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PUBLIC BUILDINGS

GSA's Reinvention Initiatives

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PUBLIC BUILDINGS  
GSA'S REINVENTION INITIATIVES

SUMMARY OF STATEMENT OF  
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OPERATIONS ISSUES

The General Services Administration (GSA) has a virtual monopoly over the federal government's acquisition and management of general purpose office and storage space that is owned or leased to support agencies' missions. GSA expects to spend about \$6.8 billion in fiscal year 1995 to provide facilities and related services to federal agencies.

GAO's December 1992 transition series report on GSA issues, among other things, (1) highlighted structural weaknesses in the way GSA does business that no longer allow it to respond quickly and effectively in today's environment and (2) pointed out that GSA will lack the incentive and pressure to meet the modern standards its customers demand as long as it depends on its monopoly power. In recommending an end to GSA's service monopolies, separation of its policy enforcement and service provider roles, and the creation of new enterprises aimed at improving management of the government's extensive real estate portfolio, the National Performance Review (NPR) echoed GAO's conclusions.

In response, GSA committed to end its long-standing monopoly, has separated its real estate policy/oversight and service delivery roles and reorganized its Public Buildings Service, and is reforming the way it does business. The changes that GSA is considering appear responsive to many of the concerns GAO and NPR expressed. In response to the President's recent initiative to reduce the size of government and realize long-term cost savings, GSA has expanded its ongoing reform efforts and targeted governmentwide cost savings in the public buildings area of \$6.4 billion over the next 5 years.

GSA has developed a federal operations review model that it plans to use to determine the most cost-effective method of ownership, management, and operations for each of its current business lines, including 11 in the public buildings area. This model is intended to provide an analytical framework and common-sense approach for helping to decide whether business lines should be privatized, transferred to other agencies, or remain in GSA.

GSA is headed in the right direction. However, there are inherent risks in and formidable legal and cultural impediments to reform. GSA will need to show that any reforms it proposes involve acceptable risks and are likely to result in improved building services to federal agencies and net cost savings for taxpayers. GSA will also need to consult with key congressional committees regarding its consideration and treatment of related social, economic, political, and human resource issues.

Mr. Chairman and Members of the Subcommittee:

We welcome this opportunity to appear before you today in connection with your oversight of the General Services Administration's (GSA) public buildings program. My testimony focuses on GSA's initiatives to reform its operations, restructure the Public Buildings Service (PBS), and determine the most cost-effective method of carrying out these essential mission-support activities.

As the attachment to my statement shows, we have reported on GSA's overall management practices and reform efforts and on various aspects of its public buildings activities in a series of reports and testimonies over the past 6 years. We also have work under way in several other GSA public buildings areas and are monitoring GSA's efforts to reform its public buildings activities and restructure PBS. My testimony today is based on this extensive body of past and ongoing work and on our understanding of GSA's reform and reorganization efforts.

#### GSA'S MONOPOLY

GSA has a virtual monopoly over the federal government's acquisition and management of general purpose office and storage space that is owned or leased to support federal agencies' missions. GSA expects to spend about \$6.8 billion in fiscal year 1995 to provide facilities and related services to federal

agencies. Almost one-half of GSA's real estate portfolio of 276 million square feet is leased, and leasing costs are over 30 percent of its total public buildings budget. In recent years, GSA has become increasingly dependent on leasing to satisfy federal space needs and now spends over \$2 billion annually for leased space.

Our December 1992 transition series report on General Services Issues emphasized the need for reforms in the way federal agencies obtain mission-support services. Our report (1) highlighted structural weaknesses in the way GSA does business that no longer allow it to respond quickly and effectively in today's environment and (2) pointed out that GSA will lack the incentive and pressure to meet the modern standards its customers demand as long as it depends on its monopoly power. It stressed the need to (1) resolve GSA's conflicting policy enforcement and service provider roles; (2) replace outmoded centralized methods of delivering facilities, goods, and services; (3) strengthen weak and ineffective internal management systems; and (4) improve GSA's oversight of governmentwide procurement practices. Our report also pointed out ways to improve congressional oversight of GSA, such as requiring GSA to submit comprehensive 5-year strategic plans for meeting federal space needs and periodically reauthorizing GSA's activities.

