



## **USD (AT&L) Better Buying Power Initiative:**

### **Guidance for Obtaining Greater Efficiency and Productivity in Defense Spending Removing Obstacles to Competition**

Better Buying Power Gateway: <https://dap.dau.mil/leadership/Pages/bbp.aspx>

Better Buying Power Community of Practice: <https://acc.dau.mil/CommunityBrowser.aspx?id=432727>

MA Brief 8-25-2011



## Promote Real Competition Modules

- This presentation is a subcomponent of a set of competition modules:



- These three modules must be provided together to comprehensively address competition initiatives

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We will be talking about the “Remove Obstacles to Competition” block in this presentation...

Required training for all personnel involved in the acquisition process to provide a fundamental understanding of competition and the resulting benefits.

- **Purpose / Description**
  - Leadership Guidance
  - DOD Spending: Products vs. Services
  - Competition: Definitions & Metrics
- **Removing Obstacles to Effective Competition**
  - Objective / Expected Efficiencies
  - Best Practices
- **Resources**
- **Conclusion**





## Bottom Line Up Front

- **BBPi initiative guidance requires competition improvement goals be met**
- **Effective competition is the rule not the exception**
- **Market research and communication are key to effective competition**
- **Use your Competition Advocate**
- **Design a strategy that supports effective competition**
  - Now and in the future (avoid locking out future competition)

“Real competition is the single most powerful tool available to the department to drive productivity. “ -- **Dr. Ashton Carter**

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Emphasize that while this brief focuses on effective competition, it is covered in the context of competition in general.

The terms effective and real competition are used interchangeably.

The definition and meanings are the same.

Different policy letters have used both terms.

Contracting:

Correct coding and reporting of the contract action in the Federal Procurement Data System (FPDS) is critical

BBPi – Better Buying Power initiatives



## Purpose / Description Competition: What Our Leaders Are Saying

12 Memoranda Issued in Past 2 Years and 2 Months  
from POTUS, OMB, OFPP, AT&L, and DPAP



POTUS 04 March 2009	AT&L 03 November 2010*
OMB 29 July 2009	DPAP 24 November 2010
DPAP 14 September 2009	DPAP 16 December 2010
AT&L 28 June 2010*	OFPP 02 February 2011
AT&L 14 September 2010 *	DPAP 04 April 2011
AT&L 14 September 2010 *	DPAP 27 April 2011
<b>*Better Buying Power (BBP) memos</b>	
Better Buying Power (Public Site) has been created on the Acquisition Community Connection: <a href="https://acc.dau.mil/bbp">https://acc.dau.mil/bbp</a> This weblink provides a resource for numerous, resulting memoranda issued throughout DoD as a result of the AT&L BBP initiatives.	

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Important BBPi documents for DOD:

USD (AT&L) Memo, September 14, 2010; Better Buying Power: Guidance for Obtaining

Greater Efficiency and Productivity in Defense Spending

Better Buying Power Briefing, Charts and Guidance Roadmaps

(Dr. Ashton Carter); September 14, 2010

OMB Memo, February 2, 2011; "Myth-Busting": Addressing Misconceptions to Improve Communication with Industry during the Acquisition Process

USD (AT&L) Memo, November 24, 2010; Improving Competition in Defense Procurements

USD (AT7&I) Memo, January 4, 2011; Better Buying Power: Guidance for Obtaining Greater Efficiency and Productivity in Defense Spending - Align DCMA and DCAA Processes to Ensure Work is Complementary

OMB Memo, January 21, 2011; Improving contractor Past Performance Assessments: Summary of the Office of Federal Procurement Policy's review, and Strategies for Improvement

USD (at&L) Memo, March 4, 2011; Department of Defense Source Selection Procedure



## Purpose / Description USD(AT&L) Memo

- On 3 November, 2010, Dr. Ashton Carter, Under Secretary of Defense for Acquisition, Technology and Logistics, signed a memorandum to Secretaries of the Military Departments and Directors of Defense Agencies outlining specific actions needed to implement his September 14 Guidance on obtaining greater efficiency and productivity in defense spending. All applicable DoD Directives and other related issuances will be updated to implement this direction and guidance within 180 days. This memo directed an improvement in both the overall rate of competition and the rate of effective competition.
- Dr. Carter's September 14th memo promulgated sweeping acquisition Guidance through a "Memorandum for Acquisition Professionals" and signed out directive memoranda to his key staff elements, making it clear that "real competition is the single most powerful tool available to the department to drive productivity."
- Dr. Carter's June 28th memo describing a mandate to deliver better value to the taxpayer and warfighter by improving the way the Department does business; and contains specific guidance for achieving the June 28 mandate.



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The Dr Carter, USD for AT&L, 14 September 2010 memo on Better Buying Power put out Guidelines for Obtaining Greater Efficiency and Productivity in Defense Spending. It included these recommendations for "Promoting Real Competition". We are not going to talk about all these in detail.

-Competitive Strategy at each milestone – DFAR change at slide above. Also a change to the 5000.

-Remove obstacles to competition

-Open systems and data rights- Business Case Analysis is due at MS B outlining the approach for open systems architectures and acquiring data rights. Please go to the data rights presentation to learn more.

-- Increase small business role in marketplace. DFARS changes discussed on follow-up slides

Redacted from 3 Nov 10 Memo:

Remove obstacles to competition:

You will ensure that by November 15, 2010, your contracting officers conduct negotiations with all single-bid offerors unless this requirement is specifically waived by the Head of Contracting Activity (HCA) or yourself. The basis of these negotiations will be cost or price analysis, as the case may be, using either certified or non-certified cost or pricing data, as appropriate.

You will direct your component or agency competition advocate to develop a plan to improve both the overall rate of competition and the rate of effective competition by December 1, 2010. These plans will establish an improvement rate of at least two percent per year for overall competition and an improvement rate of at least 10 percent per year for effective competition.

*o Require open systems architectures and set rules for acquisition of technical data rights:*

Effective November 15, 2010, you will conduct a business case analysis, in consort with the engineering tradeoff analysis that will be presented at MS B. The business case analysis will outline the open systems architecture approach, combined with technical data rights the government will pursue in order to ensure a lifetime consideration of competition in the acquisition of weapon systems. The results of this analysis will be reported in the Acquisition Strategy Report and in the competition strategy.

Increase dynamic small business role in defense marketplace competition:

Effective December 1, 2010, all competitive and non-competitive procurement actions will seek to increase small business participation through weighting factors in past performance and in fee construct.

 <b>Purpose / Description</b> <b>Dr. Carter's Guidance Roadmap</b>		
<ul style="list-style-type: none"> <li>• <b>Target Affordability and Control Cost Growth</b></li> <li>• -Mandate affordability as a requirement</li> <li>• •At Milestone A set affordability target as a Key Performance Parameter</li> <li>• •At Milestone B establish engineering trades showing how each key design feature affects the target cost</li> <li>• -Drive productivity growth through Will Cost/Should Cost management</li> <li>• -Eliminate redundancy within warfighter portfolios</li> <li>• -Make production rates economical and hold them stable</li> <li>• -Set shorter program timelines and manage to them</li>   <li>• <b>Incentivize Productivity &amp; Innovation in Industry</b></li> <li>• -Reward contractors for successful supply chain and indirect expense management</li> <li>• -Increase the use of FPIF contract type where appropriate using a 50/50 share line and 120 percent ceiling as a point of departure</li> <li>• -Adjust progress payments to incentivize performance</li> <li>• -Extend the Navy's Preferred Supplier Program to a DoD-wide pilot</li> <li>• -Reinvigorate industry's independent research and development and protect the defense technology base</li>   <li>• <b>Promote Real Competition</b></li> <li>• -Present a competitive strategy at each program milestone</li> <li>• -Remove obstacles to competition</li> <li>• •Allow reasonable time to bid</li> <li>• •Require non-certified cost and pricing data on single offers</li> <li>• •Require open system architectures and set rules for acquisition of technical data rights</li> <li>• -Increase dynamic small business role in defense marketplace competition</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Improve Tradecraft in Services Acquisition</b></li> <li>• -Create a senior manager for acquisition of services in each component, following the Air Force's example</li> <li>• -Adopt uniform taxonomy for different types of services</li> <li>• -Address causes of poor tradecraft in services acquisition</li> <li>• •Assist users of services to define requirements and prevent creep via requirements templates</li> <li>• •Assist users of services to conduct market research to support competition and pricing</li> <li>• •Enhance competition by requiring more frequent re-compete of knowledge-based services</li> <li>• •Limit the use of time and materials and award fee contracts for services</li> <li>• •Require that services contracts exceeding \$1B contain cost efficiency objectives</li> <li>• -Increase small business participation in providing services</li>   <li>• <b>Reduce Non-Productive Processes and Bureaucracy</b></li> <li>• -Reduce the number of OSD-level reviews to those necessary to support major investment decisions or to uncover and respond to significant program execution issues</li> <li>• -Eliminate low-value-added statutory processes</li> <li>• -Reduce by half the volume and cost of internal and congressional reports</li> <li>• -Reduce non-value-added overhead imposed on industry</li> <li>• -Align DCMA and DCAA processes to ensure work is complementary</li> <li>• -Increase use of Forward Pricing Rate Recommendations (FPRRs) to reduce administrative costs</li> </ul>	
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As detailed in Dr. Carter's September 14, 2010 Guidance to acquisition professionals, he is seeking to obtain greater efficiency and productivity in defense spending by pursuing initiatives in the following five areas: (1) Target Affordability and Control Cost Growth; (2) Incentivize Productivity and Innovation in Industry; (3) Promote Real Competition; (4) Improve Tradecraft in Services Acquisition; and (5) Reduce Non-Productive Processes and Bureaucracy. The memorandum specifies actions to execute either immediately or in the time frame indicated in order to implement the September 14 Guidance (Carter, 2010, 3 Nov).



# Guidance Roadmap

<b>Target Affordability and Control Cost Growth</b> <ul style="list-style-type: none"><li>Mandate affordability as a requirement</li><li>Implement "should cost" based management<ul style="list-style-type: none"><li>* ARA memo 12 Dec 2011 – Should-Cost Templates</li><li>* AT&amp;L memo 24 Aug 2011 – Should-Cost and Affordability</li><li>* AT&amp;L memo 22 Apr 2011 – Will Cost/Should Cost</li><li>* USA SAAL_ZR memo 10 June – Army Implementation of USD (AT&amp;L Affordability Initiatives)</li><li>* USAF memo 15 June 2011 – Implementation of Will-Cost and Should Cost Management</li><li>* SECNAV ASN-RDA memo 19 July 2011 – Implementation of Should Cost Management</li></ul></li><li>Eliminate redundancy within warfighter portfolios</li><li>Achieve Stable and economical production rates</li><li>Manage program timelines</li></ul>	<b>Promote Real Competition</b> <ul style="list-style-type: none"><li>Emphasize competitive strategy at each program milestone</li><li>Remove obstacles to competition<ul style="list-style-type: none"><li>Allow reasonable time to bid</li></ul></li><li>* DPAP memo 27 April 2011/24 Nov 2010 – Improving Competition<ul style="list-style-type: none"><li>Require non-certified cost and pricing data on single offers</li><li>Enforce open system architectures and set rules for acquisition of technical data rights</li></ul></li><li>Increase small business role and opportunities<ul style="list-style-type: none"><li>* DPAP memo 14 Jul y 2011 Use Government –wide Acquisition Contracts Set Aside Exclusively for Small Business</li><li>* DPAP memo 27 June 2011 Increase Dynamic Business Roles in the Defense Marketplace</li></ul></li></ul>
<b>Incentivize Productivity &amp; Innovation in Industry</b> <ul style="list-style-type: none"><li>Reward contractors for successful supply chain and indirect expense management</li><li>Increase Use of FPIF contract type</li><li>Capitalize on progress payment structures<ul style="list-style-type: none"><li>* DPAP memo 27 April 2011 – Cash Flow Models</li></ul></li><li>Institute a superior supplier incentive program</li><li>Reinvigorate industry's independent research and development</li></ul>	<b>Improve Tradecraft in Acquisition of Services</b> <ul style="list-style-type: none"><li>Assign senior managers for acquisition of services<ul style="list-style-type: none"><li>* Senior Manager's appointed similar to AF PEO (Army Nov 2010/ Navy Jun 2011)</li></ul></li><li>Adopt uniform services market segmentation (taxonomy)<ul style="list-style-type: none"><li>* DPAP memo 23 Nov 2010 – Taxonomy for Acquisition of Services</li></ul></li><li>Address causes of poor tradecraft<ul style="list-style-type: none"><li>Define requirements and prevent creep</li><li>Conduct market research</li></ul></li><li>Increase small business participation<ul style="list-style-type: none"><li>* DPAP memo 14 Jul y 2011 Use Government –wide Acquisition Contracts Set Aside Exclusively for Small Business</li></ul></li></ul>
<b>Reduce Non-Productive Processes and Bureaucracy</b> <ul style="list-style-type: none"><li>* PDUSD AT&amp;L memo 14 Sept 2011 – Document Streamlining-Life-cycle Sustainment Plan</li><li>* PDUSD AT&amp;L memo 10 July 2011 – Document Streamlining-Program Protection Plan</li><li>* PDUSD AT&amp;L memo 23 June 2011 – Improving Milestone Process Effectiveness</li><li>* PDUSD AT&amp;L memo 20 April 2011 – Document Streamlining-Program Strategies and SEP</li><li>Reduce frequency of OSD level reviews<ul style="list-style-type: none"><li>* AT&amp;L memo 11 May 2011 – Improving Technology Readiness Assessment Effectiveness</li></ul></li><li>Work with Congress to eliminate low value added statutory requirements</li><li>Reduce the volume and cost of Congressional Reports</li><li>Reduce non-value added requirements imposed on industry</li><li>Align DCMA and DCAA processes to ensure work is complementary<ul style="list-style-type: none"><li>* DPAP memo 4 Jan 2010 – Align DCMA and DCAA</li><li>Increase use of Forward Pricing Rate Recommendations (FRRs) to reduce administrative costs</li><li>* DPAP memo 4 Jan 2010 – Align DCMA and DCAA</li></ul></li></ul>	<b>Related Memos/DTMs:</b> <ul style="list-style-type: none"><li>* AT&amp;L memo 6 Dec 2011 – Value Engineering (VE) and Obtaining greater Efficiency &amp; Productivity in Defense Spending</li><li>* PDUSD AT&amp;L memo 19 July 2011 – Roles &amp; Responsibilities of the OSD OIPT Leaders, Teams and Team members</li><li>* AT&amp;L memo 23 June 2011 – DTM 11-009 – Acquisition Policy for Defense Business Systems</li><li>* AT&amp;L memo 21 March 2011 – DTM 11-003 – Reliability Analysis, Planning, Tracking and Reporting</li><li>* PDUSD AT&amp;L memo 24 Feb 2011 – Expected Business Practice: Post Critical Design Review Reports and Assessments</li><li>* OMB memo 2 Feb 2011 – "Myth Busting", Addressing Misconceptions to Improve Communications with Industry during the Acquisition Process</li></ul>
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As detailed in Dr. Carter's September 14, 2010 Guidance to acquisition professionals, he is seeking to obtain greater efficiency and productivity in defense spending by pursuing initiatives in the following five areas:

