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IMPROVING GOVERNMENT PERFORMANCE THROUGH COMPETITIVE CONTRACTING

RONALD D. UTT, PH.D.

During his campaign for the presidency, George W. Bush promised to "Open federal positions involving commercial activities to competition from the private sector wherever possible." Once in office, President Bush made good on his commitment by requiring each of the federal departments to fulfill ambitious competitive contracting goals. As has been demonstrated throughout the world, and at all levels of government in America, competitive contracting allows the public sector to lower costs and improve services.

In competitive contracting, government solicits bids from qualified private-sector businesses to perform a specific service currently being performed by the employees of a government department. If any of the bids received are lower in cost than what the government is currently paying, money can be saved by shifting the performance of the particular service from public employees to private business operating under contract to government.

To implement the program, new Office of Management and Budget Director Mitchell Daniels informed all agency and department heads that the Administration's new performance goals and management initiatives would include competitive contracting under OMB's A–76 guidelines and a renewed effort to provide more accurate FAIR Act inventories. "A–76" refers to the long-standing OMB circular that establishes the procedures, rules, and guidelines for federal competitive contracting, while "FAIR Act inventories" refers to the Federal Activities Inventory Reform Act of 1998.

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Under the provisions of the FAIR Act, federal agencies are required to provide OMB with an inventory of all of the commercial positions within their department. In early 2001, federal agencies estimated that as many as 850,000 of their employees were performing commercial-like functions commonly available from the private sector.

Although neither the FAIR Act nor the Clinton Administration's implementation of it required agencies to do anything more than compile an inventory, the Bush Administration intends to require federal departments and agencies to compete these jobs with private-sector providers. In

March 2001, OMB announced that agencies will be required to develop a more accurate list of all commercial activities and, next year, subject no less than 5 percent of the commercial positions on the list to competitive contracting, utilizing the A–76 process as appropriate.

If the Administration succeeds in implementing the program and getting agencies to cooperate, the potential savings could be quite significant.

The Department of Defense (DOD) has used competitive contracting very aggressively over several decades, and its long record of activity provides an extensive measure of performance. In March 1996, the DOD reported to Congress that competitive contracting had resulted in an annual savings of $1.5 billion and that more than 600,000 civilian and uniformed positions could be subject to competitive contracting in the near future in order to free additional resources to bolster defense capabilities.

In a detailed review of DOD's contracting history, the CNA Corporation, a private, nonprofit research organization, conducted a study of 2,138 separate A–76 contracts completed by the DOD between 1978 and 1994. The CNA found that these contracts, covering a total of 98,348 jobs, provided savings that averaged 31 percent over costs incurred before the A–76 review. Significantly, nearly half (48 percent) of the competitions were won by the in-house staff, which submitted the winning bid in competition with private companies. Contracts won by restructured in-house operations averaged savings of 20 percent, while contracts won by private firms averaged savings of 38 percent.

Based upon savings estimates derived from DOD's performance, if OMB can get all the agencies combined to raise their FAIR Act inventories to 1,000,000 employees from the FY 2000 estimate of 850,000, and apply the A–76 process or equivalent to the 5 percent target, the federal government could achieve annual savings of between $1 billion and $1.4 billion for every 5 percent of the list subject to competition. These savings will accumulate year after year. If 50 percent of FAIR Act list positions are competed within five years, as some recommend, annual savings will amount to between $10 billion and $14 billion. No other spending restraint option now under consideration offers Congress or the Administration a level of budgetary savings of this magnitude *with no reduction in the level or availability of government services*.

The favorable contracting experience at the federal level has been matched by similar activities in many state and local governments. Over the past several decades, communities around the country have achieved cost savings and service improvements by contracting out such functions as wastewater treatment, water supply, school bus fleet operations, trash collection, recycling programs, janitorial services, highway maintenance, operation of prisons and jails, welfare caseload oversight, school maintenance and food service, oversight of child support payments, data processing and information technology, airport management, special education instruction, nursing home operations, public school building, grounds keeping and park maintenance, management of public housing, parking meter coin collection, and operation of public transit programs. For the most part, savings appear to be on the order of those achieved at the federal level: between 25 percent to 30 percent.

Although the opportunities for using competitive contracting for significant savings and service improvements abound, opposition to the effort will be intense as entrenched interests—largely the existing workforce and managers—defend the status quo and the benefits it provides them. But by making a positive case for reform to the public, and by ensuring that existing workers and managers will be treated fairly and encouraged to participate in the competition, the effort will succeed.

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President George W. Bush is committed to expanding the use of competitive contracting in the federal government, having promised during the presidential campaign to open more federal positions involving commercial activities to competition from the private sector. The reason: At all levels of government throughout America, as well as in other countries, competitive contracting is maximizing market forces and allowing the public sector to lower taxpayer costs while improving services.

The President has wasted no time in moving forward with his promise to the American people. In early March, his newly appointed Director of the White House Office of Management and Budget (OMB), Mitchell E. Daniels, Jr., announced the Administration's detailed plan to encourage greater use of competitive contracting across the federal bureaucracy. Agencies will be required to develop an accurate list of all commercial activities and, next year, subject no less than 5 percent of those positions to competitive contracting. If the Administration's effort is successful, America will accrue savings in the billions of dollars *without any reduction in the level or availability of government services*.

The President's plan is sound for several reasons. First, it relies on the competitive marketplace to achieve cost savings and improve service. For the past several decades, American communities have realized cost savings by contracting out wastewater treatment and water supply; school maintenance and food service; school bus fleet operations; highway maintenance, repair, and design; trash collection and recycling programs; janitorial services; facilities management; motor vehicle service and repair; operation of prisons and jails; oversight of welfare caseloads and child support payments; data processing; airport management; park maintenance; management of public housing; operation of public libraries; parking meter coin collection; and operation of public transit programs, among others. For the most part, the savings are around 25 percent to 30 percent of the original cost to the taxpayers.

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Similarly, the U.S. General Services Administration (GSA) reports saving as much as 40 percent to 50 percent during the early 1980s by contracting out much of the custodial services that its employees had provided at federal office buildings throughout the country.[1] And since it began keeping detailed performance records in the late 1970s, the U.S. Department of Defense (DOD) has averaged cost savings of about 30 percent from the hundreds of operations and activities it has contracted out to private businesses.

