

**Supporting Statement for Information Collection Submission
3090-0235, Price Reductions Clause**

A. Justification

1. Explain the circumstances that make the collection of information necessary. Identify any legal or administrative requirements that necessitate the collection. Attach a copy of the appropriate section of each statute and regulation mandating or authorizing the collection of information.

The General Services Administration Acquisition manual (GSAR) at GSAR 538.273 (b) (2) prescribes a Price Reductions clause for use in all multiple award schedule (MAS) solicitations and contracts. The clause, which is at 552.238-75, is intended to ensure that the Government maintains its price/discount (and/or term and condition) advantage in relation to the contractor's commercial customer(s) upon which the MAS contract is predicated. The customer or category of customers upon which the award is predicated is identified at the conclusion of negotiations and reflected in the contract. The Price Reductions clause requires MAS contractors to notify the contracting officer of price decreases to the customer or category of customers, which served as the basis of award of the MAS contract.

2. Indicate how, by whom, and for what purpose the information is to be used. Except for a new collection, indicate the actual use the agency has made of the information received from the current collection.

Notifications of certain price reductions are forwarded to the contracting officer at the same time that the commercial customer is notified. The contracting officer uses the information furnished by MAS contractors to assure that the Government maintains the discount advantage negotiated at the time of contract award, throughout the term of the contract. Without the notice of price reductions under the clause, the Government would not be able to maintain the favorable nature of the MAS pricing arrangement throughout the MAS contract term. Further, the Government's ability to achieve the pricing goal set forth in the Competition in Contracting Act for the MAS Program, *i.e.*, that orders and contracts result in the lowest cost alternative, would be impaired.

3. Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological collection techniques or other forms of information technology, e.g., permitting electronic submission of responses, and the basis for the decision for adopting this means of collection. Also describe any consideration of using information technology to reduce burden.

We use improved information technology to the maximum extent practicable. Where both the General Services Administration and contractors are capable of electronic interchange, the contractors may submit information requirements electronically.

4. Describe efforts to identify duplication. Show specifically why any similar information already available cannot be used or modified for use for the purposes described in Item 2 above.

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We did not identify any duplication of information being collected. Our review did not identify any similar data.

5. If the collection of information impacts small businesses or other small entities (item 5), describe any methods used to minimize burden.

The burden applied to small business is the minimum burden consistent with the Government's objective of maintaining a favorable pricing arrangement during the term of the MAS contract.

6. Describe the consequence to Federal program or policy activities if the collection is not conducted or is conducted less frequently, as well as any technical or legal obstacles to reducing burden.

The nature of this requirement is such that it pertains to an individual firm's price reductions to a certain customer(s). Collection of the information on other than an individual procurement basis is not practical.

7. Explain any special circumstances that would cause an information collection to be conducted in a manner requiring respondents to:

- **Report information to the agency more often than quarterly;**
- **Prepare a written response to a collection of information in fewer than 30 days after receipt of it;**
- **Submit more than an original and 2 copies of any document;**
- **Retain records, other than health, medical, government contracts, grant-in-aid, or tax records, for more than 3 years;**
- **In connection with a statistical survey, that is not designed to produce valid, reliable results that can be generalized to the universe of study;**
- **Require the use of a statistical classification that has not been reviewed and approved by OMB;**
- **Include a pledge of confidentiality that is not supported by authority established in statute or regulation, that is not supported by disclosure and data security policies that are consistent with the pledge, or which unnecessarily impedes sharing of data with other agencies for compatible confidential use; or**
- **Submit proprietary trade secrets, or other confidential information unless the agency can demonstrate that it has instituted procedures to protect the information's confidentiality to the extent permitted by law.**

Collection is not inconsistent with guidelines in 5 CFR 1320.6..

8. If applicable, provide a copy and identify the date and page number of publication in the Federal Register of the agency's notice, required by 5 CFR 1320.8(d), soliciting comments on the information collection prior to submission to OMB. Summarize public comments received in response to that notice and describe actions taken by the agency in response to these comments. Specifically address comments received on cost and hour burden.

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Describe efforts to consult with persons outside the agency to obtain their views on the availability of data, frequency of collection, the clarity of instructions and recordkeeping, disclosure, or reporting format (if any), and on the data elements to be recorded, disclosed, or reported. Consultation with representatives of those from whom information is to be obtained or those who must compile records should occur at least once every 3 years – even if the collection of information activity is the same as in prior periods. There may be circumstances that may preclude consultation in a specific situation. These circumstances should be explained.

A notice published in the *Federal Register* at 76 FR 89141, on December 29, 2011. One comment was received as follows.

The Coalition for Government Procurement provided comments on behalf of its members. The comments are insightful and provide a foundation on which to counter-estimate annual burden hours.

