GENERAL SERVICES ADMINISTRATION
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PROCUREMENT THROUGH COMMERCIAL E-COMMERCE PORTALS
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PUBLIC MEETING
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THURSDAY
JUNE 21, 2018
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The Panel met in the GSA Auditorium, 1800 F Street, NW, Washington, D.C., at 8:30 a.m.

PRESENT

ALLISON BRIGATI, Deputy Administrator, GSA
MATHEW BLUM, Associate Administrator,
  OMB/Office of Federal Procurement Policy
ALAN THOMAS, Commissioner,
  GSA/Federal Acquisition Service
JEFFREY KOSES, Senior Procurement Executive,
  GSA/Office of Government-wide Policy
MARK LEE, Assistant Commissioner,
  GSA/FAS Office of Policy and Compliance
LAURA STANTON, Assistant Commissioner,
  GSA/FAS Office of Enterprise

Strategy Management
ALSO PRESENT

MATTHEW CROMAR, Senior Director,
Product Ariba Spot Buy, SAP Ariba

BROCK LYLE, Senior General Counsel,
Overstock, LLC

STEVE NOYES, Senior Vice President, Global
Accounts and Public Sector Sales, Clover Imaging Group

RONALD PRUETT, JR., Chief Executive Officer,
DollarDays

ALEX SARIC, Chief Marketing Officer, iValua

JULIANNE ZUBER, Senior Director,
Federal Partners/Channels Lead,
Juniper Networks
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8:32 a.m.

MR. TODD: All right. Well, good morning, everybody. Welcome to the lovely GSA auditorium, and I want to thank everybody for joining us for the Second Industry Day for Section 846 of Commercial e-Commerce Portals. We're not going to do too much here in terms of me talking. I'm just facilitating.

My name is Keil Todd. I'm in the Office of Enterprise Strategy Management. I work for Laura Stanton here, who is the Executive Lead for GSA on the Section 846 initiative.

A few logistical informations. The restrooms are out the back here to the right and then another right. You all came in the entrance here so the exit is in the same location.

Beyond that, I think we're going to jump right in. We've got a very packed agenda. If you haven't picked up one of those, they're out front. And you can see what we've got with the two panels lined up.
So what I'm going to do, we've got four opening speakers lined up. And what I'd like to do is introduce our Deputy Administrator, Allison Brigati, to give the first opening remarks and then we'll go on from there. So, Allison.

MS. BRIGATI: I'm very short. Good morning. Thank you all for being here. I'm excited to welcome you here today at GSA and more excited to continue this important and ongoing dialogue about the work we are doing to establish a process for the government to purchase through e-Commerce portals.

I want to do two things this morning. Give you an update on our progress since our January Industry Day and double down on Administrator Murphy's sentiment from January that GSA is committed to this being an open and transparent process.

In mid-March, GSA and the Office of Management and Budget finalized our implementation plan for e-commerce portals and
submitted the plan to Congress.

   The plan contained four legislative recommendations, which I will let others get into in deeper dive on later this morning, but I would note that the House version of the fiscal year 2019 Defense Bill includes two of those recommendations.

   Submitting the plan to Congress satisfies phase one of Section 846 and moved us into phase two, market analysis and consultation, which will end March 2019.

   The feedback that we gathered from industry, from agencies and from other stakeholders, beginning with our January Industry Day was incredibly helpful in developing this implementation plan.

   In receiving that feedback, we have heard, number one, our customers want to help the acquisition workforce shift to higher value add, mission-oriented work.

   Number two, it takes too long and involves too many layers of approval to buy
routine commercial items.

And number three, when GSA best utilizes our trained acquisition specialists, we are able to better carry out our important role in helping our other agencies achieve their critical missions.

As we move through this current phase and build toward actual implementation, I can't stress enough how important continued feedback and open dialogue is to GSA. This dialogue will help inform our research and decision-making and ensure we strike the right balance between regulation and compliance.

We know, and this administration recognizes that whenever we make it easier for our partners at other agencies to obtain products and services faster and at a better value, we improve the efficiency and effectiveness of government.

One of the really exciting things about working at GSA is the multiplier effect we can have on value creation through our unique
role in mission support.

Successful implementation of this program will enhance GSA's role as a mission enabler and provide an opportunity to help transform the way GSA and the acquisition workforce do business, which is why we're working to roll out a proof of concept in 2019.

For government, this will not only free up resources, but will also allow our federal workforce to shift from low value administrative work to higher value mission centric work.

For industry, it means streamline processes for providing solutions to government. This will help reduce administrative burden, allow for broader access to the federal marketplace for small businesses and non-traditional new-to-government suppliers and result in a faster return on investment for our vendors.

Thank you for being here today. We are excited to work together on this important
and transformative initiative.

(Applause.)

MR. TODD: Thank you very much, Allison. Next up we have Alan Thomas with the Federal Acquisition Service. He's our Commissioner. Alan Thomas.

MR. THOMAS: Jeff, can you hear me? You can hear me okay? Even by the noisy open door with all the kids in the hallway? Yes?

So, yes. I'll depart from the mic then. So good morning, everybody. We picked the longest day of the year to do this event. Perhaps it's fitting. For those of you in the know, I think the day is going to get even longer, but we shall see what the afternoon holds.

So I want to say thanks to the team that's really been leading this and putting this all together. So Laura Stanton, Jeff Koses, who is the senior procurement executive here at GSA, Mark Lee, who runs our policy and compliance office within the Federal Acquisition Service,
and, of course, Mathew Blum from OMB, right?

Those four, if they were all men, I would call them Four Horsemen, right, of the portal, but they're not, right? We have Laura in the lead. And their teams have really been shepherding this process. And it's been great so far. So thanks for all the work that you all have done.

We have not operated in a vacuum. So we had an Industry Day back in January. And we had a pretty open and transparent process throughout. And, you know, we're continuing in that spirit, right?

So we've got our second Industry Day here so we're out listening to people. And we think that's really a key component of what we're doing here in phase two.

This, I think, is where the real hard work begins, right? We've kind of outlined principles and priorities and talked about some legislative things we want to do, one.

But two is where we're going to start
to get down to brass tacks. So while I think the Industry Day on January 9 was interesting, I am expecting there will be some more fireworks in a good way in this one. We'll see. We'll see if you take care of that for me.

So some of you have heard me talk before about some priorities that I have for the Federal Acquisition Service. So I've been talking about making FAS easier to work with, helping us drive government-wide efficiency through some of the shared services that we deliver in the context of GSA's overall mission support mission. And also talking about FAS as an enabler of IT government-wide, IT modernization.

So those priorities are things that I developed really after going out and doing a listening tour. I went out and talked to all the regions when I first got here. And I also talked to everybody in the central office. And then I met with a bunch of folks in industry and I've kind of had an open door every Friday. I do
industry meetings, talking about external
stakeholders. And that, for me, does all sort of
coaalesce into those three priorities.

So I'm coming up on a year on the job
next week. I'll hit that mark so that's pretty
good. Every once in a while, you know, I sit
down at the dinner table and my kids will say,
are you in danger of getting fired this week?
And I say, no, not yet, right? So we'll see.
We'll see if I get maybe to the two year point.

So if you think about easy, efficient
and modern, the commercial platform initiative
really hits on all three of those, right? The
goal is to make the buying experience for our
federal customers easier, much like the
experience in their personal lives.

There is an efficiency component to
this, and we're trying to get some of those
smaller dollar value transactions, simpler
transactions off the plate of our highly trained
contracting officers and through the portal so
there's an efficiency component there and there's
obviously a modernization component as well in terms of using, you know, meaningful commercial practices in terms of how things are bought and the technology we use to do that.

But I wanted to put what we're doing here, what we're talking about here today in the context of some larger policy process and some technology initiatives that we have to really improve the entire federal market and how it is to do business in the market or that marketplace.

So you know about the platform. There are four legislative proposals that the team has been working on.

Probably the one that everyone knows well or knows the best is the idea of raising the micro-purchase threshold to $25,000. There will be lots to trim off the top and questions about those latest proposals today. So I'm not going to go into a lot of detail there.

There are a couple of regulatory proposals that we've made in the policy arena that I think are important to highlight. The one
is around Order Level Materials, or OLMs. I knew these when I was in the industry as ODCs, or Other Direct Costs. But there's apparently a full-time acronym team here at GSA. That's not true, right, but I bet I could get some people to do that.

So this is important, right? It introduces some flexibility into the multiple awards schedules program, creates parity with some other IDIQs that are out there in government.

We think it's going to reduce duplication. It should reduce open market purchases. I think it makes it a little easier for contracting officers to get their job done.

It helps buyers buy a solution the way they want to, and it helps industry sell the way they want to. So we think that makes a lot of sense. And we're hoping that it leads to more business on schedule.

The other regulatory change that's taken effect this summer -- I think the rule was
out in maybe February or something, right, that
we can kind of work on limitation -- is around
commercial supplier agreements.

So, you know, this is the idea.

You've got things like sort of commercial items
and terms and things like end user licenses that
the government can't necessarily accept those
terms.

So we've put a rule out to really
streamline the negotiation process, take the
things that are just not acceptable to the
government off the table and really get, you
know, get focused on negotiating on the terms
that they can actually negotiate. This reduces
risk for the government. I think it's going to
speed the negotiation process also.

If you want to go into detail on
either of these topics, I would tell you to
buttonhole one of these three gentlemen right
here in the front row during the breaks and they
can talk in some detail about that.

So a couple other policy improvements
that are pending that are in our legislative packet before Congress that are of note, but I'm not going to talk about them in any detail.

One is the removal of the best interest determination. So we think this is something that will help reduce barriers to access in order to place and really help industry to save on their bid proposal costs and create more competition in the task order levels and give priority to the administrator.

And the other one that's in our package is around unpriced labor categories. Once again, so that, allowed GSA to focus on technical qualifications at the contract level and then really put competition where it belongs, which is at the task order level.

So those are a couple things in our leg package that we're hoping to get approved. So let's talk about some process changes.

So we've got a team out looking at performing the schedules program, really thinking about consolidating the program. Potentially
even having just a single contract per supplier
on the schedules program.

So we think that makes some sense.
That reduces the burden on industry. There are
many companies who are managing multiple
schedules, dealing with different contracting
officers and there are consistency issues there.

We think it makes it a little bit
easier for customers to know where to buy.
Sometimes customers, you know, will ask, well,
what schedule should I choose? And in some way
that's kind of an artificial construct that we
put in place that makes it difficult.

So we're having this debate internally
about contact center solutions, right. And is
that professional services or IT, right? And the
answer is both. Well, what schedule should I buy
it on or what vehicle should I buy it on?

Industry sells it as both and
customers buy it as both. You take away the
technology and the agents aren't very effective.
And you take away the agents and all you've got
is technology. Or maybe you can get rid of the
agents someday, right, but we're not quite there
yet.

We think this also will help eliminate
duplication of SIMs, which I think has called
some consternation among industry and perhaps a
little bit of confusion with customers also just
for standardized terms and conditions across the
program.

So in the process area, a couple of
other items to mention. These are both pilots.
And I think a key thing for this group to take
away is pilots are part of how we do business
here at GSA, part of our strategy, right?

So they let us learn, they let us take
a little bit of risk and spend a little bit of
money and then get some feedback and take this
kind of test and learn approach. I think you're
going to see the same sort of thing with respect
to what we're doing on the e-commerce portals.

So a couple pilots. The first pilot
is called INFORM. It's In-depth Feedback Through
Open Reporting Methods. And there's that acronym team again, hard at work, right? I kind of like it though.

The idea is simple, right? So improved post-award communication with offerors to give them access to unredacted information in terms of the feedback from the government to try and give them some in-person feedback, whether it's an answer in writing but also to do an oral feedback session and to allow industry to ask questions.

The bottom line is we want people to put together a really good proposal. We want a pool of highly qualified vendors to create competition and kind of be more open in terms of feedback and debriefings makes a lot of sense.

The other pilot is called GSA First. So this is where we are trying this out just on ourselves, not subjecting any other agency at this time. We'll see how it goes for us.

GSA First is the idea that we're going to take post-award information for RFQs that were
released on e-Buy and put that information out on Fed Design.

So that's a move designed to increase transparency. And we think it will give some folks in industry a little better look at, you know, what's going on in e-buy, potentially up some subcontracting opportunities. So we think, again, that, you know, is kind of in line with the administrator's priorities around the increasing transparency, improving competition, reducing duplication, all of those things.

All right, so last area. Let's talk a little technology. I talk a lot about systems, in particular the systems that we use in GSA and Federal Acquisition Service to serve our customers.

You know, we touch $50 billion in goods and services every year from 20,000 industry partners. And almost every agency in the government uses GSA to some extent. So there are four areas that we're focusing on here in terms of modernization.
The commercial platform fits nicely into these areas so one is how we write and modify our contracts. One is how customers place orders against those contracts. One is how industry shares catalog information with us. And then the last one is how we manage the assets in our fleet from personal property survey.

So those four areas are really the focus of our internal modernization efforts within the Federal Acquisition Service. I got an earful from employees when I worked for six months here, when I went around and talked to people, right?

And then the number one thing I heard from front line folks was, hey, the systems aren't working for us, right? And so my tag line on this is we need the quality of our systems to match the quality of our products.

So that's the goal there. It's a marathon, not a sprint. Again, if you don't start the race, you'll never finish. So we're going to start the race.
So let me close and say that you should be thinking about some good questions to ask the panels today. You should also have -- my wife is a Montessori teacher, actually -- to have your listening ears on, right? Because there are going to be some good ideas to share here.

And sometimes I think, you know, we're so focused on what we want to say that we don't always hear some of the good ideas that are out there. So have our listening ears on, too.

It's not your last chance. There will be more RFIs, right? There will always be more industry days. There will be lots of engagement. One thing this team has been great at is engaging with folks. So this isn't your last chance, but I think it's an important chance to shape the debate.

So with that, I just want to say thanks for showing up. Apparently there were several -- it's a good turnout. There were several people who were stuck in traffic and just decided to spend the night in the city and show
up at the Industry Day today, right.

So, again, thanks. And I hope you
guys have a very good day, a very productive day.
Thank you.

(Applause.)

MR. TODD: All right. Thanks, Alan.

Some great insights as to some of the things that
FAS folks are seeing at the moment.

So our third speaker is Mathew Blum,
Associate Administrator over at Office of Federal
Procurement Policy. Mathew.

MR. BLUM: Thanks, Keil. I think it
is fair to say that I am not as hip as Alan. So
I will go back to standing behind the podium.
And also, I'm from OMB so I probably need the
protection. Honesty and transparency are the key
themes today so I want to start early.

Before we drill down on some of the
key issues that you have raised for discussion
during this deep dive phase into why use of e-
commerce portals, I want to spend a few minutes
discussing how we're thinking about the top line
vision for how the use of these portals fits with our other work on buying COTS. And obviously, Alan has mentioned some of this already.

And like Allison and Alan, let me be quick to reiterate that we have much yet to learn and nothing I am about to say is intended to suggest that we have made any decision on the specific design of the program nor should anything I am about to say suggest that we don't want or need your input.

We absolutely do need your continuing thoughts -- we will have our ears on -- whether you are a portal provider, a new small business reseller, an established seller in this environment or any other interested stakeholder.

With that caveat, I think there are a couple of framing points that we can offer to help put this discussion into clearer perspective. And in a nutshell, I think the big picture vision goes something like this.

We need to breathe new life into open market buys, much as we have been doing in our
work over the past 25 years with pre-qualified
buys through agency and government-wide vehicles.

Now this notion that open market and
pre-qualified buying strategies live in the same
procurement ecosystem is not new or a radical
concept. In fact, it is probably as old as our
acquisition system. Many of us refer to this as
the toolbox model or the toolkit model.

This model presumes that the workforce
faces many different buying situations and is
best off when it has multiple tools, prequalified
and open market to leverage the best buying
strategy in any given situation.

And if you look at 846 in this light,
it is simply recognizing that we need to be
better and use more modern ways to conduct open
market buys so that we can pursue them in an
efficient and effective way when they make sense.

So how is it that the maturity and
sophistication of our pre-qualified buying
strategies for COTS advanced so much more rapidly
than it did for open market buying tools? What
has caused this disparity?

   Well, to answer this question, I think we need to take the short trip back to the last century, well, at least to the early 1990s. And many in this room were on this journey as I was.

   And as you know, there was considerable frustration over the challenges that the government had in keeping up with technological change and the need for tools that could provide this much needed agility.

   This frustration was chronicled in the now storied report "Computer Chaos" authored by the Honorable Senator Cohen. The legislative and administrative response to this report largely focused, as you know, on creating simpler and streamlined buying tools.

   And you know them, the creation of the micro-purchase threshold, a new simplified acquisition threshold that was four times the old small purchase threshold at the time, and simplified acquisition procedures for buying commercial items.
These are all important tools. But I think with the exception of the micro-purchase authority, they were in many ways overshadowed, at least in dollar-wise, by a well-documented evolution in the very nature, the very way in which we use competition in the federal marketplace.

And this evolution saw us move from a model that centered around rigorous one-off winner take all actions that were often complex and slow to the granting of hunting licenses to compete against other pre-qualified buyers in highly streamlined competitions based on the notion and the principle of a fair opportunity to be considered.

This new model was made possible by the new tools authorized by FASA and the Clinger-Cohen, including multiple award contracts, GWACs and multi-agency contracts.

And as we sit in these hallowed halls of GSA, we can't forget or underscore enough how this agency completely transformed the schedules
program in the 1990s authorizing the purchase of services, eliminating the limitations on the size of orders, creating flexible tools such as BPAs and being at the forefront of technology with GSA advantage and e-buy, all of which contributed to the growth of the schedules from roughly 4 percent of total federal spending in the early 1990s before we started this journey to roughly 10 percent just a decade later.

And there's no question that our taxpayers have reaped many benefits from this new and more sophisticated emphasis on interagency contracting, and we are not suggesting in any way today any sort of retreat from these important achievements. We must ensure that the benefits of collaborative buying continue in the years to come.

With that said, there is also good reason to have open market tools that are efficient and effective in getting us timely and broad access to the market. And you know these reasons, right?
Open market purchases provide an important pathway into the federal marketplace, allowing us to grow and maintain a strong industrial base both by bringing in new entrants and helping existing small businesses to gain experience.