Second, the President's plan moves beyond the policies of the previous Administration by requiring federal agencies to do more than just compile a list of commercial-type jobs. Within five years, they will be required to open up 50 percent of these identified positions to the competitive contracting process. Agencies will be required to solicit bids from qualified private-sector businesses to provide a specific service currently performed by a government department. If any of the bids they receive from qualified contractors are significantly lower in cost than what the government is currently paying to perform the service, the government could shift the provision of that service from the public to private businesses operating under contract to the government.

Although there are abundant opportunities to use competitive contracting to achieve significant savings and service improvements, opposition to the effort will be intense. Entrenched interests—largely the existing federal workforce and managers—will defend the status quo because they fear the competition. Reflecting an ongoing effort to discourage competitive contracting, Representative Albert Wynn (D–MD) in early 2001 introduced the Truthfulness, Responsibility and Accountability in Contracting Act (H.R. 721) to suspend the awarding of any new federal service contracts until certain changes are made that would benefit federal employees. As of June 2001, the bill had 158 cosponsors.

Such opposition is not insurmountable, but the Administration and Members of Congress would be wise to study the lessons of past efforts to privatize existing federal services and functions. The Bush Administration will succeed if it publicly makes a positive case for reform and also ensures federal workers and managers that they will be treated fairly and allowed to participate in the competition. One way to encourage enthusiastic participation is to allow agencies to keep a portion of the savings they realize through competitive contracting and use some of it as a financial reward for employees and managers in the program. Congress should express support for competitive contracting by using existing legislative vehicles, such as appropriations and authorization bills, to encourage federal agencies to compile more accurate and comprehensive inventories of their commercial-type positions and to subject a portion of that inventory to competitive contracting.

HARNESSING THE RESOURCES OF THE PRIVATE SECTOR

Competitive contracting is one of several techniques described as *privatization*—the process by which the fulfillment of certain public services and functions is transferred from the government to private-sector providers. (See page 4 for a description of the primary privatization techniques available to government leaders.)

Competitive contracting is based on the principle that what is most important is the cost, quality, and availability of the service, not who provides it. As demonstrated both in America and in other countries around the world, privatization is a powerful tool that governments have used to improve service and control costs. Shifting routine government services like trash collection and landscaping, or even sophisticated ones like jet fighter maintenance and space shuttle operations, to the private sector allows government to harness the power of the competitive marketplace to encourage qualified businesses to offer the same or better service at lower cost. The savings that have been realized through privatization, in fact, average in excess of 25 percent based upon dozens of reports from state, local, and federal governments and the

1. U.S. General Accounting Office, *Public–Private Mix: Extent of Contracting Out for Real Property Management Services in GSA*, GAO/GGD–94–126, May 1994, as summarized in Ronald D. Utt, "Privatize the General Services Administration Through an Employee Buyout," Heritage Foundation *Backgrounder* No. 1036, May 31, 1995, p. 4.

experience of countries that have implemented the process.

Notwithstanding a lengthy record of success and documented savings, long-standing political opposition to U.S. privatization often has discouraged past Congresses and Presidents from aggressively pursuing the thousands of opportunities. Opponents of privatization typically are the existing workforce, unions that represent government workers, federal managers, businesses that supply the programs or utilize their services, local communities in which the programs operate, and the elected officials who represent those communities. These groups benefit from the status quo and believe that any change would put them at risk. In addition, many citizens who have no direct stake in the status quo often misperceive privatization as a risky and costly experiment.[2]

Although Americans pride themselves on the dynamism of the U.S. competitive marketplace and the democratic capitalism that has made the nation the envy of the world, the United States lags behind much of the rest of the world in pursuing privatization opportunities in government programs and assets. In transportation policies alone, the United States is far behind countries such as Great Britain, Canada, New Zealand, Australia, Mexico, and Argentina which have privatized airports, air traffic control systems, passenger rail, and public transit (both rail and bus service), and which are also creating public–private partnerships to construct and renovate highways funded by user fees.[3]

Federal Contracting Rules. OMB's Circular A–76, "Performance of Commercial Activities,"[4] describes the types of federal activities that can be subject to competitive contracting and the rules under which that contracting could occur. Importantly, it explains in detail how government departments must determine costs to ensure a level playing field between the existing government workforce and the competing private-sector business—to ensure that apples are compared with apples, not oranges. Chapter 2 of the circular, for example, requires the government to include in its cost calculation the imputed cost of a number of items not normally considered a part of federal accounting, such as estimates of administrative overhead, insurance, taxes, rent, cost of capital, and depreciation, to make government costs comparable to those incurred by private-sector competitors.

Another significant requirement of Circular A–76 is the opportunity for federal workers to compete for their jobs under advantageous circumstances. Government employees currently performing a function under review for contracting can submit their own bids and compete for the contract. Private contractors need to demonstrate at least a 15 percent savings over prior costs to get the contract, while the existing federal workforce need only commit to a 10 percent cost improvement to win the contract.

As a result of the management and cost efficiencies that such competition induces within the federal workforce, about half of the contracts awarded under A–76 remain with the existing employees. Such outcomes emphasize that the real issue in competitive contracting is not whether the function is performed by private rather than government workers, but whether it is performed under competitive conditions that approximate the market process.

2. For a candid account of the opportunities and difficulties of implementing a program of competitive contracting within the federal bureaucracy, see John Hiram Caldwell, "Conspiracy Against the Taxpayers: Contracting Out at NOAA," in Robert Rector and Michael Sanera, *Steering the Elephant: How Washington Works* (New York: Universe Books, 1987), pp. 279–293.

3. Ronald D. Utt, "FAA Reauthorization: Time to Chart a Course for Privatizing Airports," Heritage Foundation *Backgrounder* No. 1289, June 4, 1999; Wendell Cox, "Competition, Not Monopolies, Can Improve Public Transit," Heritage Foundation *Backgrounder* No. 1389, August 1, 2000; and Robert W. Poole, Jr., and Viggo Butler, "How to Commercialize Air Traffic Control," Reason *Policy Study* No. 278, February 2001.

4. For details, see "Performance of Commercial Activities: Circular No. A–76, Revised Supplemental Handbook," Executive Office of the President, Office of Management and Budget, March 1996.

BASIC PRIVATIZATION TECHNIQUES

The term "privatization" defines the process or act of transferring government assets and/or the performance of routine public services to the private sector. The several different processes or techniques by which the transfer can be accomplished include divestiture, public–private partnerships, vouchers, and contracting out. The nature of the government asset or activity, as well as the environment in which it operates, often determines the technique that is chosen.

