Department of Defense's

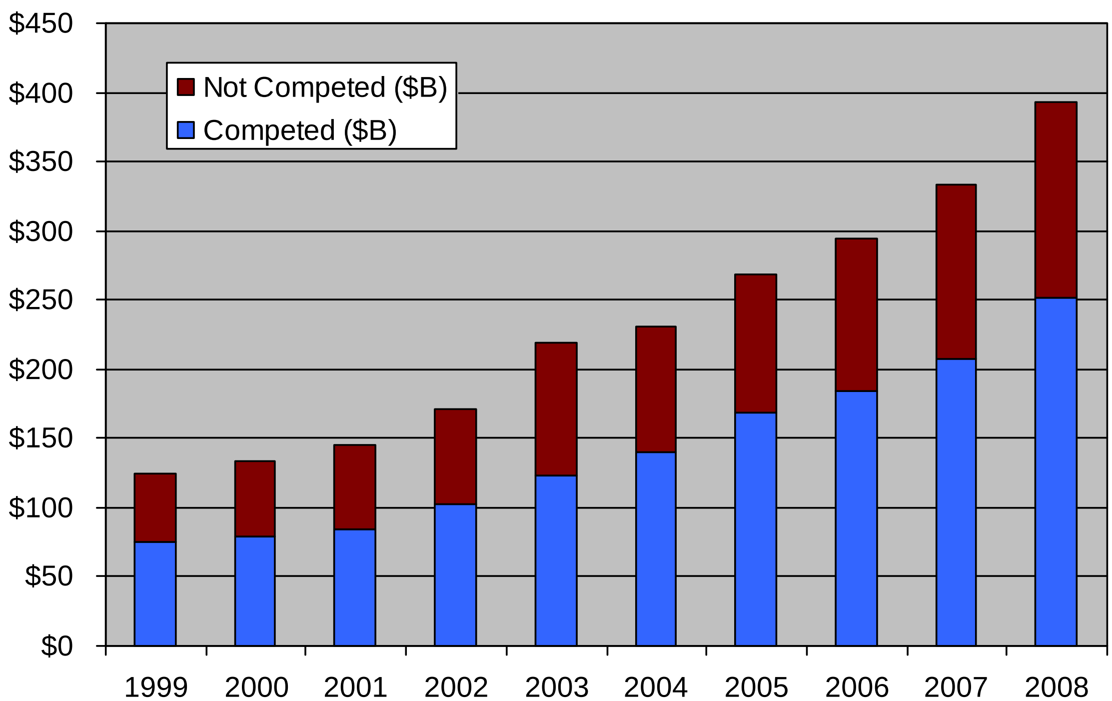
Competition Report

For FY 2008

I. Competition Trends

In Fiscal Year (FY) 2008, the Department of Defense (DoD) reported that $252 billion or a record 64% of its dollars were competitively awarded. This is an increase from the prior high of 63% and well above the 10 year average of 61%. This is an outstanding accomplishment, given the relatively level contracting workforce handling the significant workload increase, and is evidence of the Department's commitment to competition. Of the $340.5 billion reported in the Government-wide Federal Procurement Data System (FPDS) Competition Report as being competitive, 74% of these dollars were awarded by DoD.[1] Table 1 provides DoD trend data on the dollars obligated for competitive vice non-competitive actions for the past 10 years.[2]

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



The level of competition achieved within the Department varies, depending upon the type of product or service being bought by the DoD Component. Table 2

[1] The source of FY 1997-2006 data is DoD's DD 350 legacy system (though a comparison of the FY 2003-2006 FPDS Competition Report indicates it closely parallels that contained in FPDS). The source for the FY 2007 and 2008 data is the FPDS Competition Report, run on January 15, 2009.
[2] This trend data is based on competitive/non-competitive dollars as a percentage of total dollars. Consistent with the official FPDS Competition Report actions coded as "Not Available for Competition" are counted in the non-competitive dollars.

illustrates how this varied by DoD Components in FY 2008.[3] This could differ slightly from numbers reported in the Component Competition Advocates reports if the FPDS Competition Report was run on a different date, since there is no "lock down" or "freeze" date for this report in the FPDS.

Table 2 – FY 2008 Competition Achievements by DoD Component

Contracting Agency	Competition Base (Dollars in M)	Competed (Dollars in M)	% Competed (Dollars)
DEPT OF THE ARMY	$164,528	$107,859	65.6%
DEPT OF THE NAVY	$95,250	$52,532	55.2%
DEPT OF THE AIR FORCE	$63,240	$37,179	58.8%
DEFENSE LOGISTICS AGENCY	$34,115	$29,779	87.3%
TRICARE MANAGEMENT ACTIVITY	$9,170	$8,347	91.0%
DEFENSE COMMISSARY AGENCY	$6,109	$1,123	18.4%
MISSILE DEFENSE AGENCY	$5,618	$3,680	65.5%
USTRANSCOM	$4,297	$4,234	98.5%
DEFENSE INFORMATION SYSTEMS AGENCY	$3,771	$3,123	82.8%
U.S. SPECIAL OPERATIONS COMMAND	$2,096	$1,399	66.7%
DEFENSE THREAT REDUCTION AGENCY	$967	$799	82.7%
WASHINGTON HEADQUARTERS SERVICES	$720	$662	91.9%
DEFENSE ADVANCED RESEARCH PROJECTS AGENCY	$479	$436	91.0%
DEFENSE MICROELECTRONICS ACTIVITY	$419	$411	98.1%
DEFENSE FINANCE AND ACCOUNTING SERVICE	$294	$272	92.6%
DEPT OF DEFENSE EDUCATION ACTIVITY	$173	$162	93.6%
DEFENSE CONTRACT MANAGEMENT AGENCY	$91	$78	85.6%
DEFENSE MEDIA CENTER	$77	$62	80.8%
UNIFORMED SERVICES UNIVERSITY OF THE HEALTH SCIENCES	$56	$19	34.9%
DEFENSE SECURITY COOPERATION AGENCY	$48	$40	83.4%
TOTAL REPORTED IN BASELINE	$391,527	$252,204	64.4%
NULL VALUES	$1,977		
TOTAL DOD OBLIGATIONS	$393,504	$252,204	64.1%

Likewise, within the Components the level of competition achieved by various contracting organizations also varied based upon the product mix. The FY 2008 Competition Reports for the Departments of the Army, Navy and Air Force and the Defense Logistics Agency are also provided to supplement this DoD report, as they comprise 91% of DoD dollars obligated in FY 2008.

Fair Opportunity

DoD requires exceptions to fair opportunity for orders placed against multiple award contracts to be approved at the same levels required for Justifications and Approvals for sole source contracts. DoD took this action back in FY 2004 to ensure appropriate emphasis is placed on providing competition (fair opportunity) at the order level. The Director, DPAP issued a memorandum on July 16, 2008 that identified key areas of vulnerability, to include exceptions to competition for orders

[3] The source is the FPDS Competition Report, run on January 15, 2009. Figures contained in the Military Departments and Defense Logistics Agency Competition Reports may vary if the Competition Report was run on any other day since FPDS is a dynamic system.

placed against multiple award contracts not being appropriately documented. The Director required the DoD Components to incorporate the review of these areas of vulnerability in execution/procurement management reviews.

The Defense Manpower Data Center (DMDC) developed a fair opportunity report for DoD that utilizes data reported in the FPDS and is run periodically throughout the year so the Components can track fair opportunity given (i.e., competition) achievements on orders issued under multiple award contracts. The Department developed its own report, because FPDS does not currently have a report on fair opportunity. Table 3 provides a comparison of DoD's fair opportunity achievements in FY 2007 and FY 2008[4]. As discussed above, DoD has increased the emphasis on competition at the order level and in accurate reporting to FPDS. The increase in fair opportunity given from 70.7% of obligations to 83.7% of obligations positively reflects our concerted efforts in this matter.

Table 3 – DoD Placed Orders Against Multiple Award Contracts & Percentage Providing for Fair Opportunity

COMPONENT	2007 Orders against Multiple Award Contracts		% FO Given		2008 Orders against Multiple Award Contracts		% FO Given	
	Actions	$ (in Ms)	Actions	$	Actions	$ (in Ms)	Actions	Dollars
Dept of the Army	91,131	$19,896	54.3%	72.9%	94,506	$24,557	73.8%	83.4%
Dept of the Navy	61,907	$10,627	49.2%	69.8%	65,761	$11,445	74.6%	82.4%
Dept of the Air Force	44,070	$10,966	50.6%	74.8%	41,314	$8,890	81.6%	83.4%
Defense Logistics Agency	23,110	$1,641	90.7%	83.3%	20,885	$1,641	94.6%	87.1%
Defense Commissary Agency	2,891	$5	4.7%	28.8%	1,676	$4	21.3%	88.4%
Missile Defense Agency	550	$318	8.7%	3.6%	608	$320	86.4%	88.8%
Defense Information Systems Agency	7,105	$1,944	32.2%	41.1%	6,239	$1,776	75.7%	74.5%
U.S. Special Operations Command	2,040	$315	46.0%	37.9%	2,382	$348	74.4%	42.4%
Defense Threat Reduction Agency	612	$259	24.8%	34.6%	636	$285	66.8%	37.4%
Washington Headquarters Services	671	$77	34.9%	39.5%	773	$156	77.0%	84.3%
Defense Advanced Research Projects Agency	48	$8	18.8%	13.6%	36	$8	58.3%	53.3%
Defense Microelectronics Activity	213	$355	93.4%	99.9%	267	$403	98.1%	99.9%
Defense Finance and Accounting Service	686	$119	27.7%	53.2%	631	$126	55.6%	51.9%
Dept of Defense Education Activity	228	$17	35.1%	32.1%	278	$19	70.9%	63.3%
U.S. Transportation Command	186	$79	29.6%	37.0%	3,128	$3,735	96.1%	99.3%
Defense Media Center	453	$17	38.0%	27.1%	312	$11	88.1%	79.1%
Defense Contract Management Agency	455	$42	32.3%	55.3%	506	$63	77.1%	93.9%
Uniformed Services University of the Health Sciences	189	$5	35.4%	23.0%	217	$6	78.8%	85.7%
Defense Security Cooperation Agency	106	$3	44.3%	19.5%	176	$4	77.3%	83.4%
VA Contracting Activity	3	$4	0.0%	0.0%				
TRICARE	47	$1	23.4%	35.7%	41	$3	65.9%	78.5%
TOTAL DOD	236,701	$46,698	54.1%	70.7%	240,372	$53,800	77.2%	83.7%

DoD also recently developed a report to analyze the various multiple award vehicles such as DoD awarded multiple award contracts, Federal Supply Schedules, Government-wide Acquisition Contracts, and other non-DoD multiple award contracts to determine if fair opportunity achievements differ significantly in any particular circumstances. A summary of these results is provided in Table 4[5]. The

[4] DMDC prepared these reports using FPDS data for FY 2007 as of 8 January 2008 and for FY 2008 as of 15 Dec 2008. VA Contracting Activity began reporting through Defense Intelligence Agency in FY 2008 which is exempted from reporting to FPDS.

[5] DMDC prepared this report using FPDS data for FY 2008 as of 15 Dec 2008.

results show that DoD provides for fair opportunity at a higher rate on orders we place against DoD multiple award contracts. DoD Component Competition Advocates have been provided the data for review and analysis.

Table 4 – Fair Opportunity by Type of Multiple Award Contract

	Total Orders Under MACs	Type of Multiple Award Contract (MAC)			
		DoD IDIQ	FSS	GWAC	Non-DoD IDIQ
Obligations	**$53,800**	**$42,740**	**$9,859**	**$1,061**	**$140**
% of Total Order Obligations	100.0%	79.4%	18.3%	2.0%	0.3%
Fair Opportunity Given	**$45,016**	**$37,878**	**$6,284**	**$790**	**$64**
% Fair Opportunity Given (Dollars) by type of multiple award contract	83.7%	88.6%	63.7%	74.4%	45.9%

<u>Number of Offers Received on Competitive Actions</u>

DoD also recently developed a report categorizing the number of offers received on competitive contracts and orders against multiple award contracts that provide for fair opportunity. DoD is currently analyzing the results of this new report. Additionally, the Office of the Under Secretary of Defense for Industrial Policy, Industrial Base Assessments Directorate, is conducting an analysis of competitively awarded contracts where only a single bid was received to determine some of the underlying causes for single bids and assess whether there are potential industrial base concerns.

<u>Product Mix</u>

Generally, those contracting organizations whose primary function is installation/depot contracting 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 specialized medical equipment or services, major systems, or spares and upgrades that may need to be purchased from the original equipment manufacturer (OEM) or supplier. These high dollar non-competitive buys significantly impact DoD's competition statistics.

<u>Effect of Commercial Contracting</u>

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

Breakouts are possible, with performance (form, fit, function) specifications, but the process is time consuming and expensive. It also requires sufficiently well staffed contracting offices to assist in the necessary acquisition planning and handle the additional contracting workload.

Not Available for Competition

Consistent with OFPP 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 because law, regulation or other agreements preclude competitive possibilities. The majority of the contract actions that comprised this category include those:

- Authorized or required by statute such as awards to Federal Prison Industries, AbilityOne, 8(a), HUBZone, or SDVOSB sole source (FAR 6.302-5(a)(2)(i))
- For brand name commercial items for authorized resale (FAR 6.302-5(a)(2)(ii))
- Mandated by international agreements (FAR 6.302-4)
- Where circumstances dictate one supplier of utility services (FAR 6.302-1(b)(3))

This change from historical reporting does not have a significant impact from an overall Government and DoD-wide perspective - a reduction of approximately 4% and 3%, respectively. However, the impact on individual DoD Components and their buying activities can be significant. For example, at the Defense Commissary Agency its competition achievements drop to 18% (from historical achievements well over 95%) because the majority of its actions are for brand name commercial items for resale which previously were removed from the competition base since there is not a competitive alternative (e.g., Coke at Military Exchanges). Including the above categories in the competition baseline can dilute the focus on other viable competitive actions and could influence whether a Component utilizes the sole source authority for 8(a), HUBZone or SDVOSB awards.

II. Initiatives

Commercial Items

The acquisition process requires that acquisition teams review each requirement for potential fulfillment by use of commercial items. There has been an increased emphasis on market research as a means of identifying commercial items and competitive sources. DoD developed a Continuous Learning Module (CLC 004) for the acquisition workforce on Market Research. It is available to industry and government and can be accessed at: http://www.dau.mil/. Market research efforts identified by the DoD Components include collaborative web sites, use of Requests for Information and Broad Agency Announcements, contacting industry and government experts, reviewing catalogs and publications, conducting presolicitation conferences, and reviewing the market research of others. Several commands have established customer liaisons that review procurement packages and provide market research analysis for customers that do not have a good awareness of the market.

The Department submitted a report to Congress on its use of the Test Program for Commercial Items by authorized by section 4202(e) of the Clinger-Cohen Act of 1996 (10 U.S.C. note 2304) and implemented at FAR 13.5. The program provides for the use of simplified procedures for the acquisition of commercial items in amounts not exceeding $5.5 million ($11 million for certain acquisitions in support of contingency operations). Some reported benefits of the Test Program are increased competition and small business participation, decreased acquisition lead time, enhanced workforce morale, and decreased costs all while increasing the war fighter's capabilities. Incremental extension of the Test Program is a barrier to increasing the use of commercial items. Permanent extension of this authority would increase the number of commercial item actions available for competition.

The Department also submitted a change request to the General Services Administration (the FPDS Program Manager) for a system fix needed to correctly report the use of the Test Program.

