

CONTRACTING FOR FEDERAL SURVEYS --- Panel Discussion

Moderator: George E. Hall, Bureau of the Census

Panel Members:

F. Thomas Juster, University of Michigan
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Thomas G. Staples, Social Security Administration
Morris H. Hansen, Westat

George Hall:

The question of contracting for Federal surveys has been an issue that we have dealt with at previous ASA meetings; we had a very good session in Chicago a couple of years ago. We felt that it was time to try to bring the issue to somewhat better focus. So instead of having a session in which a number of papers would be presented with some limited time for questions from the audience, we decided it would be more appropriate to have a limited number of people with varying kinds of experiences in contracting for Federal surveys in a panel and have a very active, interactive discussion. The members of the panel include people from the Federal sector who are involved in contracting for Federal surveys but also who are experts in the statistical data collection activity, as well as people who come from both the private sector and the world of academe. Each participant will take a short time to develop an agenda for discussion. The presentations in no sense should be considered papers, but just a list of the issues that need to be discussed so that, in fact, we can have a focused discussion.

Tom Juster:

I would like to lay out some general issues involved with not simply contracting for Federal surveys, which is the title of the topic which overlays with my renaming of it, which is Federal Support Mechanisms for Collecting Social Science Data; this almost says the same thing but not quite. The reason I want to rename it slightly is to get at the notion that the way the Federal Government underwrites social science data collection takes a variety of forms which I think ought to be discussed here in terms of the purposes for which they are appropriate. The three forms which need discussion are: requests for proposals (RFP's) which are out for competitive bid; sole source contracts in which the contract is not out for competitive bid; and straightforward grants which obviously are not competitive. If you ask how those differ in a simple-minded way--they differ because in the first two cases, RFP's and sole source contracts, the research agenda is set by a mission agency rather than by the individual doing the research for the study or collecting the data. In the case of RFP's obviously, there is also a difference which I will refer to in a minute with a few other comments between that and sole source having to do with the specificity of the product. In the case of

grants the big difference between that and the sole source contract is that, for sole source contract, in principle the agenda is set by the agencies letting out the contract. Their questions are to be answered, not the researchers' questions. In the case of grants, the researchers' questions are to be answered and the agency says "Yes that is an interesting question; we will underwrite the cost of answering it."

The idea underlying the present Federal research and development (R&D) policies appears to be that basic research is underwritten primarily by the National Science Foundation (NSF). It is dispensed on the basis of unsolicited grants after a peer review process. In contrast to how NSF operates, statistical mission agency procedure for obtaining a research product often uses a contract to do survey research or to gather data through a RFP. The spirit underlying the movement toward RFP's is that when it comes to research applications of particular relevance to the policy problems facing mission agencies, the problem can be sufficiently well specified so that it is reasonable to solicit external bids on the basis of a well-defined set of criteria and procedures. Given the specificity of the questions, the idea is that a set of sufficiently high quality proposals (over the minimum, whatever that may be) can be identified on the basis of submissions, and that a decision among the set of acceptable proposals can then be made on the basis of cost considerations, gradations in quality among acceptable proposals, and impressions of the reviewers about which submission is likely to result in a better finished product. Thus competitive forces, working through some combination of track record, quality judgment and cost, will provide the government with the biggest bang for a buck, as it were, and will do so in an environment where the mission agency, rather than the researchers, sets the research agenda for its own policy needs.

All that sounds generally very sensible. The procedure is clearly modeled after hardware procurement, where development of a piece of hardware is subject to a different set of criteria and procedures than the process of getting production bids for application of the hardware development, and where basic and underpinning development is subject to still different criteria. In the hardware area, or so it seems to those of us who are software

and not hardware, it should make little difference whether the producers of the hardware do or don't have close contacts with the developers of the ideas underlying hardware, that cost criteria ought to be very important, that "old-line" firms, that have been in the hardware producing business for a long time ought not to have an advantage over new entrants, and thus that submitting open bids on the basis of rigid product specifications should lead to a least cost/maximum quality solution.

However, there are a couple of aspects of RFP's that are worth noting: They clearly apply in my experience to responding to RFP's in the social sciences, and may apply to RFP's generally. One is that a basic assumption underlying RFP's is that there is little or no complementarity in various parts of the production process. Using the hardware model, it makes no difference to the assemblers of the aircraft who makes the engine, who makes the wheels, who puts the rivets in the fuselage, or who designs the interior seats. Given the set of specifications as to what is required, all the parts must fit, and it makes no difference whether all the parts are made by the same manufacturer or all are made by different ones. Let us call that the assumption which underlies competitive RFP's, that there is complete interchangeability or substitutability among component parts of a product and there is zero complementarity in production.

Second, it is always assumed that both the original specifications for the product, as well as the estimates of the cost involved in obtaining a product with those specifications, are well-predicted and unchanged from the time the RFP is designed until the work is finished. That is, the assumption underlying competitive bids via RFP's is that the contractor knows exactly what is wanted, that each of the bidders know what is required in order to meet the specifications, that there will be no renegotiation of the contract on the basis of unforeseen circumstances, and that any cost overruns will be absorbed by the contractor and not by the government.

To apply that model to different types of R&D procurement, it is clear that where the outcome is uncertain or an agency has a question and is not quite sure how to answer it, the right way to go is the sole source contract; where the agency needs to produce a certain R&D product but does not have the experience to know exactly what ought to be done, then the agency ought to go with sole source--agree with the contractor on the nature of the problem to be solved, and then work jointly on the basis of what costs are allowable, what the design steps are, what the next step is, and so forth. If that is not the problem, if it is a straightforward production problem, than a competitive RFP is fine; if

you are doing the basic research, you do not want to do either and you want to use grants.

That is theory. It is useful to compare this theoretical world with the actual world of social science R&D, in particular in contracting work for social science data collection and Federal surveys. Everybody here has some familiarity with RFP's, sole source contracts, and grants; everyone knows that the alleged differences sometimes do not exist. Some RFP's are really sole source contracts -- we refer to them as wired RFP's; some sole source contracts are just like grants but the agency cannot make grants, because they are not allowed to, so they call it a sole source contract; I think everybody knows that the parts are not really interchangeable and I doubt that anyone believes that cost overruns are always borne by the contractor when it comes to actually carrying out the research contracts issued under RFP's.

That is a general theoretical structure which to me makes sense. I have some comments about specific illustrations of how the world to me is very different than the world that alleges to underpin competitive bidding. But, in the absence of time, let me instead simply specify what from my perspective as the director of a research institute in a university constitutes some of the characteristics of RFP's which make them clearly an undesirable way to achieve optimum research allocation when it comes to how to spend R&D money in the social sciences in general.

Number one: RFP's are, not by design but in fact, anti-university. The reason is very simple: typical deadline is four weeks. The university professors are not around in August; if an RFP comes out in August, none of us will ever see it unless we happen to get a call from someone who says look at what we have. People simply do not make commitments a month in advance, when they have teaching commitments made four months in advance. The timing is impossible.

Number two: The average hit rate for all RFP's in the only study that I have seen says that you win on 1 out of 5; that means you make four unsuccessful bids to get one. That is the average -- some firms do a lot better, some do worse. From the university scholar's point of view, he or she cannot afford to have a hit rate of 20%, because while they might get a published product out of the one they hit on, because they do the work and publish it as an article; the ones they do not hit on they invest time in, cost-time, and have almost no return. The RFP is sufficiently circumscribed so that you do not get a journal article out of an RFP response that does not win. You might have one that does win; so you have to soak up four times the cost to win one. University scholars cannot do that.