And, as good as many of our agency-wide and government-wide solutions are, they are not one size fits all. There will always be occasions when open market is going to get us a better deal or be better under the circumstances.

So to help transform these open market purchases, our phase one implementation plan, as you know, included proposed legislation -- Alan and Allison both mentioned it -- that among other things would provide two flexibilities under the program.

One is to empower GSA to re-think how agencies use competition under the simplified acquisitions threshold. And the second is to raise the micro-purchase threshold to $25,000.

Now some have been asking, and I'm
sure these conversations will come up today, that these efforts to strengthen open market purchasing are in conflict with category management. And others have seized on the micro-purchase proposal suggesting that it could be risky to give our buyers the discretion to choose who gets considered for buys up to $25,000.

Now, we are going to be diving more deeply into both of these and other issues in just a minute or two, but let me just offer some quick top line thoughts.

So with respect to the first question of whether Section 846 and category management can be harmonized, we think the answer is yes. Category management at its core is about being more informed about the product market in which you are buying, managing all of the spend in the category.

We see 846 as consistent with this simple, overarching principle. It is challenging us to use 21st Century technologies to improve data visibility about open market activity. You
can't effectively manage what you can't see.

And so those of you that understand
the category management speak of tier 0 are
thinking but wasn't all of the unmanaged spend,
all of these one-off open market purchases, isn't
that what we're moving away from?

Well, the simple answer is if you
don't have the tools to see what buying trends
are occurring in that space, you can't manage it.
If you do, it can be a different situation.

Visibility will allow us to be
strategic rather than tactical in our local open
market buying just as we've been looking to do
with our agency and government-wide buying
efforts.

We simply, and you know this, we
simply can't anticipate every situation that
every member of the workforce is going to face in
the heartlands across the country.

With this information about the market
in which they are buying, agency buyers should be
able to figure out in a more thoughtful way when
spot buying might get us a better deal for particular types of requirements or under specific circumstances.

Put another way, they will be better equipped to strike the best balance in their use of government, agency-wide and local solutions to leverage the government's buying power while simultaneously maintaining meaningful opportunities to contract with low performing small business resellers and bring new entrants.

And also, let's not forget the significant administrative savings even on open market purchases when it's done in a simplified and streamlined manner. And while we're talking about history, I was looking back in my files, and some of you that know me know I have lots of paper files, unfortunately, but I found an interesting report relevant to today's conversation.

In debating the merits of increasing the small purchase threshold from $2,500 to $10,000, this debate going on in 1971, you can
find references to a JO report and other witness statements and Congressional hearings citing to savings from anywhere from $30 to $100 million to DoD alone. So just imagine what this figure would be in today's dollars with the efficiencies of modern technology added on.

Now with respect to the second concern, raising the micro-purchase threshold feels risky because it would give buyers unprecedented discretion to choose who gets considered.

In fact, we don't see this as actually being unprecedented at all. For more than two decades, and I think actually a fair amount longer for our colleagues at DoD, the agencies have been empowered to shape competitions to purchases of $25,000 by going through their Rolodexes, calling to vendors for price quotes and issuing a purchase order to the winner.

Some might argue that the failure to update our, if you will, three phone calls policy is risky or at least suboptimal when we have the
ability to bring the disruptive powers of the internet to bear through commercial portals to create a level of access to the market that a buyer in 1993 simply couldn't imagine with his or her Rolodex.

In short, we think the power to this power can be transformative if coupled with the right ordering procedures that make sure our cardholders are undertaking smart comparative shopping.

Now transforming small dollar COTS purchases isn't going to occur overnight. And there is much more to be done, which is why Congress called for a phased implementation process and why we have embraced this approach with a proof of concept before jumping in full force.

We must start small, study results and make adjustments based on what we've learned. And, as good stewards, we must also consider how what we want from this proof of concept, including process simplification, might be
applied to strengthen our other tools and resources, including the schedules.

It's important, though, that we have this opportunity to revise some of our important acquisition reform principles associated with commercial item acquisitions that have waned over the years in the opinion of the 809 panel and other stakeholders in our community.

So when OMB transmitted the phase one implementation plan to Congress, we said our actions would be shaped by three guiding principles, leveraged modern technology, use data as an asset and ensure the workforce has the tools it needs to consistently deliver the outcomes to the taxpayer.

These very same three principles lie at the foundation of the PMA, the President's Management Agenda, and its vision for enabling the government to deliver mission, provide excellent service and effectively steward our taxpayer dollars.

Now as I said at the outset, and I
hope I stuck to that, none of my comments are
intending to apply that any decisions have been
made in how we structure the program. But I
hope we can at least agree that there is a clear
case, a clear mandate to be made for modernizing
our open market purchasing for small dollar COTS
buys and that Section 846 is an important
inflection point.

I look forward to today's
conversation. Thanks very much.

(Applause.)

MR. TODD: All right. Thank you very
much, Mathew. So last, but not least, we have
Laura Stanton with the Office of Enterprise
Strategy Management and the lead on the 846
initiative. Laura. Watch yourself.

MS. STANTON: Yes, thank you.

MR. TODD: We have a nice snare here.

MS. STANTON: I know. For those who
can't actually see, there is a cord that you have
to carefully navigate underneath the podium that
hopefully doesn't take anybody out by the end of
the day.

But, good morning. I want to thank Allison, Alan and Mathew for really taking the time to kick this off and send some of the key messages that we want to share today.

And Mathew's overview in putting Section 846 within the context of the broader acquisition landscape and historical acquisition reform seemed like a very good way to position today's discussion as we begin to go deeper into some of the themes that we've been hearing about from the last RFI that we've identified and we've heard feedback on as we've moved forward with the legislative proposals.

So I really appreciate Mathew taking the time and putting all of that history and bringing it together in a way that's understandable and puts this within context.

So I'm also happy to see all of you here today. I recognize a number of you from the conversations that we've had an opportunity to have over the last few months. Some of you I am
looking forward to meeting for the first time.

But that's really the theme of the morning is we want to be able to take this and continue the dialogue that we started back in January. We had the RFI back in January.

And since then, we've continued to have a number of one-on-one meetings, other industry forums, not hosted by GSA but that we've had the opportunity to take part in and really share the message and share the thinking. And that's part of what we want to continue on.

You've heard the commitment from Allison. You've heard it from Alan. You've heard it from Mathew. You'll hear it from me as well that we want to have an open and transparent dialogue.

And I think by the end of the morning, I'm expecting that you will all know, if you don't already, that we have two requests for information out on the street as well.

The bottom line is, and the reason we're asking for the dialogue is because, as
Mathew pointed out, we don't know all the answers.

GSA doesn't know all the answers. OMB doesn't know all the answers. There's been changes in technology, and there's been movement forward in this space that we need to understand in order to bring the government closer to a commercial buying practice.

And, as I said, we have released the two RFIs. I want to address those quickly. One is for the suppliers and the second is for the portal providers.

Each one is focused on a series of questions that we feel are critical to our understanding to be able to design the proof of concept and to be able to design the overall Section 846 program.

We also anticipate hosting another Industry Day in the fall after we've had a chance to digest all of the information that you're going to be giving us over the summer and be able to begin to share some of our further thinking on
program design at that point.

And so I open the invitation and hope, expect, need all of you to be participating in those opportunities to be able to give us that information.

So I wanted to step back, though. Mathew did a great job of framing the acquisition landscape. I want to just step back and begin to frame exactly what Section 846 said in the legislation so that as we go into today, which is thinking about some of the key things and some of the key aspects of it as we move forward.

First of all, GSA is charged with establishing multiple contracts for electronic commerce portal providers. This is direct language out of the legislation.

GSA has to consider portals that are widely used in the private sector and that provides features such as supplier and product reviews, invoicing, payments and customer service.

The program would be implemented in
phases over several years, allowing the
government to consider issues such as data
security, supply chain risk and cybersecurity
threats, all which we've seen as key themes not
only for this program but across the government
generally.

And GSA is asked to accept portal
provider terms and conditions where possible, but
should be judicious in asking for exemptions from
existing rules and regulations.

That's one of the reasons, that
language, right there is the reason that we keep
coming back and saying, what is the standard
commercial practice? How do you -- as a portal
provider, what are you expecting your suppliers
to do? And as a supplier, how do you engage
today with e-marketplaces and portal providers
outside the business that you do with government?

So hearing these items based on the
legislation, I want to highlight a couple of
principles that we've had in place since the
onset of this project, which is we want to
modernize the commercial product buying experience.

It goes exactly along with how Mathew framed it. Simplify and streamline the COTS item purchasing to allow agencies time to focus on their mission-oriented activities.

The agencies want to be able to focus their acquisition workforces not on the buying of what should be a straightforward commercial item purchase, but they want to be able to focus them on the complex services acquisitions that they need to have to deliver their missions.

And the increased transparency into the COTS items spend to allow for better buying decisions. This is very consistent with the category management theme that in a lot of that open market spend today we have minimal visibility into what's happening there. And this begins to move us into gathering the data and increasing the transparency.

So both Alan and Allison mentioned the four recommendations that were set forward as
part of the phase one plan. These recommendations have generally been favorably received. And we're looking forward to seeing the FY19 NDAA passed.

So we're now into phase two. And so for phase two, what we're really looking at and what we're required to do is to define the in-scope products. Solicit industry input on the relevant terms and conditions that reflect the current commercial buying practices, engage agency partners for their feedback and their unique needs and supply chain concerns, understand the cyber safeguards that need to be in place to protect our data and assess the impacts to existing program.

And that's why we're here today. For those of you who have looked at the RFIs, you will realize that those are very consistent with the questions that we're asking in those documents as well.

Our goals today are twofold. One is we've received and heard quite a bit of feedback
over the last few months since our last report.
And what we want to do is provide additional
feedback on our thinking and really give you a
program update and some observations from GSA and
OMB.

And second, we want to be able to hear
from the commercial e-commerce providers to learn
more about how the commercial practices are in
use today, the standard terms and conditions that
exist and their thoughts on what a proof of
concept might look like.

I'd like to take a few minutes to just
highlight a few key points based on our dialogue
and research.

So competitiveness in the acquisition
model to include multiple providers is a key
tenet to our path going forward. You'll hear
that again throughout the morning. An ordering
environment that is competitive, simple and
flexible helps us move closer to a modernized
COTS buying experience. And utilizing common
commercial practices with the public policy
considerations starts to create a shopping experience that is more on par with today's consumer experience.

And that's one of the things that we're looking at. And as we're talking more and more with the e-commerce providers, that what even the B2B providers are expecting is that you actually are getting a consumer experience when you begin clicking.

So looking ahead with the phase two market research in hand, we're aiming to test a proof of concept towards the end of 2019. Our goal with that proof of concept is to actively engage with a few agencies and have them participate at the increased market purchase threshold of $25,000 with their purchase card and defined ordering procedures.

This will serve as an opportunity to test broad acquisition reform concepts in the controlled and structured environment. And the proof of concept closely aligns with the fast way of doing business as Alan already described with
the existing proofs of concept that we have ongoing.

So we anticipate that we have an exciting opportunity to transform how we are purchasing items. And we want to be able to work with you to make that happen.

And so we recognize that there is a lot of hard work ahead. There is a lot of decisions to be made. What we're positioning ourselves for is to be able to have all of the information or as much of the information as we can in order to make those decisions within the right context.

So with that, I want to launch into our first panel. We're going into a deep dive into the program updates and observations. We're going to touch on a few key topics, the micro-purchase increase, the GSA's intent to have competitive multiple award acquisitions, the type of competitive commercial e-commerce portals and the small business impacts.

So the panel will address these topics
and then we'll be opening it up to questions from
the audience. So with that, they've already
gotten a couple introductions, but I will now
invite them up onstage formally.

Jeff Koses, GSA's Senior Procurement
Executive, Mark Lee, the Assistant Commissioner
for the FAS Office of Policy and Compliance and
Mathew Blum, the Associate Administrator for the
Federal Procurement Policy at OMB. So thank you.
And we're excited to be here with you guys as
well.

(Applause.)

MR. TODD: You'll need to turn that
mic on.

MS. STANTON: Do we need to turn it
on? All right. Thank you, everybody. So with
that, we wanted to launch into a discussion of
how GSA selected the $25,000 micro-purchase
increase threshold. And so I will hand it over
to Mathew to start with that address.

MR. BLUM: I know folks already heard
from me so I'll be very brief and turn it over
quickly to Mark and Jeff to flesh this out.

But to just recap what I think I said a moment ago, you know, we view the threshold, this $25,000 as actually not being something revolutionary and that we already have a threshold that's long been our regulation, the three phone calls, which empowers contracting officers to call three vendors and essentially shape competition.

And before the purchase card and acquisition reform of the 1990s, I think that this rule was probably considered amongst the most powerful tools in the toolkit for contracting officers for making quick and simple competitive buys of commercial items on the open market.

And while I didn't research this for today's session, I just seem to recall from my own memory that when they were debating FASA there were a number of folks as they were thinking about the simplified acquisition threshold that wanted to give contracting
officers the ability to do the three phone calls approach up to $100,000 or at least above the $25,000 where it's been.

And as I mentioned, 846 gives us the opportunity to modernize this rule and bring it into the 21st Century. And with the powers of the internet an effective portal access at their fingertips, I think that vendors will have a level of access to the market that a buyer couldn't see through their Rolodex.

Now one point that I would add on here and I think is important and welcome my colleagues to elaborate on is that we need to develop appropriate procedures to make sure that cardholders are doing smart, competitive shopping.

So we, I think, need to reconsider some of the longstanding assumptions that have been made traditionally with the micro-purchase and the purchase card program such as that it's too complicated to impose any sort of requirements to consider multiple sources.
I think in this modern day of disruptive technology where nobody goes on the internet and just picks the very first item that they see, we don't think it's unreasonable as a basic principle to expect our cardholders to do some type of smart comparative shopping.

Now it's going to take a fair amount of thought to figure out what that looks like, but I think the key message here is that, you know, we understand if we do this we need to think hard about what those rules are for the cardholders.

MR. LEE: Very well. Thank you, Mathew. I'm going to talk a little bit. I think there's some common misconceptions around the proposal to increase the micro-purchase thresholds so I'm going to take an opportunity to clear some of those up.

One, it's not at an across the board increase of the micro-purchase threshold, but it really only applies to purchases that would be through a GSA approved commercial e-commerce
portal. So I think that's a key distinction that would only be through the approved portals that we enter into agreements with.

It does not apply to other government owned portals such as GSA Advantage! or FedMall. However, we do believe through a proof of concept that this will set the stage for further reform the commercial item buying, and you're seeing a return towards trying to conduct acquisitions more in a commercial manner. And we're seeing that through the National Defense Authorization Act. We're seeing that through the Section 809 panel, and we're seeing that as a broader community.

I think also we wanted to put in context that the increase of the micro-purchase threshold to $25,000 keeps some of the existing regulations while offsetting our treaty obligations. So that's an important factor that went into the threshold increase proposal.

Transparency in the DITA will also provide an impact, so you see some very carefully
crafted in the RFI around DITA. You're seeing some of that information. We're asking for things like does the key provide country of origin information? So those were very carefully crafted.

It's really important that we talk a lot about the proof of concept. But the increase of the micro-purchase threshold will really enable us to move quickly towards a proof of concept, offer improved visibility into that spend and allows for us to scale a program in a forward manner and work towards creating a dynamic and competitive environment.

So we heard a lot from the first Industry Day and folks encouraged us to say, hey, move fast and learn. And we definitely very much listened to that feedback and that really factored into the increase in the micro-purchase threshold.

So we're looking to test this proof of concept, I believe, in 2019. We'll be creating lessons learned and those lessons learned will
enable to inform us of how we scale this program
between $25,000 and up to the simplified
acquisition threshold of 250.

There's a misconception that we have
plans that increase the micro-purchase threshold
up to the simplified acquisition threshold. And
let me be clear about that that we have no such
intention at this time.

We were looking to identify those
rules and regulations that should be applied
based on your feedback and looking at the terms
and conditions that represent current commercial
practices.

We felt part of the increase was very
important to have incentives designed around the
program. By increasing the micro-purchase
threshold, it provides an incentive both for
agencies to participate in the program, but also
for portal providers to come in there. It will
give us an opportunity to attract people into the
program, to increase visibility, reduce the cost
of compliance, streamline and ensure that we have
a program where we're actively seeing participation.

GSA anticipates that not all product categories will be included in the base program and that we will be working with you through this phase two process to identify those categories.

So we will also be looking to test this out at only a few agencies. So we will be limiting the categories and we will also be limiting the number of agencies.

So when you really put that together, we're really putting together a manageable proof of concept where we're going to be able to test this out in a controlled environment, learn from it and move forward.

Lastly, you've heard a lot about reducing administrative costs, gaining speed and achieving efficiency. You've heard from Mathew that this is not a new concept, that it's been employed in our acquisition history to achieve these reforms. And we really see that now is the time to seize upon technology as a disruptor in
the marketplace to help facilitate this at this point in time.

It should be able to -- these transactions can be conducted by program officials and free up our scarce contracting resources to work on higher complexity acquisitions.

And if you really look at this at this point in time and what's happening in the commercial world is a lot of business-to-business is operating in this space. We're hearing that more and more.

So technology is disrupting our traditional models. And in some ways this where we, in terms of the market, are going. With that, I'll turn is over to Jeff Koses.

MR. KOSES: So Mathew did a really terrific job setting the stage for the big picture when he took you back to the 1990s and to some of the reasons behind the last major wave of acquisition reform.

At that point, we saw significant
simplification. We saw a focus on building much simpler rules to proceed to buy basic cost type items. We saw the extension of the simplified acquisition procedures. We saw a very clean FAR Part 12. And we have a limited number of processes that applied.

Over the last several years, we then saw the potential to start swinging away from acquisition reform, so more and more towards a compliance regime, towards a very complicated system.

But as pendulums do, it has started to return. Once again we are seeing that opening to acquisition reform and this to us that major moment.

You heard Alan speak a little bit on some of these other things that we've been doing to try and promote legislative initiatives to simplify the buying experience, to eliminate a number of requirements. And we've been very fortunate in getting a number of those provisions introduced into the National Defense
Authorization Act this year.

We very much see the 846 in those lights. Some might criticize that is this creating a second set of rules, parallel rules with a more complex set of rules when you're not using that 846.

From our role in supporting FEMA in responding to our national disaster from many of the other missions GSA takes on, we are aware of that. We recognize that that is a very fair and very real challenge that potentially we would have a different set of rules.

