

Alaska Procurement Connection

A Monthly Newsletter From Your Procurement Technical Assistance Centers

Public Construction Down in 2007

Contributed by K. Anderson (anksa@uaa.alaska.edu)

The Construction Industry Progress Fund (CIPF) and the Associated General Contractors of Alaska (AGC) recently issued their *Alaska Construction 2007 Spending Forecast*. This forecast, compiled and written by Scott Goldsmith and Mary Killorin of the Institute of Social and Economic Research at the University of Alaska Anchorage, looks at construction activity, projects, and spending by both private and public sectors for 2007.

According to J.A. Ferguson, CIPF President, construction is the third largest industry in Alaska, pays the state's second highest wages, employs nearly 22,000 workers with a payroll over \$1 billion, and accounts for 20 percent of Alaska's economy. The forecast indicates that construction spending will top \$7 billion in 2007, with 35 percent being procured by government agencies.

Divided into two sectors, private and public, the forecast estimates \$2.45 billion will be spent in public sector construction in 2007, down 6 percent from last year. Forecasting for the public sector was complicated by a number of issues for 2007, the first of which is that the federal budget has yet to be passed. All federal agencies, except for Department of Defense and Department of Homeland Security, are currently operating under a continuing resolution and are holding at current spending levels. Also under scrutiny are projects that have been funded through the Congressional mandate, or earmark process.

In the forecast, public sector construction was divided into eight categories for spending, the largest of which was national defense at \$570 million, a 22 percent drop from 2006. According to the forecast, the drop is due to the completion of a number of large projects as well as a decision to slow the pace of spending funds for construction activities at Alaska's bases.

A close second in the spending category was highways at \$425 million. This estimate is 17 percent lower than 2006, mainly due to uncertainty over the use of earmarked funds for two large projects—the Knik Arm Bridge and the Ketchikan Gravina Island Bridge.

While a number of the public spending categories sustained decreases in estimates, there were marked increases in categories to include airports and ports, the Alaska Railroad, and education. The Other State & Local category saw the biggest increase of 32 percent, which will account for \$185 million in spending. This category includes other state and local spending from their own sources and is not based on federal grants nor related to transportation or education. According to the forecast, these projects will fall primarily into the Departments of Commerce, Community, and Economic Development; Health and Social Services; Corrections; Military Affairs; and Public Safety. Local government capital spending is estimated to be \$105 million. The largest part in this category is the Anchorage Water and Wastewater Utility, which plans to spend \$62 million this year. To find out additional details about the spending forecast, or to read the report in its entirety, access: <http://www.agcak.org> and click on the "2007 Alaska Construction Forecast" link on the left-hand side.

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NEWS FLASH

Contributed by Megan Luna (anmcl1@uaa.alaska.edu)

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OFPP Memo Offers Spending Guidance

On February 15, President Bush signed a bill funding most federal agencies at 2006 levels for the remainder of fiscal year 2007. The only exceptions are appropriations for defense and homeland security, which were enacted last year. This bill replaces three previous continuing resolutions which were released over the past several months. H.J. Resolution 20 also includes a moratorium on earmarks, stating in section 112 that any "language specifying an earmark in a committee report or statement of managers accompanying an appropriations Act for FY 2006 shall have no legal effect with respect to funds appropriated."

To help agencies work under the continuing resolution, the Office of Federal Procurement Policy (OFPP) issued a memo with guidelines for spending. The memo has two sections. The first reiterates the ban on congressional earmarks, and the second section of the memo states, "agencies shall fund activities based on authorized, transparent, statutory criteria and merit-based decision-making (including competitive awards)." Furthermore, "agencies shall pay particular heed to existing statutes, regulations, and Administration policy with respect to promoting and providing for competition in soliciting offers and awarding contracts and competitive grants."

To view the full text of OFPP's memo, visit <http://www.whitehouse.gov/omb/memoranda/fy2007/m07-10.pdf>.

DOD Proposes Changes to ORCA

Contributed by K. Anderson (anksa@uaa.alaska.edu)

The U.S. Department of Defense (DoD) is proposing to amend the Defense Federal Acquisition Regulation Supplement (DFARS) to address DoD-unique requirements for the Online Representations and Certifications Application (ORCA). ORCA presently includes only representations and certifications required by the Federal Acquisition Regulation, but it is being revised to also include those required by the DFARS. The proposed rule lists the existing DFARS representations and certifications that will be included in ORCA, implementing DoD-unique statutory requirements and trade agreements, and containing special requirements applicable to the significant number and various types of defense contracts and subcontracts performed outside the United States. This will eliminate the need for offerors to submit the same information to DoD offices in response to individual solicitations. Interested parties should access full text of the proposed rule (<http://www.regulations.gov>; keyword: "2006-D032") and submit written comments on or before April 13, 2007.

Councils Propose Ethics Rule

Contributed by K. Anderson (anksa@uaa.alaska.edu)

The Civilian Agency Acquisition Council and the Defense Acquisition Regulations Council (Councils) are proposing to amend the Federal Acquisition Regulation (FAR) to address Contractor Code of Ethics and Business Conduct and the display of Federal agency Office of the Inspector General Fraud Hotline Poster.