Number three: University scholars like to think of themselves, with perhaps a grandiose notion of their exalted status, as people who originate research ideas, not who respond to other people's research ideas. That is just a general characteristic which makes university people less responsive, in general, to RFP's because people take the view they do not want to respond to your questions, they want to ask their questions. That is their problem and there is not much one can do about that.

Let me note two further characteristics of RFP's which are undesirable characteristics from the point of view not of universities, but just of social science development in order to give the biggest gain for the buck.

First, let me focus a bit on the hit rate issue, that is the one class of success that was averaged in the only study I have seen, across all RFP's. Economists would say that firms specialize in whatever it is that maximizes the profit; that is, if it is desirable to produce high quality research to maximize profits, that is how you acquire staff. In the RFP business that is not true. What will happen is any competent and well run RFP firm will have a very good collection of people whose job is to answer RFP's. Those same people may be less well adapted to do a high quality research. There is not perfect substitutability between answering RFP's in an effective way and responding to agencies' needs and doing the work. Given the 1 in 5 hit rate, if I were an RFP firm, I would make sure I had very high quality people writing RFP responses. I would worry less about whether I could do it once I got it and it seems to me specialization theory would tell me that RFP firms tend to be very good at hit rate manipulation and, on the average, they would be less good at actually carrying out the work which they have contracted to do.

Second, the cost overrun issue is one that we ought to get into because many of my colleagues out at the Institute for Social Research are persuaded, rightly or wrongly, that one of the problems that many organizations have is that they bid what they think are actual costs, they get outbid by virtue of people who underbid actual costs and then because the product specifications are vague enough to allow renegotiation they never get hung with the actual higher costs. The standard mechanism that our people see as happening is an RFP comes out, people look at it and say "Well, there is enough fuzziness in here so we can put together a bid which we could justify; and when it comes to the agency actually working with us, if we win it, they will come to us and say that is not quite what we wanted, let us renegotiate; then when the renegotiation comes along, if we underbid by 50% that is your chance to make it up -- and that is

exactly what is going to happen." Therefore, the lack of specificity which underpins RFP's essentially means that cost overruns are not borne by the contractor, they are instead borne by the government, and any well run RFP firm, or a firm that does a lot of that, is going to be able to make up the underbid if there is some renegotiation. Renegotiation, the way these things are done, is inevitable. This all seem to be a highly undesirable characteristic of the RFP system and I have some suggestions.

My main suggestion is scrap the system, but no one is going to buy that. My second set of suggestions is modify it to make it: (a) a little more tolerable for university people; and (b) closer to what would be produced in a system designed to deal with optimum research allocations.

Bob Israel:

My introductory remarks take off from the assumption that we are dealing in fact with a contract mechanism for a Federal survey rather than address the issues that Tom Juster has raised as to whether that mechanism is appropriate. I have been asked to focus particularly on the RFP. I would like to begin by recalling to you some of the principal steps that must be considered in the development of a sample survey. As a matter of fact, according to Professor William Cochran, there are 9 such groupings of activities: a statement of objectives, a definition of a population or universe to be sampled, a determination of the data to be collected, methods of measurement, choice of sampling unit or sample selection, the organization of field work, summarization of data, analysis, and a feedback cycle at the end where information gained from one particular survey can be used for planning future surveys -- things like levels, variances, costs, and so on. I want to point out that in my experience the satisfaction, or dissatisfaction, that results from a contracted Federal survey is to a very large extent dependent on the degree of specificity, as Tom mentioned a moment ago, that goes into an RFP. I think that each of these 9 points that Cochran had outlined a number of years ago, must be addressed in one way or another in the preparation of an RFP for Federal surveys to be carried out in the contract. That does not mean to say that each and every one of those points must be laid out in the fullest detail by the mission agency, but at least some attention must be given to them at some time in the preparation of the RFP. I think that the quality of RFP's could be vastly improved for Federal surveys if there were general guidelines established for the development of RFP's. This is certainly not a new idea, but I would like to pursue it for just a few moments.

I think general guidelines, or a checklist could be looked upon in two parts. The first part would contain guidelines that are common to all RFP's. I am not going to pay much attention to that aspect because I think Federal agency contract officers are well aware of these general areas and they stand ready to recommend, if not to insist, that certain points be covered, including a clear and detailed work statement, special reporting requirements, proposal evaluation criteria and so forth. The second part of the guidelines for RFP's would address those aspects that I believe are peculiar to contracts for surveys. It is here that particular attention must be given to the preparation of the RFP and I strongly advocate a checklist of items to be included. The checklist should cover items for consideration in the scope of work statement itself, in the list of deliverables, in the timeable requirements, in the proposal evaluation criteria and in the rating guidelines.

As part of the scope there must be particular attention paid to many specifics beginning with the statement of purpose and background. This can be a very brief paragraph giving the contract with some of the insight into the need for and the scope of the survey. Regarding the development and design of questionnaires, it is essential that the requirements be made clear and that the mission agency express itself as to whether they are expecting the contractor to have available both subject matter experts and technical design experts, or only one or the other. It is also important to include sufficient detail so that a prospective contractor can accurately assess the amount of work that will be involved. If there are any foreign language requirements this must also clearly be pointed out. As far as design and selection of the sample are concerned, if the survey will include all of the elements in the target group this must be so stated. If a probability sample is desired this too must be clearly stated and the precision requirements must also be given. The levels of geographic and demographic detail must be indicated including precision requirements. There must be given to the contractor sufficient information for him to formulate an intelligent offer. Also in a checklist, consideration must be given to the development of manuals for supervisors, for interviewers, for edit clerks, and so on. Also attention should be given to the development of training programs for the various sorts of personnel involved in data collection and data processing procedures. And particular attention must be given to aspects of quality control such as supervision, observation of interviews, record checks, reinterviews, coverage checks, and edit checks.

The RFP should address the conduct of test procedures that are necessary, such as feasibility tests, pretests, pilot tests, pretests of revisions, and so forth. The required response rate and the development of intro-

ductory letters, followup letters, phone call-back procedures and other followup steps appropriate to the survey should be addressed in one form or another.

Other items that belong in this checklist would be provision for data processing including coding instructions and quality control measures. Who will develop them, how will they be developed, what standards shall they meet? Submission of reports; what kinds of reports should be forthcoming, who has rights in the data, and so on. We must not overlook a clear indication of how confidential items should be handled. What requirements are there for protection of confidentiality and invasion of privacy? There could also be included in a checklist a series of things to be considered in the list of deliverables: Versions of questionnaires, manuals, training guides, editing guides, computer programs, and so on. There should be provision for feedback to the originating agency, recordings or transcripts of key training or debriefing sessions with interviewers and supervisors. The sampling frame and specifications should be included.

Another topic which must be addressed in an RFP is the timetable. Is there a deadline for the survey data collection to begin? For example, if data are to be gathered about a particular time period, or before a particular event, then the dates of award and the beginning of field work must be set in relation to that time period or event. Obtaining clearances and allowing sufficient time for that process as well as adequate and realistic estimates on the part of the government agency for the mechanical process of awarding a contract must be clearly envisioned in advance. Some dates may be fixed; for example, the time when final survey results are needed. From such known dates, the dates when other key activities must begin and end can be determined. These dates must be used in preparing the requirements for deliverables. Care must be taken here to allow sufficient time between deliverables which are dependent on one another.

