



# BLAIR HOUSE PAPERS

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PRESIDENT BILL CLINTON

VICE PRESIDENT AL GORE

NATIONAL PERFORMANCE REVIEW





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## FOREWORD FROM PRESIDENT BILL CLINTON



The era of big government is over, but the era of big challenges is not. People want smaller government, but they also want active and effective national leadership. They want government that provides them the means and opportunities to meet their responsibilities and solve their own problems.

That's why Vice President Al Gore and I have spent so much time and energy in the first term reinventing government — making it work better, but cost less. We have had some terrific help from the Administration's management team as well as the career federal workforce. I want to thank and congratulate everyone who helped.

We've done pretty well. The federal workforce is the smallest in thirty years and the deficit has been cut by 60 percent. But this smaller, cheaper government is accomplishing more than ever. We've created more than 11 million new jobs. The crime rate is down four years in a row. So is the teen birth rate. Welfare reform is becoming a reality. And many government agencies are getting fan mail for providing better service.

But there is a great deal more to do. We must give Americans the tools to make the most of their lives, to renew national confidence that we can solve our most difficult problems when we work together, and to advance America's role as the world's strongest force for peace, freedom, and prosperity.

These are big jobs for a smaller government. This small book can be a big help. The lessons in it are tried and true. I urge you to pay careful attention to these ideas, as we prepare for the challenges before us.

\* \* \*

*Bill Clinton*

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## INTRODUCTION BY VICE PRESIDENT AL GORE



In 1993, President Clinton asked me to figure out how to make government work better and cost less. We called it reinventing government. The need to reinvent was clear. Confidence in government — which is simply confidence in our own ability to solve problems by working together — had been plummeting for three decades. We either had to rebuild that faith or abandon the future to chaos.

We had reason to hope we could succeed. Corporate America had reinvented itself to compete and win. The same ideas and some new wrinkles were starting to work at the state and local level. But it was going to be incredibly difficult, the largest turnaround ever, and management experts said it would take at least eight years.

Not quite four years later, my hope of succeeding has grown to confidence. We have thousands of examples of reinvention — islands of excellence in every agency — delivering better service and saving

money. And public confidence in government has rebounded — up nearly 9 percent since 1993, according to a recent Roper poll. We are succeeding. We know how to do it.

Everyone in government knows big challenges remain. It is time for faster, bolder action to expand our islands of excellence and reinvent entire agencies — time to entirely reinvent every department of government.

So, even before the second inauguration, President Clinton and I called the new Cabinet to Blair House to give them their reinvention marching orders. This book contains the instructions we gave the Cabinet in a set of papers on that Saturday, January 11, 1997.

The papers are:

- ★ *practical* — there is not much about paradigm shift theories and such
- ★ *written as rules* — we left out the things we were unsure of
- ★ *focused on the highest impact rules for reinvention success*
- ★ *golden* — built on the experiences of the brightest, most creative, heroic people in public service so far.

The book divides our papers into three chapters. The first chapter is about how to ***deliver great service*** — treating the public the way top companies treat their customers. Remember, we are trying to restore America’s confidence in solving big problems through self-government, problems like drugs and crime and the need for better education. How can people trust government to do big things if we can’t do little things like answer the phone promptly and politely?

The second chapter tells how to ***foster partnership and community solutions***. We have to do big things without big government. Luckily, partners are ready to help. Businesses have proven effective partners in achieving a cleaner environment, worker safety, and other regulatory compliance goals. Communities can solve their own problems with a little help and opportunity from their federal partners. And when labor and management work as partners, everybody wins.

The last chapter is about how to ***reinvent to get the job done with less***. The first section there is the most important for top leaders. It describes the key to unlocking the enormous, unused, human potential of the federal workforce. Unlocking that potential will make everything else possible — it is the only way. The chapter has other tips for surviving

in a balanced budget world — like shifting resources and authority from headquarters to the front lines, and capitalizing on the positive power of competition.

When the President and I gave the papers in this book to Cabinet Secretaries, we also asked each of them to set clear, uplifting goals and make sure everyone understands how the goals relate to their own jobs. We asked the Cabinet to line up their plans, budgets, personnel performance appraisals, and other management systems with their goals, and then to measure the results they seek. This is good advice for the Cabinet and for every leader in government.

Indeed, if you work anywhere in government, there is something in these papers for you. Every supervisor needs to get power to the front lines and raise the spirit of the workforce. Every service provider needs to put customers first. Every regulator needs to use the leverage available through partnerships. Everyone in government needs to know all the rules of the road to reinvention, because we need everyone's push to propel us down that road fast enough.

