Federal Commodity Buying Moves Online

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The federal government is the single largest buyer of goods and services, with annual expenditures approaching $50 billion just for competitive commodity-type buys over $3,000. What should be of primary interest to NEMA members is that at least 10 percent, or nearly $5 billion, of that amount is for products related to those in NEMA's 2007 *Electrical Standards & Product Guide*.

A significant challenge for many companies that currently sell or would like to sell to the federal government, whether they sell electrical products or other types of products or services, traditionally has been opportunity access. The federal government market space, with unique terminology, complex rules and regulations, and even separate courts and administrative bodies, is difficult to navigate and may even be seen by some sellers as too complicated to justify entry. Many companies dedicate entire departments or even create subsidiary organizations to obtain federal government business. Some spend millions of dollars simply to gather information regarding upcoming procurements and ensure that they are positioned advantageously to obtain awards of contract. For companies that have never competed for federal dollars but would like to do so, the obstacles may seem daunting at best.

Although the Federal Acquisition Regulations require a fair and open procurement process that encourages maximum participation by sellers, traditional procurement techniques available to the government buyer made that a difficult standard for buyers to achieve and maintain. Actively notifying sellers of appropriate opportunities and ensuring that minimum response goals are met is time consuming, and traditional offline bid-and-proposal processes are cumbersome. In fact, even with the advent of FedBizOpps (www.fedbizopps.gov), which serves as the online publication site (or government-wide point of entry) for federal procurements, access issues remain. Publication to FedBizOpps is generally not required for awards under Federal Supply Schedule or other authorized multiple-award contracts; and, while the site provides static notification, sellers must still actively search the site for opportunities corresponding with their offerings.

Traditional process limitations and inefficiencies, coupled with an increasing workload and decreasing numbers of procurement personnel, typically have meant that most competitive commodity procurements involve a relatively small number of sellers. Traditional limitations have also meant that sellers who would like to participate in those procurements—and particularly, smaller sellers with limited sales and marketing budgets—have a more difficult time tracking them and competing for award. Even in spite of the government's ambitious set-aside programs and small business utilization mandates, federal agencies have historically fallen well short of their obligations to increase seller participation.

Impact of Online Tools on the Federal Market

During the Internet boom of the 1990s, many business and governmental organizations turned to electronic procurement systems, or e-procurement, to automate organizational buying. Then, as now, e-procurement included a variety of approaches, from those simply incorporating web-based functionality, such as e-mail communications, into the procurement process, to more advanced systems that used software or web-based platforms to manage static electronic catalogues or automate reverse auctioning techniques. Regardless of the platform or approach, however, the common goal of these early e-procurement users was to reduce prices as much as possible through increased competition and greater buying efficiencies.

A decade later, federal buyers remain concerned about reducing purchase prices; as management expectations have matured, however, many agencies have extended their reliance on e-procurement to improve efficiencies and procurement cost controls and to increase process transparency. In fact, the growing trend of budget accountability and procurement personnel reductions has created a procurement environment in which procedural efficiencies and attention to the "bottom-line" are no longer just organizational goals but mandates. Over the last few years, increasing use of online procurement tools by federal agencies has helped change the dynamics of the competitive procurement process and made it easier both for buyers to reach sellers and for sellers to access and participate in procurements of commodities and simple services. From government-owned catalogue-based sites, like GSA Advantage! and DoD EMALL, to quote-based systems like GSA e-Buy, to commercial online marketplaces like FedBid, the federal government has moved to bring various components of the procurement process online.

How Online Procurement Tools Benefit Sellers

Online procurement tools work by automating many aspects of the traditional procurement process. Instead of limited manual notification of a few sellers, minimal competition, and paper files with little information and even less practical use, online tools can help maximize opportunity notification, provide streamlined competition, and usable, detailed documentation of the transaction. By improving compliance with existing laws, regulations, and best practices, including the use of fair and open competition and auditable procurement processes, federal buyers using online tools, in turn, provide sellers with a number of important benefits:

