Department of Defense's

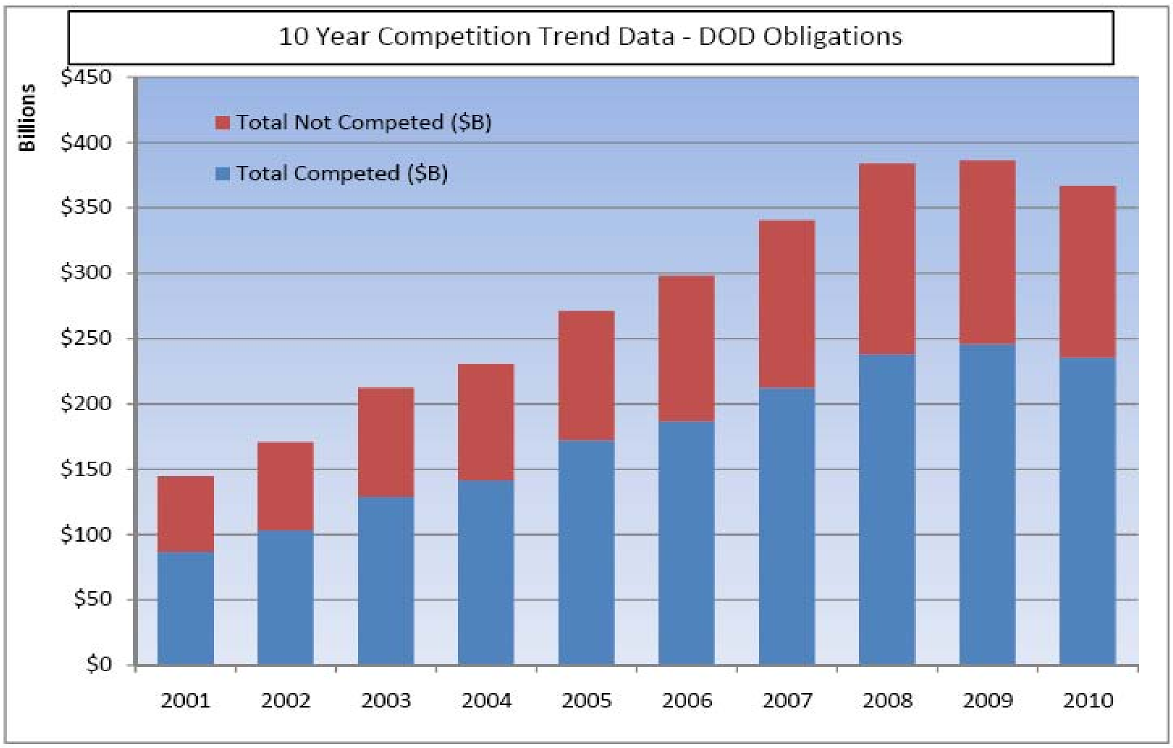
Competition Report

For FY 2010

I. Competition Trends

The Department of Defense (DoD) total dollars obligated has increased significantly over the past ten years from $145 billion (B) in Fiscal Year (FY) 2001 to $367 B in FY2010. For the first time, the total dollars obligated decreased by 4.5% from $384 B in FY 2009 to $367 B in FY2010. Despite the amount of total dollars obligated, since 2001 DoD competition rates have remained fairly stable since 2001 with an average of 62% over the past ten years. The competitive rates range from 60% of total dollars obligated in FY 2001 to a high of 65% in FY 2009. Figure 1 below reflects the DoD trend data for competitive vice non-competitive dollars.[1]

Figure 1 – DoD Dollars Competed and Not Competed ($ in Billions)



As noted in the FY 2009 Competition Report, DoD continued to transition from the "Competition Report" methodology in Federal Procurement Data System (FPDS) to the "Competition Based on Obligations Report" in FY 2010, hereafter referred to as the "new Competition Report." Both reports are addressed in this FY 2010 report;

[1] The source of FY 2001-2006 data is DoD's DD 350 legacy system. The source for the FY 2007 thru FY 2010 is the Federal Procurement Data System (FPDS) "Competition Report" ran on January 7, 2011 for FY 2010; on January 6, 2010 for FY 2009 and on January 15, 2009 (for FY 2007 and 2008). FY 2008 and 2009 figures were adjusted throughout for an Army reporting anomaly in FY 2008 that overstated FY 2008 figure for total obligations and competitive obligations by $13 billion and understated FY 2009 figures for the same by $13 billion. Consistent with the FPDS Report entitled "Competition Report" actions coded as "Not Available for Competition" are counted in the non-competitive dollars.

however future DoD Competition Reports will report solely on new Competition Report. The overall impact to DoDs competition achievements is approximately a 2.0% decrease in competition rates between the two reports. In the Competition Report methodology, orders under multiple award contracts were counted as competitive based on how the initial contract award was coded in FPDS; whereas the new Competition Report methodology tracks whether fair opportunity is provided at the order level and only counts those orders as competed if fair opportunity is given.

Based on the Competition Report, $236 B was competitively awarded in FY 2010 for an overall competition rate of 64% ($236 B/$367 B). This rate is slightly less than FY 2009 rate of 65% ($250 B/$384 B), but still above the 10 year average rate of 62%. The $14 B drop (from $250 B to $236 B) in competitively awarded obligations resulted in a 1% drop in the overall competition rate. The level of competition achieved in the Department varied depending upon the type of product or service being procured by the Component. Table 1 illustrates how the level of competition varied by DoD Components in FY 2010 based on the competition report.[2]

Table 1 – FY 2010 Competition Report by DoD Component

Contracting Agency	Total Dollars	Competed Dollars	% Competed Dollars
DEPT OF THE ARMY	$ 140,167,548,921	$ 95,157,587,529	68%
DEPT OF THE NAVY	$ 87,622,721,744	$ 49,547,117,000	57%
DEPT OF THE AIR FORCE	$ 64,911,405,124	$ 35,324,004,720	54%
DEFENSE LOGISTICS AGENCY	$ 34,910,483,099	$ 27,623,032,910	79%
BUSINESS TRANSFORMATION AGENCY	$ 80,604,686	$ 61,837,614	77%
DEFENSE ADVANCED RESEARCH PROJECTS AGENCY	$ 1,176,399,960	$ 1,027,468,394	87%
DEFENSE COMMISSARY AGENCY	$ 6,210,769,425	$ 1,221,311,459	20%
DEFENSE CONTRACT MANAGEMENT AGENCY	$ (143,360,496)	$ (127,734,399)	89%
DEFENSE FINANCE AND ACCOUNTING SERVICE	$ 287,194,762	$ 258,582,627	90%
DEFENSE HUMAN RESOURCES ACTIVITY	$ 31,833,527	$ 23,779,312	75%
DEFENSE INFORMATION SYSTEMS AGENCY	$ 5,122,140,083	$ 4,429,936,043	86%
DEFENSE MEDIA CENTER	$ 131,844,888	$ 115,362,597	87%
DEFENSE MICROELECTRONICS ACTIVITY	$ 522,601,867	$ 516,118,621	99%
DEFENSE SECURITY COOPERATION AGENCY	$ 55,546,259	$ 48,984,955	88%
DEFENSE SECURITY SERVICE	$ 66,984,499	$ 65,814,395	98%
DEFENSE THREAT REDUCTION AGENCY	$ 951,759,811	$ 820,923,450	86%
DEPT OF DEFENSE EDUCATION ACTIVITY	$ 315,517,499	$ 290,706,336	92%
MISSILE DEFENSE AGENCY	$ 5,354,384,425	$ 2,898,654,978.51	54%
TRICARE MANAGEMENT ACTIVITY	$ 10,915,953,063	$ 9,894,459,110	91%
U.S. SPECIAL OPERATIONS COMMAND	$ 2,497,582,753	$ 1,743,175,729	70%
UNIFORMED SERVICES UHS	$ 49,650,482	$ 19,421,807	39%
USTRANSCOM	$ 4,705,632,145	$ 4,640,896,792	99%
WASHINGTON HEADQUARTERS SERVICES	$ 807,736,222	$ 743,826,025	92%
TOTAL DOD	$ 366,752,934,746	$ 236,345,268,002	64%

[2] The source is the existing FPDS Competition Report, run on January 7, 2011. Figures contained in the Military Department's and Defense Agency's Competition Reports may vary if the Competition Report was run on any other day since FPDS is a dynamic system.

Using the new Competition Report, $227 B was reported as competitively awarded for an overall competition rate of 62%. The $9 B ($236 - $227) difference for competed dollars obligated between the old and new competition report reflects orders under multiple award contracts where an exception to fair opportunity was provided. Table 2 illustrates how the level of competition varied by DoD Components in FY 2010 based on the new competition report[3]

Table 2 – FY 2010 New Competition Report by DoD Component

Contracting Agency	Total Dollars	Competed Dollars	% Competed Dollars
DEPT OF THE ARMY	$ 140,082,701,430	$ 89,772,235,804	64%
DEPT OF THE NAVY	$ 87,514,805,889	$ 47,694,527,509	54%
DEPT OF THE AIR FORCE	$ 64,901,132,610	$ 34,175,795,576	53%
DEFENSE LOGISTICS AGENCY	$ 34,798,640,720	$ 27,430,886,454	79%
BUSINESS TRANSFORMATION AGENCY	$ 80,604,666	$ 58,442,134	73%
DEFENSE ADVANCED RESEARCH PROJECTS AGENCY	$ 1,176,399,960	$ 1,022,928,229	87%
DEFENSE COMMISSARY AGENCY	$ 6,210,769,425	$ 1,220,848,411	20%
DEFENSE CONTRACT MANAGEMENT AGENCY	$ (143,360,496)	$ (124,394,882)	87%
DEFENSE FINANCE AND ACCOUNTING SERVICE	$ 287,194,762	$ 157,748,521	55%
DEFENSE HUMAN RESOURCES ACTIVITY	$ 31,833,527	$ 22,086,514	69%
DEFENSE INFORMATION SYSTEMS AGENCY	$ 5,120,269,331	$ 4,180,133,120	82%
DEFENSE MEDIA CENTER	$ 131,780,476	$ 113,422,714	86%
DEFENSE MICROELECTRONICS ACTIVITY	$ 522,601,867	$ 434,545,423	83%
DEFENSE SECURITY COOPERATION AGENCY	$ 55,546,259	$ 45,644,253	82%
DEFENSE SECURITY SERVICE	$ 66,984,499	$ 64,458,691	96%
DEFENSE THREAT REDUCTION AGENCY	$ 951,759,811	$ 730,208,089	77%
DEPT OF DEFENSE EDUCATION ACTIVITY	$ 315,472,089	$ 286,459,541	91%
MISSILE DEFENSE AGENCY	$ 5,354,384,425	$2,898,654,979	54%
TRICARE MANAGEMENT ACTIVITY	$ 10,915,953,063	$ 9,893,553,423	91%
U.S. SPECIAL OPERATIONS COMMAND	$ 2,493,107,403	$ 1,590,707,008	64%
UNIFORMED SERVICES UHS	$ 49,650,482	$ 18,544,281	37%
USTRANSCOM	$ 4,705,632,145	$ 4,601,604,285	98%
WASHINGTON HEADQUARTERS SERVICES	$ 807,736,222	$ 692,223,709	86%
TOTAL DOD	**$366,431,600,561**	**$226,981,263,785**	**62%**

Within the Components, the level of competition achieved by contracting organizations varied based upon the product mix. Generally, those contracting organizations whose function includes installation and/or depot level maintenance are well suited to competition and achieve the highest levels of competition. This is also true for contracting organizations heavily involved in construction. The competitive percentages are lower in contracting organizations that buy major systems, services, specialized equipment, or spares and upgrades that may need to be purchased from the original equipment manufacturer (OEM) or supplier.

[3] The source is the FPDS Competition Based on Obligations Report run on January 7, 2011.

Fair Opportunity

In FY2009, the Department began reporting Fair Opportunity using a Defense Manpower Data Center (DMDC) developed report to track and report on fair opportunity accomplishments. Fair Opportunity reporting is not included in the Competition Report, but is reported in the new Competition Report discussed above. Table 3 below illustrates the fair opportunity obligation trend data for the DoD during FY 2008 through FY 2010 with the fair opportunity competition obligation amounts and rates increasing from FY 2008 to FY 2010[4].

Table 3 – FY 2008 to FY2010 Fair Opportunity Trend Data

Year	Fair Opportunity Given	Exceptions to Fair Opportunity	Total Subject to Fair Opportunity Dollars	% of Fair Opportunity Given	% of Fair Opportunity Not Given
FY 2008	$45,305,214,243	$8,616,407,387	$53,921,621,630	84%	16%
FY 2009	$52,195,263,835	$7,867,984,368	$60,063,248,203	87%	13%
FY 2010	$57,406,493,846	$9,527,699,359	$66,104,308,753	87%	13%

DMDC also provides a report that identifies the extent of fair opportunity achievement by the various types of multiple award contracts. Specifically, whether a DoD order is placed against a DoD awarded multiple award task or delivery order contract, a Federal Supply Schedule (FSS), a Government-wide Acquisition Contract (GWAC), or a multiple award task or delivery order contract awarded by another non-DoD activity. Table 4 (below) summarizes how DoD fair opportunity achievements for FY 2010 vary by type of multiple award contract[5].

Table 4 – Fair Opportunity by Type of Multiple Award Contract

	Total Orders Under MACs	DoD MACs	FSS	GWAC	Non-DoD MACs
Obligations	$ 66,104,308,753	$ 55,988,647,673	$ 8,981,389,825	$ 972,442,190	$ 161,829,065
% of Total Order Obligations	100.0%	84.7%	13.6%	1.5%	0.2%
Fair Opportunity Given	$ 57,406,493,846	$ 49,703,896,981	$ 6,727,419,229	$ 844,076,954	$ 131,100,682
% of Fair Opportunity Given (Obligations) by Type of Multiple Award Contract	86.8%	88.8%	74.9%	86.8%	81.0%

DMDC runs these reports at the Component level and provides to the Component's to assist in overseeing fair opportunity achievements. The extent of fair opportunity

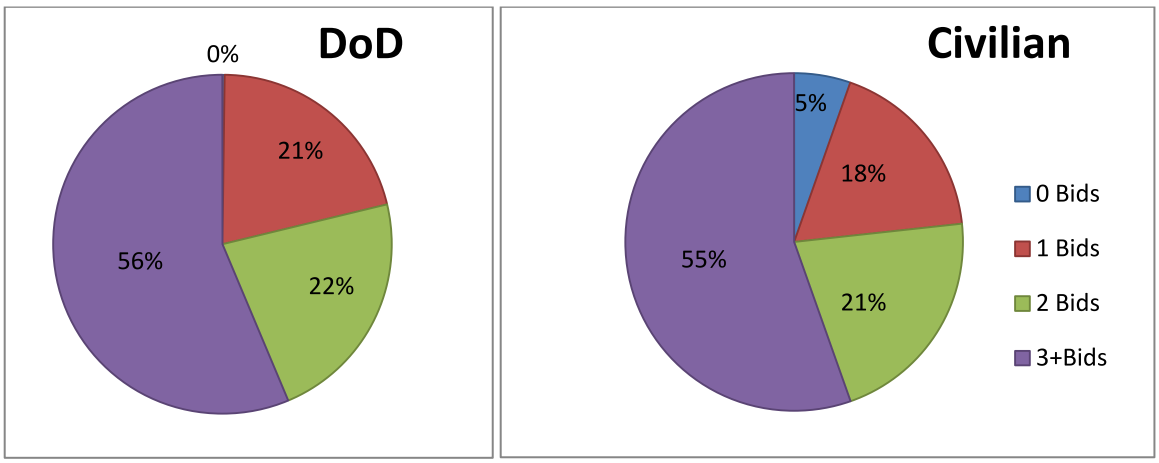
[4] The source for the FY 2008* and FY 2009* fair opportunity statistics are the PDI/DMDC reports utilizing "frozen data" as of January 06, 2010. The source for the FY 2010** fair opportunity statistic is the fair opportunity workflow in the new FPDS Competition Based on Obligations Report, as of January 7, 2011.
[5] Source of data is FPDS as of January 7, 2011.

achieved in FY 2010 for every type of multiple award contracts improved over the achievements in FY 2009.