I told the Cabinet at Blair House that they would know they had succeeded with reinvention when all the people in their departments understood the



goals and values of the organization, and could use them to adjust quickly to changing circumstances. I also said how federal employees would recognize success: When they wake up in the middle of the night and can't get back to sleep right away, they will be thinking about how to do their jobs better.

Where reinvention has taken hold federal employees do that. Their faith in the system has been restored. Applied to every part of government, these ideas can do the same for America.

Not long ago, most Americans believed that we could do practically anything by working together — defeat communism, go to the moon, you name it. We can have that faith in unity again. We can have the strength of unity again. We need it for the 21st Century.

★ ★ ★

A handwritten signature in black ink, reading "Al Gore". The signature is written in a cursive, flowing style.



BLAIR HOUSE  
PAPERS

**I**

**DELIVER GREAT SERVICE**

## Identify Your Customers and Win Them Over.

1

In 1993, with Executive Order 12862, the President called for a revolution in government's customer service to deliver services equal to the best in business. In response, agencies throughout the government are making changes that customers have noticed. Here are some examples of the successes, as well as the challenges that remain.

Agency	A few examples of first term success	Some challenges for the second term
<b>State</b>	Passport applications are available on the World Wide Web.	Get passports issued fast for all applicants, with no long waits in line.
<b>Veterans Affairs</b>	Service is so fast that the NY benefits office turned its waiting room into a museum on six wars.	Improve beneficiary satisfaction through greater integration of VA's health system with DoD's
<b>Treasury</b>	Drug seizures are up while airport delays are down.	Convince Americans they'll get fair treatment from IRS.
<b>Social Security</b>	Business Week rated SSA's 1-800 service as the best in business, better than LL Bean or Disney.	Dramatically cut the multi-year wait and the huge backlog in disability claims.

## Commerce

Opened Export Assistance Centers with Ex-Im Bank, SBA, USAID, and state agencies providing one-stop help for expanding businesses.

Patent & Trademark Office, the Weather Service, and Census deliver services across the board that Americans will applaud.

## Justice

Returning travelers get through airports and border crossings faster.

Provide instant access to electronic fingerprint records for front-line law enforcement officers.

All agencies still face major challenges in reaching the “best in business” goal. Agency leaders need to get at these challenges like a CEO trying to win over customers in a competitive marketplace. The principles spelled out in the President’s executive order and in a later customer service directive brought us this far and are the right ones to use to finish the job.

Here are the key principles in a customer-driven organization:

- ★ *Identify your customers — start with the reason your organization was set up in the first place.*
- ★ *Continuously ask your customers what they want — skip this step and you'll get it wrong.*
- ★ *Set standards so people know what to expect.*
- ★ *Measure and publicize results.*

## Find Out How Things Are Going By Getting Out Of Washington.

2

Honest feedback from front-line workers and regulators, as well as the public and other stakeholders, is absolutely essential to reinvention success. For example, here are some things that reinventors learned from the front lines.

- ★ *People who face the customers every day already know how to improve service.*

Hugh Doran, whose first floor Veterans Affairs administrative office in Kansas City was right below the second floor VA patient clinic, realized that swapping floors would provide better service for sick vets. His good idea has led to floor swaps and better VA service in 17 cities around the country.

★ *Front line workers know more about the work and how to improve efficiency than managers in Washington.*

For example, after the White House came up with a legislative proposal to streamline procurement, it was checked out with front-line buyer Michelle Craddock Edwards. She said, “Too bad it won’t allow widespread use of the VISA card unless all the red tape is removed from purchases under \$2,500.” Her great idea became a central part of successful procurement reform legislation and is now saving the nation millions.

In another example, OSHA inspector Joan Hyatt said that she and her Denver office co-workers spent most of their time documenting every case well enough for the lawyers to take it to the Supreme Court. Joan helped rewrite the OSHA Inspector’s Handbook so that inspectors now spend most of their time making workers safe instead of doing paperwork.

★ *Regulated businesses know how to make regulatory agencies more effective; businesses with good track records of compliance can be valuable partners and advisors.*

Medical device manufacturers in the Southwest said that FDA could be more effective by taking a new approach with companies that have good records. They suggested FDA give advance warning of inspections so companies could have the paperwork ready without a scramble, that FDA allow their inspectors to talk with company officials about problems during the inspection rather

than just write letters back and forth afterward, and that FDA tell companies what they are doing right as well as what's wrong. The Southwest Region of FDA is testing the new approach now and problems are being fixed faster, often during the inspection.