Divestiture. The technique most commonly associated with privatization is divestiture, in which a tangible asset or an operating enterprise such as a government steel mill or telephone company is sold to private investors. These investors could include the company's existing workforce and its management, which could acquire some or all of an enterprise through an employee stock ownership plan (ESOP). The first major federal divestiture was the Federal National Mortgage Association during the Administration of President Lyndon Johnson. A decade and a half later, the divestiture of Conrail was accomplished by the Administration of Ronald Reagan.

During Bill Clinton's presidency, the federal government divested itself of the Elk Hills Naval Petroleum Reserve, the U.S. Enrichment Corporation, and portions of the broadcast spectrum through sales to private investors. The Clinton Administration also used ESOPs to "sell" three federal units to the employees. These units included the division of the U.S. Office of Personnel Management responsible for providing background checks for prospective civil servants, as well as the Navy's environmental restoration units in San Diego, California, and Charleston, South Carolina.

Public–Private Partnerships. Partnerships for infrastructure investment represent an increasingly common form of privatization by state and local governments. In such cases, private investors and businesses, in cooperation with the government, build and/or operate major public infrastructure projects such as wastewater treatment plants, airports, highways, public transit, and prisons. In the past, these typically were constructed with government funds and operated by a government workforce, but recent pressures on government to hold down taxes and spending while maintaining or increasing services have encouraged many communities to seek creative solutions in partnership with the private sector.

In a typical case, the government will contract with a private company to finance, build, and operate a public service such as a wastewater treatment facility according to government specifications. In turn, the private company earns its revenues by charging either the local government or the residents for the services rendered, usually at prices agreed upon between the government and the company before construction. The construction, renovation, and operation of wastewater treatment plants has become one of the most common public enterprises restructured by way of public–private partnerships. More recently, the private sector has also built, and now operates, highways in Virginia and California financed by tolls paid by users.

Vouchers. Another technique of privatization that is applied primarily to social welfare programs is the use of vouchers that allow program beneficiaries to purchase certain goods or services from private-sector providers. Government pays for the vouchers, but the private sector provides the goods and services. Food stamps, Medicare, Medicaid, VA loans, student loans and grants, and HUD rent vouchers represent government assistance programs that provide benefits to eligible households by way of a voucher or equivalent.

Voucher-based programs rely on the private sector rather than government institutions to deliver goods and services to assisted beneficiaries. Housing vouchers, for example, allow low-income families who need housing to rent better accommodations from private landlords, thereby offering recipients a less costly and more attractive alternative to the public housing projects that still infect many cities and communities.

Contracting Out. The fourth major technique of privatization is competitive contracting with the private sector. This is the technique most applicable to the federal government and the one most commonly used by state and local governments. Contracting out is the process by which basic services, both for and by the government, are provided by private companies operating under contract to the government. Study after study demonstrates that, by utilizing the resources, expertise, and management skills available in the private sector as well as the cost benefits of open competition, competitive contracting saves taxpayers an average of 25 percent to 30 percent over what it would cost government to perform the same service.

Monopoly providers, whether public or private, are inefficient and should be avoided under all circumstances. To ensure that the process of contracting out government services does not simply substitute one monopoly for another, an effective contracting-out program should lead to multiple private-sector suppliers, which would sustain competitive efficiency and provide ongoing least-cost–best-service benchmarks. Similarly, contracts should be of short duration, say three to five years, and re-competed before termination to ensure that government is getting the best deal and that current contractors do not become complacent.

The FAIR Act. To assemble accurate inventories of eligible positions, Congress passed the Federal Activities Inventory Reform (FAIR) Act of 1998, which requires agencies to provide OMB with an inventory of all commercial positions within their department—specifically, jobs that "are not inherently governmental." However, neither the FAIR Act nor the Clinton Administration, in implementing it, required agencies to do anything more than compile this list. The Bush Administration intends to require federal departments and agencies to subject these functions or jobs to competition from private-sector providers.

The President's Plan

To fulfill President Bush's commitment to apply competitive contracting to federal commercial activities, OMB Director Daniels sent a memo to agency and department heads in March 2001 summarizing the Administration's new performance goals and management initiatives, which included "Expanding A–76 competitions and more accurate FAIR Act inventories" of the commercial positions within their departments. In early 2001, the federal agencies estimated that as many as 850,000 of their employees were performing commercial-like functions commonly available in the private sector and not "inherently governmental" in any way.

The Bush Administration plan will require federal departments to open up no less than 5 percent of their listed FAIR Act commercial positions to competitive contracting under the A–76 process in fiscal year 2002, with the goal of covering 50 percent of these positions within five years.

The Bush Administration, with this memo, effectively restored to operational status key elements of Executive Order 12615, issued on November 19, 1987, by President Ronald Reagan.[5] Among its many goals, that order required agencies to identify all commercial positions and each year to subject to the A–76 review process an amount equal to no less than 3 percent of the agency's entire civilian workforce.

If the Bush Administration succeeds and agencies cooperate, the potential savings could be significant. According to recent government estimates, application of the A–76 review process to federal activities has yielded annual savings that average 31 percent of what it cost the federal government to perform the function itself,[6] or as much as $20,000 to $27,000 per full-time-equivalent (FTE) employee studied.[7]

Based upon these estimates, if agencies raise their FAIR Act inventories to 1,000,000 FTEs from the FY 2000 estimate of 850,000 (down from 900,000 the previous year) and apply the A–76 process or equivalent to the 5 percent target, they could reap annual savings of between $1 billion and $1.4 billion per every 5 percent of the list competed. These savings will accumulate year after year. If 50 percent of FAIR Act list positions are competed within five years, annual savings will amount to between $10 billion and $14 billion. No other spending restraint option now under consideration offers Congress or the Administration a level of savings of this magnitude *with no reduction in the level or availability of government services*.

5. For the full text of Executive Order 12615, see *www.nara.gov/fedreg/codific/eos/e12615.html*.

6. Carla Tighe, Samuel D. Kleinman, James M. Jondrow, and Derek Trunkey, "Outsourcing and Competition: Lessons Learned from DOD Commercial Activities Program," Center for Naval Analysis *Occasional Paper*, October 1996, p. 7.

7. U.S. General Accounting Office, *DOD Competitive Sourcing: Results of A–76 Studies over the Past 5 Years*, GAO–01–20, December 2000, pp. 4, 6.