The Director, DPAP issued a memo on March 17, 2008 reiterating the Department's policy to limit the number of unique contract clauses in commercial item contracts, collecting information on the use of unique clauses, and tasking the Components to develop a plan for restricting the number of unique clauses in contracts for commercial items. The intent of these efforts is to avoid levying unnecessary Government-unique requirements that could restrict contractors from offering commercial items to satisfy the Department's needs.

In last year's competition report, the Department discussed initial actions it took to address concerns reported by the Contract Integrity Panel (which is made up of senior leaders representing a cross section of the Department) and the General Accountability Office, that commercial item procedures are sometimes used to procure items that are misclassified as commercial items, and, therefore, not subject to the forces of a competitive marketplace. These efforts continued in FY 2008. DoD changed the Defense Federal Acquisition Regulation (DFARS) on January 24, 2008 to require execute a written determination regarding acquisitions of commercial items exceeding $1 million.

The National Defense Authorization Act for FY 2008 contained several provisions targeted to ensuring the appropriate use of commercial item procedures within DoD. Section 805 clarified when a Time-and-Material contract and Labor-Hour contract may be used for the acquisition of commercial items and clarified the procedures for obtaining cost or pricing data to determine price reasonableness for services that are "of a type" offered and sold competitively in substantial quantities in the commercial marketplace. Section 814 clarified when cost or pricing data on non-commercial modifications of commercial items is required. Section 815 addressed when a subsystem of a major weapon system may be treated as a commercial item. The Defense Acquisition Regulations Council (DAR Council) has approved a change to the DFARS to implement Sections 805 and 815, which is being finalized by the DAR Editor. Section 814 is being implemented Government-wide in the Federal Acquisition Regulation. It has been approved and is pending incorporation in a Federal Acquisition Circular as an Interim Rule.

These efforts are intended to increase the Department's appropriate use of commercial items.

Competition

The Department is fully committed to competition. The Deputy Secretary of Defense, issued a memorandum on November 13, 2008 addressing the importance of open and transparent communication between the Department and a diverse number of industrial base members as a means to promote the long-term viability and competitiveness of the industrial base supporting defense. Similar memos have been issued previously by the Under Secretary of Defense for Acquisition, Technology and Logistics, (USD(AT&L)), the Defense Acquisition Executive, who is a strong advocate of competition and transparency. This commitment is emphasized in meetings and program reviews.

In recognition that the Department can improve its source selection procedures, the USD(AT&L) recently established a Source Selection Joint Analysis Team (JAT).

The JAT is chaired by the DoD Competition Advocate and membership includes representatives from key OSD offices involved in major weapon system programs, the military departments and the OSD General Counsel. The objective of this team is to standardize the methodology and approach with which DoD conducts source selections. The outcome of the JAT will be a comprehensive set of best practices and may result in a Source Selection Guidebook, which can be used to properly and consistently structure and execute source selections.

As the Competition Advocate for DoD, the Director, DPAP has reinvigorated the role of the DoD Competition Advocates. The Director, DPAP meets throughout the year with the DoD Component Competition Advocates in a forum where achievements are reviewed and best practices and competition-related issues are discussed. To assist DoD Competition Advocates in their analysis of competition and fair opportunity achievements, DPAP and DMDC have partnered to develop periodic reports that are provided to the Components to provide visibility into achievements within the Component. These reports include:

- Fair opportunity and exceptions to fair opportunity summary.
- Fair opportunity and exceptions to fair opportunity by type of multiple award vehicle (i.e., DoD multiple award contract, Federal Supply Schedule, Government-wide Acquisition Contracts, and other non-DoD multiple award contracts)
- Null value reports for orders against multiple award contracts.
- Number of offer reports for competitive contract actions.
- Number of offer reports for competitive orders against multiple award contracts.

These reports are vital tools for Competition Advocates who seek to monitor performance throughout the year and to ensure actions are correctly reported in the FPDS. The reports documented significant accomplishments in competition in FY 2008, both at the contract and order level.

The Department has also worked closely with the General Services Administration to identify changes to FPDS to accurately capture Government-wide competition related data and to develop standard reports on competition and fair opportunity. The Department Chairs the FAR Acquisition Strategy Team that is handling several FAR cases aimed at enhancing competition both at the contract and order level.

Finally, the Defense Acquisition University is in the process of updating training regarding competition, fair opportunity and source selection to incorporate recent developments and best practices.

Performance Based Acquisition

The Director, DPAP reviews all proposed acquisition of services over $1 billion 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. Additionally, the Components all have a management process in place to ensure effective management and oversight of smaller dollar acquisition of services.

The Director, DPAP also implemented Department Peer Reviews which are independent pre-award reviews of all contracts with an estimated value of $1 billion or more and post-award reviews for service contracts with an estimated value of $1 billion or more by senior contracting leaders from across DoD, as well as members of the Office of General Counsel. The pre-award peer reviews are conducted in three phases for competitive procurements: 1) prior to issuance of the solicitation; 2) prior to request for final proposal revisions; and 3) prior to contact award. For non-competitive procurements, pre-award reviews are conducted at the pre- and post-business clearance phases. The military departments, defense agencies and DoD Field activities were tasked to establish their own procedures for contracts valued at less than $1 billion. These reviews are intended to 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. This certainly includes not only appropriate use of performance-based acquisition, but also the appropriate use of commercial items and competition to include opportunities for small business.

The Defense Acquisition University (DAU), recognizing the importance and challenges associated with services acquisition, has established a Center of Excellence for Services. One of the initiatives of the Center in FY 2008 was the development of a Service Acquisition Workshop that provides on-site, just-in-time training to a specific acquisition team to assist them in developing and executing a performance-based requirement. Section 852 funding will enable DAU to deliver a minimum of 15 workshops in 2009.

Components also provide training to cross-functional teams responsible for the development of performance-based statements of work/objectives. Components have also developed guides and templates on performance-based statements of work that are available on various web-sites. The DAU launched a new initiative, the "Service Acquisition Mall," to enhance knowledge sharing and training effectiveness. The Mall will be a knowledge repository for specific service acquisition information organized by "stores" based on product service codes (PSC). It will also include learning tools that acquisition teams can use to guide them through the sourcing process of developing and executing a performance based service acquisition.

Actions in conjunction with the Office of Small Business to ensure maximum opportunities are provided to small business

The DoD Office of Small Business Programs (OSBP) advises the Secretary of Defense on all matters related to small business. It develops small business policy and provides oversight to ensure compliance by all Military Departments and Defense Agencies. In FY 2008, OSBP drafted a formal Strategic Plan that was signed in early FY 2009. The primary goal of the plan is to, "Create Maximum Opportunities for Small Businesses with DoD Acquisitions." This new plan will focus and coordinate efforts on improving small business contracting within the DoD enterprise and create alignment with the AT&L goals and the critical mission of the Department of Defense.

DoD OSBP sponsored two conferences in FY 2008 directed at increasing small business opportunities, the DoD Mentor-Protégé Conference and the Small Business Innovative Research (SBIR) Beyond Phase II Conference. The Honorable James I. Finley, then Deputy Under Secretary of Defense (Acquisition and Technology), was the keynote speaker at the Mentor-Protégé Conference where sessions focused on business aspects of the Mentor-Protégé relationships and on providing the necessary tools to strengthen Protégés into value chain leaders. The SBIR Conference featured recent SBIR and Small Business Technology Transfer (STTR) Phase II award winners and provided a venue for them to make connections with potential business and government partners/customers to facilitate the further development of their SBIR/STTR-funded technologies. These programs have proven a valuable source for DoD to attract small business innovators and exceptional contributors to the defense of our war fighters.

The DoD OSBP participates as an advisor to the Strategic Sourcing Directors Board to ensure strategies align with small business considerations and goals. The Board is chaired by the Deputy Director, Strategic Sourcing, in the Office of Defense Procurement. The Board provides strategic vision, guidance, and direction that enables and promotes strategic sourcing DoD-wide. The Board facilitates collaboration across the Department to share innovative approaches to sourcing and to achieve increased cost savings, process improvements, and socio-economic participation.

The FAR Small Business Team is chaired by a representative of the Office of Defense Procurement and includes membership of the DoD OSBP and Military Departments and Civilian Agency Offices of Small Business Programs, as well as the Small Business Administration. The Team is responsible for developing FAR changes to implement law and or any needed changes in regulation.

DoD small business specialists review contract actions in excess of $10,000 that are not set-aside for small business. DoD Competition Advocates work closely with the Offices of Small Business in advancing competition opportunities, to include maximizing opportunities for small business. In some smaller organizations, the Competition Advocate is also the Director, Small Business Programs. Competition Advocates and Directors of Small Business Programs participate in acquisition strategy reviews for large dollar services. In many organizations, the Director, Office of Small Business Programs, also serves as the Task Order Ombudsman for multiple award contracts. Small Business Specialists also review proposed Subcontracting Plans to ensure small business concerns are afforded every opportunity to receive subcontract awards.

Some of DoD best practices include Forums for Small Business hosted by some combination of Competition Advocates, Offices of Small Business and Program Offices where small businesses have an opportunity to present an overview of their capabilities and products and be advised of upcoming business opportunities within DoD. Small business specialists are actively engaged in outreach efforts, market research, and partner with the contracting/acquisition workforce on acquisition planning.

Examples of Component Initiatives

The Component's Competition Reports address many initiatives to increase competition, the use of commercial items, and performance-based acquisition. Just a few are listed below and are addressed further in individual reports of which the Army, Navy, Air Force and DLA reports are attached here since they represent 91% of DoD dollars.

- 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 small business an opportunity to present an overview of their capabilities and products they offer and learn of DoD business opportunities.
- Alternate sourcing initiatives that result in the identification of new sources and significant cost savings.

- Team focus (Program/Item Manager, Buyer/Contracting Officer, Small Business Specialist, Competition Advocate) and participation in acquisition planning and market research.
- 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.
- Competition pamphlet to aid customers in understanding the significance and benefits of competition.
- Challenges to brand name or military unique specifications.
- Utilization of broad agency announcements, requests for information and pre-solicitations to help define commercial solutions and increase competition.
- 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.
- On-site or road show training on market research, competition, commercial items and performance-based acquisition for acquisition professionals and contracting officer representatives.
- Evaluate and emphasize competition program in the performance plan of contracts specialists and their supervisors.

III. Barriers to 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.

- Unique/critical mission or technical requirements.
- Industry move toward consolidation.
- Urgent requirements in support of war operations.
- Congressional adds or earmarks.
- Proprietary rights on items developed at private expense.
- Lack of good technical data packages.
- Workload/reductions in contracting personnel.
- Credit markets in the United States adversely impacting vendors in the electricity market.

The Department is aggressively working to address these barriers as is evidenced by the initiatives discussed above and in the Component reports. The adequacy of the size and capabilities of the DoD contracting workforce are being addressed as part of the Department’s overall Human Capital Strategic Planning efforts.

III. Recommendations to the Defense Acquisition Executive

DoD’s Competition FY 2009 Competition Goal

The Department established an aggressive goal for competition in FY 2009 of 66%. Additionally, the Department will continue to monitor the extent that fair opportunity is provided for orders placed against multiple award contracts.

System of Accountability

As the DoD Competition Advocate, I challenged the Component Competition Advocates to establish stretch goals for FY 2009. I hold regular meetings with the DoD Competition Advocates to review progress towards achieving competition goals, to review fair opportunity achievements, and to provide an open forum to discuss issues and initiatives. This is in addition to discussions and initiatives on-going at the working level among OSD and Component representatives. For example, FAR changes are in progress to strengthen competition policy and increase transparency; and we continually review the need for improved training regarding competition related matters.

Attachments:
1. Army FY 2008 Competition Report
2. Navy FY 2008 Competition Report
3. Air Force FY 2008 Competition Report
4. Defense Logistics Agency FY 2008 Competition Report

ARMY COMPETITION REPORT

2008

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

Army Competition Report 2008

I. Rates of Competition:

The Army's overall rate of competitive obligations in dollars for fiscal year 2008 was 65.4% which slightly exceeded the goal of 63%. It should be noted that unlike previous years, the "Not Available for Competition" category is no longer being shown separately, but has been folded into the competition base. With "Not Available for Competition" separately identified, the Army's rate would be 67%. This is a Department of Defense (DOD)-wide change, and is intended to achieve consistency with the civilian agencies, per direction from Office of Federal Procurement Policy (OFPP) as part of the Federal Procurement Data System-Next Generation (FPDS-NG) implementation. The top-level breakout is shown in Figure 1 below.

These are the official totals, extracted from the FPDS-NG database on 23 December, 2008, in conjunction with the other DOD agencies. In Fiscal Year (FY) 07 only Joint Contracting Command- Iraq/Afghanistan (JCC-IA) was not captured in FPDS-NG, and submitted a manual data call. In FY08, JCC-IA data was abstracted from FPDS-NG database. Overall, there were few surprises in these numbers. Installation/depot contracting, which drives ACA's numbers, is generally well-suited to competition. This is also true for construction and services of the type that form the core of USACE's mission.

*Note: The command names are listed as currently tracked within FPDS-NG. FPDS-NG has not been updated to reflect the Army's current command realignment efforts and associated command name changes.

Competition by $

Major Command*	$ Award	$ Competitive	% Comp
Army Contracting Agency (ACA)	$16,043,691,398.38	$12,970,658.707.00	80.8%
Army Materiel Command (AMC)	$84,509,051,435.16	$37,050,985,081.01	43.8%
Army Corps of Engineers (ACE)	$40,211,137,598.60	$37,851,167,865.20	94.1%
Army, Test and Evaluation Command (ATEC)	$94,387,651.38	$76,479,099.93	81%
Intelligence and Security Command (INSCOM)	$1,439,137,018.50	$1,063,069,456.41	73.8%
Joint Contracting Command- Iraq/Afghanistan (JCC-IA)	$7,495,744,042.95	$4,474,298,537.00	59.6%
Joint Munitions & Lethality (JM&L) Life Cycle Management Command	$3,332,183,194.69	$1,271,340,332.75	38.1%

Medical Command (MEDCOM)	$1,275,170,991.49	$940,194,685.58	73.7%
National Guard Bureau (NGB)	$3,146,460,567.68	$1,989,460,484.13	63.2%
Program Executive Office Simulation, Training and Instrumentation (PEO STRI)	$2,426,255,297.72	$215,492,959.00	8.8%
Surface Deployment and Distribution Command (SDDC)	$38,481,592.13	$29,170,413.26	75.8%
Space and Missile Defense Command (SMDC)	$2,321,491,746.78	$2,434,661,020.11	95.3%
Other Army	$582,000.00	$582,000.00	100%
United States Army Schools of America (USASOA)	$945,572.20	$937,660.20	99.1%
Total Army	$164,385,825,783.04	$107,644,166,368.16	65.4%

Figure 1

Measured in actions, the numbers are shown below as Figure 2. The fact that procurement actions are 81% competitive is consistent with the following analysis of the impact of AMC's "hardware" commands: noncompetitive dollars are driven in large part by major systems and the need to purchase many of the spares and upgrades from the original equipment manufacturer (OEM) or their original suppliers. The competitive percentages are higher when measured by actions because all commands are making an effort to compete what they can, but high-dollar noncompetitive buys drive the overall picture.

