



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
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MEMORANDUM FOR THE HEADS OF DEPARTMENTS AND AGENCIES

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SUBJECT: Best-in-Class Mandatory Solution – Package Delivery Services

Effective immediately, all agencies,¹ except as provided in this policy, shall leverage the Best-in-Class mandatory contract sourcing solution for package delivery services.² The contract and related information on package delivery services are available on the Transportation and Logistics Services Hallway on the General Services Administration Acquisition Gateway at this URL: <https://hallways.cap.gsa.gov/app/#/gateway/transportation-logistics-services>.

Issue: Each year, the Federal Government spends over \$358 million for domestic and international package delivery services³ with nearly 90 percent of these dollars going to just three vendors. However, despite earlier efforts to better leverage our buying power in this mature and commercial market, agencies still manage about 100 separate contracts, with different requirements and prices. These contracts are awarded and administrated across multiple agencies, which limits the application and benefit of comprehensive demand management practices, resulting in increased expense for the Government. There is tremendous opportunity to improve the way the Government both buys and manages domestic and international package delivery services by implementing a category management strategy. Category management provides a pathway for agencies to move toward the use of Best-in-Class sourcing solutions, application of better buying strategies, and more effective vendor engagement.

¹ For purposes of this memo, “agencies” are those “executive agencies,” as defined in the Office of Federal Procurement Policy Act, 41 U.S.C. § 133.

² Agencies are permitted, pursuant to 39 U.S.C. § 411, to enter into separate agreements for package delivery services with the U. S. Postal Service (USPS) when agency or statutory requirements, or unique mission needs, require the use of USPS. In these instances, agencies are not required to request an exception to this policy or terminate existing agreements with USPS. In addition, the Director of National Intelligence (DNI) on behalf of the Intelligence Community, as defined by the National Security Act of 1947, as amended, may waive the applicability of this policy in the interest of national security.

³ For the purposes of this Memo, package delivery services include: Domestic express and ground delivery for shipments up to and including 150 lbs. within the continental United States (CONUS); domestic express delivery for shipments up to and including 300 lbs. between CONUS and Alaska, Hawaii, and Puerto Rico, and within Alaska, Hawaii, and Puerto Rico up to 300 lbs.; and international express delivery for shipments up to and including 300 lbs. It does not include use of couriers and general freight carriers within these weight limits.

Category Management Approach: Under the Federal Government's new approach for acquiring package delivery services, all Federal package delivery contracts will be consolidated into one Government-wide contract under the purview of the Department of Defense's (DoD) U.S. Transportation Command. The U.S. Transportation Command is a specialized buyer of transportation services on a global scale. In support of national readiness and security objectives, U.S. Transportation Command manages a portfolio of domestic and international transportation solutions and was selected by the Category Management Leadership Council to lead this acquisition.

Consolidating the acquisition of package delivery services leverages the Federal Government's buying power, reduces the number of contract vehicles, and strengthens demand management practices. An additional benefit is the significant opportunity to improve supplier relationship management between Federal entities and vendors by sharing essential information, managing expectations, reducing complexity, and making it easier to do business with the Federal Government. Consolidating package delivery services also creates an environment for increased innovation and the sharing of best practices and expertise to build better relationships with suppliers.

Transition Plans: Agency Chief Acquisition Officers and Senior Procurement Executives shall develop transition plans to obtain all of the agency's package delivery service needs from the mandatory contract solution. These plans must be submitted to the Transportation and Logistics Services Category Manager by September 1, 2017. Specific instructions for transition plans are posted to the Acquisition Gateway at this URL: <https://hallways.cap.gsa.gov/app/#/gateway/transportation-logistics-services>.

Exceptions: If an agency concludes that use of the mandatory contract solution in accordance with the terms of this guidance and transition process is not in the best interest of the Government, the agency may elect not to use the Government-wide contract solution. An agency's justification for electing not to use the Government-wide contract solution must be approved by the head of the agency or the Deputy Secretary of the agency unless the agency and OMB agree upon delegation to another official. Any such delegation shall be subject to renewal and approval by OMB every two years after the initial delegation.

If the agency determines not to use the Government-wide contract solution, the agency must provide its justification to the Office of Management and Budget (OMB) and the Transportation and Logistics Services Category Manager no less than: 1) six (6) months prior to the exercise of each contract action, including exercise of options and issuance of task orders; and 2) eighteen (18) months prior to any re-competition of a solution. Justifications should be sent to: osd.package-delivery@mail.mil.