Tom Staples:

Tom Juster has addressed some of the appropriate mechanisms that the government uses to obtain contracts. Bob Israel talked about the competitive process, and laid out a very reasonable set of requirements if the government is to do sensible contracting in this area.

I am going to address some of the concerns regarding how we select among bids. I do not think we can address this subject in a uniform manner -- we cannot assume that for differing kinds of work you would want to use the same selection process. That is my basic premise. Also for this discussion I prefer to back away from the details of how we select

contractors and to reexamine the basic issues, many of which have been discussed here. These issues themselves play a large role in dictating how we go about selecting contractors. To recap some of those, Tom Juster mentioned the various stages in which we may come out with requests for proposals. Some may be developmental kinds of work; others may be data collection. Some kinds of work are clearly more appropriate to the competitive process than others. So I think we first need to classify the potential work in some way. Then, the government can sort the work into similar categories. Second, something that has not come up here, just as there is considerable variability among contractors in terms of the types of staff they employ, there is a similar amount of variability within the Federal sector. Some agencies are much better equipped to specify contracting requests. Similarly agencies are equipped differently in terms of capability to evaluate requests when they come in. Third, we have to be able to decide, initially, on something I will call "maturity of the work in that area." For example, even on something that is production oriented, say straight data collection, the requirements are rather different when talking about data collection related to migrant laborers, compared with data collection related to social security beneficiaries where the agency has list files available to the contractor. Let me take another example in the income area. If we are talking about designing and implementing an income experimentation package given the experience to date, we are well along in the field in knowing how to write a request, how to evaluate a request, etc. If on the other hand, in these same income programs, we are looking at the attitudes of the general population toward those programs, and the attitudes of the beneficiaries of those programs, I do not believe the science is nearly as well developed. So, giving the conclusion first, these variables need to be considered and the government as a whole needs to tailor its contracting efforts to its requirements. If we had some reasonable way to sort the government work then the selection process would be relatively straightforward. So, the question, it seems to me, is how does the government as a whole devise a workable sorting process. In connection with that, how do we assure that a given government agency, which has a particular need, also has the capability to request, evaluate, and finally choose among the groups available to do the work.

As an aside to this point, I am chairing an interagency committee that is focusing on addressing many of these kinds of concerns. I hope as we work our way through we will be able to have some reasonably firm suggestions. In the meantime, I do not propose an answer to the questions I have raised. But I will suggest some approaches that seem worthwhile

to me. With rare exception, an up front statement of dollars in the contracting process would be important. Obviously for the contractor to know explicitly what scale is planned is important. But it is also important for the government agencies themselves. If dollars were not at issue, then the agencies could be spending more of their energy evaluating the technical requirements of the work.

Second, somewhere at the agency level, the major department level, possibly at some central government location, a review of each proposed major piece of work that would determine the appropriate contract or grant mechanism should be established. This requires some flexibility on the part of the executive branch to choose among the mechanisms and a recognition that the open competitive procurements have their limitations. Specifically, there must be a willingness and a general commitment to carry out grant/contract work using various mechanisms. Currently this is not always the case.

Third, as regards agency expertise, we need to develop some way to certify selected offices, agencies, contracting units, whatever as having sufficient expertise to write and evaluate RFPs. Perhaps a minimal suggestion in this respect is to assure there is a technical service group that can be turned to for both advice and assistance in the contracting area.

Morris Hansen:

I am supposed to comment especially on issues of funding the contracts and post-award activities to monitor the contract. It seems as though some of the same points get emphasis in the different presentations, probably because they are points that are causing trouble in the different aspects. Certainly one issue I want especially to emphasize, and one that Tom Staples just made, in connection with funding, is the importance of indicating in the RFP the size of the effort expected. This is done in different ways. Sometimes the number of questionnaires is specified; it is helpful to have even that kind of an indication, but that is a very unsatisfactory one. Man years are often used as a device; people have appropriate formulas for converting those to dollars. This is not nearly as bad as questionnaires as a measure, but the best measure by far is dollars -- and if bidders think the specified dollars are too small to do anything useful they should say so; if they do not need that much they have the opportunity to say so. I think a particularly undesirable specification in an RFP as a condition to be met, as distinguished from indicating the orders of magnitude wanted, is the variances -- the size of variances you want. If you had a unique statistic, and that is the one purpose of the survey, and there is a lot known about the survey topic, this is a tolerable way to go about it. Otherwise, because, in advance

of taking the survey, variances can only be speculated, it is a way of communicating very little and making for much more judgment when it comes to the time of awarding the contract. Total dollars specified make it possible to focus attention on what the real issues are, and who has the kinds of resources and ideas to deal with the topic. Specifying the amount of dollars available makes it possible to avoid what I think are particularly undesirable aspects of competitive bidding on surveys. An approach that has turned out to be definitely undesirable in many cases is where contracts have been awarded on the basis of identifying a few eligibles and then looking at the dollars and choosing the lowest bidder among these. That creates very bad incentives in the whole system, and I have seen that done where there is a difference of \$25,000 in bids of \$750,000 order of magnitude for the contract. That means that bidders are going to fail to include in the contract proposal things that ought to be included in the contract, such as evaluation, adequate reporting, and documentation. Things like this should be done, but if you include them in the bid you are at a disadvantage in the bidding process.

This gets to the second point I want to emphasize, which is that evaluation and adequate documentation should be included in the funding and should be explicitly provided for.

With respect to post-award activities to monitor a contract I want to strongly emphasize the desirability of close continuing interchange and joint participation in the initial development work and at important stages of planning and execution of the work.

The actual wording of the RFP sometimes specifies more details than desirable, and emphasizes the need for detailed specifications in the proposal. I think that overspecification in the RFP often occurs, and if it is overspecified the organization doing the work has very little latitude to do a better job than is specified; if the initial specification is well done there is no problem, but often it is not and there is a problem. It is desirable to approach the whole contract as though that contract award is the first step in planning the design. The timing between the time an RFP is announced and the time that the proposal is to be in, as Tom Juster indicated, is very short. He makes a case for lengthening it. The shortness of that timing, and whether it should be lengthened or not, might come in for further discussion. But the shortness of that timing means that whoever proposes on this RFP, unless they have been working on this subject in various specific ways for some time in advance, will not have an opportunity and could not afford to put into this work the kind of effort that must be done in order to do the effective kind of job that ought to be done. You need to expect to revise and improve the whole system after the contract is awarded, through

communication between the contractor and the sponsor. That needed communication and interaction are barred during preparation of the proposal by the contracting process. They cannot be accomplished after the RFP is announced and before the proposal has been submitted. We need to have that opportunity; it should be expected that what is proposed in the RFP is something you are willing to do, but there should be a chance of improvement through interaction and additional effort on design. There ought to be that opportunity for continuous joint development, in order to maximize the ability to identify, within the funds available, and react to the needs of the agency that wants the information.

Continuing communication and participation in the developmental work are needed, especially, and then, so that there will be no surprises later on, continuing communication to make sure that the development of the survey operations is jointly communicated and understood. For the sponsor to observe and participate in things like training and the various aspects of the operation as it goes on I regard as highly desirable.