Competition by Actions

Major Command*	Actions Awarded	Actions Competed	% Competed
ACA	141,912	114,238	80%
AMC	77,040	56,973	73%
USACE	63,090	48,477	76%
ATEC	903	505	55%
INSCOM	1,116	943	84%
JCC-IA	32,863	32,862	99%
JM&L LCMC	4,728	3,487	73%
MEDCOM	33,488	29,527	88%
NGB	41,000	35,237	85%
PEO STRI	1,679	1,415	84%
SDDC	591	482	81%
SMDC	3,310	2,808	84%
USAMRAA	6,441	5,284	82%
USASOA	8	6	75%
Other Army	1	1	100%
Total Army	**408,170**	**332,245**	**81%**

Figure 2

Noncompetitive Drivers: One of the major factors is the number of large-dollar actions by other than full and open competition via Justification and Approval (J&As) and the overwhelming majority of J&As are Exception 1, Only One Responsible Source. During 2008, these large program totals represent obligations limiting the competition rate over the next several years. The total J&As that we could identify (including those approved at lower levels) are summarized in Figure 3 below.

Exception No.	Description	$ of J&As	J&A Actions
1	Only One Responsible Source	$41,652,735,071	45,026
2	Unusual and Compelling Urgency	$2,786,841,052	2,115
3	Industrial Mobilization	$1,544,452,837	1,107
4	International Agreement	$1,697,949,664	1,611
5	Authorized or Required by Statute	$5,028,591,120	29,803
6	National Security	$747,395,060	270
7	Public Interest	$0.00	0

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 mean dollar value of all competitive actions is much less than that for noncompetitive ones. This suggests that improving the Army's competition percentage will require a focused effort aimed at higher-dollar procurements.

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, competition can have a negative effect. This happens most often when an OEM 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. Breakouts are possible, with performance (form, fit and function) specifications, but the process is time-consuming and expensive. It also requires sufficiently well-staffed contracting offices to assist in the necessary acquisition planning and handle the additional contracting workload. See the discussion below on source approval programs. This may be an area that warrants further study, both in regard to the effect on competition and cost impact.

Differential Impact of removal of the "Not Available for Competition" category:
While as noted above, the impact to the Army's overall numbers is an increase of 2.5%, the change is not evenly distributed across the commands. The following table (Figure 4) illustrates the impact on the individual commands.

Major Command*	Total $	Not Available for Competition	%
ACA	$16,043,691,398.38	$1,811,147,984.28	11%
AMC	$84,509,051,435.16	$2,466,320.264.39	34%
USACE	$40,211,137,598.60	$1,823,675,607.11	22%
ATEC	$94,387,651.38	$4,694,664.47	4.9%
INSCOM	$1,439,137,018.50	$3,044,198.00	.02%
JCCIA	$7,495,744,042.95	$0.00	0%
JM&L LCMC	$3,332,183,194.69	$81,653,371.58	2.4%
MEDCOM	$1,275,170,991.49	$124,617,570.38	9.7%
NGB	$3,146,460,567.68	$291,034,675.60	9.2%
PEO STRI	$2,426,255,297.72	$34,577,077.36	1.4%
SDDC	$38,481,592.13	$4,135,787.44	10.7%
SMDC	$2,321,491,746.78	$27,830,708.68	1.1%
Other Army	$582,000.00	$0.00	0%
USASOA	$945,572.20	$0.00	0%
Total Army	**$162,334,720,107.66**	**$4,206,409,556.90**	**2.5%**

Figure 4

Of the commands with procurement budgets larger than $1B, ACA, USACE, MEDCOM, and NGB will be affected the most by the category removal. The fact that ACA is being folded into AMC will mask their effect, but the impact on installation contracting will be the same regardless of the reporting chain.

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					
	Actions	**Dollars**		**% Actions**	**% Dollars**
No Exception - Fair Opportunity Given	44,236	$18,020,429,579.13		80.59%	88.82%
Follow -on Delivery Order	3,061	$1,053,938,218.61		-	-
Minimum Guarantee	632	$135,346,212.41		-	-
Other Statutory Authority	555	$68,310,722.33		-	-
Urgency	325	119,969,957.12		-	-
Only one source - Other	3,208	$720,030,662.31		-	-
Total Exceptions to Fair Opportunity	8,336	$2,097,595,772.78		17.5%	10.3%

Figure 5a

Total Army Orders against non-DoD issued multiple award contracts					
	Actions	Dollars		% Actions	% Dollars
No Exception - Fair Opportunity Given	17,839	$111,660,307.95		72.2%	74.4%
Follow -on Delivery Order	563	$4,660,284.53		-	-
Minimum Guarantee	1	$7,475.00		-	-
Other Statutory Authority	24	$8,296,124.64		-	-
Urgency	0	$0.00		-	-
Only one source - Other	82	$10,106,350.20		-	-
Total Exceptions to Fair Opportunity	715	$23,070,234.37		19.5%	15.3%

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 will be transitioning most of our large services IDIQs to multiple-award arrangements in the coming years, and are limiting our use of non-DOD contracts. The only area of concern here is the large proportion of “only one responsible source – other” exceptions.

II. Impediments to Competition:

In the arena of spares, subsystems and upgrades, competition is frequently limited by the presence of proprietary rights on the part of vendors of OEMs (often for commercial-derivative components), lack of technical data packages, and the rigorous testing process that is required to approve substitute items. The latter factor is especially notable in the aircraft industry, where safety-of-flight considerations make the testing and approval process especially lengthy and expensive. It is also a major factor with vehicles, as noted above. The large amounts of money allocated to RESET will be a factor suppressing competition in FY09 and beyond as well as FY08.

Over the past four years, PEO STRI's obligations and number of actions have increased over 100% and 300%, respectively, while the number of 1102 personnel has remained static. Given the shortage of 1102 resources across the Army, it has become increasingly necessary to employ streamlined contracting methods such as maximizing the use of IDIQs and BPAs to promote efficient operations in a resource constrained environment. **PEO STRI** has awarded several "corporate" contracts as multiple and single award IDIQ and BPAs that cover the breadth of PEO STRI simulation and training requirements in order to be able to responsively acquire supplies and services for the Soldier and to minimize the impact associated with a limited 1102 population.

Barriers to competition encountered by USACE include executing contract actions that involve proprietary equipment and software required to meet the Government's minimum requirement, as well as secure environment contracting efforts which are not candidates for competition due to the nature of the actions. Additionally, numerous urgent and compelling J&As were processed to provide support to Federal Emergency Management Agency in support of Hurricanes Gustav and Ike, as well as in support of Midwest flooding.

JCC-IA primary barrier to full and open competition in the contingency theater is the urgent requirement to meet needs of combat forces, local Army and police support and to obtain repair parts for aging infrastructure, especially for power generation and water treatment. In particular, the Baghdad Security Plan Surge from October 2007 to May 2008 continued to require the use of other than full and open competition to meet unusual and compelling combat requirements. In addition, both Principal Assistants Responsible for Contracting (PARCs) support the Commander's need for standardization in equipping Iraqi and Afghanistan Forces. Standardized equipment needs must often be supported by brand name justification for weapons and equipment.

MEDCOM's ability to compete a considerable number of dollars is significantly limited due to our health care mission. While medical items are generally available in the commercial market, competition is limited by compatibility with existing government owned equipment and physician prescribed invasive devices such as surgical implants, stents, pace-makers, artificial limbs, and prosthetics. While there are several commercial sources for these products, the physician selects the item that best meets the specific medical and physical needs of an individual patient. As a result, these individual requirements are not competed. This area will continue to be a challenge because no exemption exists for physician prescribed invasive devices or prosthesis.

II. Efforts to improve the competitive picture:

Communications and Electronics Command (CECOM) Competition Advocate has provided an opportunity for Program Executive Offices (PEOs) and CECOM organizations to avoid resource investments in drafting J&As and instead meet with the Competition Management Division to discuss requirements and draft J&As in real time. This has reduced the PEOs and CECOM organizations resource investments and streamlined the associated Legal Office reviews, thus increasing the speed of J&A preparation, review and approval. Based on a comparison of FY07 and FY08 Head of Contracting Activity level J&As, the processing times for HCA-level J&As ($78.5 Million and below) have been dramatically reduced as a result of this initiative. The time to prepare a J&A and initiate the signature process has been reduced from 80 to 17 days. The time to prepare a J&A and obtain approval has been reduced by 150 days to 45 days. The real beneficiary of this initiative is the War-fighter who will receive Program Manager products faster. Indefinite Delivery Indefinite Quantity (IDIQ) contracts are widely used to meet dynamic requirements. The acquisition strategies for multiple award IDIQ contracts include a robust plan for maintaining competition for Task/Delivery Orders (TOs/DOs) under MACs. TOs/DOs are awarded under IDIQ MACs only after the prime contractors have been provided with a fair opportunity to be considered for the award of a TO/DO. If competition is not viable for DOs/TOs on MACs or Federal Supply Schedules (FSSs), J&As are prepared and approved consistent with the Federal Acquisition Regulation (FAR). CECOM supports many legacy systems. Competition is often not viable for items and services for these systems, many of which are fielded in support of Operation Enduring Freedom/Operation Iraqi Freedom (OEF/OIF), because of the Government's lack of a Technical Data Package (TDP) suitable for competitive procurement. In such instances, the developers or original equipment manufacturers of these legacy systems are contacted to ascertain their interest in selling the TDP, and a cost/benefit analysis is performed to determine whether acquisition of the TDP is in the best interest of the Government. Additionally, the command's technical experts continue to monitor the marketplace to ascertain whether changes in the marketplace present opportunities for additional sources to compete to meet the Government's requirements. Furthermore, a review of the components of these legacy systems is performed to identify those that could be broken out to enhance competitive opportunities.

Mission Installation Contracting Command (MICC) for FY08 Contracting Centers and Installation Contracting Offices experienced noncompetitive obligations resulting from contract performance extensions pending award of follow-on contracts or award of follow-on Task Orders under Multiple Award Indefinite Delivery/IDIQ contracts. MICC established a Migration Team was developed to review all pre-award requirements, both contracts and Task Orders greater than $5.5 million or considered as "High Visibility" for possible migration to a Contracting Center. The Migration Team currently consists of a Program Manager, two (2) Procurement Analysts at the Command level and six (6)

Client Advocates that are located at the MICC Contracting Centers. The Migration Council chaired by the PM and consisting of Command personnel and Center Directors meets twice yearly to determine the candidates for migration to a Contracting Center. For FY2008, over 141 separate actions were reviewed for migration. Of the 141 actions reviewed, a total of 94 pre-award actions were migrated from the Directorates of Contracting to one of the various Contracting Centers. The estimated value of these 94 pre-award actions is $9.845B. Thirty seven (37) actions valued at $1.29B have been awarded since the program was started in February 2008.

As USACE's increased reliance on Multiple Award Task Order Contracts (MATOCs) to execute mission requirements, delivery and task orders are competed to the maximum extent practicable in accordance with the ordering procedures outlined in the contracts, and with any limitation on competition carefully reviewed. All delivery/task order competitions greater than $5M adhere to the recent Section 843 of the FY08 NDAA regulations whereby the agencies statement of need is clear, disclosure of significant evaluation factors and sub-factors is made, reasonable response time is provided, the basis for award and relative order of importance of factors and sub-factors are made on best value competitions, and offerors are afforded debriefings. Actions over $100K using General Services Administration (GSA) and other non-DoD vehicles are accompanied by a document approving the use of non-DoD contracts to satisfy the requirement. Additionally, PARC-Winchester will provide a reminder notice of the FAR 8.405 and 16.505 requirements to Contracting Officers within PARC-Winchester's area of responsibility. Additionally, all Limited Source J&As requiring PARC-Winchester or higher level approval are thoroughly reviewed by PARC-Winchester staff to ensure limiting competition is adequately justified. PARC-Dallas has provided training on Limited Source J&As and will be providing additional training in FY09 to increase awareness of regulations concerning the competition of delivery and task orders under MATOCs.

Other efforts to increase competition (FY 07 and ongoing):

RDECOM has taken significant actions taken to increase competition by utilizing best value source selection procedures for all systems acquisitions. Several of these programs involve multiple awards in or to maximize production capabilities, ensure competitive design features, and level the pricing field for potential future buys. They rely on the Broad Agency Announcements and the Small Business Innovative Research programs for their state of the art research and development projects for the future war-fighter. These programs are inherently competitive and they stimulate and capitalize on innovative scientific research for soldier support items. Contracting officers forward to cognizant Small Business advisors all actions expected to exceed $10,000 in order to afford small business concerns an equitable opportunity to compete for those contracts they can perform to the extent consistent with the Government's interest. Small business advisors are made part of the acquisition strategy team for all actions requiring an acquisition plan pursuant to FAR Part 7. Additionally, Small Business Subcontracting Plans are reviewed, approved, and managed pursuant to Army Federal Acquisition Regulation

Supplement (AFARS) 5119.704 and are posted and maintained on the Government's Electronic Subcontracting Reporting System (eSRS).

As stated previously, the RDECOM Contracting Center Executive Director is a member of the Chemical and Biological Defense Acquisition Initiatives Forum (CBDAIF), a forum whereby the Joint Program Executive Officer-Chemical Biological Defense (JPEO-CBD) can discuss items of interest in the area of acquisition initiatives with an industry group representing the chemical biological defense industrial base on a regular basis. The small business sector is represented in this forum to provide for meaningful partnerships with large business firms and as a vehicle to assess small business interests in Chemical and Biological Defense requirements and the related contracting process. The Aberdeen Small Business Office has been actively involved in formulating the acquisition strategy for a complex $1billion+ multiple award solicitation for an effort entitled "CBRNE Mission Support Contract." The Small Business Office participated in an Advanced Planning Briefing for Industry (APBI) held at Aberdeen Proving Ground - South on October 10, 2008. The APBI was attended by approximately 200 contractor representatives, many of whom were from small business concerns. The APBI was followed by 52 individual contractor sessions, in which the Small Business Office participated. Our Adelphi Contracting Division currently has two multi-million dollar complex procurements that have been designated for technical competition among 8(a) firms. One action is for Technical Support Services for the operation of the ARL ranges receiving competitive interest from multiple 8(a) firms, and the second requirement is for Scientific, Engineering Analysis Support for ARL which also received interest from multiple 8(a) firms. Technical Evaluations were completed in October 2008, with negotiations being completed in November 2008, with an expected award for both prior to February 2009. These requirements had a history of being issued full and open that previously drew interest solely from large firms, so with the same requirement being re-competed to 8(a) firms, this has proven to be significant change and accomplishment in the Small Business community.

ITEC4 is committed to maximizing the extent of competition for all actions. It should be noted that ITEC4 establishes suites of "master contracts" available for use throughout the Army. These vehicles are not only created as a result of competition, they force additional competition when Delivery Order/Task Orders are issued. The Defense Management Travel Area, the Army Desktop and Mobile Computing-2 ADMC-2, Information Technology Enterprise Solutions-2 Services and Information Technology Enterprise Solutions-2 Hardware multiple IDIQ contracts are a prime example of the benefits of such strategy. Not only do they provide for substantial savings, they ensure that competition is retained for the life of the contracts. The Defense Management Travel Area suite of IDIQ contracts were competitively award contracts in FY08.

ITEC4 is committed to achieving maximum competition for its actions. While ITEC4 achieved its' competition goal for FY08, the customer base is very dynamic with new customers and programs requiring our services. The nature of some of this new work may affect the competition rates achieved. For example, in FY08 an ITEC4 customer, the Business Transformation Agency (BTA) transferred two new programs, (DIMHRS and

SPS) to ITEC4. During the year, these two programs had a combined obligation rate of $100M. These two non-competitive programs effectively lowered ITEC4's overall competition rate by 3%. ITEC4 is in the process of assuming contracting responsibility for two new programs (DCATS and NCS). These two programs obligated approximately $2.5B in FY 08. At this time, ITEC4 is not aware of the competition rates achieved in satisfying the requirements for these two programs; however, if FY 09 obligations for these two programs are similar, the impact on ITEC4's overall competitive rate could be significant and negatively affected.