- (1) Target Affordability and Control Cost Growth;
- (2) Incentivize Productivity and Innovation in Industry;
- (3) Promote Real Competition;
- (4) Improve Tradecraft in Services Acquisition; and
- (5) Reduce Non-Productive Processes and Bureaucracy.

The memorandum specifies actions to execute either immediately or in the time frame indicated in order to implement the September 14 Guidance (Carter, 2010, 3 Nov).



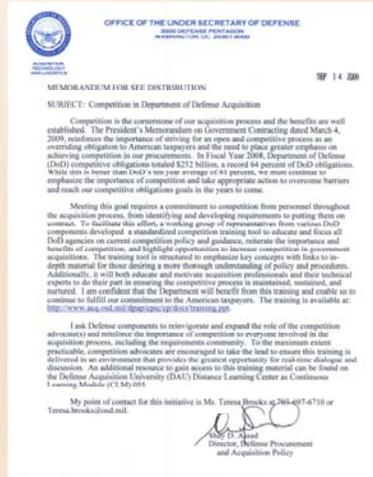
# Purpose / Description DPAP Memo – 14 September 2009

Mr. Assad and Competition, Sept 14, 2009

“Requires a commitment to competition from personnel throughout the acquisition process...”

“Reinvigorate and expand the role of the competition advocate and reinforce the importance of competition to everyone involved in the acquisition process, including the requirements community”

Provides Defense Acquisition University training reference CLC 055



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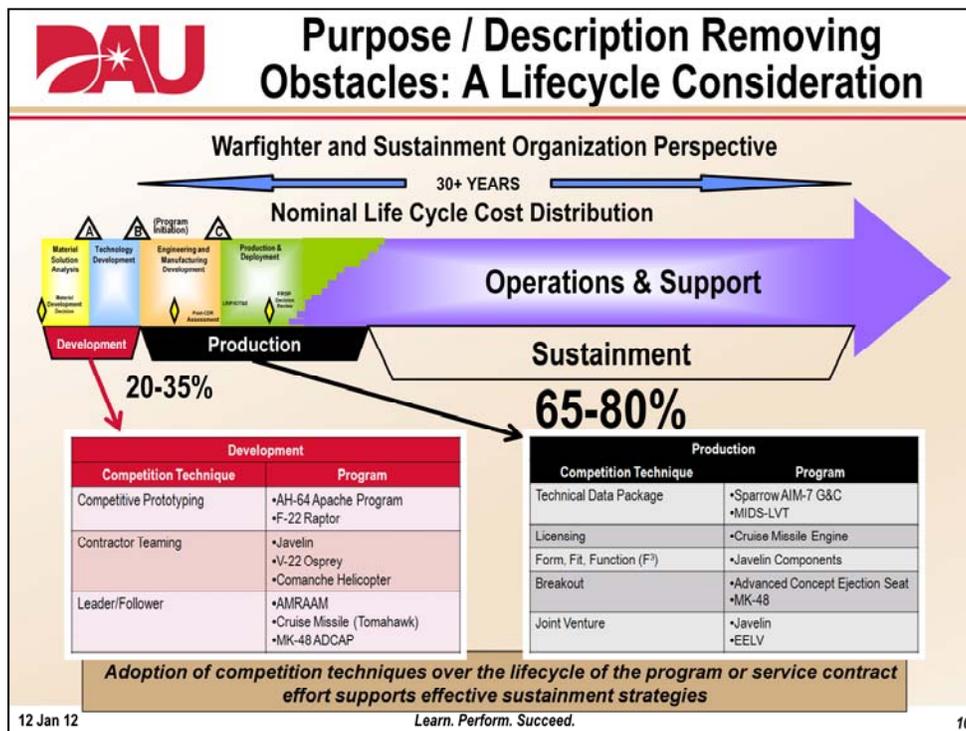
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After President Obama and Dr. Carter sent out memos on improving competition, Mr. Assad followed up with a Sept 14, 2009 policy letter.

## DPAP (Defense Procurement Acquisition Policy)

DPAP is responsible for all Contracting and Procurement policy matters including e-Business in the Department of Defense (DoD).



For programs providing material solutions, the acquisition lifecycle must be considered. Make the point that lifecycle considerations are required for all contracts. Additional program examples are provided in the backup slides.

Few additional examples:

V-22 Support Equipment

Competition facilitated first time breakout between prime contractor and a fabricator – Award made to small business (estimated savings of \$4.7M)

Navy ship repair support in Guam

Competitive multiple-award IDIQ contract resulted in savings over performance period of approximately 36-41%

Consolidated Interim Single Channel Handheld Radio

Integrated product team developed acquisition strategy to compete among fully qualified vendors resulting in MAC – First award resulted in a total savings of \$105M

Army Tank-automotive & Armaments Command (TACOM)

Saved an estimated \$31 million from the last contract price for heavy truck tires using an acq strategy that maximized competition

Air Force Joint Threat Emitter sustainment strategy

Successfully procured a technical data package that converted a \$70M sole source to a competitive acquisition

DLA VHS Antenna

Introduced competition for a sole source VHF antenna, resulting in a unit cost reduction of 22% and total savings of \$37 million



## Purpose / Description DoD Contract Spending by Category



CAGR - Compounded Annual Growth Rate  
 FPDS - Federal Procurement Data System  
 CSIS - Center for Strategic & International Studies

*Competition affects the scope of DoD contract spending including: Products, Services, and Research and Development. "Out of the three categories of defense spending, **services grew the fastest at 6.1 percent per year over the course of 21 years**" – Defense Contract Trends, U.S. DoD Contract Spending and the Supporting Industrial Base, May 2011*

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This chart shows that DOD has extensive expenditures on both products and services contracts. Services contracts are showing the fastest growth rate.

- CAGR - Compounded Annual Growth Rate
- FPDS - Federal Procurement Data System
- CSIS - Center for Strategic & International Studies

Source: Defense Contract Trends, U.S. Department of Defense Contract Spending and the Supporting Industrial Base, An Annotated Brief by the CSIS Defense-Industrial Initiatives Group, May 2011



## Purpose / Description Overall Competition: Defined

- **A competitive acquisition in which more than one offeror is permitted to submit an offer for evaluation in response to a solicitation**
  - Though more than one potential offeror was solicited, more than one offeror is not required to have submitted an offer
- **No change from traditional competition metric**
  - Competitive Obligated \$ divided by Total Obligated \$
- **Term “overall competition” is used to distinguish from the new term “effective competition”**

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Be prepared to get questions about the single offer policy. You may want to defer them to later in the session (Slides 36 & 37)

Re-emphasize that real competition and effective competition are the same thing.

Caveat that for purposes of this brief:

Use of word “bid” is interchangeable with offer, proposal, or quote; and

For the purposes of this brief, use of the acronym MAC is for Multiple Award Contracts, not exclusively Multi-Agency Contracts (MAC) as used in the FAR.



## Purpose / Description Effective Competition: Defined



DPAP Memo  
16 DEC 10

- **A market condition that exists when more than one offer is received in response to a solicitation under Full and Open Competitive Procedures for the following categories:**
  - 1) **Contracts and Purchase Orders**
  - 2) **Orders and Calls under Part 13 BPAs/BOAs**
  - 3) **Delivery/task orders issued under multiple award Schedules, GWACS, and ID/IQs – considering fair opportunity**
  - 4) **BPAs and BPA calls under Schedules**
  - 5) **Single award ID/IQs and the resulting delivery/task orders**

**“Effective competition is a new measure”**

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Define terms:

- BOA**            **Basic Ordering Agreement**
- GWAC**        **Government-wide Acquisition Contract**
- IDIQ**           **Indefinite Delivery Indefinite Quantity**

Re-emphasize that real competition and effective competition are the same thing.

Caveat that for purposes of this brief:

Use of word “bid” is interchangeable with offer, proposal, or quote; and

For the purposes of this brief, use of the acronym MAC is for Multiple Award Contracts, not Multi-Agency Contracts (MAC) as used in the FAR.



## Purpose / Description Effective Competition: Metric



DPAP Memo  
16 DEC 10

Established the tool for how competition will be measured and reiterated our FY11 competition goals

- FY11 Competition Goals\* (based on FY10 Reports)
  - Overall competition rate increase of 2%
  - Effective competition rate increase of 10%

\*Goals established by AT&L in 14 SEP 10 Better Buying Power Memo

\$ Measured via Obligated Dollar \$

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Also, directed in Dr. Carter's 3 Nov 10 memo.

This new reporting within FDS-NG includes competitive classification of individual TOs/DOs. Applying 2% declination in competition. The delta is caused by MACs that only got one offer where changed to non-competitive.

Note to audience the difference between the two FY11 competition goals. There is a much larger percentage increase goal of 10% for effective competition vice 2% for overall competition. Thus, the goal is not more competition for competition sake. Each agency must analyze its "ineffective" competition data in FY10 and each year thereafter, which areas the "ineffective competition" are occurring in, and the circumstances of such "ineffective competition."

Why DoD is being measured by dollars obligated, it is important to note that the various smaller dollar actions are a vital part of that measurement, not just the significant dollar amounts in the largest fair opportunities or stand-alone contracts.

The 14 Sept 10 AT&L Memorandum stated the each agency's competition advocate must develop a plan to improve, at a minimum

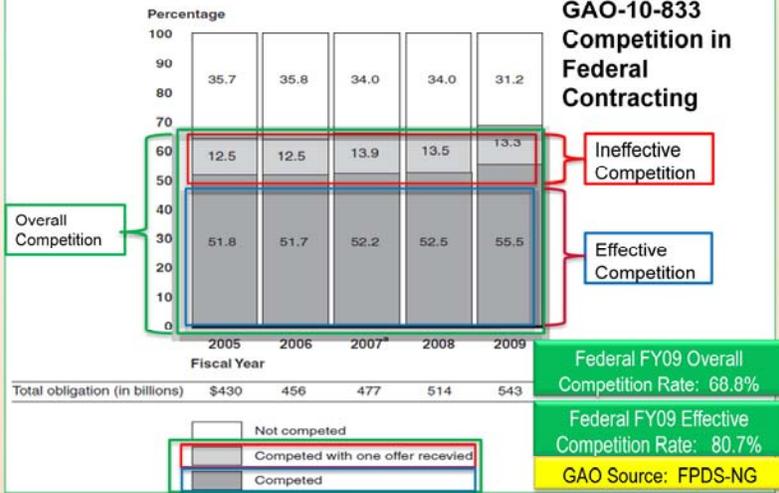
- the overall competition rate by 2% each year
- the effective competition by 10% each year, thus reducing the number of single offer competitions.

- **Competition Based on Obligations Report**
  - **New report in FPDS-NG**
    - **Located in System Administrator section of standard reports**



# Purpose / Description Competition: How Well Is Government Doing?

Figure 1: Percentage of Federal Obligations to Competitive, Noncompetitive, and Competed Contracts with One Offer Received for Fiscal Years 2005 through 2009 (Constant Dollars)



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Contrast Federal vs. DOD...

This slide shows that only half of all government contracting actions had effective competition.



