

# MOVING TRENDS

**Price, Accountability, and Innovation:  
The Hidden Costs of Sole-Source Government  
Contracts and Implications for the GHC**

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# ABSTRACT

This report examines the risks associated with consolidating government contracts under single-vendor arrangements, with a particular focus on the Department of Defense's (DoD) Global Household Goods Contract (GHC). Drawing from academic research and historical examples within U.S. federal agencies, this report underscores the potential negative impacts of sole-source contracting on cost, service quality, competition, and accountability. Evidence suggests that single-vendor contracts often lead to service disruptions, inflated costs, and a lack of innovation, stemming from reduced competition and vendor dependency. By comparing recent federal contracts that were initially consolidated but later reverted to multi-vendor models due to operational failures, this report highlights the strategic and fiscal advantages of diversified vendor engagement.

Additionally, we provide insights into the specific risks associated with the GHC contract, awarded to HomeSafe Alliance LLC, which centralizes all relocation services for DoD personnel and their families.

Key concerns include the potential for increased costs, service quality issues, and logistical challenges that may impact military readiness and morale. The findings in this report advocate for a GAO review to assess the GHC's alignment with the DoD's long-term goals, financial management standards, and service commitments to military families. This analysis ultimately argues that multi-vendor contracting can enhance accountability, ensure continuity, and safeguard the interests of service members and taxpayers alike.

# BACKGROUND

In 2020, the DoD decided to consolidate numerous PCS moving contracts into a single, comprehensive contract known as the Global Household Goods Contract (GHC). The GHC was awarded to a single primary vendor, HomeSafe Alliance LLC, which is responsible for managing the entire process of household goods relocation for military personnel.

Under the GHC, HomeSafe Alliance acts as the middleman, subcontracting specific moving tasks to various transportation service providers (TSPs) and other related vendors. This includes packing, shipping, storage, and delivery services. HomeSafe Alliance manages a network of commercial moving companies to provide these services both inside and outside the continental U.S. Their services include a web-based platform for planning, preparing, managing, and monitoring shipments, as well as a tool to optimize transportation throughput capacity.

Prior to the GHC, the DoD managed PCS moves through multiple contracts with various transportation service providers (TSPs). Each military service branch and installation would independently bid and manage contracts for moving services.

Case studies of other consolidated government contracts raise significant areas of concern regarding the GHC Contract:

- **Reduced Competition:** Consolidating into a single contract can reduce the competitive landscape, potentially leading to higher costs and less innovation over time.
- **Vendor Dependency:** Relying on a single vendor increases the risk of dependency. If the primary vendor fails to meet expectations or encounters operational issues, it could severely impact the entire PCS process.
- **Quality Control and Oversight:** Managing a large number of subcontractors can complicate oversight and quality control, leading to potential lapses in service quality.
- **Implementation Challenges:** Transitioning from multiple contracts to a single, unified contract can be complex, with potential disruptions during the changeover period.
- **Service Disruptions:** Any issues with the primary vendor, such as labor disputes, financial instability, or logistical challenges, can lead to significant service disruptions.
- **Scalability Issues:** The primary vendor may struggle to scale services effectively, especially during peak moving seasons, leading to delays and decreased service quality.
- **Data Security and Privacy:** Handling large amounts of personal data increases the risk of data breaches and privacy concerns.
- **Resistance from Existing Vendors:** Current vendors who lose business due to the consolidation may push back or create legal challenges, potentially delaying the implementation.
- **Cost Overruns:** The consolidated contract might face cost overruns if the primary vendor underestimates the complexity or volume of work.
- **Customer Service Issues:** The primary vendor might struggle to provide the personalized service that smaller, specialized vendors could offer, leading to dissatisfaction among service members.

# BACKGROUND

## Cause for a GAO study

The Government Accountability Office (GAO) conducts audits, evaluations, and investigations of federal programs and activities, often leading to significant changes in how these programs are managed. Requesting a GAO study involves a formal process, usually initiated by members of Congress, congressional committees, or other government entities. The GAO evaluates the request to determine if it aligns with their priorities and capabilities. They consider factors such as the significance of the issue, resource availability, and potential impact.