AMCOM Acquisition Center (AC) AMCOM EXPRESS is managed by the AC and is a Multiple Award Blanket Purchase Agreement (BPA) program leveraging General Services Administration (GSA) schedules to provide advisory and assistance services to AMCOM and its customers. The program uses teaming arrangements within the GSA schedules program, involving 16 teams, to offer the right mix of professional and highly technical services to Team Redstone. The primary GSA Schedules for the program are the Professional Engineering Services (PES), Logistics Worldwide (LOGWORLD), Management Organizational and Business Improvement Services (MOBIS), and the Information Technology (IT) Schedules. Currently, there are 931 vendors participating in the program as BPA Holders, team members, and sub-contractors. Four domains are established within the program: Business & Analytical, Logistics, Programmatic, and Technical. The Blanket Purchase Agreements (BPA) was initially awarded in February 2005 with the first orders being placed against the BPAs in April 2005.

As of September 30, 2008, 290 competitive task orders have been awarded, obligating approximately $2.57 Billion. There is a high overall support to small business programs with 48% of current funding and 67% of all orders awarded to small business firms. During FY08, 43 new competitive task orders were awarded, with 31 of these awarded to small businesses. A total of $990 Million, including option exercises, was awarded during FY08, with approximately 48% of FY08 funding awarded to small business firms - 84% of the all Request for Quotations result in the receipt of two or more quotations. The BPAs contain an innovative provision allowing team leaders to propose that task order awards be made directly to small business team members that are planned to perform a significant portion of the effort. Through this provision, 32 direct awards have been made to small business team members. Total ceilings, if all options are exercised, are currently approximately $7.64 Billion, and total potential discounts (price reductions off of GSA Schedule prices) are over $717 Million if all options are exercised. The program will use an annual open season to add small business teams and allow current Team Leaders to adjust team members and subcontractors as necessary. This will facilitate new small business participation and allow for teaming arrangements to be adjusted to best for the customer needs.

In FY 2008, the AMCOM Office of Small Business Programs (OSBP) reviewed numerous contract documents to maximize small business opportunities at AMCOM. Of the 2,498 DD Form 2579s (Small Business Coordination Records) received in FY 2008 by the OSBP, 2,270 were for sole source or restricted sources. In FY 2008, AMCOM OSBP also reviewed

68 Acquisition Plans, 108 Subcontracting Plans, and over 690 other contract documents to include such documents as Justification & Approvals (J&As) and draft Acquisition Plans/Strategies to identify small business opportunities.

AMCOM OSBP attended numerous Kick Off meetings with the Aviation and Missile Research and Development Engineering Command (AMRDEC) organizations to discuss the acquisition strategies for various AMRDEC requirements. OSBP also attended several acquisition strategy meetings with other AMCOM LCMC organizations throughout the fiscal year. Points of contact from the OSBP were appointed to the AMRDEC, PEO Aviation, and PEO Missile and Space to further assist those organizations in maximizing small business opportunities. As part of OSBP's Outreach Program to maximize small business opportunities, the AMCOM OSBP counseled numerous small and large businesses telephonically and face to face in the office and at small business conferences, fairs, and matchmaking events, as well as making site visits to local business concerns. The OSBP advised business concerns in how to do business with AMCOM to include referring them to the Competition Management Office's (CMO's) Competition Advocates Shopping List (CASL). For the sole source and restricted requirements in the CASL, OSBP encouraged small businesses to become approved sources and directed them to CMO's Standardized Aviation and Missile Source Approval Request (SAMSAR). The OSBP has the AMCOM's Contracting Center's Business Opportunities and CMO's CASL websites posted on its OSBP homepage to assist business concerns in identifying AMCOM current requirements and forecasted requirements. The OSBP and the CMO personnel have always worked closely with one another in assisting businesses to include attending some conferences together.

IV. Trends Analysis

Below (Figure 6) are the top-level trends which show the percentage of dollars and actions competed from 1998 through 2008. This period is longer than requested by OFPP. 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 1998 – 2005 should reflect a reliable year-to-year comparison, there can be less confidence in the comparative value of the data for the 2006-2008 years. Prior to 2006, the DD350/1057 database was used and whatever biases may have existed should have been consistent. In 2006, when the migration to FPDS-NG was accomplished, not all data migrated properly into the new system and the extent of the problem was never quantified. In 2007, the data was in the new system, but in addition to the differences with the databases, 2007 data reflects contract totals from other Government Agencies and Foreign Military Sales ("Not Available for Competition") being added to the competition base. It is suspected that the fluctuation in trends such as the increase in actions and dollars in 2006 and only a decrease in dollars in 2007 are a reflection of the consolidation of the large and simplified acquisition purchases within one reporting system. The dollars and actions both decreased in FY08 due to adding in the "Not Available for Competition". The Army percentage across the board was affected by adding the categories together.

Army Competition Trends 1998-2008 % Competed

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Actions	91.5	89.6	88.1	90.9	87.5	85.8	81.7	81.5	83	84	81
Dollars	71.1	71	69.6	69.6	66.7	65.1	67.4	68.7	70	66	65

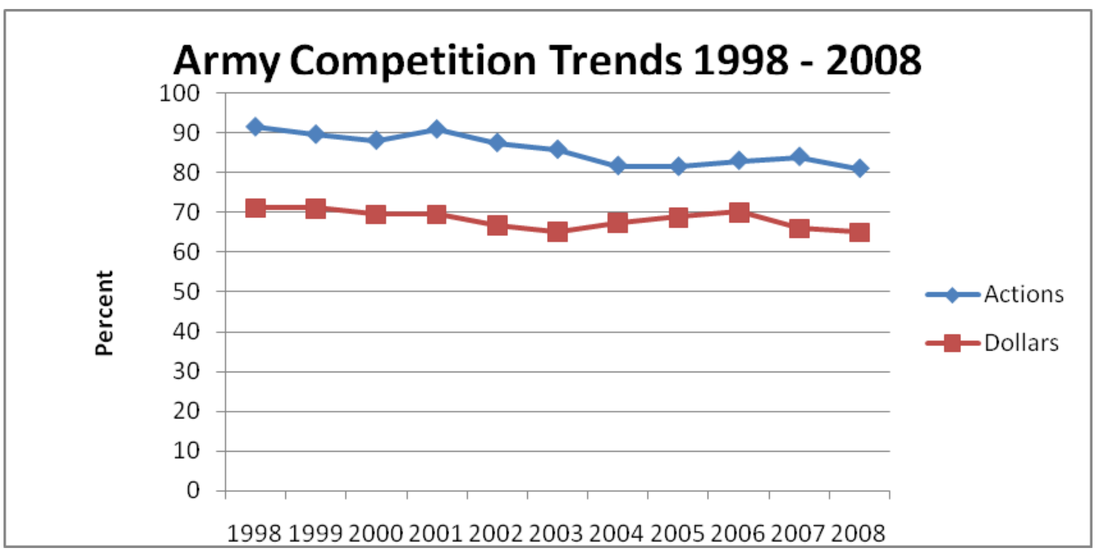


Figure 6

V. Goals

The Army's goal for FY 2009 is 69% of the total procurement dollars. This reflects the fact that major factors driving the percentages are not expected to change: incremental funding of service contracts requiring noncompetitive "bridge" contracts, and hardware upgrades involving legacy systems.

With increased scrutiny of lengthy Exception 2 (unusual and compelling urgency) 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. Improvements obtained from restricting Exception 2 J&As to not more than one year are expected to be reflected for the most part beginning in FY 09, since the rule will not go into effect until after the middle of FY 08.
The continuing nature of the contingencies we are supporting is not likely to change in the remainder of FY08.

The Army will continue to attempt to enhance competition through the efforts described in Section III. If funds can be identified, we will explore the establishment of a program to share costs and thereby encourage the development of competitive sources on legacy components and subsystems as described in that section.

In accordance with the recommendations of the Gansler Commission, we are planning for the expansion of our contracting workforce. This process will take time to come to fruition; however a strong follow-through with hiring and training should begin to show results in the next five years. This will, of course, depend on adequate and continued funding.

DEPARTMENT OF THE NAVY

FISCAL YEAR 2008

COMPETITION REPORT

SUBMITTED JANUARY 2009

DEPARTMENT OF THE NAVY
FISCAL YEAR 2008 COMPETITION REPORT

In accordance with the Office of Federal Procurement Policy (OFPP) Memo dated May 31, 2007, Enhancing Competition in Federal Acquisition, and Defense Procurement and Acquisition Policy (DPAP) Memo dated December 7, 2007, FY 2007 Competition Reports, 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) is submitting the Fiscal Year (FY) 2008 Competition Report.

The DON achieved a competition rate of 55% computed including in the competitive dollar baseline those actions that are by statute or regulation not available to be competed, and a 57% rate when excluding those actions. The FY 2008 competition goal was established at 56% and 58% respectively. The FY 2009 goal is established at 58% and 60% respectively.

In FY 2008 the DON achieved an 82.4 % rate for fair opportunity provided for awards made under multiple award contracts.

The report is based on the Federal Procurement Data System-Next Generation data provided by DPAP.

The following information complies with FAR 6.502 reporting requirements. It includes additional information requested by DPAP regarding specific activities that are established for working with the office of small business and the practices associated with the placement of orders against multiple award contracts and the extent of the competition advocate's role in the review process.

Opportunities and actions taken, new initiatives to acquire/increase commercial items to meet the needs of the agency.

The acquisition process continues to include a requirement that the acquisition teams review each requirement for potential fulfillment by commercial items or services. We continue to educate contract personnel, requirements personnel, and customers about the use of commercial items, and update policy and guidance. There has been an increased emphasis on market research across all Commands. Market research tools that are used include Command level collaborative web sites, use of Request for Information, contacting industry and government experts, reviewing catalogs and publications, conducting presolicitation conferences, and reviewing the market research of others. The web sites allow businesses that specialize in commercial off-the-shelf items to create a profile that explains their capabilities in terms of warfare mission areas, core skills and competencies, and products and services. The sites are used by technical and acquisition personnel to search for new sources and make contact with industry. Several Commands have established customer liaisons that review procurement packages and provide market research analysis for customers that do not have a good awareness of the market. Efforts like these have resulted in an increase to the number of commercial contracting actions, and for the Marine Corps System Command (MARCORSYSCOM), specifically an increase to 38% in FY 2008 from 23.6% in FY 2007. The Marine Corps Field Contracting System (MCFCS) also assessed its performance, and implemented several initiatives in FY 2008 that increased its acquisition of commercial items. The initiatives included the increased use of SeaPort-e by 36%, using acquisition strategy/planning boards for all procurements valued over $100,000, challenging the procurement of non-commercial items, and documenting the approval by the board to procure non-commercial items. An area for potential improvement is for acquisitions for overseas customers.

Opportunities and actions taken, new initiatives to achieve/increase full and open competition in the contracting operations of the agency.

Contracting personnel challenge requirements citing the use of other than full and open competition, and take proactive action to discuss the requirement with the customer. Justification and Approvals and Acquisition Plans are supported by detailed market research. Acquisition planning teams are doing advanced planning and using Broad Agency Announcements (BAA) to promote competition. Commands are issuing multiple award contracts thereby further enhancing competitive procedures throughout the task/delivery order process. Commands also use SeaPort-e for the competitive procurement of services via multiple award contracts. SeaPort-e is a web-based services acquisition tool containing over 1,600 multiple award contracts that provide a means to electronically compete and award task orders. To promote advanced planning and opportunities to enhance competition, the Naval Air Systems Command (NAVAIR) implemented a Competitive Follow-On Risk Assessment Tool that provides information about contracts that end within eighteen months and highlights the procurements requiring a follow-on contract. As described in other areas of this document, technology is leveraged and outreach programs are used to promote competition. Increasing competition is challenged by the barriers discussed herein. MARCORSYSCOM achieved an 87% competition rate for FY 2008, an increase over the FY 2007 goal of 58.5%, despite the projected decline in Mine Resistant Ambush Protected (MRAP) procurements which previously provided a positive impact on its competition rate, and comprised nearly 65% of the MARCORSYSCOM procurement budget. MARCORSYSCOM implemented a Peer Review process for review of contract actions and expanded training for contract and legal staff in Advanced Source Selection and Federal Acquisition Regulation (FAR) Part 6. In FY 2008 the Naval Sea Systems Command (NAVSEA) continued the contracting initiative of transitioning to competitive Multi Ship/Multi Option (MS/MO) contracts for fleet maintenance and modernization for a class of ships in a port. In FY 2008 three competitive MS/MO contracts were awarded. Finally, as a result of a Memorandum of Agreement between the Navy and the Small Business Administration in July 2008, the SeaPort-e was expanded to allow 8(a) companies to compete in a market that they previously could not. There are 240 8(a) contractors that have SeaPort-e contracts. At the request of the small business specialist, pre-solicitation announcements within the SeaPort-e are being used, allowing companies more time to prepare and submit an offer, thereby increasing competitive participation.

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

Cross-functional teams are assembled to develop performance based statements of work. When the team concept is not employed, Commands have devoted resources and personnel, and provided guidance on the subject. At each level of the acquisition review process within a Command and at the ASN level, requirements are challenged if they are not described in terms of performance required, and non-performance based actions are documented. The SeaPort-e Governance Committee continues its oversight of solicitations to ensure standardization and compliance with performance based terms. The Engineering Liaison Office at Naval Surface Warfare Center (NSWC) Indian Head assists customers in writing performance based statements of work, and to understand the requirements of the Quality Assurance Surveillance Plan (QASP). Command developed guides on how to write performance based statements of work are available on various web sites. As a matter of practice, the MCFCS has increased challenges for procurement of brand name or equal specifications and unique military specifications. NAVAIR continues its command improvement initiative started in FY 2007, to have the Program Executive Offices (PEOs) train requirements personnel on writing improved statements of work to ensure a performance based focus when appropriate.

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.

Due to the nature of the requirement, the number of suppliers for medical and meteorological/oceanographic equipment and services is limited and presents a challenge for competitive or commercial item procurement. Additionally, the procurement of supplies or services in support of legacy weapons systems, aircraft maintenance and ship repair, and the procurement of highly specialized and technologically complex systems where highly specialized materials and equipment are required, is limited to specialized industry suppliers. Overseas contracting offices are impacted by language challenges that impede communication, and cultural challenges regarding acceptance of payment via electronic means.

Any barriers to the acquisition of commercial items or competition that remain.

The barriers to the acquisition of commercial items or competition are consistent with those reported in the FY 2007 Competition Report. They 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) emergency contracts to avoid unacceptable mission delays, 4) support of Operations Iraqi Freedom and Enduring Freedom (OIF/OEF), and the continuous coordination with customers, due primarily to turn-over and loss of experienced personnel in the customer base and to deployments, has led to longer lead times, which is resulting in sole source award on an urgent basis, 5) trend toward consolidation of large Department of Defense (DoD) contractors and reducing the industrial base, 6) Congressional Earmarks, which are often directed to a source, 7) award of emergency contracts in support of war operations which can be limited to original equipment manufacturers or require acquisition of emerging technologies which tend to be sole sourced, and 8) the mature stage of many programs and the limited number of suppliers for them.

