Department of Defense's

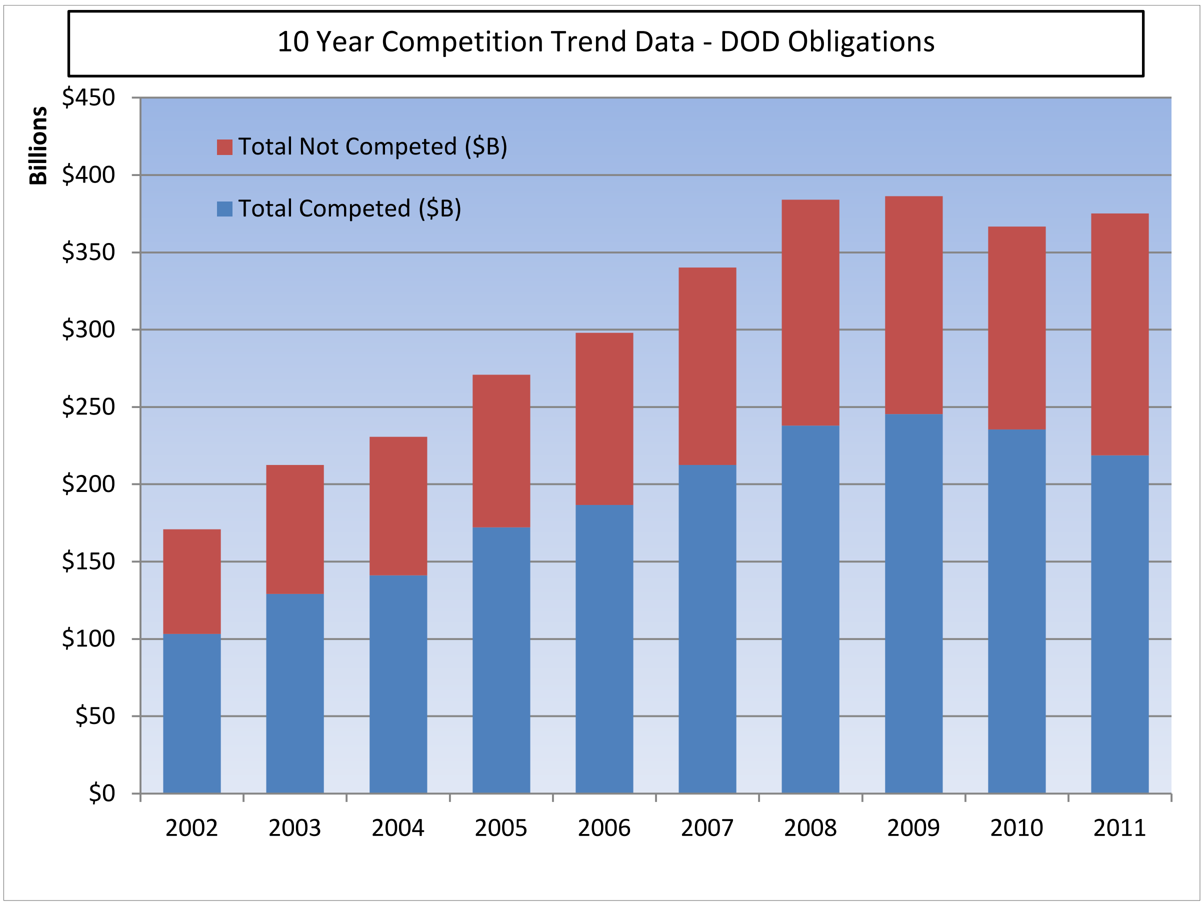
Competition Report

For FY 2011

I. Competition Trends

The Department of Defense (DoD) total dollars obligated increased from $367 Billion (B) in Fiscal Year (FY) 2010 to $375 B in FY 2011 with $219 B in competitive dollar obligations for an overall competition rate of 58%. Even though the total dollars obligated has varied significantly over the past ten years, overall competition rates have remained relatively stable with a high of 65% in FY 2009 to 58% in FY 2011 for a ten year average of 62%. Figure 1 below reflects the DoD trend data for competitive vice non-competitive dollars.[1]

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



[1] The source of FY 2002-2006 data is DoD's DD 350 legacy system. The source for the FY 2007 thru FY 2011 data is the Federal Procurement Data System (FPDS) "Competition Report." The FY 2011 report uses the "new" competition report based on data from January 6, 2012. The FY 2007 through FY 2010 reports used the "old" methodology with actions coded as "Not Available for Competition" counted as non-competitive dollars. The FY2010 report was based on the data from January 7, 2011; the FY 2009 on January 6, 2010; and FY 2007/2008 on January 15, 2009.