The comments provided included an analysis of the practical utility of the Price Reductions Clause (PRC); the perceived limitations placed on MAS contractors in the commercial market due to the PRC; an estimate of the PRC reporting burden; and the results of the Coalition survey issued to its members on the burden hours of training, compliance systems, contract negotiations, and audit preparation.

GSA appreciates the comments provided and agrees that the reporting burden was underestimated. The PRC is included in the retrospective analysis and review under Executive Order 13563, as part of GSA's modernization effort.

Using the results of the contractor survey conducted by the Coalition relative to the burden hours associated with collection of information on the PRC, GSA has reevaluated and revised the total annual burden. An analysis of the evaluation is as follows:

Training – GSA believes that costs and hours allocated to training have a direct link to the size, business structure and product offerings of the company. Further, the investment of hours for design and development of a training program far outweigh those aligned with the implementation. Given this, GSA expects that the implementation (or ongoing) training activity hours will diminish after the first year of the contract. Training activity for design and development of this type of training can be accomplished in approximately 80 hours, with an additional 5 hours to administer the training. The estimated burden hours for developing and design are:

Number of Respondents: 16,000.

Responses Per Respondent: 1.

Total Annual Responses: 16,000.

Average Burden Hours Per Response: 4 (80 hours/20 yrs).

Total Burden Hours: 64,000.

The estimated burden hours to administer training:

Number of Respondents: 16,000.

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Responses Per Respondent: 1.
Total Annual Responses: 16,000.
Average Burden Hours Per Response: 5.
Total Burden Hours: 80,000.

Compliance systems –Reduced expenditures should occur after the initial investment. The average dollar investment and the number of hours invested to set-up and monitor a compliance system will vary per vendor based on offerings, basis of award, participation in government or commercial marketplace, and the company’s business structure. As a result, compliance system burden hours are broken down to address the diverse MAS vendor base. Approximately 20% of the 16,000 MAS vendors have heavier lifts; and, therefore may require more burden hours to set up and monitor PRC compliance. While the remaining 80% have fewer offerings and less complex business structures resulting in reduced burden hours to setup and monitor compliance. Additionally, compliance systems are used to monitor other requirements for compliance in addition to the PRC. Therefore, the average number of hours invested to set up and monitor the system, as well as the cost of the system must be spread over a larger base than just the PRC.

The estimated burden hours for vendors with higher lifts are as follows:
Number of Respondents: 3,200 (20% of 16,000).
Responses Per Respondent: 1.
Total Annual Responses: 3,200.
Average Burden Hours Per Response: 55 hours (1100 hrs/20 yrs).
Total Burden Hours: 176,000.

The estimated burden hours for vendors with less lifts are as follows:
Number of Respondents: 12,800 (80% of 16,000).
Responses Per Respondent: 1.
Total Annual Responses: 12,800.
Average Burden Hours Per Response: 30 hours (600 hrs/20 yrs).
Total Burden Hours: 384,000.

Negotiations – The PRC is one of many areas negotiated with MAS contractors. We attribute pricing data to constitute over 1/2 of the negotiations, with administrative and technical data comprising the remainder. Based on industry experience, it is estimated that no more than 140 hours are expended on PRC negotiations. Thus, the estimated 272 hours is reduced to 140 hours over 20-year lifespan of the contract (140hrs/20) to a annual burden hours of 7.

Number of Respondents: 19,000.
Responses Per Respondent: 1.
Total Annual Responses: 19,000.
Average Burden Hours Per Response: 7 (140 hrs/20 yrs).
Total Burden Hours: 133,000.

Audits - Over the past three years (FY10, FY11, FY12) an average of 70 FSS contracts were audited by the IG each year. The respondent estimated that approximately 440-470

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hours was spent preparing for audits involving the PRC. Thus, GSA took the approximate average of the respondent's estimate (456) and multiplied it by 70, which is the consistent number of contracts audited during the last three fiscal years, to reach the sum of 31,920 hours expended preparing for audits.

Number of Respondents: 70.

Responses Per Respondent: 1.

Total Annual Responses: 70.

Average Burden Hours Per Response: 456.

Total Burden Hours: 31,920.

9. Explain any decision to provide any payment or gift to respondents, other than reenumeration of contractors or grantees.

GSA makes no such payments under this collection.

10. Describe any assurance of confidentiality provided to respondents and the basis for assurance in statute, regulation, or agency policy.

Confidentiality will be provided to contractors in accordance with prudent business practices and current regulation.

11. Provide additional justification for any questions of a sensitive nature, such as sexual behavior and attitudes, religious beliefs, and other matters that are commonly considered private. This justification should include the reasons why the agency considers the questions necessary, the specific uses to be made of the information, the explanation to be given to persons from whom the information is requested, and any steps to be taken to obtain their consent.

No sensitive questions are involved.