Any agency justifications for continuing to use an existing agency-wide solution, must include conditions, pricing, performance, contract award and administrative costs, fees and savings under the agency agreement relative to the Government-wide solution; length of the requested exception; and other information as requested by the Category Manager. The justification must also specifically identify which, if any, of the following circumstances support the exception along with substantiating information:

A. BETTER VALUE

- i) The agency expects to negotiate better pricing for products or specified services.
- ii) The agency expects to negotiate better terms and conditions.

B. UNAVAILABILITY

Although the agency's requirements generally fall within the same product service code as existing contracts:

- i) The agency expects to use contract types not available on existing contracts.
- ii) The agency's needs cannot be adequately met by these contracts (e.g., the agency needs a type of expertise not available on the existing contract).
- iii) A portion of the agency's requirements fall outside the scope of the existing contract (state if the requirements falling outside the existing contract are unique to the agency).
- iv) There is an established industrial base for the work that is not adequately reflected in the mandatory government-wide contract solution.

C. ADMINISTRATIVE COST

- i) The agency believes the administrative cost of the existing agency-wide solution is significantly lower than the proposed Government-wide solution.

D. OTHER CONTRACTING CONSIDERATIONS

- i) The agency is at risk of not meeting its small business contracting goals and does not believe its requirement can be adequately met by small businesses on an existing contract.
- ii) Other considerations not captured in the list above, with a detailed explanation.

If the mandatory contract solution is not used, agencies are still required to implement category management principles in the administration of those vehicles and must, at a minimum:

- obtain quarterly usage reports and demonstrate how the agency has consolidated requirements;
- measure and report rates of compliance by the agency, and monitor and address noncompliant spending outside of the mandatory contract solution;
- collect and provide, upon request to OMB and the Category Manager, the agency's mandatory use policy and critical contract data, including terms and conditions, and prices paid;
- actively participate in category management team meetings;
- comply with additional guidance identified by the Category Manager to ensure that the agency-wide vehicle continues to deliver the maximum benefit to the agency and that best practices and pricing are shared widely among the acquisition community.

Demand Management: The Government-wide solution for package delivery services strengthens the practices associated with how shipping services are ordered and used. This information helps agencies understand when they should, for example, consolidate shipments versus shipping a package individually, or use ground delivery versus express shipping. Focused management attention in this area can produce significant savings. For example, the previous generation shipping solutions achieved, on average, a 73 percent savings by using the more economical ground service instead of air express service, while still meeting delivery requirements, and a 33 percent savings by shifting from a next day morning delivery to a next day afternoon delivery. Data also revealed an overall savings of 26 percent by negotiating volume discounts, streamlining fees, eliminating fuel surcharges, and shifting transportation mode from air to ground. These are tangible savings that can be achieved by using a better, more strategic approach to this common service.

The Program Management Office (PMO) under the DoD's U.S. Transportation Command will coordinate with Federal agencies to identify potential efficiencies such as aggregate demand planning, volume based pricing, and better service level commitments based on the totality of Federal spending versus individual organizational segments. Specifically, the PMO will host quarterly forums to help inform agencies of their shipping patterns and to develop improved processes. These forums will include a review of performance targets for (at a minimum) reducing contract duplication, increasing spend under management, achieving savings, and meeting or exceeding contractor performance standards.

In addition, agencies should also access the Transportation and Logistics Services Hallway on the GSA Acquisition Gateway for real-time information and data on agency spend, vendor performance, demand management practices, and other critical agency shipment and cost information. These data allow agencies to monitor their agency spend, type of services being ordered, vendor performance and other trend data to better manage their operations.

Performance Measurement: The following performance targets and contractor performance standards for package delivery services will be assessed at a Government-wide level on a quarterly basis, and reported on the Acquisition Gateway.

Key Performance Targets (cumulative)		
	FY18	FY19
Spend through Solution	\$322M (90%)	\$340M (95%)
Savings	\$32M	\$36M
Contract Reduction	Reduce number of contracts by 90% by 10/2018 (58)	Reduce number of contracts by 95% by 10/2019 (61)
Small Business	17% annual	18% annual

Contractor Performance Standards	
On-time Delivery (Domestic)	97%
On-time Delivery (International)	96%
Damage / Loss-Free Shipments	98%

Accountability: One of the key principles of category management is ensuring accountability for the effectiveness and efficiency of agency package delivery services contracts. Therefore, within 30 days after the award of the Government-wide solution, agencies should appoint a dedicated category management lead for package delivery services and provide the contact information to the Category Manager at osd.package-delivery@mail.mil.

Conclusion: Managing Government-wide package delivery services is a critical step in improving value to the taxpayers. The actions described above will reduce duplication, improve pricing, and better leverage the Government's vast buying power. If you have further questions, please contact Meredith Romley in OFPP at (202) 395-4644 or mromley@omb.eop.gov.