In summary, I believe the approach in contracting should be to attempt to serve the interests of the government. This involves not restricting information, or strait-jacketing the process so narrowly that the government's interests cannot be effectively served as a consequence of what might be a misguided or ineffective attempt to make the award appear to be an objective process assuring equal treatment of potential contractors. I think too often people do treat this the way Tom Juster said -- at least contracting officers tend to -- as though this a fixed product with the same content no matter who is bidding on it, and that it is just a matter of making sure they don't exceed the budget, and that you get the same product whoever is awarded the contract. That is not the way the real world is, and I think that you need to protect the government's interests by awarding within a system that makes it feasible to serve the needs of the government. Again, equal treatment of contractors is a very important thing in the minds of many people, and I think it is a highly desirable thing to have equal treatment of contractors. But it does not mean that you can avoid judgments. You cannot reduce it to a system that avoids them, and I think you can best face up to those judgments required if you do not let a few dollars' difference in someone's bid, among eligibles, be the determining factor.

George Hall:

I am confronted with a bit of continuing frustration when listening to the speakers, not frustration with the speakers, but there is a certain amount of frustration with the process that they have pointed out.

Tom Juster and Morris Hansen have both talked about the interaction between the contractor and the Federal agency and how that relationship can be developed toward an end of developing a product. Both Tom Staples and Bob Israel have talked about the kinds of specifications we need and Bob's list of issues was very appropriate and Tom's concerns showed that we can differentiate between development and production. I am left with this kind of frustration. It seems to me that when we talk about the problems with Federal contracts we really are not focused on the Bureau of the Census, on the Bureau of Labor Statistics, Office of Research and Statistics, and so forth. The problems here come from the other kinds of agencies, the general-purpose Federal agencies, the funding agencies, and so forth who need data for some specific purpose or that just need data for planning purposes. How, then, can we accomplish, or how can we get across what seems to be a very wide gulf. Cochran's 9 steps that Bob outlined made me think of some of the agencies that I have been associated with and their contract people would not know what he was talking about. Unfortunately, neither would the subject-matter people. On the other hand, Tom Juster and Morris Hansen made a plea, and it is one that I am very comfortable with, that the contractor should really get together with the Federal agency and develop a kind of process that will provide the data that the Federal agencies need. Morris even made the statement about treating contractors equally -- equal treatment of contractors. But where I am frustrated is the other side of the coin. Here is a legitimate problem with Federal procurement. There is a Westat here in this area, there is an ISR out in Ann Arbor, and I could name a dozen other reputable, well-staffed, expert firms, both in the private sector and in the University sector, and I would like to say that there are also Federal agencies which are in the contracting business. How do I as a program manager in a Federal program, identify the fly-by-night Widget Company as against Westat or ISR. It seems to me that is the frustration with which I am faced. How is the Federal manager supposed to accomplish that very long step? This seems to be the nut of the issue that we really have to address. I am not sure of how we should advise the nonstatistical agencies to behave in this area.

Bob Israel:

The basis of much of your frustration, George, stems from, as you indicated yourself, the Federal procurement process. I think you have to examine carefully what kinds of procurements are appropriate under the contracts process and what kinds are

appropriate under the grant process and whether there are other processes either in existence or that need to be developed in between the grant process and the contract process. Traditionally, and even legally, the contracting process is geared to a hardware acquisition that Tom Juster talked about. Although I do not know that I fully agree with him that if you go the contract route and are approaching something in the range of acquiring a piece of hardware that it necessarily indicates the changeability of parts; I think this might be debated. Nevertheless, the contract mechanism says -- here is a government agency and it knows what it wants; it may not know what it wants in every single detail; it may not be able to design the sample, it may not have an adequate frame from which to draw samples, it may not have questionnaire design expertise. But they know what their objectives are and know what kind of questions they want answered, and they know something about the level of precision that they want in the answers. One proceeds then to buy the nuts and bolts, if you will -- to ask for proposals of how to get there from here; and then if you do have a well prepared RFP that sets out these requirements either in more specific terms or less specific terms, at least they are addressed and then the contracts process may be adequate. The problem is that this is often not the case. Certainly, in many Federal agencies, the expertise is not there to specify these steps. The grants process is at the other end of the spectrum and that may not be completely satisfactory for many types of needs either. We ought to be able to see if there is not something in this overall procurement process that could bring together some of the advantages of both the contracting process and the grants process to allow more give and take, back and forth, between the non-Federal expert organization and the Federal agency that perceives the need.

Tom Juster:

Let me see if I can put this in a couple of questions and then react to some of the panelists views which I have found to be interesting. One is the general issue which Bob Israel raised and Morris discussed and I think they are exactly opposite poles. Israel says: specify in great detail, along Cochran's 9 points, and Hansen, as I read him says, tell us in general what you want and let us fiddle around with the nitty-gritty and whether we use the left or the right hand to start up with. This is one issue which is a very important one because there is a sense in which it is the only way for a genuine procurement process to follow the principles of specifications, and competitive bidding. The only thing an agency really knows is the very broad question in which they are

interested. They want to know something about the health status of the American population over 65; they want to know something about the retirement provisions that people actually have in place. If you start to push them and you say with what precision do you need to know that, they will doubtless find an answer for you, but that is not what they are after. What they are after is how to administer a program to deal with retirement provisions of individuals, the changes in Social Security benefits, or with changes in health plans, or the changes of legislation, and they need information in general about things that are really very broadly defined. If that is true, then I think I would side with the Hansen view and say the right way to draft an RFP is a two liner: (a) we need to know more than we now know about the health status of the U.S. population with respect to certain kinds of health characteristics; and (b) we have \$1.6 million to spend on it. What can you do for us, over what kind of time schedule and let us decide who among you can do a better job. Now that is a very long way from an RFP of the kind I have ever seen. Those are the ones I like, those are the kind to which you respond, and those are the right kind from my point of view because it does what I think is inevitable in the process. It tells the bidder that we do not really know how to delineate this problem. We are not going to tell that it has got to have certain tensile strength, because that is the hardware model, because we do not know what kind of tensile strength we are supposed to have. All we know is that we need to know more about a set of things for which we have a program responsibility and we have a budget. Almost all of my colleagues say one of the problems is that everyone sees us as the Cadillac of the survey business and what they mean by that is not only that we are very high quality, but we are very high cost. We are obviously high cost, we also are obviously high quality. But we always lose on these things, because our costs are too high. My colleagues tell me that is a farce, our costs really are not too high, our bid costs are too high, but our real costs are no higher than anybody else's and they give absurd bids and then renegotiate. There is a sure cure for that; that is, say to the contractor here is \$1.6 million, and here is the problem that we put to you. You tell us what you are going to do; if, by God, you do not do it, do not come looking to us for more than the \$1.6 million. If you have a \$2 million overrun, that is your problem. There is a lot to be said for a system that tells the contractor, the budget is here; do not tell us six months later about all the problems you have had; think about it in advance and be prepared to undertake the full fruits of your guessing. We suffer from that sometimes, and so does everybody else, but among other things it would

stop all of the rumor which may be partly true about the fact that every contract that gets let out is in fact grossly unfair and the real costs are anywhere from 50% higher to double. It may or may not be true but a lot of people believe it and that is a very undesirable characteristic of the RFP system. There is no one who really believes that the dollars mean dollars because you cannot find the dollars in the contract; it is a fiction -- man years, equivalent this, equivalent that and you renegotiate. Doing this the other way, you would not have that problem and I think it is much cleaner, it makes a competitive bid really bite, and I do not guarantee we will do better with that kind of system, but I think it is a better way to run the economy. I would like some feedback from the panelists about (a) how they really feel about the specificity, the Israel version or the Hansen version, and (b) whether we all really agree that it does not make any sense to write an RFP without putting dollars up front.

