Well, nothing is definite. I
7 mean, we're talking about different ideas today, you
8 know, and some of the positives of going open market,
9 again, you know, largest competition possible. And I
10 think there is an issue with schedule 75 being closed
11 to new offers the last couple of years. I think that
12 is an issue. But there's nothing definite. That's
13 why we're talking to industry today.

14 AUDIENCE MEMBER 64: Do you have the ability
15 or would you consider making this a pure small
16 business award?

17 MR. WOODSIDE: That's something we could
18 talk about. So again, you know, we're talking
19 about -- we alluded earlier that this is going to be a
20 total solution. It may come out in phases. So would
21 you recommend a total small business set-aside for
22 both a purchasing channel and for the representative
23 channel or one or the other? Or what are your
24 thoughts?

25 AUDIENCE MEMBER 64: I guess I'd want to

1 hear from more people here, but, I mean, we applaud
2 every effort you've made so far, you know, to add more
3 small businesses to this, and 72 percent is a pretty
4 good number.

5 MR. WOODSIDE: Seventy-six.

6 AUDIENCE MEMBER 64: Seventy-six, I'm sorry.

7 I don't want to cut off those four. But is there a
8 way to make this a total small business package?
9 Again, having a couple pools, you have independents in
10 pool one going against each other for that and then
11 again another separate pool for the consortium model.

12 So everybody gets included because if you get that,
13 I'd say about 100 percent of our industry would be
14 able to participate in the government market from here
15 to eternity with those two solutions.

16 MR. WOODSIDE: I mean, it's an idea. I
17 guess I could throw this idea out too. Again, we want
18 to achieve the best possible prices. If we do not
19 allow large business to compete at all, will that
20 drive up price? And I don't know. I'm just asking
21 the question.

22 AUDIENCE MEMBER 65: Emily Murphy, Small
23 Business Committee. If you do this as an open market,
24 how could you legally not set it aside since you have
25 the Rule of Two apply?

1 MR. WOODSIDE: So that's something we're
2 looking at.

3 FEMALE VOICE: Yes.

4 MR. WOODSIDE: Any other questions about any
5 issues?

6 (No response.)

7 MR. WOODSIDE: Okay. Well, if that's it,
8 I'd like to really thank everybody. We actually went
9 over time. I was a little concerned we might not make
10 it to 12:30, so a very lively discussion. We'll be
11 talking more, like I said. I'm not sure how quickly
12 the transcript will be ready, but we will post the
13 transcript. We will post the PowerPoint slides and
14 the OS3 Interact. Please join that if you're not on
15 there already.

16 FEMALE VOICE: Interact.gsa.gov.

17 MR. WOODSIDE: And we will be having a
18 preproposal conference around the time we plan to
19 issue the solicitation.

20 Okay. Thank you, everybody, for attending
21 today.

22 (Whereupon, at 12:43 p.m., the industry day
23 in the above-entitled matter was concluded.)

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CERTIFICATE OF REPORTER

I, Michael McCann, hereby certify the attached transcript of 131 pages has been transcribed from a complete, true and accurate recording of the GSA/FSSI meeting held in New York City. I further certify this proceeding was recorded by me and that the transcript has been prepared using the digital audio and notes made during the titled matter.

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