We also are strong proponents of innovation of using our proofs of concept, of using pilots to try and build that test bed to prove the importance, to improve the value of acquisition reform to be able to articulate, to argue, to continue to push forward, promoting that simplification.

So we don't see these simple rules that we've proposed through 846, through raising the micro-purchase threshold as a long-term
attempt to create a second world. We see it as a
means of testing and proving the opportunity for
simplification in acquisition.

We've had a number of opportunities to
meet with Hill staffers to explain our thinking
to talk out some of the issues. And they are
fully aware and understand our views on that
topic and are both cautioning us to not only move
slowly and carefully, but also to innovate, to
try these things out and to proceed with indeed
their potential, as I think Mathew put it a few
moments ago, to concentrate on the open markets
side of the equation, with the creativity, with
the ingenuity that was applied when we dealt with
much of the reform, leading to the explosive
growths of schedules, to the establishment of
GWACs, to the IBIQ contracting world.

Mathew also, I think, pointed out that
the nature of a micro-purchase going forward is
not what it has been in the past. You know,
historically, people tend to think of micro-
purchase as there's no competition. There's no
competitive procedures.

    Well, today, we're going to talk a lot about competition because competition is absolutely essential in every way to understanding how this program is going to work, what it means, where we're going with it.

    So when we talk and think about how people buy from an online portal, that means that there does have to be a set of ordering procedures that will be created that's part of our vision.

    Do we know exactly what those procedures are to date? No. You know, that's part of why we're having the dialogue. That's part of why we have the conversations. But we've recognized that there needs to be the creation or the set of ordering procedures to ensure continual competition through the life of this program.

    We see this having a very profound effect with GSA SmartPay. And we've had the SmartPay team engaged with us, thinking through,
sorting through these issues trying to figure out how do we reach back to the cardholders, to the approving officials, to the training guides, to the implementation.

As agencies move into the next generation of SmartPay, how are we going to be working with all of the different folks involved in managing the SmartPay program as we start moving towards standing up the proofs of concept? How are we rethinking the nature of what a micro-purchase is in a world of electronic commerce?

So part of the dialogue that we expect to continue in future months is working with the agencies. And as you heard a few moments ago, not every agency will be part of the proof of concept.

I expect it will be a limited set of agencies, even though there are probably components within agencies where there's going to be some real focus on competition where there's the understanding that this is a fundamental change for the cardholders where, as we'll get
into in a few minutes, it's about harvesting and using that data. And it's about really setting the stage to make a meaningful acquisition reform stick in this lane and then expand across the rest of how we approach our commercial items in concept specifically.

And with that, back to Laura.

MS. STANTON: Great. Thank you, Mark and Jeff, on this one. And Mathew for kicking it off.

We've heard quite a bit of feedback on the micro-purchase. That's been probably the number one conversation that we've had so we wanted to take an opportunity to explain some of our thinking around it.

The next point of feedback, and just to reiterate, everybody in the audience will have an opportunity to ask questions after we get through sort of the first four topics that we wanted to address and then we'll be coming around with microphones.

I also didn't mention we actually have
a virtual component. So that's one of the reasons why we want to have the microphones so that everyone can be heard for those on the phone.

The next topic that we've been hearing quite a bit about is there has been a misperception or at least there's been a lot of conversation over the number of portals and how does GSA intend to handle this acquisition? So as our senior procurement executive, Jeff seemed best suited to kick off that conversation.

MR. KOSES: Thanks, Laura. As I mentioned, to us this program is all about competition. I don't think you'd be surprised to know that we have been following this very closely since the very first introduction of the first version of this language.

The very first version quoted by John Thornbury talked about this as being one or more portal providers with a contract which could be awarded without competitive procedures.

GSA started commenting on that version
and our first comments have been all about
competition that we articulated that one, this
needs to be fully competitive and continually
competitive. That means that we want to actually
see competitive awards for multiple core
providers and that we want to maintain that
through the life of this.

That the program in our view simply
will not work if there's not meaningful
competition up front, if there's not meaningful
competition at the contract level and there's not
meaningful competition in the placing of orders
under that. So that is probably the most central
vision of anything that we're going to look at,
focus on or try and drive.

You know, so that's why we were really
very -- as we saw subsequent versions of the
legislation and as we -- and I know a number of
you also articulated in meeting with different
Hill staffers.

The 846 vision that was enacted, we
were very pleased to see reference to competition
in several ways. It talked about multiple contracts with multiple e-commerce portal providers. It talked about the importance of enhancing that competition with very strong, very consistent language that really emphasized on that point.

Our administrator, as many of you know, has a very strong acquisition background. And she also has publicly committed that this is going to be a competitive process. It's going to remain competitive.

So let me say this incredibly strongly and clearly now. If through solicitations, we receive offers, if we get to the point where there's only one acceptable offer, that tells us that something went wrong in the process.

We are not going to award if we end up with one acceptable offer. We will cancel that solicitation. We will take several steps back.

We will return to market research. We will re-examine the assumptions. We will go back out in a way that we end up with multiple awards
for multiple providers.

As we're moving forward, as we thinking about competition, we also have to start thinking about what are the right categories of products where we should begin this journey.

There are different legal requirements. There are different considerations. There are different degrees of risk. There are different degrees of concern around supply chain, around pre-market items.

So part of the dialogue that we're looking to move into is how do we pick the right set of products that helps us promote that continuous competition environment that we're seeking through this?

Some of the questions that you saw within the Request for Information focus on picking the right product mix, the right areas where we can gradually move in wisely and have that assurance that we're building a competitive atmosphere.

By the same token, as I said a few
moments ago, as we are meeting with agencies, as we are identifying, who are the right partner agencies to be involved in this, to part of this picture, we need to ensure that they share this focus on competition. That they're ready to work with their cardholders, with their ordering officials in a new way of doing business, in a way that emphasizes continual competition through the life of this program.

Laura, let me send that back to you.

MS. STANTON: Great. Thank you, Jeff. And the other aspect is Jeff is talking about competition in the acquisition world. And in order to get to that level of competition, we need to design, and this is where I am responsible, is designing a program that enables that competition.

It means doing the market research, stepping back and understanding how the agencies want to use this and aligning that with the information that we're receiving from you on the commercial terms and conditions.
So what we're going to be doing and what we are doing with this session and with the future sessions is going to be getting the information so that we can design a program that enables and brings in all of the competition and has the right sets of requirements and moves the government closer into that commercial buying practice that we've been talking about this morning.

So that's the commitment. So in 2019, what we're going to be doing, and through the rest of '18, is actually setting up that program to culminate in an acquisition that ultimately will give government purchase cardholders access to portals that will allow them to go out and use their purchase card to buy products on.

We have a lot of work to do between now and then. And much of that has been talked about. But I will spend a minute to reiterate it. It means that we have to identify the right agencies who are ready to move in that direction.

We have to identify the right sets of
products that both give us marketplace and e-
portal provider competition, but also then allow
for competition at the ordering level when
somebody is going in and you have a variety of
items that actually meet the need and not just
one item.

As Jeff mentioned, giving that the
orders themselves, giving the amount of price
transparency and e-commerce, we want to be able
to figure out how to leverage that most
effectively so that the buyer is actually facing
a simplified experience.

And they're going away, having
accomplished what's best for the government, but
also what makes the buyer happy as they go
through that. And that allows them the time and
the flexibility to then give the acquisition
workforce to step out of that and to be able to
deliver on the more complex service acquisitions.

And we haven't talked much about it,
but we have been doing considerable research into
what does the purchase cardholder do? What does
their customer journey look like? How do they leverage the portals to be able to make decisions?

So that goes back to the theme of program design that I hit on earlier. And because all of that is necessary in order to get the actual purchase cardholder the information they need in order to place the buy, which is where we begin to see this difference. The difference takes place when each of the cardholders goes out, uses these portals to make an open market purchase or to make a purchase, and we begin getting that data back that can be used. And that becomes almost that virtual cycle that Mathew was talking about in the larger context.

So with that, let me actually move on to the next question, which is what types of commercial e-commerce portals does GSA envision participating in this initiative?

And so one of the things that we're asking is to understand really where commercial
industry is with the capabilities that you currently have.

We recognize today that tens of thousands of businesses and many small businesses are doing business with e-marketplaces and through e-commerce providers.

And so what we want to be able to do is, as I talked about earlier, really moving forward with this model gives us the capability to align closer to commercial practices.

If we don't modernize our capabilities, and this once again goes back to Mathew's points, that we risk furthering the divide between the government and the commercial practices even further than they are today.

So in order to get to the market research that we're conducting to understand the various terms and conditions, we need that continuous engagement. And we also need -- we've been hearing the need for a level playing field. There's been some concerns expressed over the aspect of do we have portal providers who are
actually selling on the portals? And how does that work?

So we are listening to understand how does that work today? What our understanding is that is a commercial practice that seems to be one of the very standard commercial practices that's out there today. So we want to be able to better understand how that works and what, if any, how people are using that in the existing commercial environment.

With that, let me pass it over to Mark to go further into this.

MR. LEE: Yes. Absolutely. So we've been listening intently and one of the concerns that we've heard is that our portal providers are also being suppliers on the same platform. And this is a common practice in the commercial world. It's under the e-marketplace business model that we've identified in the phase one report.

Let me be clear, transparency, openness, fairness and competition are all
guiding principles to this effort. And we've
made a firm commitment to this. You've heard it
this morning, and we'll continue to do so.

In this space through market research,
it is really important for us to get a full
understanding of all the e-commerce business
models so that's whether that's e-commerce or
that's e-marketplace or whether that's e-
procurement.

We have carefully crafted questions
that are directed at portal providers but also
suppliers selling on commercial e-commerce
portals. Those get to questions around the use
of data, security and terms and conditions.

We recognize the power of having
access to the government spend data and see that
no single provider or supplier would have
unlimited or total access or ownership rights to
the government's spend data.

It's really important to note that the
Statute 846 calls out a host of data protections,
including that the providers must agree not to
sell or otherwise make available to any third-party any information pertaining to a product awarded by the federal government, agree not to use for pricing, marketing, competitive or other purposes any information related to a product from a third-party supplier featured on the commercial e-commerce portal or to the transaction of such a product.

Lastly, it's really important to note the key role that GSA is going to play in data. GSA will be the steward of the data across the government. We will play a key role in analyzing the data to help the government craft smarter buying strategies, foster compliance and deal with other important public policy considerations and protections.

MS. STANTON: Thank you, Mark. The final topic that we wanted to address as a panel before we begin opening up things for questions gets back to the small business and the socioeconomic community impacts.

And we feel that a number of small
businesses -- well, actually, we feel that this
initiative is small business friendly,
particularly in broadening the base of small
businesses able to compete and do business with
the government.

We know, and this is something that we
know anecdotally. We hear from the -- but we've
also seen the real numbers decline, which is
small businesses don't want to do business with
the government because they don't know how or
they don't have access to the resources to really
meet the government market and compete in it.

The regulations can be burdensome. I
think all of us can agree on that point. And
that the buying cycle can be very slow. It can
take a long cycle in order for the government to
complete the acquisition, award the contract and
then begin to actually place the orders. And
that becomes detrimental to a small business.

So what we've seen, and this steps
back to looking at how things are working in the
commercial world, that e-commerce has opened the
door for small businesses and lowered their cost of doing businesses.

Seventy-four percent of small businesses surveyed by SurePayroll in 2016 don't have an e-commerce enabled website of their own. So selling through a marketplace provides the small businesses with the tools and the opportunities that are unreachable to retailers who have fewer resources.

So it provides a secure site so they can conduct those transactions. And also often it has the payment mechanism, the shipping mechanism and other things like that. And it also gives them access to large well-established customer bases.

So the idea of using this and using Section 846 to bring more small businesses into the government is a key consideration that we're looking at.

We're also looking at one of the success metrics being how many new small businesses are beginning to do business with the
government as a result of being able to sell
through the Section 846 program in the
marketplaces that the government is doing
business with and have that GSA stamp of approval
on them.

And with that, let me pass it over to
Mathew.

MR. BLUM: Thanks. And I think you've
kind of captured it well, Laura. We've been
talking -- and I was mentioning earlier about how
we have, you know, done a lot of work in place, a
lot of attention, rightfully so, on our pre-
qualified and existing contracts.

One of the criticisms from the small
business community, one of the concerns has
always been, you know, the difficulty of getting
into the market and the fact that open market
purchasing hasn't been looked at in that regard,
and we've overlooked its importance in providing
an effective way to help small businesses get
into the market, especially those that lack the
resources to provide for these hunting licenses
and, you know, to build their footing as prime contractors as well as for us to reach new entrants.

Now, just to go back to Mark's comment as we think about the platforms that they're using, it is absolutely necessary that we understand any unintended consequences that may be inconsistent with basic principles of fairness and transparency.

But that said, before we curb or place conditions on the use of any particular commercial model beyond those that are currently called for in Section 846 or those that may be through refinements through the NDAA, it's really important that we need to understand what impact any kind of changes that we would impose on an existing commercial model may have on the small business sellers that use that model to reach their commercial customers.

I mean, Congress was very clear in saying that, you know, we need to meet contractors, companies where they are. And this
is certainly a principle that we've endorsed
pretty heartily over the years. It's not always
easily accomplished and there's always more that
we need to do in this regard.

But making contractors change their
business models to reach us is something that we
were admonished to avoid when possible. So we
need to really take that into account.

And I think the last point I'd make
here just to add on to what you were saying is
that to maximize opportunities for small
businesses on the e-commerce portals, we do need
to understand and work with commercial platform
providers to determine what opportunities exist
to increase the visibility of products sold by
small businesses.

And, by the way, for our other
important socioeconomic programs, a lot of the
discussion that we had during the last public
meeting with representatives from the AbilityOne
Program and I think we also wanted to look at
this as well with respect to federal prison
industries.

Having the data available will help the AbilityOne Program and people who conduct oversight to make sure that, you know, our workforces are meeting their responsibilities under those programs as well.

And so as we think about the ordering processes, to reiterate what Jeff had mentioned earlier, we do need to think about what adjustments might be appropriate to make sure that our cardholders are thinking about, you know, small businesses and what they can offer.

MR. KOSES: So let me we pick up just where Mathew left off. In the last public meeting, we had some very clear and important representation from the AbilityOne community. Off of the initial request for information, we also had a very clear and important reminder about the importance of the AbilityOne Program.

Subsequently, we have had reaffirmation for us in the form of a number of letters from different members of Congress.
reminding us that part of this program, as it's being set up, needs to continue to fully support the AbilityOne Program. All of the legislative proposals that GSA set forth actually do that, carry on that message.

The dialogue that we need to have is not whether it will happen but how it happens. What is the best way to achieve those objectives?

In our conversations with the AbilityOne Commission they were tremendously excited about the power that they see in acquiring transactional data.

Historically they have had no insight into any non-compliance in any agency. That dataset just simply has not existed, has not been available to them.

Well, part of the questions that we ask in the Request for Information start getting into what data the commercial portal companies collect and different ways to transmit to share that data. And part of the conversations that we've opened with the AbilityOne Commission is
how can GSA best share that data? How can that
best be used?

As Mathew just suggested, it gets back
into what are the order and procedures? How do
we tie that whole message together?

But just that level of visibility that
would be new and so impactful around AbilityOne
is equally new and equally impactful around the
world of small business.

Today, we have no sense as to what
happens with micro-purchases. What does and what
does not go to small business? What goes down?
Where do those dollars actually get spent?

Part of what we're really interested
in learning over these next several months is
what type of information are we able to collect?
Should it be recorded into PDFs? If it is, then
it can go into agency going reports and really
start shaping what agency spend happens even more
globally to the small business community.

So we think that's an important and
exciting part of the conversation as we get
deeper into the world of data. Laura mentioned just a couple of moments ago some of the challenges that we have heard often from a large number of members of this audience about the challenges of small business dealing with holding federal contracts, the rules, the compliance, the awareness.

A number of federal agencies, including GSA, including the Department of Defense, many others, have been fairly vocal about our concerns with the competition, especially among new and emerging firms, many of which for a whole host of reasons do not find federal business attractive.

We tend to have overly long acquisition cycles. We tend to be relatively low margin. That's not an attractive combination even before we add in the levels of regulatory complexity.

So if we're able to achieve some of the objectives we've set out in this initiative, huge opportunities to reduce acquisition cycle
time, significant regulatory reform, we're
starting to address some of the key impediments
that limit small business opportunity.

Laura reported an amazing statistic
about three-quarters of small businesses don't
have commercial websites today where they
actually conduct business.

Part of what we heard from many small
businesses is either they don't really know how
to enter a federal marketplace. They don't know
where the buys happen. They don't know how to
communicate, how to reach that. Yet, many of
them do sell through what we call the e-commerce
model on this through some of the aggregator
firms who represent a whole host of different
product categories.

So there are a number of opportunities
for small business in where we've been going and
part of the challenge is working through the
concerns. I saw some of the questions around
appropriate data use and how that can best be
managed.
And I guess I would really like to close in re-emphasizing that the piece of this that has not yet developed that still has to happen is what are the ordering procedures? What are the portal training guides? What are the data visibility pieces? Because we think all of that is an important part of the small business story as well as the socioeconomic story.

MS. STANTON: Great. Thank you very much. And that actually wraps up the four key topics that we wanted to hit on. And so at this point we want to open it up for questions. I know Keil has a couple of microphones that are going to be roaming around.

MR. TODD: Yes. Swap that one mic, is that one kind of tracking or can everybody hear all right? It's probably not the appropriate time to be asking that question.

MS. STANTON: I'm assuming that they would have said something.

MR. TODD: Okay.

MS. STANTON: I had confidence in this
audience that they would have waved a hand or
made it very clear that they couldn't hear us if
we were inaudible.

So with that, please, I would like to
open it up to audience questions on this or other
topics related to 846.

MR. KELLY: Thank you very much. Can
you hear me now? Dan Kelly from IFB Solutions.
And I appreciated the panel's comments on support
of the AbilityOne Program.

We employ about 450 people who are
blind, 100 of which or more make products that
look very similar to commercial items, whether it
be their version, our version or the same
version.

The government's public policy
initiatives create jobs for the 70 percent of
Americans who are blind who are unemployed or
relying on unemployment. So I appreciate all of
this work over the years and your comments today.