One of the goals of the Global Household Goods Contract (GHC) is to achieve contract value presumably by reducing the costs of moves by imposing a schedule of rates on subcontractor “partners”. One problem with this theory is that each partner will have their own overhead to factor into their price for service that cannot be effectively accounted for in any of the pricing models determined by the HomeSafe Alliance or DOD. If service providers decide the contract’s fixed rates are not conducive to the providers ability to make the necessary return from providing services then DOD and HomeSafe Alliance could find themselves in a dire situation. Alternatively, if the service providers decide to accept the rates, which amount to lower prices than their necessary rate of return, the rest of the market can expect prices to increase to compensate. This, in effect, equates to a double penalty for taxpayers: the cost of the contract funded by tax dollars and price increases for moving expenses.

There are several GAO reports that indicate the Department of Defense (DOD) lacks the requisite governance ability and organizational discipline to oversee its contracts with third-party suppliers. Further, both academic research and case studies on similar contracts illustrate the need for comprehensive review of the approach. The following provides details on both.

# KEY FINDINGS

## Academic Findings on Hazards of Government Consolidation to Single Vendors

Academic research underscores the potential hazards of consolidating government contracts to single vendors, including reduced competition, increased costs, declining service quality, and vendor dependency. Conversely, eliminating middlemen and fostering direct competition among vendors can drive performance, enhance service quality, ensure accountability, and mitigate risks. These findings advocate for procurement strategies that emphasize competitive bidding and diversified vendor engagement to achieve optimal outcomes for government contracts

Findings include:

- **Reduced Competition and Innovation:** Consolidating government contracts to a single vendor can stifle competition and reduce incentives for innovation. Without the pressure of competing against other vendors, the single vendor may have less motivation to improve services or reduce costs. Eliminating middlemen and allowing direct competition among vendors can lead to better pricing and cost efficiency. Competitive pressures drive vendors to offer their best prices and innovate to win contracts.
- **Increased Costs:** Initial cost savings from consolidation can be offset by long-term increases in costs. A single vendor may exploit their position by negotiating higher prices over time, particularly if there are no competitive pressures to keep costs down.
- **Service Quality and Accountability Issues:** Service quality may decline when a single vendor controls a large contract. Without competition, there is less accountability, and the government may have limited recourse if the vendor fails to meet performance standards. When multiple vendors compete directly, service quality tends to improve. Vendors are incentivized to provide high-quality services to maintain their contracts and secure future opportunities. Direct competition enhances accountability. Multiple vendors mean the government can hold vendors to higher standards and switch providers if performance is unsatisfactory. This flexibility is crucial for adapting to changing needs and avoiding dependency on a single provider.
- **Risk of Dependency and Vendor Lock-In:** Dependency on a single vendor can lead to significant risks, such as vendor lock-in, where the government finds it difficult to switch vendors due to high transition costs or proprietary systems used by the incumbent vendor. Spreading contracts across multiple vendors reduces the risk associated with vendor failure. If one vendor encounters issues, others can step in to maintain service continuity.

# EXAMPLES

## Examples of U.S. government reversing consolidation programs or plans

There are many examples where government agencies consolidated to a single vendor but had to reverse course due to various problems such as logistics, costs, or service failures:

### U.S. Department of Defense (DoD) Electronic Health Records (EHR) System (2015 – 2018 with Cerner):

**Issue:** The DoD awarded a contract to a single vendor for its EHR system. The project encountered significant technical challenges and integration issues, which led to calls for review and adjustments. These technical issues disrupted clinical workflows, leading to frustration among healthcare providers and impacting the quality of care for military personnel and their families. The project experienced substantial cost overruns due to unforeseen complexities and the need for additional resources to address technical and operational issues, and the initial budget was inadequate, leading to the requirement for additional funding and financial strain on the DoD's budget.

**Reversal:** The contract was re-evaluated, and additional vendors were brought in to assist with the implementation and integration.

