

AD-A244 664



②

NAVAL POSTGRADUATE SCHOOL Monterey, California



THESIS

DTIC
ELECTE
JAN 23 1992
S B D

GOVERNMENT CONTRACTING UNDER
THE JAVITS-WAGNER-O'DAY ACT

by

Michael F. Corning

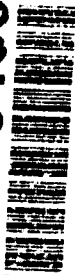
December, 1991

Thesis Advisor:

R.F. Matsushima

Approved for public release; distribution is unlimited.

92-01608



02 1 1 020

UNCLASSIFIED

SECURITY CLASSIFICATION OF THIS PAGE

REPORT DOCUMENTATION PAGE				Form Approved OMB No. 0704-0188	
1a REPORT SECURITY CLASSIFICATION UNCLASSIFIED		1b RESTRICTIVE MARKINGS			
2a SECURITY CLASSIFICATION AUTHORITY		3 DISTRIBUTION / AVAILABILITY OF REPORT Approved for public release; distribution is unlimited.			
2b DECLASSIFICATION / DOWNGRADING SCHEDULE		4. PERFORMING ORGANIZATION REPORT NUMBER(S)			
4. PERFORMING ORGANIZATION REPORT NUMBER(S)		5 MONITORING ORGANIZATION REPORT NUMBER(S)			
6a. NAME OF PERFORMING ORGANIZATION Naval Postgraduate School		6b OFFICE SYMBOL (If applicable) 36	7a. NAME OF MONITORING ORGANIZATION Naval Postgraduate School		
6c. ADDRESS (City, State, and ZIP Code) Monterey, CA 93940-5000		7b ADDRESS (City, State, and ZIP Code) Monterey, CA 93940-5000			
8a. NAME OF FUNDING / SPONSORING ORGANIZATION		8b OFFICE SYMBOL (If applicable)	9 PROCUREMENT INSTRUMENT IDENTIFICATION NUMBER		
8c. ADDRESS (City, State, and ZIP Code)		10 SOURCE OF FUNDING NUMBERS			
		PROGRAM ELEMENT NO	PROJECT NO	TASK NO	WORK UNIT ACCESSION NO
11. TITLE (Include Security Classification) GOVERNMENT CONTRACTING UNDER THE JAVITS-WAGNER-O'DAY ACT					
12. PERSONAL AUTHOR(S) Corning, Michael Francis					
13a TYPE OF REPORT Master's Thesis		13b TIME COVERED FROM _____ TO _____	14. DATE OF REPORT (Year, Month, Day) December, 1991		15 PAGE COUNT 147
16 SUPPLEMENTARY NOTATION The views expressed in this thesis are those of the author and do not reflect the official policy or position of the Department of Defense or the U.S. Government.					
17 COSATI CODES		18 SUBJECT TERMS (Continue on reverse if necessary and identify by block number)			
FIELD	GROUP	SUB-GROUP	Javits-Wagner-O'Day Act, Sheltered Workshops, Contracting, Acquisition, Blind Industries, NISH, NIB		
19 ABSTRACT (Continue on reverse if necessary and identify by block number)					
<p>With the passage of the Javits-Wagner-O'Day (JWOD) Act in June of 1971, the United States Congress directed Government agencies, including the Department of Defense, to procure designated commodities and services from nonprofit agencies sponsored by the National Industries for the Blind and NISH. This study provides the reader with an overview of the entire JWOD Program. It analyzes the Program's governing regulations, its intent, its oversight organizations, and the barriers and benefits to its effectual implementation. In addition, this study describes a successful example of innovative contracting by the Department of the Navy with a state-of-the-art nonprofit participant.</p>					
20 DISTRIBUTION / AVAILABILITY OF ABSTRACT <input checked="" type="checkbox"/> UNCLASSIFIED/UNLIMITED <input type="checkbox"/> SAME AS RPT <input type="checkbox"/> DTIC USERS			21 ABSTRACT SECURITY CLASSIFICATION UNCLASSIFIED		
22a NAME OF RESPONSIBLE INDIVIDUAL CDR Rodney F. Matsushima		22b TELEPHONE (Include Area Code) (408) 646-2052		22c OFFICE SYMBOL AS/My	

DD Form 1473, JUN 86

Previous editions are obsolete.

S/N 0102-LF-014-6603

SECURITY CLASSIFICATION OF THIS PAGE

UNCLASSIFIED

Approved for public release; distribution is unlimited.

Government Contracting Under
The Javits-Wagner-O'Day Act

by

Michael F. Corning
Lieutenant, Supply Corps, United States Navy
B.S., Syracuse University


Submitted in partial fulfillment
of the requirements for the degree of

MASTER OF SCIENCE IN MANAGEMENT

from the

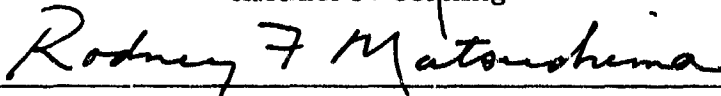
NAVAL POSTGRADUATE SCHOOL
December 1991

Author:

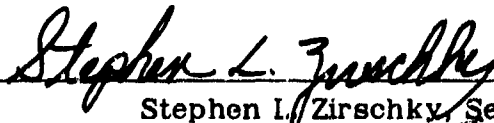


Michael F. Corning

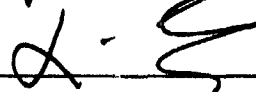
Approved by:



Rodney F. Matsushima, Thesis Advisor



Stephen L. Zirschky, Second Reader



David R. Whipple, Chairman
Department of Administrative Sciences

ABSTRACT

With the passage of the Javits-Wagner-O'Day (JWOD) Act in June of 1971, the United States Congress directed Government agencies, including the Department of Defense, to procure designated commodities and services from nonprofit agencies sponsored by the National Industries for the Blind and NISH. This study provides the reader with an overview of the entire JWOD Program. It analyzes the Program's governing regulations, its intent, its oversight organizations, and the barriers and benefits to its effectual implementation. In addition, this study describes a successful example of innovative contracting by the Department of the Navy with a state-of-the-art nonprofit participant.



Accession For	
NTIS GRA&I	<input checked="" type="checkbox"/>
DTIC TAB	<input type="checkbox"/>
Unannounced	<input type="checkbox"/>
Justification	
By _____	
Distribution/	
Availability Codes	
Dist	Avail and/or Special
A-1	

TABLE OF CONTENTS

I.	INTRODUCTION	1
A.	BACKGROUND	1
B.	RESEARCH OBJECTIVES	2
C.	SCOPE OF THE THESIS	3
D.	RESEARCH METHODOLOGY	4
E.	ORGANIZATION OF THE STUDY	6
F.	BENEFITS OF STUDY	7
II.	LAWS AND REGULATIONS	8
A.	INTRODUCTION	8
B.	THE ORIGIN AND INTENT OF THE JAVITS-WAGNER-O'DAY PROGRAM	9
C.	THE COMMITTEE	11
D.	THE PROCUREMENT LIST	14
1.	Additions to the Procurement List	15
a.	NIB/NISH and Nonprofit Workshop Responsibilities	16
(1)	Identify the Item	16
(2)	Conduct Preliminary Investigation	16
(3)	Request a Waiver (if applicable)	16
(4)	Assess the Impact of the Addition	17

(5)Inspect the Nonprofit Agency or Workshop	17
(6)Forward the Proposal for Review . . .	18
b. Committee Responsibilities	18
(1)Review the Proposal	18
(2)Request Government Inspection	19
(3)Announce the Proposed Addition . . .	19
(4)Complete the Investigation	19
(5)Make the Decision	20
(6)Announce the Decision	20
2. Exceptions to the Procurement List	20
E. ADMINISTRATIVE SUPPORT - THE FEDERAL ACQUISITION REGULATION	22
F. SUMMARY	23
 III. EVOLUTION OF THE WORKSHOP	 25
A. INTRODUCTION	25
B. INITIAL GOALS OF THE WORKSHOPS	26
C. DIVERSIFICATION OF COMMODITIES	27
D. TECHNOLOGICAL IMPROVEMENTS	29
E. FUTURE GOALS	35
1. Continue with Innovation	35
2. Mainstream Rehabilitated JWOD Employees . .	36
3. Increased Government Participation	38
F. SUMMARY	41

IV. BARRIERS TO GOVERNMENT CONTRACTING	43
A. INTRODUCTION	43
B. INSTITUTIONAL BIASES	44
C. PERFORMANCE AND RESPONSIBILITY	46
D. COMPLACENCY	48
E. FUNDING CONFIGURATIONS	49
F. PROFESSIONAL BIAS	52
G. GOVERNMENT PROCUREMENT PROCESS	53
1. Solicitations, Clauses, and Specifications	54
2. Workload Spikes	55
H. ECONOMIC BIAS	56
I. SUMMARY	56
V. CONTRACTING INNOVATION - A GOVERNMENT MODEL	58
A. INTRODUCTION	58
B. IDENTIFICATION OF THE REQUIREMENT	60
C. RESEARCH, DEVELOPMENT, TEST and EVALUATION	62
D. CONTRACT INNOVATION	65
E. CONTRACT AWARD	67
F. LEVEL ONE - SUBSAFE	69
G. SUMMARY	70
VI. SOCIOECONOMIC BENEFITS	72
A. INTRODUCTION	72
B. GOVERNMENT CONCERNS	73
1. PUBLIC LAW 101-511	75

2.	PUBLIC LAW 100-590	77
C.	THE IMPACT OF JWOD ON SMALL BUSINESSES	80
D.	JWOD KEY ECONOMIC INDICATORS	82
1.	EMPLOYMENT	82
2.	DIRECT LABOR HOURS	84
3.	DIRECT LABOR WAGES	86
4.	DIRECT LABOR AVERAGE HOURLY WAGE	88
5.	JOB'S CREATED FROM ADDITIONS TO THE PROCUREMENT LIST	89
6.	ESTIMATED VALUE OF ADDITIONS TO THE PROCUREMENT LIST	91
7.	SALES TO GOVERNMENT AGENCIES	92
8.	SALES BY YEAR	94
E.	SUMMARY	95
VII.	BENEFITS	98
A.	INTRODUCTION	98
B.	GOVERNMENT BENEFITS	99
1.	Quality	99
2.	Delivery	100
3.	Price and Procurement Administrative Lead Time	102
4.	Reduced Oversight	103
5.	TQM Partnerships and Just-In-Time Inventory	104
C.	NONPROFIT AGENCY BENEFITS	106
1.	Consistency of Work	107

2. Training Opportunities	108
3. Social Welfare and Self Sufficiency	109
D. SUMMARY	110
VIII. CONCLUSIONS AND RECOMMENDATIONS	112
A. INTRODUCTION	112
B. ANSWERS TO RESEARCH QUESTIONS	113
1. Primary Research Question. Does the Department of the Navy effectively contract with the qualified nonprofit agencies of the Javits-Wagner-O'Day (JWOD) Program, and is this relationship meeting the intent of the Javits-Wagner-O'Day Act {P.L. 92-28}? . . .	113
2. Subsidiary Research Question 1. What is the intent of the JWOD Act and what are the responsibilities of the President's Committee for Purchase from the Blind and Other Severely Handicapped?	115
3. Subsidiary Question 2. What commodity groups experience the most Government contract action and what groups experience little or no action?	116
4. Subsidiary Question 3. What are the principal barriers encountered when trying to expand the workshops' commodity base?	118

5. Subsidiary Question 4. What actions are required of the Federal Government in order to overcome the barriers and enhance workshop participation in Government contracting? .	120
6. Subsidiary Question 5. What impact does NIB/NISH have on the DoD industrial base and specifically on small business?	121
7. Subsidiary Question 6. What benefits could be attained from improved contract relations with NIB/NISH workshops?	122
C. ADDITIONAL CONCLUSIONS AND RECOMMENDATIONS . .	124
D. ADDITIONAL AREAS OF RESEARCH	128
LIST OF REFERENCES	130
INITIAL DISTRIBUTION LIST	135

I. INTRODUCTION

A. BACKGROUND

The purpose of this research is to examine the Department of the Navy's contracting efforts with qualified nonprofit agencies operating under the auspices of the National Industries for the Blind (NIB) or NISH (formerly called the National Industries for the Severely Handicapped). The Javits-Wagner-O'Day Act {P.L. 92-28} establishes the legal framework for this unique program, linking these nonprofit agencies in partnership with Federal procuring activities as their mandatory source of supply for designated commodities and services. Under the Program, delivery orders are awarded on a non-competitive basis to the participating agencies.

To qualify for participation under the Act, a nonprofit agency (hereinafter, also referred to as a qualified workshop, sheltered workshop, work center, or simply workshop) must be legally recognized under Federal or state statutes, and be operated for the benefit of individuals who are blind or otherwise severely disabled. To qualify as a nonprofit agency for the blind, the workshop must employ persons who are blind for not less than 75 percent of the direct labor man-hours it requires to manufacture its commodities, or provide its services. Likewise, a qualified work center for the severely

disabled must employ personnel with severe disabilities other than blindness at no less than the same minimum threshold, 75 percent of the direct labor hours. These conditions must be maintained in the production or provision of all their commodities and services and not just those items procured under the Program. [Ref. 48:sec. 51-1.2]

This research also examines the technological advances achieved by nonprofit agencies through the use of computer aided design, computer aided manufacture (CAD/CAM) systems. Additionally, it studies a unique and innovative business arrangement that serves as a model of contract efficiency and effectiveness for possible Navy-wide implementation. Finally, it addresses the socioeconomic impact and benefits realized from a stable buyer-seller relationship.

B. RESEARCH OBJECTIVES

The primary research question is:

Does the Department of the Navy effectively contract with the qualified nonprofit agencies of the Javits-Wagner-O'Day (JWOD) Program, and is this relationship meeting the intent of the Javits-Wagner-O'Day Act (P.L. 92-28)?

The following subsidiary questions were considered integral to the proper conduct of the research and are presented for the benefit of the Government contracting community.

- What is the intent of the JWOD Act and what are the responsibilities of the President's Committee for Purchase from the Blind and Other Severely Handicapped?

- What commodity groups experience the most Government contract action and what groups experience little or no action?
- What are the principal barriers encountered when trying to expand the workshops' commodity base?
- What actions are required of the Federal Government in order to overcome the barriers and enhance workshop participation in Government contracting?
- What impact does NIB/NISH have on the DoD industrial base and specifically on small business?
- What benefits could be attained from improved contract relations with NIB/NISH workshops?

C. SCOPE OF THE THESIS

This thesis is designed to give the reader a broad overview of the intent and benefits of the Javits-Wagner-O'Day Program. It is recognized that an undertaking of this size and scope does not easily lend itself to a detailed discussion of the topics covered herein. It is also recognized that many of the chapters presented could, in themselves, provide a legitimate thesis topic. However, it was determined that a general overview of the entire program would be more beneficial to the acquisition community at this time.

Accordingly, the areas include but are not limited to: the intent of the JWOD Act, a study as to whether the workshops are meeting the intent of the law, and the impact of NIB/NISH on the small business community. Additional research areas include the types of commodities currently manufactured in the workshops, the barriers to enlarging the commodity

base, the technological advances made possible through CAD/CAM systems, the future goals of NIB/NISH, and the benefits of contracting with a mandatory source.

D. RESEARCH METHODOLOGY

In order to properly study this topic, it was necessary to use three distinct research methods to collect data. The first method, the comprehensive examination of applicable literature, was specifically used to gather information concerning the governing statutes, the published goals and objectives, and the historical facts. As such, this information was used in Chapter II, to lay the foundation for the thesis question regarding the intent of the JWOD Act.

Additionally, a literary search was also used to obtain information about CAD/CAM equipment and procedures. This information will be discussed in Chapter III regarding the evolution of stereotyped blind workshops from "mop-makers" to state-of-the-art manufacturing plants.

The second method used to gather research information was to conduct interviews (personal or telephonic) with NIB/NISH executives and members of the President's Committee for Purchase from the Blind and Other Severely Handicapped. The intent of the interviews was to gain insight into the initial and current goals and objectives of the Javits-Wagner-O'Day Program. Predominately, the interviews centered on: (1) the identification of the barriers that must be overcome in order

to contract with the Federal Government, (2) a discussion of the strategies or processes used to overcome those barriers, and (3) the opinion of the person interviewed concerning the most effective approaches used to overcome the barriers within their organization. Finally, the executives were asked to share their ideas and projections for NIB/NISH future relations with the Department of Defense, specifically the Department of the Navy.

Similar interviews were held with Government Contracting Officers. The intent of the interviews and the focus of the information gathered was to identify those areas that deter or hinder the Government from actively seeking out, and aggressively pursuing "partnerships" with NIB/NISH workshops. Furthermore, the benefits of the Program were discussed including: controlled pricing, reduced procurement administrative lead time (PALT), partnership potential (a chance to realize W. Edwards Deming's TQM goals after all), and more responsive delivery schedules.

The third method used to gather data was an on-site visit to a NIB workshop, A.P. Mills Industries for the Blind in Memphis, Tennessee, that contracts with the Naval Supply Center, Charleston, South Carolina and the Mare Island Naval Shipyard in California. A. P. Mills was chosen to illustrate the innovation in contracting that is currently being recognized within the parameters of the Javits-Wagner-O'Day Act. It has overcome the barriers that previously existed for

workshops that wanted to provide high tech, high precision machined parts to the Navy. The key is the unique contract arrangement agreed to by the National Industries for the Blind and the Department of the Navy.

E. ORGANIZATION OF THE STUDY

The research is presented in such a way as to allow the reader an opportunity to gain an understanding of the Javits-Wagner-O'Day Program, its evolution to the present day, and its impact on Government contracting and the small business community. In so doing, the research is organized into the seven additional chapters described below:

- Chapter II: Laws and Regulations - Establishment of the legal framework, discussion of the law's intent, discussion of the law's affect on pricing, establishment of the President's Committee for Purchase from the Blind and Other Severely Handicapped, discussion of the *Federal Register* and the mandatory Procurement List
- Chapter III: Evolution of the Workshops - Initial goals of the National Industries for the Blind and NISH, initial commodities, technological improvements (CAD/CAM), current goals and commodities, and future goals
- Chapter IV: Barriers to Government Contracting - Overcoming the stereotype of a mop-maker, enlarging the commodity base, and Government risk
- Chapter V: Contracting Innovation, A Government Model Discussion of the unique contracting efforts between Naval Supply Center, Charleston SC and A.P. Mills Industries for the Blind, Memphis TN

- Chapter VI: Socioeconomic Impact - JWOD's impact on the industrial base, specifically the small business community, and the impact on the blind and other severely disabled community
- Chapter VII: Benefits - Government partnerships, quality, improved delivery schedules, reduced PALT, reduced oversight, improved standards of living for blind and disabled persons, and increased federal tax revenues
- Chapter VIII: Conclusions and Recommendations - Summary, answers to research questions, conclusions, recommendations, and additional areas of research

F. BENEFITS OF STUDY

The intent of this research is to provide the Department of the Navy and specifically, the Naval Supply Systems Command and Navy Hardware Commands, with a concise report on the benefits that can be obtained from furthering our contracting efforts with the NIB/NISH industry. With the austerity of future defense budgets in mind, and with an eye towards improved, innovative contracting, the potentials for beneficial partnerships are limitless. The goal is to break through the stereotyped image of persons with disabilities and to focus on their productivity using state-of-the-art technology. To date they are a national resource that is grossly under utilized.

II. LAWS AND REGULATIONS

A. INTRODUCTION

This chapter discusses the establishment of the legal framework governing the administration of the Javits-Wagner-O'Day (JWOD) Program. The research will initially focus on the law's origin and its intent. The chapter will then progress into a discussion on the establishment of the President's Committee for Purchase from the Blind and Other Severely Handicapped, its public standing, and its responsibilities.

Additionally, the chapter will address the law's impact on the pricing of commodities and services offered by nonprofit agencies employing people from the blind and other severely disabled communities. This effort will require a discussion of the procedures for establishing a fair and reasonable price, the role of the Federal Register, and the importance of the mandatory Procurement List.