My question would be as we talk about
how what and how do you see -- or who is
responsible for compliance with the AbilityOne regulations in the e-commerce marketplace portal like this? Do you see compliance writing to the portal provider, the authorized reseller or with the end user who may have to -- it's determined whether they're buying a commercial item or an AbilityOne product?

MR. LEE: Well, I'll take the first one there. I think we've been having the conversation with the different business models to see what is available and how each approach compliance.

So at this point, we're really trying to get an understanding of how and what level is, and we do see some variability depending on who the provider is in terms of level compliance and the level of information that they have.

I will say that, you know, we've seen the power that data has to help foster compliance. In my own organization, we have a tool where we use data to identify things that are essentially the same to make sure our
contracting officer is doing awards items on our
schedules programs that's covered under the
AbilityOne Program.

    So we witnessed firsthand the power of
data analytics. So we very much will be looking
at data usage as one method in terms of fostering
compliance.

    MR. KOSES: One of the conversational
elements that we've had with the AbilityOne
Commission was on their ability to share with us
their master ETS listing so that we, in turn,
would be able to provide that to whichever
companies end up holding contracts so that they
then are working from a recognized source on what
are the ETS products?

    We think that enables a key part of
this conversation about what do they display?
What does the user see? What types of controls
start getting established? What types of
approvals would or would not be required?

    So, no, at this point, we don't know
all those answers, but those are the questions
that we are currently talking about. And we
would very much welcome your thoughts on that as
part of the current RFI. You know, what are the
different ways to address that? What are the
different roles that you think would be the best
answer?

MS. STANTON: And let me make one
final comment. You've heard throughout the
morning that ordering procedures are going to be
key to this. And write in those ordering
procedures in a way that also highlights what the
responsibility of the cardholder is as they use
these portals is also going to be place where we
can build in the mandatory nature of the
AbilityOne Program.

MR. TURNER: Hi. Good morning. My
name is Tracey Turner, e-markets, small business.
We've built an e-commerce marketplace with
frequently procured professional services. And
we're wondering if the GSA would be interested in
entertaining a private percent of something like
that.
MS. STANTON: Thank you for sharing that with us. At this point, Section 846 has limited us to the products, to the product scope. And we have been hearing from some service marketplaces. However, at the moment we're really focused on figuring out how do we actually do it for products.

I don't know if Mark or Jeff have any additional comment that they want to add?

MR. KOSES: Yes. Actually, outside of 846, this won't suggest this isn't within that scope, but I think we would be fascinated. We'd love to know where you're going, what you're doing.

Two-thirds of the dollars that we buy today are in the professional services kind of space, including IT services. So, yes, we would be very definitely interested. We'd love to hear details. It's just not part of 846.

MS. STANTON: You get beaten out,

PARTICIPANT: First thank you very,
very much for this first session. I think it added a lot of clarity, cleared up a lot of issues for us, especially I'm appreciating that I just walked down memory lane.

I don't know if he had the same post-traumatic that I did thinking about that. But I remember the guy running around with the skiing track saying I can't buy these because of the procedures. And he was not correct. But it was a very painful process to go through. I think today we are dealing with an environment that involves more than skiing tracks, though.

And this goes to the issue of elevating the micro-purchase threshold. I think the pushback on the industry is to one, for the citizens we were concerned about the compliance channels that were associated with a failure because of an errant product entering the marketplace. The other is, of course, the reputational arm that comes with being associated with that failure.

It seems to me that the elevation
proposal preceded another proposal that should have been made. And that is under 846(e) the notion that the administrator is going to define compliance requirements for the vendors, including screening and other issues.

Would it have been better for GSA in its recommendation to couple the elevation of the threshold with the identification of such requirements so that you would at least be giving these many buyers who have discretion for these purchases a clear pool, if you will, of products, whatever product categories you select?

MS. STANTON: Do you want to start?

So I'll start and then I think Jeff is going to leap in after I say a few words, which is one of the -- I think you heard, Tom, one of the big things that we were looking at with the increase of the micro-purchase threshold was the ability to get to the proof of concept and begin to work on that. With that said, even though we asked for the micro-purchase increase to be in the FY19 NDAA, we still are working through what the
appropriate sets of products are that will be
aligned to that.

And so it really was to be able to
move both things. It appeared one moved faster
than the other, but I think in the end, we'll get
there at the same time. And it was the
legislative cycle that drove some of that moving
very quickly on the requests that we identified
that we needed to put in place in order to get to
that proof of concept.

MR. KOSES: Yes. Well said, Laura.
If there's one overriding message that we have
heard from every industry representative we've
met with, every federal agency and from the first
Industry Day, it was the importance of moving
fast on this, not taking the entire time period
that was set forth in the legislation to issue
rules. And if you actually look at the dates,
there's no date to actually establish the program
within 846.

Further, there's the March 20 date to
have the rules actually set. If we're going to
take seriously the message we've heard from everybody, be ready to move this program, be ready to implement it, then we do have to be driven by that legislative clock.

You know, we have the basically one shot a year of getting the key legislative pieces in even while we're building the other parts of the program, including all of the concerns on secure supply chain, on vendor qualifications, on who should indeed be authorized for different portions of this program.

MR. LEE: Just to echo both Jeff's and Laura's sentiments, I do think, as Laura said, that that piece will catch up. And as part of we're entering into this phase two, we very much want to have that dialogue about that and how those concerns catch up to where we were.

But given the legislative cycle and the meetings in the past, those were extremely important considerations.

MR. BLUM: And I think just from a government-wide policy standpoint, I mean, your
point is well taken. We want to see success here, and we don't want to, you know, rush and do something bad.

And maybe this isn't right analogy, but for some reason, Katrina pops back into my head. You know, when Congress -- and I don't even know who actually had proposed it. Everybody knows they raised the micro-purchase threshold at the time to $250,000 and that did not go well.

And I think it took the purchase card program actually some time to kind of get past that and it was a program that, you know, through its history all and all has done actually quite well.

Nobody won from that action. And I think similarly here, I don't think, you know, this is let's just get all the flexibility we can get and then let people run free.

You know, I think each of us has said multiple times that, and I think Jeff said extremely well put that, you know, the micro-
purchase framework that we had in 1994 is very
different than when we talk about micro-purchases
today.

And to be brutally honest, I think we
could have probably done a little bit of a better
job in articulating that in our legislative
proposal. You know, that, again, with the powers
of technology, nobody just looks at one product
and buys it.

And, you know, in 1994, we gave people
purchase cards. It was, you know, go to the
store and buy your favorite product. That's not
what we're talking about here. And we need to be
thinking about that and using whatever authority
Congress gives us in a responsible way.

MS. STANTON: And let me also share
sort of in conclusion that part of the
conversation that we're having with the agencies
is -- is this thing on? I'm beginning to think
it's not on. Sorry.

Part of the conversation that we're
having with the agency really is getting into
what are the management controls that are appropriate as we talk about increased micro-purchase thresholds? And that is following on to the current -- the recent raising of the micro-purchase to a $10,000 limit, but we are having that -- that is part of the conversation that we need to have in order to recognize and manage some of those concerns that are founded and that we want to make sure that becomes part -- as I spoke about program design that we begin to acknowledge and work that into the program design.

MR. ELLER: Barry Eller, Federal. My questions are related to the purchase cardholder threshold. I think everybody is probably in favor of advanced training for purchase cardholders.

We're talking -- we've got a lot of the people in the purchase card community that are not today technically members of the acquisition workforce.

When we're talking about giving them
extra authority and extra training on making sure they're following the correct rules that are in place, one, I think that's an important thing to do. I'm not sure how that dovetails into that whether or not we're in fact deputizing them as members of the acquisition workforce or how that would work inside of the large framework of federal acquisition.

Two, I thought I was hearing almost touched on by a couple of the panel members was, all right, we're going to increase the multipurpose threshold to $25,000. We might have some procedures in place to ensure that things are done correctly, which is fine for the current cardholder purchase thresholds are minimal procedures, which was the idea behind the micro-purchase threshold in the first place. But the second part of my question in addition to are we going to deputize all purchase cardholders is are there indeed being contemplated some additional procedures for a micro-purchase threshold level that would be at $25,000 as opposed to $10,000?
MR. KOSES: All right. Part of what we've been talking about is when we get to this proof of concept, this is with a limited number of agencies, probably agency components that the proof of concept is only up to the micro-purchase threshold. Remember, the legislation allows for orders up to the staff. That's not where we're going to the first proof of concept.

Within that, part of the conversation that we know we need to have with those agency procurement executives is around appropriate warrants, appropriate controls.

I've started a couple of those conversations. In the coming weeks, we will flesh those in significantly more detail. So, if when you're saying that deputize folks, are we talking an enhanced warrant for micro-purchases for this purpose? That's probably not the worst description in the world.

MR. LEE: Yes. Just to add on to what Jeff's talking about. You know, the conversation that we've had in the agency, too, is what's the
right program management function, the back end
on this, to do the oversight in terms of the
purchase card program?

So we're very much doctoring that into
our conversations in standing up this program,
anticipating what is the backend program
management that they would be doing to manage the
overall spend?

MS. STANTON: And let me bring up one
other point, part of the conversations that we've
been having with the portal providers has also
been what controls exist within their various B2B
capabilities that would -- and how would we
potentially use those to help manage some of the
questions that you're raising, Larry?

So that is understanding the workflow,
the approval chains and all of that capability
has been part of our line of questioning.

I hope. That's even more dangerous --
well, maybe not, if I can't get it in the stand.

So, all right, whatever. Please, Rob.

MR. BURTON: Rob Burton with Crowell
& Moring. This is really somewhat of a follow-on
to what Barry was asking. You're indicating that
you're thinking about certain categories of
products during this pilot with the micro-
purchase threshold.

And I guess my question is why would
you do that since currently we don't have
limitations on the types of products that you can
purchase under the micro-purchase threshold?

And another question, a little bit
broader, are you guys concerned at all that
maybe, through this whole effort, you need to do
what the government does so well, which is
complicating the process more than it is
currently.

And as you know, Mathew, over the last
20 years, commercial item acquisitions become
much more complex. We have many more contract
clauses now applying to them.

My concern with this whole effort is
that maybe you guys may end up with more
requirements, more burden applied to the micro-
purchase threshold, which was never the intent
and certainly not the intent of Congress. So I
would be interested in your thoughts about what
are you doing to make sure you don't go down that
road?

MR. BLUM: Just to -- thanks, Rob. To
start with your second question, I'll let others
jump in, I think it's probably important to
differentiate business rules from, if you will,
compliance or the government's unique compliance
requirements.

So where we're talking about the
ordering procedures, I think that's really
focused more on the business rules and
recognizing that, you know, the world of micro-
purchases now is different than it was in 1993.
You know, it's less binary. Again, it's not,
again, kind of pick and click to buy one thing.

And I think what we're seeing here is,
and it's a balance, but to go back to what Larry
and to what Tom were saying, you know, I think if
we impose nothing on our buyers and just, you
know, deputize them to buy up to $25,000, I don't think Congress is going to look favorably on that.

And, you know, you're right that the cardholders don't necessarily have the same level of training or experience or knowledge as contracting officers. But in our everyday lives all of us, you know, have learned to navigate, you know, the internet, some in better and more sophisticated ways than others and probably on the weekend.

But even I, you know, don't go and pick and buy the first thing that I see. I mean, I think in terms of comparative shopping. And I think in terms of the business rules that's what I think that, you know, is part of what we have to acknowledge that may be something beyond what we see in the FAR today.

But in terms of the complexity we're talking with clauses and what not, we're very focused on using this as an opportunity to simplify and, as Jeff said, kind of revive the
experiment on acquisition reform. We see this as a great opportunity to rethink what are the appropriate clauses that are consistent with customary commercial practice?

And the RFIs, both to the portal providers and to third-party sellers, you know, focus a lot on those questions. And I think, GSA, to their credit, went out of their way to identify the specific clauses where we weren't sure that there is that compatibility.

MR. LEE: I mean, I would just amplify what Mathew was saying a little bit. I think, you know, that the opportunity here is to be able to meet some of those requirements through business rules, but use technology in a way that was never envisioned before to help, you know, meet some of those requirements but still provide a great buying and modern buying experience

So as we engage in the dialogue on business models and understand the capabilities and confer to the technology, we're already seeing those opportunities exist and want to take
full advantage of them.

MR. KOSES: To start, Rob, with the second part of your question as well, I have a broad post somewhere in the communications review that hopefully is coming out in the next couple of weeks.

It talks a little about the RFI and those long list of processes that you see. It's basically king of taking you through the thought process as to how we came up with those clauses, you know, going back to what clauses have to apply by statute because they're called out, which ones apply because they carry criminal or civil penalties and so forth.

But then there is a very long list of clauses that the FAR Council has applied over the years finding that they were consistent with our commercial practice.

Well, the commercial practice for many industries from the 1990s forward may not be the same as the commercial practice for electronic commerce today.
So I think that will add a little context because we are very focused on exactly
the concern that you just outlined. I'm making this really complex and confusing.

As to the first half of your question, well, the legislation itself called out that GSA
should IT and health care items with great caution and concern and points to great market
care concerns, counterfeit concerns, secure supply chain concerns.

And, you know, as we're looking to learn more about those should, for example, there be a specialized marketplace, how their controls should be established to allow them fully in the marketplace, is there a different answer?

We're thinking that there is such a level of complexity that probably isn't the best starting point. But, again, we're in a listening mode so if we're wrong, tell us.

MR. BLUM: First, I just want to emphasize on the terms and conditions, the way that the RFI is written, it asks for input as to
whether you think it is or is not consistent with commercial practice.

And we've, I think, very explicitly chose not to frame the RFI in a way that would reach the conclusion saying do you agree that this is not, you know, consistent with customer and commercial practice? Because I think one of the challenges that the government has, as a general matter in analyzing regulatory burden is we don't often -- you know, we think we know, at a high level.

We don't have the detailed knowledge of how the marketplace works to be able to make the most compelling cases in all situations, you know, that I think Congress, you know, will expect in many cases to remove some, you know, requirements that have been around for many years.

So I hope, you know, that all of you, or as many of you as possible, will respond to the RFI and, as much as you can, take time to give us any sort of detail that will help to
amplify and explain where there is a burden and
an inconsistency with customer and commercial
practice, what that is, because that will help us
in our further conversations with the community
and with Congress.

MS. STANTON: Yes, yes. All of that
information, let me just double down on what
Mathew said, all of that information really helps
us understand what it is. But it also helps us
make a case. So with that, I saw that Roger had
his hand up.

PARTICIPANT: First of all, thank you
guys. Thank you for sitting in this meeting
today, Tom. I appreciate your comments and some
of the additional information that was provided.

You know, in particular, given the
focus on cyber and kind of in the RFIs, it is
critically important because it is a visible
supply chain, now. And I think that's to Jeff's
points earlier.

Also, the market comments about data
and the use of data and referencing the statute,
that's critically important to hear that from
other companies, you know, the prohibition on
competitive use of that data by marketplace
providers. That's critically important as well.

And I just want to ask a question
because it's still -- there is involved, I think,
it's good to hear your thinking pilot and proof
of concept and that sort of thing. But, you
know, the paramount contract universe is here
with regard to compliance and micro-purchase
threshold transactions versus non.

That's still an issue, I think,
because companies have to make decisions about
compliance requirements under the purchasing
contracts and even sourcing decisions that would
be different under the two different scenarios.

And, Mathew, I emphasize, I think, the
importance as you go through this to think about
that and how you can address it. But, you know,
the micro-purchase threshold will be $25,000 for
any multiple order contract the government's
award is. The logic, you know, I presume,
there's no illogic to that given your approach.

But the question I wanted to ask specifically is that there are may be parallel universes within the e-commerce portals. And the RFIs reflect that or don't address that because we've got one for suppliers and one for e-commerce multiple portal providers.

Well, the three categories we came up with, e-commerce, e-procurement and e-marketplaces, e-commerce is a portal provider and a supplier. So Jeff, you made the comment that you're going to do this little station.

The statute talks about awarding contracts. The value of those contracts are for e-commerce providers if people have websites and sell their stuff, because then I'd see the premium site threshold. I don't know how it wouldn't.

So the suppliers are going to comply in one place. But if you're a service provider and the transactions are between the supplier and the government, the trade being presented is
lower than the purchase thresholds, for example, but the trade agreement is not going to apply in that case.

So you've got -- and then you're got the e-procurement model where the software can, like, the business rule, is to address either scenario. So when you think about how you're going to implement that and you talk about a level playing field, they're going to think -- you're going to have to figure out how you overcome different rules for different providers if you want to have, you know, a robust market that doesn't become so tight as well.

MR. KOSES: One of the topics that I asked a number of questions about at our first industry day was the -- well, as a supplier and whether we should regard them as a contractor, a subcontractor or something else. And to some degree, Roger, I think that part of your question really circles back to that point.

When we talk about the contractors with the coal operators, clearly those are going
to be larger contracts. Those will be way above
the supply acquisition threshold. Really those
will be pretty large contracts.

That's partially why you see a
different set of our clauses that we're asking
about. Those will be service contracts. And,
again, you see a very different set of clauses
that we're interested in that we're looking for
feedback on.

And when we're talking about the
supplier are people that through our legislative
proposal, we're trying to still determine should
we regard this as more of an IDIQ type of
relationship or is this something else?

At this point, we don't know all those
answers, but we're trying to advance the thinking
through a number of our forum, a number of our
outreach efforts. You know, it's a fair
question. I don't know that we have all those
answers at this point.

MR. BLUM: And just to kind of level
set on this, I mean, this complexity exists
today, right? You know, there are companies that sell on the schedules and some outside the schedules. And they have to make a business decision.

And, you know, the rules for their vehicles are not identical. I think that the 8 or 9 panel actually has raised an excellent policy question about whether, you know, as we think about competition, are we thinking enough about the nature of what we're buying rather than the size or the acquisition or the vehicle that we're using?

And I think some of that is, you know, proposed by 846. And we talk about COTS and, Roger, you've made this point. I think you just mentioned with another aspect of the parallel universe, which is why is it that we're asking to raise the micro-purchase threshold just for purposes of this open market program? What does that mean for existing programs?

Well, one thing that is a benefit, and this comes back to what Rob was saying a minute
ago, is, you know, Congress isn't always quick to provide, you know, widespread relief from some of our longstanding requirements.

