



United States
Department of Commerce

COST REDUCTION IMPLEMENTATION

Acquisition Conference

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Our Department, like other federal agencies, faces the daunting challenge of providing much needed services while simultaneously reducing costs

Scope of Cost Reduction effort

- Assessed \$1B+ contracted spend across all the Bureaus
- Developed a governance structure to ensure success
- Identified five initiatives that have launched with cross-Bureau teams
- Building awareness of the program to affect change and drive results
- Targeting \$20M in savings by end of FY12, with the opportunity for another ~\$90M in cost savings through additional initiatives

Cost Reduction benefits go beyond volume consolidation

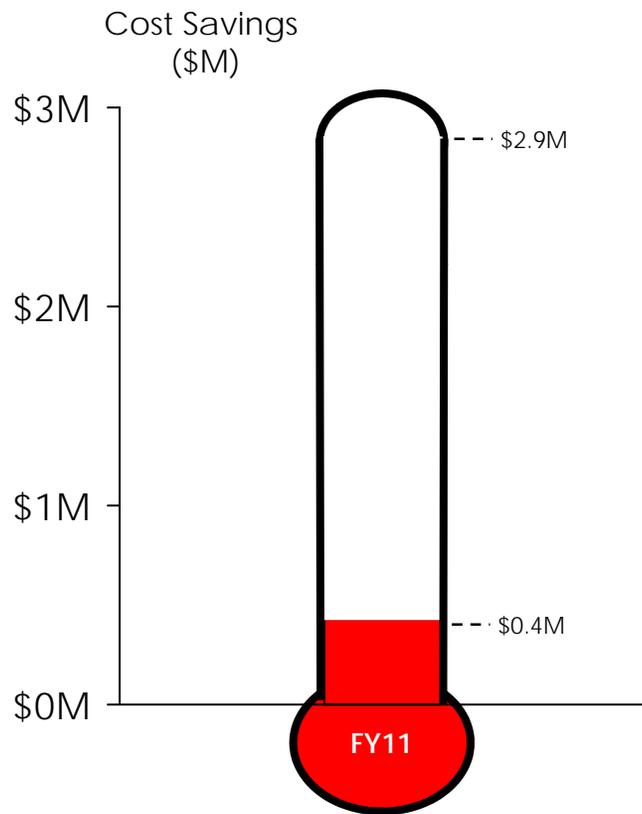
- Operational efficiencies
- Streamlined processes
- Internal waste reduction
- Improved purchasing capabilities
- Business intelligence
- Sustainable cost savings

The first five initiatives in Wave 1 have launched to meet program objectives and generate an estimated \$17M in annual savings

Initiative	Wave 1A	Wave 1B	Key Dates/Milestones
Cellular Services	<ul style="list-style-type: none"> Address zero-usage lines Optimize rate plans 	<ul style="list-style-type: none"> Determine best value contracting approach 	<ul style="list-style-type: none"> Zero-usage line reduction (end of May) Rate plan optimization (end of June) Contract optimization (end of September)
Office Supplies	<ul style="list-style-type: none"> Increase FSSI OS2 compliance 	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> Distribute updated policy (mid-May)
PCs & Accessories	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> Standardize configurations Create an enterprise-wide contract 	<ul style="list-style-type: none"> Standardize requirements (mid-June) New contract in place (end of September)
Print Management & Energy	<ul style="list-style-type: none"> Set printer defaults Reduce personal printers Use energy settings 	<ul style="list-style-type: none"> Determine best value contracting approach Consider Managed Print Services model 	<ul style="list-style-type: none"> New print management policy (end of May) New contract in place (end of September)
Small Package Delivery	<ul style="list-style-type: none"> Optimize FSSI DDS2 use Reduce surcharges Audit invoices 	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> Corrective action plans to reduce surcharges (end of April)
Timing	2-3 Months	6-8 Months	