The research will conclude with a summary that reviews the Program's intent and the fundamental procedures for establishing a commodity or service on the Program's Procurement List. It is the researcher's intention to provide insight into the strategic aspects of the Javits-Wagner-O'Day Program and in so doing, stimulate Contracting Officers to

consider expanding the role of the Program within their contracting shops.

B. THE ORIGIN AND INTENT OF THE JAVITS-WAGNER-O'DAY PROGRAM

Contracting with nonprofit agencies is, and has been, a special interest item of the Federal Government for many years. As such, the United States Congress frequently implements policy to define, establish, and regulate federal programs with these agencies. The legislative framework that defines the relationship between the Government and certain nonprofit agencies guided by the National Industries for the Blind, or NISH, is embodied in the provisions of the Javits-Wagner-O'Day Act of 1971.

The Javits-Wagner-O'Day Act was initially enacted in 1938 as the Wagner-O'Day Act. The legislative action was passed as a direct result of intensive lobbying efforts by the American Foundation for the Blind, the Industrial Home for the Blind, and the American Association of Workers for the Blind. Dr. Robert Irwin, the Executive Director of the American Foundation for the Blind and Peter Salmon, Assistant Director of the Industrial Home for the Blind spearheaded the movement and were instrumental in its eventual success. Together, they shared the common vision that persons who are blind can possess the professional attributes necessary to become contributing members of society. They took the fight to Washington, DC where they proclaimed that workshops for the

blind could become economically viable businesses if they were given access to the Government's business. Their cause was aided by the fact that both men were highly regarded professionals, both men were blind, and both men championed a plan that would make a non-productive segment of society, self-sufficient. [Ref. 24:p. 6]

In 1938, the Congress reacted to their efforts by passing the uniquely structured Wagner-O'Day Act. The law was more renown for what it did not do than for what it did do. For example, it did not create a set-aside program guaranteeing Government contracts to blind industries, nor did it secure federal monies to be distributed in the form of welfare-type grants. The Act merely afforded qualifying nonprofit agencies for the blind an opportunity to sell to the Government.

Therefore, the Wagner-O'Day Act invited the industries for the blind to compete with other known sources of supply. If they could manufacture a quality product, at a competitive price, within the constraints of the delivery schedule, the Government would agree to purchase their products. Contrasted with the socioeconomic programs established during the past two decades, the provisions of the Wagner-O'Day Act are harsh. However, it was not the intention of the Government in 1938 to create a charity program under the guise of an industrial contractor. If the quality was not at the level specified in the contract, or if the product was not delivered on time, the Government was under no obligation to accept the product.

Furthermore, if the prices offered by the workshops were not competitive with commercial sources, the Government was not required to award them the contract. [Ref. 24:p. 6]

In June of 1971, the Wagner-O'Day Act was amended to extend its provision for Government procurement from agencies employing the blind, to include the purchase of goods and services produced by qualifying agencies employing individuals with other severe disabilities. The Act, Javits-Wagner-O'Day (Public Law 92-28) called for the establishment of a committee to be known as the Committee for Purchase from the Blind and Other Severely Handicapped.

C. THE COMMITTEE

The Committee is comprised of fifteen members: eleven Government employees and four non-Government employees. All fifteen Committee persons are presidentially appointed. The eleven Government positions are required to be filled by an officer or employee representing each of the following Federal procuring agencies: the Department of Agriculture, the Department of Defense, the Department of the Army, the Department of the Navy, the Department of the Air Force, the Department of Health, Education, and Welfare, the Department of Commerce, the Veterans' Administration, the Department of Justice, the Department of Labor, and the General Services Administration.

In addition to the Government representatives, the Committee's membership includes four private citizens: one member to provide insight into the inherent challenges and difficulties of employing the blind; one member conversant with the inherent challenges and difficulties of employing individuals with other severe disabilities; one member to represent the special interests of employees who are blind, and the final committee member to represent the special interests of employees with other severe disabilities.

[Ref. 50:sec. 1]

The primary objective of the Committee is to maintain program oversight and evaluate program effectiveness to further the objectives of the Javits-Wagner-O'Day Act. To accomplish this task, the Committee has drafted additional policies and procedures to ensure that individual workshops comply with the intent of the Act. In addition, the Committee monitors the procuring activities of federal agencies to ensure that, when applicable, they are purchasing their products and services "off the list".

The Committee is also designed to provide assistance to Government entities as well as JWOD's nonprofit agencies. Federal agencies benefit from the Committee's surveillance of the goods and services they buy. The Committee determines which items could be supplied by the Program's nonprofit agencies and makes recommendations to the Government to help them expand their JWOD procurement actions. The JWOD industry

benefits from a wide range of assistance provided by the Committee. This assistance spans from in-depth technical support, including scientific studies to fair market pricing support.

In addition, the Committee must ensure that Government orders for commodities and services are equitably distributed among the qualifying workshops. It is highly plausible that several of these independently operated workshops manufacture the same commodities. Likewise, several geographically separated work centers may provide similar services. The dilemma faced by the Committee then, is how to allocate the Government's business in a fair and reasonable manner.

The Act, itself, provides a solution. It requires the Committee to designate a central nonprofit agency to coordinate contract distribution among the various workshops. Therefore, in response to this requirement, the Committee chose the National Industries for the Blind (NIB) to represent nonprofit agencies employing the blind and the National Industries for the Severely Handicapped (NISH) to represent qualifying agencies employing individuals with other severe disabilities.

Finally, the Act requires the Committee to establish and publish an annual procurement list which indicates which goods and services are provided to the Federal Government by the various qualified workshops. These items are mandatory for purchase by the Federal Government. Inherent to the proper

maintenance of the list, the Committee is given authority to add to or delete from the list, goods or services as required.

D. THE PROCUREMENT LIST

The list identifies each commodity by nomenclature and assigns it a national stock number or other item designation number. It also provides the reader with a brief item description, specifies the item's drawing number or specification, and when necessary, indicates the limitations on the commodity's procurement. For services, the list identifies the type of service, and the Government activity designated to procure the service or the geographical area to be serviced.

All national stock numbered (NSN) commodities identified in the Procurement List are covered by the Javits-Wagner-O'Day Act's "mandatory buy" provisions. In some cases, however, the JWOD industry does not have the capacity to fulfill all of the Government's demands. In other cases, the Government may limit the supply of JWOD-produced goods and services in order to preclude adverse impacts to other socioeconomic programs. These items, then, are identified by the insertion of the word "Note:" within the item description block, followed by the restriction. For example, a universal safety test lead set, NSN 6625-01-121-0510, notes that only "50% of the Government's requirements" shall be supplied by the JWOD industry. Other restrictions may limit the procurement to specific Government

activities (e.g., wiping cloth, 6532-LL-N83-0490, Norfolk Naval Shipyard only) or procurement zones (e.g., wood desk, 7110-01-148-2410, Zones 2 and 3 only). For such designated items, the mandatory provision of the Act applies only to the portion of the commodity indicated in the restriction.

For service-type items, the mandatory provisions apply only to the Government activity, or the geographical area, published in the list. For example, the service, machining parts, identifies the Department of Navy, and more specifically, Mare Island Naval Shipyard, Vallejo, California, and Naval Supply Center, Charleston, South Carolina, as the only two Government activities authorized to procure the service from the National Industries for the Blind. If however, the list neither identifies a Government activity nor publishes a geographical area to be served, the mandatory buy provisions established by the Javits-Wagner-O'Day Act are considered to include the total requirements of the Government for that particular service. [Ref. 12:p. 72]

1. Additions to the Procurement List

The process of adding a commodity or service to the Procurement list is straightforward, yet time consuming. Depending on the complexity of the item and the determination of a fair and reasonable price, the process can take up to 12 months for services and 24 months for commodities. There are 12 steps necessary to add a line item to the list. The steps

described below equally divide the responsibilities between the central nonprofit agencies (NIB/NISH) and their respective nonprofit workshops, and the Committee for Purchase from the Blind and Other Severely Handicapped. [Ref. 12:p. 1]

a. *NIB/NISH and Nonprofit Workshop Responsibilities*

(1) *Identify the Item*

The central nonprofit agency (CNA) or a qualified agency of the JWOD industrial base is responsible for reviewing Government requirements and identifying goods or services for possible inclusion on the list. Additionally, a Federal procuring activity may recommend an item to the CNA for future supply under the JWOD Program.

(2) *Conduct Preliminary Investigation*

The CNA must review a copy of the Government's solicitation and all applicable specifications and drawings to determine the potential for supply under the JWOD Program. If the results of the review are favorable, the CNA must work with the appropriate nonprofit agency to determine its capacity to supply the item.

(3) *Request a Waiver (if applicable)*

The Federal Prison Industries, Inc. (FPI) is granted priority, under the provisions of section 4124 of title 18, United States Code, over JWOD agencies in the manufacture and subsequent sale of commodities to the

Government. Therefore, NIB or NISH must request and receive a waiver clearance from FPI before continuing the addition process. Likewise, NIB-sponsored agencies have priority over NISH-sponsored agencies in the production and sale of commodities. Consequently, NISH is required to obtain a waiver from NIB before it can seriously consider an item for future provision. It is noteworthy that should NIB exercise its priority rights, it must complete the necessary steps to add the commodity to the Procurement List within nine months of its assignment by the Committee. If NIB fails in this regard, and no excuse is offered for the delay, the Committee must reassign the item to NISH. [Ref. 48:sec. 51-2]

(4) Assess the Impact of the Addition

The CNA must also determine the impact of the proposed addition on the current or most recent supplier. Data concerning the addition's repercussions on the current supplier's sales base, and the supplier's dependency on the commodity or service for financial stability, must accompany the request for consideration to the Committee. Furthermore, the CNA must weigh the impact of the item's addition on any other Government program and forward its findings on to the Committee for review.

(5) Inspect the Nonprofit Agency or Workshop

The CNA must then inspect the proposed workshop to ensure that it has the ability to perform

satisfactorily. To determine it as a responsible source, the CNA shall review the agency's financial and technical capacity, its personnel qualifications, and its overall ability to supply the Government's needs within a reasonable time period. This may also include a review of the agency's quality control or inspection systems to ensure compliance with rigid Government specifications such as MIL-Q-9858A or MIL-I-45208A.

(6) Forward the Proposal for Review

The CNA's final step in the process is to prepare a reasonable price estimate and forward the proposal and supporting documentation to the Committee for review. In most cases, the CNA must review all applicable data pertaining to the commodity or service and with additional assistance from the procuring agencies, recommend a fair market price to the Committee.

b. Committee Responsibilities

(1) Review the Proposal

The Committee staff members review the package received from the CNA and evaluate the impact of the proposed addition and its proposed price. If the item is a service, the cost and pricing information is forwarded to the proposed contracting activity for review and comment.

(2) *Request Government Inspection*

The staff proceed to request the appropriate Government procuring activity to inspect the nonprofit agency in order to determine its ability to provide the goods or service. In many cases the procuring activity will delegate this responsibility to the cognizant contract administration office. The results of the inspection are forwarded to the Committee staff for evaluation against the information provided by the CNA.

(3) *Announce the Proposed Addition*

Once the staff is satisfied that the proposed addition is suitable for provision by a JWOD agency, it must announce the Government's intention in the *Federal Register* for public review and comment. The announcement must be publicized at least 30 days prior to the Committee's review of the item for addition to the Procurement List. This provision allows any commercial interest which may have cause to object, the opportunity to present its case to the Committee before the proposed action is ratified.

(4) *Complete the Investigation*

The staff complete their investigation of the proposal by reviewing all substantive comments received as a result of the announcement in the *Federal Register*. The entire package, including a recommendation for approval or

disapproval, is then forwarded to the Committee members for consideration.

(5) Make the Decision

The Committee then reviews the package, considers the recommendation and either approves or disapproves the proposed addition. If the addition is disapproved, the process is terminated. If the Committee approves the addition, one final step must be accomplished.

(6) Announce the Decision

The approved addition to the Procurement List must be announced in the *Federal Register*. The addition becomes effective 30 days after the announcement, and the designated nonprofit agency may then begin providing the item to the applicable Government activities. As a final note, an interested party may request reconsideration of a Committee decision by submitting, in writing, all facts that would justify the Committee's modifying or reversing its previous decision. [Ref. 48:sec. 51-2.7]

2. Exceptions to the Procurement List

Purchase exceptions may be granted by the governing central nonprofit agency. These waivers provide Government procuring activities with the ability to purchase a commodity or service directly from a commercial source. However, two conditions must be met before an exception can be granted: (1) the central nonprofit agency cannot provide the quantity

required to satisfy the Government's order within the required time frames, and (2) the commodity or service is available in sufficient quantities in the commercial marketplace to fulfill the Government's requirements. Additionally, it must be deliverable at an earlier time than it could become available from the participating JWOD workshop. [Ref. 48:sec. 5-2]

The governing central nonprofit agency also reserves the right to grant an exception when the quantity ordered by the Government is below the economical production quantity of a workshop. Hence, when either the item cannot be provided in a timely manner, or the quantities ordered are economically impractical, NIB or NISH must grant an exception in a timely manner. These requirements were established in order to prevent unreasonable delays in the purchasing activity's procurement process.

Additional guidance is implemented through the directives promulgated in Chapter 51 of the Code of Federal Regulations (CFR). Specifically, the CFR establishes controls on Government purchasing activities in order to preclude their abuse of the exception system. It requires all commercial orders to be placed within 15 days of the date the exception is granted. A copy of the contract or purchase order confirming the commercial buy must be provided to the central nonprofit agency granting the exception.

**E. ADMINISTRATIVE SUPPORT - THE FEDERAL ACQUISITION
REGULATION**

Reinforcing the requirements of Public Law 92-28, the Office of Federal Procurement Policy identified the purchase of commodities and services from qualified nonprofit agencies participating in the JWOD Program as one of the seven authorized exceptions to full and open competition. The Federal Acquisition Regulation (FAR) lists the Program as the fifth exception and states:

Full and open competition need not be provided for when a statute expressly authorizes or requires that the acquisition be made through another agency or from a specified source. [Ref. 49:para. 6.302-5]

This provision is noteworthy. Furthermore, the FAR generally requires contracts awarded on a non-competitive basis to be supported by a written justification and approval. This requirement would impose an administrative burden on the Contracting Officer each time he/she desired to use the Procurement List. The result, unquestionably, would create a very negative incentive to the effective functioning of the JWOD Program.

Therefore, in order to eliminate the unwanted and unintended burden this would cause when contracting under the JWOD umbrella, the FAR has exempted the "J&A" requirement specifically for qualified nonprofit agencies for the blind and other severely disabled.

F. SUMMARY

The Javits-Wagner-O'Day Act (Public Law 92-28) was originally enacted as the Wagner-O'Day Act in 1938 to provide an opportunity for blind workshops to compete for Government contracts. Since that time, the intent of the law has been expanded to include all qualifying nonprofit agencies employing people who are blind or have other severe disabilities.

The Committee for Purchase from the Blind and Other Severely Handicapped is designated as the controlling body to ensure that both the JWOD industry and the Government comply with the requirements and intent of the Program. It is responsible for determining which commodities and services are appropriate for provision under the Program and for publishing the annual Procurement List. The Committee is also tasked with determining the fairness of the price associated with each item. In most cases, the Committee relies on the two central nonprofit agencies, the National Industries for the Blind and NISH, to review the applicable data pertaining to a commodity or service and to recommend a fair market price to the Committee.

Prior to its addition to the Procurement List, an item is published in the *Federal Register* along with a notice of the Government's intention to make it a mandatory source item under the Javits-Wagner-O'day Act. This announcement allows the general public an opportunity to comment on the addition's

impact, if any, to private industry. All legitimate concerns are considered by the Committee during the approval process and, if it is determined that the addition will severely impact the current or former supplier, the proposal has historically been disapproved.

The intent of the Program is, therefore, to promote the welfare of individuals with disabilities through a mutually beneficial business relationship between the Government and the nonprofit agencies operating under the auspices of NIB and NISH. This vision is gradually being achieved, but it continues to require the aggressive oversight of the Committee and the cooperation of the participating workshops and Government procurement activities to ensure that small business concerns are not severely impacted.

The next chapter will discuss the evolution of the Program from its inception in 1938 to the present. The primary areas of focus will include the development and implementation of computer aided design, computer aided manufacture (CAD/CAM) systems, the diversification of products and services, and the discussion of Program goals for the 1990's.

III. EVOLUTION OF THE WORKSHOP

A. INTRODUCTION

This chapter highlights the development and expansion of JWOD's participating agencies from the Program's beginnings in 1938 to the present day. As previously mentioned in Chapter II, the law was originally established for the benefit of nonprofit agencies supporting individuals who were blind. It was not until three decades later that the statutes were amended to include nonprofit agencies supporting individuals with other severe disabilities. By that time, there had been a tremendous growth in the number of commodities supplied to the Government by the Program's participants. Accordingly, the research will illustrate this growth and identify representative samples of the commodities and services provided by the nonprofit agencies at selected periods throughout the history of the Program.

At the same time the Program was diversifying its commodity base and expanding its services, commercial industry was researching into the potential for growth through the applied use of computer technology in production assembly lines. Therefore, the research will also discuss the potential of computer aided design, computer aided manufacture systems for use in production of selected JWOD commodities.

Finally, the chapter will conclude with a look towards the future and a discussion of planned goals and objectives for the 1990's and beyond.

B. INITIAL GOALS OF THE WORKSHOPS

With the signing of the Wagner-O'Day Act in 1938, various independently managed workshops were granted the right to contract with the Government, provided they could fulfill the Government's requirements within a reasonable amount of time. It did not take very long for these same workshops to realize the importance of coordinating their efforts in order to successfully implement and expand the Program. Subsequently, the workshops joined with another organization, the American Foundation for the Blind, in an effort to establish a separate structure to promote the welfare of individuals who were blind and enhance the stability of the individual workshops. Their efforts culminated in the establishment of the central nonprofit agency known as the National Industries for the Blind (NIB). [Ref. 24:p. 8]

From its inception, NIB has been dependent on the workshops it serves for financing a large portion of its operating costs. The same holds true for the central nonprofit agency, NISH, which supports agencies employing the severely disabled. The funding comes in the form of a fee, imposed on the individual participating firms. Lest this fee system seem like an undue burden on the Program, it should be

noted that the monies are used by the central nonprofit agencies to finance efforts to cultivate potential additions to the Procurement List. The items would then be available for future provision by these same workshops.

It is also noteworthy that the amount of the fee to be charged by NIB or NISH is regulated, by statute, by the Committee for Purchase from the Blind and Other Severely Handicapped. Thus, the system is designed to protect the workshops from unreasonably high fees charged by their respective central nonprofit organization.

[Ref. 24:sec. 51-3.5]

C. DIVERSIFICATION OF COMMODITIES

In 1938, the Program's initial year, only two commodities were offered to the Government: mops and brooms. Contracts worth nearly \$220,000 were awarded by the Government to 36 existing workshops. This modest beginning consequentially translated into a fierce determination to succeed for all the Program's major players. Throughout the year, the Committee and NIB worked with individual workshops to expand the Program. Their success in early contract arrangements added momentum to their cause and stimulated increased interest by a growing number of Federal agencies. As shown in Figure 3.1, their attempts to diversify have culminated with considerable success during the past two decades. [Ref. 24:pp. 8-11]

Attesting to its customer oriented service and its provision of quality supplies, the Program added over 400 line items, at a value of \$61 million, to the Procurement List in fiscal year 1990 alone. Total Program sales reached \$380 million. This accomplishment stands in sharp contrast to the modest beginnings a half century ago and is attributable to the professional dedication of the Committee, NIB, and NISH. [Ref. 12:pp. 10-13]

D. TECHNOLOGICAL IMPROVEMENTS

To many people, and unfortunately many Government contracting officers, the term "JWOD products" only brings to mind thoughts of mops, brooms, and office supplies. Perhaps it is a reflection of the Program's unpretentious start as mop and broom makers. This is not to downgrade the importance of janitorial products and office supplies, but rather serves to emphasize a problem of stereotyping that can restrict innovation.