To make these savings a reality, it will be essential that the heads of federal agencies and departments cooperate with the White House and OMB in the program's implementation. Members of Congress could help in the process by using legislative vehicles, such as appropriations and authorization bills, to encourage the agencies to compile their comprehensive inventories of commercial-type positions and subject a portion of that list to the A–76 review process. Agencies could be encouraged to participate enthusiastically if they knew they could keep a portion of the savings they realize through competitive contracting, and if they could use some of this savings as financial rewards to the employees and managers involved. Executive Order 12615, which is still on the books, allows this to be done:

> A department or agency proposal may reflect retention of expected first year savings as negotiated with the Office of Management and Budget for use as incentive compensation to reward employees covered by the studies for their productivity efforts, or for use in other productivity enhancement projects.[8]

Federal Contracting's Record of Success

Decades of competitive contracting by the federal government, often under the auspices of the A–76 process, have yielded significant savings, much of which has been documented by government departments and auditors. For example:

- The Department of Defense used competitive contracting very aggressively over several decades, and its long record of activity provides an extensive measure of performance. In March 1996, the department reported to Congress that competitive contracting had resulted in annual savings of $1.5 billion and that more than 600,000 civilian and uniformed positions could be subject to competitive contracting in the near future in order to free additional resources to bolster America's defense capabilities.[9]
- The CNA Corporation, a private, nonprofit research organization, conducted a study of 2,138 separate A–76 contracts completed by the DOD between 1978 and 1994. The CNA found that these contracts, covering a total of 98,348 jobs, provided savings that averaged 31 percent over costs incurred before the A–76 review. Significantly, nearly half (48 percent) of the competitions were won by the in-house staff which submitted the winning bid in competition with private companies. In-house contracts averaged savings of 20 percent while contracts won by private firms averaged savings of 38 percent.[10]
- Another CNA study of the 210 DOD A–76 competitions completed between 1995 and 2000 found that the average savings amounted to an impressive 44 percent off previous costs and that 54 percent of the contracts were won by in-house staff in competition with private companies.[11] This finding belies the claim, often made by critics, that cost savings from competitive contracting are limited to just a few easy targets and that once these are exhausted, there will be little or no savings from subsequent efforts.
- The CNA conducted another review of A–76 competitions undertaken just within the Navy. That study found that the 900 competitions conducted by the Navy saved 30 percent but that the approximately 400 or more contracts won by the private sector yielded savings of nearly 40 percent.[12]
- The U.S. General Accounting Office (GAO) reported in December 2000 that DOD estimated that the 286 A–76 reviews it conducted

8. Executive Order 12615, at *www.nara.gov/fedreg/codific/eos/e12615.html*.
9. "Improving the Combat Edge Through Outsourcing," U.S. Department of Defense, submitted to Congress in March 1996 pursuant to Section 357 of the National Defense Authorization Act for FY 1996, P.L. 104–106.
10. Tighe *et al.*, "Outsourcing and Competition," p. 7.
11. From an unpublished table provided by the CNA Corporation.

since 1995 generated savings of $290 million in FY 1999. These contracts covered 10,660 positions, implying ongoing annual savings of $27,204 for every position subject to a review and cost comparison by the A–76 process.[13]

- A GAO study of competitive contracting at the GSA beginning in the early 1980s found equally impressive savings. Between 1982 and 1992, the GSA reviewed 731 commercial activities in its Public Building Service under the A–76 process. Of these, 73 percent were ultimately contracted out to the private sector for an average savings of 39 percent.[14]

The DOD's aggressive use of contracting out for some of its many commercial functions is the exception rather than the rule among federal departments and agencies. Many agencies, such as the Departments of Interior and Agriculture, historically have avoided opportunities to save money and improve services through competitive contracting of existing in-house operations. This is particularly so for the Interior Department, whose National Park Service can be viewed as the world's largest lawn care and janitorial service. Other exceptions to federal underperformance in the use of the A–76, beside DOD, were short-lived efforts at the Department of Commerce and the General Services Administration during the early 1980s. Both efforts were abandoned after a few years following changes in departmental leadership.

In 1986, in an effort to overcome traditional agency reluctance, President Reagan issued Executive Order 12615 requiring departments and agencies to establish and fulfill ambitious privatization goals. The order also created the Office of Privatization within the Office of Management and Budget to oversee the program, and established an independent Commission on Privatization to study and recommend opportunities for privatization within the federal government.[15] Although few, if any, of the recommendations that emerged from this effort were enacted at the time, several of the programs first proposed, developed, and advocated by the Reagan Administration (the Alaska Power Marketing Administration, the U.S. Enrichment Corporation, the National Helium Reserve, and the Naval Petroleum Reserve at Elk Hills, California) eventually were approved for privatization by the 104th Congress and the Clinton White House. When completed, these privatization divestitures yielded more than $3 billion in revenues to the federal government.

The Administration of President George H. W. Bush continued many of the Reagan privatization initiatives, but as lesser priorities, and OMB's Office of Privatization was reduced in size and stature. In 1992, attempting to revive the program, President Bush issued Executive Order 12803 to encourage and facilitate the privatization of federally funded infrastructure projects such as wastewater treatment plants and airports, but agency foot-dragging and OMB's continued diffidence led to limited impact.

State and Local Successes

Although performance varies significantly from one jurisdiction to another, competitive contracting for a wide variety of public services has been growing at both the state and local levels, with several governors, mayors, and county commissioners implementing aggressive privatization and contracting out programs during the 1980s and 1990s to hold down costs and improve service.

Over the past several decades, communities around the country have achieved cost savings and service improvements by contracting out such functions as wastewater treatment; water supply;

12. Alan Marcus, "Analysis of the Navy's Commercial Activities Program," Center for Naval Analysis, CRM 92–226.10/July 1993, p. 5.

13. U.S. General Accounting Office, *DOD Competitive Sourcing: Results of A–76 Studies Over the Past 5 Years*, pp. 4, 6.

14. U.S. General Accounting Office, *Public–Private Mix: Extent of Contracting Out for Real Property Management Services in GSA*.

15. The Commission's final report is one of the best overviews of privatization opportunities within the federal establishment. See David F. Linowes, *Privatization: Toward More Effective Government, Report of the President's Commission on Privatization* (Urbana, Ill.: University of Illinois Press, 1988).

school bus fleet operations; trash collection; recycling programs; golf course management; janitorial services; facilities management; highway maintenance, repair, and design; motor vehicle service and repair; operation of prisons and jails; welfare caseload oversight; school maintenance and food service; oversight of child support payments; data processing and information technology; airport management; special education instruction; nursing home operations; public school building; grounds keeping and park maintenance; management of public housing; operation of public libraries; parking meter coin collection; and operation of public transit programs.