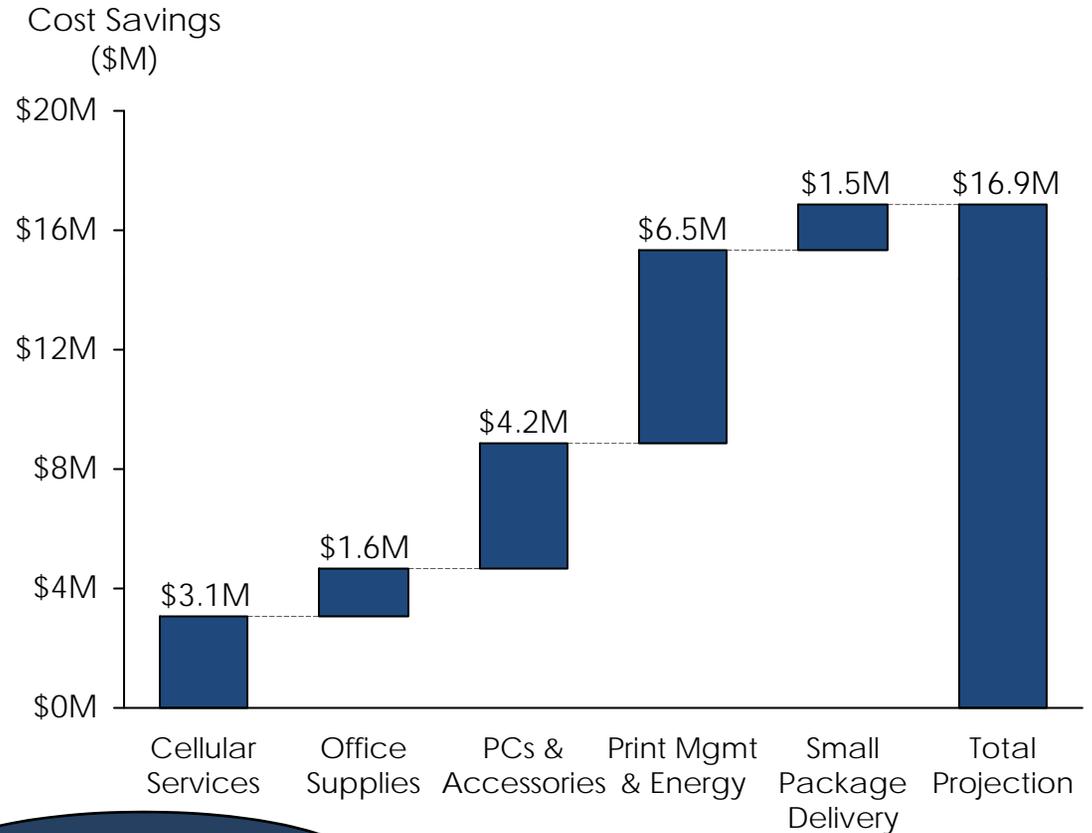
Launch of the five initiatives has validated assessment hypotheses, ensuring we're on track to achieve our cost saving targets

FY11 TARGET & REALIZED COST SAVINGS (\$M)¹



¹ Represents mid-point of cost savings range \$2.3-\$3.4M
 Note: Small Package Delivery savings realized to date are \$13.6M for FY08 to FY10 from using FSSI DDS1 and DDS2
 Sources: FY10 FPDS-NG, CSTARs, Momentum, CBS, BAPS, GPC data; Stakeholder Interviews; Censeo Analysis