And those can become a very powerful pilot in this proof of concept and the work that we do in this space to demonstrate along with some of the feedback you give us on some of the inconsistencies with customer and commercial practice that if we use this successfully and demonstrate successfully, you know, the benefits, the efficiencies that can come from making changes in this pilot, this helps us and arms us to move forward more broadly with our existing programs so that we have consistency. And our rules, you know, are more geared towards the nature of what we're buying than the vehicle we're meeting.

MR. TUCKER: Good morning, Mike Tucker with the National Office Products Alliance. We talked a lot this morning about emphasizing more competition and getting more small businesses involved in the process. And one of the
questions I have is in order to have a legitimate competition not only between the vendors but also the portal providers and in selling commercial off-the-shelf products, you have to have good part numbers, good descriptions and good visual content.

And this has been a big challenge for GSA, especially with the GSA Advantage Program up in New York to find consistency in a way that, you know, proffers legitimate competition. So I wonder if you guys have had any thoughts regarding how you might manage that?

MR. LEE: Well, I think particularly in our one-on-one sessions, we've been asking those types of questions and then diving into what level of information that has.

We have seen different levels depending on what the business model is and different levels of maturity, too. So this is an emerging marketplace and lot of people we found companies are just building out some of their B2B capability at this thing.
So we are also looking at how is that going to change over time because where they are today is not necessarily where they're going to be 6 months from now, 12 months from now, 18 months from now. So we're really looking at a marketplace that's growing and capability from companies that are growing along with that on that time horizon.

MS. STANTON: And I would point out -- I don't know if the mic is working. As to the point about legitimate competition, we're also continuing to look at what we refer to as e-procurement file, which is how we do horizontal competition across the marketplaces.

And I think that part of our questions do come back to how do we know it's the same item from marketplace to marketplace? I was looking at a demo yesterday that we did showing that capability. And it depends on how granular you're able to go with, I think, that -- actually it gets to depend on the part that you're looking for, you know, a pen or if you're looking for
something more generic. So how do you drive down to the level of detail that allows for the same item to be compared across different marketplaces?

And I think that's one of the things that we're thinking through and that we're going to have to address as part of the ordering procedures, which is what is the expectation and also what is also the commercial practice for being able to compare items across?

And I'm not sure that this is where -- we're still asking those questions in determining the level of granularity that we can get to.

MR. DEWINTE: Hi. Ken DeWinter from Stepfield and Johnson. You spoke a little bit earlier about you understand in the commercial practice that portal providers also are suppliers and compete against other suppliers on that same portal.

You said you've been listening intently to industry. But have you made any decisions on where you might go with that?
That's my first question.

My second question is if portal providers also sell off and compete against other suppliers on, let's say, a portal, are there concerns that GSA is looking at or considering relating to OCI issues, whether it's impaired objectivity or unfair competitive advantage?

And then my third question is if portal providers are selling and competing against other providers on that same portal, is there a concern that that might have a chilling effect on competition, whether that's with small businesses or others where the portal provider and supplier in the sense that it's proprietary information and then it has the ability to promote its products over a small business' products or something of that nature. Thank you.

MS. STANTON: Thank you. Do you want --

MR. LEE: Yes. I guess I'll start this one and then pass it over to Laura. But I think, one, yes, we very much heard the concern
around the e-marketplace model of the portal provider selling its own items on that.

So at this point, though I think it's really important for us to have the full understanding of all the business models. So you see that reflected in the RFI. You see that reflected in the questions that we're asking.

And having that full understanding also gives us the right perspective to see what it is. We're very much interested in looking at how the terms and conditions are set up, how those business arrangements happen commercially and looking at it both from the portal provider perspective but also for the companies selling through those e-marketplaces as well.

So in terms of the data, we are very concerned and we cited in where the statute talks about the safeguards that needed to be in place. And we're taking that responsibility extremely seriously looking at that very closely in this space.

With that, I'll pass over to Laura to
add some more.

MS. STANTON: Great. Thanks, Mark.

A couple of thoughts on that because we've been asking -- we've been trying to really understand the implications of what you just described.

And we've been -- and you'll see a whole set of questions in the RFIs around that very point, which is designed to help us understand commercial practice.

Just on observation, a number of companies participate in that existing structure today. There is not a large number of companies that operate portals where they don't also participate as a seller. In fact, it seems to be much more the opposite practice where you have portal providers who sell in the portals and then they ultimately opened up the portals to third-party businesses to participate on them.

So as we've talked about creating government unique requirements and our desire to eliminate a number of those government unique requirements when it comes to buying COTS items,
I think we're taking very seriously what would
the implication be if we had to ask for a change.

And so as we've said multiple times
today, we have not made any final decisions on
program design or acquisition requirements or
anything along those lines. But what I'm sharing
is the observations that we've seen thus far.
And in order to inform us further, we ask that
you come back and give us some of that
information as part of the RFI responses.

MR. KOSES: So there's been a number
of times this morning when we've kind of come
back with the answer that we agree with that
question that we've asked for more information
about that within the RFI.

You know, I hope that really serves to
emphasize that right now we are still very
actively in a discussion process. We're trying
to think through a number of these issues.

The specific ones you raised we know
are important to our monitors as well. It was
addressed in the initial 846 language. There
have been a series of different amendments that
further emphasize the importance of really having
a meaningful dialogue to think this through, look
at the alternatives.

    I understand what different
alternatives mean to the competitive nature of
this procurement. So as you just heard, we don't
have the answers, but we think this is one of the
key areas that we are very anxious to hear the
different points of view.

    MS. STANTON: Okay. I think this is
probably the final question.

    PARTICIPANT: Hi, hello, good morning.
So thank you very much for the bill. The
question I have is concerning the actual ordering
and buying on the actual buyer, right? So we're
trying, as I understood what you said, you're
trying to reduce the burden and make it easy.

    You talked about consumer shopping
experience. And I could buy some item for
myself. I think the question I have is it's
okay. I understand the micro-purchase is going
to be increased.

What I'm not hearing is how are we going to reduce the burden on buyer disparity now that we've got all these portals and then have to look through the same item across one portal, the next portal, the next portal.

The item might be the same, but there might be terms and conditions that each supplier or provider which are different. And the buyer does not have the ability in such a short span of time to be looking at price comparison and seeing comparisons.

I guess in the commercial world we do have this approval process where we have a certain amount of threshold onto which you don't need an approval. You have a P Card.

But the basis of that is a centralized procurement and sourcing feed that feeds that. So your portal is a set of products that in order to get approved and have prices approved, there are multiple vendors, yes. But then the buyer is at least sure of what they're buying.
And I'm just confused. This BOC I'm thinking is going to be a global thing. Any
global provider can provide the products and the
buyer has to now make the decision which one is
the best one.

MS. STANTON: So you're bringing up
the one theme that we haven't talk about today,
which is really the customer experience and the
buyer's experience.

And one of the key points that we've
also been hearing from personal experience is
critical is actually making this simple to use so
that the buyer can come forward and be able to
easily compare costs across multiple marketplaces
and portals and ultimately make a decision and be
confident in that decision.

Those are some of the key principles.

I think we talked about them more in January than
we have today. And one of the things we're, once
again, trying to understand, is we've begun some
customer mapping to understand what the
implications of that decision making process will
be.

And we're also asking questions about what are some opportunities to help simplify that buying experience and coming out of the private sector and helping inform government of how do you manage a multiple portal environment?

So that's very much perhaps not discussed, but certainly very much in my mind as we design the program about how do we accomplish that goal of not only having multiple portals available, with no competition, but how do we actually then manage multiple portals from the experience of the buyer, knowing where they need to go to get what they need. So I'm not sure if anyone else wants to chime in on that one.

All right. With that, I want to say thank you very much. And we are now off to our 15 minute and then we will reconvene with our portal provider panel.

(Whereupon, the above-entitled matter went off the record at 10:35 a.m. and resumed at 10:55 a.m.)
MR. TODD: Okay. Well, thank you to all of our first panel participants, Mathew, Jeff, Mark, and Laura. A great discussion there and some really good questions from the audience as well.

So we're now going to jump into our second panel here: Commercial Buying Practices and E-Commerce Portals. You can see in your agenda we've listed out some of the objectives that we're hoping to accomplish during this session.

One, it's an opportunity for us, as government, to hear some of the commercial terms and conditions and practices that are in place as we think about how we are going to go about implementing this, as well as an opportunity for you to ask questions of this panel as well.

So without further ado, let me introduce our panelists.

First up, we have Matthew Cromar here on the end, Senior Director, Product Ariba Spot Buy.
We have, next up, Brock Lyle with Overstock, Senior General Counsel.

Next up, we have Steve Noyes, Senior Vice President, Global Accounts and Public Sector Sales with Clover Imaging Group.

To his left, we have Ron Pruett, Jr., Chief Executive Officer, DollarDays.

Next to Ron, we have Alex Saric with iValua, Chief Marketing Officer.

And lastly, Julianne Zuber, Senior Director, Federal Partners and Channels Lead, Juniper Networks.

Please give me a round of applause for our panelists.

(Applause.)

MR. TODD: So the way we've structured this panel, we're going to give each of them about five minutes or so to discuss some of the objectives that we put forward here on our agenda. We'll then open it up to our panelists. Yes, we'll have the ceiling setting in.

We're then going to open it up to our
panelists from the first round to ask a couple rounds of questions -- about two rounds of questions. And then we'll open it up to you, the audience, to ask questions of the panelists as well, a similar format as the last session.

So with that said, why don't we open it up to Mathew.

MR. CROMAR: Thank you. Thanks, everyone. Thanks for having me.

Again, my name is Matthew Cromar, and I got promoted starting in January. I'm now Vice President of Product Management for Ariba's product innovation group. I look after our catalog platform that serves our customer base.

I want to say thank you again to GSA for having me back after the January meeting. I hope we addressed Congressman Tiahrt's concerns. It got its way to the news, so that was a good sound bite, no pun intended.

So for over 20 years, I've helped some of the largest and most complex companies in the world to transform their consumer policies.
While at Ariba, I built our four set of services for both our business network and our applications to allow for true collaboration between buyers and sellers.

In 1999, I developed cXML, Commerce XML, which today is the most widely adopted B2B document sharing standard in the world. I also have patents pending for simplification of vendor data and cloud systems to manage procurement from public marketplaces.

I've served in a variety of leadership positions and roles and startups, nonprofit boards and established companies. I'm also joined here today by my colleague, Tom Sisti, who heads our government relations group here in D.C., Tom.

I think all of us share a common goal, as I said last time, helping to education the people here today, the other panelists, and members of the public who share a common goal of bringing innovation to government and help to shape the future of procurement, and as we say at
Ariba, make procurement awesome.

Just a little history about Ariba. We were founded in 1996. We were an early innovator of B2B and moved to the cloud for procurement.

MR. NOYES: It's the drumbeat of progress.

MR. CROMAR: Yes.

(Laughter.)

MR. CROMAR: We were acquired by SAP in 2012 through our strategy cloud in procurement. We operate the world's largest business network along with a set of connected applications that span across 190 countries with over three million connected companies. That represents yearly 1.7 trillion dollars in commerce going across our platform. So in that last minute of my presentation, 3.4 million dollars of commerce was managed on our platform, so good timing.

E-procurement platforms help organizations to get their spend under control by representing the contracts in their system and
then letting end users execute off those contracts, not so dissimilar to the portals that government uses today with the schedule holders.

There are critical components that we believe procurement systems play in putting filters on top of -- I'm sorry. So our customers really like the opportunities for the marketplace model to supplement what I would call gaps in their existing contracts, and in some cases, even to replace those existing vendors. Our customers like to see both types of supply alongside each other and let the organizational policies drive user compliant purchasing. Okay?

So the three C's of what I look at as the procurement trifecta are cost, control, and compliance, and not necessarily in that order. For some organizations, cost is a major issue. For other organizations, it's compliance all day long. So those are very important things to our customers.

Some of the largest companies in the world -- like HP, Pfizer, Accenture, AIG, even
SAP with 90,000 people -- we use our own software and drink our own Kool-Aid. Commodity controls, pricing limits, approval workflows, origin information, and proper cost accounting and p-card reconciliation are all kind of baseline components of what e-procurement systems offer to make what I call happy procurement leaders and happy end users.

Lately, we've seen in the area of procurement, procurement with purpose. We've seen a large effort by our customers to focus on supplier and compliance risk. When something goes wrong with one of your suppliers, whether it's slave labor in the supply chain or getting sideways with government entities over tax compliance, it's not just their problem. It's your problem. And it's all, as we know, one tweet away from being a global problem. And the mantra, procure with purpose, is certainly the new rallying cry for many of our customers.

For end user data, we believe it's very important to protect end user information
when venturing outside the four walls of the company. And we at Ariba have built processes to provide these protections for both PII as well new GDPR requirements which I'm assuming the U.S. will eventually get around to adopting something very similar. But let me tell you, that was a fun exercise to get all that 1.7 trillion dollars in commerce under GDPR compliance.

We've also found the companies who want to have a consolidated view of all their purchasing across all marketplaces and contract or schedule suppliers side by side. So we built analytics that show each company what users are searching for, what they're adding to cart, and where it's being sent, and again, all across all those scheduled suppliers, the marketplace is one view.

So I'm here today to provide guidance and offer our ongoing assistance on behalf of SAP Ariba to make government awesome. Thank you.

MR. LYLE: Well, good morning, everyone. My name is Brock Lyle. I'm Senior
Associate General Counsel at Overstock.com.

Incidentally, I'd like to thank GSA for the temporary promotion. I was mentioned as Senior General Counsel.

(Laughter.)

MR. LYLE: Maybe they saw the gray hairs, but in any case, I'll take it for today.

Overstock.com is an online retailer based near Salt Lake City, Utah. It sells a broad range of consumer and business products like office supplies, furniture, electronics, and decor at low prices. Incidentally, 95 percent of our assortment comes from third-party sellers and manufacturers. Overstock also has a marketplace where customers can connect with third-party vendors. Forbes has ranked Overstock among the top 100 most trustworthy companies and it's also one of the older e-commerce retailers with nearly two decades of experience under its belt.

We're very enthusiastic about this effort, and we thank GSA and OMB for their diligent work to date. It's not easy to start a
new program that departs from a government purchasing paradigm that has existed from time immemorial. And I appreciate Matthew bringing up the history of the procurement program.

In 1993, Vice President Al Gore appeared on the Late Show with David Letterman to decry the excessive regulations requiring that glass ashtrays be tested and confirmed not to break into more than 35 pieces if hit with a hammer on a maple plank while wearing mandated safety glasses. After demonstrating, he asked Dave, why can't they just go down to the store and buy something instead of going through this procedure which costs a lot of money?

Now, it would be a few years before Vice President Gore would invent the internet --

(Laughter.)

MR. LYLE: -- or be misquoted as doing so, and the store would come to your home. Today, nearly every store in the world is here on your phone. Twenty-five years later, we're still asking the same question, and now you have the
tools to do something about it. But it will require getting out of our comfort zone, getting away from complicated regulations and RFPs.

You at GSA and OMB have a solemn responsibility to spend our taxpayer dollars efficiently and wisely. Your desire to modernize cost purchasing by hosting Industry Days, drafting a phase 1 report, and all your efforts to date show you take that responsibility seriously.

So we were asked today to go through some of the main items of discussion here. The first one was to identify and discuss commercial practices and terms and conditions of commercial e-commerce portals.

Commercial practices and terms vary from one company to another, but probably not as much as you might expect. Practices typically focused on making sure your customer has a good experience so they will return. Most companies have terms related to shipping, returns, privacy, intellectual property, restrictions on use as
required by law. And that also highlights the value of competition amongst providers.

There was discussion at the last Industry Day surrounding whether e-commerce companies would be willing to adapt their terms to fit the government or whether the government should adapt to the one-size-fits-all terms. If you get an answer from one provider that you don't particularly like, the free market says you can either negotiate for a different answer or approach someone else to get one you like better.

Companies do this all the time amongst themselves, incidentally. I was just working on a contract with one of the companies represented at this table today. They sent over a draft. I found some things I wasn't crazy about. We negotiated to a resolution that worked for both parties, changing from their standard terms to negotiated terms.

Another issue was ideas around prospective proofs of concepts. The March Implementation Plan lists three models: e-
commerce, e-marketplace, and e-procurement. Many companies have elements of at least two, if not all three.

Another item was to connect commercial practices with the recommendations in the March Implementation Plan. And there are four recommendations. We've talked about raising the micro purchase threshold at some length. We support this change and any change that simplifies the federal purchasing process.

Some time ago, I was looking through the SAM.gov requirements with all the FAR and DFAR certifications. Each regulation cited to a different regulation which then, in turn, referred to multiple other regulations and definitions from still other regulations. It was like playing whack-a-mole with words in Latin. I would pay a D.C. lawyer for several hours of her time just to never have to review those regulations again and I'm pretty sure I'm not alone.

And you've mentioned the concern about
small business and the barriers to entry. That's a big one. By the way, I've seen an argument that GSA shouldn't raise the threshold again until it finds out how the 10,000-dollar threshold works. The response there is that this rollout is scheduled to go into 2020 at which point we should have an even better idea of how the 10,000-dollar threshold works.

Another recommendation in the plan was to allow GSA to modernize competition requirements. Now, we all start somewhere. Overstock began as a fax number to buy liquidated goods from bankrupt dot-com companies. We had to adapt to providing showroom-level products at garage sales prices. The federal government doesn't have to adapt in the same way to remain competitive. Instead, it's choosing to adapt which is both difficult and commendable.

Moving to insights on e-commerce landscape and trends that are impacting its direction, there's been some mention of wanting to move quickly. The e-commerce world moves
very, very quickly.

In the time that we've been sitting in the last half hour, the e-commerce world has been turned on its head. For those of you who follow internet sales tax, the Supreme Court just came out with a decision on Quill which had to do with internet sales tax, and it overruled a precedent worth 26 years of precedent on internet sales tax. So we're all in a brave new world as of a half an hour ago. E-commerce moves that quickly.

And here in D.C., I would mention, you understand the problem of taxation without representation. In fact, that's the license plate motto of anywhere in the country.

Another thing I would mention, you'll see more combinations. I anticipate a brick and mortar with e-commerce, especially in light of today's ruling. Depending on the location, this could mean it will be easier and quicker to get your products.