## Purpose / Description Competition: How Well Is DOD Doing?

FY10 DOD EFFECTIVE COMPETITION BASELINE (AS OF JANUARY 14, 2011)

SUMMARY - All Categories

Contracting Agency Name	Only 1 Offer Dollars Obligated	All Competitive Dollars Obligated	Ineffective Rate	Effective Rate
BUSINESS TRANSFORMATION AGENCY	\$15,226,035	\$58,442,154	26.1%	73.9%
DEFENSE ADVANCED RESEARCH PROJECTS AGENCY (DARPA)	\$2,909,583	\$1,022,928,229	0.3%	99.7%
DEFENSE COMMISSARY AGENCY (DECA)	\$15,849,213	\$1,220,848,411	1.3%	98.7%
DEFENSE CONTRACT MANAGEMENT AGENCY (DCMA)	\$11,587,309	\$60,206,143	19.2%	80.8%
DEFENSE FINANCE AND ACCOUNTING SERVICE (DFAS)	\$59,709,620	\$157,751,566	37.9%	62.1%
DEFENSE HUMAN RESOURCES ACTIVITY	\$1,229,315	\$22,086,514	5.6%	94.4%
DEFENSE INFORMATION SYSTEMS AGENCY (DISA)	\$912,842,198	\$4,181,887,806	21.8%	78.2%
DEFENSE LOGISTICS AGENCY	\$3,581,996,145	\$27,480,810,880	13.0%	87.0%
DEFENSE MEDIA ACTIVITY (DMA)	\$7,604,459	\$113,422,714	6.7%	93.3%
DEFENSE MICROELECTRONICS ACTIVITY (DMEA)	\$319,824,997	\$434,545,423	73.6%	26.4%
DEFENSE SECURITY COOPERATION AGENCY	\$13,541,586	\$45,644,253	29.7%	70.3%
DEFENSE SECURITY SERVICE	\$9,605,457	\$64,458,691	14.9%	85.1%
DEFENSE THREAT REDUCTION AGENCY (DTRA)	\$271,535,867	\$730,208,089	37.2%	62.8%
DEPT OF DEFENSE EDUCATION ACTIVITY (DODEA)	\$48,538,406	\$286,504,952	16.9%	83.1%
DEPT OF THE AIR FORCE	\$10,065,244,723	\$34,079,378,857	29.5%	70.5%
DEPT OF THE ARMY	\$19,558,858,417	\$89,789,532,047	21.8%	78.2%
DEPT OF THE NAVY	\$10,831,660,473	\$47,751,368,534	22.7%	77.3%
MISSILE DEFENSE AGENCY (MDA)	\$1,321,528,942	\$1,754,017,847	75.3%	24.7%
USUHS + TRICARE MANAGEMENT ACTIVITY (TMA)	\$7,132,930	\$9,912,086,756	0.1%	99.9%
U.S. SPECIAL OPERATIONS COMMAND (USSOCOM)	\$402,959,184	\$1,594,382,294	25.3%	74.7%
USTRANSCOM	\$464,939,374	\$4,601,604,285	10.1%	89.9%
WASHINGTON HEADQUARTERS SERVICES (WHS)	\$88,673,410	\$692,223,709	12.8%	87.2%
<b>TOTAL</b>	<b>\$48,012,997,642</b>	<b>\$226,054,340,152</b>	<b>21.2%</b>	<b>78.8%</b>

DOD FY10 Overall Competition Rate: 61.6%

DOD FY10 Effective Competition Rate: 78.8%

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So, how about DOD contracting actions? This slide provides the FY10 contracting actions for DOD. Of the FY10 contracts, ~62% were competed and, of those contracts competed, effective competition was found about ~79% of the time.



## Remove Obstacles to Effective Competition Examples of Obstacles

- **Obstacles to effective competition**
  - Lack of communication with industry
  - Unique/critical mission or technical requirements
  - Industry move toward consolidation
  - Urgent requirements in support of war operations
  - Proprietary data rights developed at private expense
  - Insufficient technical data packages
  - Contracting personnel shortages and increased workload
  - Time Restraints
  - Excessive bundling of requirements
  - Ineffective lifecycle sustainment planning

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The obstacles listed are touched on in many of the guidance documents. Removing these obstacles will be discussed later in the brief.

Remember - Don't lock into sole source strategies!



## Remove Obstacles to Effective Competition Objective / Expected Efficiencies

- Removing obstacles to competition is a key tenet of the Department of Defense initiative to promote effective competition, thereby increasing acquisition efficiency and productivity
  - Drives cost savings
  - Improves quality of product/service
  - Enhances solutions and the industrial base
  - Promotes fairness and openness leading to public trust
  - Prevents waste, fraud, and abuse, because contractors know they must perform at a high level or else be replaced
  - Healthy competition is the lifeblood of commerce – it increases the likelihood of efficiencies and innovations

*"It is the policy of the Federal Government that executive agencies shall not engage in noncompetitive contracts except in those circumstances where their use can be fully justified and where appropriate safeguards have been put in place to protect the taxpayer."*

*President Barack Obama*

*March 4, 2009*

*Memorandum for the Heads of Executive Departments and Agencies*

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This slide provides how removing obstacles will help to meet effective competition goals.

One of President Obama's first actions as a new president was to talk about the value of competition

By emphasizing "full and open competition," the relevant statutory provisions and the FAR aim to enable the Government to select the most innovative products and services at the best value prices

Circumstances that may justify restricting competition include:

Only one source is capable of providing supplies or services that are unique or highly specialized

A logical follow-on to an original order that provided competition (fair opportunity)

Urgent need and fair opportunity would result in unacceptable delays



## Expected Efficiencies Example KC-46 (formerly KC-X) Program

- **COMPETITION SQUEEZED 20 PERCENT FROM AIR FORCE TANKER UNIT COST**
- The Defense Department estimates that EADS North America's **decision to compete in the Air Force's aerial refueling tanker aircraft program against Boeing**, which won the competition in February, generated **unit-cost savings of at least 20 percent**, wringing as much as \$4 billion from estimated program costs compared to the 2008 tanker contest.
- **"The benefits to the U.S. taxpayer were unbelievable," Sean O'Keefe, EADS North America's chief executive officer**, said in a March 23 interview. "When you trace that back to where we are today, the cost differential is about \$16 billion. So we saved a good chunk of change. I'm fairly safe in this bet, that **the price tag at the end of sole-source negotiations would have been substantially higher had we not participated.**"

Posted on InsideDefense.com: May 4, 2011



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Competition example: DOD estimates that the competition of the Air Force's aerial refueling tanker aircraft program generated unit-cost savings of at least 20 percent, or \$4 billion from estimated program costs compared to the 2008 tanker competition.

The background source for this slide is:

DefenseAlert

### Report: Competition Squeezed 20 Percent From Air Force Tanker Unit Cost

Posted on InsideDefense.com: May 4, 2011

The Defense Department estimates that EADS North America's decision to compete in the Air Force's aerial refueling tanker aircraft program against Boeing, which won the competition in February, generated unit-cost savings of at least 20 percent, wringing as much as \$4 billion from estimated program costs compared to the 2008 tanker contest.

The figures are found in the House Armed Services seapower and projection forces subcommittee's mark of the Pentagon's fiscal year 2012 authorization bill, which if approved would direct the comptroller general -- the U.S. government's top auditor -- to annually review the fledgling KC-46A program, and require that the Pentagon's acquisition executive provide lawmakers with the results of planned quarterly program reviews.

"According to Department of Defense acquisition officials, the competition resulted in at least a 20 percent savings for the unit cost of the aircraft and a savings of \$3 [billion] to \$4 billion as compared to the source-selection competition held for the tanker in 2008," the committee notes in its mark, made public on May 3.

EADS North America -- which spent approximately \$40 million to compete in the program, according to company officials -- estimates an even greater savings by comparing the deal the Pentagon signed with Boeing on Feb. 24 to Boeing's 2002 tanker lease proposal.

"The benefits to the U.S. taxpayer were unbelievable," Sean O'Keefe, EADS North America's chief executive officer, said in a March 23 interview. "When you trace that back to where we are today, the cost differential is about \$16 billion. So we saved a good chunk of change. I'm fairly safe in this bet, that the price tag at the end of sole-source negotiations would have been substantially higher had we not participated."

In 2008, EADS and its partner Northrop Grumman won the tanker competition against Boeing, but the award was rescinded after the Government Accountability Office -- responding to a protest by Boeing -- determined the competition was flawed.

In January 2010, Northrop announced it would not compete again in the KC-X program. In March, EADS also bowed out, effectively leaving one competitor for the \$30 billion program to build 179 aircraft. The next month, however, the Pentagon extended the deadline for proposals and EADS jumped back into the contest.

The 2002 tanker proposal, which covered 100 planes to be leased for six years each, was potentially worth \$23 billion, according to the Congressional Budget Office. An analysis by EADS North America shows a lease deal at those prices for 179 aircraft would bring the total cost estimate up to \$38 billion. Adjusting for inflation between 2002 and 2010 adds another \$10 billion, bringing the total adjusted lease price to approximately \$48 billion.

O'Keefe said that while EADS North America did not win the competition, the company "gained a strong reputation" among Pentagon leaders for "being an agile competitor on something as big as" an aerial refueling tanker "that could deliver on a commercial off-the-shelf capability."

The key, he added, was to "demonstrate it, not just show it on a viewgraph or the PowerPoint of it, and actually fly an aircraft. We think the credibility we established with this effort was well worth the time and resources." -- *Jason Sherman*



## Remove Obstacles to Effective Competition Methods

- **Removing obstacles includes:**
  - Conducting market research
  - Defining warfighter requirements that allow for greater competition
  - Enhancing communication with potential industry partners
  - Acquiring appropriate technical data rights to enable future competition
  - Enforcing open system architectures
  - Allowing reasonable time to bid
  - Ensuring competition at the subcontractor level and for small business
  - Requiring negotiations based on cost and price analysis on single offers
- **Real, full and open competition enables the Government to select the most innovative products and services at best value prices**

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The 2009 Weapons Systems Reform Act requires increased competition for both prime contractors and their sub-contractors.

Goals for small business...

Weapons System Reform Act 2009 - DFARS 2.07 1.06 additional requirement for major systems

Review contractor's subcontracting strategy to ensure max competition possible for subs.



## Remove Obstacles to Effective Competition Roles and Responsibility

Best Practices	PMO	Contracts	Small Business Specialist	Competition Advocate
Conduct Market Research	✗	✗	✗	
Define Requirements	✗			
Enhance Communication with Potential Industry Partners	✗	✗	✗	
Acquire Appropriate Technical Data Rights to Enable Future Competition (products only)	✗	✗		
Enforce Open System Architectures (products only)	✗			
Allow Reasonable Time to Bid	✗	✗	✗	
Ensure Competition at the Subcontractor Level & for Small Business	✗	✗	✗	
Feedback Loop	✗	✗	✗	✗

**Best Practice: Encourage Effective Competition in Products And Services Contracting**

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The PMO team, Contracts, and the Small Business Specialist's roles tend to be more easily understood than the role of the Competition Advocate. Make the point here that the Competition Advocate's role needs to be expanded to have greater impact on increasing effective competition. Each best practice will be expanded on later in the presentation...

- Conduct market research
  - To write a better PWS or SOO
  - To attract more competition
  - To determine commercial vs. non-commercial
  - To determine appropriate contract type and incentives
  - To determine competitive or sole-source
  - To write reasonable metric and QASP, if services
  - To submit program budgets that are closer to the truth
- Define requirements and develop acquisition strategy
  - Gov't must write requirements and RFP's that contractors understand so contractors can successfully meet the requirements
  - Overly restrictive requirements provided in the PWS/SOW reduce the number of vendors competing
    - Consider breaking out subcomponents to increase competition
  - Provide Business Case Analysis (BCA)
- Don't live in fear of protest; go ahead and communicate
  - Less than 1% of awards are protested and fewer still are sustained
  - Communication will reduce reasons to protest
  - Communication can reduce misunderstanding and changes later (claims and modifications)
  - *Communicate before RFP release, after RFP release and during source selection. It will increase the number of contractors who will propose and save time after contract award*
- *Require open systems architectures and set rules for acquisition of technical data rights:*

Effective November 15, 2010, you will conduct a business case analysis, in consort with the engineering tradeoff analysis that will be presented at MS B. The business case analysis will outline the open systems architecture approach, combined with technical data rights the government will pursue in order to ensure a lifetime consideration of competition in the acquisition of weapon systems. The results of this analysis will be reported in the Acquisition Strategy Report and in the competition strategy.