The policy outlines that government contractors must conduct themselves with the highest degree of integrity and honesty. Those with contracts over \$5 million should have a written code of ethics and business conduct. To promote compliance with such code of ethics and business conduct, contractors should have an employee ethics and compliance training program and an internal control system that: (a) Are suitable to the size of the company and extent of its involvement in government contracting; (b) Facilitate timely discovery and disclosure of improper conduct in connection with government contracts; and (c) Ensure corrective measures are promptly instituted and carried out. The rule also establishes remedies if a contractor fails to comply. Interested parties should access full text of the proposed rule (<http://www.regulations.gov>; keyword "FAR Case 2006-007") and submit comments on or before April 17, 2007.

Understanding Strategic Sourcing

Contributed by K. Anderson (anksa@uaa.alaska.edu)

The first questions most businesses ask when approaching large businesses—and contracting agencies for that matter—about potential work are: “Who do I need to talk to about selling my product or service?” And, “how do I get on the buyer’s list?” While certainly valid, these questions imply that the sole purpose for that entity is to support the business looking for work—and nothing can be further from reality. Every large business and contracting agency has an objective and mission to accomplish. As a business, if you’re interested in supporting this objective, you need to understand the key drivers for that organization.

Recently, James Terrell, Vice President Diversity Sourcing and Procurement with Wells Fargo, offered some excellent guidance on approaching potential clients. One key tip to remember, according to Terrell, is that “It’s not about you, it’s about the customer.” And, in this instance your customer is the large business or contracting agency. Rather than focusing on “what can your business offer me?” you should be thinking about “how does what I offer benefit this business?” You should also focus on what you do best. Don’t fall into the “I can do everything” trap because you’ll typically end up doing a lot of things not very well.

One particular area of focus, according to Terrell, should be on the large businesses’ or contracting agency’s strategic sourcing plan. Often, strategic sourcing the “door into a large company,” according to Terrell. But to capitalize on the opportunity, a business must first understand what strategic sourcing is. Strategic sourcing for any organization is much more than making of list of needs and wants. It’s about analyzing data trends, industry benchmarks, and buying patterns. It’s about thinking about what you are going to buy and how you are going to buy it. It’s about conducting research.

As indicated on the Wikipedia site (http://en.wikipedia.org/wiki/Strategic_sourcing), “Strategic sourcing is a systematic corporate/institutional procurement process that continuously improves and re-evaluates the purchasing activities of a company. It is one component of supply chain management.” It’s about implementing initiatives to save money, improve performance, and reduce risk.

At the core, most large businesses and contracting agencies know how much a product or service costs on a national, regional, and local level. During the strategic sourcing process the entity will evaluate the current spend (what have they bought and where) as well as the market (who is offering what). While large businesses and contracting agencies may use different methods to accomplish this effort, the end result is the same. The entity ultimately wants to determine what the best strategy is for future buys that will minimize cost and risk while maximizing performance.

Strategic sourcing is a very similar to the process that most consumers will use when buying new appliances. At some point, we’ve all been in the market for a new stove, washer and dryer, refrigerator, etc. Our typical approach is deciding what features we might want for that product (determine need). We may consult industry flyers to see how one product was rated over another (research). Then we most likely will shop around to various suppliers to determine which one might provide the best product and the lowest price (identify suppliers and negotiate price).

So, the next time you are approaching a large business or contracting agency as a potential client, Terrell suggests you ask: “Do you have a defined sourcing strategy?” “When is the next sourcing cycle for the product or service I provide?” “Is there a minimum requirement to compete in the next sourcing cycle?” And, “What can I do now to prepare my business for the next sourcing cycle?”

In strategic sourcing, how something is bought is much more important than who it is bought from or what is bought. For more information on strategic sourcing in the federal arena access:

- http://www.dod.mil/dbt/strategic_sourcing.html
- <http://professionals.pr.doe.gov/ma5/MA-5Web.nsf/Procurement/Complex-wide+strategic+sourcing+opportunities?OpenDocument>
- http://www.whitehouse.gov/omb/organization/strategic_plan2006.pdf

The best thing about the future is that it only comes one day at a time.

—Abraham Lincoln



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TREND Offers Alaska Inventor's Forum

Contributed by Carolyn Pratt (ancap1@uaa.alaska.edu)

Alaskans have dreamed up some Big Wild inventions, and the list is impressive for a state that is often characterized as being at the tail end of national rankings for innovation. Patents have been issued for everything from a windowsill insect trap, a spinning rock toy, and a doorbell cover to a method for handling liquid gas, an underwater boom containment system, and a medical tool container.

But not all great Alaskan innovators have poured their creative juices into making money from their inventions. When it comes to marketing or manufacturing, some inventors think too small. To learn more about the issues facing inventors and small innovation companies, the Technology Research and Development Center of Alaska (TREND) is hosting the Alaska Inventor's Forum on April 12, 2007 in Anchorage at the BP Energy Center from 10:00AM to Noon.

A panel of experts will present information on the following topics:

- Protecting Your Idea: What are the types of intellectual property?
- Validating the Market: Will my product sell?
- Manufacturing in Alaska: What are the small business challenges?
- Inventor Fraud: What are the scams to watch out for?

Panel members are: Jon S. Dawson, Attorney, Davis Wright Tremaine LLP; Jeri Rubin, Professor, UAA College of Business & Public Policy; Jeremy Zidek, Alaska Better Business Bureau; and, Brett Gibson, Owner, Arctic Paws.

Questions for panel members must be submitted prior to the forum in an effort to target the information to what the audience wants. Submit by email to ancap1@uaa.alaska.edu no later than April 2, 2007. Pre-registration and prepayment are required by contacting TREND at 274-7232 or email to ancap1@uaa.alaska.edu. The fee is \$25.