Number of Offers

The DoD also analyzed of the number of offers received on competitive awards. Figure 3 below provides a percentage breakout of the number of offers received for competitive procedures based on dollars obligated information in the FPDS.

Figure 2 – Number of Offers on Competitive Award Dollars[6]



The breakout of bids/offers among DoD and Civilian agencies is comparable with "single bids" offers slightly higher for DoD at approximately 21% of competitive awards. The "0" bids for civilian agency accounts for a brief time period in early FY 2010 when FPDS did not require civilian agencies to enter "number of offers" on all contract actions. The FY 2010 number of offers statistics will serve as the baseline for a new competition metric defined as "Effective Competition" in FY 2011, and will be addressed in greater detail the Initiatives section below.

Non-Competitive Obligations

The new Competition Based on Obligations report includes a summary of total dollars obligated, total dollars competed, null values for extent competed and total dollars not competed. Table 5 below summarizes the non-competitive details in FY 2010 with total dollars not competed increasing slightly to $140.4 B from $139.9 B in FY 2009.

[6] Source of data is FPDS as of January 7, 2011.

Table 5 – Non-Competitive Details[7]

Total Dollars Obligated		**$ 366,431,600,561**	**% of Total Dollars**
Total Dollars Competed		$ 226,981,263,785	62%
Null Values for Extent Competed		$ (968,567,663)	0%
Total Dollars Not Competed		$ 140,418,904,439	38%
Orders with an Exception to Fair Opportunity	$ 9,527,699,359	7%	3%
Contract Actions Authorized by J&A Authority	$ 130,891,205,080	93%	36%
Breakout of Various J&A Authorities		**% of J&A Authorities**	**% of Total Dollars**
FAR 6.302-1 "Only One Source"	$ 95,098,743,709	73%	26%
FAR 6.302-2 "Urgency"	$ 3,824,804,520	3%	1%
FAR 6.302-3 "Mobilization, Essential R&D"	$ 2,122,037,929	2%	1%
FAR 6.302-4 "International Agreement"	$ 7,575,288,607	6%	2%
FAR 6.302-5 "Authorized or Required by Statute"	$ 17,982,417,618	14%	5%
FAR 6.302-6 "National Security"	$ 2,760,742,957	2%	1%
FAR 6.302-7 "Public Interest"	$ 231,833,207	0%	0%
Not Competed Using SAP	$ 1,076,840,287	1%	0%
Null value for reason not competed	$ 218,496,245	0%	0%
Total	$ 130,891,205,080	**100%**	**36%**

Task/Delivery Orders with exceptions to fair opportunity increased by $2.4 B from $7.1 B in FY 2009 to $9.5 B in FY 2010, while non-competitive contract obligations authorized by Justification and Approval (J&A) and actions not competed using Simplified Acquisition Procedures decreased by $2.0 B from $132.9 B in FY 2009 to $130.9 B in FY 2010.

The percentage breakout of various J&A authorities remained consistent with previous years. In FY 2010, 26% ($95.1 B) of total dollars were obligated under "Only One Source" for a $4.5 B decrease from FY 2009. These contract actions support major weapon systems and other specialized equipment and services that need to be purchased from the original equipment manufacturer; 5% are statutorily authorized in support of socio-economic programs such as 8a, HUBZone, Federal Prison Industries, Unicor, NIB/NISH, Service Disabled Veteran Owned Small Business, and other statutorily authorized set-aside contract awards; 2% are attributable to International Agreements supporting Foreign Military Sales programs under which our foreign partners generally specify the vendor; and the remaining dollars are spread among other exceptions with only 1% attributable to urgency.

[7] FY10 Data (Source January 7, 2011)

II. Initiatives

Better Buying Power (BBP) Initiative – Promote Real Competition

On June 28, 2010, the Under Secretary of Defense for Acquisition, Technology and Logistics (USD (AT&L)) issued a memorandum on “Better Buying Power: Mandate for Restoring Affordability and Productivity in Defense Spending to deliver better value to the taxpayer and improve the way the Department does business. On September 14, 2010, the USD AT&L issued more specific guidance for obtaining greater efficiency and productivity in defense spending through 23 principal actions in five major areas. The third area, “Promote Real Competition,” will drive productivity and maximize savings with a focus on more effective competition through the following actions:

- Require program offices to prepare competitive strategies at each program milestone for major acquisition programs;
- Use open systems architectures with appropriate technical data rights for weapons system acquisitions;
- Increase the participation of dynamic small businesses in our competitive and non-competitive procurement actions;
- Require component or agency competition advocate to develop plans in FY 2011 to improve the overall rate of competition by 2 percent and the rate of effective competition by 10 percent;

For the last action, Defense Procurement and Acquisition Policy (DPAP) directed the Component Competition Advocates to prepare and submit the steps being taken to implement competition improvements in their FY2010 Competition Report. The plans were to be approved by the Component Acquisition Executive and DPAP will monitor progress in achieving these goals on a monthly basis and as an agenda item at the quarterly DoD Competition Advocates meetings. In 2011, DPAP will issue additional policy and regulations to help ensure achievement in this area.

Performance Based Acquisition

DPAP promotes the development of acquisition strategies that maximize the use of competition at the prime, subcontract and order level throughout the program life cycle. DPAP continues to review all proposed acquisition over $1 B to ensure the requirements are clear and well defined, the acquisition approach and business strategy are appropriate, and that there are mechanisms in place to provide appropriate oversight of contractor performance. The Peer Reviews also ensure policy and regulations are being implemented in a consistent and appropriate manner throughout the department to continually improve the contracting process and to share best practices and lessons learned. The reviews also cover appropriate use of performance-based acquisition and commercial items competition to include opportunities for small business. The Components also have management processes in place to ensure effective management and oversight of lower dollar acquisition of services. A number of Component Competition Advocates indicated they are more engaged in reviewing statements of work (SOWs) and performance work statements (PWSs) with the requiring activities and program managers to develop better PWSs and more complete requirements packages. These initiatives and processes maximize use of performance-based requirements to promote more robust competition.

Examples of Component Initiatives

The Component's Competition Reports address many initiatives to increase competition. A representative sampling is provided below.

- Increased focus on overall and effective competition through the BBP and Improving Competition in Defense Procurement Initiatives.
- Continued education of requirements organizations in writing functional, outcome-based requirements statements for requirements.
- On-site or road show training and development of user handbooks on market research, competition, commercial items and performance-based acquisition for acquisition professionals and contracting officer representatives.
- Component Competition Advocates reviews with field Competition Advocates.
- Hosting conferences/industry days for suppliers on upcoming procurements to include use of web enabled collaboration tools, including access to videotapes of events.
- Hosting Capability Briefing Sessions, providing counseling centers, and publishing long-range acquisition forecasts are tools used to give industry an opportunity to present an overview of their capabilities and products they offer and learn of DoD business opportunities.
- Challenges to brand name or military unique specifications to minimize non-competitive contract awards.
- Utilization of broad agency announcements, requests for information and pre-solicitations to help define commercial solutions and increase competition.
- Alternate sourcing initiatives that result in the identification of new sources and significant cost savings.
- Contract action boards that review market research for sources, and quality and level of competition.
- Provide fair opportunity for orders to include Competition Advocate or Independent Contracting Officer Reviews of exceptions to fair opportunity.

- Use of automated system to assist in market research efforts (e.g., Dun & Bradstreet's "Rapid Reach Campaign" that sends e-mails to vendors in a selected market area to announce pre-proposal conferences and issuance of solicitations.
- Program management reviews to encourage continuous improvement.
- Awards program to recognize outstanding performance in improving competition and/or recognition of employees who made a special effort to make awards to small business.
- Continued focus on ensuring accuracy of data reported in the Federal Procurement Data System (FPDS).

III. Barriers to Competition

All of the components are making an effort to improve competition. Aside from the product mix discussed in Section I, the Components Competition Reports address additional impediments to competition, some of which are summarized below.

- Aging weapon systems and non-competitive follow-on buys
- Unique/critical mission or technical requirements
- Proprietary rights on items developed at private expense
- Lack of good technical data packages
- High Dollar directed source Foreign Military Sales (FMS) procurements
- Approval process and substantial investment/testing required for alternate sources for critical items and maintenance capability
- Workload reductions and transition of contracting personnel associated with Base Re-alignment and Closure activity

The Department is working to address these barriers as is evidenced by the initiatives described above and the information in the Component Competition reports. The adequacy of the size and capabilities of the DoD contracting workforce continue to be addressed as part of the Department's Strategic Human Capital Strategic Planning efforts.

IV. Recommendations to the Defense Acquisition Executive

As the DoD Competition Advocate, the Director, DPAP continues to stress the importance of competition and the role of the Component Competition Advocates throughout the year as well as during quarterly Competition Advocate meetings. These meetings provide a forum for competition achievements to be reviewed and best practices to be discussed. DPAP and DMDC partner with Component Competition

Advocates to enable visibility and assist in the analysis of competition and fair opportunity achievements.

System of Accountability

DMDC worked closely with the General Services Administration (GSA) FPDS Program Manager to develop the new FPDS Competition Based on Obligations report with fair opportunity. This report corrects calculation errors and more accurately represents the competition achieved by the DoD to ensure the requirements for fair opportunity on orders under multiple award contracts and federal supply schedules are appropriately accounted for. The new report was released to the FPDS system administrators in FY 2010 and used as the **principle measure of competition** in the third and fourth Quarter FY 2010 Competition Advocates meetings, and will continue in FY 2011.

DOD Competition Goals

The USD(AT&L) continues to stress the importance of competition in the BBP Initiatives and will look for continued improvement in the overall rate of competition for FY 2011 and beyond. The DoD Enterprise-level High Priority Performance Goal (HPPG) requires a 1% increase over the prior fiscal year goal. The HPPG metric recognized that the basis for determining DoD's competition accomplishments used the FPDS competition report and that the methodology was changing in FY 2010. The FY 2010 HPPG overall competition goal was 66% for a 1% increase over the FY 2009 goal of 65%. Using the competition report the DoD achieved a 64% overall competition rate, which equates to a 62% rate under the new competition report.

If the new report were used for the past 10 years, the Department's overall average competition rate would be 55% with annual competition rates of 47% for FY 2001, 51% for FY 2002, 50% in FY 2003, 52% in FY 2004, 55% in FY 2005, 56% in FY 2006, 59% in FY 2007, 61% in FY20 08, 60% in FY 2009, and 62% in FY 2010. This is seven percentage points lower than the 10 year average rate of 62% noted in Section I, as well as the FY 2010 achieved rates of 62%. The FY 2011 goals are greater than the 10 year average rate as well as the FY 2010 achieved competition rate.

Attachments:
Army Report
Department of the Navy Report
Air Force Report
Defense Logistics Agency Report

ARMY COMPETITION REPORT

FY 2010

Army Contracting: One Community Serving Our Soldiers, Serving our Nation.

Army Competition Report 2010

I. Rates of Competition:

The Army's overall rate of competitive obligations in dollars for fiscal year (FY) 2010 was 64%. The Army goal for FY10 was 65%. To comply with the new administration's interest in competition, it is important that the Army participate in every effort to support these initiatives.

Figure 1 below displays the top-level breakout of Competition by Dollars. These are the official totals extracted from the FPDS-NG database on 23 November 2010.

Competition By Dollars

Competition Base (Dollars)	Competed (Dollars)	Percentage Competed (Dollars)
$140,172,771,653	$90,847,132,318	64.81%

Figure 1

Overall, there were few surprises in these numbers. Installation/depot contracting which drives Army Contracting Command's numbers is generally well-suited to competition. This is even true for construction and services of the type that form the core of U.S. Army Corp of Engineer's (USACE) mission.

As demonstrated in Figure 2 below, the competitive percentages are higher when measured by actions because all commands are making an effort to compete what they can, but high dollar non-competitive buys drive the overall picture due to the need to purchase many of the spares and upgrades from the original equipment manufacturer or their original suppliers. This is due in large part to the fact that the government failed to procure technical data packages to enable competition.

Competition By Actions

Total Army Actions	Competed (Actions)	% Competed Actions
497,164	383,174	77.07%

Figure 2

Follow-on to Competition category summarized below in Figure 3, which comprises of 6,552 actions, for a total of $2,797,735,049 or less than 0**.**0250 **%** of the total Army actions of less than 1% of the dollars.

Follow-On to Competition

Follow-On to Competed Actions	Percentage Follow On to Competed Action (Dollars)	Follow-On to Competed Action (Actions)	% Follow-On to Competed Action (Actions)
$2,797,735,049	0.0307 %	6,552	0.0170 %

Figure 3

Also indicative of the negative impact that large-system buys and follow-on actions have on the competition percentage is the fact that the dollar value of all competitive actions is much less than that for non-competitive ones. This suggests that improving the Army's competition percentage will require a focused effort aimed at higher dollar procurements.

Figure 4 below displays the "Not available for Competition" dollars and actions.

Not Available for Competition

Not Available for Competition (Dollars)	% Not Available for Competition (Dollars)	Not Available for Competition (Actions)	% Not Available for Competition (Actions)
$50,105,535,555	35.9%	111,098	22.62%

Figure 4

Consistent with the Office of Federal Procurement Policy direction, actions reported as "not available for competition" are no longer removed from the "competition base" and are instead counted as "not competed". Historically, such actions were removed from the baseline. Laws, regulation and other agreements preclude competitive possibilities. The majority of the contract actions that comprise the category include those authorized are required by statue such as awards to Federal Prison Industries, AbilityOne and Small Business programs.

Fair Opportunity: The following tables (Figures 5a and b) show the Army's rates, by actions and dollars, of conducting "fair opportunity" competitions on multiple-award task order contracts, and reflect the newer contracts for which FPDS-NG captured the data:

Total Army Orders against DoD issued multiple award contracts

Exception	Actions	Dollars	% Actions	% Dollars
No Exception - Fair Opportunity Given	72,710	$28,563,131,146	5.269%	0.3144%
Follow -on Delivery Order	6,552	$1,134,683,536	7.78%	4.54%
Minimum Guarantee	795	$59,289,836	1.70%	0.24%
Other Statutory Authority	558	$96,250,282	1.20%	0.38%
Urgency	254	$79,996,991	0.54%	0.32%
Only one source - Other	2,999	$647,067,293	6.43%	2.59%
Total Exceptions to Fair Opportunity	**8,234**	**$2,017,287,938**	**17.65%**	**8.07%**

Figure 5a

Total Army Orders against non-DoD issued multiple award contracts

Exception	Actions	Dollars	% Actions	% Dollars
No Exception - Fair Opportunity Given	123	$38,382,597	69.49%	0.795%
Follow -on Delivery Order	9	$4,786,534	5.08%	0.099%
Minimum Guarantee	0	$0	0%	0%
Other Statutory Authority	11	$2,087,309	6.21%	0.043%
Urgency	0	$0	0%	0%
Only one source - Other	29	$3,203,727	16.38%	0.066%
Total Exceptions to Fair Opportunity	**49**	**$10,077,570**	**27.67%**	**0.208%**

Figure 5b

As this indicates, the rates of fair opportunity were very high in both actions and dollars, and were somewhat higher, especially on the dollars side, for DOD contracts than for non-DOD ones. This bodes well for our ability to maintain competition in the services sector, as we transitioning most of our large services use of non-DOD contracts to DOD contracts. The only area of concern here is the large proportion of "only one source exceptions.

II. Impediments to Competition:

National Capital Region Contracting Center, the Communications-Electronic Command (CECOM), the Program Management office for Defense Communications and Army Transmissions Systems (PM DCATS), a component of the Program Executive office for Enterprise Information Systems (PEO EIS), will be relocating to Fort Belvoir, VA. Along with their physical move, the contracts that support their mission were transferred to the NCRCC for administration. Many of the contracts that were transferred to the NCRCC are large single source awards. For example, NCRCC inherited the following contracts: Vehicular Intercom System, in support of the MIRAT vehicle single source IDIQ contract valued at $1.5B, Multi National Forces IRAQ, contract valued at $75M, Rapid Response to the War fighter, contract valued at $75M, Multiplex Integration and DCSS automation system (MIDAS), contract valued at $48M, and Logistics Modernization program to provide support for the modernization and sustainment of the Army's wholesale logistics management system.