Although the results of state and local competitive contracting have not been subject to the same systematic analysis as has federal contracting, there have been a number of studies and reviews by academics and independent research organizations. For the most part, savings from state and local contracting appear to be on the order of those achieved at the federal level—usually in the range of 20 percent to 30 percent for most services contracted.[16] Studies of specific state and local contracting outcomes include the following.

- A recent review of 33 local water treatment systems that were turned over to private contractors found that savings averaged 28.2 percent from previous costs and ranged from 11 percent for one community to a high of 50 percent for another. Atlanta, Georgia, for example, will save an estimated $400 million (or 45 percent) through privatization of its water system.[17]
- A review of the results of competitive contracting of transit services in eight cities in the United States and Europe found that unit costs fell by an average of 27.9 percent and that savings ranged from a low of 19.8 percent (Stockholm, Sweden) to a high of 45.9 percent (London, England).[18]
- As of mid-2000, private contractors had an estimated 158 adult correction facilities in operation or under construction in the United States and another 30 abroad. These facilities served state, local, and federal justice systems in 33 states. Tennessee, Texas, Florida, and Arizona have compared the cost of a public prison versus a private one and have found that privately operated prisons saved between 6 percent and 12 percent off public costs.[19]

MAKING THE MOST OF PRIVATIZATION OPPORTUNITIES

Bipartisan Support. The two years of the 104th Congress represented a period of considerable accomplishment for American privatization efforts, and much of that success can be attributed to bipartisan cooperation. Many new Members were elected based on their promises to cut spending and balance the budget, thereby sending a forceful message to President Clinton and Congress that the electorate wanted more action on spending restraint and government waste. President Clinton responded by including in his FY 1996 budget a substantial number of proposed privatization proposals, virtually all drawn from recommendations made in 1988 by President Reagan's Commission on Privatization. Significantly, Clinton did not rescind Reagan's E.O. 12615, which thus remains in effect.

In addition to the four divestiture successes mentioned earlier, Clinton included in his 1996 budget a proposal to privatize four of the five

16. Two comprehensive sources reporting on privatization activity at the state and local levels are *Privatization Watch*, published by the Reason Public Policy Institute in Los Angeles, and *Public Works Financing*, published in Westfield, New Jersey. Another comprehensive source of information on the outcome of state and local contracting is the recently published *Privatization and Public Private Partnerships* by E. S. Savas (New York: Seven Bridges Press, 2000), pp. 147–164.

17. *Public Works Financing*, Vol. 148 (February 2000), p. 12.

18. Cox, "Competition, Not Monopolies, Can Improve Public Transit," p. 20.

19. "Testimony Regarding Correctional Privatization," prepared by Charles W. Thomas, University of Florida, before the Little Hoover Commission of the State of California, August 21, 1997, at *www.crim.ufl.edu/pcp/research/Calif.html*.

Power Marketing Administrations.[20] He also suggested possible privatization or commercialization of the Federal Aviation Administration's troubled Air Traffic Control (ATC) system and recommended that it be turned into an independent government corporation as an interim step.[21] The President's privatization list also included several functions of the GSA and the National Weather Service.

Earlier, President Clinton issued Executive Order 12893 to encourage the privatization of federally financed, but locally controlled, infrastructure. This executive order required the increased use of economic analysis and promoted public–private partnerships to help ensure the most cost-effective infrastructure investments. In 1998, the Congress passed, and President Clinton signed into law, the FAIR Act, which required that all executive branch agencies and departments each year compile a list of all of their commercial positions and submit the list to OMB.

The compromise version of the FAIR Act that was signed into law in 1998 is not as ambitious in its goals and requirements as the initial version of the bill introduced by Representative John Duncan (R–TN) and Senator Craig Thomas (R–WY). Nevertheless, the compromise law can still serve as a useful foundation for the FY 2002 competitive contracting goals and operations that President Bush intends to implement. Bringing the FAIR Act process up to full value will require both substantially improved efforts by many departments to properly identify commercial activities and the subsequent requirement that a portion of the listed inventory be subject to competitive contracting.

Overcoming Predictable Sources of Resistance. With the Reagan executive order still in effect, and with the enactment of the FAIR Act, President Bush and Congress are in excellent positions to move forward and commit the federal bureaucracy to a more expansive program of competitive contracting. But to move forward effectively, the President and Congress must first recognize that their privatization plans will encounter considerable resistance.

The chief obstacles to their efforts most often are the existing federal workforce, including both labor and management; businesses that support the government's programs; local communities in which the programs function; and elected officials who have become financially or politically dependent upon a government activity as it currently exists. As noted earlier, all of these groups see privatization, or any fundamental change in the status quo, as a threat to the benefits they already receive. As a consequence, resistance to privatization is frequent, virulent, and invariably successful—even the United States Code has often included a number of congressionally mandated prohibitions against privatization. The resistance in Congress is evident in the fact that Representative Wynn's Truthfulness, Responsibility and Accountability in Contracting Act (H.R. 721) has garnered more than 150 cosponsors.

LESSONS FROM PAST PRIVATIZATION EFFORTS

Despite such resistance, elected officials both here and abroad have successfully negotiated their way through these many obstacles to implement bold privatization programs that have allowed government to maintain or improve basic public services. In reviewing these successes, as well as the many failures, a number of lessons emerge that can help to guide public officials in making the most of privatization and competitive contracting opportunities.

Lesson #1: Successful privatization requires dedicated leadership. Whether at the local, state, or national level, all successful privatization programs have at their helm an elected or appointed official who considers privatization a priority, is willing to do battle with its traditional opponents, and is determined to perse-

20. These were the Alaska, Southeastern, Western, and Southwestern Power Marketing Administrations. The Bonneville Power Marketing Administration was excluded.

21. U.S. Department of Transportation, "Air Traffic Control: Analysis of Illustrative Corporate Financial Scenarios," May 3, 1994.

vere in the face of numerous obstacles and delays. President Reagan and British Prime Minister Margaret Thatcher both were successful leaders for these reasons. Both delegated responsibility to subordinates who were held directly accountable for developing and implementing effective privatization programs. Reagan created the first Office of Privatization, whose recommendations later became the privatization successes of the 104th Congress. At the local level, considerable privatization successes have been achieved by former Indianapolis Mayor Stephen Goldsmith, Milwaukee Mayor John Norquist, and Jersey City Mayor Bret Schundler.