Since 1938, the Program's qualified agencies have continued to recognize unlimited growth potential with the Government as their customer. They have broadened their production efforts into Department of Defense unique items such as nylon gun slings, parachute bags, and Navy signal flags. Additionally, commercial standard items have been developed, including automobile seat belts, surgical operating caps, and ballpoint pens.

SKILCRAFT, the registered trade name of the National Industries for the Blind, can be found stenciled on office supplies in virtually any Government office. Retractable ballpoint pens, mechanical pencils, and felt tip pens and markers are used by military and civilian personnel with the same consistent results: high customer satisfaction. Added to these items are a wide range of high quality office supplies produced by NISH sponsored industries, including binders, paper clips, calendar pads, and pocket planners.

By 1970, the industrial world recognized a new impetus to automate manual systems, thus increasing quality and reducing operating costs. Various NIB/NISH workshops faced with the alternatives, automation or extinction, chose automation. They acknowledged that in order to stay competitive with commercial industry, they would have to leave behind their simple press and punch machines and enter into the sophisticated realm of automated manufacturing.

The new automation systems rely on computers, ranging in size from mainframes to micro processors, to help design and modify an expanding range of products. This technology makes it easier for JWOD's nonprofit agencies to remain responsive to the changing demands of their customers. The new systems also rely on computer-controlled machines to manufacture a larger variety of parts without long, expensive set up processes. These computerized systems emphasize flexibility, efficiency and quality.

The availability of powerful microcomputers and associated graphics software has generated an unprecedented commitment to the use of Computer Aided Design (CAD) technology. The main purpose of CAD is to produce a definition of the part or system in geometric terms and store that information in a database. This process subsequently allows the designer to analyze and test the part, through mathematical models, without incurring the costs formerly associated with design tests that would have consumed or destroyed the part.

[Ref. 17:p. 14]

Once the design data have been entered into the computer, engineering or production personnel can project a three dimensional representation of the part onto their display monitor. The designer can then rotate the model on its axis and thus, view the part from an unlimited number of angles. If necessary, the part can be sliced through any axis thus giving the designer a view of the part's interior that was previously unavailable with manual drafting methods. Sub-assemblies can be exploded into component parts with a mere keystroke thus saving countless hours of drafting time.

[Ref. 25:p. 90]

With computer aided design capabilities, JWOD's industrial agencies have the ability to examine a part for defects prior to the initial production run. This advantage allows the designer to refine the configuration as necessary without incurring the cost of scrapped defective parts. The dollars

saved using this technique directly reduces a workshop's research and development costs, and thereby, improves the competitive position of that workshop. In today's tight market, each competitive advantage realized by a firm can potentially translate into a contract award.

Under current CAD technology, a design engineer can use a light stylus or a pen icon and modify the configuration directly on the workstation's monitor. A mouse can also be used to trace blueprints and transfer the drawings from paper to a computer's database. An additional benefit of the computer aided design system is the ease with which changes can be made to the original drawing. Interfacing through a stylus, mouse, or keyboard, the engineer can experiment with design changes and observe the results on a part's mechanical and operational characteristics. State-of-the-art CAD systems identify the parameter changes and automatically redesign the part. Obviously, workshop drafting hours can be dramatically reduced during the redesign phases through the use of a CAD system. [Ref. 17:p. 15]

If the revised drawing is not satisfactory, the designer can exit the program without saving the changes, thus leaving the original drawing intact. However, once an approved revision is attained, it can be stored in the database for future reference or experimentation.

A natural outgrowth of the CAD system is the Computer Aided Manufacture (CAM) process. CAM encompasses a wide

spectrum of machining systems including computer numerically controlled (CNC) machines and robotics.

The information specifying the geometry of a part is needed to determine how a cutting machine, such as a lathe, must be operated to shape the part. Traditionally, the machinist set up his machine according to drawings supplied by the designer; when numerically controlled machine tools were introduced, the programmer, who prepared the sequence of instructions still obtained geometric information from drawings. Designers and programmers soon recognized however, that the programmer would get the part geometry directly from the data base after it was entered into a computer by the designer, and engineering drawings could be eliminated. Indeed, in many circumstances, the programming of machine tool operation is so routine that little human intervention is necessary once the part geometry is known. [Ref. 20:p. 117]

The emergence of CAD/CAM processes in the JWOD industry, enables individuals who are blind or have other severe disabilities to manufacture job shop products that until recently were beyond their capability. However, the development of these systems is not without its challenges to the Program's production engineering specialists. Their goal is to create highly efficient production lines, and at the same time, maximize the number of jobs that can be created for the Program's participants.

Consequently, many workshops have determined that the optimal mix of human resources and capital is encompassed in the computer numerically controlled (CNC) system. Digitized information stored in the computer's database directs the movement of the equipment and controls where and what size hole to drill, where to cut, and how many revolutions to make on a lathe to achieve the desired depth of cut. Once

programmed, the only manual labor involved in operating the machine entails moving the raw bar stock to the machine, loading it on the machine, and unloading it when the machining process is completed. This is a very repetitive task, which when learned, can be efficiently performed by the workshops' blind or severely disabled employees. [Ref. 25:p. 440]

In summary, the use of a CAD/CAM system provides a nonprofit agency for the blind or severely disabled with an overriding ability to remain competitive with commercial job shops through improved process planning, efficiency and productivity. CAD dramatically reduces the hours and steps involved in the design process by transferring the labor intensive task of redesigning and drafting from the draftsman to the computer. Similarly, CAM significantly improves quality over the earlier, manually operated machines. Therefore, fewer parts are rejected, production processes are standardized, and rework and scrap costs can be reduced.

From the Navy's viewpoint, workshops operating under a CAD/CAM system offer unique opportunities to strengthen the buyer-seller relationship and stabilize delivery schedules. Stabilization of the industrial base is and has been of paramount importance to the Department of Defense. The large inventories that are held as a contingency against quality problems and late deliveries could conceivably be reduced if not eliminated under this Program. In addition to reduced inventory carrying costs, the Navy could also realize reduced

material handling costs and inspection costs. These and other benefits will be discussed in greater detail in Chapter VII, Benefits.

E. FUTURE GOALS

What does the future hold for the Program and what are the objectives of the major players? The answer to both questions is the same as it would have been had the question been asked in 1938 when NIB was formed, or in 1971 when NISH was established: every blind or severely disabled American who wants to work and lead a more useful, productive life should be given that chance. The Committee and the central nonprofit agencies have set their priorities to make the right investments in time, money and resources in order to allow people with severe disabilities to lead as normal a life as possible. [Ref. 27]

The remainder of this chapter highlights the major goals and strategies of the principal participants. Because of the uncertainties introduced by the defense budget cuts and subsequent base closures, the strategies for achieving these goals may change, but the fundamental concepts remain valid.

1. Continue with Innovation

Towards this end, the central nonprofit agencies consistently review the methods of operation and training applications employed by their participating firms in order to further expand the range of commodities and services offered

to the Government. As previously discussed, the key to effective expansion is to remain competitive and provide quality products and service to the customer. Fortunately, the advent of computerized systems has provided the JWOD industry with a latchkey to open areas of business previously "locked" to people with severe disabilities. Machines can now be programmed to assist the operator in the performance of his/her work and can be operated by a more vocationally-limited workforce. [Ref. 32:p. 16]

2. Mainstream Rehabilitated JWOD Employees

Unquestionably, this goal provided a most interesting and diverse set of insights into the objectives of the Program as seen from a layered perspective. During interviews with various executives at the central nonprofit agency level, the idea of mainstreaming JWOD employees into the commercial world was supported but not emphasized. The reasons for the downplay in what is apparently a worthy goal are both valid and logical. Any worthwhile goal must be measured in order to determine its accomplishments. The question then arises as to how to establish an effective target, and how to measure the graduation of employees from the Program into commercial employment.

The concerns expressed during the interviews revolved around the potential for bias against those individuals who had such severe disabilities that they may never graduate from

the Program. If goals are set, they are made to be met or exceeded. If a person would not likely contribute towards achieving that goal, they possibly would not be accepted into the Program. The fear of this type of reasoning runs counter to the very premise on which the Program was originally established. Therefore, the executives interviewed at both NIB and NISH, while encouraging Corporate America to provide employment opportunities to those individuals who have trained within their work centers, consider the act of mainstreaming to be a secondary goal if a goal at all. [Ref. 26]

A second reason for not fully embracing the mainstreaming goal is the fact that individuals with blindness or other severe disabilities tend to be transportationally less mobile. In many cases it is infeasible to expect the JWOD employee to commute, sometimes changing buses, trains, or subways in order to get to their job in an adjacent city. Furthermore, many work centers are located in rural environments where they are the community's largest industry. For all practical purposes, the work center's employees are working for the community's optimal employer. [Ref. 22]

A contrasting view was offered by the Director of a participating work center who strongly advocated the goal of mainstreaming rehabilitated employees into the commercial world. His reasons for advocating the transition were as sound and logical as those that previously encouraged caution. From his viewpoint, the goals of increased employment and

mainstreaming went hand in hand. If workshop employees could be trained to effectively operate commercial equipment and be taught high standards of work ethics, then the prospects were favorable that the employee could secure employment in the open market. The results of such a plan are more job opportunities for people with severe disabilities. Individuals who are disabled and untrained, fill waiting lists earnestly desiring the opportunity to join the Program and learn marketable skills. Granted, some individuals will never reach the point of skill development required in the commercial world. However, for those who have the potential to succeed and become mainstreamed, every effort should be made to encourage them to become employees of corporations, large and small. [Ref. 6]

The two viewpoints expressed in the preceding paragraphs are diverse yet they both proceed from the same basic philosophy and desire. Both views wish to increase the employment opportunities for severely disabled Americans and both processes are succeeding, each in its own way.

3. Increased Government Participation

It is intuitive that the nonprofit work centers of the Program would desire increased participation by Government agencies. After all, increased participation equates to more employment opportunities for individuals who are blind or are otherwise severely disabled, and this supports the Program's

underlying objective. Fortunately, the Government, especially the Department of Defense, is also interested in expanding its role in the Program. The benefits of a stable, high quality supplier are more appreciated and more highly desired now, during this present period of defense downsizing which sequentially includes the downsizing of the defense industrial base.

Concerns were expressed, however, during interviews with some Government contracting personnel, that the readjustment period could impact even those industries that enjoy a mandatory source relationship with the Government. The primary area of concern is the fluctuation in workload at Government contracting offices in response to the decreased defense budget and the downsizing of the military. For example, Shipyards, which in the past catered to ships in need of overhaul and upgrades, are seeing those same ships "retired" rather than expend the necessary resources to refurbish them. Similar examples could be found in all the Services. [Ref. 29]

Consequently, purchase requests for supplies are not only submitted for smaller quantities, but also at less frequent intervals. For those JWOD industries who have structured their business base around the military, the possibility of forced employee layoffs looms large in the very near future. The effects of these layoffs could be especially detrimental to the Program participants. Because 75 percent

of the direct labor expended in the production of supplies must be provided by individuals with severe disabilities, repetition is vital to the learning experience and work center productivity. In the past, Government work has been the anchor of predictable on-going production. The present pattern of "spikes" and "doldrums" could result in a relearning process every time a new order is placed.

Therefore, an effort is being made within the Department of Defense to reemphasize the Program, the Procurement List, and its quality suppliers. Within the Navy, area councils are being established to foster increased support for the Program. The intention of the periodic council meetings is to provide a forum for Government contracting officers to recommend new requirements for provision by JWOD's nonprofit workshops. As Navy-wide participation increases, individual workshops should be able to expand their customer base from a single shipyard, air station, or weapons station, to several diverse customers, as new supplies and services are added to the Procurement List. This action would ameliorate possible business spikes and hopefully preclude the personnel layoffs currently threatening various workshops. Summarily, the goal is to increase Program awareness within Government procurement offices in order to preserve the process that provides the Government with high quality products, in a timely manner.

F. SUMMARY

From its very beginnings in 1938, the Program has sought to provide employment opportunities for America's disabled community. Through dedicated professionalism, and business integrity, the initial workshops proved themselves to be viable suppliers of commodities such as mops and brooms. Once the concept was proven successful, the energies of the Committee and the central nonprofit agencies were then refocused in the areas of innovation and product development.

With the expanded use of computer technology over the past two decades, commodities that were once considered too complex and "off limits" to the Program have been introduced for possible addition to the Procurement List. Computer aided design and manufacture systems have opened the field of high precision machined parts to any workshop that is willing to invest in the necessary capital equipment. These same workshops now offer unique opportunities for the Government to strengthen its buyer-seller relationship and stabilize the delivery of critical machined repair parts.

Encouraged by the success and the benefits of the Program thus far, both the Government and the participating nonprofit agencies have set important goals for the future. For NIB and NISH, the underlying objective is to provide meaningful employment to every severely disabled individual who wishes to work. For the Government, the goal is to preserve a valuable

program. Towards that end, the push for increased productivity continues through innovative interaction.

Rehabilitation of the Program's employees is also essential to the Program's continued success. However, the importance of mainstreaming Program participants into Corporate America's employment force is not considered the ultimate goal by the central nonprofit agencies. A conscious effort has been made to preclude any bias against individuals who will never graduate from the workshops. This philosophy keeps the concept of mainstreaming secondary to the goal of providing employment to *all* individuals, blind or otherwise severely disabled, who desire a better life.

Finally, the Government has realized during the past decade how valuable this Program is to its various agencies. In addition to providing a social good, the Government is benefitting from a buyer-seller relationship that operates on the highest level of professionalism. The result is a reliable supplier, capable of providing high quality parts and services within reasonable time frames. For this reason the Government, and especially the military, has a vested interest in the future development and enhancement of this Program.

IV. BARRIERS TO GOVERNMENT CONTRACTING

A. INTRODUCTION

This chapter seeks to identify the areas and processes that act as barriers to the expansion of the Javits-Wagner-O'Day Program. The methods used to gather the following information included literary research, personal interviews, telephonic interviews, and informal discussions with Government contracting specialists/officers and business executives.

This approach allowed the researcher to gain insights into the Program's perceived inequities or failings from each major participant's perspective. Therefore, each participant, the Committee, the two central nonprofit agencies, NIB and NISH, individual workshops, and Government contracting shops were independently contacted in order to encourage uninhibited opinions concerning the Program.

The result of the interviews and discussions were reviewed and the most common and most critical observations are recorded in the following pages. The most common barriers dealt with institutional biases but also included complacency and prejudices. Critical barriers tended to center around the contracting process itself. In addition to reporting these

findings, recommendations will be offered, where feasible, to assist in the process of overcoming the barriers.

B. INSTITUTIONAL BIASES

Any new or innovative idea that travels contrary to the normal processes used to obtain a desired result will attract a certain amount of prejudice from those who work within that process. Government contracting is no exception to the rule. Years of public scrutiny and Congressional intervention have evolved into an atmosphere where contracting officers are becoming extremely risk adverse at the expense of innovation and progress.

The reality of the situation can be summarized by the impression that the reader forms in his/her mind when the words, "disabled" or "handicapped" are presented. Unquestionably, these words connote something or someone below the norm. *The Merriam-Webster Dictionary* defines handicap as a "disadvantage that makes achievement difficult". These negative impressions are further aggravated by the descriptive adjectives most often used to describe the extent of the disability. Terms such as blindness, and other disabilities categorized as severe, bias the customer against the products or services offered by workshops employing these people. The myth is that the quality of the product must be inferior, when in fact, the quality is often times superior,

especially when compared to similar items available from normal commercial sources.

In order to correct this unwarranted skepticism surrounding the Program, the Committee and the two central nonprofit agencies have undertaken steps to promote a more positive working environment. A major step has been to present a "people first" philosophy. It is intended that this philosophy carry through to the language used to represent the people and organizations represented by the Program. Terms such as "blind persons" or "handicapped persons" are gradually transitioning to "people who are blind" or "persons who have disabilities". In this same vein, NISH recently changed its official name from the National Industries for the Severely Handicapped to its four letter acronym. This decision was implemented only after great debate involving the potential loss of goodwill associated with its name. [Ref. 44]

The idea behind the "people first" movement is to promote the person rather than emphasize the disability. However, all participants recognize that the JWOD Act does provide employment opportunities for those whose disability does constitute a handicap, in that the disability has, for whatever reason, precluded competitive employment as an option for those persons at this time. [Ref. 38:p. 3] The subtle difference is that the handicap is against competitive employment, not the person.

As far as the quality of the Program's products and services are concerned, actions speak louder than words. Virtually all Government procurement personnel who had knowledge of the Program, praised the quality, timeliness of delivery, and the customer service extended to them by the nonprofit agencies. Rear Admiral Daniel W. McKinnon, Jr., during his tenure as chief of the Navy Supply Corps, is reported as stating, "Our experiences with buying items from nonprofit agencies that are partners in this program have been nothing short of fantastic". [Ref. 43:p. 18]

C. PERFORMANCE AND RESPONSIBILITY

One of the stipulations of the JWOD Act is that the participating workshops, selected to provide commodities or services to the Government, must be responsive and responsible. Therefore, there are certain categories of supplies or services that do not lend themselves to efficient provision by the workshops. This has certainly been the case in the past where precision manufacturing and measurements performed by machinists virtually eliminated participation by the Program's agencies. However, as was reported in the previous chapter, economical computer aided design and computer aided manufacturing systems have more than compensated for the disabilities of the employees.

While in some cases the antiquated perception as "mop and broom makers" still exists, it is rapidly being dispelled

through the seminars presented by NIB and NISH. However, in other situations, it is not the category of service nor the type of commodity that presents the barrier. Rather, it is the size of the workload. To illustrate this point, a theoretical scenario will be presented that profiles a large military base and a nonprofit workshop. The scenario centers around the solicitation for a food service/mess management service contract. While various Program participants have demonstrated a proficiency in mess management contracts, this particular scenario projects a workload far in excess of any contract awarded under the Program to date.

An approach to this situation could be to break out a portion of the contract's requirements into smaller, well defined areas that are within the capabilities of the workshops. This approach is plausible and might succeed. However, further examination of the risk involved places this solution in jeopardy. For example, if the scullery operation was broken out and awarded under the JWOD Program, the Government risks losing a single point of contact for performance matters through the diffusion of responsibility. Who is responsible if the mess hall experiences a problem with unclean dishes served on the food line? The contractor in charge of the serving line would likely point the finger at the scullery operation while the scullery contractor would likely counter that the dishes were clean when delivered to

the service line. The Government is therefore placed in the unenviable position of determining responsibility.

Manpower inefficiencies are also introduced through this type of breakout scenario. For example, vegetable preparation personnel could also be used to clear tables if only one contract was awarded. With the award of two separate contracts, more personnel would have to be employed and this could conceivably drive up the costs to the Government.

The essence of this discussion is that valid barriers to performance can and do exist and size of workload is just one example. When a contract requires a level of performance beyond the present capacity of the JWOD Program, the award should be made to a viable commercial firm. Under other circumstances, the type of service or commodity requested by the Government presents a barrier to effective Program participation. It is important to realize, however, that the severity of this obstacle is becoming less critical as computer technology continues to expand into new areas of implementation.

D. COMPLACENCY

In an effort to become more efficient in its contracting functions, Government contracting activities have elevated standard operating procedures and boilerplate processes to a prominent role in its day to day operations. The advantage of these desk top aids is that much of the discussion is taken

out of routine contract processing. Procurement clerks can go to the contract files, pull out an expiring contract, and use it as the pattern to draft up the solicitation for the next year's award. Contract specialists, then review the package and make all necessary revisions prior to distributing to potential offerors. Unquestionably, the process is efficient.