U.S. Army Corps of Engineers National Contracting Organization (USACE), the significant factor affecting the USACE FY10 goal achievement is the inclusion of "not available for competition" in the competition base. If the calculation was based on the historical process of removing dollars from the competition base that were categorized as "not available for competition", USACE would have achieved a competition rate of 96.6% versus 88.91%.

PARC-Atlanta used 8(a) contracts at numerous districts to include the Wilmington District Dredge Fleet and various Army and Air Force Operation and Maintenance programs. To mitigate barriers to competition the District Contracting Chiefs in the Great Lakes and Lower River Division formulated competitive acquisition strategies and coordinated early on with the District Deputy Commanders (field Competition Project Delivery teams), as appropriate.

Within PARC-Dallas, awards within the 8(a) program and those to Alaskan Native Corporations (ANCs) are the largest impediments to achieving the established goal.

PARC-Winchester supports several unique programs including OCONUS work performed by Transatlantic Middle East District (TAM). Many small businesses lack the ability or resources to work OCONUS. As a result, the Small Business Liaison is trying to increase partnership abilities by fostering relationships with large businesses seeking subcontractors. The Huntsville Center supports Chemical Demilitarization program, the Utility Monitoring Control Systems program and the Energy Savings Performance contracts program which due to their distinctive nature may not be available for competitive procurements. Many of the actions in support of these programs are either under existing contracts, follow-on procurements or involve proprietary systems that cannot be integrated into other contractor-installed or operational systems currently being utilized.

AMCOM long term contracts, reduction in production hardware, large sole source Foreign Military Sales (FMS) program, transfer of consumable items to Defense Logistics Agency (DLA) and numerous multi-year contracts continue to reduce opportunities for competition such as: The UH 60 obligations-EADS North America, incorporated due to unplanned plus up aircraft procurements and additional contractor logistics support requirements resulting from accelerated fielding $346M; the Apache obligations totaling $86.5M for the United States and $16.5M for FMS for a combined total of $103M; the Close Combat Weapon Systems issued multiple modifications for a total dollar obligation of $446.5M that included $13.8M for FMS for the Javelin weapon system. AMCOM Competition Management Office (CMO) identified a problem with the Procurement Automated Data and Document System (PADDS) sending incomplete data at the line item level to the Federal Procurement Data System-Next Generation. The CMO tracks the obligations at the weapon system level. Work is ongoing to resolve this issue so future reporting will be correct.

Effect of commercial contracting: Commercial items and services have a mixed effect in terms of competition. Some activities, such as SDDC, report a positive effect, while in the hardware commands, such as AMCOM and TACOM, it can have a negative effect. This happens most often when an original equipment manufacturer for a major system uses a vendor whose commercial part was privately developed and is protected by patents or trade secrets. Once this component or subsystem becomes incorporated into the end product, it creates a sole source situation for replacements and repairs.

III. Efforts to improve the competitive picture:

AMCOM's most significant effort by Program Manager Air Warrior involved the development of an approved performance specification for the Improved Signal Data Converter suitable for competition. Program Executive Office (PEO) Soldier competitive award for the PM Air Warrior Improved Signal Data Converter (ISDC) resulted in a savings in excess of $14M to the Government. This indefinite delivery/indefinite quantity (IDIQ) contract is for a maximum of 1,000 units Air Warrior ISDC. The ISDC is used on a wide range of U.S. Army rotorcraft, and greatly improves combat effectiveness and safety. Prior to the competition for the new ISDC, the government was buying the capability as a sole source.

U.S. Army Intelligence and Security Command continues its oversight of the acquisition process through the Contract Acquisition Review Board (CARB). All procurement actions over $500K are reviewed in weekly CARB sessions that are attended by senior management. During these meetings the quality and level of competition is assessed as requiring activities present requirements and supporting documentation, including market research for sources. To further enhance the CARB's usefulness, the command group directed the Principal Assistant Responsible for Contracting to initiate and led a Lean Six Sigma review of the acquisition process in the following areas: requirements identification and validation, integrated products team planning and coordination, and the CARB decision making process.

Army Sustainment Command and the Joint Munitions Command developed a brochure for industry that raises their awareness of the Competition Advocate's role in the management of the Command competition program, for not only the government, but also in support of Industry-Government relations. Brochures are distributed at the Advance Planning Briefings for Industry, Industry days, and contractor visits to the Command. The ASC conducted its annual Advance Planning Briefing for Industry with 120 contractors in attendance providing senior leadership insight into how industry and government can work together on aggregate projected requirements and current contracting opportunities.

PEO STRI's source selection philosophy memorandum stresses the importance of competition being the norm and sole source actions being the exception. Additionally, the Head of Contracting Activity philosophy memorandum stresses the importance to ensure integrity and fairness is maintained throughout the source selection process, and maximizes the use of draft RFPs to ensure adequate understanding of requirements by industry and help increase competition. PEO STRI participates in an annual Training Simulation Industry Symposium (TSIS) that presents upcoming PEO STRI requirements and draft acquisition strategies/milestones to industry partners to aid in their advance planning of requirements and opportunities. The PEO STRI Acquisition Center conducted training for acquisition academy interns in FY10 over a 10 week period. This training along with related case studies included market research techniques and publicizing contract actions, competition requirements under FAR Part 6, competitive procurements in accordance with the Army Source Selection Manual, acquisition strategy and planning, and documenting justifications for other than full and open competition and exceptions to fair opportunity.

MICC's Industry Outreach Program was established because MICC leadership recognized the need for a forum that promotes the honest exchange of information with industry and serves as venue to increase understanding of the government contracting process from both perspectives. The Industry Outreach initiative focuses on building partnerships, exchanging timely and relevant information, identifying common challenges, and crafting workable solutions. Key government participants include MICC senior leadership, experienced field personnel, and customers representing IMCOM, FORSOM and TRADOC.

IV. Trend Analysis

Figure 6 below presents the top-level trends in Army competition dollars and actions, from 2000 through 2010. The Army's intent is to show the trends before and during OEF/OIF. Due to the changeover in databases beginning in 2006, it should be cautioned that while the years 2000 – 2005 should reflect a reliable year-to-year comparison, there can be little confidence in the comparative value of the subsequent data. Prior to 2006, the DD350/1057 database was used and data was consistent albeit possibly biased. In 2006, when the migration to FPDS-NG was accomplished, not all the data migrated properly into the new system and the extent of the problem was never quantified. In 2007, the data was all in the new system, but in addition to the databases being different, 2007 reflects totals with contracts with Government Agencies and Foreign Military Sales ("Not Available for Competition") being added to the competition base. Both the rise in 2006 and the drop in 2007 are therefore highly suspect.

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Actions	88.1	90.9	87.5	85.8	81.7	81.5	83	84	81	80	77
Dollars	69.1	69.6	66.7	65.1	67.4	68.7	70	66	65	66	64

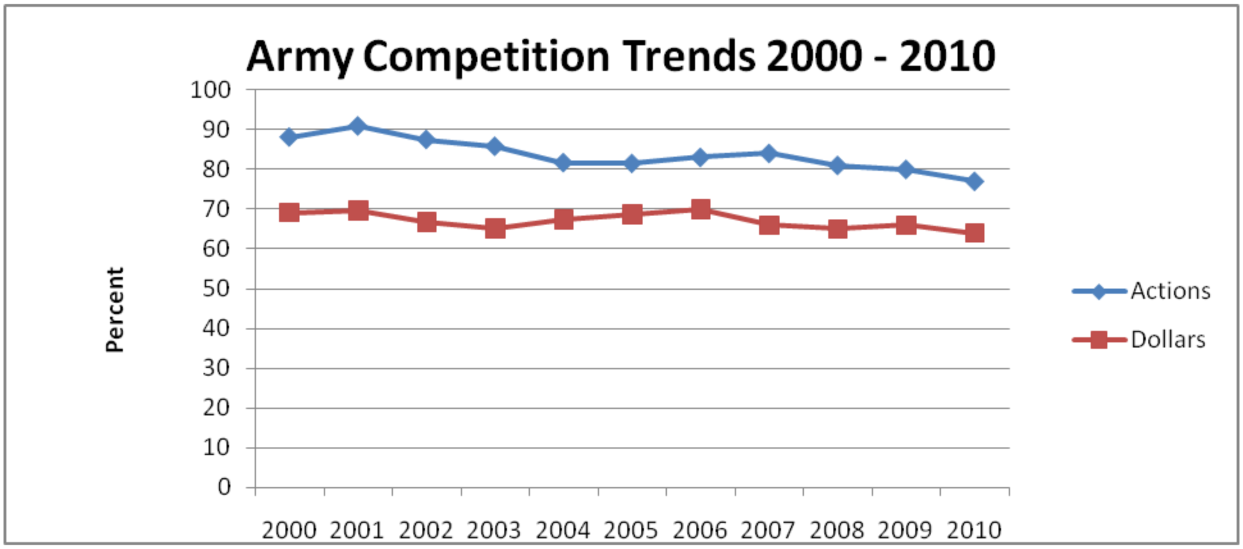


Figure 6

The notable competition trend from 2000 to 2005 was generally negative in actions, with dollars reaching a low in 2003 and then rebounding slightly. This suggests that rather than a definable event such as Operation Iraqi Freedom, there are longer term factors at work. There is no doubt that reductions in contracting personnel, with the consequent greater workload per contracting officer, has resulted in bundling of contract actions into larger packages for which fewer companies are able to compete. This is supported by the following comparison of the trends in actions and dollars awarded over the same time period (Figure 6). It should be noted that this shows an increase in workload at the same time that the Army contracting workforce was declining in size.

It is clear that during the period 1998 – 2002, the number of actions was sharply dropping, while dollars obligated were on a steady upward glide path. Operation Enduring Freedom had little overall effect in 2002. It was only with the beginning of the war in Iraq in 2003 that the pattern changed; dollars began to increase more sharply and actions began to climb back up. In spite of the increase in actions after 2002, average dollars per action continued to increase, as they have since 2000.
The fact that dollars per action were increasing on a steeper curve (confirmed by an analysis of year-over-year percentage increases – see Figure 7 below) from 1999 through 2002 suggests that requirements consolidation was a factor.

Year-Over-Year Increases (Decreases); Total $ and Average Action

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
% Incr Total $	8.52%	15.72%	33.78%	26.42%	24.92%	23.31%	12.28%	8.79%	1.128%	0.909%
% Incr Average Action	24.53%	17.83%	21.57%	26.87%	20.08%	12.47%	-5.42%	3.38%	1.226%	0.818%

Figure 7

This pattern weakened in 2002 and reversed itself in 2003, which suggests a recent upswing in smaller buys. Taken together, these trends suggest that Overseas Contingency Operation and especially the Iraq war resulted in a sharp increase in smaller dollar procurements, as well as a large enough increase in larger dollar ones to more than double the total dollar rate of increase year-over-year in 2003, and continue to maintain increases of over 20% in 2004 and 2005. The fact that the rate of increase for average action was less than that for total dollars in 2003 and thereafter suggests that the cycle of consolidation may have reached a plateau. Again, because of the change of databases in 2006, there is no way to be confident of the numbers for trend analysis purposes after that point.

The Army Contracting community continues to be vigilant in its efforts to promote and provide for full and open competition in soliciting offers and awarding Government contracts. The overall percentage of dollars and actions awarded competitively has remained relatively constant since FY07. For example, the Army competitively awarded 64 percent of every dollar spent in 2007; in 2008, 65.4 percent were awarded competitively, which slightly exceeded the Army's competition goal of 63 percent. For 2009 the Army competed 67 percent of it dollars. Overall from 2007 to 2009 the Army increased dollars competed by 2 percent. Army total actions for FY09 were 469,554. The Army competed 375,299 of those actions, which is 79.97 percent of actions competed. The competitive percentages are higher when measured by actions because all Army Commands, Army Service Component Commands, and Direct Report Units are making a concentrated effort to compete requirements.

Better Buying Power: Guidance for Obtaining Greater Efficiency and Productivity in Defense Spending- Plans should establish an improvement rate of at least 2% per year for overall competition and an improvement rate of at least 10 percent per year for effective competition.

In FY11, the Army Competition Advocates is striving to improve upon our competition achievements. The Army plans to increase competition by reducing acceptance of receiving only one bid for awards. This will require the contracting office to add additional time to re-advertise the solicitation and adjust the statement of work. The Army will issue policy to increase market research to gain two or more independent competitors for requirements.

The Army will issue policy:

1. To have fulltime Competition Advocate at contracting offices that award contracts over 1 million dollars total or a least a part-time person for contracting offices under that dollar threshold.

2. On training contracting personnel on FPDS-NG for coding contracts correctly. The Army FPDS-NG System Administrator will host training for contracting personnel to correct Contracting Action Reports for “null value” contracts and any new update in FPDS for Blanket Purchase Agreement. Correcting these actions will help increase the Competition and Small Business percentages.

3. To add “competition” as a category to the Secretary of the Army award program to incentivize the contracting community, increase awareness, and reinvigorate competition.

4. To add requirement to improve market research tools and historical procurement evaluations (understand why a single bid or offer award resulted).

V. Goals

The Army’s goal for FY 2011 is 65% of the total procurement dollars. This reflects the fact that both major factors driving the percentages are not expected to change: funding of service contracts requiring noncompetitive “bridge” contracts, and hardware upgrades involving legacy systems.

With increased scrutiny of Justification and Approval – non-competitive Exception 2 (unusual and compelling urgency) and Exception 1 (only one source) contracts and proper notification in FEDBIZOPPS, we should be able to make some improvement, but this could be offset by the need to refurbish vehicles and other hardware systems utilizing sole source contracts. The continuing nature of the contingencies we are supporting is not likely to change in FY11.

The Army’s contracting community continues to be vigilant in its efforts to promote and provide for full and open competition in soliciting offers and awarding Government contracts. By rebuilding our contracting workforce and focusing on our larger cost drivers, the Army will make every effort to ensure that the Army benefits from a competitive marketplace in the coming years to the maximum extent practicable. We recognize and support the importance of overcoming barriers to competition and seek new ways to turn challenges into opportunities for improvement.

DEPARTMENT OF THE NAVY
THE COMPETITION ADVOCATE GENERAL
1000 NAVY PENTAGON
WASHINGTON DC 20350-1000

MAY 26 2011

MEMORANDUM FOR THE DIRECTOR, DEFENSE PROCUREMENT AND ACQUISITION POLICY

SUBJECT: Department of the Navy Fiscal Year (FY) 2010 Competition Report

Reference: (a) Director, Defense Procurement and Acquisition Policy memorandum dated December 16, 2010, "Competition Report for Fiscal Year (FY) 2010"
(b) Office of the Secretary of Defense, Acquisition, Technology and Logistics memorandum dated November 3, 2010 "Implementation Directive for Better Buying Power – Obtaining Greater Efficiency and Productivity in Defense Spending"
(c) Office of the Secretary of Defense, Acquisition, Technology and Logistics memorandum dated September 14, 2010 "Better Buying Power: Guidance for Obtaining Greater Efficiency and Productivity in Defense Spending"
(d) DON Competition Advocate General memorandum, dated June 25, 2010, "Enhancing Competition in Department of the Navy (DON) Acquisition

In response to references (a) through (d), the Department of the Navy Competition Report Fiscal Year 2010 is attached.

Questions regarding this report can be directed to Dwayne Weaver at 703-693-4073 or at dwayne.weaver@navy.mil or Robbin Bruce at 703-693-3998 or at robbin.bruce@navy.mil.