 <b>Remove Obstacles to Effective Competition Roles and Responsibility</b>				
<del>&lt;Duplicate Slide Added to include All Notes&gt;</del>				
Best Practices	PMO	Contracts	Small Business Specialist	Competition Advocate
Conduct Market Research	✗	✗	✗	
Define Requirements	✗			
Enhance Communication with Potential Industry Partners	✗	✗	✗	
Acquire Appropriate Technical Data Rights to Enable Future Competition (products only)	✗	✗		
Enforce Open System Architectures (products only)	✗			
Allow Reasonable Time to Bid	✗	✗	✗	
Ensure Competition at the Subcontractor Level & for Small Business	✗	✗	✗	
Feedback Loop	✗	✗	✗	✗

**Best Practice: Encourage Effective Competition in Products And Services Contracting**

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- Ensure adequate length of time between issuance of solicitations and proposal due dates
  - Allowing offerors additional time to prepare their proposals will yield better proposals, streamlined evaluations, and a reduction in the need for discussions
  - Shortcutting the proposal development process often results in fewer proposals, and/or proposals that are more difficult to evaluate (leads to expensive outcomes)
  - When we request a short turn-around on a proposal, the offeror assumes that we must be looking for one special incumbent or favorite contractor!
  - *We need to give all vendors and small business a fair chance to compete*
  
- Ensure primes are awarding subcontracts competitively and that the government has insight into the process for determining in-house and subcontractor work allocations
 

Prime contractors are subcontracting more production work and concentrating on systems integration 60 to 70 percent of work on defense contracts is done by subcontractors. Subcontractor performance may contribute to cost and schedule delays on weapon system programs

Indicate how prime contractors will be required to give full and fair consideration to qualified sources other than the prime contractor for the development or construction of major subsystems and components Summarize the rationale for the selection of the planned subcontract tier or tiers
  
- Establish meaningful small business work and incentives for small business participation
  - Outline planned award evaluation criteria concerning small business utilization regarding source selection
  - Summarize the rationale for the selection of the planned subcontract tier or tiers
  - Emphasize acquisition planning with small business specialists & review of subcontracting plans
  - Weight past performance and fee construction
  
- Provide feedback on Task and Delivery Order competitions
  - Although debriefing not required, explain the basis of the award decision to the contractors
  - Contractors will come back better next time if they understand why they lost the first time
  - *Eliminate the suspicion that we really only wanted a particular source*



## The Competition Advocate FAR Subpart 6.5

- The Head of Contracting Agency shall designate a competition advocate for the agency and each procuring activity of an agency in order to:
  - Promote acquisition of commercial items
  - Promote full and open competition
  - Challenge requirements not stated in terms of function, performance required, or essential characteristics
  - Challenge barriers to the acquisition of commercial items & full and open competition
  - Recommend goals/plans for increasing competition



*"I ask Defense components to **reinvigorate and expand the role of the competition advocate(s)** and reinforce the importance of competition to everyone involved in the acquisition process, including the requirements community." -- **Shay D. Assad**, Defense Procurement and Acquisition Policy, Sep 14, 2009*

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The top-level Competition Advocate adds a “fear factor” by ability to delay contracting strategies that do not provide for effective competition.



## Purpose / Description OFPP Memo

- **OFPP Director, Dan Gordon, “Myth Busting”**  
(Office of Federal Procurement Policy (OFPP) Memo –  
02 February 2011)

- **Communicate with Industry in order to:**

- Better define requirements
- Seek opportunities for small business
- Negotiate better terms
- Select the right contract type and incentives
- Increase competition



*“With expenditures of over \$500 billion annually on contracts and orders for goods and services, the federal government has an obligation to conduct our procurements in the most effective, responsible, and efficient manner possible.” -- Daniel L. Gordon, Administrator for Federal Procurement Policy*

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This slide switches gears and introduces best practices using Gordon’s “Myth-Busting”: Addressing Misconceptions to Improve Communication with Industry during the Acquisition Process memo, See reference material for copy of Myth-Busting memo..

The last goal in this memo is “increase competition”

Talk to how the Government can increase competition, using points from Memo.urement Policy



## Remove Obstacles to Effective Competition Market Research

- **Conduct market research**
  - To write a better PWS or SOO
  - To attract more competition
  - To determine commercial vs. non-commercial
  - To determine appropriate contract type and incentives
  - To determine competitive or sole-source
  - To write reasonable metric and QASP, if services
  - To submit program budgets that are closer to the truth

*"Market research means collecting and analyzing information about capabilities within the market to satisfy agency needs." – Federal Acquisition Regulation*

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Connect market research and writing better Statement of Objective (SOO), Statement of Work (SOW), Performance Work Statement (PWS).

Can use a Generic example.

Quality Assurance Surveillance Plan (QASP)

Get everyone involved with market research. This must be done by the technical people and the contracting people. We need to write better PWS/SOO/SOW and better RFPs. Overly restrictive PWS/SOW reduce the number of vendors competing. We can't write meaningful evaluation criteria if we don't understand the differences between the potential suppliers and have defined our requirements in an open way that allows for greater competition

FAR Part 10—Market Research

- Purpose:
  - To arrive at the most suitable approach to acquiring, distributing, and supporting supplies and services
- Goal - Determine if:
  - There are sources capable of meeting the requirements
  - Commercial/Non-developmental items can meet the requirements or be modified to meet the requirements
  - Commercial/Non-developmental items could meet the requirements if the Requirements were Modified
- Sources of Information:
  - The World Wide Web – "Google It"
  - Trade Shows & Catalogues
  - Other COs & Technical Team Members
  - The Vendor Community
  - Issuing a RFI
- LOE – keep it appropriate to the action
- Documentation – see FAR 10.002 (c) (d) & (e)



## Remove Obstacles to Effective Competition Market Research

<Duplicate Slide Added to include All Notes>

- **Conduct market research**
  - To write a better PWS or SOO
  - To attract more competition
  - To determine commercial vs. non-commercial
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  - To submit program budgets that are closer to the truth

***“Market research means collecting and analyzing information about capabilities within the market to satisfy agency needs.” – Federal Acquisition Regulation***

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**DATES: Effective Date: April 15, 2011.**

### Item IV--Additional Requirements for Market Research (FAR Case 2008-007)

This final rule adopts, with changes, the interim rule that amended the FAR to implement section 826 of the National Defense Authorization Act for Fiscal Year 2008 (Pub. L. 110-181). Section 826, entitled “Market Research,” established new requirements for agencies subject to Title 10, United States Code. As a matter of policy, this provision of law was applied to contracts awarded by all executive agencies. The rule requires that market research must be conducted before an agency places a task or delivery order in excess of the simplified acquisition threshold under an indefinite-delivery indefinite-quantity contract. In addition, a prime contractor with a contract in excess of \$5 million for the procurement of items other than commercial items is required to conduct market research before making purchases that exceed the simplified acquisition threshold. Among other changes, the final rule also deletes the language added to FAR 52.244-6 (Alternate I) and relocates it to a new FAR clause 52.210-1, Market Research.

Resources:

North American Industry Classification System (NAICS) Code

<http://www.census.gov/eos/www/naics/>

Use for: Find out how the government classifies products. Necessary for matching your invention to other data sources, making information available to potential buyers, describing your product to other advisers, experts, etc

International Trade Administration Home Page

<http://www.trade.gov/mas/> Use for: Excellent leads to industry pages on the web

Government Industry Specialists Directory -- US Department of Commerce

<http://www.cftech.com/BrainBank/GOVERNMENT/GovIndusSpecDir.html>

Use for: Advice on industry analysis and trade promotion

Current Industrial Reports (CIR)

<http://www.census.gov/cir/www/>

Use for: “Market analysis, forecasting, and decisionmaking in the private sector.” Reports on US industrial activity by sector and gives data on production and shipments of selected products Details are from a federal government industry census conducted every five years

Information Analysis Centers (IACs) -- US government sponsored

<http://iac.dtic.mil/>

Use for: Covers 13 technical areas of interest to US government agencies such as the Department of Defense and the Department of Energy. Topics include Advanced Materials, Modeling & Simulation, and Carbon Dioxide. Good level of detail for US R&D activities

▶ MarketResearch.com

<http://www.marketresearch.com/>

Use for: Table of contents of thousands of market research reports

▶ Electronic Engineer Master

<http://www2.eem.com>

Use for: Tables of contents of market research reports. With a subscription you can combine this with a news service

▶ Thomas Net

<http://www.thomasnet.com/>

Use for: Tables of contents and summary descriptions of market research reports. The descriptions include a few quotable statistics for the industry or sector

▶ Online Yellow Pages

<http://www.yellowpages.com>

Use for: Simple search engine for finding businesses by category and location

Google Advanced Search

<http://www.google.com>

Use for: Locating similar products. Limit to the .com domain to find company sites. Use search terms for the problem as well as the product. Also search “buyers guide” and your product sector

Thomas Register Online

<http://www.thomasregister.com>

Use for: Finding similar products and prices. Search by category; look for product specs and catalogs. Excellent for looking at a list of many companies in a sector and seeing which ones have online product catalogs. Site sign-up is required the first time you access the site

US Patent and Trademark Office (USPTO)

<http://www.uspto.gov/patft/>

Use for: Alternate solutions to the same problem. Use the advanced search to specify fields within the patent. (spec/“material handling” finds the term in the description/specification field)



## Remove Obstacles to Effective Competition Requirements

- **Define requirements and develop acquisition strategy to ensure competition**
  - Gov't must write requirements and RFP's that contractors understand so contractors can successfully meet the requirements
  - **Overly restrictive requirements provided in the PWS/SOW reduce the number of vendors competing**
    - Consider breaking out subcomponents to increase competition
  - **Provide Business Case Analysis (BCA)**

*"Inadequate planning, insufficient market research, and poor coordination among program and acquisition offices lead to ill-defined requirements, lack of head-to-head competition for task-specific solutions and pricing, and the absence of meaningful performance standards to measure results." -- Paul A. Denett, Administrator, OMB OFPP*

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Use BCA to determine if effective competition strategies are best applied to current or future increments...

More on BCA:

OSD has issued guidance emphasizing the use of the Business Case Analysis as a fundamental tool to support PBL support strategy decisions. A PBL BCA provides a best-value analysis that considers not only cost, but other quantifiable and non-quantifiable factors supporting an investment decision. This can include, but is not limited to, performance, producibility, reliability, maintainability, and supportability enhancements. The decision to pursue a PBL strategy, especially for new systems, is directed by policy in DODD 5000.01, and is strongly urged for consideration for fielded systems. The PBL BCA is a useful tool that assists in refining the myriad decisions that go into determining the best value workload allocation strategy decisions and fine-tuning the PBL strategy to achieve the optimum sustainment approach for the objective system or end item.

Depending on the type of PBL contract, the PBL BCA may be used throughout the life cycle of the project. Specifically, the PBL BCA:

- Is used in the initial decision to invest in a project.
- Guides the decision to select among alternative approaches.
- Is used to validate any proposed scope, schedule, or budget changes during the course of the project.
- Should also be used to identify the various budget accounts and amounts affected by the various product support strategies.
- Should be a living document ' as project or organization changes occur they should be reflected in updates to the business case.
- Should be used to validate that planned benefits are realized at the completion of the project.

This information should be used in further decisions to sustain or enhance the solution and to refine estimation of benefits and costs for future projects in the organization.

A PBL BCA is an expanded cost/benefit analysis with the intent of determining a best value solution for product support. The BCA assesses each alternative and weighs total cost against total benefits to arrive at the optimum solution. The PBL BCA process goes beyond cost/benefit or traditional economic analyses by documenting how each alternative fulfills the strategic objectives of the program; how it complies with product support performance measures; and the resulting impact on stakeholders. A PBL BCA is a tailored process driven by the dynamics of the pending investment (PBL) decision. The BCA identifies which alternative support options provide optimum mission performance given cost and other constraints, including qualitative or subjective factors. Developing the PBL BCA should determine:

- The relative cost vs. benefits of different support strategies.
- The methods and rationale used to quantify benefits and costs.
- The impact and value of Performance/Cost/Schedule/Sustainment tradeoffs.
- Data required to support and justify the PBL strategy.
- Sensitivity of the data to change.
- Analysis and classification of risks.
- A recommendation and summary of the implementation plan for proceeding with the best value alternative.



## Remove Obstacles to Effective Competition Requirements

<Duplicate Slide Added to Include All Notes>

- **Define requirements and develop acquisition strategy to ensure competition**
  - Gov't must write requirements and RFP's that contractors understand so contractors can successfully meet the requirements
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As a minimum, a PBL BCA should include:

- An introduction that defines what the case is about (the subject) and why (its purpose) it is necessary. The introduction presents the objectives addressed by the subject of the case.
- The methods and assumptions that state the analysis methods and rationale that fixes the boundaries of the case (whose costs and whose benefits examined over what time period). This section outlines the rules for deciding what belongs in the case and what does not, along with the important assumptions.
- The business impacts are the financial and non-financial business impacts expected in one or more scenarios.
- Risk assessment that shows how results depend on important assumptions ('what if'), as well as the likelihood for other results to surface.
- Conclusions and recommendations for specific actions based on business objectives and the results of the analysis.

The PBL BCA becomes an iterative process, conducted and updated as needed throughout the life cycle as program plans evolve and react to changes in the business and mission environment. Click on any of the BCA steps in the below graphic for more information on that part of the BCA process:

DoD has promulgated the following Guiding Principles for conducting a PBL BCA in [USD\(AT&L\) Memorandum, Performance Based Logistics \(PBL\) Business Case Analysis \(BCA\), 23 January 2004](#):

All BCAs will be based on warfighter-stated performance requirement(s), which are documented in Performance Based Agreements (PBAs).