Tom Staples:

First, I do not think the Hansen-Israel polarity you suggested is that much different in terms of either one wanting to do it the same way for all types of contracts. That is why I have to push my own cart for a minute. I think they are talking about very different kinds of contracts and in the data collection kind of contract that Bob was talking about, I think you do want specificity, I think as a contractor you want that specificity. It is entirely appropriate for the RFP process to use that. On the other hand, the kind of question you posed was one about assessing the health status of the population, and certainly if that is the general question, you do not want a lot of specificity built around it; presumably you want some opportunity to say how you approach the subject. I suspect that specificity, or lack thereof is not the issue. The issue is how do we sort these things so that the government and the contracting community work on requests tailored to specific pieces of work: specificity when we need it, non-specificity when we do not.

Bob Israel:

Before we go too far in discussing a Hansen version and an Israel version I do want to clarify one thing, and that is that I was not necessarily advocating the preparation of an RFP that would tell the prospective contractors what the tensile strength ought to be but only that we ought to be sure we tell them we are interested in tensile strength. There is a difference, and I believe that brings what I was saying a little closer to what Morris was suggesting in terms of flexibility. My points were more

as a reminder that these are things that must be considered not necessarily as specific orders to the contractor to do it that way.

Tom Juster:

You were not going to write them as specifications, then, you were going to say that we are concerned about variances.

Bob Israel:

Tell me how you are going to solve this problem. Tell me how you are going to solve that problem. I want to know what kind of training you are going to provide, if any, and so forth.

Tom Juster:

I thought that what you were saying was you were going to lay out, as you would if you were building a bridge. You would not say we want a bridge 'kinda' that has to go from here to there. You say the bridge has to meet certain requirements, it must be built in terms of very rigid engineering specifications. But you are not talking about that.

Bob Israel:

Well I am and I am not because I think the checklist approach allows the government agency to build in that much specificity if, in fact, it knows that is what it wants and it has the statistical expertise to spell out what it wants. What it is looking for under those circumstances is to buy from a contractor, if you will, the contractor's ability to carry out this level of specificity. On the other hand, it need not be that way, but at least one should be sure that the RFP is not a two liner, because I really think that nobody in the final analysis is going to be satisfied with the product that comes from a two-line RFP. The contractor will be disappointed because the Federal agency will say that is not what it meant at all.

Morris Hansen:

I think that Bob Israel's interpretation of what he is saying fits well enough with mine. I am not suggesting a two-line RFP; I welcome seeing in an RFP whatever the agency has thought through. I am often unhappy when the RFP says "This is what you do," although if it says "This is what you do" in considerable detail as a means of providing a framework to start from, I think that is desirable, assuming it is not a straitjacket in which you must stay. But there is an important point where I would disagree with Tom Juster in a rather substantial way: he mentioned that he would like to have this two-line RFP state the amount, and then the contractor should deliver the product for that amount, and if it costs him two million dollars more he should absorb it. As a practical matter that is not what is going to happen.

It sounds like the guy who gets a manager and turns the job over to him and says, "Produce and we will raise your salary if you do, or you are fired if you do not."

I think we meet the needs of a contract sponsor if he specifies in great detail, if the contractor feels free to make a bid on the basis of that kind of detail, but should then have a flexible approach in the way the sponsor works with the contractor. The contractor can then say, "Look, you specified a bunch of things here that we think we could do better this way." There ought to be a system of interaction and approach that permits serving the interests of the government best. My worry about the effort to treat contractors equally is that it leads you to believe that you can award a contract without making a judgment, that you can look at the dollars they bid for what is supposed to be the same product, but it is not, and you take the easy way out by taking the lowest bid among contractors. I think this is a vicious practice that leads to inadequate proposals and poor performance. I do not think most jobs involving innovative work can be carefully thought through and bid in a three-week period. Ordinarily, contracting for a survey should not be approached in the way that puts down the details word for word in the specifications and in the contract, which are now God's word because the contract has been signed. Rather, it should be an interactive process that tries to produce for the government the most that can be done reasonably to meet the objectives; and modify the system in desirable ways through interactive discussion and agreement as the project proceeds. Then if it is not found desirable to modify the initial plan it means you did a good job or the government had already specified a good job, and that is fine.

George Hall:

Morris let me ask you a question because there is something that has been said here by both you and Tom Juster that seems to be contradicted by something that Tom Staples said. You are saying, and I understand you cannot do a great, huge job in zero time. But Tom Juster is concerned with the fact that with RFP's perhaps you only get one in five. There is a fairly sizable investment that has to be amortized some way. At the same time, if I follow both of you, the contractor really ought to develop a very detailed product which can't be done in a very short time. I wonder if that is feasible too? It seems to me that Tom Staples said that there is the development phase, which is often fairly extended and takes a fair amount of resources and a fair amount of money. Is there not some kind of dilemma that can pose a problem?

Tom Juster:

I think there is an apparent dilemma but in fact I do not really believe there is an actual dilemma, if you were to do things along sensible strategies and procedures. If you really are doing the kind of thing which I would characterize as a production run with well defined specifications, I do not think you need more than a fairly short period of time to put together a technical cost-oriented response for anyone to go out to build this bridge. The man wants ten thousand surveys, he wants to measure this, that, and the other thing, with certain variances, with certain "thises" and "thats" fine, this can be produced because all problems have been defined away; all the specifications have been written out. That is a sensible strategy for a competitive bid contract. If what you want to do is get someone to think about your problem, which is what most agency RFP's are, you do not want a competitive bid. It is silly because there you want someone to be able to make the judgment on the basis of what people have expressed in the proposal. You cannot expect them to think seriously about your problems in three weeks. They are not going to do it and either you have to say we know so and so is interested in our problem and we will go negotiate with him, or you could write an RFP, as I have seen on occasion, which says we are interested in negotiating a sole source contract with somebody about this problem. This later alternative requests that ten pages be written to describe this problem; this response is used as a basis for deciding who is likely to be (a) inventive; (b) responsive; (c) capable; and so forth; then a sole source contract is negotiated. I agree entirely with Morris that to do work for a Federal agency, it is crucial for the contractor and the agency to have friendly, congenial, and elaborate discussions about what their mutual interests, needs and capacities are and to design the work so that the contractor has an input into how it gets done because he or she feels that they have something to offer and the agency has the feeling that they are going to get what they need. The RFP notion, nevertheless, is simply not consistent with that. The sole source bid notion is consistent with it.

Morris Hansen:

I disagree with that, Tom. One of my points of disagreement with you is that it seems as though because you and I agree on some major points (that the dollars should be specified, and that it should be an interactive process), that leads you to the conclusion, it seems, that they should not be competitively bid. You seem to interpret "competitive bidding" as meaning you choose a fixed product on the basis of the dollars, although occasionally that will have some advantage.