David F. Baucom
Rear Admiral, SC, U.S. Navy

Attachments:
As stated

DEPARTMENT

OF THE NAVY COMPETITION REPORT

FISCAL YEAR 2010

DEPARTMENT OF THE NAVY

FISCAL YEAR 2010 COMPETITION REPORT

On Wednesday, May 5, 2010, the Secretary of the Navy (SECNAV) presented one of several new paradigms that focused on competition and the importance of sharing that message with our industry partners in order to enhance competition in the near future. SECNAV maintains that procurement planning must be cost effective, efficient, realistic and affordable. This will be achieved by implementing the five governing principles of the Navy and Marine Corps acquisition that are to clearly identify the requirements, raise the bar on performance, rebuild the acquisition workforce, support the industrial base and make every dollar count. Further, he stated that the acquisition community must take deliberate steps to collectively examine fleet operations, cost estimates, the budget, technical direction and program management before making the decision to move programs forward. He also challenged us as acquisition professionals to improve and preserve the competition process so that it becomes the standard of how we conduct business. By doing so, we will strive to competitively award up to two-thirds of our contracts. The DoN will collectively achieve this by increasing open architecture, using multiple award contracts, and by securing data rights to ensure we can maintain the foundation for future competitions as well as encouraging our prime contractors to apply the same rigors of competition throughout their respective supply chains.

The Assistant Secretary of the Navy for Research, Development and Acquisition's {ASN(RDA)} memo of June 8, 2010, reiterated the importance of and need to improve contractor performance. Additionally, this memo improves the structure of contract incentives, and outlines specific contracting practices that increase competition, limits the use of cost reimbursement contracts, increases compliance to contract terms and conditions and implements a preferred supplier program as fundamental methods to incentivizing contractor performance.

The Navy's Competition Advocate Memo dated June 25, 2010 reiterated the importance of competition at every level of the supply chain and restated the challenge from SECNAV to award two-thirds or 67% in FY12 of our contracts via competition as well as to fully utilize Small Businesses via the Small and Disadvantage Business Utilization offices in the pursuit of reaching our competition goals.

USD(AT&L) June 28, 2010 memo, Better Buying Power: Mandate for Restoring Affordability and Productivity in Defense Spending was the first in a series of memos to the acquisition community that addressed the administration's commitment to improving the way DoD conducts business by incorporating efficiencies that will reduce the overall cost in our processes and to identify and "eliminate unproductive or low-value added overhead; in effect doing more without more". In the Sept 14, 2010 and the November 3, 2010 memos, USD(AT&L) directed the acquisition community to take immediate action to change current processes and delineated specific areas in which changes were to take place. The specific areas were as follows: 1) Target Affordability and Controlling 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.

FY2010 Achievement

The Defense Procurement and Acquisition Policy (DPAP) Memorandum dated December 16, 2010 entitled "Competition Report for Fiscal Year (FY) 2010", the Deputy Assistant Secretary of the Navy (Acquisition and Logistics Management) (DASN (A&LM), as the Competition Advocate General for the Department of the Navy (DoN) hereby submits the DoN Competition Report for FY 2010.

The DoN achieved a competition rate of 54.4 percent computed based on obligations using the FPDS report that factors in fair opportunity under task order or delivery order contracts. The FY10 competition goal was established at 56 percent. Based on DPAPs guidance, the DoN FY11 goal is established at two percent above the FY10 achieved goal or 56.4 percent. In accordance with the DPAP guidance of December 16, 2010, the Navy incorporated the "effective competition" baseline measurement that is defined as a market condition that exists when more than one offer is received in response to a solicitation issued 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 order issued under multiple award Schedules, GWACS and ID/IQ – considering fair opportunity; (4) BPAs and BPA Calls under schedules and (5) Single award ID/IQ contracts and the resulting delivery/task orders.

In accordance with the Federal Acquisition Regulation (FAR), Subpart 6.5 Competition Advocates – "agency and procuring activity competition advocates are responsible for promoting the acquisition of commercial items and promoting full and open competition…" As a result, the DoN's Competition Advocate requires each of its major Commands to assess and submit their achievements on an annual basis in accordance with the reporting requirement at FAR 6.502, duties and responsibilities. The results are summarized as follows:

Opportunities and actions taken, including any new initiatives, to acquire Commercial Items (CI) to meet the needs of the agency:

There is increased awareness of the importance of maximizing market research to ensure that agency needs can be met via the procurement of CI. Agencies are required to take advantage of commercially available market research methods such as determining incorporation of commercial/non-developmental items at the component level or to ensure that maximum practicable use of recovered materials. These methods may be necessary in order to effectively identify the capabilities of small businesses and new entrants into Federal contracting that are available in the market place for meeting the requirements of an agency. Additionally, agencies are required to reevaluate and determine whether the requirement can be restated to permit commercial or non-developmental participation necessary to satisfy its needs. Contracting Officers are utilizing the Competition Advocates as well as their respective Small and Disadvantage Business Utilization (SADBU) offices to consistently seek the use of commercial items when and where appropriate. Program Offices are amenable to considering the advantages of seeking and utilizing CI to fulfill program requirements.

Marine Corps (Installation and Logistics (I&L)) continues to show improvement in utilizing commercial items through continued education and oversight. The commercial nature of the supplies and services needed by the Marine Corps allows maximum utilization of existing Multiple Award Contracts (MAC), General Services Administration (GSA) Federal Supply Schedules (FSS), and other Government Wide Acquisition Contracts (GWAC) while meeting mission needs. Small Business Specialists work to educate the local business community on how to conduct business with the U.S. Government and how to link Government requirements with commercial sources. The Naval Sea Systems Command (NAVSEA) holds Industry Days for commercial requirements to ensure understanding and continues to use GSA "e-Buy" as another method to increase commercial item contracting. Also they have created a dedicated Simplified Acquisitions Branch comprised of procurement professionals who specialize exclusively in simplified acquisition procedures. Familiarity and collaboration with the requiring activities has resulted in increased use of commercial items. The impetus is for Program Offices to incorporate commercial and non-developmental products in the requirements development process by working closely with the Contracting Officers, Small and Disadvantaged Business Utilization and the Competition Advocate.

Commands have increased their commercial item (CI) acquisition by directly communicating CI policy and training the workforce, via such tools as "Communiqués", or traditional workforce communication tools and training for disseminating latest acquisition policy. Standardization of templates and oversight via review boards are also common initiatives.

Opportunities and actions taken, including any new initiatives to achieve/increase full and open competition in the contracting operation of the agency:

DoN and RDA have stated that increasing competition to the fullest extent possible is our obligation. As well as to take a "fresh" look at existing programs in search of opportunities to breakout components, subsystems or support services and to revisit decisions about obtaining all or part of a technical data package (TDP) to ensure our rights in drawings and technical data are not undermined by program changes.

Contracting Officers are proactive in developing methods within the parameters of regulation to encourage competition throughout the DoN Vendor base. Contracting personnel are engaged earlier in the process to provide guidance on competing and to suggest different options for procuring requirements. Acquisition planning teams are expanding market research by hosting multiple industry days and standardizing statements of work to encourage competition. COs work with Program Offices to indentify future actions that could be competed at the system or component level. SADBUs are utilitized to identify competition at the small business, small disadvantaged businesses and/or 8(a) levels.

In their October 2010 Memo, Commander NAVAIR emphasized to the naval aviation acquisition community the need for a bottoms up effort to drive more emphasis, discussion and deliberation about competition in the early stages of the acquisition process. Also their efforts include component breakout under major weapons system acquisitions, avoiding bridge contracts for services and encouraging the use of open architectures, multiple award contracts and purchasing data rights for subsequent competitions. Examples of NAVAIR's efforts are: persistent market research efforts, use of standardized template for the solicitations and source selection documentation and procedures. This concept benefits industry as it allows companies to generate proposal information in a common format for multiple solicitation responses. And the Competitive Follow-On Assessment tool that highlights those contractors that are prospective competitor's for a follow-on effort.

Marine Corp Systems Command has implemented thru their Peer Review procedures, a process in which the Contracting Officers provide rationale documenting why full and open procedures do not apply to a given acquisition, citing the appropriate authority, and addressing actions taken to improve the competitive environment for the current requirement and plans to improve competition for foreseeable follow-on acquisitions. Also Justification and Approvals (J&A) are scrutinized on merit and require strategy for competing future actions and for business case analysis stating why competition cannot be supported.

Acquisition teams especially at the lower echelons or field activity levels educate small businesses by holding multiple industry days for contractors to become aware of planned competitive opportunities. SPAWAR has issued Command Policy on Component Breakouts with guidance on how to identify and break out defined components of commercial items. With this process, SPAWAR will increase the use of MAC's from 13 in FY 05 to a projected 74 in FY 11.

Actions taken to challenge requirements that are not stated in terms of functions to be performed, performance required or essential physical characteristics.

Contracting Officers continue to challenge program offices to develop their requirements in terms of functions to be performed and to move away from overly restrictive specifications. Program offices work to improve requirement definitions that will promote both performance based acquisitions and competition. Several Commands have instituted training to help project managers and contract specialists understand what to look for and how to write descriptions that determine outcome.

NAVAIR has developed Procurement Initiation Document (PID) training, a three (3) day course that provides practical application in preparing and processing procurement documents and integrating support requirements. MCSC engages earlier communication with the requirement developers to improve requirement definitions that will promote both performance based acquisitions and competition. Additionally, urgent universal needs statements (UUNS) are typical challenges in this regard. The training programs are to train and assist the acquisition professionals on how to identify the requirements and to describe the requirement in terms of desired results/outcomes.

ONR - NRL has designated two 1102 positions as Contract Liaisons. This position works closely with the Program Officers in an effort to help produce well written performance based work statements and Quality Assurance Surveillance Plans (QASP). For service contracts, NAVSEA and its field activities continue to specify performance-based contracting by ensuring that statements of work (SOWs) contain performance standards and objectives instead of directing how the work will be accomplished. SPAWAR ensures that program requirements are stated in terms of functions to be performed, performance required or essential physical characteristics.

Any condition or action that has the effect of unnecessarily restricting the acquisition of commercial items or competition in the contract actions of the agency:

In some instances supplies and/or services do not lend themselves well to either acquisition of commercial items or competitive procedures. Some specific examples are: Congressional Earmarks that often direct a source, Emergency contracting, Nuclear deterrence programs, Highly specialized materials and equipment, Original Equipment Manufacturers (OEM), Personal services for health care workers, Components w/ National Stock Numbers, Services with special warranty conditions, and Replacement Parts. Additionally, Contracting Officers continue to receive requirements that do not adequately describe the requirement in terms that promote the use of commercial items or that may restrict competition. Also, technically complex programs in the research and development stages that are not mature enough to compete as well as programs that require brand names, national stock numbers or require specific replacement parts. Additional obstacles that restrict competition would be failure to purchase technical data rights for weapon systems during the initial acquisition process. Pertaining to overseas contracting, failure of the contractors to accept the purchase card or electronic funds transfer as a form of payment limits our ability to compete.

NAVAIR has implemented an effort on programs that are typically sole source. They look for component breakout opportunities and to acquire re-procurement data rights. Another method used is to formulate the source selection evaluation review board to conduct review of competitive source selection decisions prior to contract award.

Any barriers to the acquisition of Commercial Items or Competition that remain:

Requirements that can only be satisfied by the Original Equipment Manufacturer (OEM) because they require direct replacement parts and/or engineering and logistical reach back support are an example.

The barriers to the acquisition of commercial items or competition are consistent with those reported in the previous reports. These include: 1) unique/critical mission or technical requirements where the designer or developer possesses the requisite knowledge, experience, and proprietary information; 2) lack of technical data to develop technical data packages suitable for competition; 3) remaining military specifications; 4) Industry's trend toward consolidation of large Department of Defense (DoD) contractors reducing the industrial base; 5) Congressional Earmarks or "Plus-Ups" which often direct a source; 6) Emergency contracting in support of war operations which can be limited to original equipment manufacturers or require acquisition of emerging technological solutions which tend to be sole sourced; and 7) the immature stage of many programs and the limited number of suppliers for them.

Some requirements for military specific products still limit competition. For example, a large percentage of NSWC Crane's work is sustainment of fielded systems for which the Government does not have rights to competitive data packages. NAVSEA's Regional Maintenance Centers (RMCs) procure ship repair and overhaul services. NAVSEA Instruction 4280.2C limits commercial item contracting by imposing Master Ship Repair Agreement (MSRA) or Agreement for Boat Repair (ABR) requirements for work on Navy ships. The NAVSEA instruction requires a higher level of technical performance than is required by commercial ships. Under these circumstances, our ship repair and overhaul requirements impose barriers to commercial item contracting for ship repair and overhaul.

Unforeseen contractor teaming arrangements can unexpectedly limit competition.

New initiatives to ensure requirements are stated in terms of functions to be performed, performance required or essential physical characteristics.

Acquisition teams are increasingly utilizing performance based specifications as well as standardizing statements of work, solicitations, and evaluation criteria and source selection plans. The Contracting Officers are engaging earlier in the process to provide guidance and challenge program offices when to standardize statements of work and to breakout components, if possible. Peer reviews are incorporated into the process to provide acquisition oversight to the contracting process and to ensure that acquisition professionals seek competition to fulfill requirements as well. DoNs Management and Oversight Process for the Acquisition of Services (MOPAS 2) ensures that services acquisitions over $100M are based on clear performance-based requirements that are identifiable and measureable.

MARCORSYSCOM's Contracts AIS Portal was developed to encourage the use of Performance-Base Acquisitions to the maximum extent practicable as well as to help improve the sharing of information such as policies, procedures, templates and best practices between product groups. NAVSUP continues to rely upon their extensive electronic library of performance work statement templates that they share with customers to assist them in the development of performance-based work statements. The library includes a Quality Assurance Surveillance Plan (QASP) Tutorial and Guide and QASP Preparation Template. NAVFAC leverages Design-Build contracts to accomplish the majority of its construction projects because these contracts typically incorporate performance goals to define the construction and performance requirements. They also extensively use performance-based specification in their Design-Build construction contracts.

Other ways in which the agency has emphasized the acquisition of Commercial Items and Competition in areas such as acquisition training and research.

Formal and informal training for contracting and requirements communities are utilized. The contracting community complies with Defense Acquisition Workforce Improvement Act (DAWIA) training requirements and DAU continuous learning events. In addition to all required training, local training opportunities at the command level have been implemented.

MARCORSYSCOM continues to provide training to emphasize the use of competition. The majority of their contracting personnel (96%) have completed DAUs CLC 055 – Competition Requirement training, either on-line or in-residence. They also established a custom developed J&A training seminar to enhance awareness and understanding of the importance of competition in the acquisition process.

As of 10 January 2011, 2,417 NAVSEA employees had completed the mandatory DAU Continuous Learning Course (CLC) 055 in accordance with DASN (A&LM) memorandum of 23 November 2009 entitled "Competition in the Department of the Navy Acquisition".

NAVAIRs contracts Competency Accelerated Professional (CAP) training program is a competency wide effort designed to provide in-classroom augmentation of DAU course content. NAVFAC conducts in-house training of all contracts specialist and officers. Contract Specialist Interns go through an intense NAVFAC "Basic Training". NAVSEA has a long history of providing a structured "boot camp" for its contracting workforce through both training materials and required classroom attendance. During FY10 NAVSEA revised, updated and improved many of its training materials. The training includes instruction on the acquisition of commercial items and the emphasis on competition. NAVSEA's field activities have also devoted significant efforts to educate their acquisition personnel in these areas.

Initiatives that ensure task and delivery orders over $1,000,000 issued under multiple award contracts are properly planned, issued, and comply with 8.405 and 16.505.

Commands have established review procedures during the pre and post solicitation stages as well as the pre-award stage to ensure task and delivery orders over $1M issued under multiple award contracts are properly planned, issued, and comply with FAR Subparts 8.405 and 16.505. At several commands the Competition Advocate is engaged and is a member of the evaluation boards to ensure that the evaluation and award process is properly implemented. Internal Procurement Performance Management Assessment Program (PPMAP) Reviews evaluate compliance with current regulations and policies for task/delivery order competitions under multiple award contracts with emphasis on fair opportunity, requirement description, evaluation factors, and basis of award.

Military Sealift Command increases their competition on large Multiple Award Contracts by setting milestones and timelines that allow a longer period for companies to respond to a Request for Quote. Additionally, they closely examine the Performance Work Statement to ensure it is not restricting competition. They also hold pre-quote conference calls with all the multiple award contractors as a group to share information in order to help increase competition.

NAVFAC incorporated via their Business Management System a systematic method for managing business processes, common practices, and process and quality improvements that produce and/or support production of Command products and services. It provides best business process documentation for all NAVFAC Commands and links to applicable, appropriate and up-to-date policies, guidance, forms and information. The process requires that the CO must provide the MAC holders a fair opportunity to be considered for each order.