However, the boilerplate process provides limited opportunities for questioning the old approach and considering new and innovative methods. Instead, what is foremost in the minds of many contract specialists is the reduction of contract backlogs and control of procurement action lead times. As long as effective contracts are awarded, and the contracting shop's customers are satisfied, the "how" is relegated to a secondary position.

To overcome this barrier, contracting personnel must be advised of the benefits of the Program. Reduced administrative workload and reduced lead times are attractive incentives to any production oriented activity.

E. FUNDING CONFIGURATIONS

The manner in which Government procurement functions are funded can have a significant impact on a Service's incentive to expand its JWOD participation. There are certain Government agencies that fund their contracting activities through a process that ties workload and complexity of workload to the operational budget.

At the beginning of each fiscal year, a unit funding rate is negotiated between the parent funding agency and its subordinate contracting activities. The negotiated rate is expressed in dollars and cents and is applied to points earned as a result of actual accomplished work. The incentive behind this method of funding is to encourage the efficient and effective award of contracts. Simplifying the process for discussion's sake, increased productivity is rewarded with increased funding dollars. These earned dollars are the primary source of funding for the contracting personnel's payroll.

The problem with this process is that it presents a disincentive to contracting activities to expand their procurements under the JWOD Program. The reason is quite simple. Once an item is placed on the Procurement List, it becomes a mandatory source item. If it is a mandatory source item, no competition is required per Federal Acquisition Regulation, Subpart 6.3. The lack of competition limits negotiations, if required, to only one source. The result is a decrease in complexity, which translate into reduced earned points and thus a reduced operating budget.

To illustrate this point, the reader should consider the award of a large dollar service type contract, with high commercial interest. The service could be for grounds maintenance or food service, and the contract contains the base year and four option years. The contracting officer

could conceivably receive 50 or more proposals, all of which need to be screened against the source selection criteria in order to establish the competitive range. Negotiations, if required, must then be conducted with each offeror within the competitive range. The level of expertise required to award the contract demands the professional knowledge and experience of a GS-1102 contract specialist.

Continuing with this line of thought, the process can be long and arduous. The points earned from the contract award reflect the complexity of the buy and justly compensate the buying activity for its effort. For example, let the total points earned for the base year equal 15 points, with an additional 15 points awarded for each option year exercised. Also assume that the annual negotiated rate is \$100/point. If the options are fully exercised, the contract would earn the procurement shop \$7,500 (75 points x \$100/point).

The dis-incentive to Program expansion occurs when the points are distributed to the JWOD awarded contracts. In the eyes of the parent funding agency, the award carries none of the uncertainties that made the commercial process complex. The award process for the service contract discussed in the preceding paragraphs may, under JWOD, only require a wage determination review and a check with the contract administration office to see if any requirements have changed. In many cases, a lower grade GS-1105 series person could make the award. Therefore, the points earned through the contract

award are significantly less under the Program, and consequently the earned operating budget is less.

The contracting activities do not refute the simplicity of the buy but they do insist that the present method creates barriers to JWOD Program expansion. Contract specialists and contracting officers alike, see themselves as working against their own best interests. With each contract requirement that is transitioned into the JWOD Program, they see themselves as gradually being worked out of a job.

A plausible solution to this problem is to allow contracts that transition to the JWOD Program to carry over the same earned point totals as would have been gained if awarded commercially. From the contracting activity's standpoint, it would be able to use the more efficient JWOD process without suffering funding cuts. From the parent agency's viewpoint, the process would not cost any more dollars, but it would not save any funding dollars either. This is an important point because during the current austere budget environment, "dollars saved" is taking on an increasingly important role.

F. PROFESSIONAL BIAS

The professionalism required to negotiate a difficult contract and select the best source for award introduces its own particular bias against the JWOD Program. There is much to be said in favor of the conscientious contract specialist who takes pride in his/her efforts and records those efforts

in the completed contract award package. To that specialist, it is apparent that the reason he was assigned the contract was because a particular skill level was required to complete the task, and that skill level was not present in the activity's lower graded, less qualified procurement personnel.

To now take that challenging contract away from him and give it to a less qualified procurement specialist is perceived, in many cases, as a professional insult. It does not matter that contract no longer requires the previous skill level, if that fact is not translated to him.

In these circumstances, the specialist does not fully understand the Program's objectives and benefits, and therefore tends to work against the Program instead of allowing the Program to work for him. Each time a service or commodity transitions to the JWOD Program, it would be wise for the activity to explain the move in light of its streamlining benefits. Additionally, the activity should explain to the specialist that the revised package no longer requires the level of expertise that it previously did. This approach could win new Program advocates in addition to overcoming professional bias.

G. GOVERNMENT PROCUREMENT PROCESS

There are two procurement process areas that present barriers to participation by JWOD industries in Government contracts. The first is the administrative workload

associated with reading and understanding Government solicitations, associated clauses, and specifications. The second barrier is the workload spikes that are sometimes associated with Government requirements.

1. Solicitations, Clauses, and Specifications

Without question, the barrier most often cited by the workshops is the crushing paperwork associated with Government contracts, especially when compared to comparable commercial contracts. To many workshops, just understanding the Government's procurement rules and regulations is a barrier in itself. Adding to the problem, however, is the fact that these rules are incorporated into contracts through hundreds of contract clauses.

This complaint should come as no surprise to the reader. The same objections have been raised by mainstream corporate America for the past few decades. The effect of this administrative burden appears to cause decreased production efficiency within industry, higher costs to the Government, and very little payback in the form of quality, professionalism, and workmanship.

Fortunately, recent commissions on Government procurement have identified this burden and have called for a review of current acquisition rules and regulations. Virtually every commission has called for the removal of

unnecessarily complex and restrictive regulations in favor of comparable commercial codes.

2. Workload Spikes

In order to become proficient in the performance of a service or the production of a commodity, a workshop must have a relationship with the Government that provides a long term, steady work effort. It must be remembered that at least 75 percent of a contract's direct labor hours are performed by people who are blind or otherwise severely disabled. The fact is that these employees can learn, but their rate of learning is exceptionally dependent on the repetitive nature of the work. If a steady work flow is not available to the employees, the learning process not only stops, it regresses. What was learned in the recent past must be relearned because it was not reinforced during the slack period.

The solution in this case is to carefully screen the prospective commodities or services and determine their demand frequency and demand volume. The results of the review should be weighed in order to determine the potential effects on a nonprofit agency's learning curve. Those items that require a long period for learning and exhibit a sporadic demand pattern should be approached with caution during the ratification process.

H. ECONOMIC BIAS

Recent studies by the General Accounting Office have concluded that there is no evidence to support any allegations that the Javits-Wagner-O'Day Act is having a measurable, adverse impact on the small business community. [Ref. 47] As discussed in Chapter II, the law requires each prospective addition to the Procurement List to undergo a review in order to determine if ratification would cause a serious, adverse impact on the current or most recent contractor.

This system of oversight is extremely effective on an individual line item basis. However, the small business community portends that the synergistic impact of the Program as items are added to the Procurement List, is significantly shrinking the size of the playing field. This perception held by numerous small businesses, could provide the impetus for increased complaints and protests in the years to come.

I. SUMMARY

The barriers described in the previous paragraphs are characteristic of an industrial environment that resists change. The barriers can be classified into several separate categories, including institutional barriers and procedural barriers. Associated with institutional barriers are complacency, professional bias and economic bias. Procedural barriers include performance and capacity issues, funding

configurations, and the generalized Government procurement process.

The institutional biases and professional prejudices are, to a large extent, able to be overcome through an educational approach that targets Government agencies and procurement personnel, as well as JWOD workshops and their employees. The remaining barriers are more permanent and require a variety of approaches in order to solve them. Streamlining Government acquisition regulations gets at the heart of the procurement process deficiencies. Reviewing funding configurations could identify unintentional barriers to the Program's expansion. Finally, recognizing the potential of new computer aided systems can be the first step in unlocking previously closed areas for possible provision under the Program. The reader should realize, however, that change is a slow and sometimes painful process and it may take years before the effects of these barriers are eliminated.

V. CONTRACTING INNOVATION - A GOVERNMENT MODEL

A. INTRODUCTION

Many critics of the defense acquisition system argue that Congressional legislation and bureaucratic regulation have all but paralyzed the defense industry. They point to failings in the professional relationships between the Government and industry, significant quality problems in delivered major weapon systems, unconscionable cost overruns, and program stretch-outs that have made the program's original time tables unrecognizable.

Their solutions to these seemingly insurmountable problems are nearly as predictable as the problems they list. First off, there is an immediate need to streamline the acquisition process. It is imperative, they say, that the procurement specialists, Government as well as industry, be granted more flexibility during the procurement process. Flexibility, as mentioned here, should not automatically be associated with an inevitable deterioration in control, but rather with an increase in initiative and accountability that will allow better quality buys, at reasonable prices, and within reasonable delivery schedules.

A second criticism, and rightly so, is the lack of incentive currently provided to the defense contractor to make

capital investments in state-of-the-art technology. Many defense firms are unwilling to take on that financial risk, despite the probability that it would improve production efficiency and, therefore, improve its long-term competitive position in the marketplace. The obstacle appears to be the uncertainty of follow-on Government contracts and the ensuing effect this has on the way industry depreciates its capital equipment. The longer the time span used to depreciate the equipment, the more critical the need for follow-on contracts. A shorter depreciation schedule would raise the firm's short term costs and jeopardize contract award under competitive procedures.

This chapter addresses the previously mentioned shortcomings and offers a Government/Industry model to be studied, modified, and implemented where or when appropriate. It is not offered as a "cure-all". It will become apparent to the reader that the model has limited usage under current acquisition regulations. However, the model is innovative, and does streamline the acquisition process. As will be shown, it does foster capital investments in state-of-the-art technology and provides the Government with high quality repair parts, at reasonable prices, and when the customer needs them. As the Defense Management Review continues to examine the need for the present myriad of procurement rules and regulations, it may find applications for this model, in

modified forms, in industries outside of the Javits-Wagner-O'Day Act.

Furthermore, the researcher notes that while this model illustrates a unique relationship between the Government and a nonprofit agency for the blind, it could just as easily have been made with a nonprofit agency supporting individuals with severe disabilities other than blindness. This model was chosen solely on the basis of the researcher's involvement with its design and implementation.

B. IDENTIFICATION OF THE REQUIREMENT

In response to increased demands for production experienced by shipyard machine shops in 1985 and 1986, Charleston Naval Shipyard initiated a request to the Naval Supply Center, Charleston to investigate the possibility of contracting out a portion of its shop stores manufacturing requirements. Tasked with that challenge, Naval Supply Center (NSC), Charleston initiated action to identify a long term source of supply capable of manufacturing the necessary line items within the required delivery dates at costs competitive with "in-house" Shipyard production. All efforts culminated in the A.P. Mills Project.

In 1985, the Shipyard management recognized a trend of increased production costs that adversely impacted its ability to compete with other Naval and commercial shipyards for ship repair contracts. Shop stores repair parts, manufactured

internally by the Shipyard machine shops, was identified as one of the areas where significant cost reductions could be realized.

A separate study revealed that a portion of the excessive cost was due to the age and inefficiency of the Shipyard's machining equipment. Turned metal or plastic parts were lathed on one piece of equipment and then physically moved to a drill press for the drilling of holes. Each stage of production required the intervention of a laborer or machinist to transport the part to the next station and align it on the appropriate equipment for further processing. Poor marks for speed of processing, quality assurance, and labor intensiveness were identified as contributing factors to the machine shops' cost inefficiencies. These areas could only be improved through an extensive up-grading of the shop's manufacturing equipment. The expense of such an undertaking was considered cost prohibitive. [Ref. 28]

Therefore, the Shipyard reevaluated its make-or-buy plan and determined to buy a significant portion of its shop stores parts where the economics of such an undertaking were favorable. The Shipyard tasked NSC Charleston to locate possible sources of supply and issue requests for quotes for the selected parts. The quotes were used to determine if a buy situation could be an economical alternative to in-house manufacture.

The challenge lie in the fact that the shops were manufacturing Navy unique parts and current drawings or data were unavailable for some of the parts. Therefore, any firm awarded a contract would have to have the ability to perform reverse engineering in order to develop the data or drawings required in the manufacturing process. Further drawbacks to the "buy-decision" included the lack of historical usage figures that would be used to establish projected annual requirements and firm ordering quantities. Without this information, it was difficult for a firm to justify its initial investment. Only one source showed serious interest in this type of venture.

A.P. Mills Industries for the Blind, located in Memphis, Tennessee initiated contact with NSC Charleston's regional contracting personnel at a Government sponsored vendor's fair. A.P. Mills' management requested a meeting to discuss the possible development of a contractual relationship between the Government and their workshop.

C. RESEARCH, DEVELOPMENT, TEST and EVALUATION

Several meetings between the Shipyard's production personnel and the Supply Center's contracting personnel were required to streamline the Navy's statement of work. Several more meetings were required to identify A.P. Mills' production capacity and capability. During these initial meetings, A.P. Mills emphasized their state-of-the-art CAD/CAM equipment and

their precision machining work for the medical community. Intricate prosthetic devices, such as artificial hip implants and ball and socket assemblies for human knee joints were provided for examination. Also during the meetings it was disclosed that the CAD/CAM system used by A.P. Mills was capable of making cuts and drilling holes to an accuracy of one one-thousandth of an inch; a further testimony to their dedication to quality.

As a result of these meetings, a series of test orders were placed for various shop stores line items. The primary objective of the test orders was to verify the quality of the machined parts, measure the delivery time frames, and compare the pricing of the parts to in-house production.

The key to the success of this program was a thorough technical review of potential line items in order to identify those parts most conducive to production by A.P. Mills' CAD/CAM equipment. Because the machined parts ordered during the test run were not established on the procurement list, there was no obligation on the Government's part to place follow on contracts with A.P. Mills. The contractual vehicle used to order the preliminary run of machine parts was a purchase order (DD Form 1155) under the small purchase procedures, and A.P. Mills was treated strictly as a small business.

In addition, Charleston Naval Shipyard reserved the option to manufacture "in-house" any part quoted by A.P. Mills in

lieu of contract award. This arrangement provided the Government with a flexible alternative to award in cases where there was an uneconomical ordering quantity, or when the parts offered for quote were not suitably matched to A.P. Mills' manufacturing capability.

The initial test results of the project were encouraging. A study of 14 different shop stores line items that were produced during the preliminary evaluation and trial phase, revealed that workshop prices were lower than the Navy's "in-house" costs in 50 percent of the cases. A number of factors, including low ordering quantities and inclusion of one time programming and reverse engineering costs, contributed to making this percentage lower than what was achieved in subsequent runs. Contract awards for the next production run of these same items, procured in realistic ordering quantities, resulted in lower costs in all cases. Savings ranged from a high of 80 percent to a low of nine percent and averaged an impressive 40 percent. [Ref. 28]

The following example is provided to illustrate the inherent benefits realized by the Navy from this contractual relationship with A.P. Mills under the auspices of the Javits-Wagner-O'Day Act. C.P.V. pressure fittings, formerly manufactured by the Shipyard in nine sizes varying in diameter from 1/2 inch to 2-1/2 inches, are high usage items in ship repair contracts. When the Shipyard manufactured these fittings "in-house", the unit cost to the Navy was \$105. The

revised unit price, reflecting the purchase alternative and A.P. Mills' use of a CAD/CAM system, ranged from \$18.18 to \$26.52, depending on the size of the fitting. Estimates during that initial year projected annual savings, from these line items alone, to approach \$100,000.

D. CONTRACT INNOVATION

Satisfied with the results from the test run, the next step was to solidify the relationship between the Shipyard and the workshop by adding the shop stores items to the Procurement List. However, one barrier appeared to be insurmountable. The Act requires the central nonprofit agency, in this case, the National Industries for the Blind, to compile a data package and related pricing information for each line item nominated for addition to the list. Furthermore, the Committee for Purchase from the Blind and Other Severely Handicapped must review each request for ratification and issue its decision.

The project originally envisioned hundreds of line items for provision by A.P. Mills. However, the administrative burden involved in establishing such a project was an order of magnitude greater than either the Navy, A.P. Mills, NIB or the Committee was willing to assume. Then, during a brainstorming session, it was proposed that the project be classified and advertised as a service in the *Federal Register*.

Consequently, although it is officially listed as a service, "Machining Parts", each line item ordered from A.P. Mills is treated as a commodity and separately priced at a fair market value. The project's uniqueness within the Navy stems from the fact that the fair market price published in the Procurement List is in the form of an unprecedented composite shop rate in dollars per hour. The rate is calculated as the weighted average of the long-term expected mix of machining time, machine set-up time, machine programming time, and reversed engineering time required to manufacture a typical lot of parts. Included in this rate are labor, overhead, general and administrative costs, and delivery. [Ref. 2]

Classifying the project as a service but pricing the machined parts as a commodity eliminated the need to identify, price, and request approval/ratification from the Committee on a line item by line item basis. The quoted price for any particular machined part line item is determined by a unit price based on the amount of manufacturing time required for each part.

The intent, therefore, of this innovative pricing approach is to allow Naval Supply Center, Charleston the flexibility to contract upon demand directly with A.P. Mills for an array of different line items and to be responsive to the Shipyard's delivery requirements. This concept embodies the very recommendations (as mentioned in this chapter's introduction)

that numerous studies have cited which focus on the defense acquisition environment.

E. CONTRACT AWARD

The initial quote for each line item is forwarded to NSC Charleston's Regional Contracting Department for evaluation and negotiation. Each quote contains costs related to machining time and production set-up time. This is intuitive because each lot to be manufactured requires machining time and production set-up time. The Navy is also assessed a one time charge for machine programming on the initial production run of each line item. In addition, one time costs are incurred when the workshop's reverse engineering capabilities are required to generate drawings and programming information from sample parts.

The final unit price awarded on the contract is the total number of hours required to manufacture the part, multiplied by the composite shop rate, plus the cost of materials. Price reasonableness for each line item is determined during the negotiation process. Once agreement is reached as to the number of manufacturing hours required to produce a part, the composite shop rate is simply applied to that hourly figure. Material costs are reviewed during the negotiation process to ensure they are fair and reasonable.

It is important for the reader to note that once the time constraint is set for each part, the price for each part

remains stable except for fluctuations in the metals and plastics market. The machining time becomes fixed, the composite shop rate is constant, and the only variable that remains is the material costs. In many cases, the price for each part remains constant enough throughout follow-on buys that the Navy has considered establishing a commodity price list with A.P. Mills.

Furthering the stability of the project, A.P. Mills is contractually and statutorily obligated to seek broad competition in the purchase of any materials, processes, and/or components, in order to ensure the lowest possible costs to the Government. The use of Government Furnished Material (GFM) for some parts may be used when economical to the Government.

Four years after its implementation, the initial objectives of the A.P. Mills Project continue to be realized. The continuance of lower costs, coupled with faster delivery times on an expanded number of line items has had a positive impact on customer satisfaction. The following observations highlight the successes of this unique contract arrangement.

[Ref. 6]

- During the time period, 5 February 1990 to 30 April 1991, A.P. Mills Industries for the Blind shipped more than 660 different line items to the Charleston Naval Shipyard. Of this total, there were more than 40 RUSH or WORK STOPPAGE items that were given priority over all other work. These orders were shipped in as little as seven days after receipt of the purchase order and averaged 21 days.

- The elapsed time from purchase order to actual ship date, for the period of 1 January 1991 through 15 May 1991, averaged 31 calendar days.
- A.P. Mills maintained or reduced the price on all repeated line items over the past four years.
- Charleston Naval Shipyard encountered quality problems on less than two percent of the line items manufactured by A.P. Mills, and this figure includes paperwork deficiencies.