★ ***Talking to customers will change your plans.***

The IRS used to assume that everybody wanted their tax forms in the mail as soon as possible after New Year's Eve. When they surveyed their customers they found that what people want most is little or no contact with the IRS. Now IRS only mails forms to people who usually do their own taxes, not to those who use preparers. That saves money and eliminates an unnecessary contact.

★ ***Benchmarking will show you how.***

Comparing an agency's approach to how particular jobs get done by the best in the business, in or outside government, will show where action is needed to generate improvement. Studies on 1-800 service, complaint systems, and a host of other topics have already shown some agencies how to improve service, sometimes at reduced cost.

★ ***Senior executive groups know how to make Government work.***

Existing professional and managerial associations, as well as Federal Executive Boards and associations around the country, must play a central role in reinvention. These are the people who know how to get things done within agencies and across agency lines



## Be Smart About Information Technology.

Today's information technology is the great enabler for reinvention. It allows us to rethink, in fundamental ways, how people work and how we serve customers.

In Miami, **Customs'** compliance officers can use their computers to compare passenger manifests with up-to-the-minute risk lists. Before the planes land, officers identify passengers who will be the focus of their inspections.

On the World Wide Web, the **Social Security Administration** lets you order your personal benefits estimate by filling out a form on screen. It takes five minutes.

Cities all across the country are using a neat software package from **HUD**. It draws a city map and, block by block, shows where in the city all the HUD grant monies are being spent. Among other things, cities and interest groups use the software to play "what if" with alternative plans.

Not all technology applications require high-end components. More Americans contact the government by phone than any other way, so the **IRS** built Telefile to allow 20 million filers to submit their 1040EZ using a touch-tone phone. It takes eight minutes, is paperless, and has an error rate a fraction of that found on paper returns.

The potential payoff from technology is huge, but not automatic. Workable solutions can be had at reasonable costs by following these principles, derived from the best practices of the private and public sectors.

- ★ ***Don't automate the old process, reengineer.*** The new technologies bring new possibilities, like putting services on the Web and letting customers get them when they want.
- ★ ***Buy a little, test a little, fix a little.*** A key difference between federal and private sector IT purchases is that the private sector buys things more quickly, and in manageable modules. Feds often try to buy huge systems that take so long to get that the technology and managers have both changed before anything is delivered.
- ★ ***Buy off-the-shelf.*** Commercial products provide big variety and capability, and new products are added every day. It almost always makes sense to give up a few performance features to get something that costs less and has been thoroughly tested.
- ★ ***Consolidate and out-source.*** Smaller agencies with today's communications systems can usually find ways to consolidate data centers and other operations. The private sector can often do things at a lower cost.
- ★ ***Check on your investment.*** Track not just costs and schedules, but whether the new technology is paying off as promised — settle what this payoff will be before investing.
- ★ ***Integrate information.*** Lots of agencies duplicate data collected by others — 40 agencies gather trade information. Look for chances to share the workload.

## II

# FOSTER PARTNERSHIPS AND COMMUNITY SOLUTIONS

## Focus Regulators On Compliance, Not Enforcement.

In directives in March and April of 1995, President Clinton told regulators to do six things:

- ★ *Cut obsolete regulations*
- ★ *Reward results, not red tape*
- ★ *Get out of Washington and create grassroots partnerships*
- ★ *Negotiate, don't dictate*
- ★ *Reduce regulatory reporting burdens*  
— *don't require a report until it's really necessary*
- ★ *Allow fines to be applied to fixes*

The first directive deals with what is in the rule-books. Get rid of what's outdated, and rewrite the rest in plain English. Better compliance happens when people understand what's expected of them.

The President's other five directives deal with what is most important in reinventing regulation — the relationship between regulators and the regulated community.

Not everyone is going to play by the rules. But experience shows that most businesses and communities do want to comply and will, if they can figure out what it is they're supposed to do. Agencies are proving that, working with new partners, agreeing on the goals, allowing room for innovation, and providing all the help possible to those that want to comply. And because regulatory time is no longer

being wasted on the good guys, agencies can better focus their attention on the few cheaters.

There are already many examples of partnerships producing results for the American public, like getting safe and effective medical products to market as quickly as possible, and creating safer workplaces for America's workforce.

**FDA** revamped its performance measurement system — now inspectors are evaluated by managers for ensuring on-the-spot compliance, rather than for seizing goods. Industry gets educated, FDA inspectors are rewarded for being helpful, and safe and effective products make their way to market quickly.