Tom Juster:

Morris, I think we are both going to agree, that we choose on the basis, given dollars, of indicated quality.

Morris Hansen:

And I regard that as competitive bidding to see what ideas, what resources you bring; the capabilities are part of it and are part of the selection process. It will not always be perfect. Many times I thought it was incredible to be expected to do the job of preparing a proposal in the time available. You cannot really face up to the issues and do it effectively if you think of it as a competitive bidding for a dollar-award kind of thing. But if you look at it, as I tried to point out, as a way to indicate your capabilities and the resources you bring to it, the kinds of ideas that you have with respect to it, and make an initial proposal, and then let it evolve in more specific detail later on, I think that is an effective way to proceed. I guess I am afraid if you lengthen the time interval it would be worse because then your time and cost spent on proposals would be greatly increased. There is another way to do it, however, and that is to issue a purchase order to one or more groups to design something for you, to do some of the developmental work -- in effect not to prepare a bid but to do the designing and the background work that would make it possible to prepare a bid. It might be desirable to issue three or four of those purchase orders and then let the results be in the public domain, and then ask for bids, and still have this interactive approach, because no one is able in advance to deal with all the issues.

Bob Israel:

Let me add just a little bit more about this competitive process. I do not know whether the experience of NCHS is typical or atypical but we have certainly on occasions found our contracting office quite willing to merely exclude the outliers in terms of price and allow the selection to be on the basis of a technical evaluation, so that it does not come down to the twenty-five thousand dollars, more or less, on a million dollar contract. But the other thing I want to point out is that, again, I do not know if our department is typical or not, but we now must justify a sole source contract only on the basis that there is one and only one organization that can do a particular job. If there is more than one, there is no way on earth to justify sole source. That is why I was saying earlier that we need to be looking for some modification of the mechanism itself, whether it be contract or grant or some intermediate process where you can have this interactive process; you can talk to the prospective bidders, you can deal with them. I

do not see any way of saying that Morris' organization or Tom's organization is the only one in the United States that can carry out survey X. Therefore, it seems to me that at least for our office, there is no way to do a sole source contract of this type.

Tom Staples:

I think that is right Bob. I think one of the things we have to deal with is being able to develop, from a technical and program standpoint, which mechanism makes the most sense. I do not know that the business office per se will always have that information, they do not know necessarily about the maturity of the work carried out, nor what is the level which this needs to be pitched. In the absence of that kind of information it is almost impossible to make the distinction that is necessary to do sole source contracting. Therefore, it seems to me we, call it what you will, need to have flexibility to choose among the various mechanisms. It does no good for us to say there should be alternative mechanisms that can be tailored to the needs if we are very limited in terms of being able to use those mechanisms. We first have to clearly establish that there are a wide range of available mechanisms.

Secondly, I want to get back to the point that George kicked us off with. We were talking about agency newcomers. We talked about someone who wanted to do a piece of work and does not have the expertise to know how to do that. We have not really addressed that question. What does happen in that instance?

Morris Hansen:

I thought we did address that by suggesting that they would be a lot better off if they would describe the product needed, with details to the extent they have been thought through, and indicate the amount of funds available. I would not go as far as Tom Juster put it. It may be sufficient to indicate the amount of funds you have available, the nature of the problem, and the kinds of things to be done, and the kinds of check-points that should be given attention, that Bob Israel mentioned.

George Hall:

I would like to make one observation. It seems to me that, I think inadvertently, Tom Juster has become a red herring. The reason I say inadvertently and red herring is the process that he was describing where he asked a number of people to come in with a ten page idea plan; and then on the basis of that he said he would go out and negotiate the sole source contracts. I think what he did was to go into a competitive kind of thing in the first place. If you do not really negotiate a sole source contract at that point, simply negotiate and you give

somebody an award. That does not stand as any kind of sole source contract process, that stands like a true competitive process.

Tom Juster:

Let me get at the competitive business which I do not really think is handled by Morris' picture. Are you really in competition if you sit up there and say here are the dollars and let us evaluate on quality? It is true that you get something that is generally called competitive bidding. It is also true it is a much better mechanism from a variety of points of view because of its receptivity.

I go back to where this all starts from in the procurement process. If you want to decide whether the people said they built you a sewage plant, you have the plant there, and either the sewage runs through or it does not run through. Who goes back and decides after having let a bid out on the basis of here are the dollars and you tell us what you are going to do for quality; who goes back and looks at track record? I do not know the answer to that; my guess is the answer may be nobody does. If you were to ask the agencies what it is they buy from all the procurements that they do in RFP's, ask them how do they gauge the quality of the product and the promises that were made and compare the original cost and the renegotiated cost, my guess is that you would find an awful lot of slippage between what it was that was said would be done for the price and what was actually done and the use the agencies found for it, and the quality standards that were actually put in place. It is a very different proposition than walking across a bridge and deciding that it is not going to collapse. In the social sciences, it is my impression, there is virtually no serious post-evaluation of those competitive bid processes and without doing that you don't have a competitive process. Unless you evaluate the outcome all you are doing is saying here is a dollar figure, which is better than saying here is a bunch of man years, but you still do not have a competitive process which is supposed to eliminate firms that do not produce up to par.

Tom Staples:

I think you are basically right, but I have great difficulty knowing how to write the standards for evaluating social science results.

Tom Juster:

This is why RFP's do not work.

Tom Staples:

Then we are in agreement that an RFP has serious limitations in terms of what is appropriate for them. What we need to be looking for is other mechanisms to get other information. I think we feel that we are seriously limited in that way. It is not because of a law that says "Ye shall not do it that way". A lot of the problem is tied back to the business constraints and that sort of thing. But no, I think as a government, as a community of social science researchers and people involved in the area, we can do something to assure that appropriate contracting mechanisms are available. I do not think it has to be the way it now is.

George Hall:

I have been sitting here listening to the cost overruns, and social science research, but I cannot really escape the thought that keeps running through my mind "C5A". We do have a very serious problem here. I think we can identify a number of issues in which there seems to be general agreement and one of them is the business of making available to Federal contractors some notion of what kinds of resources are available. Most of the people say that at least that would guarantee some new formative approach such as what Tom Staples says he normally does. He gets rid of the outliers, which might sometimes result from some sort of misunderstanding in the specifications.

QUESTIONS FROM THE AUDIENCE

Question:

This question goes back to an issue Tom Juster touched on in his initial remarks; that is, the possible problem that surveys are fragmented, that you have one procurement for design, one for data collection, one perhaps for data processing, and so forth. Is this really a serious problem? If it is, what can we do about that?

Tom Juster:

Let me tell you a funny story. An agency produced an RFP which we thought was very interesting. As a matter of fact we even thought it might have been wired for us because of reasons I will not go into. It did have a few things to suggest -- sample design was a task to be bid separately, survey design was a task to be bid separately. So in my dreams I envisioned Westat interviewers trampling through SRC's primary sampling units using NORC's questionnaire designed for NORC's interviewers. We wondered what was going to be the possible outcome? We responded to that one and suggested that we would have a lot lower cost if we did the whole thing ourselves and our cost would balloon if we

had to do it all separately and we were kind of judged high cost and unresponsive. It does happen and goes back to what I said before -- people who design RFP's on the procurement side somewhere in the Federal system really do believe that it does not make any difference who designs the sample and who designs the instrument, and who collects the data, and who does the analysis. Any social scientist that believes that has not done any empirical work recently. I do not think it is a pervasive problem. But I do think in this case it was not the agencies' preference; I think it was forced on them by their contract people and they simply had no choice about it. They knew it was silly, we knew it was silly, but it was done.