BCAs will be conducted to assess changes from existing product support strategies for legacy systems and to support the product support strategy for new weapon systems. Over time, BCAs will need to be updated or repeated to validate the approach taken and to support future plans.

BCAs will evaluate all services or activities needed to meet warfighter performance requirements using 'best value' assessments. Best value is the expected outcome that, in the Department's consideration, provides the greatest overall benefit in response to requirements. The assessments will include cost per output, performance measures, capitalization/asset ownership, size of footprint, reliability growth, life cycle costs, Diminished Manufacturing Sources (DMS) management, obsolescence/obsolescence mitigation plan, technology insertion, and risk management. The value added in terms of benefits and outcomes of all services and activities will be identified.

Initial strategies for ACAT1 programs will be developed prior to Milestone B, including definition of the metrics that will be used to define a program's ability to meet future logistics and operational performance requirements. These strategies shall provide the foundation for detailed PBL Business Case Analyses to be completed prior to Milestone C and/or contract award that are based on the detailed design. BCA estimates shall be accomplished at significant subsystem/repairable item levels that provide the information necessary to initiate cost-effective maintenance and repair actions.

BCAs will continue through life cycle process with oversight to ensure reassessment at appropriate trigger points, including life cycle costs (LCC) updates; Reduced-Total Ownership Costs activities; and/or continuous improvements actions. The Military Services will evaluate PBL performance at appropriate decision points.

The cost and performance baselines for legacy systems will be determined by historic experience and costs. The cost baseline will include all appropriate government and/or contractor costs, including indirect costs, overhead, and handling fees. Consideration shall be given to the cost, performance, and risk aspects of all elements of Integrated Logistics Support (ILS). For new system BCAs, detailed Milestone C baselines shall be established considering reliability and maintainability projections at the major system repairable level. These individual estimates shall be sufficiently detailed to provide the basis for contractual actions leading to workable support strategy actions. Although these estimates shall sum up to the validated Service cost position Cost Analysis Improvement Group (CAIG) risk concerns must be considered within the overall process.

BCAs will reflect operational requirements and existing DoD guidance for contractors on the battlefield, 10 U.S.C., Section 2464 (the necessity for the Department to maintain core logistics capabilities), 10 U.S.C., Section 2466 (the limit on contracting for depot level maintenance), ability to synchronize with the Defense Transportation System, and flexibility to support contingencies, and surges. The BCA will specifically consider the full range of minimum and maximum essential logistics capabilities (peacetime to full mobilization requirement), existing infrastructure and common consumables support.

BCAs will include risk assessment of expected performance, supply chain responsiveness, and surge capabilities. Consideration of performance and cost risk will explicitly consider contract versus organic risk management, financial accountability, and recovery actions. The risk assessment should address the probability of and confidence level of the following events occurring: poor performance, cost growth, extended labor disputes, and change over in product support integrator/provider (PSI/PSP).

For all PBL contracts, warfighter requirement(s) will be linked to metrics and metrics to contract incentives. For all organic PBL product support integrators (PSIs), warfighter requirement(s) will be linked to metrics and metrics to PBAs between the Program Manager and the organic PSIs.

BCAs will be developed using information provided by all appropriate product support stakeholder, including government and industry providers. In order to maintain a competitive environment, industry participation will be determined IAW the Federal Acquisition Regulation (FAR).

BCAs will be conducted using analytic tools approved by the Services.

These guiding principles are structured to support 'best value' assessment of product support strategies, consistent with existing PBL guidance. All efforts to develop a business case analysis should be consistent with these guiding principles.

[USD\(AT&L\) Memorandum, Performance Based Logistics \(PBL\) and the Business Case Analysis \(BCA\), May 20, 2004](#), provides additional guidance to the Services for performing Strategic Planning Guidance mandated PBL BCAs on all new and fielded ACAT I and II programs by September 30, 2006. This Memorandum defines the criteria to be used in the analyses and reemphasizes the PBL Guiding Principles detailed above.

The business case analysis is depicted in the graphic below and includes the specification of assumptions, the gathering of data, analysis, and the development of recommendations and communication of recommendations to decision-makers. For more guidance on each step of the BCA, click on the step you would like to learn more about.



## Remove Obstacles to Effective Competition Communication

- **Don't live in fear of protest; go ahead and communicate**
  - Less than 1% of awards are protested and fewer still are sustained
  - Communication will reduce reasons to protest
  - Communication can reduce misunderstanding and changes later (claims and modifications)
  - **Communicate before RFP release, after RFP release and during source selection. It will increase the number of contractors who will propose and save time after contract award**

*"Trying to make a procurement 'protest-proof' is rarely a good use of agency resources, and it may lead to decisions that aren't in the best interest of the government." -- Paul A. Denett, Administrator, OMB OFPP*

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Many of the slides that follow come from Dan Gordon's "Myth Busting" memo – Gordon says, "The federal government's ability to achieve successful program outcomes, effectively and efficiently, depends upon agencies establishing effective strategies for industry engagement." Caveat that no matter the flexibility allowed, the appropriate rules must be followed.

Protests are, in fact, quite rare. At least 99 percent of procurements are never protested, although high dollar procurements, of course, are more likely to be protested. The overriding goal of the agency and its program managers, contracting officers, and attorneys should be the best procurement solution, and industry engagement can improve the supplies or services received or can reduce the price paid by the government. If contracting officers conduct responsible, meaningful, and constructive communications during the course of a procurement, issues that could give rise to a bid protest are likely eliminated. Trying to make a procurement 'protest-proof' is rarely a good use of agency resources, and it may lead to decisions that aren't in the interest of the government. Moreover, restricting communication for fear of protests may actually increase the likelihood of a protest – for example, by a vendor that hopes to get more information through 'discovery' during the protest.

Talk clearly with your legal officer. They are there to guide the contracting officer.

I've even heard that some contracting shops not setting a competitive range because they are too fearful of protest. This wastes time and contractor money.

We can provide one slide on the FY10 GAO Protest Statistics including data on number of delivery/task order protests in FY08, FY09, & FY10.

Prior to issuance of the solicitation, government officials – including the program manager, users, or contracting officer – may meet with potential offerors to exchange general information and conduct market research related to an acquisition. In fact, the FAR, in Part 15, encourages exchanges of information with interested parties during the solicitation process, ending with the receipt of proposals. There is no requirement that the meetings include all possible offerors, nor is there a prohibition on one-on-one meetings. Any information that is shared in a meeting that could directly affect proposal preparation must be shared in a timely manner with all potential offerors to avoid providing any offeror with an unfair advantage (FAR 15.201(f)).

The government ethics rules and Competition in Contracting Act, (10 U.S.C. § 2304), prohibit preferential treatment of one vendor over another. Where vendor interaction is expected to include contract terms and conditions, any one-on-one meetings should include, or at least be coordinated with, the contracting officer (FAR 15.201).<sup>4</sup> After the solicitation is issued, the contracting officer shall be the focal point for these exchanges.



## Remove Obstacles to Effective Competition RFI / Draft RFP

- **Requests for Information (RFI) and draft Requests for Proposals (RFP) are valuable**
  - **Help industry prepare and plan so they can compete once the solicitation is released**
    - **Proposals will be better if Industry is prepared to answer the RFP**
    - **Get the issues and problems resolved before the solicitation is released**

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FAR & DFAR address these documents.

Issuing a high quality solicitation requires engaging with industry on issues that go beyond the government's technical requirements. In order to appropriately price proposals and reduce the number of potential change orders, industry needs information about any unique terms and conditions, small business set-aside requirements, subcontracting goals, and other matters about which the contracting officer is the expert. Although industry may have had their best technical representatives engaged with the program manager, the contracting officer should communicate to vendors as much information as possible about the government's needs as early as possible. As a result of early communication, the contracting officer may learn some things that suggest that an

approach somewhat different than planned may cause increased competition, more small business participation, lower prices, or even a better definition of the government's technical requirements.

*Strategy – Issue an RFI to make sure the government not only understands the capabilities of industry, but can develop or improve its acquisition strategy regarding contract type, performance requirements, performance work statements/statements of work, and performance metrics. Release a draft request for proposal, including sections L and M, to be sure the solicitation instructions are clear. This is particularly important if you are going to have a short time to propose. While the draft is out and the Gov't is still working. The Ktr can get started with the proposal preparation*



## Remove Obstacles to Effective Competition Evaluation Factors

- **Use meaningful evaluation factors that do not arbitrarily restrict competition**
  - Doing market research should help
  - If you do not understand the marketplace then you will not be able to write evaluation criteria that allows all competitors to proposed
  - If you do not understand the market place then you will not be able to write evaluation criteria that differentiates between offerors

*"Identifying **evaluation factors** and significant subfactors for large task and delivery orders that have statements of work to **support meaningful comparison and discrimination between and among competing proposals.**" -- Paul A. Denett, Administrator, OMB OFPP*

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### Meaningful discrimination among offerors

Examples:

- Cost
- Technical
- Past Performance
- Small Business Participation (if needed)

### Tailored to the acquisition

Level of detail, number will vary (minimize)

2.3.1.1. Cost or Price. The Government shall evaluate the cost or price of the supplies or services being acquired. See 3.1.1 for more information.

2.3.1.2 Quality of Product or Service. In accordance with FAR 15.304(c)(2), the quality of product or service shall be addressed in every source selection through consideration of one or more non-cost evaluation factors such as past performance, compliance with solicitation requirements, technical excellence, management capability, personnel qualifications, and prior experience.

All source selection evaluations shall utilize one or more quality of product or service evaluation factors tailored to the source selection process employed.

The term "technical," as used below and throughout the document, refers to non-cost factors other than past performance. More than one "technical" factor can be used and titled to match the specific evaluation criteria appropriate for the RFP. However, the ratings in Tables 1, 2, and 3 shall be used for all quality of product or service factors other than past performance, regardless of the "technical" factor title.



## Remove Obstacles to Effective Competition Industry Days

- **Industry Days, Pre-Solicitation Conferences, Pre-Proposal Conferences are valuable**
  - **Promotes common understanding of the requirements for Gov't and Industry**
    - Understanding should be in technical areas, terms and conditions and evaluation criteria
    - Allow industry to do some teaming and meet subcontractors
    - Opens up the procurement to small business and newcomers

Face to face communication is critical to understanding government needs and determining state of capability.



## Remove Obstacles to Effective Competition One on One Exchanges

- **Pre-Solicitation One on One exchanges**
  - FAR 15 encourages exchanges
  - No requirement to meet with all possible offerors
  - No restriction on individual Gov't to Industry meetings
  - No preferential treatment so any information significant to all potential offerors will be shared
  - **Helps understanding by both the Gov't and Industry**

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Prior to issuance of the solicitation, government officials – including the program manager, users, or contracting officer – may meet with potential offerors to exchange general information and conduct market research related to an acquisition. In fact, the FAR, in Part 15, encourages exchanges of information with interested parties during the solicitation process, ending with the receipt of proposals. There is no requirement that the meetings include all possible offerors, nor is there a prohibition on one-on-one meetings. Any information that is shared in a meeting that could directly affect proposal preparation must be shared in a timely manner with all potential offerors to avoid providing any offeror with an unfair advantage (FAR 15.201(f)).

The government ethics rules and Competition in Contracting Act, (10 U.S.C. § 2304), prohibit preferential treatment of one vendor over another. Where vendor interaction is expected to include contract terms and conditions, any one-on-one meetings should include, or at least be coordinated with, the contracting officer (FAR 15.201).<sup>4</sup> After the solicitation is issued, the contracting officer shall be the focal point for these exchanges. (Special rules govern communications with offerors after receipt of proposals; that situation is not addressed here.)



## Remove Obstacles to Effective Competition Technical Data Rights

- **Acquire appropriate technical data rights for production contracts**
  - Business Case Analysis is due at MS B outlining the approach for acquiring data rights
  - Use build-to-print approaches to enable production through multiple sources
  - Periodic competitions for subsystem upgrades
  - Ensure a lifetime consideration of competition

*"The failure of the Program Offices to purchase data rights for weapons systems during the initial acquisition process also **limits the ability to purchase commercial items**. Additionally, sole source contractors continue to be reluctant to provide technical data (or provide it at a reasonable cost), thereby, **restricting the ability to acquire commercial items or seek competitive acquisitions.**" -- DoD FY2009 Competition Report*

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DR. Carter 3 Nov 10 Memo:

*Require open systems architectures and set rules for acquisition of technical data rights:*

Effective November 15, 2010, you will conduct a business case analysis, in consort with the engineering tradeoff analysis that will be presented at MS B. The business case analysis will outline the open systems architecture approach, combined with technical data rights the government will pursue in order to ensure a lifetime consideration of competition in the acquisition of weapon systems. The results of this analysis will be reported in the Acquisition Strategy Report and in the competition strategy.