Recommend to the agency senior procurement executive and the chief acquisition officer a system of personal and organizational accountability for competition, which may include the use of recognition and awards to motivate program managers, contracting officers, and others in authority to promote competition in acquisition.

MARCORSYSCOM - Competition goals and achievements should be included in performance ratings and fitreps for all personnel that prepare and approve procurement requests. The use of goals and objectives is not only for civilian contracting personnel but civilian requirements generators as well. Establish monetary awards that incentivize program managers, contracting officers, and others, who through competition, are able to achieve measurable increased value and decreased costs.

NAVSEA - recognized several programs, acquisition teams and individuals during FY10 for competition accomplishments. Recognitions included team awards, Special Act awards, time-off awards and nominations for higher level achievement awards. Monetary awards, plaques, certificates and time-off awards were employed. Performance evaluations also considered the efforts of individuals in achieving competitive plans and/or awards.

SPAWAR has exercised several recognition and award tools to motivate personnel. Utilized were time off and monetary awards as well as Claimancy "Lighting Bolt" recognition awards presented at quarterly Claimancy All Hands meetings.

NAVAIR has the Commander's Award, institutionalized in the local regulations, is the highest team award, recognizing the achievements of teams that have successfully supported the main goals of the Command. This award is a distinguished command honorary award that includes a cash award, as appropriate. Innovative source selection techniques have been honored in the past. Specific criteria vary annually. Additionally, supervisor issued awards, monetary or otherwise, have been granted for outstanding performance related to increased competition outcomes.

Include examples that are representative of the report findings.

Commands have provided examples of achievement in the area of competition. Some glowing examples are:

Naval Supply Systems Command – COMFISC Sigonella has accomplished a significant achievement this year regarding aircraft maintenance. The standard practice was to procure industrial mobilization for all aircraft maintenance via sole source procurements. COMFISCS was able to successfully increase opportunities for competition by competing aircraft maintenance contracts in the region. Naval Medical Logistics Command (NAVMEDLOGCOM) advertises contracting opportunities for Individual Set-Asides (ISAs) in at least one publication serving the local area of the facility at which services are to be performed, and each proposal is evaluated and awarded on a competitive basis. For non-ISA personal services contracts and task orders, NAVMEDLOGCOM, awards more than 90% of them on a competitive basis using FAR Part 15 competitive procedures.

NAVAIR has held Fair Opportunity competitions for the T56 Engine overhaul and repair requirements totaling $312.2M. They've also been active in the small business umbrella, specifically for the Small Disadvantaged Business and Veteran Owned Small Business awards which increased by $186.1M. In FY10, NAVAIR also established the Small Business Advocacy Awards Program that recognizes contributions to the Small Business Program at each site/business unit with a national level award. The goal of this program is to serve as an incentive to the workforce to promote the practice and uphold the principles of the Command's Small Business Program and to ensure that their efforts are appropriately recognized.

Recommend goals and plans for increasing competition on a fiscal year basis to the agency senior procurement executive and the chief acquisition officer.

DPAP has determined that the Department of the Navy's goal will be a 2% increase over the competition achieved in FY10 as measure by the "Competition Based on Obligations Report. However, DON continues to pursue increased competition to meet SECNAVs challenge for 2/3 competition by 2012.

Please include specific areas that your command has targeted to increase competition.

NAVSUP has implemented a policy that at least two contracting officers review requirements prior to the final determination as to whether the need should/can be met via local, regional, strategic, or Federal indefinite delivery type contracts. Additionally, active participation by the Competition Advocate in contract review boards, analysis of competition metrics throughout the year, and review of non-competitive requirements help to foster a more competitive procurement process. NAVICP's Source Development Department received approval to use resources in a Design Using Lean Six Sigma (DLSS) effort to develop/enhance competitive practices by identifying commodities currently procured on a sole source basis and to overcome those obstacles that prevent them from competing contracts for legacy weapon systems support. COMFISCS has been working on an initiative to regionalize husbanding contracts in the Western Pacific/Indian Ocean that has been very successful in stimulating competition.

Please address and quantify any contracts that cannot be competed, and how that will impact the competition goals for FY11.

SPAWAR intends to execute the first option against the Continuity of Services Contract for the continuation of NMCI services. This ID/IQ contract for services was awarded for $3.68B. After award, SPAWAR transferred task order execution and management to COMFISCS. SPAWAR intends to compete the Next Generation of NMCI no later than FY14.

COMFISCS is the ordering office for all NMCI and Inter-service Supply Support Operations Programs (ISSOP). The NMCI Program accounts for approximately $1.0B annually in non-competitive obligations and ISSOP accounts for $100M in non-competitive obligations. The major NAVSUP programs, NMCI, ISSOP and NAVICP legacy weapons support, account for $3.4B in total obligations that is considered not to be available for competition.

MARCORSYSCOM states that in FY11, $181,721,193 will not count towards competed dollars because of incremental funding existing sole source contracts or other exceptions to competition. Also in FY11, USMC will award a regional food service contract with an estimated annual value of $200M per year (Based on IGE). In addition, Marine Corp Logistic Support Services contract (MCLOGSS) will be awarded in FY11 with an IGE of $170M annually. Neither of these contracts would positively or negatively affect the projected forecast for FY11, as they are either a re-compete or a re-packaging of existing contracts.

Competition Trend Analysis FY05-10

The competition achievement has been consistent from FY05-10 using the standardized FPDS reports that rack obligations. Challenges to increase competition remain with the acquisition of military hardware for major weapons systems, due to systems complexity and proprietary or restrictive information. The below rates are computed including actions that are not available for competition.

FY05	FY06	FY07	FY08	FY09	FY10
54%	51%	55%	55%	54%	54%

Fair Opportunity

The Navy has maintained a consistent rate of fair opportunity for award made under multiple award contracts. The numbers below reflect the three (3) year fair opportunity trend:

FY08	FY09	FY10
82%	84%	84%

In accordance with the FAR 16.505(b), all multiple award contract holders are afforded the opportunity to compete on all task or delivery orders issued unless one of the four exceptions identified in FAR 16.505 (b)(2)(i) thru (iv) applies. In accordance with DFARS 216.505-70, for services exceeding $100,000 in value, Contracting Officers ensure that fair notice is provided to all contractors offering the services under the multiple award contracts. Further, in accordance with DFARS 216.505-70(b), orders that do not provide for fair opportunity to compete based on one of the exceptions identified in FAR 16.505(b)(2) must be supported by a Limited Source Justification prepared and approved in accordance with FAR 8.405-6. All awardees of multiple award contracts will continue to be given a fair opportunity to compete, with a senior official designated as the ombudsman {IAW FAR 16.505(b)(6)} to review complaints from the contractor and ensure that all contractors are afforded a fair opportunity consistent with the procedures in the contract. Awards of Task Orders/Delivery Orders under multiple award contracts are reviewed using the same or similar procedures used for those awards made in the open market. The Competition Advocate reviews acquisitions during the pre-solicitation and pre-award phases to insure that they are properly planned, issued and in compliance with FAR 8.405 and 16.505 and DAFRS 208.405-70 and 216.505. Approval levels and authorities for the exceptions to fair opportunity are in accordance with FAR 6.304 and exceptions for fair opportunity are documented in the business clearance. Local policies are followed and are readily available to all employees.

GSA Orders placed are awarded in accordance with the GSA process. Fair opportunity is provided when awarding orders against Federal Supply Schedule contracts through the GSA electronic quote system, e-Buy. It is standard practice to post requirements for competition among GSA/FSS holders utilizing GSA e-Buy to the maximum extent possible. When an order is placed on a non-competitive basis, a copy of the Limited Source Justification, as required by 8.405-6, is posted on e-Buy.

Placement of orders under task and delivery order contracts and multiple award contracts continue to be reviewed as special interest items during headquarters PPMAP reviews.

Continued implementation regarding Defense Acquisition University Continuous Learning Contracts 055:

DAU 055 is mandated training for all Department of the Navy personnel engaged in the acquisition process including program managers, program executive officers, logisticians, and contracting personnel. Each command is required to continue to ensure that all such personnel take this course.

As of January 2011, 2,417 of NAVSEAs employees had completed the mandatory DAU course. This number represents 82 percent of the 2,950 NAVSEA Headquarters and field acquisition professionals in logistics, program management and contracting, and this does not include interns.

All of ONR and NRL DAWIA personnel are required to complete DAU CLC 055 – Competition Requirements. Completion date was September 30, 2010. To date, 74 percent of ONRs DAWIA members have completed this training.

Fifty percent or 334 of NAVSUPs acquisition personnel have completed the mandatory DAU course. Contracting offices noted a challenge in getting personnel to complete the course on-line because some employees felt they had already completed the required training that includes similar content. As a result the completion percentage reflected on the e-DACM site is lower. NAVSUP is taking corrective action to ensure that all acquisition personnel take this course.

MARCORSYSCOM continues to provide training to emphasize the use of competition. Ninety-six percent of their contracts personnel have complete the course either on-line or in-residence. Additionally, in June of 2010, 198 Contracts personnel participated in training provided by Office of the Deputy Assistant Secretary of the Navy, Acquisition and Logistics Management on the Truth and Negotiations Act.

AIR FORCE COMPETITION REPORT
FISCAL YEAR 2010

January 2011

INTRODUCTION
In accordance with the Office of the Under Secretary of Defense (OUSD) (Acquisition, Technology & Logistics (AT&L)/Defense Procurement Acquisition Policy (DPAP) memo, dated 16 Dec 2010, Competition Report for Fiscal Year (FY) 2010 and Headquarters Air Force (HAF) Mission Directive (MD) 1-10, SAF/AQC, as the Air Force Competition Advocate General, is submitting the FY10 Air Force Competition Report. The competition report conveys the Air Force's effort to achieve its FY10 competition goal of 58% and presents the Air Force FY11 competition goal of 53.7%. The Air Force goal is based on DPAP methodology of adding two percent to the FY10 actual competition rate. In addition, this report discusses the Air Force's effort to fulfill its requirements, to the maximum extent possible, through the acquisition of commercial items and services, and illustrates the Air Force's success in applying fair opportunity to task and delivery orders placed against multiple award contracts.

COMPETITION EFFORTS
All Major commands (MAJCOMs), Field Operating Agencies (FOAs) and Direct Reporting Units (DRUs) listed at Air Force Federal Acquisition Regulation Supplement (AFFARS) Subpart 5306.501 must have a competition advocate. These competition advocates are responsible for the competition program within their MAJCOM, FOA or DRU and for tracking competition results via the Federal Procurement Data System (FPDS). They are responsible for promoting competition and commercial practices in acquisition programs managed by their commander or associated Program Executive Officer (PEO). Air Force Instruction 63-301, Air Force competition and Commercial Advocacy Program, requires the competition advocates to improve the overall competitive performance and to increase the use of commercial practices by overcoming barriers such as requirements, policies, procedures and/or decisions that restrict competition or limit applicability of commercial practices. Competition advocates participate in acquisition strategy planning through forums such as the Acquisition Strategy Panel (ASP) process, via coordination on or approval of Justification and Approval (J&A) documents, review acquisition planning (AP) documents and approval of exceptions to fair opportunity. They ensure market research demonstrates that competitive and commercial opportunities are considered, develop annual competition plans, establish procedures to monitor the performance of their activity and take the necessary action to ensure their competition rate equals or exceeds their assigned goal.

The competition advocates must maintain a program that includes identifying, tracking and following-up on actions to remove obstacles to competition and commercial practices. They are responsible for promoting source-development programs to assist potential sources with identifying business opportunities and becoming qualified sources. They work with government and industry to investigate and eliminate barriers to competition and to promote the acquisition of commercial items, identifying potential competition or commercial conversion opportunities through J&A and AP document reviews. The competition advocates also ensure that program requirements are stated in the least restrictive manner to allow for effective competition and the use of commercial practices.

The Air Force relies on cross-functional teams during the acquisition planning process to challenge requirements that are not stated in terms of functions to be performed, performance required or essential physical characteristics. Potential markets are engaged via market research and pre-solicitation outreach techniques. The Air Force has been very successful in conducting Industry Days by sharing information with commercial suppliers and obtaining their input at the start of acquisition planning. For example, AAC held an Industry Day at Eglin AFB in March to make industry aware of recent policy and process changes and to assist industry in navigating through the acquisition process. Another example of the Air Force outreach program is AFOTEC's participation in the "Professional Aerospace Contractor's Association Briefing for Industry" held annually to advertise its upcoming requirements. Further, the Air Force Research Laboratory (AFRL), Wright Site, hosts an annual industry day to publicize its upcoming business opportunities within AFRL. The Air Force also engages industry by continuing to post its Long Range Acquisition Estimates (LRAE) on the Secretary of the Air Force (Acquisition) (SAF/AQ) Homepage, allowing vendors to preview current and future acquisitions. This list is used to define requirements and to obtain full and open competition.

FY10: COMPETITION

THE DATA

The Air Force pulled its data from the Federal Procurement Data System (FPDS) on 15 Nov 2010 for FYs 08-09 and on 24 Jan 2011 for FY10 using the "Competition Based on Obligations Report". The Air Force accepted the Department of Defense FY10 goal of 58% and ended the year with a competition rate of 52.5%. This is the first year utilizing the new reporting standard mandated by OFPP and, due to this change, the Air Force competition rate was decreased by 3.88%. Under the previous reporting standard, the Air Force competition rate would have been 54.5%. Also, because of this change, reports submitted for FY08 and FY09 will reflect higher competition achievement rates than those reflected within this report as the data included in this report is reported solely on the new reporting standard.

TREND ANALYSIS

In FY10, the Air Force awarded a total of 204,083 actions valued at approximately $65B with 158,582 competitive contract actions valued at approximately $34B, achieving a 52.5% competition rate. This rate is higher than the 52% achieved in FY09 but lower than the 53% achieved in FY08, a decline of .94% from FY08 to FY10. However, our "Competed Actions" remains at a very high 78% of total actions. The slight decline in "Competed Dollars" from FY08 is due, in large part, to existing weapon system programs and the consolidation of the defense industry. FY10 proved even more challenging due to accelerated definitization schedules for a number of high dollar value undefinitized contract actions (UCAs). For example, in the fourth quarter of the fiscal year AFMC obligated over $12B in non-competed dollars which, without the accelerated schedules, would have been awarded over two fiscal years and would not have had such a significant impact on our annual competition rate. Furthermore, the increase in requirements in Intelligence Surveillance Reconnaissance (ISR) assets to the Theater of Operations, which are sole source requirements, also negatively impacted our ability to increase competition.

Air Force Historical View of Competed and Not Competed Dollars and Percentages*

	FY08	FY09	FY10
Total Dollars	63,847,320,551	67,918,037,591	64,911,017,944
Competed Dollars	33,753,686,600	35,159,751,034	34,065,283,890
Percentage of Competed Dollars (Competition Rate)	53%	52%	52.5%
Total Actions	195,209	198,827	204,083
Total Competed Actions	151,043	155,371	158,582
Percentage of Total Competed Actions to Total Actions	77%	78%	78%

Table 1

**Difference between total dollars and competed plus not competed dollars is due to transition to FPDS and resulting in "null" competed dollars unaccounted for in either competed or not competed dollars*

Competition performance is essentially divided along mission lines into two categories: 1) the operational MAJCOMs historically award contracts for installation support, and 2) Air Force Materiel Command and Air Force Space Command (AFSPC) primarily award contracts for weapon systems and logistics support. The operational mission lends itself to commercial acquisition, while the weapons systems and logistics missions tend to lend themselves to the Original Equipment Manufacturers (OEMs) that designed, developed and produced the systems. The OEMs remain the sole supplier to provide the necessary support for existing systems in an efficient and timely manner, thus, driving long-term contractual relationships and little opportunity for competition.

