

MAR 12 1984

The Honorable Michael D. Barnes
United States House of Representatives
Washington, D.C. 20515

Dear Congressman Barnes:

I am pleased to respond to your February 9, 1984 inquiry on behalf of your constituent, Ann Riley of Tayloe Associates, regarding the NRC decision not to exercise the option to extend the Tayloe contract.

Contract No. NRC-17-83-399 was awarded to Tayloe Associates for the NRC stenographic reporting requirements throughout the United States, including the Washington, D.C. area, for the period March 16, 1983 through March 15, 1984. The contract provides that the term may be extended for an additional twelve months at the option of the Government, provided that a preliminary notice of intent to extend is given to the contractor at least 30 days before the contract expires. Contrary to Ms. Riley's impression, NRC has not exercised such options routinely. In fact, the current Tayloe contract is the first for stenographic services which contained an option provision.

Before an option may be exercised, the Contracting Officer must determine, in writing, that exercise of the option is the most advantageous method of fulfilling the Government's need. Procurement regulations specify that price must be the primary factor in making this determination. Quality of service of an incumbent contractor may not be considered. In September 1983, we conducted an informal market survey of prices paid by six other Government agencies for similar services to determine whether we could anticipate receiving more advantageous pricing by resoliciting the requirement. Our survey could only reflect similar services because of the wide variances between agencies as to requirements for delivery, travel, complexity of transcripts, and number of copies. The survey showed that NRC was generally paying more for these services than the other agencies, particularly since NRC reimburses travel costs separately and the other agencies surveyed include such costs in their per page price. The survey was made using the basic contract year prices. The Tayloe prices for the option year include a 7.5 per cent increase, exclusive of reimbursable travel costs. In addition, the lack of adequate contract incentives to control travel costs through effective use of subcontracting has resulted in even higher per page prices than had been anticipated. Based on the results of our

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survey, the determination required by the Federal Procurement Regulations that the option year prices were better than prices available in the market could not be made. Consequently, the option year under the Tayloe contract could not be exercised.

We believe that the higher prices under the Tayloe contract were the direct result of the absence of effective price competition. As you may recall, in May of 1982 (your letter of May 13, 1982 and NRC response dated June 2, 1982), the solicitation for these services was set aside for small businesses at the recommendation of the Small Business Administration (SBA). The solicitation was issued to 76 business concerns and only three responded. Of the three, Tayloe was the only concern with whom meaningful negotiations could be conducted.

Based primarily on the history of this procurement, we determined that a combination of a small business set-aside for the Washington, D.C. area and an unrestricted competition for those stenographic reporting requirements outside the D.C. area will best serve the needs of the agency and the small business community as well as comply with all applicable procurement regulations.

The notice of NRC's intention to issue two solicitations was published in the Commerce Business Daily on January 11, 1984. Tayloe Associates requested copies of both solicitations by letter dated January 24, 1984. Copies of the solicitations, SECY-84-327 and ASB-84-352, were mailed on January 31, 1984 and February 6, 1984, respectively. While it is not the normal practice to advise contractors that options will not be exercised, our Administrative Contracting Officer, Tim Hagan spoke with Tayloe's attorney, Mr. Joe Gallo on January 11, 1984 and advised him of our intentions.

Tayloe Associates has performed well under the present contract and we are hopeful that they will be a viable competitor under our two solicitations.

If we can provide further information, please let me know.

Sincerely,

Original Signed by
Patricia Norry

Patricia G. Norry, Director
Office of Administration