And speaking of easy and quick, during the break this morning, I ordered two products
from my phone without an RFP or a procurement. And I'm probably not the only one in this room who has bought something from their phone recently. By a show of hands, in the last week, who's bought something on their phone? Okay.

Purchasing can be much simpler than it is now. We all know how to do it because we do it every day. E-commerce can help by handling the procurement beforehand so we can offer you, the federal government -- and by extension, you, the taxpayer -- the best price, the best quality, and any policy objectives you have.

Thank you very much.

MR. NOYES: Well, good morning, everybody. I'm Steve Noyes of Clover Imaging Group, and my thanks to GSA for hosting this event, of course, to Laura Stanton and Jeff Koses and Mark Lee and Matthew Blum and Keil Todd for inviting me to contribute, and my fellow panelists here today.

During my time, I'm going to introduce you to Clover, our fit in this product scope
conversation, our aspirations, concerns, and share some best practices.

We're a manufacturer. Our category is relatively pedestrian next to the folks here. If either you or somebody that works for you replaces their ink jet and laser toner cartridge, every 14 weeks, the category turns or it's consumed with very great velocity in both the contract commercial and the federal government markets.

My company, Clover Imaging Group, is a global leader in providing vertically integrated closed loop environmental solution. That includes the recycling and remanufacturing of imaging supplies and also electronic asset life cycle management. In addition to imaging supplies, we're also the largest collector and remanufacturer of cell phones. If you ever lost your cell phone and had it replaced with a like unit, it came from Clover Wireless.

On the imaging supplies side, we offer our OEMs, our wholesalers, or independent
dealers, buying groups, retailers a broad array of products and services, including remanufactured ink jet and laser printer cartridges and parts, a comprehensive suite of managed print and technology services, and marketing and sales support.

Our story began in 1996 in a garage in Ottawa, Illinois. We were an ink and toner remanufacturer. Clover has since evolved into a global enterprise backed by world-class engineering, manufacturing, and distribution infrastructure. We're headquartered in Chicago, Illinois. The category is dominated by the 15 original equipment manufacturers, friends like Xerox and Hewlett Packard, Canon, Ricoh, Konica Minolta, Sharp, and Brother. And collectively, they offer about 5,000 supplies queues.

Clover, we offer about 1,500 remanufactured imaging supplies and over 15,000 OEM and remanufactured maintenance kits, parts, user assemblies. We offer the consumer choice. Through organic growth and strategic
acquisitions, we have sales of well over a billion dollars generated from numerous brands and many, many partners.

We employ over 20,000 people. We collect between four million and eight million in empty cartridges every month, and we published nine audited annual global sustainability reports. We operate manufacturing, distribution, and sales offices in 60 countries on every continent. We've got nine distribution centers here in the U.S., and all of our ink jet is remanufactured from our factory in Ithaca, Michigan.

I've been with Clover for the last 11 years. I've been in the imaging supplies industry for the last 20 years and have been selling with the federal government in various capacities since 1987.

A little bit of background perspective on the imaging supply category. As a subset of the office products category of the OEM and remanufactured ink jet and laser toner is sold in
significant volume through vehicles like 75, 36, 70, 51V, the FedMall, various BPAs, IDIQs, GWACs.

I'm here today because we represent, I think, a case study that we share similarities with many other manufacturers. We harbor aspirations to help ensure that the federal consumer can shop via a trusted marketplace by comparing qualified vendors that sell legitimate product.

Buyer beware should not govern purchasing decisions in the federal government. Our objectives are to promote existing industry turns and quality, legal, environmental, and safety standards that are endorsed by, collectively, the Business Solutions Association, the National Office Products Association, the International Imaging Technology Council, the OEM, Energy Supplies Council, the Business Technology Association, and the Remanufacturing Council.

So those standards -- those industry standards, we would very much like to see them
applied in this venue. We want to guard against
black market and gray market. We want to prevent
misrepresentation and try to address overstaff.
We want to stop the sale of counterfeit clone
compatibles.

All of these substandard options
corrupt, infect, and pollute the federal supply
chain. The federal buyer should be able to visit
a site, quickly compare options, and confidently
place an order. In our case, that can be a best
value OEM alternative where they can save 30
percent. They can satisfy their green
environmentally sustainable purchasing objectives
by buying a product that's been recycled and host
a collection and report a solution so they can
celebrate the reduction of their carbon footprint
and that the tons of plastic that they've kept
out of landfills.

The product should be OEM and IP
cleared as non-patent infringing and it should be
TAA compliant. For example, right now, Canon is
involved in sweeping litigation against various
importers and resellers of new alternatives. The U.S. International Trade Commission is expected to award Canon a General Exclusion Order in Q1 of 2019 to stop the import of counterfeit clones.

Our product, Clover does not sell that. We encourage that the federal buyers consider small business or other than small business. The p-card holders and the chief acquisition officers should have the option to select AbilityOne SKILCRAFT, a comparable product from AbilityOne certified dealers, or buy AbilityOne SKILCRAFT through Amazon.com which is the newly released venue for AbilityOne.

As far as best practices, my congratulations go to Jeff Lyle, Bob Woodside, Peter Rund, and Josh Witko for partnering with industry in a roundtable format at a launch of 75 OS4. That's expected to be the best in class acquisition solution. They work very hard to cultivate a trusted marketplace by applying the new imaging supply authorization program and leverage the horizontal pricing model to ensure
sustainability of the vendor community and competitive pricing for the agency stakeholders. And they also leverage the transactional data reporting.

As communicated in the May 29th letter to Laura Stanton, Ollie Willie, and Roger Walburn in the Section 849 working group where the coalition expressed our concern over the increase of the micro purchasing thresholds. As Roger wrote, such a shift -- and as he mentioned today -- will create a parallel procurement system: One for compliant products under pre-existing contracts, the schedules, and the other for products that may not meet certain government requirements, perhaps through e-commerce portals.

In addition, we are concerned with the uniform application of the TAA compliance via the Buy American Act, small business preferences or provisions, pre-qualified quality standards, and the enforcement of those standards and competition requirements and also protest follow up. We're very much in favor of transparency in
reporting. For example, the Data Decisions
Dashboard is a fantastic tool.

There is a growing need as evidenced
by the legislation yesterday of the Senate and a
recent concern with Kaspersky to host a secure
supply chain. There is concerns, especially with
imaging products, that the chips and the
equipment are a product from China. We are also
very much in favor of the AbilityOne set aside
for businesses that have the status and we're
very much in support of the almost 80-year-old
SKILCRAFT brand product.

So the category of imaging supplies,
all the brands have high demand in the federal
government. We understand the long runway that
the team is working with, and we pledge our
support to GSA to help them develop the very best
possible e-commerce solution possible.

I'd be remiss if I didn't thank our
mint partner resellers and supporters and friends
that are in the audience today and also to the
friends listening online, including Clover. So
thank you.

MR. PRUETT: Hi, everybody. I'm Ron Pruett. I represent DollarDays which is in Phoenix, Arizona. And I think I probably represent the small guy up here. We just found out the Supreme Court ruling which will impact us significantly.

And I'll give you our story and then let you know that I'm probably also unique up here in that we actually work with all these portals. So we're on between 10 -- probably 12 by the end of this month -- various portals of different sizes and shapes. And I'll give you some insight as to how we work with them.

DollarDays is a pioneer in e-commerce. It's 17 years old. I would be surprised if anyone in this room has ever heard of us, and that's probably because we cater to a different audience. So we started right around the same year as Overstock and our friends in Boston where I live called Wayfair. And it's unique in that we cater to different markets. Our main group of
buyers are nonprofits -- churches, schools,
various charities -- and I'll talk about that in
a second.

We also work directly with a lot of
small businesses. Examples would be 17,000
independent pharmacies. So that's, I think,
slightly unique. We're definitely a B2B
platform. We currently have 75,000 products if
you were to go to our site today. That's down
from about half a million just a few months ago,
so it's very easy for us to scale. And I would
classify us as a curated e-commerce platform.

So the term "marketplace" and "portal"
have been mentioned today, but no one has really
talked about a platform. And that's really what
we've created over time with our community
because we share a lot of data. So we have 17
years of purchase data that we share with our
suppliers and also our buyers.

Our average sales price for a product
is a little bit different than some of the
thresholds I've heard. It's between five and six
hundred dollars per purchase. But a lot of those folks that we work with buy a lot of stuff, so it really adds up over the year.

We have 400 warehouses because they're part of our drop ship network. Okay? So we're a drop shipper. We don't hold inventory. People purchase and then we ship from our vendors. We have 130 vendors in the U.S. They get their supplies from all around the world.

What is some of the things that we supply? Backpacks, believe it or not. So we sell millions of backpacks a year. We design our own products. A lot of the school programs that you might be familiar with, we supply. We have office products. We have hygiene kits.

We work with groups such as Salvation Army, Kiwanis, our partners down here called Good360, Catholic charities just as an example. We have a giveback program, so five percent of all purchases get a credit. It doesn't matter who makes it. We give it back to the public.

Examples of areas where we work would
be disaster relief. So there are a whole number
of groups, the churches, municipalities that we
work with. So if there were to be a hurricane,
we can move supplies like hygiene kits, tents,
blankets and other products very, very quickly to
this site. So it's something we've been
building.

The third group, in addition to
nonprofits and small business, are large
retailers. So some of the biggest names call us
because we're able to procure product literally
from around the world very quickly, sometimes
overnight.

We're very data driven, you might even
say quantitative. So we have transactional data
going back 17 years. I can look at every
individual, what they bought, when they bought,
how much they bought, probably just like
Overstock. But we aggregate it then into groups,
whether it'd be the Salvation Army or a church or
down to an industry level. So we have a pretty
good idea of what the exposure might be, say, in
the case of a hurricane.

We also have a full-time Feeds team. And what they do is they actually create electronic feeds, which I heard earlier, to work alongside marketplaces, portals, and other platforms.

What are some of those platforms? A little company called Amazon we work with, Wal-Mart, Jet -- which is now a part of Wal-Mart -- Ace Hardware, so ACENET. Approximately 5,000 stores, we supply products into Ace. ASI and PTAI you probably never heard of, but they represent the promotional products industry in the U.S., 26-billion-dollar market each year. We supply all of their many thousands of promotional agencies' products.

Wish, many of you may have that on your phone, a lot of mobile commerce. Fifty percent of our commerce, by the way, is mobile, and it depends on the time of day. So you'll see a lot in the morning, a lot in the evening. And when everyone is supposed to be at work, they're
usually on our site buying something.

(Laughter.)

MR. PRUETT: So it really depends.

But along those lines, in addition to the big names that we know, one clear advent -- because we're going to talk about the landscape here -- has been the evolution of private portals. So whether it's an association or the three household nonprofits that I met with yesterday in Alexandria, Virginia and then here, they're all building their own portals. And we work alongside them with this aforementioned Feeds team to create unique feeds.

A feed could be 60 products. It could be over 20,000. As I said, we have 75,000 and we've had up to half a million. So it's very easy for us to create feeds where we distribute our products on multiple platforms.

What's the landscape for us? It's very competitive. Why? Because it's very commoditized. Most of the products that we'll talk about here, you'll find on our competitors'
sites. It's all price driven. We do a couple things that separate us. When you call us, you actually talk to a real human. So we build relationships over time.

We share our data which, I think, increasingly -- particularly in the time of privacy, when you're a buyer, to have transparency in the system, very important we do that. We also create our own products, so I think that's something that will come up increasingly. Because of the competitive nature of the marketplace and now with the Supreme Court rulings, companies are being forced to improve their margins which are dwindling really at a rapid rate.

So we've been introducing like Forward, our backpack line, which allows our margins 2 to 3x. And this is something that you're seeing in all the new dot-com startups like VirtualBox where they're creating their own labeled products. It's something that has to happen in order to survive.
China, I spent the last ten days and

got back Sunday from China. Why? Because we

think about Alibaba and WeChat as much as we

think about Amazon, Overstock, Wayfair, and all

of our brothers and sisters in the internet world

here today. It's changed dramatically. I've

been involved with web startups since '97, and I

would say probably more has happened in the last
two years than all the others combined.

So it's dramatic. It's put a lot of

pressure on small to medium-sized internet

companies, and it just forces you to pivot and be

nimble and compete. So it's very much a changing

world. We don't just think about the big

American Goliaths. It's truly a global platform.

Very quickly, based upon the RFI here,

three things that we think about before we were

to partner with a specific platform or a

marketplace.

One, what's their distribution look

like; what's their buyer look like, basically.

It seems commonsense to me.
Secondly, what are the transaction costs? Thresholds perhaps, fees, most of these are done on a per acquisition basis. So if we were to sell something on Amazon, they get a piece of it. In some cases, there are fees initiated when you go on to a new platform. But that's increasingly rare. Why? Well, because there's so many. We've gone from 1 to 12 in just a matter of months. So again, competition is forcing everyone to move in different ways.

And then third thing, of course, which is important, is the tech requirements. How hard is it to work with this platform? I think someone mentioned it earlier. Each one is slightly unique. You might have an API with one and we may have our own API which is basically an XML tech fee of products.

We track the model through UPCs, or universal product codes, which, I think, came up earlier in discussion. But the question was, how do you do price comparisons? And in our world, there are UPCs that we're able to really compare.
We have 53 pages of socks, for instance, on our site. Arguably, 52 pages too many, but --

(Laughter.)

MR. PRUETT: -- you don't win every battle. But you're able to very quickly compare sock sizes and sock prices. Okay? So I would expect that to be commonplace in any one of these.

Lastly, and I'm happy to talk to this in more length a little bit later, we do have a fairly strict regimen of standards that we use with our current 130 vendors. We're very happy to share that. Why do we have that? We need to because Amazon, Wal-Mart, Overstock, they all have very strict standards. If our vendors cannot keep up with, say, a two-day turnaround ship time, we, as a company of DollarDays, get thrown off of the platform.

So we do not want to expose our entire business to one of our vendors. So we actually have very stringent codes in place that we expect others to adhere to so that we can also work in
conjunction with our bigger partners. And I would expect that a lot of these standards -- and again, we're very happy to share what we use and what others use -- could be incorporated into the GSA's program here.

Feedback mechanisms, so you want to hear from the customer. That's also something very important. Rating systems, like at Trip Advisor, and then margin analysis. So we do that on a per product basis on every single platform.

So we can talk about this. And I want to thank the GSA for including us in this. Thank you.

MR. SARIC: My name is Alex Saric. I'm with iValua. We fall into the e-purchasing category I'm here for purposes today. We really empower procurement supply chain leaders to add hundreds of leading innovative companies and organizations to realize the full potential of their span in their supply chain through a complete cloud-based, source-to-pay platform.

I'd like to open up my comments today
with some good news. Really, everything we're
talking about today and what we're looking to
achieve with federal procurement, it's already
being done effectively, both by many companies in
the private sector as well as some public sector
organizations.

If you listened to the comments this
morning or read the March Implementation Plan,
there's a focus on, yes, reducing costs, but in a
broader context of maximizing value while
ensuring transparency, security, and compliance.
This is the exact same objectives that
counterparts have in the private sector, and
there are so many best practices that have
already been honed that there's real opportunity
to do this very well.

Now, the big difference is there are
a lot of unique requirements, and they change
even more rapidly and more unpredictably than
they often do in the private sector. And the
Implementation Plan comments on this and the need
for a dynamic, flexible solution. So that's
really the fundamental difference and that needs
to be taken into account.

But the good news is, even in the
public sector that's faced those same challenges,
it's being done effectively today. The City of
New York is one of our customers, and they had
over 100 agencies that were using different
purchasing processes. They actually had
legislation that effectively required paper-based
procurement processes. The net effect was a new
supplier needed 14 pounds of paper just to
actually be able to come on and bid for a
contract, let alone win it. It took over a year
to process that.

But they've been able to change the
law. They've actually been able to implement and
they're continuing to work towards the whole
process and now have completely digitized the
entire process, no paper. It's a matter of a few
days and Shared Services Canada is another
organization at the federal level. But in
Canada, they're actually doing this as well.
So as I say, if you can do it in New York, if they can make it work there, we can definitely make it anywhere. And I'm optimistic that given that there's so many learnings already out there, we can be effective.

When you look at trends taking place and one that's already been raised many times today, the concept of consumerization. It's a hot topic. The expectation now is, why can't B2B procurement be as easy as B2C? And for the most part, it should be as easy.

But there are a couple aspects to this. The one which is fairly straightforward is the buyer experience, and this really comes down to the software, intuitive interface, more of a guided buying approach. There's not much of a negative or a tradeoff to make there. That's fairly straightforward.

Where I think there's a lot bigger discussion and we've already heard some points today is on the concept of choice or comparative shopping. More and more, the trend is towards
getting buyers more choice. Now, on the B2B side, it's not as simple. There are controls, compliance, greater ramifications of making any correct choice.

So some of the trends that we're seeing is, one, there's a move from just the marketplace or just purchasing with approved suppliers and their e-purchasing solution towards consolidating that in e-purchasing platforms that actually have access and be able to compare what the marketplaces are offering. What contracted suppliers, of course, they're loaded in there. And even suppliers who haven't marketed, having the direct relationship with that platform or technology. So that's the direction that we see it going right now, and it's eliminating a lot of the tradeoffs that otherwise you'd have to make.

When we look at about best practices, one of the ones which definitely needs to be taken into account is the KISS, Keep It Simple Stupid philosophy. I mean, this is absolutely critical, and it comes from a couple different
aspects. From the buyer, of course it means making it simple for the person that's actually going to make the purchase.

So when they come onto the platform and want to make a purchase, they should have one place that they go to and they're immediately guided to whatever choice the organization chooses to provide, from whatever organization, from whether it's a marketplace, from a contracted supplier. And they should have all the complexity behind that hidden from them and just be able to click it in a very intuitive process and actually make that purchase.

And with regards to the platforms, in these three different models that were discussed, I'll tell you that in the private sector, the verdict is out. It's, 100 percent, going for large organizations to the e-purchasing solutions and simply opening those up to allow marketplaces and suppliers directly to connect.

And that has a lot of potential value.
The reason that the whole shift is in that
direction -- really all purchasing of large
organizations is moving that way now -- is, one,
it's actually simpler for the individual. We
destroy the simplicity by having them have to go
to different places with different interfaces and
different processes and expecting that they'll
always know where to go.

So it makes it a lot simpler and it's
also to their benefit if they're going to
purchase the right product. If it's one that
perhaps needs supports, that they'll actually
have that support from them.