Lesson #2: **Successful privatization also requires that proponents of reform defuse the opposition.** Even with dedicated leadership, privatization efforts will fail if leadership ignores the concerns of opponents, however frivolous or selfish those concerns may seem. As the record of the past two decades demonstrates, the programs that succeed are the ones that are open to compromise and accommodate the concerns of existing and potential opponents, especially those who want to maintain the status quo. In this regard, it is essential for reformers to view any act of privatization as a *political act* with *economic consequences*, never the other way around. Privatization efforts that focus only on the technical gains in cost efficiencies and service improvements to the exclusion of other considerations reflect an *economic act* with *political consequences*, and those political consequences invariably will be damaging.

Typical of such successful accommodation is the common practice of providing workers and managers with shares in the new enterprise on concessionary terms, either at a discounted price or at no cost. Generous severance packages and no-layoff policies also have been used to allay concerns and diminish opposition among managers and workers whose programs are targeted for privatization. The A–76 process encourages the workers to compete for the contract with special advantages, and the record demonstrates that they are the winning bidder about half of the time.

Lesson #3: **Take time to make your case to the public.** All too often, reform-minded public officials assume that the public at large understands the need for fundamental reform and will readily embrace such proposals. In fact, much of the public often views dramatic change as risky and fraught with the potential for adverse consequences. Opponents of privatization and contracting are quick to inflame such suspicions by making a case for why such reforms should not be made—often arguing that service will deteriorate and costs will rise. Such opposition campaigns can put privatizers on the defensive and force them to play catch-up in what all too often turns into a losing fight for public support.

Overcoming the public's natural inclination against change requires that proponents make a clear case for why change is good and how the proposed reforms will make things better. While saving money is often the key reason for contracting, improving service is another, and this is the one that should be emphasized. Otherwise, the public may associate saving money with cutting corners and inferior service; the opponents of reform will certainly work to create that impression.

Ongoing quality control problems at the Department of the Interior offer an excellent example of how contracting can improve services to ordinary citizens. Interior has long resisted efforts to get it to contract out more of its commercial-like activities, a notable example being the mapmaking responsibilities of the U.S. Geological Survey (USGS), a federal entity lodged within the Interior Department. While contracting out some or all of Interior's commercial activities would likely save money, the chief benefit would be more accurate maps available in a timely fashion, as the account on page 11 illustrates.

Lesson #4: **Privatization requires effective use of legislative vehicles.** For years, the legislative process, particularly the appropriations pro-

OBSOLETE MAPS FROM THE INTERIOR DEPARTMENT

Because of significant inefficiencies and wasted resources, the Department of the Interior's U.S. Geological Survey (USGS) sells topographical maps of American communities that are as much as 22 years out of date.

The USGS map of the Fredericksburg, Virginia, area illustrates the potentially serious problems such obsolescence can cause. The map, which was being sold for $4.00 in the ground-floor store at Interior's headquarters in Washington, D.C., as late as June 1999, was not an accurate reflection of the Fredericksburg area, and at least one of the flaws could be viewed as potentially dangerous to anyone using the map to find the only hospital in the region. The structure identified on the map as the hospital has been the Chamber of Commerce since the late 1980s, when the new hospital was built a mile north. Interior's map also excludes a new limited access highway—the Blue–Gray Parkway (State Route 3)—as well as the Mayfield Ferry Farm Bridge over the Rappahannock River and every residential subdivision, road, and business establishment built since 1981. It even includes quite a few things that are no longer there, such as a public golf course, a wastewater treatment plant, and a high school.

The explanation for these manifest deficiencies can be found printed on the edge of the map where it notes that the map was last updated in 1984 from aerial photos taken three years earlier, in 1981. The map itself was actually produced in 1963, and these 1981–1984 revisions were simply printed on top of the 35-year-old map in a different color ink. Street and subdivision names are provided for those existing in 1963, but the 1984 update to the map (identified in purple) only indicates where streets and/or structures have been added between 1963 and 1984, and no attempt is made to identify or name them.

Bureaucrats may be tempted to blame such poor-quality products on budget cuts or other resource limits; but while the federal taxpayer-subsidized mapmaking system offered a product 18 years out of date, the for-profit private sector provides a product that is up-to-date, comprehensive, and less expensive. Many Fredericksburg retailers sell for $2.95 a map produced by ADC of Alexandria, Inc., a private, for-profit mapmaking company. The ADC map includes all of the recent changes to the community such as the Blue–Gray Parkway, the Mayfield Ferry Farm Bridge, and the new hospital. It also provides the names of all streets and subdivisions as well as a convenient, alphabetized key to help locate streets and other items of interest.

The contrast between the maps is striking. Indeed, given the many important safety and national defense-related uses of such maps, the obsolescence of the government products is indefensible and harmful. Nevertheless, at no place on the maps or in the map sales facility at the Interior Department is there a warning about the potential risks associated with the maps' obsolescence and known inaccuracies.

The differences in cost, quality, and accuracy beg the question of why the Interior Department does not contract with the private sector to produce maps that are accurate and useful to the public. If private companies like ADC Inc. can profitably produce maps that are more accurate, more timely, and less expensive, Interior should contract with them to upgrade its maps and mapmaking capabilities. The public would be better served.

Although Congress has frequently encouraged or required USGS to make greater use of the private sector's mapmaking expertise, USGS has largely ignored these and other mandates. The Senate's FY 2001 appropriations bill for Interior noted this defiance when it observed that "The Committee is dismayed that complaints continue to be heard regarding the [USGS's] competition with the private sector…. The Committee is frustrated that USGS has not made further inroads in this area and insists that it address these problems directly."[1] With new leadership in the White House committed to greater use of competitive contracting, the USGS would seem to be a top candidate for reform through competitive contracting.

1. *Department of the Interior and Related Agencies Appropriations Bill, 2001*, Report 106–312, Calendar No. 628, 106th Cong., 2nd Sess., June 22, 2000, p. 44.

cess that funds the programs and agencies, has often been used by opponents to prevent privatization. By learning from these defeats, proponents have discovered that the same legislative vehicles and techniques can be used in support of privatization.