Overall Competition

The Overall Competition Report provides a summary of the level of competition achieved by the Department and Components, which varies depending upon the type of product or service being procured. As noted in the FY 2010 Competition Report, DoD began tracking overall competition using the "new" methodology in the Federal Procurement Data System (FPDS) and will use only the new methodology in FY 2011 report. The new methodology tracks whether fair opportunity is provided at the order level and only counts those orders as competed if fair opportunity is provided. The new methodology is intended to more accurately capture competition achievements on orders under multiple award contracts (MACs) and federal supply schedules (FSS).[2] Table 1 below illustrates how the level of competition varied by DoD Component in FY 2011 based on this new methodology in the competition report.[3]

Table 1 – FY 2011 Overall Competition Report by DoD Component

Contracting Agency	Total Dollars	Competed Dollars	% Competed Dollars
DEPT OF THE ARMY	$ 125,146,349,006	$ 78,492,670,222	63%
DEPT OF THE NAVY	$ 105,423,539,438	$ 50,266,407,480	48%
DEPT OF THE AIR FORCE	$ 65,491,757,117	$ 27,656,259,855	42%
DEFENSE LOGISTICS AGENCY	$ 35,936,350,533	$ 29,616,416,114	82%
BUSINESS TRANSFORMATION AGENCY	$ 29,718,423	$ 24,187,431	81%
DEFENSE ADVANCED RESEARCH PROJECTS AGENCY	$ 1,160,715,487	$ 1,024,653,470	88%
DEFENSE COMMISSARY AGENCY	$ 6,290,531,285	$ 1,251,765,816	20%
DEFENSE CONTRACT MANAGEMENT AGENCY	$ (35,953,632)	$ 141,065,585	-392%
DEFENSE FINANCE AND ACCOUNTING SERVICE	$ 232,250,470	$ 108,535,943	47%
DEFENSE HUMAN RESOURCES ACTIVITY	$ 62,484,005	$ 34,583,196	55%
DEFENSE INFORMATION SYSTEMS AGENCY	$ 5,370,283,019	$ 4,347,879,716	81%
DEFENSE MEDIA ACTIVITY	$ 156,327,244	$ 135,847,309	87%
DEFENSE MICROELECTRONICS ACTIVITY	$ 836,345,363	$ 667,611,352	80%
DEFENSE SECURITY COOPERATION AGENCY	$ 60,256,365	$ 48,984,376	81%
DEFENSE SECURITY SERVICE	$ 81,158,201	$ 79,340,005	98%
DEFENSE THREAT REDUCTION AGENCY	$ 985,122,060	$ 829,127,168	84%
DEPT OF DEFENSE EDUCATION ACTIVITY	$ 313,004,446	$ 286,417,723	92%
MISSILE DEFENSE AGENCY	$ 5,382,146,534	$ 3,482,140,669	65%
TRICARE MANAGEMENT ACTIVITY	$ 11,776,822,826	$ 10,624,771,272	90%
U.S. SPECIAL OPERATIONS COMMAND	$ 2,638,881,215	$ 1,742,659,928	66%
UNIFORMED SERVICES UNIV. OF THE HEALTH SCIENCES	$ 54,701,869	$ 22,065,472	40%
USTRANSCOM	$ 7,236,913,372	$ 7,210,404,759	100%
WASHINGTON HEADQUARTERS SERVICES	$ 755,255,947	$ 611,797,070	81%
TOTAL	**$ 375,384,960,592**	**$ 218,705,591,932**	**58%**

[2] Under the "old" methodology, orders under MACs and FSS were counted as competitive based on how the initial contract award was coded in FPDS along with follow-on actions to previously competed actions.
[3] The source is the FPDS Competition Report, run on January 6, 2012. Figures contained in the Military Department's and Defense Agency's Competition Reports may vary if the Competition Report was run on any other day since FPDS is a dynamic system. Defense Contract Management Agency competition reflects de-obligations actions from its contract management offices that result in negative total dollars obligated with a corresponding negative competition rate.