More info:

SEE REFERENCE MATERIAL FOR MR. WEIGELT ARTICLE ON TECH DATA RIGHTS EDUCATION – **"DOD officials need technical data rights education"**

By [Matthew Weigelt](#)

Jun 10, 2011



## Remove Obstacles to Effective Competition Open Systems Architecture

- **Enforce open systems architecture for production contracts**
  - Business Case Analysis is required at MS B outlining the approach for open systems architectures
  - Use of modular, open architectures to enable competition for upgrades
  - Ensure a lifetime consideration of competition
- **Consult the Draft OSD OSA Contracts Guidebook for additional details**

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DR. Carter 3 Nov 10 Memo:

*Require open systems architectures and set rules for acquisition of technical data rights:*

Effective November 15, 2010, you will conduct a business case analysis, in consort with the engineering tradeoff analysis that will be presented at MS B. The business case analysis will outline the open systems architecture approach, combined with technical data rights the government will pursue in order to ensure a lifetime consideration of competition in the acquisition of weapon systems. The results of this analysis will be reported in the Acquisition Strategy Report and in the competition strategy.

Example: KC 46

More info:

### **Modular Open Systems Approach (MOSA)**

The open systems initiative at the Department of Defense began in November 29, 1994 when the Under Secretary of Defense for Acquisition, Technology and Logistics directed that all DoD components and agencies use open systems specifications and standards for acquisition of weapon systems and chartered the Open Systems Joint Task Force (OSJTF) as a jointly sponsored oversight body to oversee the implementation of the new policy. The OSJTF charter was extended several times during the last 10 years with its mission, functions, and responsibilities transferred to the System and Software Engineering Directorate – now the Office of the Assistant Secretary of Defense for Systems Engineering.

The DoD preferred approach for implementation of open systems is called Modular Open Systems Approach (MOSA) which is both a business and technical strategy for developing a new system or modernizing an existing one. Through MOSA application, acquisition and engineering communities are enabled to design for affordable change, employ evolutionary acquisition and spiral development, and develop an integrated roadmap for system design and development. Basing design strategies on widely supported open standards increases the chance that future changes to the system be integrated in a cost effective manner.

Open systems employ modular design, use widely supported and consensus based standards for their key interfaces, and have been subjected to successful validation and verification tests to ensure the openness of their key interfaces. Open systems characteristics and principles may be dealt with as:

- (1) **design requirements** (e.g., mandated open standards and protocols);
- (2) **derived requirements** (e.g., need for open interfaces to enable interoperability);
- (3) **design constraints** (e.g., need to adhere to open interface specifications as system components are designed);
- (4) **architectural attributes** (e.g., need for an adaptable, upgradeable and reconfigurable system architecture);
- (5) **design considerations** (e.g., taking into considerations modular and open systems design benefits and concerns); and
- (6) **business strategies** to gain access to competitive sources of supply and effectively manage technological obsolescence.

[DoDD 5000.01](#) mandates the use of MOSA by all programs and the [DoD Acquisition Guidebook](#) recommends that program manager plan for MOSA implementation and include a summary of such planning as part of the SEP, the overall Acquisition Strategy, and to the extent feasible, the Technology Development Strategy. The summary of the MOSA planning should describe:

- (1) how MOSA fits into a program's overall acquisition process and strategies for acquisition, technology development, and T&E;
- (2) what steps a program will take to analyze, develop, and implement a system or a system-of-systems architecture based on MOSA principles; and
- (3) how such program intends to monitor and assess its MOSA implementation progress and ensure system openness.

Program managers can use the [MOSA Program Assessment and Review Tool \(PART\)](#), which is an automated analytical tool that relies on objective data and evidence-based judgments, to monitor, assess, and evaluate MOSA implementation by their program or the Navy-sponsored [Open Architecture Assessment Tool \(OAAT\), Version 3.0](#).

For more information and detailed guidance on using MOSA and open systems implementation please see DAG Chapter 2 [Section 2.2.1.1 Open Systems Strategy Summary](#) and [Section 2.3.1.1 Modular Open Systems Approach \(MOSA\) Summary](#), Chapter 4 [Section 4.4.1 Open Systems Design](#), DAU Continuous Learning Modules [CLE 013 Modular Open Systems Approach to DoD Acquisition](#) and [CLE 012 Naval Open Architecture](#), and the [Naval Open Architecture Special Interest Area website](#).



## Remove Obstacles to Effective Competition Subcontracts

- **Ensure primes are awarding subcontracts competitively and that the government has insight into the process for determining in-house and subcontractor work allocations**
  - **Prime contractors are subcontracting more production work and concentrating on systems integration**
    - 60 to 70 percent of work on defense contracts is done by subcontractors
    - Subcontractor performance may contribute to cost and schedule delays on weapon system programs
  - **Indicate how prime contractors will be required to give full and fair consideration to qualified sources other than the prime contractor for the development or construction of major subsystems and components**
  - **Summarize the rationale for the selection of the planned subcontract tier or tiers**

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Review contractor's subcontracting strategy to ensure max competition possible for subs.

2009 Weapons Reform Act requires competition of prime and sub-contractors.

Program acquisition strategies for MDAPs shall describe the measure taken to ensue competition, or the option of competition, at both the prime and subcontract level throughout the program life cycle. Measure may include, if cost-effective: competitive prototyping; dual sourcing, unbundling of contracts funding of next-generation prototypes or subsystems, use of modular, open architectures to enable competition for upgrades, use of build-to-print approaches to enable production through multiple sources, acquisition of complete technical data packages, periodic competition for subsystem upgrades, licensing of addition supplier, and periodic system or program reviews to address long-term competitive effects of program decisions. Additionally, program acquisition strategies shall document the rationale for the selection of the planned subcontract tier or tiers and indicate that prime contractors are to give full and fair consideration to qualified sources other than the prime contractor for the development or construction of major subsystems and components of major weapon systems.



## Remove Obstacles to Effective Competition Dynamic Small Business Role

- **Establish meaningful small business work and incentives for small business participation**
  - Outline planned award evaluation criteria concerning small business utilization regarding source selection
  - Summarize the rationale for the selection of the planned subcontract tier or tiers
  - Emphasize acquisition planning with small business specialists & review of subcontracting plans
  - Weight past performance and fee construction

*"This guide stresses commitment to the principles of the Competition in Contracting Act (CICA) and the involvement of small businesses to the maximum extent possible." -- PEO STRI STOCII, DoD FY2009 Competition Report*

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The objective is to evaluate and analyze how well prime contractors ensure small businesses receive a fair proportion of and a maximum practicable opportunity to participate in prime contractors' subcontracts. To achieve this objective, ensure development of aggressive but reasonable subcontracting plans for contractors and review contractor compliance with subcontracting plans. This helps to foster business innovation and new technology, supports the war fighter, strengthens and sustains the military and economic industrial base and promotes private enterprise.

### **48 C.F.R. 215.304 Evaluation factors and significant subfactors.** **Title 48 - Federal Acquisition Regulations System**

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#### **Title 48: Federal Acquisition Regulations System** [PART 215—CONTRACTING BY NEGOTIATION](#) [Subpart 215.3—Source Selection](#)

#### **215.304 Evaluation factors and significant subfactors.**

(c)(i) In acquisitions that require use of the clause at FAR 52.219–9, Small Business Subcontracting Plan, other than those based on the lowest price technically acceptable source selection process (see FAR 15.101–2), the extent of participation of small businesses and historically black colleges or universities and minority institutions in performance of the contract shall be addressed in source selection. The contracting officer shall evaluate the extent to which offerors identify and commit to small business and historically black college or university and minority institution performance of the contract, whether as a joint venture, teaming arrangement, or subcontractor.

(A) See PGI 215.304(c)(i)(A) for examples of evaluation factors.

(B) Proposals addressing the extent of small business and historically black college or university and minority institution performance may be separate from subcontracting plans submitted pursuant to the clause at FAR 52.219–9 and should be structured to allow for consideration of offers from small businesses.

(C) When an evaluation assesses the extent that small businesses and historically black colleges or universities and minority institutions are specifically identified in proposals, the small businesses and historically black colleges or universities and minority institutions considered in the evaluation shall be listed in any subcontracting plan submitted pursuant to FAR 52.219–9 to facilitate compliance with 252.219–7003(g).

(ii) In accordance with 10 U.S.C. 2436, consider the purchase of capital assets (including machine tools) manufactured in the United States, in source selections for all major defense acquisition programs as defined in 10 U.S.C. 2430.



## Remove Obstacles to Effective Competition Feedback

- **Provide feedback on Task and Delivery Order competitions**
  - Although debriefing not required, explain the basis of the award decision to the contractors
  - Contractors will come back better next time if they understand why they lost the first time
  - Eliminate the suspicion that we really only wanted a particular source

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If you can't explain the fairness of your selection, then you have a serious problem in your organization that needs to be fixed.

Although debriefings are not required when using the Federal Supply Schedules (FSS) under FAR Part 8.4 procedures, even in those situations, agencies are instructed to "provide a brief explanation of the basis for the award decision" where the award was based upon factors other than price (FAR 8.405-2(d)). Agencies that order from FSS contracts regularly are missing an important feedback opportunity if they do not take time to explain to FSS offerors how to improve their offers in the future. For newer contracting officers, the less structured explanation required for FSS offerors can be a valuable learning opportunity to prepare for structured debriefings. In both FSS and FAR Part 15 procurements, agencies are encouraged to provide the maximum amount of relevant information to offerors, rather than focusing on sharing only the minimum that is legally required.



## Remove Obstacles to Effective Competition Time to Bid

- **Ensure adequate length of time between issuance of solicitations and proposal due dates**
  - Allowing offerors additional time to prepare their proposals will yield better proposals, streamlined evaluations, and a reduction in the need for discussions
  - Shortcutting the proposal development process often results in fewer proposals, and/or proposals that are more difficult to evaluate (leads to expensive outcomes)
    - **When we request a short turn-around on a proposal, the offeror assumes that we must be looking for one special incumbent or favorite contractor!**
    - **We need to give all vendors and small business a fair chance to compete**

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While the FAR does contain some requirements on the length of time between issuance of solicitations and proposal due dates, often task and delivery orders do not have these requirements. Contracting officers should consider that allowing offerors additional time to prepare their proposals will likely yield better proposals, streamlined evaluations, and a reduction in the need for (or scope of) discussions. While the workforce is stretched thin and requirements often arise unexpectedly, shortcutting the proposal development process often results in fewer proposals, and/or proposals that are more difficult to evaluate. This situation can lead to expensive outcomes. Providing adequate time for vendor communication throughout the procurement process – including adequate time for proposals – indicates that the government is interested in obtaining the best outcomes. Contracting officers should have the full support of their customers in determining the right amount of time for receipt of proposals.

When we request a 3 day turn-around on a proposal, the offeror assumes that we must be looking for one special incumbent or favorite contractor!



## Removing Obstacles to Effective Competition “Only One Offer”

- If competition is attempted, effective competition does not exist if only one offer is received
- Effective competition only exists if two or more offers are received.
- Contracting Officer must specify what cost or pricing data may be required if only one offer is received.

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This information comes from the DoD memo and the Proposed rule. Implementation will not be final until the DFAR rule is final.

Directed by Dr. Carter's 3 Nov 10 Memo

Information from 27 April 11 Memo from Defense Procurement and Acquisition Policy and 25 July 2011 Federal Register Notice, both “Only One Offer”

Applies to: FAR and DFARS

8.4 , Federal Supply Schedules

12, Commercial Items

13.5, Test Program for Certain Commercial Items

14, Sealed Bidding

15, Contracting by Negotiation

16.5, Indefinite Delivery Contracts

Doesn't apply to contingency operations, humanitarian assistance, disaster relief, peacekeeping operations, or recovery from nuclear, biological, chemical, or radiological attacks against the United States OR Under the SAT

Waivers to resolicit are permitted by the HCA or delegated not lower than one level above the contracting officer



## Removing Obstacles to Effective Competition “Only One Offer”

- **If advertised < 30 days and only 1 offer rcvd:**
  - Cancel, revise SOW as appropriate and resolicit for additional 30 days; or
  - Obtain waiver from Head of Contracting Activity
    - delegated no lower than 1 level above contracting officer
- **If advertised > 30 days and only 1 offer rcvd or the requirement was waived:**
  - Contracting Officer shall not depend on the standard for a fair & reasonable price determination
  - Contracting Officer must determine the price fair and reasonable or enter into negotiations

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FAR references in the notes:

Some of the Proposed changes:

Adding a new DFARS 205-203 (s-70) : When using competitive procedures, if a solicitation allowed fewer than 30 days for receipt of offers and resulted in only one offer, the contracting officer shall resolicit, allowing an additional period of at least 30 days for receipt of offers, except as provided in 215.371 (d) and (e).

Adding a new DFARS 215.371 Only One Offer:

- (a) It is DoD policy that the circumstance of reasonable expectation that two or more offeror, competing independently, would submit priced offers, “ as further described at FAT 15.403-1 (c) (1)(ii) does not constitute adequate price competition if only one offer is received.
- (b) (b) Additional cost or pricing data may be required if the contracting officer only receives one offer, when two or more offers were expected. Therefore, when using competitive procedures, except as provided in paragraphs 9d) and (e) of this section, the contracting officer shall ---
- (c) (1) Use FAR 15.402 and 15.403, except for 15.403-1 (c0(1)(ii), to determine what cost or pricing data may be required if on lyone offer is received (see additional guidance at PGI 215.371) .....