One advantage of the legislative process—especially the appropriations process—is that it can provide cover for controversial proposals by combining them with legislative vehicles that simultaneously provide billions of dollars for thousands of other programs. Because typical U.S. privatization proposals tend to attract more committed opponents than supportive friends, such proposals might never pass if offered by themselves. If, however, the proposal is rolled in with a much larger number of more important issues—such as annual funding of the Department of Energy and its 16,000-employee payroll—the concerns of a few Members of Congress or a few dozen employees might not be sufficient to defeat the legislation because so much more is at stake. During 1996, for example, several of the major privatization proposals that were enacted were included in vehicles such as the comprehensive continuing resolution or the defense authorization bill, the latter of which included a bold proposal for contracting out many DOD activities linked to national security programs.

Another legislative mechanism by which Congress can encourage privatization is by making selected reductions in an agency's budget. In such circumstances, privatization becomes a solution to those financial limits, particularly if an agency is required to maintain its existing level of service—an objective that can be met only through management and cost efficiencies that are achieved most easily through contracting out.

Applying the Lessons to the National Park Service: A Case Study

A useful way to illustrate how these lessons in competitive contracting can be applied to solve performance and cost problems in government is through a prospective case study of a government department that provides many commercial-type services, but in a very inefficient way. The National Park Service (NPS), which performs a variety of commercial-like functions in its capacity as both a steward of valuable national resources and the operator of a far-flung multi-site entertainment complex, illustrates the benefits and the versatility of competitive contracting.

The National Park Service was established in 1916 as part of the Department of the Interior with a very specific charge: "to conserve the scenery and the natural and historic objects and the wild life of the nation's parks…leaving them unimpaired for future generations." The NPS employs a staff of 20,000 to oversee 379 sites covering more than a million acres. These sites range from vast and rugged wilderness to historic urban structures. An estimated 290 million tourists visit these sites each year—a figure that exceeds the population of the United States by 10 million.

In recent years, and often by its own admission, the NPS's role as both steward and host has left much to be desired as parks and sites become more threadbare and less accommodative to visitors. The NPS claims these problems are not its fault, but rather a consequence of a parsimonious Congress that underfunds the Service. Several years ago, the NPS attempted to pressure Congress into providing more money by threatening selective closures. Typical was the 1996 TV interview by NPS Director Roger G. Kennedy, who said just before the start of the summer vacation season that "The hours will be shorter, they will find museums closed, they will find some visitors centers that aren't open, they will find trails marked 'closed.'" When Congress ignored Kennedy's threats, his Deputy Director, Denis Galvin, tried another tactic when he admitted that "I would describe the general state of most parks as fair to poor and not getting any better."[22] At about the same time, the NPS began to argue that its maintenance and repair backlog was as high as $6 billion, a figure that the GAO contends is grossly exaggerated, but is still sufficiently large to suggest a failure of stewardship.

Among the chief reasons for this state of affairs is the NPS's insistence that it perform virtually all park functions with uniformed NPS personnel regardless of whether there is a less expensive alternative. NPS employees cut grass, clean toilets, collect fees, and repair roads—functions that virtually all other federal departments and state and local governments have competitively contracted out to private businesses at considerable savings. As a result, NPS spends more money on routine efforts than is necessary, and its self-inflicted budgetary shortfalls limit its ability to fulfill other functions adequately. In a few notable cases, NPS cost overruns have been worse than some allegations raised in DOD weapons programs. Such embarrassing NPS excesses include an $800,000 outhouse at the Delaware Water Gap National Recreation Area[23] and employee housing at Yosemite National Park that cost the taxpayer an average of $584,000 per house.[24]

The NPS's record of fiscal mismanagement and underperformance has been noted by government fiscal watchdogs such as the Interior Department's Inspector General and the GAO. According to both, a chief part of the problem has been NPS's inadequate financial control and management system, which often fails to reveal valuable cost information and problems to managers at NPS and Interior. In one audit, the Inspector General discovered that the NPS carried a vacuum cleaner on its books as worth more than $800,000 but valued a fire truck at only a penny.[25] As recently as January 2001, in its annual performance report for Interior, the GAO concluded that "The Park Service acknowledges its shortcomings in many areas and has taken steps to adopt fresh approaches to address its considerable needs. Our work, however, has shown that these efforts have fallen short in several significant areas."[26]

With management often ignorant of its own financial situation and of the cost of its many operations, the NPS is not capable of choosing more efficient and cost-effective practices and has no objective standard by which to measure its own performance. As a result, and as many other federal agencies discovered in the early 1980s, the NPS may be paying as much as double what it would otherwise have to pay for routine services had they been competitively contracted. By mismanaging and misallocating its limited resources, the NPS finds itself with little left for maintaining existing services or reducing its repair and maintenance backlog, and existing personnel cannot be redeployed to higher valued activities.

Given the Park Service's manifest management problems and the esteem in which the parks are held by the American people, a compelling case could made by the President and by the Secretary of the Interior that major reforms are needed to stem the deterioration and restore the grandeur and majesty of nature's crown jewels. The President could further argue that the need is so great and the reforms so vital as to necessitate drafting into the effort the talents and resources of the best the private sector can offer to work shoulder to shoulder with Park Service personnel.

Because many Park Service employees are seasonal and thus without full-time or long-term commitment to the Service, employee opposition may be less significant than with other depart-

22. Tom Kenworthy and Gary Younge, "Falling Into a Hole at Grand Canyon," *The Washington Post*, August 21, 1996, p. A23.

23. Nathan Abse, "After the Outhouse, Doing Less In-House," *The Washington Post*, June, 17, 1998, p. A25.

24. Frank Greve, "Where Buffalo Roam, Homes Are Dear," *The Washington Post*, August 27, 1997, p. A17.

25. Stephen Barr, "Financial Picture at Park Service Is Shaded as a Forest," *The Washington Post*, February 10, 1995, p. A21.

26. U.S. General Accounting Office, *Major Management Challenges and Program Risks: Department of Interior*, Performance and Accountability Series, GAO–01–249, January 2001, p. 7.

ments that have largely full-time, career staff. From a workforce problem perspective, this makes the NPS a relatively less fractious enterprise to subject to competitive reforms. At the same time, employee concerns might be further offset if the reform process also includes a commitment to devote any cost savings to park enhancements, thereby possibly permitting the redeployment of existing staff to more rewarding jobs if private contractors took over their previous jobs.

To ensure that the concerns of environmentalists and outdoor enthusiasts are addressed, the reform focus would also emphasize the need to improve the parks, not simply to save money. To accomplish this, the President could commit to using some or all of the expected savings from competitive contracting to address the parks' maintenance backlog and to enhance environmental quality.