And then the one aspect that often
isn't talked about much but increasingly now --
best practice focuses on this as well -- is the
administrative aspect. Making sure that that's
simple so that when you have a new change -- if
it's compliance with GDPR or Buy American Act or
whatever legislation we don't know about that's
coming next year -- the administrator can quickly
make that change behind the scenes without impact
to the buyer and without consultants, without any
massive fees, simply go in. So that's something
that absolutely needs to be considered.

Another best practice is really taking
a category approach. And we talked about, do you
open it up to a marketplace? To some extent,
it's not -- well, I'd say to a great extent, it's
not a mutually exclusive decision. Companies are
doing this at a category-by-category basis. If
it's a category that you purchase significant
volume from and federal agencies have a huge
volume to spend, they should absolutely negotiate
contracts for specific products, provide a
certain amount of choice within their own
policies, and then having those available on the
platform.

If it's a category that there's either
sufficient bandwidth to source and negotiate
contracts with or perhaps there are one-off
purchases, there, it makes sense to open it up to
a marketplace or perhaps some predefined
suppliers that are allowed to directly connect
and don't have an existing relationship within
certain constraints.

So it's not as if there needs to be one decision or another. It really is about taking a category-by-category approach. And this is really the best practice among large organizations.

And the last one I'll touch on here is also taking the big picture view. A lot of today's discussion is focused on the actual purchasing itself and a buyer going in and purchasing a transaction. But I always caution people from making a decision purely on that aspect of the process.

Because regardless of whether or not that's the starting point for a digitization and a transformation initiative or not, you need to keep in mind that, over time, organizations will want to digitize the entire process. You're going to want to know, when you have it automated, which contracts actually match the order to the invoice and have perfect matching.

If you want to ensure that you have a compliance
with regulations and you're purchasing from
stable suppliers that don't impose risk, you want
to have integration to supplier risk and
performance management.

So regardless of where you're
starting, and everyone's journey takes a
different path is what we've seen, there's not
necessarily a best practice. It's important to
consider that full scope because that's really
critical and that's where the fundamental value
lies.

And just to close, again, on a
positive note, this is being done successfully
and not just by hundreds and thousands of large
organizations across the globe but also by public
sector organizations that face the same and, in
some cases, greater challenges than GSA, whether
it's New York City, it's Canada's federal
purchasing arm, or many states such as Arizona.
They are having success with this and there's so
many best practices that have already been
learned to avoid the compromises and to have an
effective deployment.

And if you ensure that the approach allows the flexibility to adjust over time, not just as regulations change but as you learn and tweak and adjust to continually improve, then the procurement to that should be very effective. And I hope that the GSA is going to take that path, as many of your organizations, and will drive significantly greater value, both to your employees, for the suppliers that are here in the room, and fundamentally, to taxpayers.

Thank you.

MS. ZUBER: So I'm Julianne Zuber, and I am the Senior Director for Federal Partners and Channels with Juniper Networks. And I want to thank GSA for the opportunity to allow us to provide critical input on this critical initiative.

I wanted to start by introducing everyone to Juniper Networks. We deliver products, services, and software that support high performance network infrastructure. Our
solutions support the transition of the federal government customers to a secure and automated multi-cloud environment.

So we are not an e-portal provider.

So we are here today representing the supplier and manufacturer space. So we are extremely proud of the longstanding trusted advisor relationship we've built with the federal government customers in our partner community that includes helping our more innovative federal customers design and deliver high performance networks that are critical to success of the American public.

We are excited about the opportunity that Section 846 provides to modernize the federal government's buying experience. And while IT procurement has been identified as a challenge in our earlier discussion -- our earlier panel, we really encourage the federal government to take on that challenge now because that is the direction -- and we've heard from some of the portal providers, that is the
direction the market is going.

   The government is really at an
inflection point, and this mandate comes at a
time when innovation and disruption is being
considered across agencies. We believe it is in
the best interest of the public for the
government to strive to get as close to
commercial purchasing practices as possible but
to do so in a manner that treats all businesses
fairly, maximizes competition, and respects
existing statutes and treaty obligations to the
extent they make sense.

   In reference to the March
Implementation Plan, we agree with the
recommended revision, particularly the
recommendation to empower GSA to develop,
modernize, and petition requirements. And as my
federal -- or I'm sorry, excuse me. If the
intent is to simplify acquisitions, however,
rather than introduce an IDIQ vehicle to augment
the e-commerce portal, another option to consider
is to work with a portal vender to create a
commercial contract that institutes a uniform set
of T's and C's, terms and conditions, with
applicable flow downs that apply to every
supplier in the portal.

All suppliers on the portal will have
to agree to conform to those T's and C's if the
government requirement is such that it cannot be
commoditized and/or is unique or a complex
requirement. And for the first few phases,
recommend they continue to direct them to the
eBuy or GSA schedules.

However, we believe that this is where
the marketplace will actually begin to step in
and begin to proactively innovate in working with
the government to begin to commoditize bundled
solutions across suppliers. So there is no
longer the concept of just selling a widget from
a technology perspective or, as an analogy, a
gear on a bicycle. The market now has the entire
bicycle available for sale along with the
training on how to ride the bicycle and the
maintenance on that bicycle as well.
So I would envision, at least in the technology market, you will start to see less and less requirements that are unique and more and more of these bundled package solutions that'll be easier to commoditize and be able to be sold off of this type of e-commerce e-portal.

The recommendation that procurement through the portal satisfies competition requirements if there are offers from two or more suppliers of such product does need some clarification. There still needs to be consideration given to what internal controls and/or policing will need to occur to ensure that the suppliers listed on the portal selling a similar product are actually two different manufacturers and not two resellers of the same manufacturer.

Again, the Implementation Plan is really strong start. For this space too, it will be important to also clearly define the risks and mitigation strategies for moving forward. For example, another risk that was discussed earlier
that needs to be mitigated is the risk of gray market sales, the question in an open marketplace of how you ensure that an order is being fulfilled by an entity authorized by suppliers. As we all know, an acquisition of products or services from an unauthorized entity would impose significant risk, particularly to government federal end users.

If the intent is truly an open marketplace, what controls will be in place to ensure that the federal purchasers have enough information to distinguish between gray market and an authorized product? Will the portal recognize and promote only those suppliers who are certified by the manufacturer?

As a manufacturer, we will need to continue to comply with applicable fair competition laws and would like to have full transparency into who is actually selling our product on such portals. So we will actually have the opportunity to then to terminate unauthorized suppliers who are engaging in
questionable business practices and jeopardizing
the security of our products and our customers.

Again, we believe the plan is a great
start in transparency that GSA is providing into
the process and the ability to provide input in
forums such as this Industry Day is a fantastic
start. And we are excited about the opportunity
to continue to the dialogue and provide input as
the program continues down the path of
implementation.

So again, I thank you for the
opportunity to participate.

MR. TODD: Yes, can we have a round of
applause?

(Applause.)

MR. TODD: Very good. Well, thank you
so much for your different perspectives as well
as your insights. Some really great information.

What I'd like to do now is open it up
to our panelists from the first go-round and give
them an opportunity to ask some questions. And
then we'll open it up to the audience. So with
that, why don't we just -- I'll hand over the
mic.

MS. STANTON: All right. I'll stand
up so I can actually see all of you. First of
all, thank you so much for taking the time to be
here today. I know some of you had to actually
come into D.C. in order to do that. And so it
was very enlightening to hear all of your views
and the different perspectives.

So I want to touch on what we came to
at the very tail end of the first panel which
talks about -- and Alex, you addressed a little
bit of it -- but go deeper into the user
experience. And I'd just sort of like to get a
couple of observations from different
perspectives of e-purchasing, e-procurement
companies and also from some of the marketplaces
about what the government can do to really make
this a simple buying experience, knowing that
you're all coming from this from the standpoint
of varying considerations.

So let me toss that out there and see
what thoughts you have on sort of the user experience. And how do we actually make this work with the government buyers?

MR. SARIC: If I can start, I think I commented somewhat on this. But a couple things are, I think, relatively straightforward. Obviously, considering the interface and so when you're selecting a provider, it's probably a no-brainer. I mentioned also the approach. The key, it's not just the experience of going in on what the application looks like. There are a couple other aspects to it. And I think it's important to take a holistic view of what adoption and views are experienced.

And another component is, is it clear of where to go? And this was a point that I made before and this is why we're seeing the leading organizations. Everyone wants to go to one place, and they want everything there. And that's why there's this tendency for tying and then integrating to marketplaces and having more open ecosystems because, to some extent, you may
think you're giving more choice by allowing people, perhaps, to buy from different places.

But it actually complicates the experience because then you're assuming you'll know exactly where to go from one product. You end up using transparency. There are a lot of negative benefits, and it doesn't help the user. So that's an aspect as well.

And another component which is often neglected is also the supplier side because part of the experience is finding what you want there which means that suppliers have to actually be on board. And whether it's a punch-out supplier to a marketplace or their catalog actually being in a site, wherever someone goes in the system, they need to be able to find what they want.

So that means you have to actually get the suppliers on the network and either have the punch-outs work or have their catalogs uploaded, whatever it may be. That's often not considered as a part of the user experience, but it's a critical aspect. And if that's not there, it
gives people an excuse to go outside and purchase something outside the policies.

And with that regards, it's important to really consider the supplier experience. Is their experience of connecting to that portal, to that e-purchasing, is it simple? And you had mentioned some comments as well. One of the big topics is fees. And I did cover this, but there are very different models. Obviously, e-purchasing providers, whoever purchases pays a license fee, and that's generally it. But some also charge suppliers for transactions, for responding to bids. Marketplaces may take a cut of the actual volume going through it. All those have big implications to the supplier.

And there was also a point earlier today about unintended consequences. And this is one of the very big areas that it needs to be considered. Because of one of the unintended consequences of supplier fees is that suppliers end up trying to bypass the system and send the invoice via email or try to continue a
relationship that's already going outside of the system. And that creates a whole other compliance issue to try to reign that in. And fundamentally, you create tension between the buyers and suppliers.

So I think all of those aspects, the actual interface, ensuring that there's a single point of entry, whatever it may be, ensuring that suppliers are actually incented and have their products on it so people find what they want, all of that fundamentally comes to the user experience and needs to be considered up front because there are unintended consequences of seemingly small differences in the approach.

MR. CROMAR: Well, I'd like to jump in on that real quick too. I think if any of you've seen a procurement manual at a company, right, it's, like, this thick. It's, like, as big as a Grainger manual. No one reads it on their first day or ever.

What we decided to do a couple years ago, and I'm sure Alex's solution has done the
same, is throw away the procurement manual and put the procurement rules into the software, right? So HP, for example, doesn't want anyone in their company to buy Apple products from the public marketplace. Now, how would you block that, right? Filters.

So we've set in a bunch of different filters that the customer can go in and define on their own. So that's a big part of the compliance story and user experience is telling the user, hey, sorry, you're not allowed to buy or you're going to get fired by Meg Whitman.

And so those are the things, I think, that help guide the user to make the right decision by putting the policies into the software.

MR. LYLE: And I'll chime in. I agree with that, that filters can be very helpful for guiding the user. We've talked about AbilityOne and other narrowings of the products or other ways to clarify what the products are, where they come from, such as the Buy American Act. And
filers can be very, very useful for that.

One thing I did want to caution on a little bit, the concept of going to one place. I think if we're talking about going through the front door into one portal, it can be problematic. I think last time I was here, I talked about a wonderful experience I had at Shake Shack for the first time.

(Laughter.)

MR. LYLE: And what a pity it would be if we didn't allow people to go to Shake Shack because they don't also sell laptops and camouflage truck covers. You don't have to be all things to all people. And it's useful to have some specialization.

There are companies who do specific things very, very well. And so if you're looking for a one-stop shop, you may not get everything you're looking for. Whereas if we open it to competition, we allow those specialized companies to compete in the areas where they are specialized. I think you'll get better
selection, better price differentiation, better value, and, as I we mentioned earlier, better filter control.

MR. PRUETT: Great comments. I'll just add when you look at consumer sites today, the operators of those companies will look at a couple of critical things like site speed. So your question was really consumer, customer experience. How fast is the site? How often do they use search? So it's dramatic. If your site is fast, your conversions will go up commensurately. In other words, your buy-in.

So I think the consumer experience today is speed, search, feedback mechanisms. I mentioned Trip Advisor earlier and anyone who procures is familiar with that kind of thing. What's the closed loop for the customer experience or by the particular vendor? I agree with the standard. Do they have the supply? I think Amazon has a 15-minute rule that we adhere to. Does the vendor have that supply in stock?

So some typical things like that. I
think, to me, today, that is the usability issue. It's not so much the design anymore. A lot of that has been worked out over the last 20 years of the internet. So I think it's more about speed and search.

MR. NOYES: My perspective is a little different with regard to mapping out the user experience. Mathew mentioned the congruency of the acquisition gateway and category management and enabling the decision makers to compare. Mike Tucker mentioned product codes.

The federal shopper should not be surprised. When you think about the role of the GSA, we certainly do have an opportunity to govern how the marketplace will offer product and also that the process that the vendors provide a platform to compare, require things like uniform content, avoid puffery. And also a way to respond to consequences. If they're not happy, what happens then. So those are all topics to consider.

MS. ZUBER: I just have one comment on
the user experience. For me, again, a supplier -- coming at it from a supplier-manufacturer standpoint, I think the uniform content piece is going to be critical because decisions will still need to be made presumably as to, again, which vendors and which suppliers will be selected for distributing certain products.

And again, the gray market issue then comes up again. So from our perspective, there should be consideration given to, how do you flag those vendors and suppliers that are authorized to be able to sell the products that are on the portal?

MR. KOSES: Thank you, all. That was just tremendous. I heard this morning a fair bit about the importance of developing ordering procedures in this next phase. What about any or everybody's thoughts on what we should think about in these ordering procedures?

MR. CROMAR: I'll jump in. I mean, in terms of the way that most of our customers are set up for ordering procedures is that there's a
hierarchy and then there's some spend thresholds, right? And there's also some commodity thresholds.

So while I may be able to just buy a laptop that's part of a scheduled supplier that's a standard laptop that has no problems with security or anything like from a trusted vendor. Go ahead and buy that as long as it's under the dollar threshold. I may get a workflow to my boss. They approve it. It's done. The system handles all that, so I don't have to know who to route it to. It's all done ahead of time.

Whereas other things may fall into a more complex workflow, if it's a marketplace item, it's a gold-plated keyboard or something like that. Those types of things can fall into an adjusted ordering process.

MR. SARIC: Yes, and I'll just add to that as well. I mean, I echo the comments there. Probably the only thing I'll add is with regards to ordering process, I don't know if you can say this is an area there is one testing class
I think it does differ in the company and the organization and certainly federal agencies. It's going to differ for most private organizations.

I think the most fundamental aspect is keep in mind that you have flexibility to adjust because it can be a threshold level. I would say probably best classes, it should be threshold and commodity. Certain commodities, you could probably be a bit looser, have different types of flows. But fundamentally, what's key is having the flexibility to adjust those because they will change over time as policy changes. As with some of the concerns raised today about the current threshold, maybe that won't be the threshold a year afterwards because you'll find that the experience it's best to adjust it somewhere else.

So I think the fundamental thing is to have the flexibility to easily adjust what the thresholds are and what the workflows and approvals are and sufficient flexibility to adjust it at the category level. If you have
that, then it's a matter of fine tuning and
tweaking it, and that's relatively easy as long
as it can be done on the interface and not with a
consultant.

MR. LEE: Again, thank you for all of
your remarks. Matt, you hit on something, the
supply chain risk considerations and the
consideration in the federal government. But you
knew that your commercial customers share those
considerations. So any thoughts and advice, in
terms of doing supply chain risk commercially,
how you kind of have some of those trends as they
purchase?

MR. CROMAR: Yes.

MR. LEE: And it's open to all the
panel members as well.

MR. CROMAR: Sure, yes. I'll start.

So obviously, with the federal government, I
don't think you guys pay taxes, right? Sales
taxes? Okay. So not as much of an issue for you
guys as maybe on the commercial side where they
are liable for sales tax and use tax, things like
that.

But certainly, I mean, if you look across the supply chain around the world, one little hiccup, whether it's a weather issue that causes a depletion of inventory somewhere which then you can't get something that you critical need or it's a child slave labor issue or poor working conditions. These are all things that are at the tip of the tongue now of every chief procurement officer that I speak with. And because reputational risk and brand has such a large impact on value overall of the brand of the company.

So we have solutions that go out and proactively monitor those things based on each supplier in your supply chain as well as now, even going one step further or two steps further, their suppliers, and their suppliers all the way down to the guy that grew your tomatoes to make your ketchup. So there's definitely something in that that it needs to be considered as part of who you're going to buy from.
And the other thing is that companies want to feel good about the way they spend their money. They want to spend it on good things and with good people.

MR. SARIC: Yes, and this is one of the reasons why there is this big distinction between the consumer and the B2B experience and why you need to be careful with competitive shopping and choice. Because as a consumer, if you purchase from a supplier that happens to use slave labor, shame on you. If you knew it as a government entity or an organization, let's not go there with the ramification is going to be when that comes up besides obviously fostering that type.

So it's critical that that's built in and that's why there needs to be some more limitations on the B2B experience. It also ties into kind of the last best practice I had mentioned in my opening comments, the need to consider the broader source of the pay cycle rather than just the actual purchasing act.
Because that's where your supplier risk and performance management comes in and your predictive indicators and information that can notify you before it's in the catalog that you shouldn't be doing business with this supplier or there's some activity going on that you need to be suspicious of. And that's why it's really critical, even if that may not be where you're starting, that is going to factor into the overall plan.

MR. PRUETT: I might just add one thing. For our company, our biggest expense is shipping and delivery. So when we think about -- and that's more than our staff, by the way. So when we think about supply chain, they're the vendors on your platform. But how do you get it to the end user, the buyer, the customer? How long does it take? So speed, again, very, very important, and the cost.

So we'll work with freight forward companies, postal service, UPS, FedEx, local freight companies, railroads, and airlines. And
to me, when we think of supply chain today in the markets that we're in, that's the number one issue. And we also consider B2B to be pretty much a consumer-driven market now. There's very little delineation between the two because all of us use these sites all day long on the phone right now or at home. So the experience, to me, has to be one and the same to be successful.