Morris Hansen:

Well, I would have to differ a little bit on that. I am not sure that is as silly as you make it sound. If indeed you have a job and you know what it is and you want to get it done in a relatively short time period and it has been thought through pretty well, it seems to me there is only one way to go and that is with an integrated kind of award. But if you want to have some interactive ideas, and possibly have input from and interaction with more than one group, and you have the time and can pay the additional cost, it may well be worth it to award an initial design contract to do a lot of the basic thinking on various aspects of total survey design, including sampling. It may pay to award more than one.

This might be followed by a contract for completing details of design, sample selection, and data collection. I think it would likely produce a better job than a single integrated contract. If you can afford that kind of luxury, it has advantages over just doing it with one big push. Again, the analysis of the survey results is sometimes a report by the contractor that collects the data; sometimes it is a tape for use by many people. It is desirable to have both. The analysis is not something that can be done only by people who work on the survey. They may have some special insights of which it is well to take advantage; others may add much in analysis. I do not think good analysis is necessarily a result of a single integrated operation.

George Hall:

Morris let me ask you a question. I have seen some agencies who go through this business of having a design contract and then the subsequent contract to actually conduct the survey or what have you. I have seen some cases where the design contractor is not permitted to bid on that final contract. Is that a problem?

Morris Hansen:

I have not seen them offered that way; it seems to me that is undesirable. Having done the design may give the initial contractor an inside track. However, sometimes it is a negative inside track; sometimes it is a positive one.

George Hall:

The reason I mentioned it is that you and Tom Juster were both talking about small purchase orders to do some design work and the procurement officer said: Look, if you do that, what you have done is to provide that particular group with a leg up on the overall contract. Therefore, they will not be allowed to bid on the overall contract, so they can be awarded a small design contract but cannot do the larger work.

Morris Hansen:

This is what I was objecting to a little while ago. If it operates this way the government is really holding the position of being sure that they are fair to contractors instead of trying to work in the best interest of the government. It seems to me that government procurement ought to be done for the best interests of the government, and that you need to let the system evolve in a way that makes that basic. With respect to your particular point, it is not at all necessary, if you have a purchase order for a design contract, that you may not bid on the survey contract. I can illustrate. We were asked to do and did a design contract under a purchase order that turned around completely the way the agency was thinking about the problem. They liked the result enormously and they put out an RFP and expected us to bid on it, and we could have except that the contracting office made it a small-business "set-aside," on which we could not bid. At the time I thought it was incredible because I thought an eligible small business would not be able to do the remaining design work, but they did indeed go to a highly competent consultant who set up the system for them and worked with them, and I think probably they did a quite creditable job. It was a divided project, and probably not too badly divided.

Question -- Ted Woolsey:

Every time I read the newspapers about senators and congressmen raising a question about Federal monies the Federal government is spending on consulting, I take that to mean the work and the amount that they spend on contracted research as well as solving problems. I wonder about the fundamental question of whether the Federal

government gets its money's worth in contracted-out surveys. My comment would be limited on that subject to these two things which are specific and which I think help to assure that the government gets its money's worth. The first is to pick up on something that Tom Staples said, that is, that there is an enormous distinction between the kinds of agencies contracting and some of them now are contracting out some research as the only way that they can practically get it done. They just do not have the skills on their own staff to get the work done. They will get it done and get it done better if they spend almost any amount of money to have it done by an outside firm. I am not sure that is true when we talked about sample surveys, when we are talking about those agencies in the Federal government whose function is collecting statistics and that is all, where they would normally have a great many of the skills themselves, but the one thing they do not have is the manpower. My feeling is that there are many instances where the government is short-sighted in limiting the ceilings that the agencies can fill; they are forced to go to the contract route to get work done because they cannot hire people to do it themselves. If they could hire those people, we could get the same work done better for less. I have never understood this feeling on the part of OMB that ceilings, whether it is temporary employees or full-time employees, have to be so tight. I am sure that is a political question that does not make economic sense.

Second, when the Federal government does spend its money on contract research and contract surveys and so on it ought to find a better way of timing that process. I think there is abundant evidence that when an agency goes through a normal process, which is a wait-to-see-what-their-budget-is-going-to-be, part-way through the fiscal year, they spend part of their budget, and they find out how much they have left, and then starting around half or two-thirds way through the fiscal year they say, well we have some money left; let us spend it on contract research. Then they go out and dream up some ideas and they crash them through the contracts people's offices, making them spend all night working to get the stuff ready, and they come up with rotten RFP's and they get rotten proposals as a result of these rotten RFP's. They come so late that you cannot do any kind of work on them. Granted, if you extended the amount of time in an unlimited manner this would just mean that the contractor would take more time to prepare his proposal, whether it is a university or a private firm, and would spend even more of the budget on preparing a proposal. But I think there is a happy

medium there. Right now, the worst ones that I see are ones where the time allowed is simply not sufficient to prepare a good proposal. I think that can be avoided if more sensible ways of allocating the money out of the budgets of the Federal agencies could be attained.

Tom Staples:

It is really tied to an annual appropriation process and we would need a different kind of appropriation process to ever get past the time problem.

Ted Woolsey:

Well, I know that HEW, at one time, had a provision that a certain amount of money to be spent on contracts had to be spent during each quarter of the fiscal year. The first substantial violator of that was the Office of the Secretary. But I think something of that kind, that will force the agencies to spread their money out and let their contracts out more evenly through the year would help greatly to make that timing more bearable.

George Hall:

I would like to say, now that I have left OMB and the Statistical Policy process and so forth, and have gone to Census, I know what you are talking about in the need for position flexibility. This is a real problem. I recall just a year ago I was on my way to San Diego and Joe Waksberg was talking to me about the same thing. Apparently, a number of RFP's had come to his attention, all of which would have been appropriate for Westat to perform on. But there is simply no time to develop any kind of basic response to the set-up. They had to pick and choose, even though the firm could have performed on all of them. There was just not time to prepare a proposal. Is there an answer to this? It is very easy for us to sit and say, "Well, by God, you do not start after your budget is passed; you start thinking at some other time and perhaps the passage of the budget could trigger the sending of RFP's." But the point you made is a very real one, that many agencies are looking at the residual, and when there is some money left, rather than return it to the Treasury, they decide to go out and do some contract research. I suspect, personally, that that is a serious problem.

Tom Staples:

Well, I think, George, that this is a basic problem from the viewpoint of the contractor as well as the government, but I am still concerned that the Questioner is right, that the agencies should do more to spread the amount of contracts over the year. But it

is not a problem of the program office not having thought too much about what they wanted to do next year, and not having the criteria laid out, because they usually have that done two years in advance. The problem is that the business office simply cannot begin that new year's activity until they get into that year. And then they get into the details of the contracting process which takes a minimum of three but more like six months these days.

Bob Israel:

There is another aspect to this and that is that if you can get the contracting office to agree to do a lot of the processing of the paperwork for a contract I wonder how many prospective bidders would be willing to do the work of preparing a proposal before a statement that says "subject to the availability of funds." You have already heard that win rate of about 20% as it is now and if there were a lot of proposals out without any guarantee that eventually the funding would be there I wonder how much additional effort and investment would be put into the development of good bids.

