SUMMARY

PUBLIC/PRIVATE PARTNERNSHIP AFFORDS AGENCY MEO COMPETITIVE ADVANTAGE IN A76 CONTRACT COMPETITION

Washington, DC [February 25, 2004] The Institute for the Study of Public Policy Implementation convened a Leadership Forum of federal agency leaders, union officials and private sector consultants Tuesday to explore the benefits and challenges of MEO, or Most Efficient Organization, partnerships with private contractors.

Participants agreed that while agency MEOs may enjoy a competitive advantage over outside contractors because of their unique knowledge of agency practices, culture and personnel, capitalizing on that advantage to win contract competitions requires a challenging paradigm shift. Partnering with an experienced private sector contractor can facilitate this shift through the contractor’s special technical expertise and contract bid experience.

Robert McMullen, of the FAA MEO established to compete for a contract impacting 2,700 flight service specialist jobs at 58 sites around the country, and his MEO teammate Carol Gabica of Harris Corporation, presented attendees with lessons learned from their experience in the ongoing FAA contract competition.

“The FAA MEO-Harris Corporation team is an example of how public-private partnerships can facilitate effective, efficient public policy implementation,” said ISPPI Director Robert M. Tobias. “This partnership offers a new and innovative model for competitive sourcing in the federal government, one that gains the advantages of competition without selling short the expertise of federal employees.”

The meeting, held at the Brookings Institution, was attended by leadership development and human resources professionals from throughout the federal government, as well as management consultants, academics and labor and management association representatives.
PROCEEDINGS

Introduction and Discussion by ISPPI Director Robert M. Tobias

“What potential value added comes from a Most Effective Organization (MEO) forming a public/private partnership with a private sector technology firm?”

Introduction:
Institute for the Study of Public Policy Implement (ISPPI) Director Robert M. Tobias opened the meeting with a brief overview of the mission and goals of ISPPI, followed by a discussion of competitive sourcing requirements and the experience of the agencies represented with A-76 competitions and creating MEOs.

The Bureau of the Budget, predecessor to the Office of Management and Budget, first issued policy in 1955, 1957, and 1960 declaring “... it has been and continues to be the general policy of the Government to rely on commercial sources to supply the products and services the Government needs.” The policy declarations were followed up with A-76, a specific process the government must use to conduct public/private competitions.

In 2002, the Bush Administration revised A-76 rules to streamline the competitive process, setting a maximum competition length for standard competitions of 12 months. The new rules also allow government MEOs competing against outside sources for federal government contracts for the first time to form partnerships with private sector providers to submit a bid.

In addition to these changes, President Bush established the goal that 15 percent of the federal workforce classified as commercial – some 425,000 jobs across all agencies – be subject to competitive sourcing actions by 2004. Progress is to be monitored and reported by OMB this year. Although it is expected that the 15 percent goal will not be met, significantly more federal government work is being subjected to competitive sourcing actions than ever before before.

The new A-76 rules also allow MEOs for the first time to create sub-contracts with private sector providers to submit a competitive bid. Although no MEO has yet used this new flexibility, a Federal Aviation Administration MEO, which is not governed by A-76, has created a public/private partnership.

The Federal Aviation Administration MEO, currently involved in a competitive bid process for management of 2,700 flight service station personnel across the United States, is the first to establish a partnership with a private sector service provider, Harris Corporation, under the new FAA rules. Robert McMullen, head of the FAA MEO, and Carol Gabica of Harris Corporation are here to discuss their experience in creating this new relationship, the advantages and potential disadvantages of the arrangement.
The FAA A-76 competition is the largest study ever conducted, covering 58 of the 61 automated stations nationwide (facilities in Alaska are excluded from the study due to the unique working conditions of that environment) and 2,700 employees.

The FAA MEO functions like an outside vendor preparing a bid for a contract competition. The MEO’s goal is to competitively respond to a technically demanding performance work statement (PWS), and to integrate a proven workforce with industry’s cutting edge technology capability. Consolidation of facilities and personnel, as well as implementation of new technologies and work processes, are being considered. It seeks to leverage technology to increase efficiency, while minimizing work force losses and providing the best business case in order to win the contract.

The MEO considered three business arrangements to meet the PWS requirements. The first was to perform all work – technological development and integration - in house; the second was to manage integration internally, but establish teaming arrangements with various contractors for technology development; and finally teaming with a contractor that is technically capable and able to handle integration.

By establishing a public-private partnership, the MEO is able to capitalize on the special “domain knowledge” of the MEO staff as well as the business expertise of its private sector partner. The MEO staff, as FAA employees, have a unique understanding of the culture and work environment of the FAA, as well as intimate knowledge of the job roles covered in the A-76 study. Their industry partners, on the other hand, have years of experience in competitive bidding and access to leading edge technology.

The MEO considered Harris Corporation’s unique skill qualifications, performance capability, technical understanding and long history of working with the FAA in selecting them as a teammate.

The core staff of the MEO includes management and union officials, as well as specialized professionals as needed. In addition to the teaming agreement with Harris Corporation, a subcontract has been made with ICF consultants to take advantage of their expertise in contract/proposal writing and understanding of the A-76 process.

Already, prior to contract award, the partners have benefited from the relationship. Through Harris, the FAA MEO has access to business best practices, capital investment, and a knowledgeable, technically competent workforce. Additionally, Harris brings proven winning proposal development expertise and understanding of FAR compliance issues to the table.

