



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

OFFICE OF FEDERAL  
PROCUREMENT POLICY

May 2, 2007

The Honorable Nancy Pelosi  
Speaker of the House of Representatives  
Washington, DC 20515

Dear Madam Speaker:

I am pleased to present the enclosed report on the Administration's competitive sourcing initiative. This report describes the aggregate results of agencies' competitive sourcing efforts for FY 2006. The report also analyzes trends over the last four years and actual savings to date.

The reasoned application of competition continues to help agencies achieve greater efficiencies and better performance. Improvements set in motion by competitions between FYs 2003-2006 are expected to produce nearly \$7 billion in savings over the next 5-10 years. Agencies have already achieved almost \$1 billion in savings and cost avoidances from these efforts.

Despite these impressive results, a number of legislative provisions limit agencies from taking full advantage of competition where it makes sense. Many of these restrictions appear to be rooted in concerns that competitive sourcing will be used indiscriminately to weaken the workforce. In fact, just the opposite is true.

Agencies have carefully tailored their use of competition to highly commercial support activities that the marketplace is readily equipped to perform. To date, less than three percent of the entire workforce has been subject to competition and the vast majority of Federal positions will never be considered for competition, either because the work is inherently governmental or it is core to the agency's mission and needs to be performed by federal employees.

Where competition has been used, federal employees have fared well and demonstrated their ability to serve the taxpayer by taking advantage of the competition process to successfully eliminate waste from their operations. Employees received 87 percent of the work competed in FY 2006 and 83 percent of the work competed between FYs 2003-2006. Any conversions of work to the private sector have been justified through a demonstration of savings and the capability to more effectively meet the needs of taxpayers.

We welcome the opportunity to work with Congress on the continued implementation of competitive sourcing and urge the Congress to eliminate statutory restrictions so that competition may be used, where appropriate, to improve quality, reduce costs, increase efficiencies, and deliver the best results for the American taxpayers.

Sincerely,

A handwritten signature in dark ink, appearing to read "Paul A. Denett". The signature is fluid and cursive, with a prominent initial "P" and a stylized "D".

Paul A. Denett  
Administrator

Enclosure

Identical Letter Sent to:

The Honorable Richard B. Cheney

The Honorable Nancy Pelosi

The Honorable Robert C. Byrd

The Honorable Thad Cochran

The Honorable David Obey

The Honorable Jerry Lewis

The Honorable Joe Lieberman

The Honorable Susan Collins

The Honorable Henry Waxman

The Honorable Tom Davis III

The Honorable Carl Levin

The Honorable John McCain

The Honorable Ike Skelton

The Honorable Duncan Hunter