In recommending an end to GSA's service monopolies, separation of its policy/oversight and service provider roles, and the creation of new enterprises aimed at improving management of the federal government's extensive real estate portfolio, the National Performance Review (NPR) echoed our conclusions. S. 204, now pending in the Senate, would reform several aspects of GSA's public buildings activities. Among other things, S. 204 would require that the Office of Management and Budget (OMB) report to Congress, not later than 1 year after enactment, on the feasibility and desirability of ending GSA's monopoly over federal office and storage space.

GSA'S EFFORTS TO REFORM ITS PUBLIC BUILDINGS  
ACTIVITIES AND ORGANIZATIONAL STRUCTURE

In response to our recommendations and those of NPR, GSA committed itself to end its long-standing monopoly, separate its policy and oversight responsibilities from service delivery, revise PBS' organizational structure and improve how it interfaces with customer agencies, and use private sector practices as benchmarks to reform the way it does business.

The reforms that GSA is considering appear responsive to many of the concerns that we and NPR expressed. However, there are a number of formidable impediments. Major operational reforms will require fundamental changes in the traditional centralized

federal support services paradigm and in GSA's organizational culture and role. Also, they may require changes in existing federal laws and regulations and in congressional appropriation and authorization processes and practices.

GSA reorganized PBS along business lines effective January 8, 1995. This restructuring separated PBS' policy/oversight and service-provider responsibilities, as both we and NPR had recommended. It was also designed to help facilitate the delivery of real estate services to federal agencies by permitting PBS to measure its performance against commercial practices. In connection with this organizational change, GSA abolished its Federal Property Resources Service and made its real property disposal function a part of PBS, another change that we had recommended. PBS's new organizational structure consists of (1) three policy and oversight components-- Governmentwide Real Property Policy, Portfolio Management, and Business Development; (2) five service provider components-- Property Management, Commercial Broker, Fee Developer, Federal Protective Service, and Property Disposal; and (3) three support components--Controller, Chief Information Officer, and Acquisition Executive.

In response to the President's recent initiative to reduce the size of government and realize long-term cost savings, GSA in January 1995 announced plans to accelerate and broaden its

ongoing reform efforts. GSA committed itself to (1) continue its systematic reinvention of activities throughout the agency aimed at streamlining performance of current responsibilities; (2) establish--by October 1, 1995--a separate agencywide Office of Policy and Oversight to enhance its ability to carry out effective governmentwide policy and oversight; and (3) identify the most cost-effective method of carrying out each of its assigned mission-support responsibilities and, if necessary, seek statutory authority to implement the most cost-effective solution. Also, GSA identified a number of potential internal and governmentwide long-term cost-savings opportunities in various areas.

GSA has developed a federal operations review model (FORM) that it plans to use to determine the most cost-effective method of ownership, management, and operations for each of its current support-services business lines that are not inherently governmental.<sup>1</sup> According to GSA, FORM will (1) provide a standard decision-making framework for reviewing and analyzing its activities; (2) facilitate a logical, orderly, and consistent approach; and (3) allow consideration of a wide range of variables affected by possible privatization, decentralization, transfer to other agencies, or termination options, as well as

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<sup>1</sup>According to OMB policy, an "inherently governmental function" is defined as a function that is so intimately related to the public interest as to mandate performance by government employees.

changes in GSA's role. GSA plans to work with consultants and industry sources to help ensure the viability and integrity of the model and to use their technical assistance in applying it.

Within the reorganized PBS, GSA has identified 11 major areas of business activity that it will analyze to determine the most cost-effective method of ownership, management, and operations. These are leasing, tenant representation, disposition of excess property, facilities management, building operations, law enforcement, physical security, property security, project management, architecture and engineering, and program management.

In anticipation of the results of its overall reform effort, GSA identified an estimated cost-savings target for the public buildings area of \$0.5 billion for fiscal year 1996 and a total of \$6.4 billion for the 5-year period ending in fiscal year 2000. We have not reviewed GSA's cost-savings proposal in detail. However, the bulk of GSA's targeted cost savings--from space reductions as a result of government downsizing, reduced agency rent appropriations, increased efficiencies in federal building operations, and deferral or cancellation of approved new public building construction projects--would require federal agency and/or congressional action. And, as mentioned earlier, there are a number of legal and cultural impediments that will have to be overcome if GSA's reform and cost-savings efforts are to succeed.