## Best Practice Example KC-46 (formerly KC-X) Program

Acquiring appropriate technical data rights drives cost savings, improves quality of product/service, and enables effective competition

### Key Success Factors



### Results

Maximum allowable data/licensing rights allows Government to leverage open architecture/standard interfaces leading to 100% organic depot capability, while achieving/increasing full and open competition.



From the DoD's Competition Report For FY 2009

"The Navy continues to reinforce the open architecture concept in development efforts and initiatives to find competitive solutions where data suitable for competition was not previously obtained."

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Source: Better Buying Power Info Brief for "Kick Off" Marine Corps Systems Command Quarterly Briefings, Katrina McFarland, Jul 26, 2011.

Improving Efficiency in Acquisition

Promote Real Competition: What we've done / What we are doing

KC-X source selection utilizing Intellectual Property and Open Architecture: The AF required Offerors to competitively price all data required for Operations, Maintenance, Installation, and Training (OMIT) and non-OMIT data rights for the Government to use the data for an organic depot capability, to compete the development of the KC-46 training systems, and a reprourement package for the System Integration Lab. The Air Force obtained the licensing rights for OMIT data for the KC-46 life cycle on a Firm Fixed Price contract line item to ensure the AF's ability to establish a 100% organic depot capability. A team of Contracting Officers, Configuration Managers, Lawyers, and Maintainers did a deep dive into the FAR, DFAR and applicable intellectual property and data rights laws to ensure we were asking for and receiving the maximum allowable data and licensing rights. The KC-X solicitation included requirements for implementation of Modular Open Systems Approaches (MOSA) in order to leverage open architectures and standard interfaces to the maximum extent practical for a commercial derivative military aircraft. Specifically, each offeror's approach to open architectures was evaluated during the Source Selection as a mandatory requirement, the technical specification includes MOSA requirements and the statement of work contains MOSA tasks.



## Lessons Learned Example SeaPort Enhanced Program

Conducting market research & allowing reasonable time to bid will enhance solutions, promote fairness & trust, and effective competition

### Key Issues

Internal Controls Not Adequate

Did Not Allow Sufficient Time for Task Order Bidding

Did Not Conduct Market Research as Required by FAR

Failed to Meet Quality Assurance Requirements

### Results

"Of the 133 task orders valued at \$2.1 billion that we reviewed, 39 valued at \$469.3 million were not awarded based on adequate competition." -- DoD IG



From Inspector General, Department of Defense Report No. D-2009-082, May 6, 2009

"The Director, Defense Procurement and Acquisition Policy should request that the Defense Acquisition Regulation Council determine the need for changes to the FAR regarding small business set-asides"  
- Richard B. Joliffe, Assistant Inspector General, Acquisition and Contract Management

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Source: Inspector General United States Department of Defense SeaPort Enhanced Program, Report No. D-20090082, May 6, 2009

### What We Did

The overall audit objective was to review the award and administration of the SeaPort Enhanced (SeaPort-e) program. We determined whether SeaPort-e contracts and task orders were consistent with Federal and DoD acquisition and contracting policies.

### What We Found

The SeaPort-e internal controls were not adequate. We identified internal control weaknesses in contract award and administration. Of the 133 task orders valued at \$2.1 billion that we reviewed, 39 valued at \$469.3 million were not awarded based on adequate competition. The program office did not ensure that task orders were open for bidding for the length of time specified in the Concept of Operations. The SeaPort-e program office also deviated from Federal Acquisition Regulation (FAR) criteria by not performing

adequate market research. We estimate that, of the 1,106 task orders from which we drew our sample of 133, 29.3 percent were not awarded based on adequate competition.

In October 2008 the Government Accountability Office issued a legal decision counter to the conclusion in our draft report that small business set-asides are inappropriate in a multiple-award contract. As a result, we concluded there is a conflict in the FAR concerning small business set-asides. Regardless, competition was still limited in

SeaPort-e because contracting officers did not conduct adequate market research to ensure there were two or more small businesses capable of completing the requirement for set-aside task orders.

We also found that 118 task orders valued at \$1.4 billion did not meet quality assurance requirements. The SeaPort-e program manager did not ensure task orders were written to be

performance based, had quality assurance surveillance plans (QASPs), or had contracting officer's representatives assigned. We estimate that, of 1,106 total task orders, 89 percent did not

meet quality assurance requirements.

### What We Recommend

The Director, Defense Procurement and Acquisition Policy should request that the Defense Acquisition Regulation Council determine the need for changes to the FAR

regarding small business set-asides. We redirected all Recommendations except A.1. to the Deputy Assistant Secretary of the Navy (Acquisition and Logistics Management) to verify

that contracting officers using SeaPort-e are following the FAR, implement the Concept of Operations as requirements and then verify correct use, ensure contracting officers receive

training in and issue performance-based task orders that include a QASP, restrict the scope of each task order to known requirements, and verify compliance with DFAR 201.602.



## Lessons Learned Example Design & Engineering Support Program

Use of service component & agency competition advocates will improve overall rate of competition & the rate of effective competition

### Key Issues

Did Not Use Competition Advocate Effectively

Source Selection Criteria for Technical, Cost, & Past Performance Misaligned

Insufficient Communication on Future DESP IDIQ Requirements

Did Not Allow Sufficient Time for Bidding

### Results

Air Force PEO for Services found 39% of task order competitions under the Indefinite Delivery/Indefinite Quantity (IDIQ) contract resulted in one bid.



### From the Memorandum for Acquisition Professionals

*"Real Competition is the single most powerful tool available...to drive productivity. Real competition is to be distinguished from a series of directed buys or other contrived two-source situations which do not harness the full energy of competition"* - Ashton B. Carter Under Secretary of Defense for Acquisition, Technology, and Logistics

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Source: Memorandum for Acquisition Professionals, Subject: Better Buying Power: Guidance for Obtaining Greater Efficiency and Productivity in Defense Spending, USD (AT&L), Dr. Ashton B. Carter, Sep 14, 2010.

### Promote Real Competition

A more important approach is to remove obstacles to competitive bidding. For example, the Air Force's PEO for Services reviewed the Air Force's Design and Engineering Support Program (DESP) for effective competition. She found 39 percent of the task order competitions under the Indefinite Delivery/Indefinite Quantity (IDIQ) contract resulted in one bid. The Air Force team undertook an analysis to determine why they were getting the one bid and made two changes. First, they amended their source selection methodology so that technical, cost, and past performance factors were more equally weighted. No one factor can be less than 25 percent or more than 50 percent. This served to lessen the advantage of the incumbent contractor since the technical factor could not overshadow past performance and cost. Second, the team provided a monthly report to all DESP IDIQ holders listing all known requirements in the pipeline. The report included sufficient information to allow contractors to evaluate whether or not to bid and start to prepare a bid package. The team has effectively added an additional 45 day to the time a requirement is made known to the potential Offerors and the bid due date. These two changes have reduced the percentage of task orders receiving one bid by 50 percent.



## Resources

▶ **DAU teaches competition in many residence and Computer Based Training (CBT) courses**

(<https://learn.dau.mil/html/clc/Clc.jsp?BrowseCertCourses>).

▶ **CBT courses are listed below:**

- CLC 004: Market Research
- CLC 007: Covers formal source selection procedures in depth
- CLC 011: Discusses the basics of competition concerns in the contracting environment
- CLC 013: Services Acquisition
- CLC 030: Addresses fair opportunity requirements for orders under MACs
- CLC 055: Details competition requirements

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Some of these courses have changed or are changing:

- ▶ **DAU teaches competition** (<https://learn.dau.mil/html/clc/Clc.jsp?BrowseCertCourses>)
- ACQ 101: Discusses CICA requirements
  - ACQ 201A: Touches on competition as part of the RFP and Source Selection process
  - CON 100: Discussed in Lesson 13 under factors for initiating a new contract and the contracting process mission support planning
  - CON 110: Touches on market research, socio-economic, and competition
  - CON 120: Uses integrative case study approach to evaluate competition
  - CON 214: Touches on competition as part of source selection
  - CON 215: Emphasizes application of effective source selection procedures
  - CON 218: Includes focus on strategic approaches for enhancing competition
  - CON 353: Competition part of “hot topics”
  - PMT 250: Contract module provides overview of source selection process
  - PMT 352B: Touches on competition in contract types seminar and evaluation exercises
  - CLC 007: Covers formal source selection procedures in depth
  - CLC 011: Discusses the basics of competition concerns in the contracting environment
  - CLC 030: Addresses fair opportunity requirements for orders under MACs
  - CLC 055: Details competition requirements



## Resources

- **Do Market Research to find competition, especially small business**

- CCR & Dynamic Small Business Search, [www.bpn.gov/ccr](http://www.bpn.gov/ccr) <http://www.bpn.gov/ccr>
- Department of Veterans Affairs vendor database, [www.vip.vetbiz.gov](http://www.vip.vetbiz.gov) <http://www.vip.vetbiz.gov>
- Sources Sought on FBO
- ThomasNet (formerly Thomas Register), [www.thomasnet.com](http://www.thomasnet.com) <<http://www.thomasnet.com>>
- FPDS-NG
- CPARS/PPIRS
- Procurement Technical Assistance Centers (PTAC), [www.dla.mil/db/ptap.asp](http://www.dla.mil/db/ptap.asp) <http://www.dla.mil/db/ptap.asp>
- Small Business Development Centers (SBDC), [www.asbdc-us.org](http://www.asbdc-us.org) <<http://www.asbdc-us.org>> or [www.sba.gov/content/small-business-development-centers-sbdcs](http://www.sba.gov/content/small-business-development-centers-sbdcs) <<http://www.sba.gov/content/small-business-development-centers-sbdcs>>
- SBA, [www.sba.gov](http://www.sba.gov) <<http://www.sba.gov>>
- SBA Sub-Net, [www.sba.gov/subnet](http://www.sba.gov/subnet) <<http://www.sba.gov/subnet>> , for Subcontracting opportunities
- SBA HubZone, [www.sba.gov/hubzone](http://www.sba.gov/hubzone)
- Minority Business Development Centers, [www.mbda.gov](http://www.mbda.gov) <http://www.mbda.gov>
- GSA, [www.gsa.gov](http://www.gsa.gov) <<http://www.gsa.gov>> and GSA e-buy, [https://www.ebuy.gsa.gov/advantage/ebuy/start\\_page.do](https://www.ebuy.gsa.gov/advantage/ebuy/start_page.do) <[https://www.ebuy.gsa.gov/advantage/ebuy/start\\_page.do](https://www.ebuy.gsa.gov/advantage/ebuy/start_page.do)>
- Attend or hold Small Business Conferences, Industry Days, Small Business Regional Councils, Pre-Solicitation Conferences, etc...

Some market research resources are listed...



## Conclusion

- **What can we do to remove obstacles to effective competition?**
  - Better communication with industry
  - Better planning
  - Adequate time to bid
- **Effective competition is the rule not the exception!**
  - Use your Competition Advocate, Small Business Specialist, and DCMA
  - Market research and communication are key to effective competition
  - Design a strategy that supports effective competition (now and in the future)

*Removing Obstacles to Competition is a Lifecycle Imperative. "Every dollar saved through effective competition benefits the warfighter and the taxpayers."  
-- Shay D. Assad, Defense Procurement and Acquisition Policy, Improving Competition in Defense Procurements, April 27, 2009.*

Correct coding and reporting of the contract action in FPDS is critical

To find additional reference material try OSD policy/implementation documents; Services policy/implementation documents; DAU BBPi Knowledge Sharing Assets and website links; GAO reports

Also:

PPT: Enhancing Competition Awareness in DoD

2011 DoD Procurement Conference and Training Symposium

Lots of memos on BBPi site

Instructions...

DCMA - Defense Contract Management Agency

A Contractor Purchasing System Review (CPSR) evaluates the function and operations of purchasing. The auditor considers compliance with applicable laws (not limited to FAR), efficiency, effectiveness, and internal controls. Only findings with significant risks to the U.S. Government are reported.

Formal policies and procedures, which reveal the intent of management, often contrast actual practices. Observed practices and source documents (supplier quotes, comparative-website printouts, price analyses, etc.) evidence the documented results of actual practices. Supporting documents for the source justification and the price justification (two separate requirements) comprise a high-risk focus. Justification supporting a sole source supplier does not allow the contractor to "write a blank check" using government funds. Further, the argument that the contract is fixed price is invalid; cost history becomes the basis for future purchases on new proposals and awards. Because even commercial purchases might become the basis of future government cost and pricing data, consistently followed procedures are recommended throughout the purchasing function. Implementation of good procedures and matching practices accumulates the audit trail for the CPSR.

In addition to the contrast between formal and actual operations, plus the adequacy of source and price justifications, internal controls (balanced with reasonable efficiency and effectiveness) represent a vital CPSR consideration. Requisition, approvals, and purchase are segregated among employees and their chain of command. Neither the buyer nor the buyer's supervisor requisitions goods and services purchased by that particular buyer. The cost analysis of a subcontractor's proposal is not approved as an adequate price justification by that cost analyst's supervisor. The technical superiority of goods is supported, not by the buyer but, by a company representative with the technical knowledge to explain why the goods uniquely meet requirements. Segregation of duties minimizes risk of misuse of government funds.

DCMA Guidebook provides more on CPSRs.