F. LEVEL ONE - SUBSAFE

In addition to being a reliable producer of high precision machined parts for the Shipyard, A.P. Mills qualified, in 1989, to manufacture Level One - Subsafe repair parts. No special treatment was granted to A.P. Mills during the qualification period. Like any other firm, they were required to establish a sophisticated inspection system in accordance with the military specification MIL-I-45208A. In addition, a detailed administration system was implemented to document the performance of all required inspections and the subsequent results. In sum, their program is used to ensure quality throughout the life of the contract, including design, development, fabrication, processing, assembly, testing, packaging, and shipment. [Ref. 1:p. 2]

As a testimony to their professionalism, it is reported that A.P. Mills was certified by the cognizant Defense Contract Management Command representatives on their initial inspection. In most cases, it is common for the inspecting contract administrator to identify one or two major and

several minor discrepancies that must be corrected before certification is granted. After an allotted period of time a reexamination is scheduled and, if all findings have been corrected, the certification is granted. However, in the case of A.P. Mills, the inspecting contract administrators did not identify a single deficiency that required corrective action during the initial review. [Ref. 29]

G. SUMMARY

The implications of the A.P. Mills Project are impressive. It represents the potential of all Javits-Wagner-O'Day participants, and acts as a model for Navy-wide implementation of similar Government/nonprofit agency relationships. It has demonstrated the ability to achieve significant savings while both broadening the industrial base and fostering worthwhile socioeconomic programs such as increased employment opportunities for Americans who are severely disabled.

While displaying a cooperative spirit and innovative planning, the Navy and A.P. Mills are able to maintain a strong and healthy buyer-seller relationship. As discussed, the Government benefits primarily from the establishment of a reliable, long term supplier. The additional benefits of lower prices and more consistent delivery schedules also allow the Shipyard to reduce its internal inventories of shop stores machined parts.

A.P. Mills benefits from increased job opportunities for their blind employees. With the advent of economical CAD/CAM systems, the "barriers to entrance" into the high precision machined parts industry has been significantly reduced for the Program's workshops. Commodities that relied on a highly skilled labor force less than a decade ago can now be manufactured by automated equipment with a minimal amount of skilled labor added. This in itself has opened up numerous additional possibilities for the Navy to increase its contracting effort with the JWOD industry.

VI. SOCIOECONOMIC BENEFITS

A. INTRODUCTION

The purpose of this chapter is to examine the socioeconomic impact of the Javits-Wagner-O'Day Program. In order to be effective, therefore, this chapter will center its discussions on the Government's concerns regarding the program, the effects of the program on "for-profit" small business concerns, and the impact of JWOD on the blind and other severely disabled community. Consequently, the research will discuss DoD reports addressing the problems associated with America's declining defense industrial base, and amplifying statutes and regulations effecting the Program's nonprofit workshops and work centers. In addition, the key economic indicators used by the Committee to measure the Program's effectiveness will be graphically presented for the reader's benefit. Accompanying each graph will be a brief analysis of each indicator's current trend.

Finally, observations and conclusions will be drawn from the research, and presented in the chapter's summary. It is the intent of the researcher that this chapter will highlight the socioeconomic benefits of the Program, and therefore, act as a precursor to Chapter VII which reviews additional Program benefits.

B. GOVERNMENT CONCERNS

Unquestionably, the instability of America's defense industrial base is of major concern to the Department of Defense, and is an enigma to effective defense acquisition management. Much of the blame for this instability has been attributed to the uncertainties caused by the complicated budget and program decision-making process within the Executive Branch. Equally responsible, however, is the United States Congress with its micro-management of large defense programs as well as its proliferation of statutes aimed at increasing the adversarial relationship between the Government and industry. [Ref. 3:p. 24]

This environment has resulted in manufacturing practices that are contrary to efficient, effective production output. The Competition in Contracting Act (P.L. 98-369) has been viewed by many firms as a further attempt to erode the stability of the acquisition environment by requiring more stringent levels of competition. Additional elements contributing to the deterioration include constant budget turbulence and stop gap continuing resolutions, year-to-year program uncertainties caused by constantly changing program priorities, small-volume contracts, program "stretch outs", and further changes in allowable profits, accounting standards, and cost principles. [Ref. 46:p. 50]

These factors have added uncertainty and have created strong impediments to continued capital investments by defense

contractors. Therefore, productivity improvements tend to lag behind the expectations of the Government. The repercussions also act as barriers to highly qualified commercial firms contemplating entrance into the marketplace. An even more alarming effect is the increasing rate at which firms are leaving the defense market. [Ref. 3:p. 23]

Given the austere projections for future defense budgets, it is unlikely that substantive improvements in the defense acquisition environment can be achieved without introducing greater certainty and stability into the process. The Department of Defense must review its programs and develop strategies that maximize the efficiency and enhance the stability of the defense acquisition program.

While consideration should be given to increasing the stability of the budgeting cycles and expanding the use of multi-year contracts, these points are beyond the scope of this research. Instead, the discussion will focus on improving the stability of Government-industry relations through partnerships with JWOD nonprofit agencies and the economic impact on the small business community.

Increasing the breadth of the JWOD program places the Government in a precarious position. The benefits from stable, long term sources of supply warrant maximized efforts to increase the program's use. This would serve to help stabilize a faltering defense base. On the other hand, such actions could be perceived by "for-profit" concerns as a

reversal of the Government's commitment to protect small businesses. This perception could conceivably cause an accelerated departure of vital firms from the defense market and thus exacerbate the instability problem.

Attempting to find the middle ground, Congress has recently passed two pieces of legislation aimed at expanding the role of qualifying nonprofit agencies. At the same time, controls have been established to minimize their impact on small businesses. Section 8117 of the Fiscal Year 1991 Appropriations Act (P.L. 101-511) allows prime contractors to receive credit towards meeting their small business subcontracting goals for purchases made from sheltered workshops. In addition, Section 133 of the Small Business Administration Reauthorization and Amendment Act of 1988 (P.L. 100-590) authorized private and public nonprofit organizations employing people with severe disabilities (sheltered workshops) to compete for federally awarded small business set-aside contracts through fiscal year 1993. The most obvious control mechanism in both laws is the limited duration of their functionality.

1. PUBLIC LAW 101-511

Section 8117 of the Fiscal Year 1991 Appropriations Act established the legal basis for a class deviation to the Federal Acquisition Regulation. The law authorizes military services and defense agencies to credit prime contractors'

small business subcontracting goals for purchases made from qualified nonprofit agencies.

While applicable only for the fiscal year 1991 reporting period, the law provides an incentive to nonprofit agencies to seek out subcontracts from large commercial prime contractors. It also encourages the prime to consider NIB or NISH sponsored industries in their subcontracting plans for Government contracts. Prior to the law's enactment, little interest was shown by the prime in such a relationship because it did not work towards fulfillment of its subcontracting goal. In short there was an incentive not to discuss subcontracts with these agencies.

Data to measure the extent of participation of nonprofit agencies in this program are not currently available. However, three general observations may be made. First, P.L. 101-511 provides a vehicle for educating industrial America in the technological and manufacturing capabilities of JWOD participants. Secondly, the program's enactment was due to a growing realization within the Government of the benefits of contracting with nonprofit industries employing persons who are blind or otherwise disabled. Additionally, the minimal impact on small businesses caused by a similar program previously established under P.L. 100-590, alleviated many of the concerns regarding this program's implementation.

2. PUBLIC LAW 100-590

In a very large measure, the success enjoyed by sheltered workshops is directly correlated to the success of the Javits-Wagner-O'Day Act. However, Section 133 of the Small Business Administration Reauthorization and Amendment Act of 1988 established an independent program, completely distinct from the JWOD regulations. Therefore, when a sheltered workshop competes for small business set-asides under P.L. 100-590, it comes out from under the preferential umbrella provided by the JWOD program.

This legislation permits sheltered workshops to compete with "for-profit" small businesses on an equal footing. It does not guarantee award to the workshop. As with any competitive procurement, the workshop is granted the award only if it is the lowest, responsive, responsible offeror. Additionally, once the instant contract expires, the workshop must re-compete for any follow-on work.

By law, Federal agencies exercising procurement authority must report each small business set-aside awarded to a NIB or NISH sponsored workshop to the Office of Federal Procurement Policy (OFPP). The procuring activity must also report the amount of the next higher offer submitted by a "for-profit" small business concern. OFPP is tasked with collecting the data, through the General Services Administration's Federal Procurement Data Center, and

reporting the results to the SBA on a quarterly basis.

[Ref. 47:p. 2]

It is the responsibility of the SBA's Administrator to monitor the participation of nonprofit workshops and ensure that the total dollar amount of set-aside awards does not exceed the thresholds established in the law; \$30 million in fiscal year 1989, \$40 million in fiscal year 1990, and \$50 million in fiscal years 1991 through 1993. These ceilings were established to control the impact of the program on the small business community. [Ref. 21]

The law offers further protection by prohibiting items competitively awarded to sheltered workshops from being added to the Procurement List for subsequent mandatory supply under the JWOD program. As a final remedy, small businesses are granted the right to appeal any proposed award to a workshop, provided it would experience severe economic injury as a result of the award.

The program has not been as successful as originally envisioned. Sheltered workshop officials attribute low participation levels to the program's restrictive authorizing legislation. The principal disadvantage is the provision that prohibits commodities or services provided by workshops from transitioning to the Procurement List. [Ref. 47:p. 4]

A second reason why sheltered workshops have not embraced the set-aside program is the lack of stability associated with short term contracts. An increasing number of the firms are

finding it difficult to justify the risk of making significant capital expenditures necessary to produce products under the set-aside program. The uncertainty of any follow-on contracts is negatively impacting the firm's anticipated return on investment.

Furthermore, short term contract arrangements do not allow sufficient time for some workshops to adequately train their employees. Therefore, they experience difficulties in attaining their projected production learning curves. Additional reasons for the low participation rates include the fact that some workshops are unaware that they are now eligible for the set-asides or they do not understand how to submit offers under the Government's procurement process.

[Ref. 5]

If greater participation in the program is desired, the law should be amended to relax or remove some of the control mechanisms. Primarily, a percentage of the line items supplied by workshops under this program should be allowed to transition to the Procurement List. Alternatively, controls could be established which limit the total dollar amount of contracts transferrable to JWOD. Regardless of how the controls are relaxed, Congress still should appoint a Federal agency to oversee the program's administration and the dissemination of information.

C. THE IMPACT OF JWOD ON SMALL BUSINESSES

Restrictive legislative controls such as those enacted in P.L. 100-590 hardly seem necessary once a review of Javits-Wagner-O'Day has been completed. A conscious effort has been made over the years by the Committee for Purchase from the Blind and Other Severely Handicapped to operate so as not to compete with other preferential procurement groups for Government contracts.

To be certain that the workshops adhere to the "rules of the game" and that the workshops only target appropriate contracts, the Committee has specified three criteria for determining suitability: 1) Handicapped workers must be able to "add sufficient value" to the product or service called for in the contract; 2) There must be at least one workshop that possesses the ability and the capacity to produce the product or service; and 3) Award of the contract to a workshop must not have a significant diverse impact on the current or most recent government supplier. [Ref. 24:p. 13]

Before any commodity or service can be added to the Procurement List as a "mandatory source" item, the Committee must announce the Government's intention in the *Federal Register*. This allows any commercial interest, which may have cause to object, the opportunity to present its case to the Committee before the proposed action is ratified.

Office of Management and Budget (OMB) Circular A-76 provides the regulatory guidance for contracting out services currently performed in-house by Government employees. The Circular acknowledges preferential programs and does not prohibit a procuring agency from making an award under JWOD's mandatory source program. In fact, many service contracts

currently awarded to NISH sponsored firms were originally identified under Circular A-76. When a new service requirement is identified for commercial award, that service may be added to the Procurement List without having to undergo a formal A-76 cost comparison or commercial competition. However, the proposed addition must still be announced in the *Federal Register* for public review and possible challenge by commercial sources. [Ref. 37:p. 19]

In regards to Section 8(a) set-asides established under the Small Business Act, the Committee for Purchase from the Blind and Other Severely Handicapped voluntarily adopted a policy not to interrupt any ongoing 8(a) program commitment. Added protection for small businesses is found in the Code of Federal Regulations which prohibits workshops from targeting any contract that represents a significant amount of the current contractor's sales. [Ref. 24:p. 12]

Therefore, JWOD sponsored industries are challenged to seek out innovative ways of contracting with the Government without interfering with other socioeconomic programs. A.P. Mills Industries for the Blind located in Memphis, Tennessee has filled a niche for the Charleston Naval Shipyard by agreeing to manufacture Level I/Subsafe material with low order quantities. Large commercial industry does not want to manufacture these items because of the low quantities. Small businesses often hesitate to undertake the formidable paperwork associated with the Level I/Subsafe program. By

accepting this role, A.P. Mills has solidified its role as a Government supplier of high precision machined parts. [Ref. 5]

D. JWOD KEY ECONOMIC INDICATORS

Despite the strong self governance of the Committee in carrying out the JWOD program, nonprofit agencies employing individuals who are blind or have other severe disabilities have continued to show strong growth in nearly all areas of measurement over the past decade. As seen in the following key indicators reported in the Committee's 1990 annual report, sales, total wages, and employment opportunities, have increased significantly over the past five years.

[Ref. 10:pp. 10-13]

1. EMPLOYMENT

The jobs that are created by NIB or NISH sponsored workshops are not Government established "hand-outs" intended to provide welfare type incomes to unproductive members of society. Rather, the jobs provide people who are blind or have other severe disabilities, a viable opportunity to add real value to the products they produce.

During fiscal year 1990, approximately 18,600 persons who have severe disabilities were employed by nonprofit agencies to work on projects directly associated with the Javits-Wagner-O'Day program. This figure represents a slight decrease when compared to the previous fiscal year employment total of 18,812 persons.

Further analysis reveals that the number of individuals working on JWOD projects assigned under the auspices of the NISH has steadily increased. However, the FY 1990 increase was rather insignificant: from 14,580 to 14,652 persons. In the case of nonprofit agencies employing members of the blind community, the employment figures for individuals assigned to JWOD projects declined for the third straight year. In 1990, the number of employed blind persons totalled 3,939, as compared to 4,232 individuals in FY 1989.

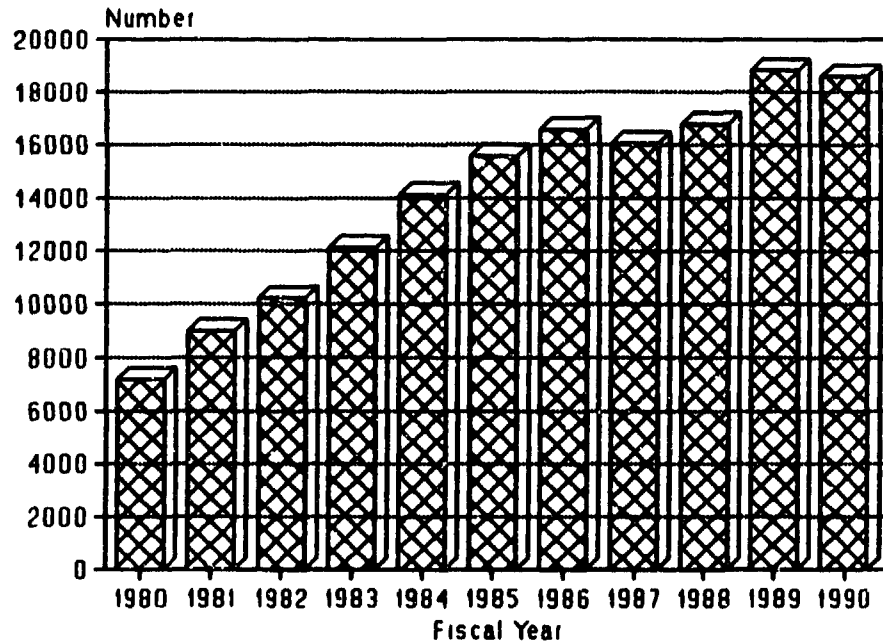


Figure 6.1 - NUMBER EMPLOYED UNDER JWOD

In total, however, Figure 6.1 portrays the employment records over the past decade as a major success story. In fiscal year 1980, only 7,200 individuals were employed under the Javits-Wagner-O'Day program. The

employment figure for fiscal year 1990 represents a 158 percent growth rate over the decade and affirms the commendable and cooperative efforts of the Committee for Purchase from the Blind and other Severely Handicapped, the two central nonprofit agencies (NIB and NISH), and the various agencies of the United States Government.

2. DIRECT LABOR HOURS

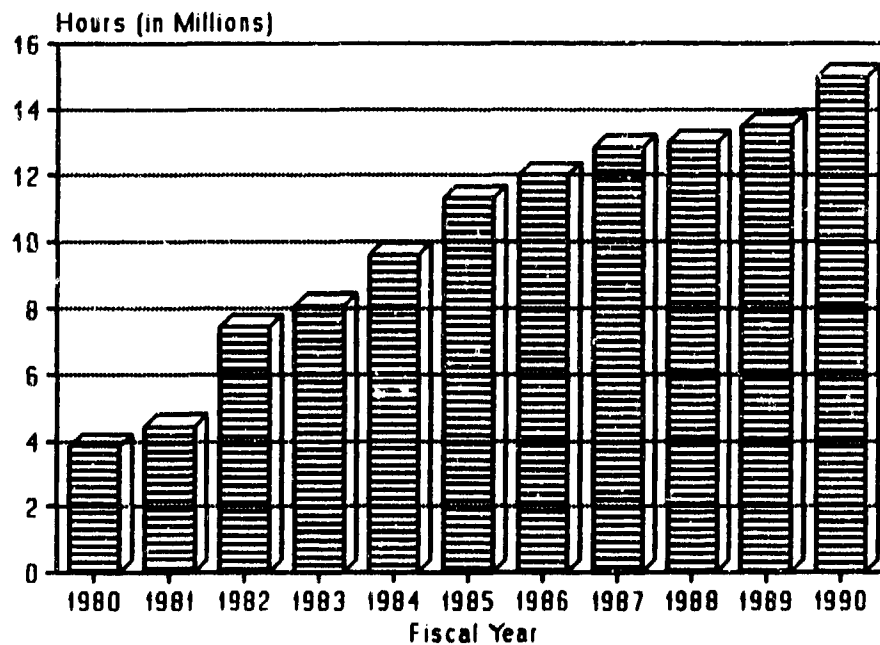


Figure 6.2 - JWOD DIRECT LABOR HOURS

The number of direct labor hours associated with JWOD contracts increased significantly in fiscal year 1990. This increase stands in sharp contrast to the mild decline in the employment figure previously discussed for the 1990 reportable period. This can be interpreted to mean that while

fewer blind and other severely disabled people worked on JWOD projects, many of those who did, put in significantly more hours than they had in previous years.

Figure 6.2 illustrates a 10.8 percent increase in the total direct labor figure from 13.5 million hours in fiscal year 1989 to 15.0 million hours in 1990. This represents the largest increase in total hours since fiscal year 1984 and the greatest percentage increase over a previous fiscal year since 1985. Some of the improvement can be directly attributed to the United State's military buildup preceding Operation Desert Storm.

A breakdown of the total direct labor hours reveals that the large increase was solely attributable to the work performed by nonprofit agencies under the auspices of the NISH. These work centers increased their labor hours from 9.4 million hours in fiscal year 1989 to 11.0 million hours in 1990, an increase of 17 percent. On the other hand, nonprofit centers employing the blind recorded a slight decrease from 4.1 million hours in FY 1989 to 4.0 million hours in FY 1990.