Utilizing the new methodology, the FY 2011 Competition Report shows $219 B was competitively obligated for an overall competition rate of 58% ($219 B/$375 B). This represents a four percent drop from the FY 2010 achieved rate of 62% ($227/$366) with an associated decrease of $8 B in the competed obligation amount. It should be noted that the Department's competition rate is based on dollars obligated. If measured based on contract actions competed, the competition rate was 83.5%, to reflect improved competition for lower dollar value contract actions.

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

During FY 2011, the decrease in competitive obligations was largely the result of high dollar contract awards and modifications for non-competed actions of major systems like the LPD-26 and DDG 1000 ships; the Virginia Class submarine; and the F-22, C-17, C-5, JSF and P-8 aircraft programs. Competitively awarded contracts for Littoral Combat Ships and the DDG 114-116 Arleigh Burke Class Destroyers are examples of major system contracts that improved competition in the Department.

Effective Competition

Effective competition is a new measure in the FY 2011 Competition Report resulting from the Under Secretary of Defense for Acquisition, Technology and Logistics (USD (AT&L's)) Better Buying Power Initiative for promoting real competition as discussed later in Section II Initiatives. Effective competition is defined as a market condition that exists when more than one offer is received in response to a solicitation issued using competitive procedures for the following contract actions: (1) contracts and purchase orders; (2) orders and calls under Part 13 BPAs/BOAs; (3) delivery/task orders issued under multiple award schedules, government wide acquisition contracts, and ID/IQs contracts -- considering fair opportunity; (4) BPAs and BPA calls under Federal Supply Schedules; and (5) single award ID/IQs contracts and the resulting delivery/task orders. Defense Procurement and Acquisition Policy (DPAP), in coordination with Defense Manpower Data Center (DMDC), developed the Ad Hoc FPDS Report "Competed with Only One Offer" to capture effective competition data. Each component used this report to measure FY 2011 effective competition obligation amounts. Table 2 below provides a summary of the effective competition achievement for the Department and each Component in FY 2011.[4]

Table 2 – FY 2011 Effective Competition Report by DoD Component

Contracting Agency	Total Competed Dollars	Only One Offer Competed Dollars	Effective Competition Dollars	Effective Competition
DEPT OF THE ARMY	$ 78,492,670,222	$ 15,529,560,601	$ 62,963,109,621	80%
DEPT OF THE NAVY	$ 50,266,407,480	$ 11,083,595,555	$ 39,182,811,926	78%
DEPT OF THE AIR FORCE	$ 27,656,259,855	$ 4,142,070,358	$ 23,514,189,497	85%
DEFENSE LOGISTICS AGENCY	$ 29,616,416,114	$ 3,267,129,369	$ 26,349,286,745	89%
BUSINESS TRANSFORMATION AGENCY	$ 24,187,431	$ 5,218,527	$ 18,968,903	78%
DEFENSE ADVANCED RESEARCH PROJECTS AGENCY	$ 1,024,653,470	$ 335,094	$ 1,024,318,376	100%
DEFENSE COMMISSARY AGENCY	$ 1,251,765,816	$ 12,744,134	$ 1,239,021,682	99%
DEFENSE CONTRACT MANAGEMENT AGENCY	$ 141,065,585	$ 64,110,929	$ 76,954,656	55%
DEFENSE FINANCE AND ACCOUNTING SERVICE	$ 108,535,943	$ 31,380,688	$ 77,155,255	71%
DEFENSE HUMAN RESOURCES ACTIVITY	$ 34,583,196	$ 5,324,213	$ 29,258,984	85%
DEFENSE INFORMATION SYSTEMS AGENCY	$ 4,347,879,716	$ 1,122,047,794	$ 3,225,831,922	74%
DEFENSE MEDIA ACTIVITY	$ 135,847,309	$ 5,366,251	$ 130,481,058	96%
DEFENSE MICROELECTRONICS ACTIVITY	$ 667,611,352	$ 628,395,150	$ 39,216,203	6%
DEFENSE SECURITY COOPERATION AGENCY	$ 48,984,376	$ 14,274,233	$ 34,710,143	71%
DEFENSE SECURITY SERVICE	$ 79,340,005	$ 6,174,855	$ 73,165,150	92%
DEFENSE THREAT REDUCTION AGENCY	$ 829,127,168	$ 141,399,926	$ 687,727,242	83%
DEPT OF DEFENSE EDUCATION ACTIVITY	$ 286,417,723	$ 64,115,454	$ 222,302,270	78%
MISSILE DEFENSE AGENCY	$ 3,482,140,669	$ 1,579,168,380	$ 1,902,972,289	55%
TRICARE MANAGEMENT ACTIVITY	$ 10,624,771,272	$ (1,482,340)	$ 10,626,253,612	100%
U.S. SPECIAL OPERATIONS COMMAND	$ 1,742,659,928	$ (15,980,913)	$ 1,758,640,841	101%
UNIFORMED SERVICES UNIV OF HEALTH SCIENCES	$ 22,065,472	$ 2,873,818	$ 19,191,654	87%
USTRANSCOM	$ 7,210,404,759	$ 339,557,916	$ 6,870,846,843	95%
WASHINGTON HEADQUARTERS SERVICES	$ 611,797,070	$ 100,272,502	$ 511,524,567	84%
Total	**$218,705,591,932**	**$ 38,127,652,495**	**$ 180,577,939,438**	**83%**