Ways the agency has emphasized the acquisition of commercial items and competition in areas such as acquisition training and research.

Formal and informal training for the contracting and requirements communities are utilized. The contracting community complies with Defense Acquisition Workforce Improvement Act (DAWIA) training requirements and Defense Acquisition University (DAU) continuous learning events. Both communities receive on-the-job acquisition specific training by contracting officers and competition advocates provide training in forums. When valuable, a third party such as the Centre Consulting, Federal Contracting Institute will provide training. NAVAIR is augmenting DAU level 1 course training with a competency wide program called the Contracts Accelerated Professional (CAP) program. United States Marine Corps Headquarters (USMC HQ) is partnering with DAU to develop a performance-based service contracting course applicable to MCFCS, and expects to make it available to the Regional Contracting Offices during FY 2009. Commands are devoting resources to have customer service representatives that assist in educating customers.

Policy and guidance are disseminated by electronic means to the contract specialist desktop. These “Acquisition Flashes” provide important updates to policy and guidance. Another means of communication that is used is a monthly summary of policy and guidance. Commands provide their own training curriculum, for example, in developing performance based requirements, source selection, and small business. Contract specialists are required to take continuous learning. The contracting community provides guidance and training to the requirement community.

A recommendation is to incorporate training in source selection, competition, commercial item acquisition, market research, performance based acquisition, and small business initiatives in the training curriculum for the requirements community. These are areas of the acquisition process that are reliant on information and expertise from the requirements community, and providing training to them within their own curriculum will help to improve the acquisition process.

Recommendation for goal for FY 2009, and plan for increasing competition.

The FY 2009 competition goal is established at 58% when computed including the value for actions that are not available for competition either by statute or regulation, and 60% when computed excluding that value. In addition to the continuation of those initiatives discussed herein, other initiatives planned for increasing competition in FY 2009 include continued competition advocate leadership to communicate the commitment to competition, the continuation of outreach efforts to customers and industry, leveraging technology as much as possible, the continued processing of Source Approval Requests submitted without restrictive data rights, continued emphasis on fair opportunity under multiple award contracts, continued training and recurring training of acquisition personnel, continued emphasis on advanced acquisition planning, and expanded oversight and reviews that will help to uncover opportunities for competition.

A Ship Repair Symposium sponsored by the Military Sealift Command (MSC) in conjunction with Military Sealift Fleet Support Command (MSFSC) is planned for FY 2009. MSC is working with the Small Business Administration to identify small repair facilities to invite. At MCFCS an individual has been appointed to work with its customers to define and forecast training requirements, and develop an acquisition strategy that will result in competitively awarded indefinite delivery/indefinite quantity contracts, as opposed to individual sole source contracts awarded due to urgent requirements. MCFCS is also moving to establish a Customer Service Liaison. We will continue to utilize the SeaPort-e tool to maximize competitive acquisition of services via multiple award contracts.

Recommend a system of personal and organizational accountability for competition; recognition, awards to motivate people to promote competition.

At the Department level, the DON established a competition and procurement excellence awards program to formally recognize individuals and teams who have made outstanding contributions to the effectiveness and advancement of competition and innovative procurement. These contributions are recognized annually by the Secretary of the Navy (SECNAV) in a formal award. Military and civilian personnel from the contracting, finance, planning, technical, and requirements functional areas are eligible for the awards. The primary evaluation criteria for evaluating competition are promoting and achieving competition, and cost savings/cost avoidance. The primary evaluation criteria for evaluating innovation are the degree and adaptability of innovative techniques. For fiscal year 2007 one individual and two team awards were presented.

The program was assessed in FY 2008. The competition advocates made recommendations for improvement, and from that collaboration the program will be revised. Proposed new initiatives to the program include awards for strategic acquisition, expeditionary contracting, major procurement, field procurement and socioeconomic achievements that focus on warfighter and customer requirements. At this time we are finalizing a new SECNAV Instruction that will expand the program to include these initiatives that have increased importance to the procurement process.

At the Command level awards programs exist that recognize the accomplishments of individuals and teams to promote competition. Awards utilized are time off and monetary awards as well as Command specific awards to distinguish exceptional achievement, such as the Space and Naval Warfare Systems Command (SPAWAR) "Lightening Bolt" award, and NAVAIR's Commander's Award. Some Commands are recognizing and rewarding individuals through the National Security Personnel System (NSPS), and other Commands are looking into doing the same thing.

Competition trend analysis FY 03-08

Over the recent five year period the competition achievement has been consistent, however after a downturn in FY 2006, achievement rates are up. The increased number of contracts that are available in SeaPort-e and the increased use of SeaPort-e are having a positive impact on competition trends. Outreach programs and steps to increase communication and awareness are also impacting competition in a positive way. Challenges to increase competition remain with the acquisition of military hardware major weapons systems, due to system complexity and proprietary or restrictive information. For these types of acquisitions, we will continue to pursue competition opportunities.

The below rates are computed including actions that are not available for competition.

2008	2007	2006	2005	2004	2003
55%	55%	51%	54%	51%	53%

Maximum Small Business Opportunities

In accordance with FAR requirements the Office of Small Business reviews all acquisitions valued over $10,000 for small business opportunities. The small business specialist is a member of the acquisition planning team, and provides integral advice and guidance. The concentrated effort of small business specialist to work closely with the customer, program and acquisition personnel helps to ensure maximum practicable opportunities to small business concerns in both prime and subcontracting awards. Advanced procurement planning is stressed to promote competition and small business participation. Command level policies have been issued by NAVSEA, NAVAIR, and SPAWAR that reinforce the commitment to small business opportunities, and establish a vision for improving small business participation in their acquisitions. As a rule, the small business specialist participates in the Performance Management Assessment Program (PPMAP). By their participation, they are affirming their role in the acquisition process, they are providing valuable insight for improvement and they are sharing and promoting ideas with their colleagues.

The Associate Director for Small Business at MSC conducted training in small business utilization and effective marketing strategies. This training helped to ensure that personnel are properly prepared to conduct an effective outreach to small businesses, as well as being knowledgeable of possible subcontracting opportunities. In conjunction with MSC's Business Development Division and the Office of Public Affairs, the Associate Director assisted in planning a conference that will produce the greatest marking outreach results.

At the Strategic Systems Command (SSP), an Associate Director of Small Business Operations has been hired and has developed and presented seminars to command personnel that address small business opportunities. This person is developing an outreach program that will help small businesses and the government to correlate capabilities to requirements.

In Fiscal Years 2007 and 2008 the Naval Facilities Engineering Command (NAVFAC) Small Business Program Office focused on providing outreach to Service Disabled Veteran Owned Small Businesses (SDVOSB). Of the approximately two hundred events in FY 2008, five were exclusive to SDVOSB issues. As a result there has been an increase in SDVOSB prime contract awards in FY 2008. Also at NAVFAC, emphasis on improving communications between the small business specialist, acquisition personnel and small business community has increased awareness and knowledge. The result is a trend for more prime contract awards to small businesses.

In FY 2008 the Deputy Secretary of Defense, the Deputy Under Secretary of Defense for Acquisition & Technology, and the Director for the DoD Office of Small Business Programs recognized a NAVAIR employee from the Naval Air Warfare Center Aircraft Division (NAWCAD) Lakehurst for her dedication and efforts made toward significantly increasing contract and subcontracting opportunities for service-disabled veteran-owned small businesses and in furtherance of the goals and objectives of the Strategic Plan developed by the Office of the Secretary of Defense. NAVAIR issued an instruction NAVAIRINST 4380.4 that institutionalizes the Small Business Program at NAVAIR and sets forth the duties and responsibilities of the Program Executive Offices/Program Teams, contracting officers, and small business specialists in the acquisition process. Also at NAVAIR, a Lean Six Sigma Project, co-sponsored by the Small Business Office and AIR 5.0, was launched to publish a Long-range Acquisition Forecast (LRAF) for all acquisitions over the simplified acquisition threshold. This publication will improve NAVAIR's current and future readiness through increased competition and best value solutions by communicating NAVAIR requirements and enabling industry to participate, react and competitively position themselves for future opportunities.

At SPAWAR Program office representatives receive training in the policy of promoting opportunities for small and disadvantaged businesses. In FY 2008 SPAWAR awarded an 8(a) multiple award contract to thirty-three vendors (aggregate value of $157.8M) for C4ISR Mission Enablement Support. The innovative acquisition method provided a strategic approach to increasing business development opportunities for 8(a) companies to better position these companies to graduate from the 8(a) program.

Commands regularly participate in conferences, for example, the Small Business Innovative Research conference, Women-Owned Small Business Conference, Small Business and Industry Outreach, Small and Disadvantaged Business Utilization Specialist and Charleston Defense Contractors Association conference, supplier development conferences, Hub Zone Conference, and DoD Mentor-Protégé Conference that target small businesses in all socio-economic categories. These venues provide opportunities for the government to share information, and for industry (large and small) to explain requirements and demonstrate capabilities.

Support of the AbilityOne Program

Department of the Navy acquisition personnel seek opportunities to utilize the AbilityOne Program. In FY 2008 the Deputy Secretary of Defense recognized AbilityOne employees and those that support the program, including the associate director for the small-business program office at the Naval Facilities Engineering Command (NAVFAC). She was recognized for providing AbilityOne affiliated employment for more than 1,000 people who are blind or have other severe disabilities. Also in FY 2008, the Navy marked its 10th anniversary of partnering with Goodwill Industries/AbilityOne in support of Naval Station Great Lakes, Food and Logistics support services. A recent award will continue the partnership for up to five additional years.

An April 2008 DASN A&LM memorandum encouraged Navy and Marine Corps acquisition personnel to use the AbilityOne Program for procurements whenever possible, reinforcing the support of the Director, Defense Procurement and Acquisition Policy (DPAP), and the Under Secretary of Defense for Acquisition, Technology and Logistics (USD(AT&L)) for the program.

Fair opportunity – evaluate use and provide explanation for use. Explain practices for placement of orders against multiple award contracts and the role of the competition advocate in the review process.

FY 2008 DoD Orders Subject to Fair Opportunity							
Total Dollars Subject to Fair Opportunity	% Fair Opportunity is NULL	% Fair Opportunity Given	% Urgency	% Only One Source - Other	% Follow On	% Minimum Guarantee	% Other Statutory Authority
$11,445,089,563	0.69%	82.42%	0.67%	9.89%	5.11%	0.45%	0.76%

In FY 2008 the Department achieved over an 82.4% rate for providing for fair opportunity for the award of orders under multiple award contracts. In FY 2009 we will focus on the exceptions used of only one source and follow-on, and ensure that if those exceptions are used, that the contract file is documented with the appropriate justification for their use.

The pre-award review process is accomplished by contract review boards where contracting officers at varying levels and counsel review the documentation to ensure that when an exception to fair opportunity is being utilized, that the justification is adequate. The process and involvement of the competition advocate varies, however, every acquisition with a value that is at a pre-established review threshold, is reviewed by the competition advocate for compliance with fair opportunity and for inclusion of the required documentation if an exception is utilized.

At MARCORSYSCOM the Assistant Commander for Contracts is the task and delivery Ombudsman, and is responsible for ensuring contractors are afforded fair opportunity. All SeaPort-e orders provide fair opportunity.

Explain actions taken in response to DPAPSS memo July 16, 2008, i.e., how the review of awards under multiple award contracts is incorporated into procurement reviews.

The DPAP memo identified as an area of vulnerability, the inadequate documentation to justify a waiver to fair opportunity under multiple award contracts, and requested that this area be reviewed as part of a Component's performance management reviews. A pre and post-award review process is established in the Department of the Navy to review contracts for compliance with providing fair opportunity and documenting the contract file.

The pre-award review process is accomplished by contract review boards where contracting officers at varying levels and counsel review the documentation to ensure that when an exception to fair opportunity is being utilized, that the justification is adequate. Other initiatives include SPAWAR's action to establish a Quality Assurance Monitor at each of its field sites that reviews task orders for compliance with fair opportunity under multiple award contracts, and reports on whether the action was properly documented. The NAVFAC Business Management System (BMS) is an automated system that requires a written justification with approval levels based on dollar value, for the award of all multiple award contract orders that are based on an exception to fair opportunity. The outcome is an increased review and oversight which is helping to increase fair opportunity.

The post-award review is accomplished at the Department and Command levels. The DASN A&LM includes in its Procurement Performance Management Assessment Program (PPMAP) review, the review of awards under multiple award contracts for compliance with FAR and Defense Acquisitions Regulation Supplement (DFARS) requirements for adequate documentation when an exception to fair opportunity is utilized. Three reviews are conducted annually, and each Command is visited on average every three years. Similar PPMAP reviews are conducted at the Command level. DASN A&LM will re-emphasize compliance with DPAP's guidance for the post award reviews at the Command level.

AMENDED

AIR FORCE COMPETITION REPORT

FISCAL YEAR 2008

FEBRUARY 2009

AIR FORCE COMPETITION REPORT

FOR

FISCAL YEAR 2008

INTRODUCTION

In accordance with Title 41, United States Code 418, OMB Memo, dated July 18, 2008, Effective Practices for Enhancing Competition, OSD (AT&L) Memo, dated October 03, 2008, Competition Report for Fiscal Year (FY) 2008, and Secretary of the Air Force Order 650.3, SAF/AQC, as the Air Force Competition Advocate General, is submitting the Fiscal Year 2008 (FY08) Air Force Competition Report. The competition report conveys the Air Forces efforts toward achieving its FY08 competition goal of 55%, and presents the FY 09 goal of 62%, through the Competition Advocates Program, for obtaining full and open competition. Additionally this report discusses the Air Force's efforts in fulfilling its requirements, to the maximum extent possible, through the acquisition of commercial items and services, and illustrates the Air Forces success in applying fair opportunity to task and delivery orders placed against multiple award contracts.

COMPETITION

All MAJCOM/FOA/DRUs listed at AFFARS 5306.501 must have a Competition Advocate. These Advocates are responsible for the competition program within their command/FOA or DRU, and for tracking competition results via the Federal Data Procurement 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 (AFI) 63-301, Air Force Competition and Commercial Advocacy Program requires the Advocates to improve the overall competitive performance and increase the use of commercial practices by overcoming barriers such as requirements, policies, procedures, and decisions that restrict competition or limit applicability of commercial practices. Advocates participate in acquisition strategy planning through forums such as the Acquisition Strategy Panel process, coordinate on or approve Justification and Approval (J&A) documents, review acquisition planning (AP) documents. 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 Advocates must maintain a program that includes identifying, tracking, and following-up on actions to remove impediments 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 the acquisition of commercial items, identifying potential competition or commercial conversion opportunities through J&A and AP document reviews. The Advocates also ensure that program requirements are stated in the least restrictive manner to allow for effective competition and use of commercial practices.

The Air Force relies upon 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 presolicitation outreach techniques. Air Force has been very successful in conducting Industry Days where we share information with commercial suppliers and obtain their input at the start of acquisition planning. Another example of Air Force engaging industry is the all-day seminar, "Acquisition Journey to Excellence and Integrated AQ Assessment Tool Update held by the Deputy PEO for Weapons at AAC, in which we seek industries input into present and future programs.   This joint two-day symposium sponsored by Eglin AFB and the National Defense Industrial Association allows Air Force program offices and industry to meet to discuss near term and long term program needs. The Air Force also engages industry by posting our Long Range Acquisition Estimates (LGAE) on the SAF/AQ Homepage allowing vendors to preview current and up coming acquisitions. This list is used to define requirements, as well as to obtain full and open competition.

