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Competitive Sourcing Saves Agencies \$1.1 Billion

Washington, D.C. – Competitive sourcing is helping the government to reduce operating costs by over \$1 billion and increase efficiency roughly 15 percent, according to a report released today by the Office of Management and Budget (OMB). Studies of more than 650 commercial activities completed in FY 2003 and several competitions completed in the first quarter of FY 2004 are expected to yield \$1.1 billion in savings for taxpayers over the next 3-5 years – an approximate 15 percent cost reduction (or avoidance).

"The agency data confirms what other studies of competitive sourcing have shown for years: competition delivers results for taxpayers, government service recipients, and government employees," said Clay Johnson, OMB's Deputy Director for Management. "With experience and continued attention from senior managers, our results will only get better," continued Johnson.

The conclusions of the OMB analysis are based on competitive sourcing reports that agencies have prepared for Congress in accordance with the Consolidated Appropriations Act for FY 2004. OMB's report makes a compelling case for the use of competitive sourcing as a standard management tool.

Of particular significance, the report finds:

- **Results for the Taxpayer:** Taxpayers saved roughly \$12,000 in annualized net savings (or cost avoidance) for every position studied, regardless of whether the work is being performed by the government or the private sector. Out-of-pocket expenses for competition were just under \$90 million
- **Results for the Government Employee:** In-house government sources were identified as offering the best service for 89 percent of the positions competed in FY 2003. By underscoring the high quality of their work and prompting internal improvements, Departments and Agencies will continue to rely upon Federal employees to provide various commercial services.
- **Secrets to Success:** Success is tied to sound preliminary planning, grouping related activities to generate private sector interest, reorganizing inefficient in-house operations, and aligning competitive sourcing and human capital efforts to close competency and skills gaps.
- **Future Improvements:** OMB is working toward the deployment of a government-wide database to facilitate a more systematic approach for collecting information on competitive sourcing. Moreover, long-range planning and training will continue to be emphasized to help agencies maximize gains from competition, especially at agencies reporting more limited savings.

Competitive sourcing is one of the five initiatives in the President's Management Agenda (PMA), an effort to make the Federal government more citizen-centered, results-oriented, and market-based. Competitions are used to compare the costs and overall value of services among private sector and federal government providers. Providers are selected based on who can deliver the best services at the best value for the American taxpayer, irrespective of the sector they represent.

To read OMB's report, go to www.results.gov or www.omb.gov, and click on *COMPETITIVE SOURCING: Report on Competitive Sourcing Results, Fiscal Year 2003*. Links to individual agency reports will be provided at www.results.gov.

For additional information, please contact OMB Communications at 202-395-7254.

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