The figures reported over the past decade confirm the positive momentum of the JWOD program. A review of the Committee's annual reports for the 1980's revealed that each fiscal year improved on the previous year. In 1980, approximately 3.8 million direct labor hours were associated with JWOD projects. The 1990 figure of 15 million hours represents an increase of 295 percent. [Ref. 8:p. 10]

3. DIRECT LABOR WAGES

The wages paid under the JWOD program are reflective of the Department of Labor's guidelines for qualified nonprofit agencies employing the blind and people with other severe disabilities. If an employee of a nonprofit agency produces 75 percent of what a non-disabled person can produce, the workshop must pay him a minimum of 75 percent of the prevailing wage rate for that job. Therefore, instead of these individuals relying solely on Government benefits (eg. Supplemental Security Disability Income) they are becoming self supporting individuals who are added onto the tax rolls. [Ref. 24:p. 5]

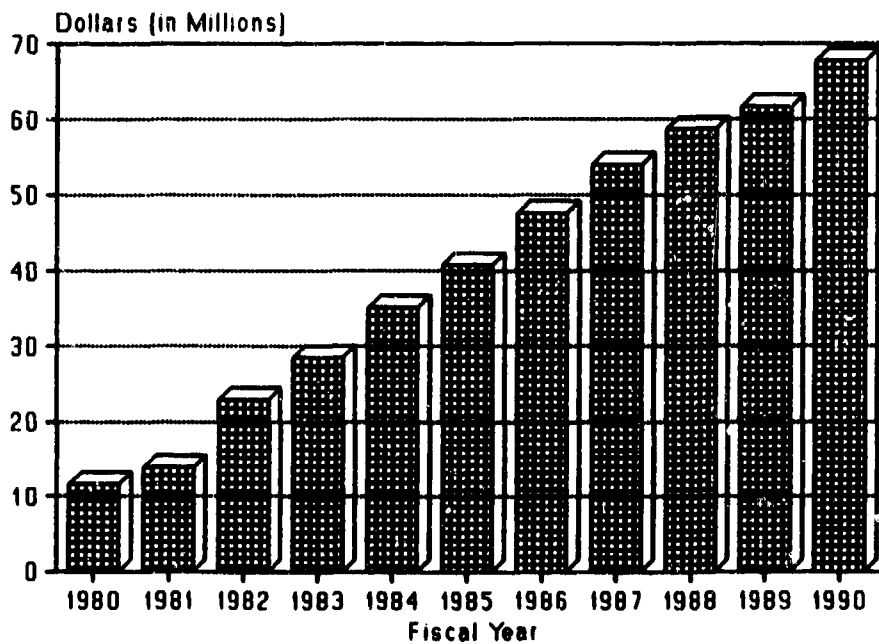


Figure 6.3 - JWOD DIRECT LABOR WAGES

Consistent with the positive trends of the previous indicators, Figure 6.3 depicts a strong growth trend in total direct labor wages paid over the course of the decade. In fiscal year 1990 a record high 67.8 million dollars was paid to employees who are blind or have other severe disabilities. This represents nearly a 10 percent increase over the fiscal year 1989 figure of 61.7 million dollars. Wages paid out rose for both categories of workers. Blind employees working on JWOD contracts received approximately 18.5 million dollars for their efforts during fiscal year 1990. This equates to a two percent increase over FY 1989's total wage figure of 18.2 million dollars. Individuals with severe disabilities received 49.3 million dollars for their work under JWOD contracts during fiscal year 1990. This figure also represents an increase over the previous fiscal year's wage figure of 43.5 million dollars.

As might be expected, the wages paid out over the past decade project a consistently positive marginal trend. In fiscal year 1980, direct labor wages paid to employees of nonprofit agencies totalled approximately 11.6 million dollars. By 1985, that figure had increased to just over 40 million dollars. Closing out the decade at 67.8 million dollars in 1990 represents an average growth of 5.6 million dollars per year.

4. DIRECT LABOR AVERAGE HOURLY WAGE

Figure 6.4 reflects the relationship of the average hourly wage earned by JWOD employees to the national minimum wage rate for the past decade. Personnel employed by the nonprofit agencies earned an average hourly wage of \$4.53 on JWOD contracts during fiscal year 1990. Comparatively, this amount was 35 percent higher than the \$3.35 minimum wage rate in effect at the beginning of fiscal year 1990. However, during the fiscal year, the Government raised the minimum wage rate to \$3.85 per hour and reduced the Program's marginal wage advantage to approximately 18 percent.

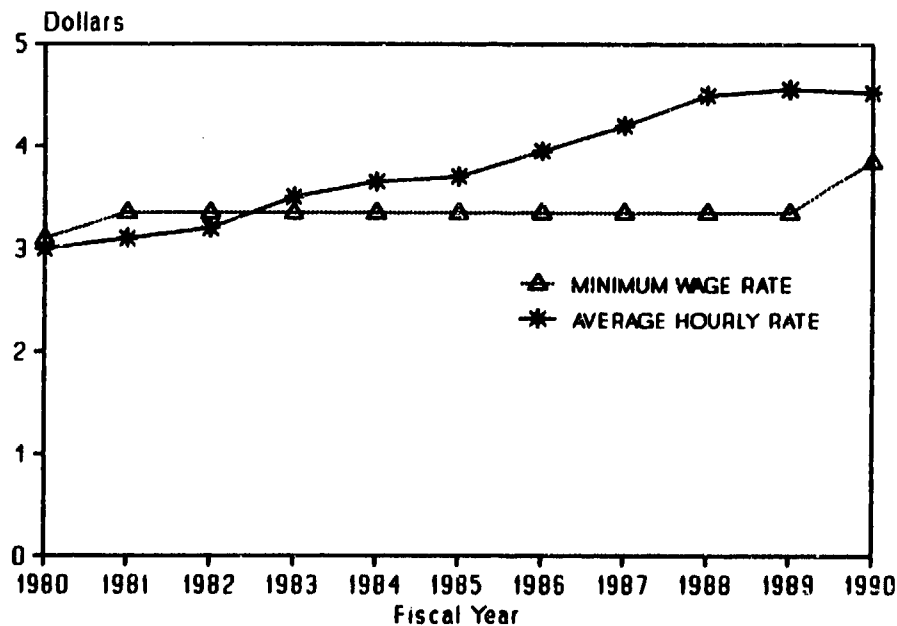


Figure 6.4 - AVERAGE DIRECT LABOR RATE

Employees working for agencies under the sponsorship of the National Industries for the Blind averaged \$4.65 per

hour, representing an increase of just over five percent from the previous year. In contrast, employees working for NISH sponsored agencies averaged \$4.49 an hour. This rate represents a slight decrease in the average hourly wage from that paid in FY 1989. It is noteworthy, however, that this decline correlates to an increased employment of individuals with greater disabilities and thus a lower productivity rate.

5. JOBS CREATED FROM ADDITIONS TO THE PROCUREMENT LIST

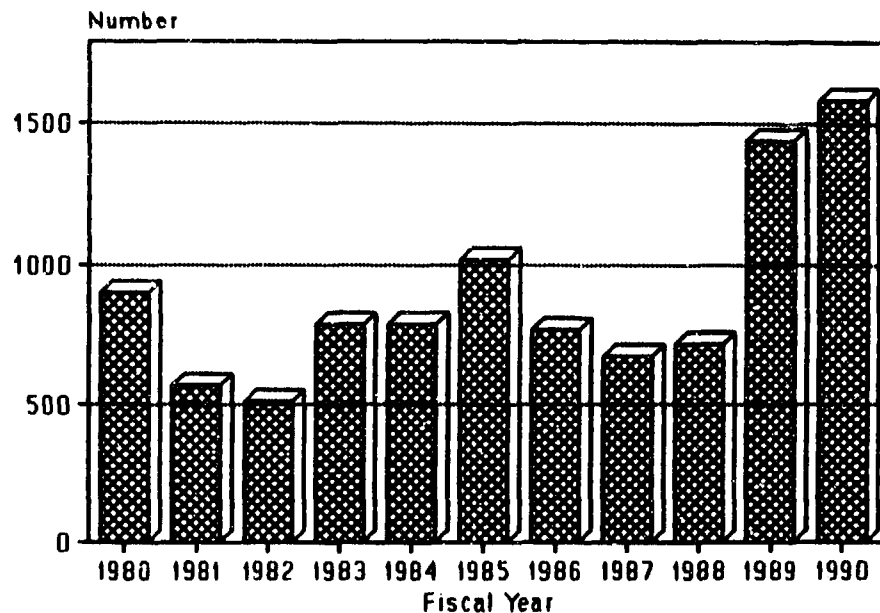


Figure 6.5 - ADDITIONAL ANNUAL EMPLOYMENT OPPORTUNITIES

As displayed in Figure 6.5, a record high 1,589 new jobs were created for severely disabled Americans through the addition of new line items to the Procurement List in fiscal year 1990. A review of the composition of these additional

employment opportunities revealed that 135 of the new jobs were established in NIB sponsored agencies employing the blind. The remaining 1,454 jobs were established in nonprofit agencies employing persons with other severe disabilities.

A further breakdown of these additional jobs along service and commodity lines shows that services dominated, by a measure of three to one, those jobs related to the manufacture of commodities. Approximately 1200 new jobs were directly associated with service contracts. Nearly 500 of these jobs were for janitorial/custodial services at Federal buildings and military installations. Furthermore, the greatest benefits, in terms of additional employment, came from the award of contracts for food service operations.

Also notable was the addition of a service arrangement between Mare Island Naval Shipyard and A.P. Mills Industries for the Blind for the machining of parts. This arrangement is identical to the Naval Supply Center, Charleston / A.P. Mills relationship discussed in the last chapter.

Newly added manufactured products contributed to an increase of nearly 400 additional jobs for blind and other severely disabled individuals. Camouflage utility caps, file folders, mattress pads and furniture were reported to be the main contributors to the increase in commodities.

6. ESTIMATED VALUE OF ADDITIONS TO THE PROCUREMENT LIST

The estimated value of the additions to the Procurement List reached nearly 61 million dollars in fiscal year 1990. As can be seen from Figure 6.6, this is the second year in a row that the dollar value increase has been significantly above the levels experienced in earlier years of the decade. As such, the valuation in 1990 exceeded the average level prior to 1989 by more than 200 percent.

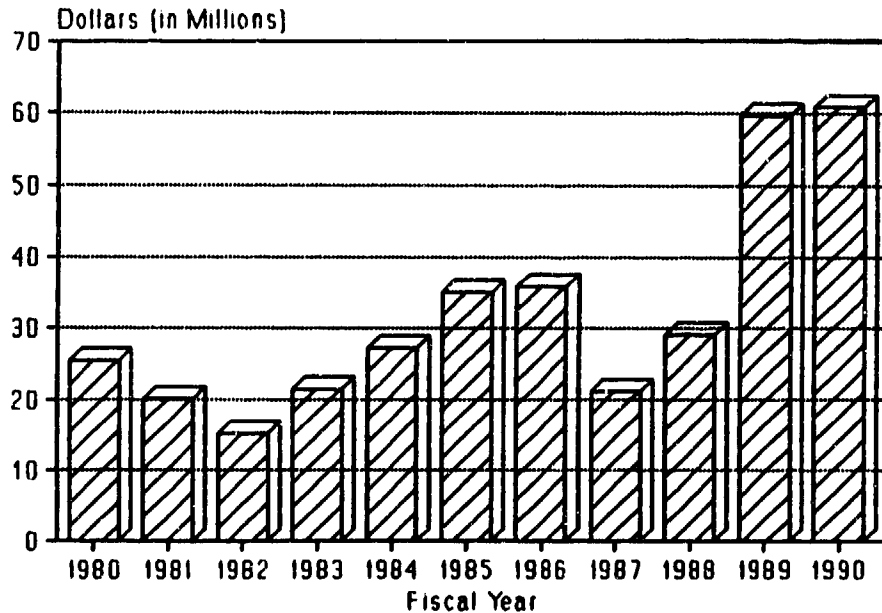


Figure 6.6 - ESTIMATED VALUE OF ADDITIONS TO THE PROCUREMENT LIST

Services comprised nearly 34 million dollars with food service contracts being the highest contributor. Janitorial and custodial services added over 13 million dollars. Commodities increased the dollar value of the

Procurement List by just over 27 million dollars. Contracts for mattress pads and file folders alone, accounted for over 10 million dollars. The average estimated value for each service addition to the List was approximately 242 thousand dollars. On the other hand, the average estimated dollar value for each commodity addition was 91 thousand dollars.

7. SALES TO GOVERNMENT AGENCIES

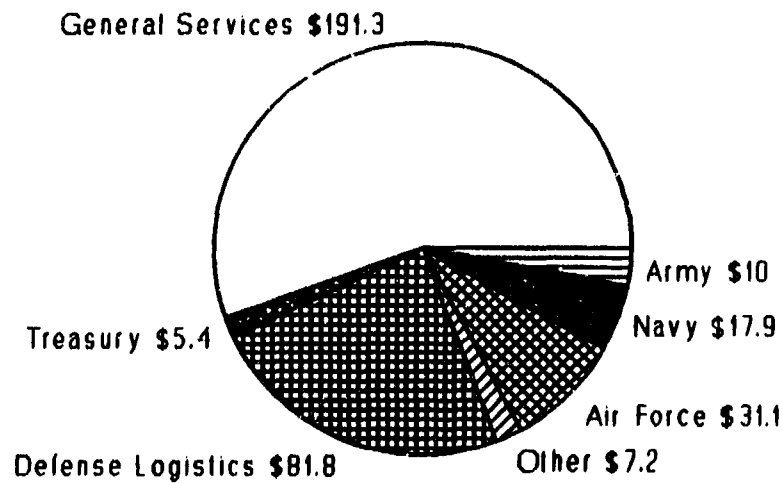


Figure 6.7 - FY 1990 CUSTOMER SALES
(in Millions)

Sales of JWOD produced commodities and services to individual Federal agencies for fiscal year 1990 are displayed in Figure 6.7. A trend analysis performed over the past decade showed that the General Services Administration (GSA) with its Federal Supply Schedules and Public Buildings

Services is consistently the largest JWOD customer. In fiscal year 1990, GSA purchased over \$190 million dollars in supplies and services. The dominance that GSA projects over all other Government agencies is explained by the fact that GSA routinely procures desks and other office supplies which it, in turn, sells to other Federal agencies including the Department of Defense. Therefore, the figures attributed to each Service's procurement of JWOD supplies tend to be understated.

The Defense Logistics Agency (DLA) also continued to be a strong supporter of the Program. DLA procured \$81.8 million dollars in JWOD produced commodities in fiscal year 1990. These purchases were made primarily through the Defense Personnel Support Center for products which were subsequently provided to the various military services.

Fiscal year 1990 saw the Air Force increase its annual purchases from nonprofit agencies by 50 percent to nearly \$33 million. In fiscal year 1989, the Air Force's total purchases had expanded to nearly \$22 million, but in 1990 NIB and NISH sponsored industries benefitted from an additional \$11 million in sales.

The Navy and the Army also increased their total purchases in fiscal year 1990 to \$17.9 million and \$10.0 million, respectively. A portion of the Army's increase was a contract for purchase of physical fitness uniforms made by blind workshops for subsequent use by all Army recruits.

8. SALES BY YEAR

Program sales of products and services to the Government, including the Department of Defense, amounted to more than 381 million dollars in fiscal year 1990. This represents a 250 percent increase in sales since the beginning of the decade. A breakdown of the total sales figure revealed that nonprofit agencies employing the blind recorded approximately 202 million dollars in sales. The remaining 179 million dollars in sales were obtained by work centers employing persons with other severe disabilities.

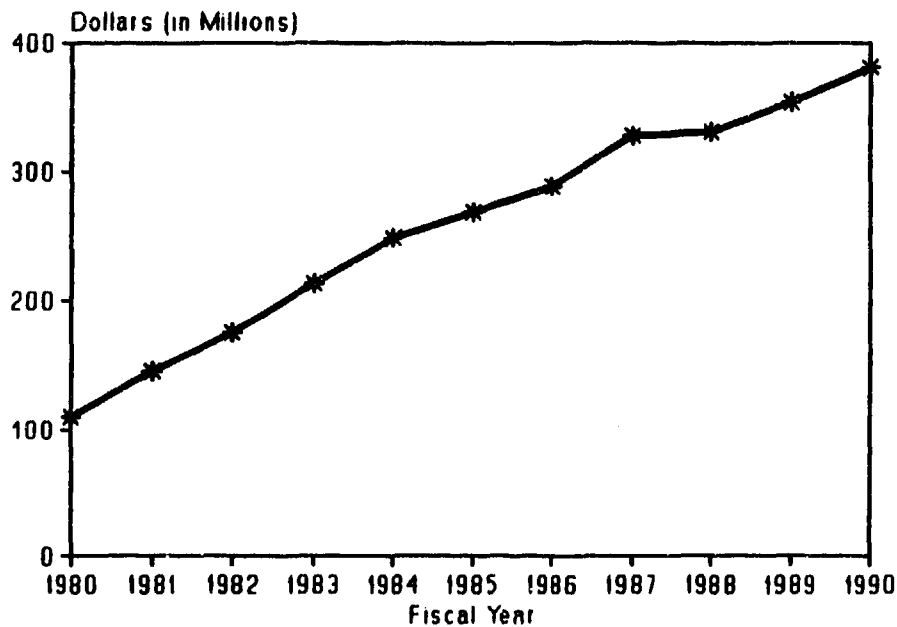


Figure 6.8 - JWOD SALES BY YEAR

Figure 6.8 depicts the growth trend over the past decade and the 27 million dollar increase in 1990 sales over fiscal year 1989. Blind industries accounted for about eight

million dollars of the increase while NISH sponsored agencies experienced a 19 million dollar increase in sales.

Sales of products continued to dominate total JWOD purchases. Approximately two thirds of the total 381 million dollars in sales and virtually all NIB sponsored sales were comprised of commodity contracts. On the other hand, sales attributable to service contracts comprised just under one third of the total JWOD sales, but over 60 percent of the sales of NISH sponsored agencies.

E. SUMMARY

The defense acquisition environment is in a state of flux. Changes are occurring as a result of decreased defense budgets brought about by a perceived reduction in the Soviet threat. In addition, accusations of fiduciary mismanagement in Government contracts such as the Stanford University research program and the terminated "A-12" program have led to an unprecedented demand for improved accountability and responsibility in defense acquisition.

In response, audit controls have become stricter than ever before and once secure programs are undergoing close scrutiny for possible cutbacks. Defense contractors are pressured to maximize efficiency through tighter profit margins and increased risks. Many firms are reluctant to commit the capital investments necessary for proper performance of Government programs, and instead have chosen to

exit the defense market. Other firms no longer see the defense industry as profitable a market as it was ten years ago and have decided to concentrate their resources in purely commercial endeavors.

In the midst of this tumultuous environment, a small segment of the defense industry is beginning to flourish. Nonprofit agencies under the auspices of the Javits-Wagner-O'Day Act are making the capital investments, providing quality services, and producing quality products.

The stability provided by the law's provision for mandatory sourcing has substantially reduced the risk of capital investments by eliminating the uncertainty connected with competition. The key indicators previously discussed, portray a healthy industry characterized by steady growth. However, the future does not guarantee the program's continued success. In light of the austere fiscal budgets projected through the mid-1990's, thousands of individuals with disabilities who are currently unemployed, may not experience the opportunity enjoyed by those currently working under the JWOD program. Furthermore, with the anticipated reductions in Department of Defense purchases, even those currently participating in the Program face employment losses unless the Government continues to expand the number of products and services it receives from the JWOD industry.

The Government has recognized the benefits of the JWOD program and has begun to expand the business opportunities of

the nonprofit agencies through additional legislation such as the Small Business Administration Reauthorization and Amendment Act of 1988 and Section 8117 of the Fiscal Year 1991 Appropriations Act. In themselves, these laws may seem to have an inconsequential impact on the small business community. This is true and it's by design. The Government, in addition to expanding the concept of the Javits-Wagner-O'Day Act must also protect its vested interests in the small business community.

VII. BENEFITS

A. INTRODUCTION

It is assumed that most individuals will want to know what the Program's benefits are before committing their efforts to its expansion. Therefore, while this may not be the most important chapter in the study, it may be the most widely read. With this in mind, the findings will be arranged in a manner that allows the reader to quickly locate and review the benefits for his/her particular organization. As such, the information will be presented under two major sub-headings: benefits to the Government, and benefits to the nonprofit agencies associated with the Program.