The Air Force has historically been successful in meeting our competition goals. This success is, of course, no accident. The Air Force devotes a significant amount of effort and resources throughout the year to increase competitive opportunities. The Competition Advocacy Program is a clear example of sound policy and a concrete plan to attain and achieve our goals.

Furthermore, SAF/AQC actively participates in revising Defense Acquisition University courses related to competition; ensuring proposed changes in courses reflect current policy. We also mandate acquisition professionals receive competition training on an annual basis. The training is revised each year to capture current policy.

In FY07 the Air Force identified as a barrier to competition the fact that Air Force policy was unclear in the application of applying fair opportunity to task and delivery orders for construction multiple award contracts. In FY08 the Air Force issued policy mandating fair opportunity is to be applied to all task and delivery orders issued against multiple award contracts. The policy ensures that fair opportunity is applied to task and delivery orders issued against large construction and environmental multiple award contracts.

FY 08: COMPETITION

The Data

The Air Force obtained the competition data from the Federal Procurement Data System-Next Generation on 15 December 2008 from the Standard Competition Report. The Air Force goal for FY 08 was 55%. The Air Force surpassed its FY08 competition goal of 55%, achieving a rate of 59%. The Air Force did not include "not available for competition" dollars in establishing our FY08 or FY09 goals.

Trend Analysis

Air Force Contracting awarded over 129,262 competitive contractual actions in FY08 worth in excess of $37B, putting our competitive obligation rate at 59%. The numbers in Table 1 show an Air Force competition rate of 59% for FY08. As the table illustrates, the Air Force obligated less dollars in FY08, but our competition rate increased significantly.

Air Force Competed Dollars

	FY06	FY07	FY08
AF % Competed	51	55	59
Dollars Obligated (Billions)	$62	$68	$63

Table 1

Our aging weapons systems and the consolidation of the defense industry pose a unique challenge to Air Force. Competition performance naturally divides along mission lines into two categories: the operational MAJCOMs award contracts primarily to support installations and Air Force Materiel Command (AFMC) and Air Force Space Command (AFSPC) primarily award contracts for weapon systems and logistics-supply. The operational commands lend themselves to commercial acquisition, while the acquisitions at AFMC and AFSPC tend to lend themselves to the Original Equipment Manufactures that designed, developed and produced the systems and remain the sole viable source to provide the needed support for older systems in an efficient and timely manner, thus driving longer contractual relationships and less opportunities for competition.

The Air Force's success in increasing competition in FY08 is credited to our engaging the competition advocates early in the acquisition process, relying upon *FedBizOps* to ensure the widest dissemination of business opportunities and program information to industry, even when its use may not be mandatory. We also rely upon multiple award indefinite-delivery-indefinite-quantity contracts (when deemed appropriate); and we also challenge requirements in the early stages of strategy planning phases to ensure the requirements are defined in accordance with the market research, and essential characteristics. The Air Force unbundles contracts when possible. For example, the join NASA and Air Force Joint Base Operations Support contract valued at $2.74 billion was unbundled. The result was in FY08 seven Air Force and six NASA contracts. Of the seven Air Force contracts, one was awarded to AbilityOne and three were set-aside for small business (HUBZONE, Small Business and 8(a)). Also, the contracts awarded to large business contain small business goals. Also, to make certain that small business is offered every opportunity to participate in our acquisitions we support the small business office by participating in trade fairs and outreach events.

Historical Competition Rates
(Percentage of Total Dollars Competed)

MAJCOM	FY06	FY07	FY08
ACC	71	85	86
AETC	69	83	84
AFMC	37	46	54
AFSPC	57	60	55
AMC	85	92	68
PACAF	41	75	82
USAFA	48	77	77
USAFE	96	99	98

Table 2

Table 2 demonstrates that in spite of all the challenges limiting competition growth our acquisition professionals are seeking opportunities to increase competition, and in most instances competition rates continue to increase. In an attempt to present a realistic representation of the competition rates, SAF/AQC presented the rates for FY06 and FY07 excluding the not available for competition dollars. The FY06 data is based upon the J001 report, not FPDS; therefore even though we removed the not available for competition dollars the FY06 and FY07/08 data are not fully comparable.

The decrease in Air Force Space Command's competition from FY07 to FY08 can be contributed to the significant increases in single award contracts in programs such as the Defense Support System (DSP) Spacecraft, DSP Sensors, and the Global Positioning Satellite.

The large decrease in the competition rate from FY07 to FY08 for the Air Mobility Command can be contributed to the transition of the airlift acquisitions workload to the United States Transportation Command during January 2008.

Fair Opportunity

For task or delivery orders over $3,000 issued against multiple award contracts, unless one of the exceptions applies, the Air Force follows the procedures at FAR 16.505(b). For task or delivery orders exceeding $100,000 the Air Force complies with the DFARS 216.505-70. We make certain a description of the supply or service and the basis for our selection are clearly defined for each order. 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 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 $550,000, but not exceeding $2.5 million, being approved by the competition advocate. Orders below $550,000 are approved by the contracting officer. For orders exceeding $11.5 million, but not exceeding $78.5 million the justification is approved by the head of the procuring activity placing the order. For orders exceeding $78.5 million the Senior Procurement Executive approves the placing of the order.

The Data

The Air Force received the fair opportunity data from the Office of the Under Secretary of Defense, Defense Procurement Acquisition Policy on 16 December 2008. Table 3 demonstrates that AF did very well in applying fair opportunity in the placement of task or delivery orders against Department of Defense (DoD) multiple award contracts. These task and delivery orders amounted to $8.9B, and out of this amount the Air Force applied fair opportunity to 83% or $7.4B. When fair opportunity was not provided, it was typically for a sole source or follow-on orders. Table 3 also demonstrates that the Air Force issued less than 1% or $25M dollars in task and delivery orders against non-DoD multiple award contracts.

Fair Opportunity on Orders against Multiple Award Contracts

	Actions	**% of Total**	**Dollars**	**% of Total**
Total Orders against DoD issued multiple award contracts	41,314	N/A	8.9B	N/A
Fair Opportunity Provided	33,715	82	7.4B	83
Total Exceptions to Fair Opportunity				
- Urgency	155	0	25M	0
- Only one source - Other	3,759	9	616M	7
- Follow-on Delivery Order	1,766	4	411M	5
- Minimum Guarantee	257	0.62	12M	0.13
- Other Statutory Authority	578	1.40	68M	0.77
Total Orders against non-DoD issued multiple award contracts	53	N/A	21M	N/A
Fair Opportunity Provided	41	77	16M	78
Total Exceptions to Fair Opportunity				
- Urgency	0	0	0	0
- Only one source - Other	7	13	3	16
- Follow-on Delivery Order	0	0	0	0
- Minimum Guarantee	0	0	12	0
- Other Statutory Authority	2	4	1	5

Table 3

Trend Analysis

Table 4 demonstrates for FY 08 that the Air Force competition rate for multiple award task orders exceeds our overall competition rate of 59%. The migration to FPDS from the J001 precludes the Air Force from doing a trend analysis. The task orders actions for FY06 were derived from the J001 and did not include contract actions from the Federal Supply Schedule. The Air Force is confident that the decline in the percentage of task orders dollars from FY07 to FY08 is the result of the emphasis we put on the need for contracting professionals to ensure that task and delivery orders against multiple award contracts are accurately reported. The FY07 Air Force Audit for these types of contracts reported a large percentage of task and delivery orders were coded competitive, even though one of the exceptions at the Federal Acquisition Regulation, Part 16.5 were being applied. To ensure these acquisitions were accurately coded SAF/AQC requested the MAJCOM's provide oversight by including these items in their inspection checklists. This change ensures that task orders under multiple award contracts are being awarded competitively, and where competition is restricted, the appropriate justifications and approvals for other than full and open competition are completed, and that the acquisition is properly coded in the Federal Procurement Data System.

Air Force Fair Opportunity on Orders against Multiple Award Contracts

Air Force-wide	Task Order Dollars	Task Order Actions	Percentage Competed - Dollars	Percentage Competed - Actions
FY 06	$8.7B	13,245	64%	72%
FY 07	$8.4B	44,070	92%	85%
FY08	$8.9B	41,314	83%	82%

Table 4

Impediments to Competition

The Air Force continues to stress increased competition, while contracting offices continue to overcome ever present impediments to competition. Reduced numbers of new starts/programs and the increased reliance on typically noncompetitive follow-on buys for mature systems continues to be a major factor in reduced opportunities as evidenced by the Air Force Space Commands competition rate. Major programs impacting the Air Force Space Command competitive rate include the Evolved Experimental Launch Vehicle at $972 million, the Space Tracking and Surveillance System (STSS) at $876 million, and the Aerospace Corp Federally Funded Research and Development Center (FFRDC) at $841 million. Air Force Space Command is also constrained by three large Federally Funded Research and Development Center (FFRDC) non-competitive awards to MITRE, MIT-Lincoln Laboratory, and Carnegie Mellon University, Software Engineering Institute (SEI).

While the Air Force Material Command supports aging weapon systems such as the F-15 and C-5, their competition rate under FPDS continues to increase. This increase occurs despite the fact that AFMC's market research, and other attempts to seek sources to sustain the F-22 have not yielded alternate sources, and future F-22 sustainment efforts will be awarded on a noncompetitive basis utilizing a public-private agreement. Similarly, mature systems such as the F-16 and C-17 are unavailable for competition due to the existence of sole source indefinite-delivery-indefinite-quantity contracts and the prohibitive costs any potential competitor would face in obtaining the expert knowledge, facilities, and tooling already possessed by the OEM contractors.

In spite of these challenges, Air Force acquisition professionals continue to attempt to seek competition. For example, the Air Force successfully procured a technical data package (TDP) to support the approved Joint Threat Emitter sustainment strategy. This will allow opportunities to foster competition for future increments, such as the FY09 Increment 2, estimated to be a $70M competitive acquisition.

Another impediment to increased competition is the challenge associated with competing task orders under multiple award contracts, to include GSA schedules. The FY 02 National Defense Authorization Act requires contracting officers to solicit offers from all contractors offering the required services under multiple-award contracts and federal supply schedule orders. Waivers of competition of multiple-award contract orders and federal supply schedule orders are authorized, in limited circumstances. However, often past practices keep us from accomplishing effective competition, especially in the area of task orders. Program office education is one of our biggest challenges -- many Program Managers are not convinced about the advantages of writing statements of need that allow the flexibility to competitively source the requirement. In some instances, users still request sole source purchases of items by part number rather than stating the requirements in terms of performance specifications. Others are explaining their desire for the skills of a particular contractor, rather than the distinctiveness of the service being acquired. Contracting Officers must be vigilant not to simply accept the Program Manager's technical recommendation and either issue an approved waiver or limit competition. SAF/AQC mandates that acquisition professionals take competition training on an annual basis. This training, located on the SAF/AQC website, makes it clear that the Contracting Officer's understanding of the marketplace is the basis for determining the level of competition necessary, not the Program Managers desire to retain the incumbent.

FY08 Competition Results and FY09 Competition Goals

Air Force FY 08 Competition Results & FY 09 Goals
(Percentage of Total Dollars Competed)

Contracting Activity	FY 08 Competition Goal	FY 08 Competition Actual	FY09 Competition Goal
ACC	85	86	86
AETC	83	84	84
AFDW	83	84	84
AFMC	46	54	54
AFOTEC	95	91	91
AFRC	78	83	83
AFSOC	78	65	65
AFSPC	60	55	55
AMC	92	68	68
PACAF	75	82	82
USAFA	77	77	77
USAFE	99	98	98
Total AF Proposed Goal	55	59	*59

Table 5

*AF Proposed Goal in January 2009. This goal was revised on 6 February 2009 from 59% to 62% in response to the OSD(AT&L)/DPAP direction below.

Table 5 demonstrates the challenges associated with migrating to FPDS from the J001 reporting system. Half of the Air Force commands are seeing a slight increase in their competition rate in FY08. While half of the commands are experiencing a decline in the FY08 competition rate, yet the Air Force experienced a significant rate increase in FY08. We believe the answer is AFMC dwarfs the operational MAJCOMs in dollars spent, and is the primary driver of the overall Air Force competition rate. It is more difficult to explain why Air Force Space Command's competition rate continues to decline. We also believe the operational commands are being impacted by excluding the previous "not available for competition dollars" in the competition rates. However, the challenges associated with the migration to FPDS, the proposed changes to the competition report, and the lack of historical data under FPDS preclude a definitive analysis.

The data in *Table 5* also reflects a drastic decrease in the percentage of dollars competed within the Air Mobility Command from 2007 to 2008. This is largely attributed to the Air Mobility Command airlift contracting office transition to the United States Transportation Command during January 2008. The airlift acquisitions represent not only the largest dollars with the Air Mobility Command, but also the largest portion of competitive dollars. Air Mobility Command spending decreased from four billion dollars in FY07 to almost $800 million dollars in FY08. The Air Mobility Command's competitive rate should stabilize during FY09.

Establishing the FY 09 competition goals for the MAJCOMs and Air Force continues to be a difficult task. The Air Force considered the integrity of the data due to the migration to FPDS, the increase and decreases in the competition rates for the commands, the lack of historical data for FPDS, and the Federal initiative to revise the FPDS competition report in FY 09. These considerations had a significant impact on establishing the FY 09 competition goal for most of the MAJCOMs. The Air Force established an FY 09 goal of 59% in January 2009, however, as a result of an OSD direction in February of 2009, our goal was increased to 62%. The basis of the Air Force proposed goal of 59% was to maintain the FY08 competition rate while we refine our entire competition program in consideration of FPDS challenges.

In response to the lack of adequate support for waiving fair opportunity requirements on task and delivery orders issued against multiple award contracts, identified in the Office of the Under Secretary of Defense (Acquisition Technologies and Logistics) memorandum of Jul 16 2008, the Air Force revised our Compliance Inspection Checklist to ensure that all awardees of a multiple award contract are provided a fair opportunity to be considered for a delivery or task order exceeding the Simplified Acquisition Threshold, and if one of the exemptions were used an approved determination and finding is necessary. The Air Force uses this standardized checklist as the basis for all MAJCOM and local inspections.

REVISED FY 2009 AIR FORCE GOAL

February 2009:

Circumstances	Impact on the Air Force Goal	Basis of Revision
AF Proposed FY 09 Goal	59%	Based upon AF MAJCOM FOA/DRU FY09 Competition Reports – 15 January 2009
OSD Proposed Revision	5% increase	OSD(AT&L) 2 February 2009 Mandated Increase
AF Revised FY09	**62%**	**Air Force Management Challenge**

Table 6

Table 6 demonstrates that the Air Force is increasing its FY09 goal from 59% to 62% as required by OSD(AT&L)/DPAP. On 2 February 2009, OSD (AT&L)/DPAP issued an e-mail requesting each DoD Competition Advocate review their proposed competition goal for FY09 and increase any goal that is not greater than the competition rate achieved in FY08. OSD (AT&L)/DPAP provided a formula for increasing the goals upward. Organizations, such as the Air Force, achieving less than 70% were required to increase their goal 5 percent. OSD(AT&L)/DPAP required that Competition Advocates proposing a goal less than what he outlined, must brief him and explain and justify by program and dollars why they were prevented from establishing the higher goal.