The Air Force influences competition by engaging competition advocates early in the acquisition process, utilizing *FedBizOpps* to ensure widest dissemination of contract opportunities and program information to business and industry, even when its use is not mandated. In addition, we utilize multiple award indefinite-delivery-indefinite-quantity contracts, where appropriate; emphasize robust market research; challenge overly restrictive requirements; and use industry days to convey overall and specific program needs to increase industry participation and feedback. Furthermore, we work very closely with the small business community, including small business specialists in the acquisition planning process to identify opportunities for small business early and often. This is in addition to our participation in small business trade fairs and outreach events.

Historical Competition Rates
(Percentage of Total Dollars Competed)

	Percent of Total AF Dollars	FY08	FY09	FY10	Delta Percentage
AF	100	53	52	52.5	-.9
ACC	5.6	86	89	89	+3.5
AETC	3.6	82	83	83	+1.2
AFDW	1.7	80	74	73	-8.8
AFISRA	.3			75	N/A
AFMC	69.7	47	45	46	-2.1
AFOTEC	.05	91	86	90	-1.1
AFRC	.4	73	78	83	+13.7
AFSOC	.3	63	57	69	+9.5
AFSPC	13.9	55	49	49	-10.9
AMC	1.6	63	62	73	+15.9
PACAF	1.7	71	73	72	+1.4
USAFA	.4	75	62	76	+1.3
USAFE	.8	95	96	94	-1.1

Table 2

In spite of challenges limiting competition growth, Table 2 demonstrates the success of efforts taken by acquisition professionals to increase competition. As illustrated above, the operational and reserve commands saw consistent and, in some cases, substantial increases in competition achievements. However, our system commands, which make up approximately 84% of Air Force obligations, experienced decreases due to the significant challenges they face. Clearly, the performance of AFMC and AFSPC is the predominant driver of the Air Force's achievement in the competitive arena.

There are a number of factors that contributed to the decrease in AFMC's competition rate. Most notable, and as indicated above, were the number of undefinitized contract actions definitized in the fourth quarter of the fiscal year. Further, efforts taken to reduce the number of Undefinitized Contract Actions (UCA's) diverted contracting resources and delayed other competitive procurements, which ultimately resulted in numerous sole source Bridge contracts being awarded. Moreover, AFMC has experienced a significant increase in acquisitions for non-competitive Unmanned Aircraft to support the wars in both Iraq and Afghanistan. Finally, AFMC's Air Logistics Centers (ALC's) have experienced a significant transfer of competitive workload to the Defense Logistics Agency (DLA). This transfer of competitive workload has had an adverse impact on the overall ALC competition rates.

Although Air Force Space Command's FY10 competition rate of 49% is lower than FY08 it is consistent with the FY09 rate, which is an achievement considering the barriers to competition faced by this command. Roughly 24% of AFSPC's "Not Competed Dollars" was due to significant barriers to competition, with much of those dollars supporting weapon system acquisitions which rely on a very limited number of vendors in the space and cyberspace industries. In addition, the use of Bridge contracts, as a stop gap measure during the contractor to civilian transition, also negatively affected the competition rate.

AETC was negatively impacted by the award of $171M in sole source 8(a) contracts. In addition, $29M were obligated against "country directed" sole source actions under International Agreements. This is a significant increase over the $9M awarded in FY09. Furthermore, Resource Management Decision (RMD) 802 efforts to in-source contracts resulted in the need to issue Bridge contracts for interim support until civilian conversions could be accomplished, which also negatively impacted AETC's competition rate.

AFDW's 8.8% decrease in its competition rate was predominately due to two factors. First, was the award and administration of a Federally-Funded Research and Development Center (FFRDC) contract, which is a sole source effort as no other source is available to meet the Government's requirements. Approximately $45M was obligated against this contract in FY10, which is approximately 15% of the AFDW total "Not Competed Dollars". Second, AFDW awarded 46% of its "Not Competed Dollars" under FAR 6.302-5, Authorized by Statute, many of which were 8(a) sole source awards.

Notable achievements include AFRC's 13.7% increase and AMC's 15.9% increase. AFRC achieved its increase by emphasizing the acquisition of commercial items and applying fair opportunity to multiple award ID/IQ contracts. AMC was successful due to placing closer scrutiny on FPDS coding, challenging sole source requirements and increasing the use of multiple award ID/IQ contracts for construction requirements.

TASK AND DELIVERY ORDERS GREATER THAN $1M

The Air Force properly plans, issues and complies with FAR Parts 8.405 and 16.505 for task and delivery orders over $1M. The contracting activities follow established procedures in the acquisition planning phase to ensure compliance. All multiple award contract holders are afforded the opportunity to compete on all task and delivery orders issued unless one of the exceptions applies. In addition, to ensure compliance with current regulations and policies the Air Force performs both pre- and post-award inspections; the latter via Staff Assistance Visits and Unit Compliance Inspections. These inspections emphasize fair opportunity, requirements description, evaluation factors and basis of award.

THE DATA

The Air Force pulled data from FPDS on 15 Nov for FYs 08 and 09 and 30 Nov for FY10. Table 3 illustrates the FY10 results for task and delivery orders issued over $1M showing a 4% increase from FY09 to FY10.

Task/Delivery Orders>$1M

	FY08	FY09	FY10
Total Task & Delivery Orders>$1M	26,732,939,504	28,744,379,542	29,015,404,855
Total Dollars	63,847,320,551	67,918,037,591	64,911,017,944
Percentage of Total Task and Delivery Orders Greater than $1M to Total Dollars	42%	42%	44%

Table 3

FAIR OPPORTUNITY

For task or delivery orders over $3,000 issued against multiple award contracts, the Air Force applies fair opportunity procedures in accordance with FAR 16.505(b) unless one of the exceptions applies. Air Force policy is that the use of the exceptions to fair opportunity should be rare. For task or delivery orders exceeding $150,000, the Air Force complies with DFARS 216.505-70. We ensure a description of the supply or service and the basis for our selection are clearly defined for each order. Further, we make certain that all contractors responding to the fair opportunity notice are provided an opportunity to submit an offer and that the offer will be fairly considered. The competition advocates review task and delivery orders during the acquisition planning phase. When one of the exceptions at FAR 16.505-2 applies, the Air Force complies with the requirement for a justification that is prepared and approved in accordance with FAR 8.405-6. The competition advocate reviews the determination, validating that it includes the information at FAR 8.405-6(g), and it is approved in accordance with FAR 8.405-6(h) with orders over $650,000, but not exceeding $12.5M, being approved by the competition advocate. Orders below $650,000 are approved by the contracting officer. In order to provide additional oversight and control over the use of exceptions to fair opportunity, the AFFARS was recently changed to elevate justification approval levels for orders exceeding $12.5M, but not exceeding $85.5M. The approval authority was raised to the Senior Contracting Official or the Senior Center Contracting Official who meets the criteria in FAR 8.405-6(h)(3)(ii). If a MAJCOM/DRU or AFISRA SCO does not meet the criteria in FAR 8.405-6(h)(3)(ii), then the justification must be approved by the Head for the Contracting Activity (HCA) of the Air Force (SAF/AQC). For orders exceeding $85.5M, the Senior Procurement Executive approves the placement of the order.

THE DATA

The Air Force pulled its data from the Federal Procurement Data System (FPDS) on 15 Nov 2010 for FYs 08-09 and on 30 Nov 2010 for FY10. Table 4 demonstrates that the Air Force does very well in applying fair opportunity in the placement of task or delivery orders against multiple award contracts. A total of over $29B in task and delivery orders over $1M were awarded in FY10, out of this total, $9B were subject to fair opportunity and $7.8B were given fair opportunity, which equates to 86% of dollars being obligated under fair opportunity and 85% of actions awarded under fair opportunity (Table 4). Table 5 illustrates instances where fair opportunity was not applied, with the majority being split between Only One Source and Follow-on Delivery Order to Competitive Initial Order.

Air Force Fair Opportunity on Orders against Multiple Award Contracts

	FY08	FY09	FY10
Total Subject to Fair Opportunity Dollars	7,282,534,375	7,638,684,930	9,082,667,920
Total Fair Opportunity Given Dollars	6,153,070,577	6,227,144,751	7,823,229,428
Percentage of Total Fair Opportunity Given Dollars to Total Subject to Fair Opportunity Dollars	84%	82%	86%
Total Subject to Fair Opportunity Actions	33,171	30,519	40,196
Total Fair Opportunity Given Actions	27,103	25,822	34,058
Percentage of Total Fair Opportunity Given Actions to Total Subject to Fair Opportunity Actions	82%	85%	85%

Table 4

Exceptions to Fair Opportunity on Task or Delivery Orders

	FY08	FY09	FY10
Total Exception Dollars to Fair Opportunity	927,664,649	963,545,566	1,259,438,492
Urgency (FAR 8.405-6(b)(3) or 16.505(b)(2)(i) Actions	17,344,323	35,888,633	90,301,687
Only One Source Other (FAR 8.405 6(b)(1) or 16.505(b)(2)(ii) Dollars	540,792,926	485,899,343	619,279,113
Follow-on Delivery Order to Competitive Initial Order (FAR 8.405(b)(2) or 16.505(b)(2)(iii))Actions	306,300,410	369,267,691	404,720,079
Minimum Guarantee (FAR 16.505(b)(2)(iv)) Actions	9,071,715	6,681,098	32,991,991
Other Statutory Authority	54,155,275	65,808,801	112,145,623
Percentage of Total Fair Opportunity Exception Dollars to Total Subject to Fair Opportunity Dollars	13%	13%	14%

Table 5

BARRIERS TO COMPETITION

While the Air Force continues to stress increased competition, contracting offices are nevertheless experiencing barriers to competition. A reduction in new starts/major programs and the reliance upon the noncompetitive follow-on procurements for mature systems continue to be major factors in reduced opportunities for competition. In addition, efforts taken to reduce the number of Undefinitized Contract Actions (UCA's) in FY10 diverted contracting resources away from competitive procurements, thus, delaying award those awards. This ultimately resulted in a number of sole source Bridge contracts being awarded. Further, the Air Force experienced a significant increase in the acquisition of non-competitive Unmanned Aircraft to support the wars in both Iraq and Afghanistan. Finally, our ALCs have experienced a significant transfer of competitive workload to DLA. This transfer of competitive workload has had an adverse impact on the overall ALC competition rates.

Other impediments to competition include “Authorized by Statute”, “International Agreement” and “National Security” awards. A further analysis of “Not Competed Dollars” showed a total exceeding $29B awarded under FAR Part 6 (Table 6). Of that, approximately $1.8B was “Authorized by Statute”, over $3B was awarded under “International Agreement” and approximately $2.3B was awarded under “National Security” for a total of $7.1B, which equates to approximately 23% of the Air Force total “Not Competed Dollars”.

Furthermore, there are still users who request sole source purchases of items in lieu of stating requirements in terms of need, and others explain need in terms of skills of a particular contractor, rather than the distinctiveness of the service being acquired. Contracting Officers must remain vigilant and assert the need to seek multiple sources. Consequently, SAF/AQC requires contracting professionals to complete competition training, such as the DAU Continuous Learning Module, CLC 055, Competition Requirements for DoD Acquisition, during FY10. In addition, various MAJCOMs are providing additional competition training throughout the year; for instance, all AFMC contracting personnel were provided AFMC Top Ten Training in Feb 2010, which focused on enhancing Competition. Annual competition training increases Air Force Contracting Officer’s understanding that the marketplace is the basis for determining the level of competition necessary rather than the user’s desire to retain an incumbent.

Air Force Significant Barriers to Competition

	FY08	FY09	FY10
Total Dollars	63,847,320,551	67,918,037,591	64,911,017,944
Total Not Competed Dollars	28,703,960,148	31,240,750,543	30,829,864,118
Percentage of Total not Competed Dollars to Total Dollars	45%	46%	47%
Total Authorized by Statute	1,176,085,463	1,461,394,994	1,768,993,982*
Percentage of Total Authorized by Statute Dollars to Total Not Competed Dollars	4%	5%	6%
Other Than Full and Open Competition Authorities			
Only One Source (FAR 6.302-1)	19,027,046,897	21,121,521,288	20,423,881,042
Urgency (FAR 6.302-2)	1,040,663,991	1,011,174,578	1,278,714,894
Industrial Mobilization (FAR 6.302-3)	1,594,331,346	996,606,974	495,374,900
International Agreement (FAR 6.302-4)	1,465,595,360	2,051,021,657	3,060,626,306
Authorized or Required by Statute (FAR 6.302-5)	1,614,928,750	2,125,706,345	1,768,993,982*
National Security (FAR 6.302-6)	3,371,714,172	4,028,311,171	2,276,442,931
Public Interest (FAR 6.302-7)	124,222	199,127	3,469,073
Total	28,114,404,738	31,334,541,140	29,307,503,128**

Table 6

**See table 8 for additional breakout*
***Any variances in total due to conversion to FPDS and resultant not competed null actions*

COMPETITION GOAL

The Air Force established its command FY11 competition goals based upon trend analysis, barriers to competition and the overall Air Force goal (Table 7).

The Air Force command goals assigned are consistent with FY10 performance. AFMC's goal was increased above their performance due to the circumstances in FY10 that prevented it from achieving its goal i.e., UCA definitizations and Bridge Contracts. In FY11, we anticipate the award of the KC-X and the award of competitive contracts versus Bridge Contracts and we do not anticipate a high volume of UCA definitizations, which makes AFMC's goal of 53 percent a more likely achievement.

PACAF's goal was lowered from that assigned in FY10 due to the percentage of PACAF's dollars awarded under International Agreement that are unavailable for competition. This is a long-term contract; therefore, we do not expect changes in the competitive environment.

Although we decreased AMC's goal for FY10, they overcame existing barriers to competition i.e., its largest acquisition is a the sole source Senior Leadership Command, Control and Communications System – Airborne Broadband Satellite Communication Service by various activities including greater usage of competitive vehicles for construction efforts.

AETC's goal for FY11 was lowered from its achieved rate in FY10 due to approximately $600M of competed dollars being moved to AFMC in FY11.

Air Force FY10 Competition Results & FY10 Competition Goals (Percentage of Total Dollars Competed)

Contracting Activity	FY10 Competition Goal	FY10 Competition Actual	FY11 Competition Goal
ACC	90	89	89
AETC	85	83	78
AFDW	79	73	78
AFGSC			90
AFISRA	79	75	90
AFMC	52	46	53
AFOTEC	86	90	90
AFRC	84	83	84
AFSOC	62	69	68
AFSPC	48	49	52
AMC	66	73	73
PACAF	77	72	75
USAFA	62	76	76
USAFE	98	94	95
Total AF Goal	58	52.5	53.5

Table 7

COMMERCIAL

The Air Force strongly supports the use of commercial procedures as evidenced by the operational commands use of FAR Part 12 procedures whenever feasible. Market research is the key to the acquisition workforce understanding the commercial marketplace. Therefore, we use industry days and FedBizOpps to engage industry in assisting us to ensure our acquisitions reflect commercial practices.

Our commands regularly procure commercial items and/or services and use requests for information to obtain information from business and industry to determine if items are commercially available. For instance, the majority of the purchases at AFOTEC at or under the simplified acquisition threshold are purchased via commercial procedures. In addition, the majority of AFSOC's requirements is considered commercial in nature and is competitively procured in this manner. Other commands such as AMC and AFDW report the same usage of competitive procedures.

The Air Force will continue to promote the use of commercial practices and does not anticipate a decrease in commercial procurements going forward.

MAXIMIZING SMALL BUSINESS OPPORTUNITIES

The Air Force continues to seek opportunities to increase small business participation in many areas. Small Business Specialists at the local and MAJCOM/FOA/DRU levels participate in acquisition strategy panels to provide small business input into acquisition strategies. In addition, small business specialists review all acquisitions greater than $10,000 and make recommendations regarding the use of small business.

Table 8 illustrates a steady increase, with an approximate $300M increase in FY10, in the success of the Air Force in supporting the use of socio-economic programs. We are seeing a steady and substantial increase in the use of all five categories shown below. Although this is considered a success in the terms of the small business program, it impacts the Air Force in terms of the Competition and Commercial Advocacy Program.