The section that discusses Government benefits will examine factors such as quality, timeliness of delivery, price and procurement administrative lead times. In addition, the section will address the possibilities of reducing Government oversight during the contract administration phase and the contributions that NIB and NISH make towards this reduction effort. Finally, W. Edwards Deming's hope for total quality management in American industry will be discussed in the context of established Government/industry partnerships. Emphasis will be placed on the benefits gained from increased capital investments and extended learning curves.

The section that addresses the nonprofit agency benefits will include a discussion of the importance of long term employment potential and the attainment of marketable employment skills. In addition, this section will address the social welfare advances that the Program has achieved and its positive impact on additional revenues to the tax base.

The chapter will conclude with a summary of the benefits inherent in the JWOD Program. Moreover, the summary will afford the researcher an opportunity to interject his personal observations as to why he considers this a worthwhile program.

B. GOVERNMENT BENEFITS

Technological advances in sophisticated weaponry around the globe mandates that the United States manage its defense dollar more efficiently and effectively than at any other point in our history. This effort touches every aspect of a contract, from procurement and administration costs to quality and delivery standards. The Department of Defense, and specifically the Department of the Navy, can benefit from the streamlined acquisition procedures realized through the expansion of the Javits-Wagner-O'Day Program.

1. Quality

Contracting officers should be aware that the supplies or services received from the Program's participating workshops will be in full compliance with the specifications and clauses included in the contract. The reason for this

assurance is elementary. Before an item is added to the Procurement List, it must first be screened by the applicable central nonprofit agency and then by the Committee to ensure that it can be provided in the quality and quantity required by the Government. This review is mandated by the Act itself.

While conducting interviews with senior contracting officials at Navy procurement activities, the researcher presented the question of quality for their comment. Without exception, each official praised the abilities of the workshops to provide high quality goods and services.

One official commented that his activity had experienced only one quality deficiency in over four years of contracting with the Program's workshops. He vividly remembered the deficiency because it was brought to his attention by the workshop before his activity had even received the delivery. It seems the workshop had sent two separate deliveries to the activity on the same day and had placed the paperwork for the second delivery in the first shipment and vice versa. The workshop requested that the Navy return the boxes via "air-express", at the workshops expense, so that the wrong could be corrected. [Ref. 29]

2. Delivery

The JWOD Program recognizes the importance of being responsive to its customers' delivery schedules and has developed a system of checks and balances to ensure its

compliance regarding the delivery requirements. As part of the process for adding an item to the Procurement List, the applicable workshops are inspected in order to determine their capabilities to provide the item. This inspection is performed by the central nonprofit agency and the results are included in the recommendation package sent before the Committee. The Committee then approves the addition only after determining that the Program can provide the item within the required time frames.

Furthermore, the Program contains a contingency plan to address the unlikely possibility that a workshop would be unable to meet the Government's delivery schedule. Purchase exceptions may be granted by the applicable central nonprofit agency. This action allows the Government to go outside the Program and purchase a commodity or service directly from a commercial source. However, Chapter 51 of the Code of Federal Regulations requires that two conditions be met before an exception is granted. First, the participating workshops must not be able to provide the quantities necessary to satisfy the Government within the required delivery schedule. Second, the commodity or service must be available in the commercial market, in sufficient quantities, and be deliverable before it can become available from the Program. This contingency plan adds a measure of flexibility from which the Government directly benefits. [Ref. 48:sec. 5-2]

3. Price and Procurement Administrative Lead Time

For items already established on the Procurement List, Government contracting officers can be sure that the prices they pay have been reviewed and determined to be fair and reasonable. Although the price is established by the Committee, input is received from the procuring activities and considered during the ratification process. If the item is a service, the cost and pricing data compiled by the central nonprofit agency is forwarded to the contracting officer for review and comment. In many cases, the price that is ratified is based on commercial market prices or, prices that are comparable with recent Government procurements for similar items.

Because the prices are determined to be fair and reasonable during the ratification process, the contracting officer is exempt from soliciting additional competitive quotes or requesting cost and pricing data in order to justify each delivery order's price. This exemption equates to reduced administration time and permits the procuring activities to be more responsive to their customer's delivery requirements.

Both small purchases and large contracts benefit from the Program's streamlined acquisition process. Contracting officers report, however, that the greatest benefit is realized in the award of contracts over \$25,000. [Ref. 29] The exemption from the solicitation requirement mandated by

the Federal Acquisition Regulation is estimated to save from 60 to 90 days for some large dollar procurement actions.

Certainly, the Program can be used by a contracting shop to maintain its procurement administrative lead time under the established goal. The real benefit, however, is transferred to the end user in the form of a more responsive delivery.

4. Reduced Oversight

Perhaps the most overlooked benefit of the JWOD program is the reduced oversight required by Government officials during the contract administration phase. The two central nonprofit agencies, NIB and NISH, are the umbrella organizations for hundreds and thousands of workshops, respectively. This hierarchical position carries a significant responsibility to maintain the good name of each participating workshop in the Program. As such, both NIB and NISH are well aware that a poor performance by a single workshop could conceivably tarnish the reputation of the umbrella organization, each workshop represented by that organization, and the entire JWOD Program.

It is for this very reason that the central nonprofit agencies take a proactive position in the review of potential additions to the Procurement List and in the qualification process for membership into the Program. Below average performance in quality or delivery on the wrong contract could

immediately offset the solid, reliable reputation that a workshop has earned through years of outstanding service.

It is not the intention of the researcher to imply that this Program "runs in automatic" and requires no Government oversight. As long as contracts are awarded, there will be the need for an administrator. Instead, the researcher observes that in addition to the Government and the workshop, an interested third party is dedicated to the successful outcome of each contract. Therefore, the additional oversight contributed by NIB and NISH provides the Government with an opportunity to withdraw a portion of its own oversight requirements and refocus its limited resources on other areas.

5. TQM Partnerships and Just-In-Time Inventory

Total Quality Management (TQM) specialists criticize the DoD acquisition system citing the administrative burden of contracting with the Government as the primary reason why vendors are leaving the defense market. These specialists hold that the complexities of the Government's procurement regulations are rooted in the misguided belief that adversarial competition is good and will inevitably increase quality while reducing the cost. Furthermore, the specialists recommend the relaxation of laws restricting cooperation between companies as a prerequisite to implementation of true Total Quality Management. [Ref. 31:p. 3]

It is important to note that the Javits-Wagner-O'Day Act effectually implements this recommendation to promote cooperation by allowing the Government and industry, albeit a small segment of industry, to form voluntary partnerships. Each time an item is added to the Program, the qualifying workshop(s) forms a partnership with the Government to be its long term source of supply for the commodity or service.

The stability resulting from such partnerships favorably impacts the workshop's production efficiency. This translates into higher quality and reduced costs. Under competitive procedures, a firm is never certain that it will receive follow-on contracts and therefore, is conservative when investing in capital equipment that would increase its productivity. However, with the assurance of being the Government's mandatory source, the JWOD industry avoids the risk caused by this uncertainty and is more willing to invest in state-of-the-art technology to improve its productivity.

In addition to capital investments, the JWOD industry is able to use its long term relationship with the Government to reduce its production costs through an extended learning curve effect. The benefits of an extended learning curve have been the subject of many industrial studies with the following results reported:

With accumulated experiences from continuing production, a supplier obviously would be in a better position to achieve certain improvements that could well result in reduced costs. [Ref. 18:p. 181]

Both the Government and the participating workshop benefit from this relationship. The workshop is able to offer the Government a reduced price that reflects the extended learning curve and the Government is able to offer the workshop a consistent demand which allows the workshop to recoup its front-loaded costs with minimal risks.

Furthermore, the Government could conceivably build a Just-in-Time relationship through its partnering with certain JWOD workshops. This buyer/seller arrangement is possible because of the advanced CAD/CAM technology and would consequently lower the Government's inventory holding costs as well as the associated inspection and material handling costs.

C. NONPROFIT AGENCY BENEFITS

As stated in Chapter III, the objective of the two central nonprofit agencies is to expand the employment opportunities for people who are blind or have other severe disabilities. Therefore, NIB and NISH use a set of criteria to measure Program success that is different from that used by the Government. From their viewpoint, the Program's success is best measured in terms of its impact on the individual employee. The benefits discussed below will focus on the employee and will be addressed in the context of consistency of work, training potential, and social welfare benefits.

1. Consistency of Work

Perhaps the most important benefit of the Program for the individual workshops is the consistency of doing business with the Government. The Act promotes this consistency by declaring that all items entered on the Procurement List must be procured from a participating workshop. This regulation, in itself, provides the Program's workshops and employees with a steady, reliable source of work. Furthermore, with demand fairly predictable year after year, the workshops can plan for employment growth with minimal risk. Thus, the continuity of work provided by the Government touches all aspects of the workshop's business plan including its capital investments and its training regimen.

Equally important with the continuity of work is the consistency of how the Government buys its goods and services. With only a few minor exceptions, the Government's process of procuring items under the Program has remained unchanged. The consistency of the Government's acquisition process is perceived by the workshops as a benefit because it allows them to concentrate on the manufacturing process rather than on a constantly changing procurement process. In contrast, the methods used by the Government to buy items in the commercial market have undergone many radical changes in the past two decades.

2. Training Opportunities

For thousands of employees, the JWOD Program is the only alternative between a non-productive, isolated existence and meaningful, gratifying employment. Moreover, the wide range of goods and services provided by the Program makes it possible for a workshop to tailor its work requirements to its employees' abilities. This means that for some employees, the challenges encountered on the job will be all that they can possibly manage. For others, with less restrictive mental or physical disabilities, the employment opportunities found within a workshop are only the initial stepping stones to a more challenging opportunity in the commercial marketplace. For example, in 1990 alone, more than 1,500 persons with severe disabilities, including blindness, cerebral palsy, and mental retardation made the transition from the Program to open community employment. [Ref. 13:p. 6]

Each employee's success in his or her own training program is irreversibly linked to the consistency of work obtained from the Government. The Program's long term buyer-seller relationship provides each employee with sufficient opportunities to learn the job skills necessary to efficiently produce the final end product. For some employees, this learning process must be reinforced every day through the repetitious performance of the same job. Consequently, the employees receive maximum benefit and contribute most efficiently to production efforts when the Government's

ordering quantities and frequency of orders allow the workshops to maintain full time production lines.

3. Social Welfare and Self Sufficiency

The JWOD Program provides meaningful employment for its participants. It is not a charity program nor is it to be classified as a quasi-welfare program. The Act requires the workshops to provide quality goods and services to the Government at fair and reasonable prices, and within acceptable delivery time frames. Consequently, responsibility is intrinsic to this Program, and is dispersed throughout each workshop echelon all the way down to the employee level. It's all part of the training and considered part of the job.

Acknowledging their responsibilities, the employees take pride in their work and appreciate the opportunity to become contributing members of today's society. In return for their hard work, the employees earn respectable wages that allow many of them to move off of federal support programs such as Supplemental Security Income (SSI) and Supplemental Security Disability Income (SSDI) and onto the tax roles. [Ref. 24:p. 6] In fiscal year 1990, over 67 million dollars in direct labor wages were paid to Program employees. This figure reflects the determination of a segment of society that has all too frequently been overlooked as a potential source of productive output. [Ref. 10:p. 11]

D. SUMMARY

In closing, the researcher observes that the Javits-Wagner-O'Day Program is one of the few federal programs where the Government benefits as much as the people for whom the program was designed to assist. The Government, and especially the military, benefit from its long term relationship with the participating nonprofit agencies. High quality products are manufactured on state-of-the-art equipment and provided to the Government at reasonable market prices.

Furthermore, Government contracting officers need not concern themselves with strategies to promote full and open competition. Fair and reasonable prices are determined during the review and ratification process before a commodity or service is added to the Procurement List. Therefore, the time and resources normally spent on the solicitation process can now be transferred to other procurement actions making the contracting shop more responsive to its customer's required delivery dates.

Finally, the Government is afforded other cost savings opportunities through reduced oversight requirements. Because NIB and NISH have vested interests in the successful completion of each Government contract, they provide independent oversight to ensure quality products and services are provided to the Government. With their increased

attention to Program matters, the Government can reduce its own oversight efforts and save administrative costs.

The employees, themselves benefit from the pride of knowing that they are productive, and contribute real value to the workshop's manufacturing capabilities. For some, the training they receive enables them to recognize their full potential within the confines of the JWOD industry. For others, the training received in the Program enables them to progress to into competitive employment in the open market. Regardless of where the participants subsequently find employment, the paychecks they receive at the end of each week reinforce their individual self improvement plans and make them a little less dependent on federal support programs.

Perhaps Rear Admiral James E. Miller, Chief of Supply Corps and Commander of the Naval Supply Systems Command, summarized it best when he said, "You only need to walk through a workshop one time during production hours in order to realize just how important this program is." [Ref. 30] The quality of the products and the dedication and spirit of the employees single this Program out as one of the Government's most impressive success stories.

VIII. CONCLUSIONS AND RECOMMENDATIONS

A. INTRODUCTION

This thesis has sought to provide the reader with a comprehensive overview of the Javits-Wagner-O'Day Act and the Program's role in the Government acquisition process. During the research gathering stage, it was necessary to conduct an extensive literary research, interview Program executives and Government contracting officials, and tour a participating nonprofit workshop.

The data gained through the literary research provided the foundation for the researcher's discussion of the Program's establishment in 1938, and its subsequent revision in 1971 to include people with severe disabilities other than blindness. The literary research also provided the information on the Committee for Purchase from the Blind and Other Severely Handicapped, the two central nonprofit agencies, NIB and NISH, their responsibilities, and the item addition process for the Program's Procurement List.

The interviews allowed the researcher to gain practical insight into the Program's benefits and barriers from two contrasting viewpoints. The nonprofit agencies were able to address their areas of concern, their areas of success and their hopes for the future. Government contracting officials

were able to discuss their successful use of the Program and some of the weaknesses and barriers brought about by the federal procurement process, especially the budget and funding process.

The on-site visit to a participating nonprofit workshop provided the researcher with the mortar to solidify the purpose and objectives of this effort. The tour enabled the researcher to observe JWOD production personnel combining their efforts with the use of computer aided design and manufacture equipment to provide reliable, high quality parts to the Navy.

The remainder of this chapter will be dedicated to answering the research questions proposed in Chapter I and providing additional observations and recommendations. In concluding, the chapter will recommend areas for follow on research.

B. ANSWERS TO RESEARCH QUESTIONS

1. **Primary Research Question. Does the Department of the Navy effectively contract with the qualified nonprofit agencies of the Javits-Wagner-O'Day (JWOD) Program, and is this relationship meeting the intent of the Javits-Wagner-O'Day Act (P.L. 92-28)?**

During his tour as Chief of Supply Corps and Commander, Naval Supply Systems Command, Rear Admiral Daniel W. McKinnon, Jr. also chaired the Committee for Purchase from

the Blind and Other Severely Handicapped. This rare opportunity proved to be the key in revitalizing the Navy's relationship with JWOD industries. Under Rear Admiral McKinnon's leadership, the Navy implemented the use of area councils to discuss the JWOD business base and the beneficial opportunities the Program offers to the Navy. As a result of these councils, the Navy has become both effective and innovative in its support of the Program's goals and objectives.

Secretary of the Navy, H. Lawrence Garrett, III, furthered the Navy's effectiveness by instituting an annual award, the Rear Admiral Christian J. Peoples plaque, to reward those Commands that significantly contribute management support for the Program. The award recognizes Navy and Marine Corps activities which successfully initiate additions to the Procurement List. [Ref. 42]

Through these initiatives, the Navy is becoming a leader among the Services in terms of innovative Program relationships. Chapter V discussed a unique contractual arrangement between the Regional Contracting Department, Naval Supply Center, Charleston, and A.P. Mills Industries for the Blind, Memphis, TN. Under the JWOD umbrella, A.P. Mills provides the Navy with high precision machined parts under a *Service-type* agreement. This arrangement acts as a model for DoD-wide implementation of similar programs and has demonstrated the ability to achieve significant savings while

broadening the industrial base and supporting the Government's socioeconomic programs.

2. **Subsidiary Research Question 1. What is the intent of the JWOD Act and what are the responsibilities of the President's Committee for Purchase from the Blind and Other Severely Handicapped?**

The intent of the Javits-Wagner-O'Day Act as first enacted in 1938 as the Wagner-O'Day Act was to provide increased employment opportunities for individuals who were blind through expanded contracting opportunities with the Federal Government. Although the Act has undergone changes over the years, most notably, the inclusion of workshops catering to people with disabilities other than blindness, the ultimate goal has remained unchanged.

The Act requires Government acquisition personnel to procure the commodities and services specified on the Procurement List only from the Program's participating workshops. In return for this sole source designation, the workshops pledge to provide the Government with its supplies and services at fair market prices, in the quantity and quality requested, and within the required time frames.

Recognizing the need for Program oversight, the Act also established the Committee for Purchase from the Blind and Other Severely Handicapped. The Committee is responsible for ensuring that both workshops and Government contracting

organizations comply with the Program's governing rules and regulations. In addition, the Committee sets the fair market price for each item on the Procurement List, approves new additions to the List, and subsequently publishes the List on an annual basis. It also assists Government agencies in their efforts to expand their JWOD procurements. Without question, the Committee is the unifying organization, acting behind the scenes, to ensure Program success.

3. **Subsidiary Question 2. What commodity groups experience the most Government contract action and what groups experience little or no action?**

Undoubtedly, one of the most popular, and well known commodity groups associated with the JWOD industry is the office supplies group. Virtually any Government desk would be incomplete without a *SKILCRAFT* pen, pencil or marker located in its top drawer. In addition, the Government employee's calendars, paper clips, and pads of paper, all are provided to them through the JWOD Program.

Janitorial supplies is another important commodity group that experiences considerable Government demand. Mops and brooms, wax applicators and wiping rags, and squeegees and paper towels are only a few examples of the many janitorial supplies that are provided to the Government for use on a daily basis.

Habitability items is yet another category that receives a significant amount of contract action. This group includes but is not limited to bedspreads, bed sheets, pillows, washcloths, bath towels, plastic cutlery, and dining packets.

While it might be expected that hand tools would also be a significant area for provision by the JWOD industry, the contrary is true. A selection of screwdrivers and pipe wrenches are the only hand tools offered on the Procurement List. The researcher assumes that expansion in this area may be limited because the Program's participants are unwilling to challenge the stronger commercial industries at this time.

Until recently, high precision repair parts were unavailable to the Government through the JWOD Program. Even now, the items that are provided to the military services, and particularly to Naval shipyards, are not classified as commodities, but rather as the product of a machining service. As discussed previously, however, this service arrangement is by design and is mutually beneficial to both the Government and the workshops.

The Program's controlled growth in commodity availability has been the result of two comprehensive efforts. The first is to identify unfilled Government needs, and the second is to adhere to a business plan that achieves the desired return on investment. As of this writing, the

researcher is unable to identify a single commodity group that could not be provided, in time, by the JWOD industry.

4. **Subsidiary Question 3. What are the principal barriers encountered when trying to expand the workshops' commodity base?**

The barriers can be classified into several separate categories, including institutional and procedural barriers. Institutional barriers encompass factors such as complacency, professional bias and economic bias. Procedural barriers, on the other hand, revolve around the Government procurement process and include performance and capacity issues, funding plans, and contract terms and conditions.

Complacency, or resistance to change, is a formidable obstacle that must be overcome in order to expand the Program. Boiler plates and standardized procedures have evolved as the typical way of doing business in order to ensure an acceptable end product. Government procurement activities are not immune to this management style and once adopted, it is very difficult to initiate or implement new programs.

In addition, the professional bias of some acquisition professionals further complicates any efforts to expand JWOD procurements. Some contract specialists see the Program as a threat to their professionalism and job security. After award of the initial contract, follow on contracts placed under the

Program are likely to be handled by the contracting office's junior, less experienced workforce.