In response to the mandate, the Air Force increased its FY09 goal from 59% to 62%. However, the fact that we are in the second quarter of FY09 prevents the Air Force from allocating the proposed increase in the Air Force FY09 competition goal among the MAJCOM/FOA/DRUs based upon a quantifiable analysis. Therefore, Air Force is considering the increase a management challenge. To achieve this aggressive goal, the Air Force will ask each MAJCOM/FOA/DRU to commit to exceeding their individual FY09 goal assigned in January.

COMMERCIAL

The Air Force is a staunch supporter of commercial acquisitions as evidenced by the operational commands utilizing the Federal Acquisition Regulation Part 12 procedures whenever feasible. Market research is the key to acquisition professionals understanding the commercial marketplace. The Air Force emphasizes the need for effective market research in our mandatory competition training. We also use industry days, and *FedBizOps* to engage industry is assisting us to ensure our acquisitions reflect the practices of the commercial marketplace.

The Air Force is expanding its emphasis on using commercial practices through the limiting of unique clauses in commercial acquisitions. We also developed training to ensure acquisition professionals understand what clauses are appropriate for commercial acquisitions, and the limited circumstances under which non-standard clauses can be added to commercial contracts.

In the past, the Air Force used commercial procedures for the acquisition of some major weapon systems; however, the lessons learned identified by the Government Accounting Office led the Air Force to use caution when considering commercial practices in the area of weapon systems. For example, the Air Force expanded the Determination and Finding requirements of the Defense Federal Acquisition Regulation for using commercial procedures for weapon systems to include a projection of the extent the Air Force will increase competition as a result of using the commercial practices of the Federal Acquisition Regulation Part 12; a projection of the extent the Air Force will have greater access to commercial markets as a result of using commercial practices; and a projection of the extent the Air Force will receive better prices and/or new market entrants or technologies as a result of using commercial practices.

In response to the lack of documentation regarding the determination of a commercial item, identified in the Office of the Under Secretary of Defense (Acquisition Technologies and Logistics) memorandum of Jul 16 2008, the Air Force revised our Compliance Inspection Checklist to ensure that for acquisitions over $1 million dollars there is a written determination of the item meeting the commercial definition in FAR 2.101. The Air Force uses this standardized checklist as the basis for all MAJCOM and local inspections.

MAXIMIZING SMALL BUSINESS OPPORTUNITIES

The Air Force seeks opportunities to increase small business participation in many areas. Small Business Specialists, at the installation, MAJCOM and Air Force level participate early in the acquisition strategy panel to provide small business solutions. The Air Force Small Business has initiated a "Beyond Goals" campaign that focuses on small business solutions that are agile, innovative and flexible rather than just meeting the goals of our programs. In addition, the Air Force stood up the Small Business Solution Center in San Antonio. This program, although a pilot, supports the Southwest Region for installation acquisition transformation, and is designed to offer small business alternatives and solutions for strategic sourcing. Once the concept is approved, it will be deployed across the Air Force.

Air Force Small Business Specialists also review all acquisitions greater than $10,000 and recommend one of the small business programs as applicable. In the Fall of FY08 the Electronic Subcontracting Reporting System (eSRS) was deployed Air Force-wide. This system will allow for the first time management insight into the subcontracting program for the Air Force, and will allow the establishment of metrics and goals to increase small business participation in subcontracting.

The Air Force has developed a Small Business Strategic Plan that aligns the small business program to successfully meet the Air Force mission to fly, fight and win, etc. in air, space and cyberspace by awarding contracts based on mission value and the contributions of small businesses, rather than an imposed goal. This plan not only redefines how Air Force approaches small business, but includes metrics and goals to measure the Air Forces progress in accomplishing this objective.

COMMERCIAL AND COMPETITION ADVOCATE PROGRAM REVIEW

Congresses ongoing interest in task and delivery orders against multiple award contracts, OFPP's enhancing of competition reporting requirements, and the migration to FPDS have resulted in the Air Force establishing a team consisting of SAF/AQC and the MAJCOMs to review our current competition program. The team is reviewing the roles and responsibilities of the competition advocates, the installation and MAJCOM competition reports, and the Air Force competition reporting requirements, as well as the Air Force Instruction that defines our program. The current program reporting requirements focus on the establishment of the competition goals and our accomplishments in achieving the goal. The team will devise a program that places less emphasis on establishing and achieving the goals, and one that stresses the importance of managing and providing oversight of the program. The reporting requirements at all levels will focus on initiatives taken by the competition advocates to increase the use of commercial acquisitions, and enhance competition; how the advocates are emphasizing the acquisition of commercial items and competition in such areas as acquisition training and research; the advocates plans for increasing commercial acquisitions and competition; the actions taken to ensure task and delivery orders over $1M issued under multiple award contracts are properly planned, issued, comply with the Federal Acquisition Regulation, to include acquisitions made using the General Services Administrations Federal Supply Schedules and Blanket Purchase Agreements. As part of our review we shall determine if the Air Force should implement an award program to motivate program managers, contracting officers, and others to promote competition. The program will include the flexibility to accommodate any additional requirements added by the Office of Management and Budget, Office of Federal Procurement Policy and/or the Under Secretary of Defense (OUSD)(Acquisition Technology and Logistics (AT&L)), Defense Procurement Acquisition Policy (DPAP). We expect the program to be fully implemented by 1 October 2009.

FEDERAL PROCUREMENT DATA SYSTEM RECOMMENDATION

The Air Force recommends a Fair Opportunity report be added to the Federal Procurement Data System standard reports. This report will allow managers at the installation, MAJCOM and Secretariat level to more effectively manage their progress in this area.

SUMMARY

This report demonstrates that the Air Force is committed to increasing the use of commercial acquisitions and ensuring full and open competition. We well exceeded our goal of 55% in FY08, achieving a competition rate of 59%. In demonstrating our commitment to full and open competition we have accepted a management challenge to increase our FY09 competition goal to 62%.   This increase occurs even after considering the numerous challenges and barriers we identified to full and open competition. The Air Force is focusing on commercial and competition via our Air Force Commercial Competition and Program review. We are diligently striving to develop an Air Force Commercial and Competition Advocacy Program that promotes the acquisition of commercial items, promotes full and open competition, ensures our focus is on managing the program rather than focusing on goals, and demonstrates the Air Forces commitment to excellence.

Defense Logistics Agency (DLA)
Annual Competition Advocacy Report
Fiscal Year 2008 (FY08)

This report focuses primarily on the DLA Competition.Advocate's (COMPAD) Activities and initiatives for FY08. The report includes information on FY08 achievements and goals for FY08, based on data from the Federal Procurement Data System (FPDS) run on December 15, 2008, across the Department of Defense. DLA certified its FPDS data prior to the data run.

Competition Rate Achieved

DLA's established goal for FY08 was 91 percent for contracting dollars and 89 percent for contracting actions. Based on data from December 15, 2008, DLA met its FY08 competition goals for contracting actions. The FY08 rate achieved was 90 percent, which represents approximately 30 Billion in competitive acquisitions. Competitive contracting dollars were below goal at 87.3 percent, due to several influences. DLA is experiencing an ongoing addition of detachments from the Services, many with high percentages of sole source items. As the various detachments stand up and the universe of items being gained and their competitive history is understood, DLA goals for FY09 and thereafter may need to be restated. The Aviation supply chain has been the most affected to date. Also affecting the competitive dollars is the continuing increase in petroleum fuel requirements in support of both Operation Enduring Freedom (OEF) and Operation Iraqi Freedom (OIF). Refiners in CENTCOM AOR countries are often wholly owned subsidiaries of their governments. Thus, these nationally owned petroleum companies do not allow competition for the products. And, as with last year, the calculation changes in the FPDS system to no longer exclude qualified nonprofit agencies employing people who are blind or severely disabled or the 8A program impacts the competitive base. Previously, this subset of actions was considered "not available for competition" and did not impact competition numbers. DLA will continue to monitor these influences on competition and revise goals if needed and justified.

Advocates Activities

DLA currently has nine different COMPAD's serving the various supply chains and services centers: Defense Supply Center Philadelphia (DSCP), Defense Supply Center Richmond (DSCR), Defense Supply Center Columbus (DSCC), DLA Contracting Services Office (DCSO), Defense Energy Support Center (DESC), Defense Reutilization and Marketing Service (DRMS), Defense Distribution Center (DDC), Defense National Stockpile Center (DNSC) and Document Automation and Production Service (DAPS).

Competition Advocates are regularly involved in acquisition training efforts with the workforce to encourage competition, in various customer outreach efforts and partnership conferences, and in acquisition reviews.

DLA's organizations are actively pursuing efforts to identify new sources and reduce the number of sole source National Stock Numbers (NSN) through Source Approval Requests (SAR) and reverse engineering efforts. An overview of notable activities is given below:

NSN: 5985-01-532-9884: (Antenna) This VHF antenna is used on the HMMWV and was sole source to Atlantic Microwave Corporation. It appeared to have an excessive unit cost. Since the NSN had limited technical data, a stock sample was ordered. The value analyst contacted several companies with data and samples. When the new acquisition was initiated the OEM lowered their historical unit cost 22 percent because of the development of competition or perceived competition. A new source was added to the total item record. The reduction in unit cost was 22 percent. Total savings: $37,666,360.

NSN 2530-01-357-9776: (Master Cylinder) The NSN was listed as a "LAND troubled item". Seeking at least one additional source for this NSN, a cross functional team contacted master cylinder manufacturers thought capable of manufacturing these for the U.S. Military.

One additional manufacturer agreed to produce a prototype for TACOM source approval. The new manufacturer, Affinia, became an approved source for this NSN. Total savings: $1,975,854.

<u>**NSN 1560-01-033-9246:**</u> (Aircraft Latch Assemblies) A formerly sole source item description for aircraft latch assemblies was successfully revised to allow competing sources. The unit price was reduced by approximately 66 percent and the first purchase under the new competitive item description for 202 units yielded a savings of $141,000.00 over the previous sole source price.

<u>**NSN 6140-01-468-1259:**</u> (Aircraft Battery Assembly) In the Aviation supply chain, this sole source NSN underwent a successful competitive expansion. A sample was sold to a potential source that reverse engineered the item and became a qualified source. The unit price was reduced by approximately 75 percent and the first purchase with competing sources for 218 units yielded a savings of over $40,000.

<u>**Subsistence (in support of Kuwait & Iraq)**</u>: The solicitation closed recently with by far the largest number of firms submitting proposals in the history of this program. Since Subsistence operates almost entirely by using long term contracts, competition at the subcontracting level on a prime vendor contract is very important. Subsistence developed a program involving Manufacturer's Pricing Agreements, showing the subcontractor's pricing relative to its competitors' pricing on an unencumbered, FOB Origin basis. As the comparison can be obscured by a complicated supply chain, Manufacturing Pricing Agreements will provide greater pricing transparency and enhance competition at the subcontractor level.

<u>**USMC Combat Boot:**</u> In the Clothing and Textile (C&T) supply chain, an example of substantial savings is a procurement for a USMC Combat Boot. While this same item was on a Federal Supply Schedule for over $150 competition between two offerors resulted in offered prices in the $50-60 range.

<u>**Reutilization Services:**</u> A DRMS contract in Southeast Asia for the operation of sites in Iraq, Afghanistan and Kuwait achieved substantial cost savings through the innovative use of a

competition where title to excess material would pass to the successful offeror after the property went though the reutilization process at the sites. Offerors reduced the cost of the contract based on what they estimated they would be able to obtain from the sale of property after receiving title. This resulted in substantial cost savings of $20 million over the five-year contract period.

Distribution Services: The DDC competes warehouse and distribution support services on the basis of full and open competition at the distribution depots subject to commercial activities studies. An award in the amount of $9.1 million was executed during FY08 for the Government Owned Contractor Operated (GOCO) site at Hill AFB, Ogden, UT that was competed between five offerors. The Government's original estimate was $62.2 million. Awarded dollars were $51.0 million, a savings of $11.2 million.

Energy: (Motor Gasoline in Japan) In DESC, the Japan Posts, Camps, and Stations (PC&S) program had numerous challenges in supporting the motor gasoline requirements. The newly identified Ultra Low Sulfur Diesel items in Okinawa, Japan had restricted competition to one vendor. A face to face meeting with mid-level suppliers and a vendor's fair were held to identify additional vendors that could supply fuel to meet the delivery requirements. These efforts resulted in four offerors submitting offers, two of whom were new vendors. Competitive awards were made for 22 million gallons of motor gasoline and 4.1 million gallons of Ultra Low Sulfur Diesel, at a total estimated value of $77 million with an estimated cost savings to the government in excess of $3.4 million.

(Utilities Privatization) Also in DESC, utilities privatization contracts issued in FY08 showed substantial cost reductions when compared to the respective Government Should Cost Estimates (GSCE). Specifically, FY08 awards resulting from competitive procurements were for six utility systems at four bases resulting in awards valued at slightly over $706 million with costs over $100 million less than the associated GSCEs.

(Natural Gas) The Natural Gas Division issued its solicitation seeking full and open competition and received a total of 38 offers, resulting in a contract awards to 21 suppliers. The division implemented its procurement process improvement efforts aimed at improving the link between customer requirements and the supply chain through increased delivery supply options, improved customer requirement identification, and cost savings. As a result, competition increased by 23 percent from the previous procurement, including a 17 percent increase from small businesses. A survey of marketers indicated that efforts to eliminate price risk premiums resulted in cost savings between $.05 and $.15 per dekatherm (dth); which, in turn, increased cost savings for our customers by $6 million to $18 million.

New Initiatives

The COMPADs continue to work numerous initiatives to increase the acquisition of commercial items, increase competition, and ensure requirements are stated in terms of functions to be performed, performance required, or essential physical characteristics. A few of the notable examples for FY08 include the following:

Strategies to increase competition:

In FY07 the DSCP Medical supply chain used an Open Season Solicitation to expand the opportunities for interested pharmaceutical vendors to participate in the Medical Readiness Corporate Exigency Contract (CEC) program. At that time two awards were made to new firms never before having Readiness Contracts. These were CERA and Westward Pharmaceuticals. In FY08 an additional award was made under the solicitation to a new firm to the Readiness Program, Major Pharmaceutical, and an additional firm is being evaluated for a fourth award. These additional awards will enhance the number of readiness CEC contractors available to support troop and fleet deployments. Additionally, Medical Readiness added another Open Season Solicitation for the MEDSURG CEC Program. The goal is to attract additional sources in the MEDSURG Industry to the Medical Readiness Program.

DSCP's Construction and Equipment (C&E) supply chain hosted its first reverse-auction event. It involved three competitive vendors for the acquisition of the Vacu-Tote Storage container. Prior to January 2008, the storage container had been procured on a sole source basis.

Due to the efforts of this supply chain in seeking competition, another vendor was qualified as a potential source. Based on competition, C&E realized significant savings of 45 percent in awards made for the storage container.

In DESC, the Ground Fuels Division II in Direct Delivery utilized project management principles for solicitations being issued. These principles focused team efforts on early planning to develop timelines, goals, objectives, and keep a score board. The end result was increased key partner participation throughout the entire procurement process. This initiative paid dividends with an increased effort in planning; starting procurements earlier, and placing an emphasis on marketing solicitations to vendors. As a result an increase in offers materialized on several procurements. Recently, the branch began utilizing a marketing service through Dun & Bradstreet called a "Rapid Reach Campaign" that sends out emails to vendors in the Dun & Bradstreet database who are in a selected market area. The rapid reach campaign sent out over 4,000 emails to announce pre-proposal conferences and solicitation issuance with over 1,500 of those emails being opened by potential vendors.