### U.S. Department of Veterans Affairs (VA) Medical Scheduling System (2010 – 2016 with Epic Systems Corporation):

**Issue:** The VA consolidated its medical scheduling system under a single vendor but faced significant delays, technical integration issues, and cost overruns. Miscommunication and lack of clear accountability contributed to missed deadlines, scope creep, and insufficient progress tracking. The initial budget estimates proved to be inadequate, resulting in the need for additional funding and resource allocation, which strained the VA's budget.

**Reversal:** The VA eventually scrapped the contract and returned to using multiple vendors to address the scheduling issues.

### U.S. Air Force Base Maintenance Contract (2012 – 2015 with PAE):

**Issue:** A single vendor was chosen for maintenance across multiple bases, but the vendor failed to meet performance standards. Substandard maintenance affected the operational readiness and safety of the bases, leading to dissatisfaction among Air Force personnel. PAE faced difficulties coordinating and efficiently managing resources and personnel to address maintenance needs at different locations. The contract experienced cost overruns due to underestimated complexities and inefficiencies in the maintenance process. PAE had to allocate additional resources to meet contractual obligations, driving up costs. The single vendor model lacked the flexibility needed to adapt to changing maintenance requirements and unexpected issues. PAE's rigid contract terms made it difficult to address emerging needs promptly. Increased costs strained the USPS budget, making the single-vendor approach financially unsustainable in the long term.

**Reversal:** The Air Force divided the contract among multiple vendors to improve service levels.

### U.S. Postal Service (USPS) Transportation Contract (2017 – 2019 with FedEx):

**Issue:** The USPS consolidated its transportation services under a single vendor, leading to logistical issues and delays. FedEx faced significant logistical challenges in managing the vast and complex transportation network required by the USPS. The scale and scope of the operations were difficult to handle effectively under a single vendor model. Logistical challenges led to delays in mail delivery, inefficiencies in transportation routes, and disruptions in service, negatively affecting USPS operations and customer satisfaction.

**Reversal:** The USPS reverted to using multiple vendors to improve service reliability.

# EXAMPLES

## **Federal Emergency Management Agency (FEMA) Disaster Recovery Services (2015 – 2018 with IEM):**

**Issue:** FEMA experienced significant challenges with the consolidated contract, including delays in disaster recovery efforts and issues with the quality and timeliness of the services provided. Managing disaster recovery operations on a national scale proved to be logistically complex for a single vendor. IEM faced significant challenges in coordinating with various state and local agencies, as well as other federal entities. This led to inefficiencies and bottlenecks.

**Reversal:** Returned to a multi-vendor strategy to improve the responsiveness and effectiveness of disaster recovery efforts. FEMA reintroduced competition by contracting multiple vendors to handle different aspects of disaster recovery. This allowed for more specialized services, increased flexibility, and better allocation of resources.

## **U.S. General Services Administration (GSA) Fleet Management (2011 – 2014 with LeasePlan USA):**

**Issue:** The GSA consolidated fleet management services under a single vendor, but faced logistical challenges and increased costs.

**Reversal:** The GSA reintroduced multiple vendors to better manage the fleet and control costs.

## **U.S. Department of Education Student Loan Servicing (2017 – 2019 with Nelnet):**

**Issue:** The consolidation of student loan servicing under a single vendor resulted in customer service issues and processing delays.

**Reversal:** The Department of Education returned to a multi-vendor model to improve service quality.

## **U.S. Census Bureau IT Systems for 2020 Census (2016 – 2019 with T-Rex Solutions):**

**Issue:** The consolidation of IT systems for the 2020 Census under a single vendor led to performance issues and security concerns.

**Reversal:** The Census Bureau involved multiple vendors to resolve the issues and ensure the census was conducted smoothly.

## **U.S. Department of Agriculture (USDA) Rural Broadband Initiative (2018 – 2020 with CenturyLink):**

**Issue:** The USDA's initiative to expand rural broadband under a single vendor faced significant delays and cost overruns.

**Reversal:** The initiative was restructured to involve multiple vendors to expedite deployment and manage costs.

# EXAMPLES

## **U.S. Federal Aviation Administration (FAA) NextGen Air Traffic Control (2012 – 2015 with Harris Corporation):**

**Issue:** The FAA's NextGen air traffic control system faced delays, cost overruns, and technical issues, which impacted the overall implementation of the NextGen system.