The Program may also begin to experience increased opposition from the small business community as new line items are added to the Procurement List. The Program's diversification efforts are beginning to be perceived as a threat by some small business officials. They view the Program's addition of new line items as a direct infringement on their business base. This reaction is commonly referred to as the "rice bowl" effect. Therefore, small businesses can be expected to become more vocal in their resistance to the Program's expansion as they sense a negative economic impact on their business base.

The administrative burden associated with Government contracts is the most common barrier cited by workshops desiring to expand their business base with the Government. Reading and understanding the hundreds of specifications and numerous clauses included in the solicitations is a deterrent to expansion, especially when compared to streamlined, multi-million dollar commercial contracts that contain as few as 13 clauses and are as short as four pages.

On a positive note, however, recent Government commissions have identified the need for streamlining in the acquisition process and have recommended specific actions to improve the process. These recommendations combined with recent efforts to assimilate Total Quality Management tenets

into the procurement process should weaken, if not eliminate, even the most formidable barriers.

5. **Subsidiary Question 4. What actions are required of the Federal Government in order to overcome the barriers and enhance workshop participation in Government contracting?**

In the area of institutional bias, the Government must pursue an education/training program that explains the Program's benefits in terms that are meaningful to each contracting office. It is highly unlikely that the Program will be fully embraced if it is perceived as a "workforce reduction" measure where contracting officers are gradually working themselves out of a job. Job security has been and will continue to be a function of professional performance and funding.

During this period of austere budgets, each contracting shop must look for smarter, more streamlined methods of obtaining reliable, quality products and services to their customers. This objective must be met within the constraints of reasonable prices and required delivery dates. The JWOD Program provides such a method.

The Navy is using area JWOD councils to help educate its acquisition workforce in a variety of Program-related topics. For example, the council meetings provide a unique opportunity to share success stories of innovative agreements

between Government contracting offices and participating workshops. The meetings also offer a medium where JWOD officials can explain the Program and answer questions posed by the council members. Through this effort, the Navy expects to enjoy greater benefits from the Program.

On a legislative plane, Congress must continue to be innovative in expanding the opportunities for Program success. Measures such as Section 133 of the Small Business Administration Reauthorization and Amendment Act of 1988, which authorizes Program workshops to compete for small business set-asides, and Section 8117 of the Fiscal Year 1991 Appropriations Act, which credits prime contractors' small, disadvantaged business (SDB) goals for subcontracts awarded to Program workshops, are current examples of positive, Congressional support.

6. **Subsidiary Question 5. What impact does NIB/NISH have on the DoD industrial base and specifically on small business?**

While the preceding legislative action may be assumed to have negatively impacted the small business community, recent GAO studies have not found any evidence to support such assumptions. Clearly, this is good news not only for the Program's participants but also for an anxious small business community.

The checks and balance system inherent in the Program's structure appears to be effective. A conscious effort has been made over the years to operate the Program in a manner that does not compete with other socioeconomic programs. In addition, the Committee reviews the economic impact of any and all proposed additions to the Procurement List to ensure that the current or most recent supplier is not significantly impacted in an adverse manner.

Furthermore, the Committee must announce the Government's intention in the *Federal Register* before any item is added to the Procurement List. This provision allows any commercial interest the opportunity to present its case to the Committee before the proposed action is ratified. If the facts justify a negative decision by the Committee, the ratification is disapproved and the item's addition process is terminated.

7. **Subsidiary Question 6. What benefits could be attained from improved contract relations with NIB/NISH workshops?**

The Javits-Wagner-O'Day Program provides the Government with several key benefits in return for its preferential treatment as a mandatory source for several commodities and services. The primary benefits are quality, delivery, and price related. However, additional benefits recognized through this special relationship include, reduced

procurement administrative lead times, and reduced Government oversight of contractor facilities.

Each item undergoes a thorough screening before it is added to the Procurement List. Specifications are studied, and statements of work are reviewed, thus ensuring that the Program has the technology necessary to provide quality goods and services before it is made the mandatory source. Once ratified, the contracting officer can be confident that the products received will comply with the applicable specifications.

Delivery requirements are also given serious attention during the addition process. Similar to the quality requirements, the contracting officer can be assured that once ratified, the products will be delivered on time. However, in the unlikely case that the workshops are unable to meet the Government's delivery requirements, and the items are available in the commercial market, the cognizant central nonprofit agency (NIB/NISH) has the authority to grant a purchase exception. This provision allows the Government to procure the products directly from the open market and precludes unnecessary delays in the delivery of goods and services to the end user.

Price is set by the Committee for each item placed on the Procurement List. The price is based on the fair market price or previous prices paid by the Government for similar items. The contracting officer is not required to continually

address the price reasonableness of an item because that is settled during the ratification process. Therefore, the procurement administrative lead time for a given JWOD acquisition should be less than the lead time for routine commercial buys that require solicitation, competition, and cost and price analysis to ensure price reasonableness.

Government oversight of the Program's contractors can also be reduced. This is possible because of the oversight provided by the Committee, the National Industries for the Blind and NISH. Each of the preceding organizations is interested in upholding the good name of the Program. Therefore, they monitor each participating workshop to ensure that it is in compliance with the Program's rules and regulations. With this level of self governance provided by the Program's own participants, the Government can withdraw some of its oversight resources and transfer them to other programs where current resources are deficient.

C. ADDITIONAL CONCLUSIONS AND RECOMMENDATIONS

This research has discussed the Program's governing regulations, its intent, the oversight organizations, the barriers and the benefits, and successful examples of innovative contracting. However, this thesis would be incomplete if it did not address the real strength behind the Program, its people. The JWOD community is made up of people who are genuinely thankful to be employed and therefore,

radiate a professional pride that the reader would do well to imitate. Granted, these people do have severe disabilities, and for some, their disabilities will seriously limit their productive capabilities. But, the abilities that they do possess are not taken for granted. The monotonous repetition that is loathed by many commercial production line workers is seen as a benefit to these individuals. Additionally, their self worth is reinforced every payday when they receive their paychecks and realize that they can be productive members in today's society. If there were no other reasons to expand this Program, the people alone, make this a worthwhile venture.

Fortunately, there are additional good reasons to continue the Program's expansion. Many participating workshops make substantial investments in state-of-the-art capital equipment. These investments compensate for the employees' disabilities and often allow these firms to "out-compete" many commercial businesses. The Program's "mandatory source" designation provides the workshops with a more stable business environment in which to operate than the commercial world's uncertain competitive environment. This translates into significantly less risk for the participating workshops when they estimate their future returns on investment (ROI). Commercial industries, on the other hand, often hesitate to sink large dollar amounts into equipment upgrades when there is no assurance that the future returns on investment would meet the

firm's hurdle rate. Therefore, in awarding contracts to JWOD firms, Government contracting officials are often receiving the benefit of state-of-the-art computerized equipment. With this in mind, the researcher recommends that all DoD contracting activities implement the area council approach initiated by the Navy as a way of learning about the Program's capabilities and identifying commodities and services for provision under the Program.

Furthermore, with the advent of the Navy's Automation of Procurement and Accounting Data Entry (APADE) system, the researcher observes that a positive atmosphere has been created for the future development of a modem to modem, paperless ordering system with these industries. This fact, coupled with the Program's mandatory source requirements, presents the Government with a unique opportunity to pursue a Just-in-Time inventory relationship with qualifying workshops. The researcher recommends that further study be initiated to determine which workshops and what commodities could be configured into a Just-in-Time relationship.

Finally, the JWOD industry is a reliable element in the nation's defense mobilization plans. During Operation Desert Shield/Desert Storm, JWOD's nonprofit agencies supplied substantial amounts of mission essential items to all the military services. It was not uncommon, therefore, for Program workshops to triple the number of shifts they operated in order to meet delivery requirements. In other cases,

services were expanded to compensate for the manpower shortages caused by the reassignment of troops to the Persian Gulf.

The Middle Georgia Easter Seal Society's contract with the United States Air Force is one such service agreement that epitomizes the Program's ability to support the country's mobilization effort. [Ref. 43:p. 21] The service, added to the JWOD Program in fiscal year 1990, was for the cutting and assembly of foam pieces to be inserted in the fuel tanks of the Air Force's C-130 transport planes. The foam inserts were used to help suppress the explosion of bullets and thereby reduce the possibility of fire in the plane's tanks.

The benefits from this arrangement were threefold. By contracting with the NISH-sponsored firm to cut and assemble the foam pieces, Robins Air Force Base employees whose skills were previously underutilized were free to work on more challenging tasks. Secondly, a significant amount of the Base's warehouse space previously taken up by a large on-hand inventory of foam was subsequently made available for other purposes. Finally, a substantial number of disabled persons were fully employed and paying income taxes. This one contract employed over 40 people and was worth approximately \$1.7 million. These facts attest to the mutuality of benefits gained from the Government's relationship with the JWOD community.

In summary, the success enjoyed by the Program's nonprofit agencies is directly attributed to their commitment to quality management through personnel training programs, equipment upgrading, and orientation towards customer service. Equally important is the ability of the Government and the central nonprofit agencies to seek out innovative ways of contracting for newly identified requirements.

D. ADDITIONAL AREAS OF RESEARCH

This thesis was designed to provide the reader with an overview of the entire JWOD Program. As stated in Chapter I, it is quite possible that each chapter could provide the ground work for follow-on research. Case studies centering on the Program's contribution to the Persian Gulf effort would provide valuable insight into the strengths and weaknesses of the Program's mobilization and surge capacities. A more in-depth look at the Act's implementation may provide greater insight into the Program's intent. However, there are two areas that the researcher believes would yield the greatest benefits to the Department of Defense.

The first area involves the subject of barriers to the expansion of the JWOD Program. It is recommended that not more than two specific barriers be cited and that the research concentrate on defining realistic approaches to overcoming those chosen barriers. One such barrier could be the rate resourcing method of funding defense acquisition activities as

mentioned in Chapter IV. The research should focus on alternative methods of funding with impact studies accompanying each recommendation. A second barrier could be the administrative burden associated with unnecessary Government specifications and clauses. The researcher should identify specifications and clauses that appear overly restrictive or unnecessary and recommend streamlined procedures to enhance productivity.

The second major area worthy of further research pertains to the recent legislative actions that have allowed sheltered workshops to compete for small business set-asides, and prime contractors to credit their SDB goals for awards to sheltered workshops. Follow-on research should be conducted to determine if the small business community increases its opposition to further Program expansion. The study should determine if the facts underlying the opposition pose valid points. Finally, recommendations should be presented to maintain the integrity of the Program while ensuring the continued viability of the small business community.

LIST OF REFERENCES

1. A.P. Mills Industries for the Blind, APMI Quality Control Manual, West Tennessee Lions Blind Industries, Inc., Memphis, TN, July 1991.
2. A.P. Mills Industries for the Blind, "Performance Work Statement for Machining Repair Parts", West Tennessee Lions Blind Industries, Inc., Memphis, TN, 1987.
3. Beighle, D. P., "Defense Contractors - The Next Spotted Owl?", NCMJ, Vol. 24, Issue 1, 1991.
4. Besant, C. B., Computer-Aided Design and Manufacture 2nd Edition, Ellis Horwood Limited, 1983.
5. Boyle, Thomas, Executive Director, A. P. Mills Industries for the Blind, West Tennessee Lions Blind Industries, Inc., Memphis, Tennessee, Telephone Interview, 16 April 1991.
6. Boyle, Thomas, Executive Director, A. P. Mills Industries for the Blind, West Tennessee Lions Blind Industries, Inc., Memphis, Tennessee, Interview, 29 July 1991.
7. Cheney, Dick, Secretary of Defense, "Defense Management Report to the President", Washington: Government Printing Office, July, 1988.
8. Committee for Purchase from the Blind and Other Severely Handicapped, "1988 Annual Report," Arlington, VA, 1989.
9. Committee for Purchase from the Blind and Other Severely Handicapped, "1989 Annual Report," Arlington, VA, 1990.
10. Committee for Purchase from the Blind and Other Severely Handicapped, "1990 Annual Report," Arlington, VA, 1991.
11. Committee for Purchase from the Blind and Other Severely Handicapped, "1990 Procurement List," Arlington, VA, 1990.
12. Committee for Purchase from the Blind and Other Severely Handicapped, "1991 Procurement List," Arlington, VA, 1991.

13. Committee for Purchase from the Blind and Other Severely Handicapped, "Jobs, Training, & Independence, The Role of the Javits-Wagner-O'Day Program in the Competitive Employment of Persons Who Are Blind or Have Other Severe Disabilities, Eight Case Studies", Arlington, VA, December 1990.
14. Committee for Purchase from the Blind and Other Severely Handicapped, "Providing Jobs and Training Opportunities Under the Javits-Wagner-O'Day Program", Arlington, VA, August, 1989.
15. Committee for Purchase from the Blind and Other Severely Handicapped Pricing Memorandum NO. 1, Subject: "1989 Fair Market Pricing Policy", dated 16 October 1989.
16. Committee for Purchase from the Blind and Other Severely Handicapped Letter to Director, Small and Disadvantaged Business Utilization, Office of the Secretary, Department of Defense, Subject: "Awards to JWOD Nonprofit Agencies and the Small Disadvantaged Business Goals", dated 10 April 1991.
17. Darby, M. M., Rapid Aquisition of Manufactured Parts: Methods of Contracting and Incentives for Industry. MS Thesis, D15835, Naval Postgraduate School, Monterey, CA, December, 1985.
18. Dobler, D. W., Burt, D. N., and Lee, L. Jr., Purchasing and Materials Management, McGraw-Hill Publishing Co., 1990.
19. Federal Acquisition Report, Volume VIII, Number 5, Holbrook & Kellogg, Inc., Vienna, VA, May 1991.
20. Gunn, T. G., "The Mechanization of Design and Manufacturing", Scientific American, Vol. 247, No.3, September, 1982.
21. Harmon, W. H., Director, New Product and Service Department, Government Business Division, National Industries for the Blind, Alexandria, VA, Telephone Interview, 15 April 1991.
22. Harmon, W. H., Director, New Product and Service Department, Government Business Division, National Industries for the Blind, Alexandria, VA, Telephone Interview, 24 July 1991.

23. Hart, E. N., CDR, SC, USN, Director, Regional Contracting Department, Naval Supply Center, Puget Sound, Bremerton, WA, Interview, 31 July 1990.
24. Hastings, A. H., "Offering Blind and Severely Handicapped Persons an Opportunity to Demonstrate Their Productivity," Government at its Best, Scanlon, Hastings, Schmidt, 1985.
25. Hendrick, T. E., and Moore, F. G., Production/Operations Management, Richard D. Irwin, Inc., 1985.
26. Langdale, Zelda, Director, NISH West Region, Livermore, CA, Telephone Interview, 15 July 1991.
27. Langdale, Zelda, Director, NISH West Region, Livermore, CA, Telephone Interview, 18 July 1991.
28. McDowell, W., Deputy Director, Regional Contracting Department, Naval Supply Center, Charleston, SC, Telephone Interview, 25 October 1990.
29. McDowell, W., Deputy Director, Regional Contracting Department, Naval Supply Center, Charleston, SC, Interview, 31 July 1991.
30. Miller, J.E., Chief of Supply Corps/Commander, Naval Supply Systems Command, Washington, DC, Interview, 27 August 1991.
31. Miller, P. E., "TQM in America, A Perspective On What's Wrong", National Contracts Management Association, Sacramento Gold Rush Chapter, January, 1991.
32. National Industries for the Blind, "1989 Annual Report", Alexandria, VA, 1989.
33. National Industries for the Blind, "50th Anniversary, Blind People and Jobs - Bringing Them Together", Alexandria, VA, 1988.
34. National Industries for the Blind, "Government - Use Product/Service Catalog", Alexandria, VA, August 1989.
35. National Industries for the Blind, "Inside NIB", Alexandria, VA.
36. National Industries for the Blind, "Opportunity", VOL. XIII NO. 4, Alexandria, VA, Fall 1990.

37. National Industries for the Severely Handicapped, "Working With The National Industries for the Severely Handicapped (NISH) Under the Javits-Wagner-O'Day Program", Vienna, VA.
38. National Industries for the Severely Handicapped, "Decision Paper: Should the Name National Industries for the Severely Handicapped (NISH) be Changed?", Vienna, VA., June, 1990.
39. National Industries for the Severely Handicapped, "People at Work", Vienna, VA.
40. Quinn, R. F., Associate Director of Small Business, Naval Supply Systems Command, Washington, D.C., Telephone Interview, 17 July 1991.
41. Schrefler, B. A., and Lewis, R. W., Microcomputers in Engineering Applications, John Smiley & Sons Ltd., 1987.
42. Secretary of the Navy Instruction 5060.24, "Secretary Of The Navy Award For Additions To The Procurement List Of The Committee For Purchase From The Blind And Other Severely Handicapped", 07 June 1991.
43. Sutton, Jennifer, "The Javits-Wagner-O'Day Program: Contracting Activities Get More Than They Pay For". Contract Management, Volume 31, Issue 5, National Contract Management Association, May 1991.
44. Sutton, Jennifer, Program Analyst, Committee for Purchase from the Blind and Other Severely Handicapped, Arlington, VA Telephone Interview, 24 May 1991.
45. Sutton, Jennifer, Program Analyst, Committee for Purchase from the Blind and Other Severely Handicapped, Arlington, VA Telephone Interview, 09 July 1991.
46. Under Secretary of Defense (Acquisition), Bolstering Defense Industrial Competitiveness, "Preserving Our Heritage, The Industrial Base, Securing Our Future", Washington: Government Printing Office, July 1988.
47. United States General Accounting Office, "Small Business-Low Participation in Set-Aside Program Expected for Sheltered Workshops", GAO/RCED-90-192, August 1990.
48. United States Government, Code of Federal Regulations, Chapter 51, "Committee for Purchase From the Blind and Other Severely Handicapped," Washington: Government Printing Office, July 1989.

49. United States Government, Federal Acquisition Regulation, Washington: Government Printing Office, April 1985.
50. United States Government, Public Law 92-28, 92nd Congress, S. 557, Washington: Government Printing Office, June 1971.
51. United States Government, Public Law 100-590, 100th Congress, Washington: Government Printing Office, November, 1988.
52. United States Government, Public Law 101-511, 101st Congress, Washington: Government Printing Office, 1991.
53. Wells, Rita L. and Brose, Paula A., "Pathways to Excellence: Research that Helps People Who are Blind or have Other Severe Disabilities Compete for Government Contracts", Contract Management, Volume 31, Issue 5, National Contract Management Association, May 1991.

INITIAL DISTRIBUTION LIST

	No. Copies
1. Defense Technical Information Center Cameron Station Alexandria, Virginia 22304-6145	2
2. Library, Code 0142 Naval Postgraduate School Monterey, California 93943-5002	2
3. Defense Logistics Studies Information Exchange U.S. Army Logistics Management Center Fort Lee, Virginia 23801	1
4. Professor David V. Lamm Department of Administrative Sciences Code AS/LT Naval Postgraduate School Monterey, California 93943-5000	3
5. CDR Rodney F. Matsushima Department of Administrative Sciences Code AS/MY Naval Postgraduate School Monterey, California 93943-5000	1
6. LCDR David Fitzgerald Department of Administrative Sciences Code AS/FT Naval Postgraduate School Monterey, California 93943-5000	1
7. LT Michael F. Corning 28 Chapman Street Ballston Spa, New York 12020	2
8. Mr. Wilburn H. Harmon National Industries For The Blind Government Business Division 1901 N. Beauregard Street, Suite 200 Alexandria, Virginia 22311	1

9. Ms. Zelda Langdale 1
Executive Director, NISH
1404 Concannon Boulevard
Livermore, California 94550
10. Mr. Ray Quinn 1
Associate Director of Small Business
Naval Supply Systems Command
Code 09C
Washington, D.C. 20376-5000