Ted Woolsey:

It seems to me a very simple thing that Statistical Policy could do to shed some light on this would be to do a quick distribution of RFP's for surveys by month in which they were issued.

George Hall:

Perhaps the Federal government should start looking into something like annual appropriations and two year money.

Tom Staples:

Yes, I think that is the kind of solution, George, that is the only thing that could improve the situation.

Tom Juster:

Let me just make a brief comment on the first part of your comment which has to do with contracted versus in-house. If you are dealing with data collection, you are essentially talking about the Census versus the rest of the world, in terms of who does the work. If it is in-house, it is presumably done by Census. Well, that is true of a great bulk of things where the options essentially look alike, if the government specifies the data.

Ted Woolsey:

Survey research is not always done in household samples.

Tom Juster:

I am thinking of a wide variety of Federal surveys. I think of the Census Bureau as the government collection agency.

Tom Staples:

What Ted is saying is that you do not have to do direct interviews, I guess; mail surveys, whatever.

Tom Juster:

I understand that, but the Census Bureau is the government's data collection agency.

Ted Woolsey:

I do not think that is yet true.

Tom Juster:

Well, it is by and large true. But what I was going to say is that it seems to me that whether it should be contracted out to somebody else, whether it be a consulting based organization, or a university based organization or whether it should be done in some sense by the Federal establishment, in my terms, provided by the Census Bureau, it seems to me largely a matter of whether you are talking about something that is developmental or operational. Nobody has to ask me to do operational data for program needs that the Census Bureau has simply the bulk and the size and the capacity and the talent and skills to do it. On the other hand, you ask the Census Bureau to do developmental work and the bureaucracy, which is never supposed to produce but large scale operational kinds of things, will really slow you down very greatly. My sense of it is that I have done some work for them as have many people and the Census is extraordinarily good and very efficient at the kind of thing they do, but they are relatively inflexible and relatively rigid about small scale, developmental kinds of things; the things we are talking about here fit more in the developmental mode and I really do not think I see any advantage in essentially having those channeled through a Federal system as opposed to contracted out to somebody who could move more quickly, and that was likely to have a different kind of people with notions that might be useful to the process.

Ted Woolsey:

I was not limiting my comments to the developmental phase. A lot of the contracts and awards for surveys are not developmental.

Question -- Robert Spirtas:

I would just like to make a few points that argue against the position that Dr. Juster took on inflexibility in favor of what Dr. Hansen proposed on flexibility. They are the concept that situations change for people working within the Federal agencies. The point I want to make is that the processes or the dynamics of the situations argue in favor of Dr. Hansen's point on flexibility. The things that I see going on within a Federal agency from my perspective are that there are changes in constraints within the agency after a contractor has been selected. There are travel freezes, other sorts of changes that are completely unforeseen, do not allow the people in the agency to monitor the contract, and there is no way to get the contractor in to see you and no way for you to get to see the contractor; you are really in trouble. So that there must be some way to modify the situation, or to keep the communication lines open after a contract is let out. I cannot see how that can be done without some flexibility. There is also a turnover in personnel both within an agency and within a contractor. Often, there are personality influences, or a strong scientific expertise within the contractor but that is not the person who does the work, or he leaves the contractor for something else. There is also a change of focus that often occurs, mandated by Congress or by some outside pressure groups such that a study might change once it is instituted because somebody powerful tells you to change the focus of the study. Thirdly, there are changes in knowledge that take place. We once did a study in which we had to change our control group to the case group because of a change in knowledge. So I would argue for Dr. Hansen's position to enable as much flexibility once a contract is let as opposed to other positions.

Tom Juster:

I do not think I was arguing for inflexibility. What I was suggesting simply was that, if you have unlimited flexibility, the bidding process in the competitive sense does not mean anything. Because, once you have flexibility, renegotiation is possible and then you no longer have any resemblance to a competitive bid. I recognize the problem, but it does seem to me that you have to find some way to make a bid mean something like: can a dollar mean a dollar? That is, if you really believe in competitive bidding. If you do not believe in that, that is fine. I really don't believe in this process but the rest of the world seems to, and that is the way the procurement process is shaped. It does not work the way it is supposed to work right now.

Morris Hansen:

I want to make one comment on Ted's comment about the Census Bureau versus outside. I happen to have been both places for some substantial part of my life. The Census Bureau is often the most effective place by far to do a survey job that they are prepared to take on, in the form of an operating job, if you can get them to do it. But they may not be able to fit your time schedule and their time schedule together. Also, they tend not to do analytical work on surveys done for others -- they provide the data for the client to analyze and interpret. Also, many flexibilities that private organizations have are not available to government organizations, such as acquiring equipment and acquiring personnel. I think the Federal government ought to use the Census Bureau and I believe it does to a substantial degree where it is applicable, but I do not think it is quite as simple as separating developmental or analytical work. I think that the Census Bureau does carry out developmental and analytical jobs effectively, but often, because of other priorities, it cannot handle effectively small jobs that may be "developmental" or not, and do them on a reasonable time schedule.

Question -- Ruth Foster:

There should be some way to check on the track record of firms contracted to perform tasks for various agencies. This way, the firms which do a lousy job in one contract are not awarded another contract to avoid the same mistake.

Tom Juster:

Well, you know there are two notions on this. I guess I have the feeling that not much account is taken of how people have performed in the past. There is another view on that. If you take the view that takes the legal model, you do not allow someone who is charged with a crime to have a jury become aware of the fact that that person has been convicted or accused of 15 past crimes or has not. That is not relevant legal evidence. The presumption is just judging on this basis. I suppose that people might argue that evidence of malperformance on a contract is and may not really be valid with respect to what a person or an organization promises on this contract. You should not hang him for what they did last year. On the other hand, there has got to be something with respect to track record meaning something. Consistent malperformance somehow has got to be surfaced as a relevant variable in deciding who gets the contract. I think it is often not now done, not because people would not use the information but because they just do not

know. There is no mechanism and the reason there is no mechanism is that it is very costly to evaluate the outcome of an RFP.

Bob Israel:

It is more than costly if you had not specified very clearly in your RFP what your expectations are. When you are all finished and you look at the results and say: well, they did not measure the health of the people over 65 in the United States very well; and the contractor says: I did just what you asked me to do in the RFP.

Question -- Lee Guilford:

I would like to amplify a bit on the comments made by the previous question. I think one of the problems is that the government is not in its present system able to distinguish between Fast Buck Research Company and a legitimate outfit. I think some of the constraints the contracts office puts on the process is to avoid this kind of thing. Perhaps we are at fault in not giving them some guidelines to help them set up some constraints that will help them and us to distinguish between the good guys and the bad guys. I think that is a problem we have to face. If I knew how, I could take over the meeting and you would have no function here.

Tom Juster:

Contracting firms have something called bonding, don't they? That is, you cannot bid on a ten million dollar job if your capital is one thousand dollars. There is some kind of a classification of eligibility and capacity. Organizations do not have good housekeeping seals of approval, saying it is OK for you to bid; we have questions about it unless your bid has certain characteristics. I guess one could do that.

Lee Guilford:

There is a related problem here too. That is that not only do you have to have a system selecting the best firm or a good contract, but you have to be able to defend that this is a good process and you might have to defend it in a court of law.