Air Force Authorized By Statute Historical Rates

Authorized by Statute Dollars FAR 6.302-5	FY08	FY09	FY10
Ability One Dollars	139,199,749	155,046,954	390,461,019
Sole Source 8(a) Dollars	856,730,957	1,113,493,446	1,124,071,261
Sole Source SDVOSB Dollars	3,336,331	5,164,709	43,858,440
Sole Source HUBZone Dollars	16,547,296	36,004,646	43,268,552
Sole Source Veteran Dollars	18,502,914	2,070,868	45,281,678
Total other Sole Source Authorized by Statute FAR 6.302-5	91,572,780	60,569,385	122,053,032
Total	1,125,890,007	1,372,349,758	1,768,993,982

Table 8

REVISED COMMERCIAL AND COMPETITION ADVOCACY PROGRAM

The Air Force has completed its changes to the Commercial and Competition Advocacy Program mentioned in the FY09 plan. The Air Force issued an AFFARS Mandatory Procedure for this program to replace the existing Air Force Instruction, which will be rescinded this year.

The Air Force implemented the use of an automated Competition Tool for the development and submittal of the annual MAJCOM/FOA/DRU competition report. We are in the process of implementing tool improvements and are looking for ways to use the tool to monitor and improve performance throughout the year. The goal is to use the tool to proactively affect competition rates.

SUMMARY

The Air Force Commercial and Competition Advocacy Program promotes the acquisition of commercial items, promotes full and open competition, ensures focus on managing the program rather than focusing on goals and demonstrates the Air Force commitment to excellence.

Although we did not achieve our goal of 58% in FY10, approximately 4% of the difference is due to the implementation of the new reporting standard. The Air Force would have achieved a rate of 54.5% under the previous reporting standard. Regardless of the reporting standard used, the Air Force is committed to increasing the use of commercial acquisitions and maximizing the use of competitive procedures; consequently, the Air Force anticipates the achievement of its FY11 proposed goal of 53.7%.

DEFENSE LOGISTICS AGENCY
HEADQUARTERS
8725 JOHN J. KINGMAN ROAD
FORT BELVOIR, VIRGINIA 22060-6221

IN REPLY
REFER TO

MEMORANDUM FOR THE DIRECTOR, DEFENSE PROCUREMENT, ACQUISITION POLICY

SUBJECT: Defense Logistics Agency (DLA) Annual Competition Advocate Report for Fiscal Year 2010 (FY10)

The DLA Competition Report, as required by FAR 6.502 and DPAP Memorandum dated December 16, 2010, is attached. The Agency did not reach our FY10 competition goal of 90 percent, primarily due to the mandatory purchase of fuels from state owned entities and the pipeline mission support in overseas countries by DLA Energy. In addition, at least one $2B competitive award was delayed until first quarter 2011, negatively impacting our achievement rate. We will continue to explore ways to improve our competitive practices in order to negate the impact of sole source acquisitions from mandated sources.

The point of contact for the report is the DLA Competition Advocate, Mr. James Barnard. He can be reached at 703-767-1470 or email: james.barnard@dla.mil.

Sincerely,

Nancy M. Heimbaugh

NANCY M. HEIMBAUGH
Component Acquisition Executive
DLA Acquisition

Fiscal Year 2010 Competition Advocate Report

Defense Logistics Agency (DLA)

James Barnard-DLA Competition Advocate

1/21/2011

DLA submits this annual report in accordance with FAR 6.502(b)(2) and DPAP memorandum dated Dec 16, 2010, Subject: Competition Report for Fiscal year (FY) 2010.

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I. Fiscal Year 2010 Competition Rate Achieved

DLA achieved a competition rate of 78.78% of total dollars obligated against a goal of 90% and achieved 89.35% of total procurement actions against a goal of 95%. The FY 10 competition base in terms of total dollars was $34.69 billion with $27.33 billion obligated competitively.[1] This is a decrease from FY 09, where we experienced an achievement rate for percentage of dollars obligated of 90% and $33.3 billion. The DLA Enterprise consists of thirteen supply chains/activities that have established goals and reportable achievements, as identified in Table 1. Two activities met their goal for percentage of dollars and three activities met their goal for percentage of actions. Of the thirteen reporting elements, four achieved percentage dollars greater than 90% and seven were below 85%. DLA certified the FPDS-NG data on Dec 15, 2010. The data for this report was obtained from FPDS-NG on December 29, 2010 and reflects the most accurate information available.

Supply Chain/Activity	**FY 10 Goal Dollars**	**FY 10 Actual Dollars**	**FY 10 Goal Actions**	**FY 10 Actual Actions**
DLA Land	76.0%	73.51%	88.5%	82.40%
DLA Maritime	88.0%	85.31%	89.5%	92.60%
DLA Aviation	59.0%	54.61%	87.0%	80.30%
Subsistence	98.0%	95.42%	99.0%	83.99%
Medical	99.2%	99.01 %	99.2%	99.2%
C&E	94.0%	91.13%	93.0%	88.39%
C&T	92.0%	72.50%	91.0%	90.8%
Contracting Services	88.0%	83.14%	88.0%	78.56%
DLA Energy	90.0%	75.08%	95.0%	96.10%
DLA Disposition	89.0%	86.51%	94.0%	93.41%
DLA Distribution	86.0%	73.48%	85.0%	81.79%
DLA Strategic Matls	80.0%	84.01%	65.0%	59.4%
DLA Document Svs	91.0%	95.44%	98.0%	96.36%
Total DLA	**90%**	**78.78%**	**95%**	**89.35%**

Table 1. DLA activities FY 10 competition goals and achievements

[1] The source of the FY 10 data referenced here is the FY 10 DLA Competition Advocate Report.

II. Advocate's Activities

At the Headquarters level, DLA Acquisition has established an Agency metric for tracking the Agency and Supply chain competition performance against the OSD goal. This information is briefed by the Competition Advocate to the Director of DLA Acquisition on a monthly basis, and quarterly to the Supply Chain Acquisition Executives. These briefings emphasize the importance of competition within DLA and provide an opportunity for discussion of competition performance at the senior acquisition levels. Examples of individual procurements/activities where competition effort was instrumental in achieving substantial cost savings or other benefits are described below:

DLA Land & Maritime: DLA Land and Maritime conducted Breakout Initiatives on many items. One example includes the breakout of an NSN for a temperature transducer. Prior to the breakout, the NSN was a sole source acquisition and appeared to have an excessive unit cost. The Value Analyst at DLA Land & Maritime contacted potential sources but found that only one of the sources requested a stock sample and appeared to be interested. A stock sample was provided, and the company provided DLA L&M Value Engineering with a Technical Data Package, which was subsequently sent to US Army Missile Command (ESA) for evaluation. Ultimately, one new source was added to the Total Item Record. This new source received a contract for a quantity of 105 each, and DLA recognized a reduction in unit cost of 26%. The addition of this new source expanded competition and resulted in cost savings of $363,479 with production lead time (PLT) savings of $739,082.

DLA Aviation: In FY 10, the Aviation Engineering Directorate supported the competition advocate through programs such as the Replenishment Parts Purchase or Borrow Program (RPPOB), which allows perspective contractors to buy or borrow items of supply for reverse engineering at their own initiative and expense. RPPOB issued 22 bailment contracts with a total of $26,048. In addition, the Directorate supported the advocate by developing additional sources and creating complete technical data packages (TDPs) for certain items of supply that are hard to procure. As a result of these efforts, DLA Aviation Value Engineering reported savings on 32 items changed to fully competitive, 114 items with expanded competition, and 14 items that were reverse engineered. Total savings from these efforts exceeded $42M.

In addition, the Competition Advocate personally reviewed 5 formal purchases in which he directed that a fully competitive specification be utilized instead of the limited competition that was proposed in the solicitation. Three of these acquisitions were for Industrial Plant Equipment (IPE) and two of the items were for general aviation.

Troop Support Supply Chains

Construction & Equipment (C&E): DLA Troop Support C&E Lighting is looking to revise more items from sole source to competitive. When there are salient characteristics available on the manufacturer's web site, they are included in the Purchase Item Description, and the solicitation is issued as brand name or equal. All Alternate Offers are evaluated by our DLA Troop Support Technical Representatives and if determined to be acceptable, will be added to the Product Item Description as another source of supply.

In addition, DLA C&E made an award for fuel cans based on a Commercial Item Description. The fuel cans were two of C&E's highest backordered items with quantities totaling in excess 40,000 each. As a result of this award, these items are now expected to be removed from backorder during FY 2011.

Medical: In the Electronic Catalog (ECAT) Program in the ECAT, Hospital, and Equipment Divisions, to comply with the requirements of DFARS 208.405-70, in FY08, the ECAT Division established ordering procedures that enhance competition for any order valued over the Simplified Acquisition Threshold ($100K in FY 10) which is placed against an ECAT contract. As in previous years, in FY 10 all orders over $100,000 were suspended in the ECAT system so the Medical Supply Chain contracting officer could individually compete products among all vendors within a particular program. Once an order is suspended, the contracting officer prepares a Request for Quotation (RFQ) document which is then sent to all ECAT suppliers. Upon receiving all quotes in response to the RFQ, the contracting officer makes a best value decision based upon price, delivery, past performance, and other factors as required to meet the ordering activity's minimum needs. In FY 10, Medical Supply Chain contracting officers have been able to save our customers approximately $610,000 or 2.1%

DLA Document Services: DLA Document Services continues to use the competitive GSA Advantage E-Buy process for its acquisition of multifunctional devices (printer/copier/scanner) for the DAPS Equipment Management Services (EMS) Program. The program supports the Department of Defense (DoD) and Executive Agencies with approximately 30,000 leased devices and a total program cost of over $80M per year.

III. <u>New Initiatives to increase the acquisition of commercial items</u>

DLA has some commodities where the majority of the acquisitions are commercial and they continue to pursue opportunities to increase use of commercial items. However, in those commodities that are predominantly military unique, there are several initiatives to increase the acquisition of commercial items:

DLA Aviation: The supply chain focused on increasing the acquisition of commercial items. Some of the most notable areas where the non-commercial NSNs were purchased as commercial items for the first time include items in the 6210, 6220, and 6230 federal stock classification. DLA Aviation Oklahoma City is establishing a contract that will increase commercial buying for all consumables and depot level reparables they manage.

DLA Energy: DLA Energy initiated the rewrite of their internal guidance for PROPOSAL FORMAT AND CONTENT and EVALUATION - COMMERCIAL ITEMS. As a result of this rewrite, they have made the submission of offers for recurring, non-complex, commercial buys as easy as possible by no longer requiring offerors to submit a technical proposal. The successful offeror will be required to merely comply with the product specifications furnished by the Government as well as the solicitation terms and conditions. Only the pricing proposal, representations and certifications, and contractor past performance information are submitted. Aerospace Energy has been relying strictly on each offeror's past performance record in conjunction with the responsibility determination vice technical capability. We have also increased our pre-award survey requests to ensure performance capability for offerors that are not current incumbents.

Clothing & Textiles (C&T): Many of DLA's C&T items are military-unique and still require specifications, but technical and acquisition personnel are actively engaged in buying commercial items wherever practical. DLA C&T continues to move towards buying commercial items on several product lines such as footwear, underwear, all-weather coats, sweaters, lightweight jackets, overcoats and jumpers. They have also increased the use of FAR 13.5 Test Program procedures, when appropriate including recent acquisitions for Individual Equipment items such as Snap Links, Diver's Bag, and High Visibility Belts.

Construction & Equipment (C&E): An industry day was held for the MRO CENTCOM Program to identify potential issues, facilitate awareness, and encourage vendor participation during these discussions. The overall goal was to expand industry participation in the next generation of support in the CENTCOM theater of operations. This event was well received with representatives from 41 firms in attendance. An open forum question and answer session was held, in addition to one-on-one sessions. In addition, an industry day was held for the Lumber Program to improve industry understanding of contract terms and conditions. The overall goal was to foster an open dialogue between Troop Support and its suppliers. The event was well attended and discussion points included CONUS (Continental United States) and OCONUS (Outside Continental United States) Lumber Acquisition Strategy, Performance Expectations, DDDE (Defense Distribution Depot Europe) Booking Procedures, and Quality and Policy overviews. There was an open forum question & answer session and twelve one-on-one sessions held.

IV. New Initiatives to Increase Competition

There are a variety of ongoing initiatives to enhance competition being used across the agency.

DLA Land & Maritime: In order to promote better competition, DLA L&M continues to improve the Web Page and DLA Internet Bid Board (DIBBS) to provide clearer instructions to the contractors pertaining to the submission of alternate offers and the tracking of the submissions. This page also provides planned acquisition information on NSN items with forecasted demands greater than $10,000 during a twelve-month period on the WEB and a message from the DSCC Competition Advocate to the supplier and potential supplier base.

DLA Aviation: The supply chain continues to improve competition by assisting and encouraging new sources in the submission of Source Approval Requests. Approximately 639 new Source Approval Requests were received by DLA Aviation during FY 10. At year end, 139 had resulted in new approved sources, while 103 were disapproved. 379 of these requests are still under review and evaluation by various Engineering Support Activities. Also notable, is that upon review, 18 of the source approval requests resulted in reclassification to fully competitive item descriptions.

DLA Troop Support

Subsistence: In the Food Service Equipment area, the C5 refrigerator is now a competitive item. This refrigerator is designed for use on the C-5 Galaxy transport jet. Previously, MGR Equipment Corporation provided the item on a sole source basis. This sole source situation has been broken with the addition of Enflite Inc. as an approved source. Recent competitive buys have driven the unit price down almost $2000, from $25,563 to $23,600.

Medical: Two new sources were added under the Pharmaceutical CEC open season solicitation. These sources were Impax Labs, a manufacturer of a pandemic prevention and treatment drugs and American Regent which manufactures short dated injectable pharmaceuticals.

DLA Energy: This supply chain is responsible for the Afghanistan Post, Camp and Station (PC&S) Program which continues to enjoy good competition in the Afghanistan/Pakistan Region in support of Operation Enduring Freedom (OEF). There is tremendous growth, interest and competitive opportunity for DLA Energy in the countries that surround Afghanistan. Pakistani companies (transportation and suppliers) are eager and receptive to doing business with DLA Energy. Furthermore, Pakistani companies are willing to work with Afghan companies eager to establish themselves and play a larger role in the advancement of their own country and economy. To the North, the former Soviet states as far west as Latvia, Georgia and Azerbaijan, and across the Caspian Sea into Turkmenistan, Uzbekistan, Tajikistan are eager and looking at all opportunities. There is potential for requirements of fuel supply to positively affect these economies in terms of transportation (via ferries, railcars or tanker trucks) in addition to supply.

They are excited to engage with DLA Energy. Overall, DLA Energy continues to keep doors for new business relations open by being receptive to meeting with new potential vendors and listening to their capabilities both abroad and here at home. DLA Energy keeps a robust list of contractors interested in doing business within the OEF Theater.

DLA Disposition: This supply chain began several new initiatives such as exploration of the use of incentive contracts and changes to contract structure to account for variable disposal pricing based on fluctuations in fuel prices and other factors that are impacting our contracts. In addition, they will conduct a Hazardous Waste Symposium in March 2011 to explore with business partners ways to increase competition and correct some current industry problems.

DLA Distribution: This supply chain provided continual training of acquisition personnel and activity personnel with significant use of market research techniques in an attempt to avoid sole source procurements. The Acquisition Planning branch has assumed a larger role in reviewing high dollar value and unique requirements to promote market research and acquisition planning among customers. Efforts include reviewing and assisting with the development of specifications, obtaining budgetary estimates, and locating commercial manufacturers and value added resellers.

DLA Document Services: DLA Document Services obtains multifunctional devices and other production equipment primarily under GSA Federal Supply Schedule 36. Requirements are competed in accordance with FAR Part 8.404 and DFARS Part 8.404 among GSA Schedule 36 holders on GSA eBuy. This has resulted in a high competition rate for DLA Document Services under the fair opportunity process. DLA Document Services is also implementing an acquisition strategy to competitively solicit and award DoD unique indefinite delivery, indefinite quantity (IDIQ) contracts for the EMS program requirements. The IDIQ contracts will permit maximum competition, improve cost savings and provide a streamlined ordering process. DLA Document Services awarded its first IDIQ contracts in the 2nd quarter of FY 10 to support US Forces in The Republic of Korea. Multiple award IDIQ contracts are also being investigated with the potential for competing individual task orders via reverse auctions.