In Maine, **OSHA** identified the 200 companies with the highest injury levels and made them an offer — form worker safety committees with your employees to self-identify and fix hazards, and we'll stop writing tickets and start offering compliance assistance. Almost all of the companies signed up and began working in partnership with OSHA. As a result, 14 times more hazards were identified and fixed than OSHA had identified on its own, and worker injury rates dropped 47 percent. In addition, company productivity went up. And when one of the Maine 200 companies renege on its commitment and subjected its employees to extremely unsafe and unsanitary conditions, OSHA stepped back in quickly with citations and penalties.

Other states are working with OSHA on programs similar to the one in Maine, and showing similar success. In Wisconsin, for example, injury rates for the targeted companies dropped 30 percent in less than two years.

**EPA** identified the 17 highest priority toxic chemicals and challenged industry — commit to reduce emissions by 33 percent in three years, and 50 percent in five. Then EPA stood aside, asking only for a simple letter from the companies explaining how they would reach their goals. More than 1,300 companies responded to the challenge, and surpassed EPA's expectations. The 50 percent goal was reached in about four years. That translates to 750 million pounds of toxic chemicals removed from our environment, faster than EPA could have issued a regulation requiring the same thing.

**INS-Dallas** decided that it was crazy to surround a factory and arrest and deport immigrants with fraudulent papers, only to have other undocumented workers fill the same spots. So it began meeting with business owners to help arrange for legal replacement workers — many from the welfare rolls — and then deported the illegal immigrants. This works so well that INS is expanding the program into other regions.

## Remove Barriers So Communities Can Produce Results.

The intergovernmental grant system is a tangle of good intentions gone awry. There are too many funding categories, suffocating regulations and paperwork, a misdirected emphasis on solving rather than preventing problems, and no clear focus on measurable results.

More than 600 federal programs are administered by states and localities. The existing top-down, centralized approach is not flexible enough to respond to rapidly changing environments around the country. Reinventors are now focusing on results and providing greater flexibility to federal offices, states, and localities on how to get those results through empowerment, strengthened partnerships, and grant consolidation and simplification.

A wide variety of successes already prove the concept. Tillamook County, Oregon had the second highest teen pregnancy rate of any county in Oregon. Working with federal agencies, state and community partners focused on results and now have the lowest rate in the state. In our partnership, called the **Oregon Option**, the people of Oregon sorted out the issues that were most important to them and set performance goals. Together we started to tear down the old fashioned federal, state, and local bureaucracies that stood in their way. It's a whole new way of working with states and communities. These partnerships should be the norm, not the exception.

Colorado and Utah signed performance partnership agreements with **EPA** allowing the states more flexibility to direct and shift federal funds for improved environmental outcomes. The new one-step grants replaced up to 13 separate agreements that state agencies used to negotiate with EPA. This shift from limited categorical grants to broad “multimedia” grants required Congressional approval, and EPA got it.

The National Partners in Homeownership is an unprecedented public-private partnership formed by **HUD**, consisting of 58 national organizations working together to dramatically increase homeownership in America. Because of this partnership, the increase in the homeownership rate in 1995 was the sharpest year-to-year increase in over 30 years.

More than 100 federal-local partnerships now focus on the needs of individual empowerment zones and enterprise communities. These partnerships allow community residents to implement plans to solve what they — not Washington — see as their biggest problems and provide a single federal contact point for when they need assistance.

These examples show the way to do business in the intergovernmental arena. In moving to partnerships that focus on results and remove barriers to effectiveness, the key principles are:

- ★ ***Improved accountability*** — make results the principal measure of success.



- ★ ***Program consolidations*** — merge funding streams in ways that make sense to grantees and customers, such as around common results. If this is not feasible, then streamline and simplify.
- ★ ***Administrative simplification*** — streamline processes, eliminate micromanagement, and reduce wasteful paperwork across programs. Provide one-stop shops and single points of contact.
- ★ ***Eliminate barriers*** — help identify and solve problems, removing barriers to results.
- ★ ***Increased flexibility*** — devolve decisionmaking; set national goals and objectives, with much more flexibility for states and communities to determine how those are achieved.

## Use Labor-Management Partnerships and ADR.

3

When labor and management form partnerships to cooperatively solve problems, implement changes, and jointly resolve worksite issues, agencies better serve their customers and save money.

Partnerships are generating millions of dollars in savings from direct improvements in productivity, and avoiding the high costs of litigation by using Alternative Dispute Resolution (ADR) techniques. Usually involving a neutral third party, ADR techniques have successfully resolved a wide range of workplace and contract disputes, produced quicker and better settlements, and tallied savings.

The **U.S. Mint in Philadelphia** has achieved a 65 percent reduction in the filing of formal grievances. Nearly \$10 million was saved by eliminating costly litigation in labor-management disputes. Their partnership credo is simple: “If it ain’t broke, make it better anyway.”