FY12 TARGET COST SAVINGS (\$M)¹

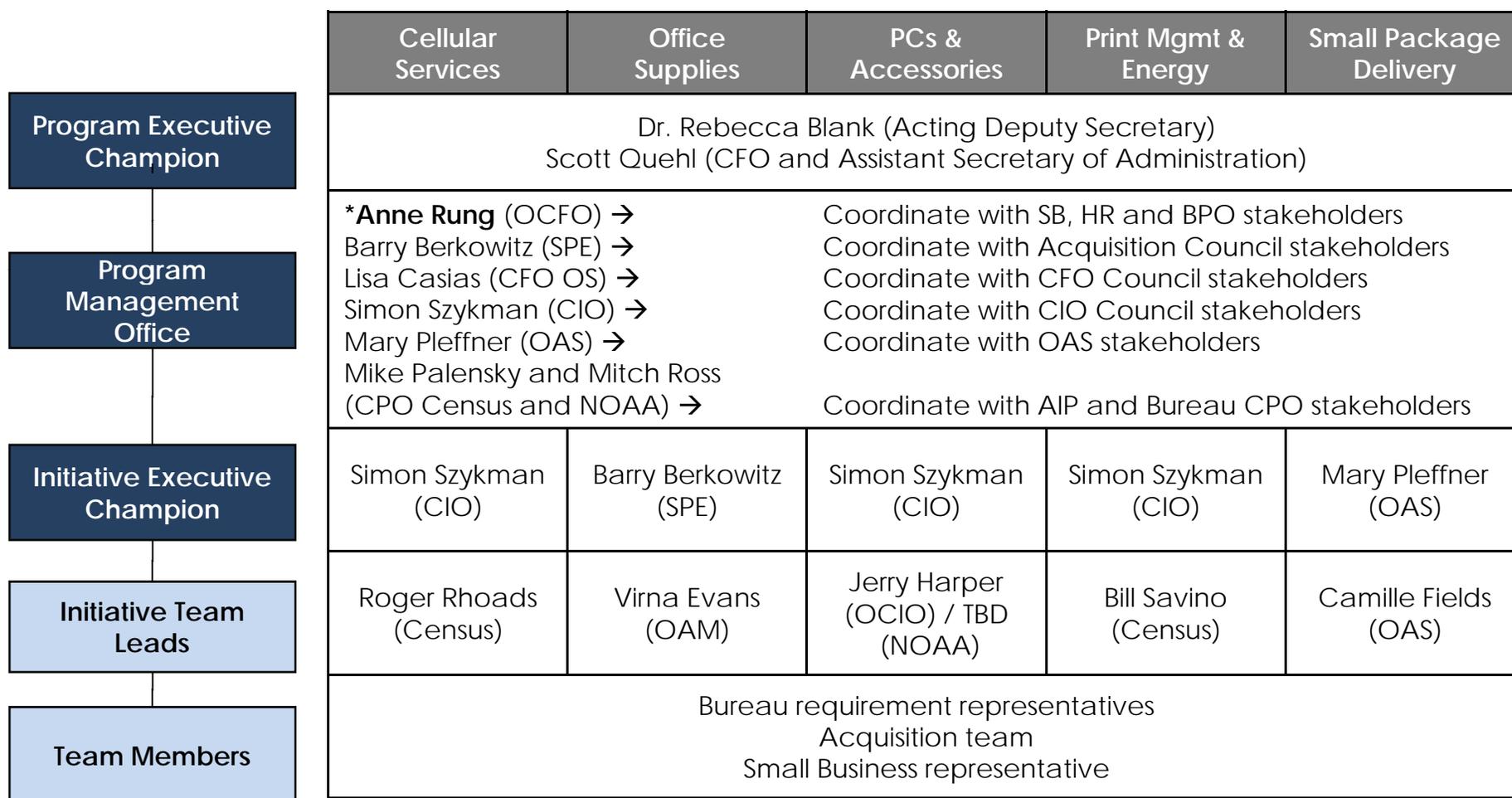


FY12 Cumulative Target \$19.8M

¹ Represents mid-point of cost savings range \$13.2-\$20.5M
 Sources: FY10 FPDS-NG, CSTARs, Momentum, CBS, BAPS, GPC data; Censeo Analysis

A governance structure has been developed to ensure success of the program and a process for escalating issues for resolution

PROGRAM GOVERNANCE STRUCTURE



As the program expands, appropriate staffing assignments will be made for each new initiative

* Program Manager

As an example, the Cellular Services initiative is a three-pronged strategy that is expected to generate \$2-4M in annual cost savings