V. <u>Performance Based Requirements</u>

Examples of practices and initiatives where requirements are stated in terms of functions to be performed, performance required, or essential physical characteristics are included below:

Clothing & Textiles (C&T): Several Clothing & Textile items continue to be procured using specifications that cite performance criteria, such as the Improved Outer Tactical Vest (IOTV) and Enhanced Small Arms Protective Inserts (ESAPI). Acquisitions for these items that use performance specifications result in increased competition.

DLA Contract Support Office (DCSO): Solicitations include Performance Work Statements which detail requirements in terms of functions to be performed and required outcomes. Resultant awards for services are typically fixed price, performance based with payments tied directly to deliverables/outcomes or a specified level of performance.

DLA Document Services: All equipment requirements are specified in terms of functional requirements and services utilize performance based statements of work.

DLA Strategic Materials: This organization provided training to the Acquisition staff in writing performance work statements. Contracting officers also work with program managers to examine solutions and develop requirements statements to ensure that each acquisition was reviewed in the planning stage to determine whether it is an appropriate performance-based candidate.

DLA Documents Services: All equipment requirements are specified in terms of functional requirements. This initiative ensures requirements are stated in terms of functions to be performed, performance requirements or essential physical characteristics. Requirements for services utilize performance based statements of work.

VI. Barriers and Challenges

The majority of DLA field activities did not meet their competition goals for FY 10 and a wide range of barriers are identified below.

Depot Level Repairable (DLR) Contracting support - DLR procurement activity rely on the customers' technical recommendations and technical data for the requirements they manage; to the extent practicable, competition is promoted within privy where ever possible, in accordance with FAR and DLA guidance. In addition, all of the DLR sites face issues with small quantity purchases, out of production, changing technology, unavailable test equipment and engineering issues. All of these issues impede efforts to increase competition.

Lack of technical data - the military services continue to buy systems without any technical data to support them. This puts the Government in a sole source position for most of the items on that end item (ex. Transdigm, MRAP). When it is no longer profitable to supply certain items, the original equipment manufacturers (OEMs) often obsolete these items and the Government can't force them to turn over the data. The lack of parts support causes the Government to explore expensive options like reverse engineering or developing new sources.

Preference for brand name or model - Customers' preference for brand name items and continued service from incumbent firms continue to remain a barrier. The requirement for, and value of competition is continually emphasized to our customers in an effort to move from this long standing practice. The importance of thorough market research is stressed to help overcome this barrier.

Customers sometimes request a particular make, model or brand name without providing sufficient support for a sole source acquisition. If unchallenged, the customer has no incentive to attempt to develop alternate sources of supply. DLA Troop Support is attempting to place a greater burden on the customer when requesting sole source items by requiring them to fully justify the need and evidence of market research conducted. We hope that this may result in obtaining salient characteristics that can be used to solicit alternate offers and break the non competitive situations that presently exist in some instances.

Many Original Equipment Manufacturer (OEM) contractors are reluctant to provide additional information regarding previous sales history or release any significant technical data due to the proprietary nature of the items acquired. Technical data can be used to compare similar items for price reasonableness, but many contractors feel releasing this information may cause the sensitive material to be released to the public (other vendors). Many of the sole source OEMs have spent a great deal of time (costs) with regard to the research and development of an item and feel they should be the only source of supply to benefit from the development. Further, it's often the case sole source OEMs do not wish to disclose previous sales information due to the fact they do not wish to disclose their commercial or Government customers.

Awards to new sources - Once a new source is approved, it would be helpful in encouraging them to get approved on other items if they got an award. This also allows them to demonstrate that they can manufacture the item. Very frequently, when an original equipment manufacturer sees that another source has been approved they reduce their price to undercut the new source. The new source has invested money to develop their alternate item and don't recoup anything until they receive an award.

Financial barriers - The state of the financial credit markets in the United States, natural gas pipeline capacity constraints, and restrictive coal specifications continue to have an impact on competition in the electricity, natural gas and coal markets, respectively. Vendors depend on access to credit to facilitate transactions between parties, whether building power plants or offering on a competitive retail electric supply acquisition. This issue limits the scope and scale at which offerors can compete on electricity requirements. For example, limited pipeline capacity in the Tidewater, VA area continues to affect the competition for natural gas supplies serving several DoD installations in that area. There is a difficulty in determining the available capacity at any given time due to lack of sufficient infrastructure, so offerors are unable to effectively compete on long term contracts given this constraint. As a result, DLA Energy has to procure customer requirements on a month to month basis, still with limited competition. Under the coal program, competition is impacted by unique customer coal specifications needed to satisfy age and/or modifications to existing equipment at each site.

VII. Other Ways Competition is Emphasized

The agency has placed an emphasis on the acquisition of commercial items and enhancing competition by focusing on areas such as acquisition training and research:

During FY 10, all 1102 acquisition personnel were required to complete the DAU course on Competition Requirements for DoD Acquisition (CLC055). In addition, all Competition Advocates attended a one day training session hosted by DLA HQ on FPDS reporting. Attendees were provided hands-on training for extracting the data using the competition reports and review and analysis of the report results.

DLA Land & Maritime: During FY 10, Commercial Training Sessions were given to buyers in the Land and Maritime Supply Chains with the goal of increasing the knowledge base for buyers and encouraging use of commercial contracting procedures where appropriate. A contracting kit was updated to aid the buyers during the acquisition of commercial items.

DLA Aviation: The competition advocate provided sole source approval request process training to contract specialists at several of the DLR sites. This training crossed all sites of DLA Aviation and worked to increase buyers' knowledge and understanding of competition principles. The hands-on approach will be utilized further to increase competition at the DLR sites, which continue to struggle with these issues.

DLA Troop Support: In FY 10, DLA Troop Support provided an hour-long training session to twenty-five DLA Interns on the proper method of drafting a J&A for Other than Full and Open Competition and supporting their rationale for the J&A. That office also continues to work with individual buyers to improve their proposed J&As, reviewing the J&A in real-time and providing guidance and advice on the proposed document. Written summaries of what makes up the essential elements of a J&A are available and provided to buyers as needed.

On March 23rd, 2010, the Office of Procurement Process Support, along with a number of other DLA Troop Support offices presented the first ever Acquisition Fair. The Competition Advocate team prepared several hand-outs designed to simplify the J&A process, update changes to the J&A regulations and to encourage active dialogue between the buying teams and the Comp-Ad office. Reverse Auction handouts were provided, along with the Reverse Auction Handbook. Further Reverse Auction training has been provided by this office on both formal and individual basis.

DLA Document Services: This organization continues to embrace a competitive approach to sourcing its strategic requirements. Additionally, the DLA Document Services Contracting Office completed a major reorganization during FY 10. The reorganization involved consolidating the contracting operation at the DLA Document Services headquarters and establishing a management organization to better oversee and train contracting personnel. This has resulted in major improvements to contract operations and provided accessibility of contracting personnel to the Chief of the Contracting Office and the Competition Advocate.

DLA Contracting Services (DCSO): In accordance with DLA policy, a Contract Quality Management Plan (CQMP) is required for every acquisition. Within DCSO, the draft DLA CQMP places an emphasis on acquisition planning for follow-on contracts. The CQMP requires that acquisition planning should begin as early as possible (e.g. when the final option is exercised) to ensure that there is no lapse in contract coverage and adequate time for contract turn over if necessary. In the past some offices have relied on bridge contracts issued to the incumbent on a sole source basis rather than issuing short term competitive contracts until the follow-on contract is in place. The CQMP states that any bridge contract issued pursuant to FAR 6.302-1, 6.302-2 or 8.405-6 will be permitted only after all alternatives are considered. The DLA Contracting Services Office Site Lead at each site is required to present alternatives considered along with recommended course of action to the DLA Contracting Services Office Competition Advocate and DLA Contracting Services Office Chief of the Contracting Office for concurrence prior to moving forward with any bridge contract action.

DLA Disposition: The Competition Advocate helped to coordinate an Acquisition Stand Down Day on 15 Oct 2010 and conducted competition training during the session.

VIII. Fair Opportunity (FO)

For FY 10, DLA had 15,729 actions and $1.55 billion subject to FO requirements and of that amount, 15,057 actions or 95.73% and $1.24 billion or 92.15 % provided for FO. This represents improvement over last year's FO statistics. Our performance in this area is very strong and while no goal is required, ideally we strive for providing for FO to the maximum extent. Of the exceptions to FO, "only one source" constitutes the majority of excepted actions and dollars. Of the 671 actions and $122 million in exceptions to FO, the "only one source" category is 480 actions or 71.5% and $53 million or 43.57% of the dollars. Table 2 contains the full data on exceptions FO. It was obtained from FPDS-NG on December 29, 2010 and reflects the most accurate FY 10 data available.

FY 10 Fair Opportunity	Actions	% of Total	Dollars	% of Total
Subject to Fair Opportunity	15,729	N/A	$1,554,861,789	N/A
Null Values	1	< than 1%	$3,042	< than 1%
Fair Opportunity Provided	15,057	95.73%	$1,432,858,053	92.15%

Total Exceptions to Fair Opportunity	671	4.27 %	$122,000,694	7.85%
-Urgency	19	2.83 %	$18,776,207	15.39%
- Only one source – other	480	71.54%	$53,160,646	43.57%
- Follow-on Delivery Order	123	18.3 %	$45,160,360	37.02%
- Minimum Guarantee	10	1.49%	$ 3,833,322	3.14%
- Other Statutory Authority	39	5.81%	$1,070,160	.88%

Table 2. DLA Fair Opportunity Data (source FPDS 12/29/10)

Historical Data: A comparison of the dollars subject to FO and dollars where FO was provided shows DLA has a fairly consistent performance from FY 08, FY 09, and FY 10, ranging between 89.84% and 92.15%. Table 3 contains the historical data.

Fiscal Year	Total $ Subject to FO	$ FO Provided	% FO Given
FY 08	$ 1,642,938,713	$ 1,476,005,864	89.84%
FY 09	$1,325,553,343	$1,158,862,615	87.42%
FY 10	$1,554,861,789	$1,432,858,053	92.15 %

Table 3. Historical DLA Fair Opportunity Percentage of Dollars (Sources: FY 10 data came from FY 10 FPDS-NG on 12/29/10, FY 09 data came from FPDS-NG on 1/7/10, and FY 08 data came from DPAP from FPDS-NG on 1/15/09)

Efforts to Support Fair Opportunity: Some examples of DLA efforts are included:

DLA Land & Maritime: The Land and Maritime Supply Chain do not limit competition just because an item is on a Federal Supply Schedule. When there is a need for an item, we compete it as required under normal policies and procedures and award is made on a best value basis therefore Fair Opportunity is provided. If we do intend to award a multiple award contract, we have established criteria in each contract for placing delivery orders against them and each delivery order is competed and awarded based on price, past performance, and delivery.

DLA Energy: This supply chain has two on-going multiple award contract programs. The requirements under these programs are competed through the fair opportunity process and the awards are disbursed through delivery or task orders under the established Indefinite Delivery Indefinite Quantity (IDIQ) contract. The first program is Consulting Services. In early November 2009, DLA Energy awarded a total of 23 IDIQ Consulting Services contracts in three categories: management support, studies and analysis, and applied technology to fuels and energy for a 5-year performance period. The contracts are not mutually exclusive to one category, as one contract could have been awarded in one or all of the categories. Each task order requirement is competed among the different contractors in the applicable category. As an added benefit, 16 of the 23 contracts were awarded to small businesses. This is a significant increase from the last 5-year award cycle which only included 4 small business awards out of twelve total awards. The small business participation increased from 25% to 40% of awards in our consulting services contracts. The second program involves trailer refurbishment/recertification services used for aerospace fuel containers. DLA Energy Aerospace Fuels Business unit, DLA Energy-M, competitively awarded 17 delivery orders under the multiple 5 year IDIQ trainer/recertification contracts. These contracts expire August 2013.

DLA Distribution: This organization placed a total of 487 delivery/task orders during FY 10 where solicitation procedures were "Multiple Award Fair Opportunity". The majority of these actions were placed against multiple award contracts under GSA's Federal Supply Schedule program. Through a physical review of all actions that were not given "fair opportunity", DLA Distribution corrected about 10%,while the remaining were correctly coded due to sole source manufacturer/distributor, only one source, or IT software renewal services. This level of review indicates the importance to the organization of providing fair opportunity whenever possible.

IX. Trend Analysis and FY 10 Competition Goals

Trend Analysis: A trend analysis using historical data from FY 08, FY 09 and FY 10 shows the competition achievement rate (based on dollars obligated) has fluctuated somewhat from year to year. DLA Energy is required to purchase fuels from certain state owned entities on a non-competitive basis. For example, the ADNOC successor contract (valued at nearly $2B) was awarded during FY 10. ADNOC is the state-owned oil company of the Government of Abu Dhabi, and is designated the sole source of jet fuel supply (JP8) to the U.S. Military per Abu Dhabi Law number 4/1976. This gives exclusive license to Abu Dhabi National Oil Company (ADNOC) to provide petroleum products in the Emirate of Abu Dhabi. ADNOC will again be awarded in FY-12. In addition, a $935,389,250 non-competitive award was made to Kuwait Petroleum Company (KPC), a government-owned entity, which supports Operation Iraqi Freedom (OIF).

Trends in Competition	**2008**	**2009**	**2010**
Total Dollars Obligated	$35,483,411,145	$37,169,153,515	$34,686,474,934
Dollars Competed	$29,779,033,416	$33,331,328,781	$27,326,546,489
% Competed of Total Dollars	**84%**	**89.7% rounded**	**78.78%**

		to 90%	
Dollars Subject to Fair Opportunity	$1,642,938,713	$1,325,553,343	$1,554,861,789
-Fair Opportunity Provided	$ 1,476,005,864	$1,158,862,615	$1,432,858,053
-Exceptions and Null Values	$166,932,849	$166,690,728	$122,000,694

Table 4. Historical DLA Competition & Fair Opportunity achievements (Dollars (Sources: FY 10 data came from FY 10 FPDS-NG on 12/29/10, FY 09 data came from FPDS-NG on 1/7/10, and FY 08 data came from DPAP from FPDS-NG on 1/15/09)

Reasons not competed: Over 79% of the actions and 88% of the dollars not competed, were a result of sole source procurements. This is consistent with the obstacles faced in the weapon system oriented supply chains, DLA Aviation, DLA Land, and DLA Maritime and the mandated sole source procurement of certain fuels from state-owned entities by DLA Energy. The complete data is included at Table 5.

FY 10 Not competed	Actions	% of Total	Dollars	% of Total
Total not competed	31,758	N/A	3,936,202,113	N/A
Not competed	30,932	97.4%	3,770,826,330	95.8%
Null	31	.10 %	520,465	0.01 %
Only one source (6.302-1)	24,001	77.6 %	2,811,306,028	74.6%
Urgency (6.302-2)	1,226	4.0 %	65,964,715	1.8%
Mobilization and R&D (6.302-3)	66	0.2%	$ 1,267,431	0.03%
International Agreement (6.302-4)	12	0.04 %	1,333,862	0.04%
Authorized/required by Statute (6.302-5)	5,590	18.1 %	$ 646,800,094	17.2%
National security (6.392-6)	6	0.02%	$243,633,735	6.5%

Table 5. FY 09 Reason Not Competed (source FPDS-NG new report pulled on 1/7/10)

FY 10 Goal:

The DLA goal of 80.3% of dollars obligated is a 2% increase over the achievement rate for FY 10 of 78.78%. DLA's final competition rate of 78.78% is slightly higher than the DPAP rate of 78.03%.

A major impediment to DLA's ability to achieve the FY 10 goal was the purchase of fuel totaling nearly $3B from state owned entities as discussed above. Purchases from these entities are on a two year cycle and therefore, such an impact is not expected for FY11 but will recur again in FY12. DLA will make every effort to reduce the impact of sole source procurements and maintain a goal of 80.03%. We will continue to place great emphasis on the need to provide for Fair Opportunity under multiple award contracts and ensuring the FPDS coding is correct in FY 10. In addition, we will focus attention on achieving an improvement rate of 10% for "effective competition" in accordance with DPAP's Dec 16, 2010 letter.