The **Department of Education** partnership transformed an adversarial labor-management relationship into a collaboration, where both the agency and the union committed to becoming a high performing, customer-focused organization. Through partnership, Education’s Debt Collection Service has increased collections from \$174 million in fiscal year 1993 to more than \$862 million in fiscal year 1996. The Debt Collection Service also reduced busy signals on its toll-free lines from more than

400,000 in January 1994 to the point where 25 unanswered calls is now considered a “bad day.”

The **Corps of Engineers** used the ADR mini-trial technique to resolve a contract claim on the construction of the Tennessee Tombigbee Waterway. The \$55.6 million claim was filed at the Corps of Engineers Board of Contract Appeals by a joint venture involving several private companies. After only four days of discussions, the principals agreed to settle the claim.

In Executive Order 12988, the President directs the use of ADR to resolve disputes when appropriate. Executive Order 12871 established the National Partnership Council and calls for a new form of labor-management relations to promote the recommendations and principles of reinvention. And successful partnerships are following these principles to champion change and deliver the highest quality services to the American people:

- ★ *Promote collaborative problem-solving.*
- ★ *Expand partnerships throughout the entire organization.*
- ★ *Invest in human capital.*
- ★ *Resolve disputes with consensual methods.*

### III

## REINVENT TO GET THE JOB DONE WITH LESS

## Get The Best From People.

Federal employees have been trapped in an industrial age management system. They've been burdened by the metaphors of that age. The idea of the machine convinced us to organize our efforts as if the individuals who work together are parts in a mechanism.

The assumption was that people can most usefully be employed doing the same thing over and over and over again. Decisions to change were made high up in the organizational pyramid, and instructions were conveyed down through the layers of the organization to bring about a change.

This approach forfeits the greatest asset of the organization — the unused creativity and brain power of the men and women in those organizations.

Money is becoming increasingly scarce. In this world, the government can get its job done if — and only if — we unlock this unused human potential available to us. **Agency heads – personally – need to do two things to unlock this potential:**

**First, get power to the front line.** You can't order headquarters to delegate power to the front line and expect it to happen. You personally need to ask

people on the front line what authority they need to do their jobs better and what decisions they should be able to make that are now being made for them at headquarters. Then you personally need to see the fixes through. This takes time. There's no other way.

Applying these three simple principles will help you:

- ★ ***Don't decide anything in headquarters that can be decided someplace else.*** Figure out what decisions are made where, then consciously push the authority as close to the front lines as you can. Make front line people part of this process. As you go through it, you'll find that many of your agency's operating rules can be eliminated entirely.
- ★ ***Move high-grade positions to the field, lower grades to headquarters.*** That will draw talent to the front-lines, and will strengthen the hands of the field organizations in their dealings with headquarters.
- ★ ***Push dollar controls to the front line.*** The people there will spend their money more wisely if they're in control. In fact, they'll spend it even more wisely if it is not doled out in pre-set categories: so much for travel, so much for contracts, so much for supplies.

**Second, raise the spirit of the workforce.** People want to make a difference. If you give them the chance and let them know you trust them, you'll unleash their untapped human potential, and they'll solve problems and serve customers better than you dreamed possible. Your job is to raise their spirits with a vision of what they can be and what they can do, and to keep the job from grinding them down with red tape and distrust. Symbols of distrust are everywhere: time sheets, multiple approvals of travel requests, systems to track people's activities, checks and limits on people getting the tools they need — like Internet access. Just as the system won't willingly cede power to the front line, it won't stop grinding people down. You need to personally see the fixes through.

But it'll be worth it. Empowering and energizing the front lines has paid off fabulously in both government and business.

In government, for example, the **U.S. Air Force's** readiness to fight had fallen to an all-time low in the late seventies. Way too many fighter planes were sidelined for parts and maintenance and, without planes to fly, fighter pilots couldn't keep their skills sharp. Then Bill Creech took over the Tactical Air Command and made it his full-time job to empower his front line people and build their pride, which he calls the "fuel of human accomplishment." In a few short years, TAC's people had

doubled their capacity to fly and fight without more money, planes, or pilots.

For business, the same kind of management raised the NUMMI auto plant in Fremont, California, from the dead. GM closed the plant because of poor quality, anemic production, and union disputes. Then, in partnership with Toyota, they brought it back to life with a new management approach that treated the workers as far more than cogs in a machine. Since then, with the same workers as before, quality is the best in the U.S. and profits are spectacular.



