A Call for a Reasonable Path to Reasonable GSA Schedule Pricing

BY STEVE CHARLES

GSA Schedule contractors will want to pay attention to the latest round of long overdue GSA Schedule pricing policy debates. The question revolves around fair and reasonable pricing at the contract level when competitive pricing is determined at the order level.

GSA's Multiple Award Schedules (MAS) program has enjoyed decades of success as the gateway to the federal market by making it reasonably easy for agencies to buy commercial goods and services quickly without having to create contracts from scratch. But the fast-growth years of the MAS program are behind us thanks to competing indefinite delivery contract vehicles with sales having leveled off at around $30 billion of the government's $500 billion annual spend.

When Congress authorized the MAS program decades ago, it required the GSA administrator to deliver to agencies the lowest overall cost for commonly used items. Hence, GSA requires disclosure of commercial pricing history, and then negotiates "most favored customer" status. The venerable price reduction clause is triggered when basis of award customer(s) get a better price.

The implementing policy hasn't been updated since 1982 and it's time for a change. Now that competition is required at the order level, the old way of trying to maintain most favored customer pricing at the contract catalog level is backwards.

The MAS Advisory Panel Report recommended phasing out the old price reduction clause scheme as order-level competition and pricing transparency increases. To that end, more competition at the task and delivery order level began with the National Defense Authorization Act of 2002 and expanded across all agencies in 2009. Transparency is increasing with the expansion of the Prices Paid Portal and transaction data analytics. The Coalition for Government Procurement recently published a white paper explaining all of this, and now that GSA has a senate-confirmed administrator, hopefully the panel's recommendations can be adopted.

But now we're seeing something else going on. New language about fair and reasonable price determination showed up in June in some schedule contract refreshes, notably the MOBIS contract, Schedule 874 professional services stating, "To determine fair and reasonable pricing, the GSA contracting officer may consider many factors, including pricing on competitor contracts, historical pricing, and currently available pricing in other venues. Offers that provide 'most favored customer' pricing, but are not highly competitive will not be found fair and reasonable and will not be accepted." This is more of the old way, trying to get the lowest possible prices at the schedule contract level, ignoring the competitive pricing event at the order level.

The MAS Advisory Panel report emphasized the opposite. Create more competition and transparency at the order level, where real requirements are defined, real dollars are on the line, and real buying actually occurs and spend less time on establishing a catalog price.

So what will it be? A further tightening of the old, or a switch to the new? Realistically, such a change will take a few more years. In the meantime, everyone still needs to be very careful about pricing disclosures to GSA. Until the rules change, we're still under the old scheme that creates downstream gotchas for schedule contractors.

My advice for product manufacturers is to keep on making sure their public sector channel programs match their commercial sector ones to keep clear of government cost accounting. And to maintain consistency in pricing across the channel. Yes, the government deserves fair and reasonable pricing. Manufacturers and their channel partners deserve the same. The process to get there should itself be fair and reasonable. **CM**

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