- *Increased Opportunity Access and Reduced Costs.* By using online procurement tools to meet fair and open competition requirements, buyers dramatically improve opportunity access for sellers. Federal organizations and associated prime contractors solicit and compete hundreds of thousands of procurements through online tools every year. In addition to providing centralized locations for sellers to view complete, detailed information for each procurement, some tools enable buyers to contact sellers proactively when opportunities arise, using seller-selected profile criteria. This approach minimizes seller resources required to pursue each opportunity and compete for business, increasing opportunity awareness while lowering sales costs. This is especially important for small businesses, which typically do not have the resources to track and compete for business across the federal government. In addition, because online tools are web-based, there is no software to load; and buyers and sellers need only Internet access and a browser to participate.
- *Substantial Time Savings.* Even as government budgets continue to grow, the number of procurement personnel continues to decrease. As a result, buyers must satisfy increasing government purchase needs with fewer human resources. With easy-to-use interfaces that can be used without regard to geographic location, many online tools provide a fast, effective, and efficient means of issuing solicitations; and these buyer efficiencies often make it easier for sellers to compete. Online web-based portals can be used anywhere in the world with Internet access and without implementation or training worries.
- *Improved Competitive Process.* By using online procurement tools, buyers can help ensure that they are employing a regulatory-compliant, fair and open procurement process that maximizes seller participation, provides easy access to the public sector marketplace, and levels the playing field for all businesses. Under federal regulations, buyers must meet or exceed government business utilization thresholds for small and other business designations. Buyers must also comply with Section 803 of the 2002 National Defense Authorization Act, which requires acquisition personnel within the federal government to increase competition levels and document such efforts. Using centralized push notifications of competitive procurement opportunities, buyers increase seller participation; and small businesses that cannot afford additional personnel to target, track, and sell company products and services are no longer at an informational disadvantage. The result is a dynamic that encourages participation by large numbers of sellers, most of which are small businesses.

The Online Marketplace. One adaptation of online procurement tools used by dozens of federal agencies—the online marketplace—provides even greater benefits for sellers by maximizing market access, process efficiencies, and ease-of-use. With a focus on commodity and simple service acquisitions rather than non-competitive small catalog buys or complex service procurements ("event-type" transactions), online marketplace users impact the market most suitable for competitive procurements and small business participation. As with traditional online procurement mechanisms, the marketplace can be used anywhere with Internet access—even through cellular telephone modems—but further improves seller opportunity by providing access at no cost. Sellers set their own criteria in order to be actively notified of those opportunities for which the seller has specifically indicated an interest. Bids are submitted directly to the buyer through the online marketplace, which also employs automated bidding features to save the seller a substantial amount of time over the length of the buying process. Sellers can participate in as many procurements as they like, without the need to monitor individual competitions. In effect, the online marketplace has helped make selling to the government as simple as possible, not just for government contractors, but for any businesses that has something the government needs.

As manufacturers and sellers of electrical products, it is critical for NEMA members to maximize access to the biggest single customers of electrical products in the world. Whether through direct sales or through reseller channels, NEMA members can improve their ability to compete for business across the federal government, including DoD, GSA, and the Departments of State and Homeland Security, by taking advantage of online opportunities. ei

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VIETNAM: The Asian Alternative to China?

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Vietnam is a leading recipient of foreign investment by U.S. companies. As a result of favorable governmental policies, a well-educated workforce, and concern about China's rising costs, Vietnam has experienced a significant rise in direct foreign investment. These companies view Vietnam as a real alternative for establishing manufacturing and distribution centers, primarily for export.

Recent investments include Intel's project in Ho Chi Minh City with a total investment of $1 billion. This investment is being followed by other high-tech investments, as well as prospective Intel suppliers.

Vietnam attracted more than $10.2 billion in registered capital to carry out foreign investment projects in 2006—nearly $8 billion went toward 800 new projects and more than $2.2 billion to 440 applications for capital expansion of existing projects.

During the last two years, Vietnam has yielded robust economic results and showed up strongly on investors' radars following World Trade Organization entry, hosting of the Asia Pacific Economic Cooperation meeting, and U.S. government approval of permanent normal trade relations.

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Specific Characteristics of the Vietnamese Market

While there are many issues foreign investors must examine, the confines of this article only allow us to present five major points.

Labor Rates and Workforce

In comparison to many of its Asian neighbors, Vietnam has a relatively inexpensive labor rate. For factory operators, the average salary is $200 a month while key managers and senior engineers are paid $1,500 a month. Vietnam has a 48-hour workweek, and the government-mandated social programs are approximately 25 percent of the salary costs. In comparison, China has a 40-hour workweek and social costs are 50–60 percent of the operator's salary.

The Vietnamese workforce is well-educated and hungry. The average age of an operator is 24 and a growing percentage of the workforce has a comfort zone with English as a second language.

Tax Incentives

In terms of economic development, Vietnam is now where China was 10–12 years ago.

Policy makers in Hanoi have learned valuable lessons from the Chinese model and the government has implemented an aggressive program of corporate income tax incentives. This program involves up to four years of tax holiday following (and including) the first year of "carried forward" profitability. Thereafter, the tax rate is one-half of the nominal tax rate for a period of up to 7 years, with a total application period of up to 15 years. The nominal tax rate can be 10 percent, 15 percent, or 20 percent—depending on the industry sector, investment classification, and location. The standard tax rate is 28 percent.

When a company is selecting the site for their investment, the various business parks should be visited and tax incentives of each discussed, as well as the criteria for obtaining preferential tax treatment. There are also duty-free programs for the importation of capital goods (new and refurbished).

Infrastructure

Vietnam's infrastructure is developing rapidly to meet this influx of foreign direct investment. While behind China, the Vietnamese government is committed to developing infrastructural balance, especially electricity and water supply, seaport services and telecom. Bilateral lenders and grants continue to be plentiful.