## Look For Reinvention Savings To Fund New Ideas.

Lots of government organizations and people are trying to do “more with less.” The truth is, we need to *do* less. Top businesses have found that much of the work people do isn’t really needed. The same is true in government. Here are some examples of government agencies saving money or labor by doing less, without affecting customers or mission performance:

- ★ **OPM** has reduced its headquarters by 65 percent and **NASA** by 34 percent. **HUD** has eliminated its regional offices.



- ★ **Agriculture** is closing 1,200 field offices while maintaining or increasing service to customers by multi-tasking the remaining offices.
- ★ **Defense** saved the cost of regulation writers and saved money on procurement by buying products that met commercial standards — like Jockey-brand T-shirts — rather than military standards.
- ★ **Energy** is reducing and restructuring support service contracts to save \$450 million.
- ★ **Consumer Product Safety Commission** saved rent by letting people work out of their homes.
- ★ **Social Security** is reducing paperwork by accessing birth records electronically in Tennessee. Both SSA and the state are reducing labor-intensive processing of these and other kinds of state records.
- ★ **Bureau of Reclamation** cut headquarters by 75 percent and put much of what remained on a fee-for-service basis. Within months the Sacramento office, freed of bureaucratic roadblocks, led a multi-agency intergovernmental public/private task force in resolving the San Francisco Bay water problem that had resisted solution for years.

## Pool Resources With Other Departments.

Customers don't want to go from agency to agency any more than they want to go from department to department when they're dealing with stores, banks, or credit card companies. If you look at your agency from the viewpoint of the customer, you may find ways to provide "one-stop" service by collaborating with other agencies the customer deals with. Reinvention teams have come up with some great one-stop ideas.

**Customs** and **Immigration** both need to inspect travelers entering the U.S. They've divvied up the job of primary inspection (the first look to determine whether a traveler warrants an intensive inspection) to save labor and ease the burden on the traveling public.

**Commerce, SBA, ExImBank, and Agency for International Development** got together with state agencies to create jointly staffed Export Assistance Centers that provide one-stop service to exporting businesses.

**Treasury, IRS, Social Security, and Labor** signed a Memorandum of Understanding to collaborate on a streamlined wage and income reporting system, aimed at a one-stop electronic filing system for federal and state governments.

There are other opportunities for pooling resources in internal operations as well. An agency can often buy some services from another agency cheaper than it can provide the service itself. For example, **Social Security** is purchasing payroll services from **Interior**, and **Interior** is purchasing financial management services from **Treasury**. Over 100 **Cooperative Administrative Support Units**, all across the country, are improving service and cutting costs for office supplies, mail rooms, libraries, temporary help, day care, and more.

### Seek Congressional Relief From Wasteful Restrictions.

4

Many government operations are wasteful because of restrictions placed in authorization or appropriations legislation.

For example, **Customs** is required to keep a port of entry in Front Royal, VA, in the middle of the Blue Ridge mountains.

**Veterans Affairs** is prevented from reducing staff below a statutory floor.

The **Coast Guard** has been required to continue operating obsolete vessels and maintaining unnecessary search and rescue facilities.

The **FAA** has been forced to keep open uneconomical facilities that could be replaced with automation.

Congress also imposes inefficiency by the subdivision of appropriations into dozens of accounts. Several military base commanders have estimated that they could do their mission with 10 percent less money — and were willing to try — if they could receive their appropriation in one account with no internal subdivisions.

Given the extreme budget pressure the government is now under, it's time to urge Congress to remove these restrictions so that the limited amount of money can be spent effectively.

5

### Reengineer To Reduce Headquarters and Overhead.

In 1993, one-third of the Federal workforce — 660,000 federal employees — controlled, checked-up on, supervised, or audited the other two-thirds. *Imagine trying to run a business this way.* NPR's original recommendations to the President gave agencies three streamlining goals by 1999:

- ★ *Reduce the number of supervisors by half*
- ★ *Reduce the number of headquarters staff by half*
- ★ *Reduce the number of management control positions by half*

This chart shows progress and the need for continued effort.

### Streamlining Changes FYs 1993–1996

Agency	Percentage Change in the Number of:		
	Supervisors	HQ Staff	Control Positions
AID	-3	-14	+5
Agriculture	-21	-15	-11
Commerce	-18	-20	-16
Defense (total)	-16	-10	-8
Air Force	-13	-8	-8
Army	-14	-17	-8
Navy	-19	-7	-8
Defense Agencies	-19	-3	-8
Education	-24	-12	-11
Energy	-53	-27	-16
Environmental Protection Agency	-38	-10	+4
FEMA	-20	-22	+17
GSA	-28	-21	-18
Health and Human Services	-29	-15	-11
Housing and Urban Development	-37	-36	-17
Interior	-29	-27	-32
Justice	+4	-5	+9
Labor	-19	-25	-17
NASA	-40	-34	-16
NSF	-24	-18	+8
OPM	-53	-65	-41
SBA	-28	-28	-30
SSA	-25	-23	-14
State	-8	-7	-1
Transportation	-22	-25	-17
Treasury	-10	+4	+4
USIA	-22	-15	-17
Veterans Affairs	-28	-19	-6
Average	-20	-14	-9

Note: OMB Circular No. A-11 (1995), sec. 15.4, pp. 47-48, contains the definitions of the job series included in each of these three categories.