Before closing, Mr. Chairman, I would like to say that we are encouraged by the commitment and leadership of the GSA Administrator and Deputy Administrator to streamline GSA's public buildings activities and make them more cost effective and businesslike. GSA is headed in the right direction. However, there are inherent risks involved in making any major reform. GSA will need to show that any reforms it proposes involve acceptable risks, represent an optimal mix of government and private sector ownership and operation of the public buildings infrastructure, and are likely to result in improved building services to federal agencies and net cost savings for taxpayers. In this regard, GSA will need to consult with this Committee and other key congressional committees on (1) its consideration and treatment of human resource, organizational, and ethical issues and (2) the social, economic, and political implications of alternative options for owning, managing, and operating public buildings. GSA also will need to keep this and other committees apprised of the results of its analyses of public buildings business lines and work with Congress to identify and resolve other impediments to reform.

This concludes my prepared statement. My colleagues and I would be pleased to respond to any questions.

RELATED GAO PRODUCTS

Federal Office Space: More Businesslike Leasing Approach Could Reduce Costs and Improve Performance (GAO/GGD-95-48, Feb. 27, 1995).

Management Reform: Implementation of the National Performance Review's Recommendations (GAO/OCG-95-1, Dec. 5, 1994).

Real Property Management: Reforms in Four Countries Promote Competition (GAO/GGD-94-166, Sept. 30, 1994).

Budget Issues: Budget Scorekeeping for Acquisition of Federal Buildings (GAO/T-AIMD-94-189, Sept. 20, 1994).

General Services Administration: Better Data and Oversight Needed to Improve Construction Management (GAO/GGD-94-145, June 27, 1994).

Public-Private Mix: Extent of Contracting Out for Real Property Management Services in GSA (GAO/GGD-94-126BR, May 16, 1994).

Management Reforms: Examples of Public and Private Innovations to Improve Service Delivery (GAO/AIMD/GGD-94-90BR, Feb. 11, 1994).

Management Reform: GAO's Comments on the National Performance Review's Recommendations (GAO/OCG-94-1, Dec. 3, 1993).

Public Buildings: Budget Scorekeeping Prompts Difficult Decisions (GAO/T-GGD/AIMD-94-43, Oct. 28, 1993).

Federal Judiciary Space: Long-Range Planning Process Needs Revision (GAO/T-GGD-94-18, Oct. 7, 1993 and GAO/GGD-93-132, Sept. 28, 1993).

Federal Real Property: National Performance Review Recommendations (GAO/T-GGD-93-47, Sept. 21, 1993).

Federal Real Property: Key Acquisition and Management Obstacles (GAO/T-GGD-93-42, July 27, 1993).

Federal Buildings Fund Limitations (GAO/GGD-93-34R, Apr. 5, 1993).

General Services Issues (GAO/OCG-93-28TR, Dec. 1992).

General Services Administration: Actions Needed to Improve Protection Against Fraud, Waste, and Mismanagement (GAO/GGD-92-98, Sept. 30, 1992).

ATTACHMENT

ATTACHMENT

Federal Office Space: Obstacles to Purchasing Commercial Properties From RTC, FDIC, and Others (GAO/GGD-92-60, Mar. 31, 1992).

Real Property Management Issues Facing GSA and Congress (GAO/T-GGD-92-4, Oct. 30, 1991).

GSA: A Central Management Agency Needing Comprehensive Congressional Oversight (GAO/T-GGD-92-3, Oct. 29, 1991).

Long-term Neglect of Federal Building Needs (GAO/T-GGD-91-64, Aug. 1, 1991).

Federal Buildings: Actions Needed to Prevent Further Deterioration and Obsolescence (GAO/GGD-91-57, May 13, 1991).

General Services Administration: Status of Management Improvement Efforts (GAO/GGD-91-59, Apr. 3, 1991).

Facilities Location Policy: GSA Should Propose a More Consistent and Businesslike Approach (GAO/GGD-90-109, Sept. 28, 1990).

General Services Administration: Delegated Buildings Adequately Operated But Better GSA Oversight Needed (GAO/GGD-90-76, May 15, 1990).

The Disinvestment in Federal Office Space (GAO/T-GGD-90-24, Mar. 20, 1990).

Federal Office Space: Increased Ownership Would Result in Significant Savings (GAO/GGD-90-11, Dec. 22, 1989).

General Services Administration: Sustained Attention Required to Improve Performance (GAO/GGD-90-14, Nov. 6, 1989).

Building Purchases: GSA's Program Is Successful But Better Policies and Procedures Are Needed (GAO/GGD-90-5, Oct. 31, 1989).

Public Buildings: Own or Lease? (GAO/T-GGD-89-42, Sept. 26, 1989).

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