CELLULAR SERVICES INITIATIVE OVERVIEW

Estimated Annual Savings

<p>1A</p> <p>ADDRESS ZERO USAGE LINES</p>	<ul style="list-style-type: none"> • Objective: Identify and validate the need for active lines with no data, voice or text usage over the past 3 months • Source of Savings: Reduction in monthly cellular expense from disconnecting lines with no usage 	<p>\$0.8M- \$0.9M</p>
<p>1A</p> <p>OPTIMIZE RATE PLANS</p>	<ul style="list-style-type: none"> • Objective: Identify appropriate number of minutes required for lines and accounts, identify the best way to purchase those minutes, and identify savings opportunities from changing rate plan selection • Source of Savings: Reduction in monthly cellular expense from better alignment of rate plan selection with actual usage for existing lines and accounts 	<p>\$0.5M- \$1.0M</p>
<p>1B</p> <p>OPTIMIZE CONTRACTS</p>	<ul style="list-style-type: none"> • Objective: Realize savings from moving to the best contract • Source of Savings: Potential cost reduction by migrating to a "best contract" and improving rate plan selection with additional rate plan options more attractive for low-volume users 	<p>\$1.0M- \$2.0M</p>

The first Cellular Services strategy is in the process of being rolled out with savings that can be achieved immediately this fiscal year

CELLULAR SERVICES – ADDRESSING ZERO USAGE LINES

Address cellular lines with zero voice, data and text usage in the last 3 months

# OF ZERO USAGE LINES IDENTIFIED*	POTENTIAL SAVINGS (SUSPEND)	POTENTIAL SAVINGS (DISCONNECT)
3,394	\$1.0M-\$1.1M	\$1.1M-\$1.3M

SCOPE

PHASE 1:
VALIDATE WITH
USERS

PHASE 2:
DISCONNECT/
SUSPEND LINES

Account Managers contacted to validate the need of zero usage lines

- Zero usage lines classified as Active, Suspend or Disconnect by managers
- Suspend reduces cost and can be reactivated within hours
- Justifications for Active and Suspend lines reviewed by leadership

Final changes with zero usage lines forwarded to vendors to execute changes

- Eliminates cellular services cost (~\$35/month) or reduces cost with suspended lines (reduction to \$0-10/month)
- If needed, new lines can be activated within 24 hours

* In process of being validated

Sources: Usage reports from November 2010 to January 2011 from AT&T, Sprint and Verizon; Censeo Analysis

The OS Cellular zero-usage pilot has provided immediate savings and validated our savings assumptions, suggesting another \$1M+ in potential savings

CURRENT STATUS

Total Zero Usage Lines	103
Lines Validated by Account Managers	100 ¹
Still Validating with Account Managers	1
Still Identifying Account Manager	2

¹ Contains 12 OIG lines that are still being validated, but can move to Suspend until need is determined

CURRENT RESULTS (validated lines)

Lines to be Disconnected or Suspended (% of validated lines)	78 ¹ (78%)
Lines to Remain Active (% of validated lines)	22 (22%)
Identified Monthly Savings	\$4,381
Identified Annual Savings	\$52,572

Note: savings baseline based on Nov 2010-Jan 2011 monthly cost



Another example is the Print Management & Energy initiative which reduces costs through efficient print practices for \$5-8M in annual cost savings

PRINT MANAGEMENT & ENERGY INITIATIVE OVERVIEW

*Estimated
Annual
Savings*

1A

IMPROVE PRINT PRACTICES

- **Objective:** Drive use of efficient printing practices through guidelines to drive cost-optimized document printing, including reduced use of personal printers and increased use of duplex, black & white, and draft, and use of energy efficiency settings
- **Source of Savings:** Increased efficiency in the TCO required for ongoing printing, including toner, paper, and energy