Both partners also anticipate a number of advantages of the MEO-Harris partnership post-contract award. By establishing the teaming agreement up front, all the players thoroughly understand what has to be done, how it will be done and by whom. The pre-established relationships between MEO staff and Harris staff, as well as between MEO staff and FAA staff, will potentially shorten phase-in and implementation. In addition, the MEO bid is expected to be more accurate, due to the MEO staff’s special understanding of the work, which will aid the FAA in budgeting for the project.
The MEO-Harris team has encountered some challenges along the way, not the least of which is that teaming requires the staff of both partners to adopt a new mindset about working together. The MEO staff are no longer the procurement agent/client of the Harris personnel. Both teammates must enter the relationship with the view that it will be a long term partnership.

Just as the MEO staff are no longer the clients of the Harris personnel, they are no longer the colleagues of current FAA staff. This entails new ways of thinking about administration and overhead, resource usage and communication.
Harris Corporation works with civil, defense and intelligence agencies in air traffic control, weather processing and other technology intensive contracts. Air Traffic Control communications expertise includes voice and data communications between ATC and aircrews; high volume switching technology; secure telecom networks; smooth legacy system transition; high availability systems; and systems upgrade. Key weather processing systems technologies with which Harris has demonstrated expertise include assured receipt, management, and distribution of weather data; fusion and enhancement; processing and display; product generation and flight planning support.

The company won its first contract with the FAA nearly 20 years ago, in 1986. Current FAA programs installed and projected are:

- **Voice Switching and Control System** - Partnering with the FAA as their premiere integrator and supplier of weather systems and assured communications for their air traffic control modernization.
- **Alaskan NAS Interfacility Communications System** - By leveraging our .9999999 performance on VSCS, become the chosen assured communications provider for the next generation voice switching guaranteeing a successful program for the FAA.
- **Weather and Radar Processor** - Provide the expanded functionality and modernization of weather products to the en route and TRACON environment by leveraging our successful deployment of the current system.
- **Operational and Supportability Implementation System** - Expand our integrated weather and flight planning functionality to the AFSSs by leveraging our successful deployment to the current locations thus providing General Aviation with nationwide service and support.
- **FAA Telecommunications Infrastructure** - Through partnership with the FAA and an innovative performance-based contract vehicle, provide reliable cost-effective high-quality telecommunications to all FAA facilities nationwide.
- **En-Route Automation Modernization** - Broaden the scope and value of Harris support to the FAA through partnership with Lockheed Martin Air Traffic Management (prime contractor) by supporting and participating in a major Air Traffic Automation Modernization program.
- **AFSS A-76 Public-Private Competition** - Integration and expansion of Harris’ AFSS solution set to team with the FAA’s MEO team to provide technical solutions for the modernized AFSS environment.
- **Next Generation Air/Ground Communications (pursuit)** - Provide the aviation community with assured next generation digital communications that will enhance the security, reliability and expandability of air/ground communications throughout the NAS.
- **Traffic Flow Management-Modernization (pursuit)** - Provide the FAA with an integrated automated solution for the real-time management of aircraft traffic flow throughout the NAS to eliminate unnecessary delay and congestion in our air traffic corridors.

When a new contract bid opportunity is presented, Harris approaches the opportunity through its 5-stage strategic acquisition plan: identification, qualification, pursuit, proposal development, and post-proposal.
In the first stage, identification, Harris considered the implications of working with an MEO. Harris considers the relative merits of teaming by starting with an ideal “dream team”, identifying who the best provider in each category would be, and then working through potential conflicts of interest, budget and logistical criteria to develop the most effective team make-up. The company then based its decision on its perception of the likelihood of putting this ideal team together, the likelihood of winning the contract and the cost of winning. Harris concluded that working with the MEO gave it the best chance of being successful.

Secondly, in the qualifying stage, Harris considered first how the contract relates to other contracts it holds with the FAA and how the contract PWS fits with Harris’ main business to determine whether or not to bid.

In the pursuit stage, Harris considered how different the MEO teaming arrangement would be from previous experiences. The proposal is currently in the development stage, but the final stage – post-proposal – is not being overlooked. A plan for how to proceed if the MEO-Harris team bid wins the award is being actively discussed. The teaming agreement establishes Harris as the teammate/sub-contractor with the MEO, which is the prime contractor.

The biggest challenge this team faces is that it knows too much about the FAA’s business processes and working environment. Frequently, a PWS will exclude potentially costly issues that the MEO, because of its unique knowledge of the FAA, will instinctively want to include in its bid, while other outside contractors will simply overlook them. Although this may result in a more accurate budget proposal, it also raises the cost of the MEO bid, making theirs an unattractive choice for the procurement officer at the FAA.

Rather than simply including these overlooked issues, the MEO should consider two choices: either ignoring them so as to speed along the process, or pointing them out to the procurement officer, who can then revise the PWS to include the issues for all competitors.

In addition, it is important to remember that, although intuitively the MEO-Harris team would have an advantage, as former agency personnel, in establishing a good working relationship with the agency post-contract award, this does not mean that no effort is required to establish that strong partnership between service provider and customer.

The potential benefits in the vendor-agency relationship, including a smoother transition and implementation as well as stronger partnership, of selecting an MEO prime contractor represents an interesting area for future study. While these things seem to be intuitively true, the MEO partnership process is new and untested.