## Move \$\$\$ and Positions To Service Jobs.

The American public's interaction with the government occurs with the front liners, not with headquarters staff. As organizations restructure to eliminate layers of management, the resources should be refocused at the front line.

**USDA's Natural Resources Conservation Service** will eliminate half its headquarters positions and relocate some staff to new regional offices. State offices will remain, but support functions will be transferred to new regional offices; four national technical centers will close and staff will be relocated to regional and field offices. Overall, the number of employees will drop from about 14,000 to just over 12,000 by 1999.

The **Department of Transportation** restructured itself to put front-line service as its top priority. **Federal Highway, Transit, and Railroad Administrations** and the **National Highway Traffic Safety Administration** — which have many functions in common — are streamlining their field offices to provide one-stop shopping for their customers and are moving towards seamless systems in which the different forms of transportation are fully integrated.

The **Coast Guard** is streamlining its organization by eliminating layers and better aligning programs and command structure. Shifting headquarters staff to the field, decommissioning inefficient older ships and aircraft, and consolidating unneeded offices will not only improve performance but also will save \$400 million between 1994 and 1998. At the same time, it will free hundreds of millions of dollars in property for other uses.

**Customs** did away with its regional offices and increased staffing on the front lines at seaports and airports. The **Park Service** cut central staff by 25 percent and moved hundreds of employees out to parks to serve customers.

To move resources to the front line, agencies should:

- ★ ***Flatten the organization and push authority down.***  
Agencies are reducing layers of management at headquarters, eliminating regional offices, and delegating to the front line the authorities previously held by headquarters and regional staffs.
- ★ ***Reorganize so that your key management slots focus on the needs of customers and partners.***  
In too many organizations, most of the top ranked and highest graded jobs are used for administrative or oversight roles. The top jobs ought to go to operations that serve customers or work with partners.

- ★ *Shift positions and budget controls from headquarters to the field.* As agencies reduce headquarters, they should shift resources to the front line where there is contact with the customers and partners, and where change is encountered first.

## 7

## Use Common Sense Procurement Policies.

New procurement reforms — the Federal Acquisition Streamlining Act of 1994 and the Federal Acquisition Reform Act of 1996 — are saving billions. But in many agencies, internal rule writers are trying to snatch back the savings. Take credit cards for instance. It used to cost \$50 to process paperwork for each small purchase. Credit cards should eliminate the paperwork, and give us rebates for purchases made. But not so fast. Some agency rule writers are requiring 40 hours of training for card users and more documentation than before. One finance organization even started charging \$23 for each credit card transaction.

The **Army** made credit cards work. They accounted for 30 percent of the government purchases last year, and expect savings of more than \$25 million this year. Their aim is convenience. They said, “You wouldn’t use your personal credit card if it wasn’t more convenient than cash or check, and it’s no different with a government card.”



Here are five ways to tell if your department's using common sense procurement:

- ★ *Ask a few front line managers, “Do you have a government Visa card and is it easier, and cheaper to make a small purchase using it?”* If they say no, call the Army for help.
- ★ *Ask to see your internal procurement rules. Check the dates on a few. If they are pre ‘94, you’ve got a problem.* It means your department isn't even trying to take advantage of the changes we've made. One way to keep current is by using the Acquisition Reform web site — [www.arnet.gov](http://www.arnet.gov).
- ★ *Ask if you're routinely using Performance Based Service Contracting.* There is \$100 billion a year spent for contracted services. PBSC moves the government toward fixed prices instead of cost reimbursement contracts, and measures results instead of process. Pilot projects at Defense and Treasury are generating satisfied internal customers and savings of more than 15 percent.
- ★ *Ask if you're taking advantage of GSA's Federal Supply Service changes.* GSA has simplified FSS purchases, so you can pick a contractor, select goods and services that are “best value” instead of lowest price, use teams of contractors to meet your needs, have orders expedited, and negotiate for additional price reductions. Use the new GSA “DESKTOP” contract for office supplies. You'll

get guaranteed 24-hour delivery and prices 25 percent lower than retail.

