
PREFACE

The Department of Defense (DoD) is giving increasing attention to “bundling” the services that it buys from external sources—asking single sources to provide multiple services at a single site, for example, or to provide a given service at multiple sites. Commercial buyers recognized for their successful purchasing practices are increasing their use of bundled contracts, for services very much like those that the DoD buys, to improve performance and reduce costs. Available historical evidence within DoD indicates that such bundling is likely to reduce the costs of these services in the DoD context as well.

Is increased bundling appropriate in DoD and other federal agencies facing similar decisions? The federal government has clearly stated socioeconomic goals to help small businesses by giving them opportunities to provide goods and services to government agencies. How would DoD and other federal agency bundling affect small businesses? How should these agencies balance potential benefits from bundling against the potential negative effects that bundling might have on small-business providers? The federal small-business and acquisition policy communities are currently giving these questions their close attention.

To support analyses of these policy issues, we discuss in this report recent legislation designed to protect small businesses by ensuring that bundling occurs only when it is likely to generate substantial increases in performance and/or reductions in cost for a federal buyer. After reviewing the relevant policy evaluation issues, the report proposes a methodology that buying agencies could use to gather the information they need (1) to decide when and how to bundle the ser-

vices they buy to support broad agency goals, and (2) to justify these decisions in a way that satisfies the requirements of the recent legislation.

This research should interest federal agencies considering bundling services into large, integrated contracts—especially those organizations charged with recontracting and Office of Management and Budget Circular A-76 activities within the Air Force, which sponsored this work, and the DoD.

Research on this topic and related contracting issues continues in the Resource Management Program of RAND's Project AIR FORCE. For additional information or to convey comments on this report, please contact Dr. Laura H. Baldwin at (310) 393-0411 x6537 or at Laura_Baldwin@rand.org.

PROJECT AIR FORCE

Project AIR FORCE, a division of RAND, is the Air Force Federally Funded Research and Development Center (FFRDC) for studies and analyses. It provides the Air Force with independent analyses of policy alternatives affecting the development, employment, combat readiness, and support of current and future aerospace forces. Research is performed in four programs: Aerospace Force Development; Manpower, Personnel, and Training; Resource Management; and Strategy and Doctrine.