## Back Up Slides



## Target Audiences

- Required training for all personnel involved in the acquisition process to provide a fundamental understanding of competition and the resulting benefits





## Pentagon Efficiency Initiatives



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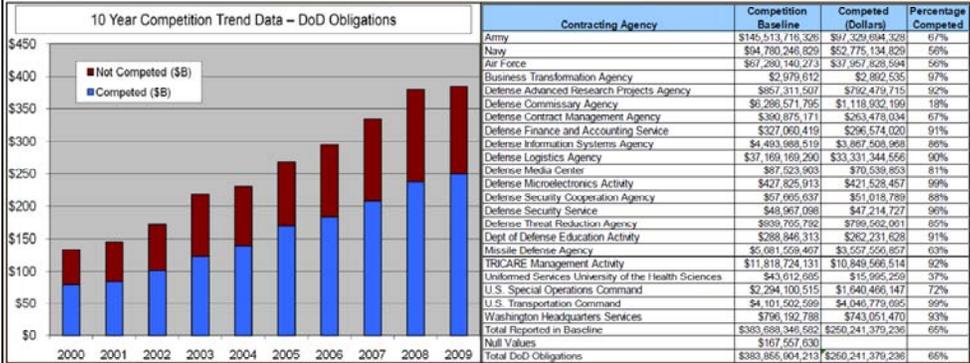
Video is available on the BBPi website:

Video: Pentagon Efficiency Initiatives. (2010, April 20). Retrieved from [http://www.pentagonchannel.mil/?pid=GwzRsNaH9sy\\_Yx5gyT8S\\_fnbix0g2ZHw](http://www.pentagonchannel.mil/?pid=GwzRsNaH9sy_Yx5gyT8S_fnbix0g2ZHw)

Real competition: 21:30 – 24:42



# Purpose / Description DOD FY2009 Competition Report



**DoD FY09 Overall Competition Rate:**  
65%

**DoD FY09 Effective Competition Rate:**  
79%



## Competition Successes - DoD

- DoD conducted over 2000 competitions using A-76 process
  - As a result of competition, annual operating costs were reduced by 31 percent (cumulative savings of \$1.5 billion a year)
  - Savings achieved highlight the potential benefits of opening up even more of our support activities to competition

	Competition Yields Significant Savings Competitions Completed	Average Annual Savings(\$M)	Percent Savings
Army	510	\$470	27%
Air Force	733	\$560	36%
Marine Corps	39	\$23	34%
Navy	806	\$411	30%
Defense Agencies	50	\$13	28%
<b>Total</b>	<b>2138</b>	<b>\$1478</b>	<b>31%</b>

Results of A-76 Cost Comparison: 1978-1994

*Competition: Delivering Best Value*

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The A-76 program is governed by [Office of Management and Budget \(OMB\) Circular A-76](#), "Performance of Commercial Activities." The basic tenant of the A-76 program is that functions should be performed in the most efficient and cost effective way regardless of whether that is with government employees or contractor personnel. In accordance with OMB Circular A-76, this determination is made by conducting a competition for the function(s) under study between the government and private contractors. This involves several steps:

**Preliminary Planning (PP)** – In accordance with OMB Circular A-76, agencies are required to conduct preliminary planning prior to announcing any competitive sourcing initiative (streamlined or standard). The objective of PP is to provide a sound structure from which to begin the Competitive Sourcing process and determine the most effective approach for conducting a public-private competition. CSPO will work with the functional staff and other organizational staff to identify and appoint members to the PP Team. This team will be responsible for: (a) Determining the scope of the organization and functional areas under competition and the full time equivalent (FTE) positions to be competed;

(b) Conducting preliminary research to determine the appropriate grouping of activities as business units;

(c) Assessing the availability of workload data, work units, quantifiable outputs of activities or processes, agency or industry performance standards, and other similar data;

(d) Determining the activity's baseline costs as performed by the incumbent service provided; and

(e) Developing the preliminary competition and completions schedules.

**Public Announcement** – An agency is required to make a formal public announcement (at the local level and via [FedBizOpps.gov](#)) for each streamlined or standard competition. The public announcement date is the official start date for a streamlined or standard competition.

**Develop the Performance Work Statement (PWS)** – The PWS Team is comprised of technical and functional experts (some of which may have been part of the PP Team) who are responsible for developing the PWS. The PWS should identify the technical, functional and performance characteristics of the agency's requirements. It also identifies essential outcomes to be achieved, specifies the agency's required performance standards; and specifies the location, units, quality and timeliness of the work; and how many times the work is performed.

**Develop the Agency Tender** – The Agency Tender (AT) Team is comprised of technical and functional experts who are responsible for developing the Agency Tender. The AT Team is responsible for developing the Agency Tender which includes the Most Efficient Organization (MEO), agency cost estimate, MEO quality control plan and MEO phase-in plan, in accordance with Attachment B, OMB Circular A-76 and which satisfies the requirements of the solicitation.

**Agency Cost Estimate** – This is considered the government's cost proposal for the MEO developed and represents the full cost of agency performance of the commercial activity, based on the requirements in the solicitation and the costing policy in Attachment C, OMB Circular A-76.

**Private Sector Offer** - At the same time the government is developing the new organization private contractors are also allowed to develop a new organization based on what is in the Performance Work Statement and the solicitation document. The private sector offer(s) are submitted in two parts: (1) Technical Proposal; and (2) Cost Proposal.

**Source Selection Process** – The objective of this process is to evaluate all offers against the published evaluation criteria and to select a source that meets the program objectives and requirements.

**Cost Comparison** - The agency's cost proposal is compared with the private sector offer deemed to be technically acceptable to determine who can perform the work at the lowest overall cost.

**Award Contract or Letter of Obligation** - If the lowest offer is from a private contractor, a contract is awarded and the contractor begins to perform the requirements and the government employees are replaced. If the lowest offer is from the government, a Letter of Obligation is prepared for the new organization of government employees which sets forth the performance requirements. The government then puts the new organization in place.

**Performance Decision** – A decision that identifies the end outcome of the public-private competition process. A performance decision occurs prior to resolution of any type of challenge (e.g., contests, protests) regarding the performance decision or, if no such challenges are received, the time allowed for submission of challenges. The performance decision date is the official end date for a streamlined or standard competition, which occurs when all certifications are completed on the standard or streamlined competition form signifying a performance decision.

**Final Decision** – The decision that is implemented (e.g., contract award, most efficient organization letter of obligation) following resolution of any type of challenge regarding a performance decision or, if no such challenges are received, the time allowed for submission of challenges. The final decision date is the date when either (a) all certifications are completed on a standard or streamlined competition form that results from the resolution of challenges, or (b) if no challenges are received, the time allowed for submission of such challenges.

**Phase-In Plan** – The Phase-in Plan contains the actions and timelines required for successful transition from the current organization to the new Service Provider (SP). In a standard competition, a phase-in plan is required to be submitted by all offerors, including the MEO. The purpose of the phase-in plan is to minimize startup confusion, disruption, and adverse impacts on operations and customer support when transferring responsibility from the current organization to the SP based on the final competition decision. The phase-in plan is implemented as the first performance period.

**Post Competition Accountability** – OMB Circular A-76 requires that, regardless of the selected service provider, the agency shall (1) monitor performance for all performance periods; (2) implement the quality assurance surveillance plan; (3) record the actual cost of performance by performance period; and (4) monitor, collect, and report performance information for purposes of documenting past performance in a follow-on competition.

If the Agency Tender is determined to be the successful offeror it is now considered a "new organization" for which position descriptions (PDs) were developed and in which grade structures may have changed. Incumbent employees must meet the requirements set forth in the new PD and at the specified grade level to be considered eligible for such position.

As a result of the A-76 competition, it is of utmost importance for all parties to understand that the government employees cannot revert back to the "**OLD WAY OF DOING BUSINESS OR PERFORMING THE FUNCTION.**"



## Removing Obstacles to Effective Competition “Only One Offer”

- Information from 27 April 11 Memo from Defense Procurement and Acquisition Policy and 25 July 2011 Federal Register Notice, both “Only One Offer”
- Applies to: FAR and DFARS
  - 8.4, Federal Supply Schedules
  - 12, Commercial Items
  - 13.5, Test Program for Certain Commercial Items
  - 14, Sealed Bidding
  - 15, Contracting by Negotiation
  - 16.5, Indefinite Delivery Contracts
- Doesn’t apply to contingency operations, humanitarian assistance, disaster relief, peacekeeping operations, or recovery from nuclear, biological, chemical, or radiological attacks against the United States OR Under the SAT
- Waivers to resolicit are permitted by the HCA or delegated not lower than one level above the contracting officer

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This memo and proposed rule apply to all the contract, task and delivery order that are bought using FAR/DFAR 8, 12, 13.5, 14, 15, and 16.5 procedures.

DFARS Case 2011-D013, The Federal Register Notice is a proposed rule that implements the Only One Offer BBP memo by amending DFARS. It adds a new section at DFARS 215.371. It will state that adequate price competition does not exist if only one offer is received. When issuing a competitive solicitation, the contracting officer must specify in the solicitation what cost or pricing data may be required if only one offer is received.



## Competition Successes Examples

- **V-22 Support Equipment**
  - Competition facilitated first time breakout between prime contractor and a fabricator – Award made to small business (estimated savings of \$4.7M)
- **Navy ship repair support in Guam**
  - Competitive multiple-award IDIQ contract resulted in savings over performance period of approximately 36-41%
- **Consolidated Interim Single Channel Handheld Radio**
  - Integrated product team developed acquisition strategy to compete among fully qualified vendors resulting in MAC – First award resulted in a total savings of \$105M
- **Army Tank-automotive & Armaments Command (TACOM)**
  - Saved an estimated \$31 million from the last contract price for heavy truck tires using an acq strategy that maximized competition
- **Air Force Joint Threat Emitter sustainment strategy**
  - Successfully procured a technical data package that converted a \$70M sole source to a competitive acquisition
- **DLA VHS Antenna**
  - Introduced competition for a sole source VHF antenna, resulting in a unit cost reduction of 22% and total savings of \$37 million



## AIM-54 Phoenix Missile Program

Developing multiple sources for design, development, & production drives cost savings, improves quality of product/service, & enables effective competition

### Key Success Factors

Developed 2<sup>nd</sup> Source After Full & Open Competition

Held Subsequent Limited Competition

Awarded Minimum & Majority Quantity Contracts

Navy Held Head-to-Head Competition

### Results

Initial production/unit cost approximately \$1 million.  
Competition drove cost down by just over 50 percent to \$499,000 production per unit cost.



### From the Memorandum for Acquisition Professionals

*"Real Competition is the single most powerful tool available...to drive productivity. Real competition is to be distinguished from a series of directed buys or other contrived two-source situations which do not harness the full energy of competition"* – Ashton B. Carter Under Secretary of Defense for Acquisition, Technology, and Logistics



## Family of Medium Tactical Vehicles (FMTV) Success

- Family of Medium Tactical Vehicles Competition
- The Army awarded a competitive 5 year multiple year requirements contract to Oshkosh that resulted in an average cost savings of 28% over the previous sole source contract.
- The end result is a cost savings of an estimated \$578M over the contract period of performance.





## JTRS Enterprise Business Model (EBM) Success

- Predicated upon fostering and leveraging competition in production.
- For the Multifunctional Distribution Information System – Low Volume Terminal (MIDS-LVT) radio program initial radios started at \$426K per unit.
- Since then, competition between the two approved vendor production sources, the radios have decreased steadily to a cost of only \$181K per unit, a savings of nearly 60% on each radio. With over 2600 MIDS units purchased, the total savings is approximately \$500 million.



## Joint Service General Purpose Mask (JSGPM) Success

- **Joint Service General Purpose Mask (JSGPM) Filter Canister Additional Source**
- **Joint PEO Chemical-Biological Defense through the RDECOM Contracting Center released a RFP for additional source(s) for spare M-61 filter canisters for the M-50 JSGPM which are now sole sourced.**
- **Qualification of an additional source introduced competition and increase surge capability. Up to 3 million filter pairs could be produced, with an estimated \$12 cost reduction per pair, for a total savings of \$36M over 5 years.**



## Large Aircraft Infrared Countermeasures Success

- **Aeronautical Systems Center conducted a competitive acquisition for the installation of Large Aircraft Infrared Countermeasures on C-5s**
- **Resulted in a savings of \$8.7M from previous sole-source awards.**
- **The Air Force anticipates life-cycle savings of \$27.5M.**



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## E-2D Success

- **Navy with NGC facilitating acquisition process for new technologies into the E-2D platform. Leveraging NGC investment in Open Architecture Collaboration Center (OACC) which creates competitive market place for industry (specifically small businesses) to integrate and demonstrate their technology**



## JATAS Success

- **JATAS competitive prototyping source selection required open systems and provided the Government an option to procure data rights. EMD down-select required open systems**



## Electronic Systems Center

- **Electronic Systems Center Example**
  - Conducted a competitive acquisition under Fair Opportunity for Air Force Central Command Contractor Logistics Support and Reconfiguration
  - Resulted in two delivery orders valued at \$18.3M
  - Previous acquisition costs were \$28M
  - Air Force projected savings is \$9.7M