

*“A ‘strategy’ is a concrete, realistic plan that explains the essential connection between ends and means: it begins from an accurate assessment of what is desired and what tools are available, or can realistically be created, to achieve the desired outcomes.”*—President Donald J. Trump, *National Security Strategy*, page 4

## Competition on Paper vs. Competition in Reality

### Why “Full and Open” Often Isn’t—and Why 8(a) Sole Source Often Is

#### **What “Competition” Means in Federal Procurement**

In ordinary markets, competition implies multiple credible suppliers, low barriers to entry, and price discipline created by the ability to switch providers. Federal procurement does not naturally meet these conditions.

“Full and Open Competition,” as defined in federal acquisition law, is *a procedural designation, not an economic guarantee*. It means solicitations are legally open to all qualified vendors. It does not mean all firms can realistically compete, nor that resulting prices are disciplined by a functioning market.

Credible participation in federal competitions typically requires prior federal past performance, compliance systems meeting audit and cybersecurity standards, access to approved contract vehicles and NAICS alignment, proposal and capture infrastructure capable of producing lengthy compliant submissions, and sufficient capital to carry bid and payroll costs during extended award cycles.

These requirements create structural barriers to entry. Firms without existing federal footprints are largely excluded regardless of technical capability or efficiency. As a result, many “Full and Open” competitions function as contests among a small, stable set of incumbents.

For this analysis, “Full and Open Competition” and “Full and Open Competition After Exclusion of Sources” are treated together as the civilian competitive baseline—the procurement environment critics of the 8(a) program typically describe as the preferred, merit-based alternative.

#### **What “Full and Open” Competition Actually Produces**

To evaluate how competitive this baseline is in practice, federal contract action data from FY2018–FY2024 was analyzed using USASpending.gov records. Department of Defense awards were excluded to avoid distortion from unique national-security constraints; the analysis focuses solely on civilian agencies.

Across civilian agencies:

- 18%–38% of Full and Open (plus After Exclusion) awards received only one bid.
- An additional 9%–14% received exactly two bids.

When awards are grouped into effective competition (three or more bidders) versus thin competition (one or two bidders), thin competition accounts for a large and persistent share of awards across all years examined.

These are not edge cases. *They are a structural feature of civilian procurement.*

Thin bidding is not inherently improper in specialized or urgent contexts. However, its prevalence across routine civilian procurements indicates that “Full and Open” status is most often a legal formality rather than evidence of a functioning competitive market.

This matters because federal acquisition rules frequently allow price reasonableness to be presumed when adequate competition exists. When competition is thin but procedurally compliant, that presumption can mask the absence of real market discipline.

Prices may be *lawful without being economically competitive.*

### **Strategy Requires Matching Tools to Reality**

President Trump’s National Security Strategy wisely defines strategy as a realistic connection between ends and means, grounded in an accurate assessment of available tools. That principle applies directly to federal procurement.

The government buys everything—from complex technical systems to routine services. No serious strategy assumes one method is optimal for all missions. A procurement system that relies exclusively on “Full and Open” competition is not strategic; it is brittle.

The data shows that in much of the civilian market, formal competition yields thin bidding and weak price signals. In those conditions, insisting on procedural competition is not discipline—it is ritual.

Maintaining structured sole-source pipelines, including 8(a), reflects strategic flexibility: matching acquisition tools to market realities to achieve better outcomes. That is not an exception to competition. It is *strategy applied.*

### **Why Thin “Full and Open” Competition Does Not Reliably Discipline Price**

Competition disciplines price only when the market is genuinely competitive.

Under federal rules, when an award is made using Full and Open Competition and multiple bids are received, price reasonableness may be *presumed*. This presumption rests on the existence of competition, not on demonstrated comparison to underlying cost structures or market alternatives.

When entry barriers are high and the competitive field is narrow, multiple bids may reflect parallel pricing among incumbents with similar overhead, capture costs, and incentives—not a competitive market.

Importantly, contracting officers generally do not see or validate the internal cost buildup of competitive offers. The government evaluates total proposed price, not labor mix, indirect rates, or embedded profit. If the proposal is compliant and compares favorably to others, the price may be accepted as reasonable even if it includes substantial margin or inefficiency.

The result is a paradox: a procurement can be fully compliant, formally competitive, and still economically noncompetitive.

### **Why 8(a) Sole Source Operates as Real Price Competition**

8(a) sole-source awards are often characterized as “no-bid” and therefore noncompetitive. In practice, the opposite is often true.

Unlike many Full and Open awards, 8(a) sole-source actions require affirmative, documented price-reasonableness determinations. Contracting officers must justify price using cost or pricing data, historical comparisons, market research, or other objective benchmarks. Without this documentation, the award cannot proceed.

Pricing is reviewed line by line. Labor categories, hours, indirect rates, escalation assumptions, and profit or fee are visible to the government and subject to adjustment. Profit is constrained by structured guidelines rather than embedded opaquely in a competitive price. This is colloquially referred to as “open kimono” because nothing is hidden.

Although the final award may be sole source, agencies commonly conduct pre-award market research within the 8(a) pool, reviewing multiple capability statements and approaches before selecting a firm for negotiation. Competitive pressure occurs upstream, during selection and negotiation, rather than downstream through sealed-bid comparison.

The distinction is critical:

- Full and Open Competition relies on competition to imply reasonableness—even when competition is thin or nonexistent.
- 8(a) sole source requires reasonableness to be demonstrated directly.

From the taxpayer's perspective, 8(a) pricing often provides clearer visibility into what is being purchased, why the price is acceptable, and where profit resides.

### **The Cost of Mandatory Competition**

Competition is not free. In federal procurement, formal competition imposes significant transaction costs on both industry and government.

Full and Open civilian procurements routinely require lengthy proposal packages prepared by dedicated teams and evaluated through multi-layer review processes. Industry benchmarks consistently show proposal preparation costs of approximately 1–3% of expected contract value, often higher for complex bids. These costs are not absorbed out of civic virtue; they are priced into future rates.

When competition is robust, these costs may be justified. When competition yields only one or two bids—as it so often does—the government incurs the full cost of competition without obtaining its benefits.

This is why federal acquisition law includes streamlined and negotiated authorities, including 8(a). These tools reduce acquisition time and transaction cost while preserving price and performance oversight. Forcing every requirement through the most procedurally elaborate form of competition does not maximize value.

It maximizes paperwork.

Methodology available at: <https://www.8afacts.org/competition>