MR. NOYES: I would just add a final note. On the ordering process, if there's a way for GSA to avoid the risk by filtering or blocking or encouraging, the federal icon systems work very well. They have a positive history. But there could be a way to just not show the product that's not preferred. If it's not TAA compliant, if you want to encourage through form, fit, and function, AbilityOne. There can be a way to elevate that or discourage others just by managing what gets seen on the platform.

MR. LYLE: And just to expand on that a little bit. As we mentioned earlier, filters have the ability to show or not show products
along those lines. We also have to be a little careful that the rules don't envelope, basically, the purpose of this whole exercise. We don't want to get bogged down in all of these same regulations that we're trying to break free from.

So I think part of it is the vetting process that was mentioned earlier. We have suppliers that we've worked with for 20 years. And when we bring on a new supplier, we go through a fairly extensive vetting process to find out, where do those products come from, where do the tomatoes come from for your ketchup, to use your example. And to go through that vetting process, we are able to say with a degree of certainly, okay, you don't have conflict minerals in here, you don't have child labor involved here, and all of the issues that are of concern to the federal government.

So I think that expands on it just a bit.

MR. CROMAR: I'd be remiss as a technology provider not to use the word
"blockchain".

MR. LYLE: Hey.

MR. CROMAR: Pay up now.

MR. LYLE: Yes, yes, later.

MR. CROMAR: But there are some real truths to this, and we started working on this path. And as I'm sure everyone now is using that to kind of guarantee provenance, both for conflict minerals and things like that. But also for things like tax compliance. In some countries, just paying your taxes directly to the -- instead of sending it to the seller so they can pay it to the government, you just pay it straight to the government.

So self-assessment, things like that, we're looking at some of those technologies. But blockchain certainly could help in some of those risk areas as well.

MR. LYLE: And as one of the early adopters of Bitcoin and, more specifically, blockchain, I did want to mention just briefly. Blockchain, for those who aren't familiar with
it, it is basically a decentralized ledger. So it can't be manipulated. It can't be tinkered with. It's on thousands of computers all over the world, so you can't break in and change it in just one because the others will back it up. But yes, I agree with what's said there.

MR. TODD: Okay. Does anybody else want to get down on blockchain?

(Laughter.)

(Simultaneous speaking.)

MR. TODD: All right. Well, thank you very much. Any other question from our first panelists? Okay.

I think what we'll do now is open up to the audience. So if you can hand these off. Raise your hand if you have a question, and we'll run around to you.

PARTICIPANT: I want to congratulate all of you. After your short visit here in Washington, you've mastered the art of the filibuster.

(Laughter.)
PARTICIPANT: I've cashed paychecks from Fortune 500 companies, from the federal treasury and my own. But the last couple of years, I've been working with people who employ blind AbilityOne providers. And I noticed that Mr. Lyle mentioned regulations first or at least that's what I heard from him personally.

I want to comment. There is a real problem with compliance regulations. You mentioned the ashtray. Some of you are old enough to remember in the 1980s when the federal government bought a 750-dollar pair of pliers. I was working for the Boeing Company at that time and that responsibility and critique fell on me.

And there was a lot of things that were left unsaid. They didn't say there was 22 pages of tech words that went with it or that had a very specific hurdles of removing an O-ring from the CFM56 engine made by General Electric and Snecma or who may track the materials from the time they were mined until the product was at the age of 50.
And there are also things in this system that I'm concerned about that won't be revealed. For example, when a product made by an AbilityOne provider is sold to the federal government, for every dollar the federal government buys in purchasing that part, they reap two dollars in dividend.

These are very fine companies that are represented by Overstock.com, Juniper. They're great companies. But none of you can guarantee a dollar return or every two dollars for every dollar spent. That's what happens when we have pens made by people in Allen Point and Kansas City.

But the competition is pens made by prisoners from the Far East, and that's why we have filters, as, again, Mr. Lyle said. So in other words, I want to mention poor regulations we're having to define essentially the same.

So when new products come to the market, you can make sure that you're competing on the same level treated with essentially the
same parameters. Or over the counter, OTC, those things are going to be governed by regulations because the free market chooses not to govern those things. So there are some regulations. And another one of those benefits is the Javits-Wagner-O'Day Act, FAR 8.002, purchasing priorities for AbilityOne because we get a two-dollar return for every dollar we spend.

And where do those two dollars come from? People who are blind and disabled if they're not working and most of them are not. If you're blind, your unemployment rate for a working age adult is 70 percent. It's 80 percent if you're disabled.

So for those that are working, you're going on the public welfare system. You're trapped in the public welfare system. You're not in public housing. You're working. They're not receiving Medicaid or SSDI, the Social Security Disability benefits. They're contributing dollars to the system.

So my concern is that when we set up
a system, that filters are in there. My question
is, can we have the convenience of compliance so
that when a government transaction is made, the
compliance is already done? When a federal
government card holder -- and I don't want some
30-year-old Sergeant First Class in Fort Carson
buying a bottle wine and marijuana muffins. I
want them to be buying parts that are doing some
filters so that they don't fumble with a credit
card. And I also don't want him to be buying
pants from prisoners or child labor or conflict
cartridges from Colombia.

Can we add that luxury or benefit of
compliance before the transaction is made by
having the filters written into the software of
e-commerce portals that are going to be designed
by the GSA?

MR. LYLE: In a word, yes.

PARTICIPANT: Thank you.

MR. LYLE: Yes, it's not complicated
to overlay filters onto what is shown in terms of
products. I think part of it comes from, okay,
who is interpreting the Javits-O'Day-Wagner Act
or Buy American or whichever act you are
referencing. And so in terms of the filters,
they're not hard to overlay on something like
that.

With regard to your specific example
where you have a private purchasing a bottle of
wine and marijuana muffins, first of all, I'm not
sure which of us would be offering marijuana
muffins. But to your point, the way -- and this
gets back to the user experience as well. One of
the things that I think technology offers is a
way to let that sergeant's superior officer know,
hey, Sergeant Bonehead is purchasing a bottle of
wine to go have a fun evening with a lady friend.
And so instead of doing that, I think Sergeant
Bonehead needs to go peel potatoes for a few
weeks.

There are filters and there are text
pushes and things like that, that can let
superiors know, this purchase is not appropriate.

MR. CROMAR: We can also favor certain
suppliers or, in certain categories, favor
certain items. So that's a thing that pretty
much everyone does now too. I have customers
that want a minority women-owned business. They
want to have them show up at the top of the
search results. The users still can go through
and choose. But it might say something like,
hey, this is a preferred supplier. Why are you
buying from another supplier? And you have to
provide a reason.

So I think any one of us that
provides, it's -- Alex, right? I mean, that's
standard stuff. We've been doing that for years.

MR. SARIC: It's a standard best
practice that organizations around the world and
both our customers do all the time, whether it's
a minority-owned company, veteran-owned. In
Europe, they focus a lot on CSR.

So it's actually fairly standard to do
it, and there are various ways to implement it,
whether you want to make it a hard requirement or
if you want to make it a preference of just how
you prefer suppliers. So ultimately, that comes
down to decisions done on the GSA and how they
would deploy the capabilities there.

MR. NOYES: I would take it a step
further. I work with the Alabama Institute for
the Deaf and Blind in Talladega, Alabama, and the
team down there is incredible. If you've ever
visited any of the nonprofit agencies, it's
fantastic. We work very closely with Jason
Analee. Mike Jankowski does a fantastic job.
The Commission is head and shoulders with the
staff they have. Although very small, they do a
lot.

I would take it a step further in that
the ETS is only a very small bandwidth, but the
agencies may be able to offer more. So as long
as it's competitively priced and meets the
quality needs, if it's available, is there
another level that you could take it to where it
could be bought through the dealer network -- the
AbilityOne dealer network and offer more then,
the ETS queues? Could that be an option to
elevate the program even more?

But thank you for mentioning that

compliance before the purchase is made is key.

PARTICIPANT: What comes to the mind

of the panel when GSA mentioned this open market

program and competition?

MR. NOYES: What comes to your mind

when you're an open market?

PARTICIPANT: I wanted to know how the

panel decides on what they call open market and

what GSA says they want the competition. What do

you think GSA meant?

MR. SARIC: So I mean, there are two

-- I guess there are two points in the process --
two important points where there's potential for
competition. And one is actually when you're
actually going out and sourcing contracts at that
point. I think that's somewhat of a no-brainer
that clearly it needs to be a competitive
process. It will be and then vendors are
selected. So that, I think it's fairly standard
and it's just a question of how many companies
are awarded and the process in doing so.

The other aspect is if you're purchasing something that does not have a contract. Say, you don't have contracts for pens. But you still want to open up pens, perhaps by connecting to a marketplace to available in the platform, people in purchasing. I mean, that's the other area where it's a question between competition and who you expose it to. And there, there are a lot more questions based on the priorities and policies.

Me, in general, I think that that's the whole point of these tail spend type solutions and opening it up to marketplaces is to actually, among other things, improve availability and more competitive pricing by allowing that comparison. So I'll let the GSA comment, but my intent is that they are eager to have competition at both those aspects which are actually best practice approaches.

Does anyone from GSA want to?

PARTICIPANT: Yes, it's probably more
for them than us.

PARTICIPANT: Yes, right.

MR. BURTON: Rob Burton from Crowell and Moring. There's been a lot of discussion and some concerns raised about the restrictions being placed on e-commerce providers' use of sellers data. And I think some of you have suggested that there's some benefit to the use of that data and that you use it for the customers.

I'm just curious, those proposed -- those restrictions that are in Section 846 are of concern to you and whether you think those restrictions will actually prevent you from using sellers' data in the future for the benefit of your customers. I want to address this question initially to Brock, but any of you are certainly welcome to respond.

MR. LYLE: Well, with regard to sellers' data, I agree with you. We have to be fairly careful about how that is used. Normally, sellers' data, we show to sellers but we don't show to other people.
Similarly, we have analytical tools that will show the government's data to the government to allow the federal government to figure out, okay, here are the purchases that I'm making often. Here's how often I'm making them. Here's how much I'm paying for them. Here's who I'm getting them from. All of that information can be put together for the government.

But we also have to be a little careful about privacy restrictions. There was another large company who was here a few weeks ago across over at the Hill because there was some concern over them using information from their customers for advertising or sales. And we do have to be careful about how we use that information so we don't get into what someone referred to as kind of creepy territory.

MR. CROMAR: There's a great story. It was years ago when Amazon feeds used to automatically post to your Facebook feed. And a guy who bought the beautiful gold necklace that didn't go to his wife --
MR. LYLE: Ooh.

MR. CROMAR: -- but it went on his Facebook feed automatically. And his wife was, like, hey, where's my necklace? And he was, like, uh-oh. So yes, we have to be really careful.

MR. LYLE: Isn't that in Love, Actually?

MR. CROMAR: Yes, that's right. So we have to be really careful. I know specifically with our platform, I had very strict requirements that are in our contracts about who I can share data with and what. So I have customers like BP and Shell. And is there a way that Shell could find out where BP is going to drill oil next by getting a look at their purchase order data?

Yes.

So things like that we're very careful with. We've been careful with that stuff for 20 years, and it's just part of our DNA. And I think it's part of what the government should be worried about is if you consolidate all this
purchasing and you don't anonymize your users to these marketplaces, there's the potential for them to use that data.

MR. PRUETT: I'll add on thing. You have the supplier and the buyer obviously. But in today's world with social media and feedback from the actual customer, that's really the great equalizer around all of these privacy issues. A lot of consumers actually want their name to be used. It's almost like a testimonial approach which is why so many of these new current age web companies have taken off.

So they want to share their experience with a particular vendor or a particular platform. And I think that should be heavily taken in consideration. Facebook is the largest platform in the world, and it's all about consumer-generated content. It seems silly not to include that into the next versions of B2B platforms in my mind.

MR. LYLE: I guess the important clarification is that'd it be their choice --
MR. PRUETT: Of course.

MR. LYLE: -- not ours.

MR. PRUETT: Yes, I agree.

MR. LYLE: Right.

MR. SARIC: Yes, and this is where it gets tricky. And I'll say from an e-purchasing solution provider -- and Matt pointed this out as well. I mean, this has been a topic ongoing. It's a nonissue, and really any good provider is going to be able to provide that type of restrictions to not use the data if they need to. Typically, where the tradeoff is, is customers wish to benchmark themselves. Typically, then if you agree to let the data be aggregated with others who can see your benchmark. Organizations that choose to not participate because they don't want their data leveraged in any way can lose that potential value of benchmarking. So that's really the tradeoff there. But as far as providing that security, that's a no-brainer and there are many large organizations
that require that. And this is, again, one of
the -- this is a benefit of a central approach
because the data is handled all in one way.

MR. CROMAR: I think also from a
company's perspective -- sorry -- I think we
might've touched on this in January, but reviews.
So I can tell you that after four years of doing
this marketplace purchasing, e-procurement stuff
with marketplaces, not one customer would allow a
review that someone from within their
organization wanted to create about a product to
be posted to someone outside of their company.

So Pfizer would not allow -- and they
even have public policies that say, if you
identify yourselves as an employee of this
company on Amazon giving a review, you're gone
because that is then seen to endorse that
product. They just don't want to have it. So
that's a tricky thing.

Now, within the company, if I know Joe
over in accounting loves this new mouse pad, no
problem, right? But I tell you, outside the four
walls, they won't have it. And I would recommend the same thing.

(Simultaneous speaking.)

MR. SARIC: Voted best by internal poll.

MR. CROMAR: Yes.

MR. SARIC: Sorry, I cut you off.

PARTICIPANT: Hi, good day. I think collectively what you all are talking about this content personalization, so I guess the technical phrase for that specified.

My question is concerning not necessarily a product but someone initially talked about the user experience. Do you see, moving forward, that your sites are going to have content or be specified for different languages, language specifications, things of that nature, to cater to the changing population of the U.S. more effectively?

MR. SARIC: So are you referring to the actual products? I'll say from the interface, I mean, that's one of the advantages
of a lot of devices. The user can choose their interface. So you can choose to have it in Spanish if you want, and that's at the user level that you can specify that. And there may be a default set for the organization, so that's fine.

If you're talking about the actual products, that gets a little trickier. But I think it's fundamentally at the actual interface, and that's a user feature --

(Simultaneous speaking.)

PARTICIPANT: It was, more so, the interface, yes, because I know that there are regulations as it relates to the fact this gentleman in the back initiated somewhat in-depth. So for disabilities as well as language specifications but more so to the site as opposed to the product, yes.

MR. SARIC: I mean, that's actually fairly standard because, again, the early adopters were large global organizations and have employees, they have ex-pats in other countries. So the ability for the user to select the
language is actually fairly standard.

MR. CROMAR: Getting the content in 20
different languages is really hard, right? I
mean, iPhone translated 20 times with a
description and everything, it's generally not
done. Like, in Europe, it's usually the dominant
language of that country. Like, so France gets
French content. UK gets English. Germany
sometimes gets a little bit of both English and
German. So it really depends. But the UIs have
been localized forever, yes.

PARTICIPANT: Thank you, panelists.
So my last previous question I had asked was
about the user experience. I'm glad that some of
you latched onto that, and we talked about that a
little bit. We also discussed in this panel the
supplier side. I think that was mentioned.

A question I have for the panelists is
the whole intent of this initiative is, yes, from
a buyer's perspective, to make it easy, from a
provider's perspective, to make it easy to sell
to the federal government. But there is also a
value and a cost and an efficiency element which
is, I think, what you are trying to drive here.
We don't want people to have choice to buy but
chose to buy the most expensive thing because
there's no threshold. Ultimately, you want to
see, is the federal government buying
consciously, the people within the company. So
what --

(Laughter.)

MR. LYLE: Welcome to the club.

PARTICIPANT: So I guess my question
is, how do you envision within this pilot of this
concept and incorporate not just the buying
perspective, the supplier perspective, but also a
measurement perspective around savings
realization or cost or spend management? How
would that get in there? Because that's not a
buyer's concern. That's more on the back end,
the people who are managing this.

MR. LYLE: Again, in a word,
analytics. These companies generate a lot of
data, and we can track it. And so knowing here's
how much the most expensive price is, here's how
much the least expensive price is, here's the one
you purchased, here's how much you saved. It's a
fairly straightforward math problem, and e-
commerce companies do it all the time.

MS. ZUBER: And just kind of building
on that. So I think the analytics is a great way
to measure that on the back end, but there's also
an opportunity on the front end of the purchasing
experience to be able to not just allow for LPTA,
so lowest price technically acceptable type
purchases, but also to start to look at providing
-- enabling or asking for information about best
value.

And really allowing them to really
look at the best value parts and provide that
justification before they're allowed to actually
go add the part and check out. So I think
there's an opportunity for that to play a role
there as well.

MR. TODD: Okay. Well, thank you very
much. I think that's about all the time we have
for today. I want to thank -- and give everybody round of applause.

(Applause.)

MR. TODD: And with that, I'll pass it over to Laura to do some closing remarks.

MS. STANTON: Great. Thanks, Keil.

All right. Just I'm well aware that I want to join Keil, first of all, in thanking the panelists. That was excellent, hearing the different perspectives on this and also thinking through some of the challenges that we talked about in the first panel. So thank you very much for taking the time and sharing your wisdom with us on that front.

I'm just going to keep it very short since I know that we are at lunchtime. And I believe that there is a big announcement this afternoon that everyone wants to be ready for.

So with that, first of all, thank you very much for joining us today and continuing to engage in this process as we go forward and figure out what we needed to know. And also, how
do we use all of that information to ultimately
design a problem that accomplishes all the
objectives that Mathew laid out, that Jeff, Mark,
and I laid out throughout the panel.

And in order to do that, please give
us your responses by July 20th to the two
requests for information that are out there. And
from there, we're also continuing the one-on-one
meetings that we mentioned earlier. And so I
welcome all of that continued engagement and look
forward to seeing you all back here again in a
few months.

Thank you very much.

(Applause.)

(Whereupon, the above-entitled matter
went off the record at 12:27 p.m.)
CERTIFICATE

This is to certify that the foregoing transcript

In the matter of: Procurement through Commercial E-Commerce Portals

Before: GSA

Date: 06-21-18

Place: Washington, DC

was duly recorded and accurately transcribed under my direction; further, that said transcript is a true and accurate record of the proceedings.

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Court Reporter