



# EXCERPT FROM THE PROCEEDINGS

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**MARKET-BASED GOVERNMENT: THE RESULTS TO DATE**

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**by**

**Dr. Jacques S. Gansler**

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Attn: James B. Greene, RADM, USN, (Ret)  
Acquisition Chair  
Graduate School of Business and Public Policy  
Naval Postgraduate School  
555 Dyer Road, Room 332  
Monterey, CA 93943-5103  
Tel: (831) 656-2092  
Fax: (831) 656-2253  
E-mail: [jbgreene@nps.edu](mailto:jbgreene@nps.edu)

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## Proceedings of the Annual Acquisition Research Program

The following article is taken as an excerpt from the proceedings of the annual Acquisition Research Program. This annual event showcases the research projects funded through the Acquisition Research Program at the Graduate School of Business and Public Policy at the Naval Postgraduate School. Featuring keynote speakers, plenary panels, multiple panel sessions, a student research poster show and social events, the Annual Acquisition Research Symposium offers a candid environment where high-ranking Department of Defense (DoD) officials, industry officials, accomplished faculty and military students are encouraged to collaborate on finding applicable solutions to the challenges facing acquisition policies and processes within the DoD today. By jointly and publicly questioning the norms of industry and academia, the resulting research benefits from myriad perspectives and collaborations which can identify better solutions and practices in acquisition, contract, financial, logistics and program management.

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## Market-based Government: The Results to Date

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**Presenter: The Honorable Jacques S. Gansler**, former Under Secretary of Defense for Acquisition, Technology, and Logistics, is the University of Maryland's Vice President for Research and the Roger C. Lipitz Chair in Public Policy and Private Enterprise. As the third-ranking civilian at the Pentagon from 1997 to 2001, Professor Gansler was responsible for all research and development, acquisition reform, logistics, advance technology, environmental security, defense industry, and numerous other security programs. Before joining the Clinton Administration, Dr. Gansler held a variety of positions in government and the private sector, including Deputy Assistant Secretary of Defense (Materiel Acquisition), assistant director of defense research and engineering (electronics), executive vice president at TASC, vice president of ITT, and engineering and management positions with Singer and Raytheon Corporations. Throughout his career, Dr. Gansler has written, published, and taught on subjects related to his work. He is a Member of the National Academy of Engineering and a Fellow of the National Academy of Public Administration. Additionally, he is the Glenn L. Martin Institute Fellow of Engineering at the A. James Clarke School of Engineering, an Affiliate Faculty member at the Robert H. Smith School of Business and a Senior Fellow at the James MacGregor Burns Academy of Leadership (all three at the University of Maryland). During 2003–2004, he served as Interim Dean of the School of Public Policy at that institution.

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### Abstract

The federal government spends an incredible amount of money on the purchase of goods and services. In 2003, that spending was \$230 billion, or 2% of the United States' GDP. Although it has always been the stated policy of the United States Government not to produce commercial goods or services that are available on the open market, in practice, the government often duplicates functions the private sector can provide.

The government's FY 2000 Inventory of Commercial Activities identified over 800,000 government employees who were performing commercial activities. OMB circular A-76 defines a commercial activity, "as a recurring service that could be performed by the private sector and is resourced, performed, and controlled by the agency through performance by government personnel, a contract, or a fee-for-service agreement."

To address this duplication, there is a significant change taking place in government management (federal, state, and local) from the government as the historic "provider" of public services, to the government as the "manager of the providers" of services to the public. The goal of market-based sourcing is not necessarily to move all those functions into the private sector, but to shift from an environment where government is the monopolistic provider to one that encourages competition—thereby increasing both effectiveness and efficiency.

When properly implemented, this change results in significant benefits: improved performance as well as lower costs. These benefits accrue regardless of whether the winner is the public- or private-sector supplier.

While the empirical data demonstrates the benefits of this shift, it is still not widely understood or accepted. Six concerns are generally raised:

- performance will deteriorate;
- costs will be higher;
- promised saving will not be realized over time;
- small businesses will be negatively impacted;



- large numbers of government employees will be involuntarily separated;
- and the government will lose control.

This presentation will present data to refute all six of these concerns, and will conclude with specific recommendation to increase the use of “market-based government.”



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- MOSA Contracting Implications
- Strategy for Defense Acquisition Research
- Spiral Development
- BCA: Contractor vs. Organic Growth

### **Contract Management**

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- Contractors in 21st Century Combat Zone
- Joint Contingency Contracting
- Navy Contract Writing Guide
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- Model for Optimizing Contingency Contracting Planning and Execution

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- Special Termination Liability in MDAPs

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- ASDS Product Support Analysis
- Analysis of LAV Depot Maintenance
- Diffusion/Variability on Vendor Performance Evaluation
- Optimizing CIWS Life Cycle Support (LCS)

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