Direct Delivery is also considering a "lean initiative" to investigate a new operational procedure for completing Emergency Open Market Purchases. Using an existing Bunker Seacard Ordering Management System (SCOMS) as a model, DESC is investigating using an automated process to identify and sort potential vendors. This automated system would alert potential vendors when an emergency requirement is needed, allow them to submit their offer electronically and ultimately award and inform them of their contract/order. The system would also notify the activity and the service control point of the award. More importantly this system would enhance competition as it would allow an increase in the number of potential contractors, which in turn will allow more offers to be received.

DSCC continues to pursue Long Term Contracting and Strategic Material Sourcing Initiatives. Both of these important initiatives attempt to maximize acquisition of commercial items wherever possible and to maximize competition by pursuing all avenues of new information and new sources of supply.

Strengthening the Alternate Offer Program:

DSCC maintains a dedicated resource in the Procurement Process Support Directorate to process, track, monitor, and follow up on all SARs. The Competition Advocate also works with the DSCC Source Development Office which continues to offer substantial support for development of new sources of supply. The DSCC Internal Review Office performed an audit of the Alternate Offer Program. The results of the audit will be used to identify gaps in the existing program and will identify areas for improvement. This will aid in developing a more robust Alternate Offer program.

DSCR, the Aviation Supply Chain, received approximately 827 new SARs during FY08. The majority of these (508) were processed by the Small Business Office which provides potential new sources with significant advice and assistance. Many (217) were processed by acquisition specialists who received alternate proposals against active purchases and the balance (102) were processed by the Aviation Engineering Directorate. As of the end of FY08, 188 of these requests had resulted in new approved sources, while 113 were disapproved.

Challenging Brand Name or Military Unique Specifications:

The majority of services and supplies procured by DCSO are commercial, however, frequently the requirements received from customers include the use of brand names. A DCSO policy memorandum regarding the use of brand name specifications highlights the posting requirements to E-Buy. Contracting Officers have been encouraged to question the necessity for brand name items and to ensure that justifications for the use of a brand name meet the requirements of Federal Acquisition Regulation (FAR). When Limited Source Justifications or Justifications and Approvals are submitted for approval, significant emphasis is placed on the performance period of the sole source effort, and also on the need to do extensive market research and analysis to identify alternative acquisition strategies in an effort to transition to a competitive process if practicable.

Virtually all of the multifunctional devices and other Document Automation & Production equipment acquired by DAPS are commercial in nature. Although the current process of utilizing GSA E-Buy has resulted in significant competition, DAPS is also investigating other acquisition strategies to enhance competition, such as competitively soliciting and awarding DOD unique indefinite delivery, indefinite quantity (IDIQ) contracts. The IDIQ contracts would permit maximum competition, further improve cost savings and provide a streamlined ordering process. Sole source justifications for a brand name product are carefully scrutinized and only permitted in exceptional cases.

DSCP's Clothing and Textile supply chain is working with the services on a Supply Request Package process that will provide descriptive data, or at a minimum salient characteristics, which should allow greater competition on acquisitions.

Development of Performance Based Acquisitions:

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.

DNSC developed customer toolkits in FY08 with examples or samples that facilitate Performance Based contracting. DNSC also held performance based refresher training.

Any Barriers to the Acquisition of Commercial Items or Competition That Remain

Because the nine activities (Supply Chains and Service Centers) are so unique in their respective missions and operational environments, the challenges faced by each activity are diverse. Barriers range from proprietary data issues to geographical location challenges. However, as evidenced by the above, DLA is committed and working to reduce the impact of these obstacles to promote competition where possible. To this end, SAR efforts, meetings with industry, and education of the workforce have been and will continue to be critical to DLA's ability to promote competition. An example of some barriers faced by the activities is given below:

In DSCC one of the biggest challenges that remains is supporting systems bought without any technical data. The Government is in a sole source position for most of the replacement items for that end item (ex. Nash Engineering, MRAP). When it is no longer profitable to supply certain items, the OEMs obsolete these items and focuses on selling the next generation of the end item whether the Government wants it or not. The Government can not force the OEM to turn over the technical data. Thus, the Government explores expensive options like reverse engineering or developing new sources. In the case of the MRAP, many of the items on the vehicles are not design stable. Individual trucks from the same OEM may require different parts depending on what day they were manufactured. It makes these items nearly impossible to compete.

The single biggest impediment to competition at DSCR is the nature of the commodities purchased by the Aviation Supply Chain. Many of the aircraft components are critical to the safety of the weapons system and the military personnel involved with the operation of the system. DSCR and the Engineering Support Activities (ESA) in particular, are extremely conservative when processing source approval requests for these items. A specific barrier reducing the approval of new competitive sources is the existing practice of requiring each service that uses an aircraft component to have its own ESA approve a new source. Approval of new sources is delayed until each service approves the item. A proposed solution might be to revise this practice so that the largest user's ESA has responsibility for approval instead of requiring multiple approvals. This would greatly reduce processing time and would allow competitive situations to occur much more often.

In DSCP's Clothing and Textiles supply chain, there still exists a barrier to competition with the purchase of Berets. The impediments to competition for this item include the requirement for very specialized machinery that can only be used in the manufacture of this one item, as well as the technical complexity of the design and manufacture of the item. Actions that are being taken to resolve these impediments include continual market research. Efforts are being made to attract additional producers such as using an extended production leadtime to allow a new manufacturer time to open a plant and acquire the required equipment.

In DESC the current condition of credit markets in the United States is having a direct negative impact on almost all vendors in the electricity market. 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 has caused at least one vendor to cease in their ability to offer and severely limits others.

The government's restrictive specifications for coal continue to be a barrier to competition. Payment terms, in general, continue to be a barrier as commercial practice typically assures payment within 15 days. However, the government cannot meet that time constraint since Government quality control requirements dictate that payment cannot be made until the Quality Assurance Representative has inspected the product and signed the acceptance document, DD Form 250 and the receiving installation has certified the document.

In the DDC many commercial products such as forklifts and other material handling equipment (MHE) require maintenance and replacement of parts. Brand name specific parts for MHE and conveyor systems are a long standing barrier to competition. A significant portion of the equipment requires manufacturer furnished parts, which can only be provided regionally by a single source.

DAPS experiences a similar problem with follow-on maintenance of large scale reprographic production equipment. Although these requirements are solicited competitively, only the original equipment manufacturers (OEMs) have responded to the solicitations. This is primarily due to the substantial investments required by independent firms to develop maintenance capabilities. Also, proprietary diagnostic software, special tools and equipment patents preclude competition. DAPS will continue to competitively solicit these requirements and encourage competing firms to overcome these barriers.

Another consideration for competition goal attainment is the pursuit of small business goals. Striving for excellence in attaining small business goals for the 8(a) and other programs can be counterproductive to attaining high goals in competition. Dollars and actions awarded under the statutory authority of FAR 6.302-5 (sole source 8(a)/Ability One) that are now included in the Federal Procurement Data System (FPDS) competition base contribute to reduced competition achievement percentages.

Other Ways in Which the Agency Has Emphasized the Acquisition of Commercial Items and Competition in Areas Such As Acquisition Training and Research

Conferences with Suppliers:

Many of the activities have reached out to suppliers in an effort to generate interest in upcoming procurements. While there are too many outreach efforts to provide an exhaustive list, some of the notable examples are:

DSCC hosted a Supplier Conference for over 710 suppliers in FY08. One of the main features of the conference is to encourage manufacturers to participate in the acquisition process, to hear seminars on how to do business with DSCC, and to air concerns regarding impediments to becoming viable sources of supply.

DSCR conducted its Aviation Supply Chain Annual Business Conference with approximately 600 vendors in attendance. Several workshops on source approval were conducted to increase interest in the SAR program and educate businesses on the process for submitting alternate offers. A variety of other workshops were offered to assist vendors in their efforts to do business with DSCR. The Competition Advocate personally met with over 20 vendors throughout this conference to discuss their issues, interests, products and proposals.

DNSC hosted a Titanium Symposium Workshop that elicited participation of many competitive contractors.

During its process review, DESC Natural Gas Team held multiple networking sessions in order to seek comment from industry members. These discussions focused on overall contract terms and conditions and how to streamline the solicitation into a more commercial format; shortening the time from receipt of price proposal to award of contract; overall review of customer's requirements and reviewing all non-value added steps in the procurement process. DESC held meetings with various natural gas suppliers and local distribution companies, attended the GASMART conference, and participated in a Natural Gas 101 training workshop to discuss proposed changes and develop additional connections within the industry.

Educating the Workforce:

The DLA activities coordinate with the workforce to educate them and improve competition. Local Program Management Reviews are held frequently to identify key areas, such as market research, to encourage continual improvement. Other notable activities include:

In DSCR the Competition Advocate conducted both individual and small group instruction regarding conducting and documenting market research used in the identification of new commercial sources. Notable sessions included: Sensing Elements, Aircraft Power Cables, and Chip Detectors.

DSCP's Competition Advocate provided a special presentation to C&E customers of the Heavy Equipment Procurement Program. The focus of this presentation was the proper way to research, draft and present supporting rationale for limiting competition to a single source, if deemed necessary. In the presentation, recent GAO decisions were used to illustrate the need for adequate and timely market research, allowing time to evaluate alternate offers and the issue of customer preferences versus the Government's minimum requirements

The DCSO Contract Quality Management Plan (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 short term competitive contracts until the follow-on contract is in place. The CQMP states that any bridge contracts issued will be permitted only after all alternatives are considered, and requires the approval of the Competition Advocate and the Chief of the Contracting Office.

A DAPS Contracting Officer conference was held which included a discussion of competition goals and methods to improve competition.

Maximizing Small Business Opportunities

The DLA Competition Advocates continue their close coordination with their respective Small Business Offices in identifying, developing, and qualifying new sources. The Competition Advocates meet with small business firms and participate in development/industry programs for small business. Some notable examples are:

The DSCC Small Business office hosts monthly Capability Briefing Sessions in order give small businesses an opportunity to present an overview of their capabilities, quality systems, competencies, and the products they produce. These sessions also provide an opportunity for suppliers to present an overview of their company to DSCC associates such as Buyers, Product Specialists, Industrial Specialists, Engineers, Competition Advocate, and others interested in developing new sources of supply. The contractors have been overwhelmingly pleased with this opportunity and a number of DSCC associates have found companies whose capabilities matched current requirements.

DESC's Subcontracting Compliance Team conducted 18 compliance reviews in FY08. During these subcontracting compliance reviews, the vendors' records were scrutinized closely to ensure small businesses were given maximum opportunities to compete on contracts. Large vendors with subcontracting plans who did not meet their goals and could not demonstrate a good faith effort to subcontract to small businesses were not given favorable ratings. DESC personnel provided assistance to large businesses that had difficulty in locating small businesses and encouraged their participation at various small business training conferences.

Also in DESC, the CONUS Storage Division made significant increases in small business set-aside awards with an Air Force GOCO program. One site in each of the four domestic regions was set-aside for award to a service-disabled veteran owned small business. The contractors provide bulk aviation and ground fuel storage operations and maintenance. This is a significant change in responsibilities for both the Air Force and DESC. The program supports DESC's expanding role to provide total supply chain management. The program also facilitates Air Force compliance with the initiative for manpower reduction requirements by shifting personnel from support capabilities to war fighting capabilities. The contracts are five-year multi-year contracts with a total estimated value of $6,510,961.

The Small Business Office in DSCP continues to partner with state and local professional organizations and associations, maintain liaisons with local Minority Business Development Associations and participates in a wide range of business fairs, conferences and seminars. Some examples of the many conferences hosted or attended by small business and contracting personnel from DSCP are: the Industrial Fabric Association Supplier Conference, the DSCP Ability One Business Opportunities Fair, the Small Business Procurement Fair sponsored by the Alliance Mid-Atlantic, the 2008 NISH National Training Conference, the DLA Woman-owned Small Business Procurement Conference and the SBA Matchmaking Conference.

The most effective way to maximize small business opportunities in the Aviation Supply Chain continues to be the expansion and encouragement of new Source Approval Requests. In nearly all current SAR situations, the large OEM who initially produced the aircraft or major subsystem is the only approved source and there are small business manufacturers of components who would like to get source approval. Over 96 percent of Source Approval Requests came from small businesses during the last fiscal year.

Fair Opportunity

Based on the January 7, 2009, e-mail from DPAPSS transmitting Fair Opportunity Statistics for 2008, DLA achieved a Fair Opportunity Rate of 94.6 percent for contract actions and 87.1 percent for dollars. This number is inclusive of all Federal Supply Schedule, GWAC, and Multiple Award contracts placed by the agency. DLA's fair opportunity numbers have increased from those of FY07, at 90.7 percent and 83.3 percent, respectively. The largest exception to Fair Opportunity in FY08, based on the December 16, 2008, DPAPSS e-mail, was "Only One Source-Other" at 4.19 percent of actions and 8.41 percent of dollars. The second largest exception was "Follow-On Actions" at .51 percent of actions and 1.12 percent of dollars.

For DLA's multiple award contracts (from the December 16, 2008, DPAPSS e-mail), the Fair Opportunity Rate was 92.14 percent of dollars for FY08. The largest exception to Fair Opportunity was 6.94 percent of dollars, attributable to "Only One Source Other".

DLA's components have increased the review and oversight of the placement of delivery or task orders under multiple award contracts such as having orders as low as $100,000 reviewed by the Chief of Contracts/Competition Advocate at smaller organizations and conducting local reviews by the Contract Administration and Compliance Divisions of the larger organizations to monitor the integrity of order placement. The DLA components place particular emphasis on the competitive evaluation and the adequacy of the justification for any waiver to competition. In many of our organizations the Competition Advocate is also designated as the Delivery Order Ombudsman and is the point of contact for any vendors who are unsatisfied with a delivery order competition associated with multiple awards contracts. Procurement Management Reviews by DLA Headquarter's Procurement Integrity and Pricing Division serve as an additional check for compliance with fair opportunity rules for multiple awards and use of Part 8 Federal Supply Schedules.

DLA is committed to continually conducting Fair Opportunity to the maximum extent possible and will continue to monitor and track this statistic over the FY09 time period.

Additionally, DLA will continue its oversight of various activities to stress the importance of fair opportunity and the value of post award competition.

Trend Analysis and FY09 Competition Goals

For the last three years, DLA had competition goals of 91 percent for dollars and 89-91 percent for actions. The goal for actions was lowered slightly in FY08 to account for the change in the way FPDS calculates the competition base by no longer excluding those actions "not available for competition". As seen in the table below, DLA has strived to continually reach the yearly goals:

	Goals		**Actual**	
	Dollars	**Actions**	**Dollars**	**Actions**
FY05	91%	91%	91.3%	91.0%
FY06	91%	91%	91.3%	90.5%
FY07	91%	91%	92.0%	89.0%

Competition levels have remained relatively the same and DLA has undertaken new efforts to achieve competition. It is these efforts that have allowed the Agency to maintain very high rates of competition for both dollars and actions despite the addition of the Service detachments that have lower rates of competition. Much of the "low hanging fruit" or easy competition wins have been implemented. The remaining percentages are particularly due to the continuing barriers, some of which were described earlier. While DLA is committed to further tackling those barriers, the probability that the Agency will be able to achieve 100 percent competition on every action is unrealistic.

Given the last three years worth of data, FY09 preliminary performance, the competitive barriers that remain as noted in the report, and the continuing integration of nine service sites for Depot Level Reparables (DLR) which often contain sole source items, DLA will strive to meet the OSD directed goal of 88 percent for contracting dollars. The contracting actions goal will be 90 percent.