- ★ *Ask if you're basing contractor selection on past performance.* By looking at past performance rather than just current price, agencies can get better quality. A Navy installation in Seattle reports that they've cut defect rates in shipments of ordnance from 30 percent to 5 percent in 18 months.

## 8

## Expand Competition To Save \$\$\$.

Competition spurs efficiency. Agencies that provide administrative and other commercial or industrial products or services to “captive customers” — be they other agencies or individuals or businesses — lack the stimulus of competition to sharpen their performance and control their costs. This Administration's efforts to expand competition, including its support of expanded “cross-servicing” where possible, encourages agencies to compete with one another and the private sector to provide common administrative support services. Expanded competition will bring new technologies, capital, management techniques, and opportunities to federal employees and their customers.

For example, **DOT**, through its innovative task order contracts, can provide other federal agencies with procurement services to buy computer software and technical services at lower overhead costs in half the time.

New roles for the private sector can cut costs, too. **VA** relies on “just-in-time” deliveries to buy medical supplies from private companies, eliminating its internal warehousing system and saving about \$100 million a year.

Privatization initiatives also underway at the **Alaska Power Administration**, the Interior Department’s **Helium Field Operations (Amarillo)**, the **Naval Petroleum Reserve (Elk Hills)**, and the **U.S. Enrichment Corporation**. **OPM** is converting its background investigation staff into an Employee Stock Ownership (ESOP) corporation, which saves money and permits those former government employees to expand services into state, local, and private markets.

Consolidations that are based on competition generate savings. **NASA** cut its computer costs by 30 percent in its first year of consolidation, and expects to save another 35 to 40 percent next year. **GSA** will close nine data centers, out-sourcing all of its data center requirements to the private sector. Take care, however, that in consolidation you don’t create monopolies that will undo the good you’ve done.

Agencies can reduce operating costs by using the following principles:

- ★ ***Use “franchise funds” to accelerate and expand competition.*** This allows you to buy from other agencies that have proven to be the best service providers. It encourages these providers and your internal providers to cut costs and meet performance standards.
- ★ ***Use “just-in-time” inventories.*** This eliminates warehousing systems, saving staff resources and warehouse space.
- ★ ***Spin off or privatize functions.*** This gets the private sector competing for a range of assets or activities that the government no longer needs to own or perform.
- ★ ***Consolidate and out-source.*** Consolidation eliminates duplicative administrative service centers and uses the most efficient centers. Outsourcing creates price and performance competition, and can be reversed if government organizations later show they can do it cheaper or better.

## Create Performance-Based Organizations.

Performance-Based Organizations (PBOs) are discrete management units that commit to clear objectives, specific measurable goals, customer service standards, and targets for improved performance. Once designated, they would have customized managerial flexibilities and a competitively hired chief executive, who would sign an annual performance agreement with the Secretary and have a share of his or her pay depend on the organization's performance. The British, who have extensive experience with this concept, find that such agencies improve performance and cut administrative costs.

In a PBO, the policy-making and regulatory functions are split from their program operations. The PBO focuses on programmatic operations. Not all government agencies are suited to become PBOs. Operations that do not have clear, measurable results should be excluded. For example, the foreign policy and planning offices in the State Department or basic scientific research offices at the National Institutes for Health may be inappropriate candidates.

## Prerequisites for Becoming a PBO Candidate:

- ★ *Have a clear mission, measurable services, and a performance measurement system in place or in development.*
- ★ *Generally focus on external, not internal, customers.*
- ★ *Have a clear line of accountability to an agency head who has policy accountability for the functions.*
- ★ *Have top level support to transfer a function into a PBO.*
- ★ *Have predictable sources of funding.*

**Phase I — Proposed PBOs in the President's FY 1998 Budget.** The NPR, OMB, OPM, and the Departments' conversion teams are working on legislative/administrative flexibilities for the potential PBOs listed below. These are but the first phase of a long-term project to develop other PBOs.

<b>Commerce</b>	Technical information dissemination (National Technical Information Service)
<b>Commerce</b>	Intellectual property rights (Patent and Trademark Office)
<b>Commerce</b>	Seafood inspection
<b>Defense</b>	Defense commissary services (Defense Commissary Agency)

<b>Transportation</b>	St. Lawrence Seaway Corporation (St. Lawrence Seaway Development Corporation)
<b>HUD</b>	Mortgage insurance services (Government National Mortgage Association)
<b>HUD</b>	Mortgage insurance services (Federal Housing Administration)
<b>OPM</b>	Retirement benefit services (Federal Retirement and Insurance Service)
<b>Treasury</b>	U.S. Mint