In the last two years, Vietnam has invested some 10 percent of Gross Domestic Product to infrastructure. By 2012, Vietnam will have completed a major logistical milestone via deep water ports and surface transport—this development will give Vietnam a huge competitive advantage and allow them to further support investors supply-chain initiatives and exports to Southeast Asian Nations, China, and North America.

Intellectual Property (IP) and Legal Infrastructure

In addition to meeting intellectual property (IP) and legal requirements for WTO admission, the Vietnamese government has taken

steps to protect IP and enacted laws providing specific protection for investors. The system of laws affecting foreign investment has continued to see improvement, creating a more transparent and open legal framework for investment activities.

Last year, the government issued decrees to guide the implementation of investment and procurement laws. The National Assembly also approved new laws to make the legal framework more synchronic to investors: securities, technology transfer, intellectual property law, and an amended labor code, which has new stipulations on strike issues.

Availability of Existing Manufacturing Facilities

Vietnam has developed a relatively large number of business parks. The lease rates for land are generally less expensive than China, averaging $20–$25 per square meter for a 50-year lease. Lease rates in existing, more established parks are more expensive and are approximately $40 per square meter.

Statistics from the Industrial Zone (IZ) and Export-Processing Zone (EPZ) Management Department of the Ministry of Planning and Investment show that in 2006, $5.68 billion went to IZs and EPZs. This investment was for new projects and capital increases in present projects and was nearly twice the inflow in 2005.

Ba Ria-Vung Tau, Binh Duong, Dong Nai, and Ho Chi Minh City were most attractive to investors with 213 projects and total registered capital of nearly $2.58 billion—approximately 60 percent of the total foreign direct investment in IZs and EPZs.

One of our clients, a U.S. metal fabricator, wanted to establish a manufacturing facility near Ho Chi Minh City to take advantage of the seaport and ease of customs. Of the approximately 55 business parks located in the area, we narrowed the list to three qualified sites that met the client's needs. These parks were competitive in their services and are a good place for companies establishing business entities.

Vietnam offers investors great economic potential and is a leading alternative for companies wanting to divest their Asian investments. With an inexpensive labor force, exceptional tax incentives and a growing infrastructure, Vietnam will continue to offer investment opportunities for U.S. companies. ei

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Mr. Bryant will present a webinar on this subject on March 19 at 11 a.m., EST. For more information, see http://eo2.commpartners.com/users/nema/index.php.

NTCIP Standards Around the World

Finding out who's using the National Transportation Communications for ITS Protocol (NTCIP) family of standards is a lesson in world geography, and it shows how this modular and extensible approach to traffic management standards is gaining in popularity.

The NTCIP is a family of data communications protocols used for the remote command and control of field-deployed traffic management sensors and devices. The NTCIP family is an open, vendor-neutral, consensus-based set of standards based on Internet protocols. The NTCIP family includes data dictionaries for 12 different end devices and profiles that select the communications network features of Internet and other protocol standards. NTCIP is extensible, meaning vendor-unique features can be added to the standardized core functions.

The heart of the standards family is the data dictionaries, which are available as text files, called Management Information Base (MIB), which can be compiled into software. NTCIP MIB objects are those for which the definition has been achieved by consensus. The MIB objects are those data elements that define how the software will operate a particular device—for example, the functional parts; the control schemes; and how data is collected, stored, and reported. The standard MIBs include both computer-readable descriptions and human-readable prose descriptions. The NTCIP MIBs are written in an adapted sub-set of Abstract Syntax Notation One (ASN.1) language. There are different MIBs for traffic signal control, dynamic message sign control, roadside weather reporting stations, controlling CCTV cameras, ramp metering control, traffic data collection stations, and controlling lighting systems.

Over the past three years, the top ten countries outside the U.S. that have been home to NTCIP website visitors are China, Canada, Germany, the United Kingdom, France, Taiwan, Switzerland, Republic of Korea, India, and Japan. However, the U.S. is the NTCIP's home base—the number of hits from each of the other counties is ten percent or less of the hits originating from the U.S.

In the past two years, some of the transportation agencies that have requested access to the NTCIP MIBs include New South Wales Roads and Traffic Authority, Australia; Durban Traffic Management, Northway, South Africa; Traffic and Toll Department of Indra Sistema S.A., Madrid, Spain; Shanghai City Comprehensive Transportation Planning Institute, China; and the road operator Autovias S.A., Brazil.

Traffic management practices may vary around the world, but the modular and extensible approach used by the NTCIP family of standards provides a "shopping plaza" for system developers to find many of the MIB objects they may need for their in-country devices. The world's developers only need to extend the standard NTCIP MIB with their own unique object definitions, adding their functions to the standard features. And getting a core set of NTCIP objects into devices around the world is a great improvement over the propriety protocols that were used before. The world market is indeed growing larger. ei

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