\$4.2M-
\$5.6M

1B

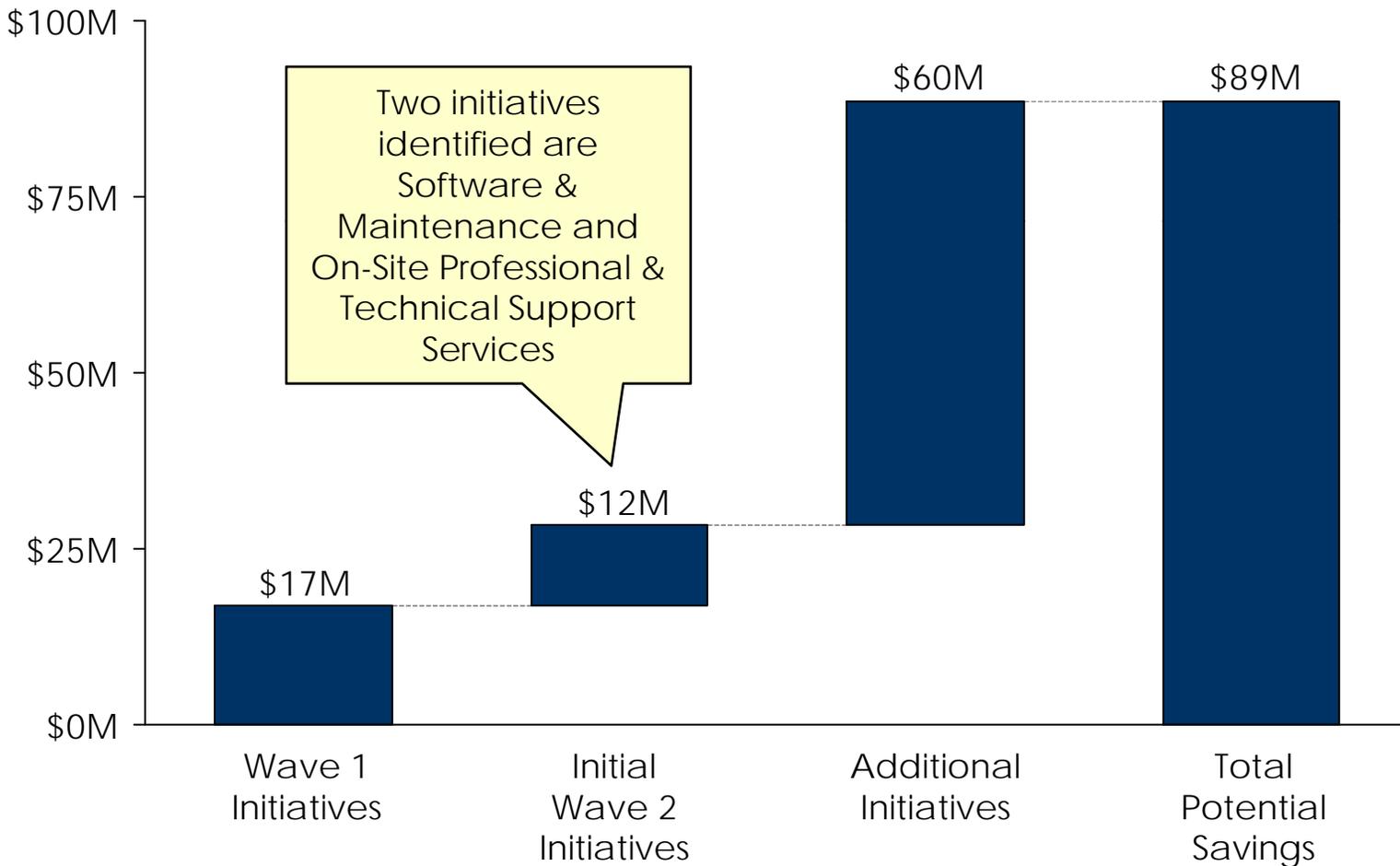
DETERMINE BEST VALUE CONTRACTING APPROACH

- **Objective:** Identify and evaluate contracting cost reduction opportunities associated with printers, including assessment of Managed Print Services Model
- **Source of Savings:** Identifying a "best contract" vehicle to leverage DoC volume, improving pricing and consistency of printer fleet

\$1.2M-
\$2.1M

We welcome your support to maintain the momentum of this program to help us achieve our \$57M acquisition cost savings target and manage budget cuts

PROJECTED POTENTIAL ANNUAL COST SAVINGS (\$M)¹



¹ Represents mid-point of cost savings range \$62-\$114M

Sources: FY10 FPDS-NG, CSTARS, Momentum, CBS, BAPS, GPC data; Stakeholder Interviews; Censeo Analysis