Earning the support of the public at large is also essential because opponents of park reforms will misrepresent the effort as nothing more than an effort to save money by cutting corners. They will warn that mindless cost-cutting by profit-seeking business will jeopardize the sanctity of the parks and lead to environmental degradation. Predictable misrepresentations such as these can be defused and preempted by making it clear from the beginning that needed park improvements are the primary motivation for reform, and that cost efficiencies will help pay for additional needed improvements.

One good role model for the NPS is the competitive contracting program implemented at the General Services Administration during the first half of the 1980s. Focused largely on contracting out the custodial and routine building maintenance services for other government departments, the GSA realized savings of between 40 percent and 50 percent from the cost of providing custodial work with its own staff. Because GSA functions are close to many of those performed by NPS, comparable savings could be realized in contracting out the routine services such as maintenance, repair, cleaning, custodial, and landscaping typically performed at the 379 sites managed by the NPS.

An even better model for NPS contracting reform would be the comprehensive competitive contracting programs implemented beginning in the 1988 in the provincial park systems of Canada's two westernmost provinces, British Columbia and Alberta. Within four years, BC Parks had contracted out the entire operations and maintenance of each of its parks, leaving just a few government management employees to oversee the private contractors. In return for operating the parks, contractors retain all camping and firewood fees and receive an "efficiency payment" to cover additional operating expenses. Savings under the program average 20 percent, and these savings are reinvested in the system to enhance conservation efforts at the parks.[27] The neighboring province of Alberta implemented a similar reform program in 1997, and 90 percent of its campsites today are maintained and operated by private contractors.

These recent contracting successes suggest that such techniques can be applied to the U.S. National Park Service for the same purpose: to provide the same or better services for less money and thereby release additional resources to duties now being neglected. Potential areas of opportunity for competitive contracting include all routine campground management and maintenance; road repair, maintenance, and snowplowing; all routine groundskeeping and maintenance; all custodial-type functions; and all facilities repair and maintenance, park and site security, and vehicle management and maintenance, as well as participation in the Department of the Interior's Office of Aviation Services, which owns and operates scores of airplanes, including several passenger craft. Other contracting opportunities include data processing, parks reservations, printing, mapmaking, fee collection, education programs, and the development and operation of NPS's accounting and financial control system.

27. Jeff Hanson, "Securing the Future of Washington's State Parks," Washington Institute Foundation *Policy Brief*, January 2001, pp. 19–20.

The President should also work to bring Congress in on the effort. Congress can, for example, require the NPS to contract out as much as possible and to do more with less, as other federal departments like Defense have done. At the same time, the President can use the provisions of the FAIR Act to require the NPS to provide an honest and comprehensive inventory of commercial functions, and then establish an ambitious schedule to subject that inventory to competitive contracting.

Given the NPS's long-standing resistance to competitive contracting, Congress could specify in detail the types of management efficiencies that it expects the NPS to utilize in meeting the total service objective described above. Congress could require, for example, that various NPS activities and functions be subject to competitive contracting within a defined time frame, such as six months from date of passage; alternatively, it could allow them to be phased in over time, with half accomplished the current year and half the next.

There already is substantial legislative precedent for such explicit congressional direction, and some of it has been applied to several of the NPS's sister bureaus within Interior. For example, the 1996 Department of the Interior appropriations bill stated that "The Committee expects the [U.S. Geological] Survey to continue to increase its contracting of map and digital data production, with a goal of no less than 50 percent contracting by the end of fiscal year 1997 and no less than 60 percent contracting by the end of fiscal year 1999."[28] Even stronger language was applied to the U.S. Navy; the House Defense Appropriations Subcommittee "directs the Navy to obtain any future photogrammetric services from the private sector. Photogrammetric services currently available in Navy shipyards shall be used only to train Navy personnel on the proper use of this technology tool so that proper specifications can be written and the quality of work and proposals from the private sector can be evaluated."

Even though agencies often ignored these reform mandates during the Clinton Administration, a cooperative President can better assure that they are fulfilled.

Other Practices Congress Could Adopt. Although the above examples of supportive congressional actions are explicit in intent, experience indicates that many agencies simply ignore these requirements in the belief that there will be no congressional follow-up. When there is, many government agencies have been adept at raising extenuating circumstances to explain the "delay." To obviate this resistance, additional legislative language can be added to limit both funds and personnel. For example, because contracting has been found to save between 25 percent and 30 percent on average compared to what the government was paying to perform the service itself, government departments scheduled for competitive contracting could have their budgets reduced by this amount in advance.

The number of workers that each department may employ could also be limited. If it is assumed that private contractors will win at least half of the competitive contracting proposals, the appropriations bill could require 50 percent cuts in employment levels in anticipation of the contracts. A generous severance package could be included to facilitate the change. Such management mandates are common within appropriations bills, although in the past, Congress used specific employment targets to increase the number of government employees or to protect certain workers by establishing minimum levels that had to be maintained regardless of whether the program or the workers were needed.

Although the National Park Service was chosen to illustrate the application of certain privatization techniques and political strategies that could ensure success, these same techniques can be applied to any government agency in which personnel services of varying degrees of sophistication are the primary product provided by government. This would include the Department of Commerce, the other bureaus within the Department of the Interior, and the General Services Administration.

28. Stuart M. Butler and Kim R. Holmes, eds., *Mandate for Leadership IV: Turning Ideas into Actions* (Washington, D.C.: The Heritage Foundation, 1997), p. 152.

CONCLUSION

President George Bush's proposal to revive and expand the federal government's program of competitive contracting is a refreshing change from the official disinterest that characterized the program for the past 12 years. As recently as 1983, the DOD subjected 28,190 commercial-type positions (known as "billets" in the defense bureaucracy) to the A–76 process; but because of growing congressional opposition and waning executive branch interest, the number of positions reviewed under the program began to decline and by 1995 had fallen to just 133 billets reviewed within the department. The number has since risen sharply, and in FY 2000 reached 8,174: a vast improvement from average performance during the past 10 years but still less than a third the number reviewed in the early 1980s.

If the President is successful in reaching the ambitious competition goals he has set for his Administration, he should easily exceed the performance records established in the early 1980s by the Reagan Administration. As a consequence, federal program costs will be reduced by as much as 40 percent, between $10 billion and $14 billion per year will be added to the surplus, and basic public services will improve.

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