12. Provide estimates of the hour burden of the collection of information. The statement should:

- **Indicate the number of respondents, frequency of response, annual hour burden, and an explanation of how the burden was estimated. Unless directed to do so, agencies should not conduct special surveys to obtain information on which to base hour burden estimates. Consultation with a sample (fewer than 10) of potential respondents is desirable. If the hour burden on respondents is expected to vary widely because of differences in activity, size, or complexity, show the range of estimated hour burden, and explain the reasons for the variance. Generally, estimates should not include burden hours for customary and usual business practices.**
- **If this request for approval covers more than one form, provide separate hour burden estimates for each form and aggregate the hour burdens in Item 13.**
- **Provide estimates of annualized cost to respondents for the hour burdens for collections of information, identifying and using appropriate wage rate categories. The cost of contracting out or paying outside parties for**

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information collection activities should not be included here. Instead, this cost should be included in Item 13.

There are 19,000 vendors holding 16,000 contracts; however, it is estimated that approximately 1,560 PRC modifications are received annually. Time, cost estimates, and the average estimated respondents/yr are based on professional judgment using data industry survey and data from the Federal Acquisition Service FAS-19 contract/order writing system.

Estimated respondents/yr.....	1,560
Number of response per respondent.....	<u>1</u>
Total Responses annually.....	1,560
Estimated hours/response.....	<u>557</u>
Estimated total burden hours.....	868,920

13. Provide an estimate for the total annual cost burden to respondents or recordkeepers resulting from the collection of information. (Do not include the cost of any hour burden shown in Items 12 and 14.)

- **The cost estimate should be split into two components: (a) total capital and start-up cost component (annualized over its expected useful life) and (b) a total operation and maintenance and purchase of services component. The estimates should take into account costs associated with generating, maintaining, and disclosing or providing the information. Include descriptions of methods used to estimate major cost factors including system and technology acquisition, expected useful life of capital equipment, the discount rate(s), and the time period over which costs will be incurred. Capital and start-up costs include, among other items, preparations for collecting information such as purchasing computers and software; monitoring, sampling, drilling, and testing equipment, and record storage facilities.**
- **If cost estimates are expected to vary widely, agencies should present ranges of cost burdens and explain the reasons for the variance. The cost of purchasing or contracting out information collection services should be a part of this cost burden estimate. In developing cost burden estimates, agencies may consult with a sample of respondents (fewer than 10), utilize the 60-day pre-OMB submission public comment process and use existing economic or regulatory impact analysis associated with the rulemaking containing the information collection, as appropriate.**
- **Generally, estimates should not include purchases of equipment or services, or portions thereof, made: (1) prior to October 1, 1995; (2) to achieve regulatory compliance with requirements not associated with the information collection; (3) for reasons other than to provide information or keep records for the Government or (4) as part of customary and usual business or private practices.**

See response number 12.

14. Provide estimates of annualized costs to the Federal Government. Also, provide a description of the method used to estimate cost, which should include qualification

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of hours, operational expenses (such as equipment, overhead, printing, and support staff), and any other expense that would not have been incurred without this collection of information. Agencies may also aggregate cost estimates from Items 12, 13, and 14 in a single table.

There are 19,000 vendors holding 16,000 contracts; however, it is estimated that approximately 1,560 PRC modifications are received annually. Data submitted by respondents is collected and stored electronically. Retrieval of cumulative data requires approximately 3,120 hours and costs the Government \$134,534.40 annually.

Requests/year	1,560
Reviewing Time/hr	<u>2 hours</u>
Review Time/year	3,120
Average Cost/hr	\$ <u>43.12</u>
Total Government Cost	\$ 134,534.40

The cost of \$43.12 per hour is based on GS-12, step 5 salary (Salary Table 2009-DCB Washington-Baltimore, DC-MD-VA-WV, Effective January 2009).

15. Explain the reasons for any program changes or adjustments reported in Items 13 or 14.

The differences that exist between the justifications for the collection as it previously existed and as it exists now are based on current data updating the number of MAS Schedule contractors from a previous count of 16,000 as well as the approximate number of PRC requests submitted annually. An estimated annualized cost to the public is provided. Also, estimated annualized cost to the Government was decreased from \$51.64 to \$43.12 (Grade 12, Step 5) to better reflect the grade of the Contracting personnel reviewing the responses from the contractors to ensure that the Government maintains its relationship with the contractor's customer or category of customers, upon which the schedule contract is predicated.

16. For collections of information whose results will be published, outline plans for tabulation and publication. Address any complex analytical techniques that will be used. Provide the time schedule for the entire project, including beginning and ending dates of the collection of information, completion of report, publication dates, and other actions.

Results will not be tabulated or published. Data collected will be used for internal administration of contracts.

17. If seeking approval to not display the expiration date for OMB approval of the information collection, explain the reasons that display would be inappropriate.

GSA is not seeking such approval for this collection.

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18. Explain each exception to the certification statement identified in Item 19, “Certification for Paperwork Reduction Act Submissions”.

None.