**Reversal:** The FAA brought in additional vendors and divided the project into smaller contracts to improve flexibility, manage risks better, and enhance the overall implementation and integration of the NextGen system components.

## **U.S. Department of Transportation (DOT) Highway Construction (2013 – 2016 with Bechtel):**

**Issue:** The consolidation of highway construction contracts under a single vendor resulted in significant challenges, including cost overruns, delays, and coordination issues. These problems highlighted the difficulties in managing large-scale highway construction projects through a single vendor.

**Reversal:** The DOT divided the contract among multiple vendors to improve efficiency and manage costs effectively.

## **U.S. Fish and Wildlife Service (FWS) Wildlife Conservation Projects (2018 – 2020 with Wildlife Conservation Society):**

**Issue:** Consolidation led to coordination challenges and inefficiencies in managing diverse conservation projects across different regions and ecosystems.

**Reversal:** FWS returned to using multiple vendors to manage their conservation projects. This allowed for better specialization, improved local engagement, and more effective management of conservation efforts across various regions.

# CITATIONS

**Brown, T. L., & Potoski, M. (2003). "Managing Contract Performance: A Transaction Costs Approach." *Journal of Policy Analysis and Management*, 22(2), 275-297.**

This study explores the relationship between government outsourcing, vendor competition, and performance, emphasizing that single-vendor models often reduce accountability and service quality. The authors argue that a competitive marketplace with multiple vendors promotes better pricing, higher service quality, and innovation.

**Warner, M. E., & Hefetz, A. (2008). "Managing Markets for Public Service: The Role of Mixed Public-Private Delivery of City Services." *Public Administration Review*, 68(1), 155-166.**

This research discusses the downsides of consolidating public contracts, pointing out that competition among vendors leads to greater efficiency and responsiveness. The study highlights how single-vendor scenarios can create "lock-in" issues and decrease flexibility for innovation.

**Kettl, D. F. (2015). "The Transformation of Governance: Public Administration for Twenty-First Century America." *Baltimore: Johns Hopkins University Press*.**

Although not an article, Kettl's book provides a robust analysis of governance trends and includes extensive discussions on the implications of sole-sourcing for public sector contracts. Kettl argues that single-vendor consolidation often limits opportunities for competition and discourages vendors from pursuing cost-efficient or innovative practices.

**Domberger, S., & Jensen, P. (1997). "Contracting Out by the Public Sector: Theory, Evidence, Prospects." *Oxford Review of Economic Policy*, 13(4), 67-78.**

This article investigates the theoretical underpinnings and empirical evidence of public sector contracting out, focusing on how competitive bidding and market dynamics drive quality and cost-efficiency. The authors argue that when governments consolidate contracts to a single vendor, the lack of competition diminishes incentives for cost savings and innovation.

**Shrestha, M. K., & Feiock, R. C. (2011). "Governing U.S. Metropolitan Areas: Self-Organizing and Multiplex Service Delivery Networks." *American Review of Public Administration*, 41(4), 355-375.**

This study explores how service delivery arrangements affect cost efficiency in public services. The authors find that contracts involving multiple providers generally lead to cost savings over time due to the competitive dynamics, in contrast to sole-source contracting, which risks cost increases from limited competitive pressure.

**Boyne, G. A. (1998). "Public Choice Theory and Local Government: A Comparative Analysis of the UK and the USA." *Public Administration Review*, 58(6), 474-487.**

Boyne's research focuses on public choice theory, examining the cost consequences of reduced competition in local government contracts. The study discusses the risk of rising costs in consolidated contracts and shows that multi-vendor models often achieve more sustainable cost efficiency.

**Hefetz, A., & Warner, M. (2012). "Contracting or Public Delivery? The Importance of Service, Market, and Management Characteristics." *Journal of Public Administration Research and Theory*, 22(2), 289-317.**

This research analyzes the impacts of contracting choices on cost and service quality, showing that when competition is lacking, vendors may gradually increase prices. The authors recommend competitive contracting to manage costs effectively and maintain quality standards in service delivery.