In FY 2011, the Department achieved an "Effective" competition rate of 83% with almost $181 B in "Effective Competition Dollar" obligations and $38 B in "Only One Offer Competed Dollar" obligations. This is a $10 B decrease from the FY 2010 "Only One Offer" obligated amount of $48 B, and most importantly, equates to a 4% <u>improvement</u> over the FY 2010 baseline rate of 79%. In FY 2012, the Department continues to emphasize improvements in effective competition through the issuance of a DFARS Rule.

[4] The source is the FPDS Competed with Only One Offer Report run on January 6, 2012. Figures contained in the Military Department's and Defense Agency's Reports may vary if the Competed with One Offer Report was run on any other day since FPDS is a dynamic system. The TRICARE Management Activity and U.S. Special Operations Command's negative "Only One Offer Dollars" amounts represent de-obligations on single award contracts and orders that resulted in 100% or greater effective competition rates.

Fair Opportunity

In FY 2009, the Department began reporting Fair Opportunity using a DMDC developed report to track fair opportunity accomplishments. Fair Opportunity reporting is included in the new Competition Report discussed above. Table 3 below illustrates the fair opportunity obligation trend data for the DoD during FY 2009 through FY 2011 with the fair opportunity competition obligation amounts and rates increasing slightly from 87% to 88% in FY 2010 to FY 2011[5].

Table 3 – FY 2009 to FY2011 Fair Opportunity Trend Data

Year	Fair Opportunity Given	Exceptions to Fair Opportunity	Total Subject to Fair Opportunity Dollars	% of Fair Opportunity Given	% of Fair Opportunity Not Given
FY 2009	$52,195,263,835	$7,867,984,368	$60,063,248,203	87%	13%
FY 2010	$57,406,493,846	$8,697,814,907	$66,104,308,753	87%	13%
FY 2011	$58,450,104,612	$8,096,389,226	$66,546,493,838	88%	12%

DMDC also provides a report that identifies the extent of fair opportunity achievement by the various types of MAC. Specifically, whether a DoD order is placed against a DoD awarded multiple award task or delivery order contract, a Federal Supply Schedule (FSS), a Government-wide Acquisition Contract (GWAC), or a multiple award task or delivery order contract awarded by another non-DoD activity. Table 4 below summarizes how DoD fair opportunity achievements for FY 2011 vary by type of multiple award contract[6].

Table 4 – Fair Opportunity by Type of Multiple Award Contract

	Total Obligations Under MACs	DoD MACs	FSS	GWAC	Non-DoD MACs
Obligations	$ 66,618,541,914	$ 57,061,009,748	$ 8,062,411,696	$ 1,093,451,279	$ 401,669,191
% of Total Order Obligations	100.0%	85.7%	12.1%	1.6%	0.6%
Fair Opportunity Given	$ 58,571,179,114	$ 51,045,038,128	$ 6,177,925,785	$ 990,658,035	$ 357,557,166
% of Fair Opportunity Given (Obligations) by Type of Multiple Award Contract	87.9%	89.5%	76.6%	90.6%	89.0%

[5] The source for the FY 2009 fair opportunity statistics are the PDI/DMDC reports utilizing "frozen data" as of January 06, 2010. The source for the FY 2010 fair opportunity statistics are the fair opportunity workflow in the new FPDS Competition Report, as of January 7, 2011. The source for FY 2011 fair opportunity statistics is the fair opportunity workflow in the FPDS Competition Report, as of January 6, 2012.

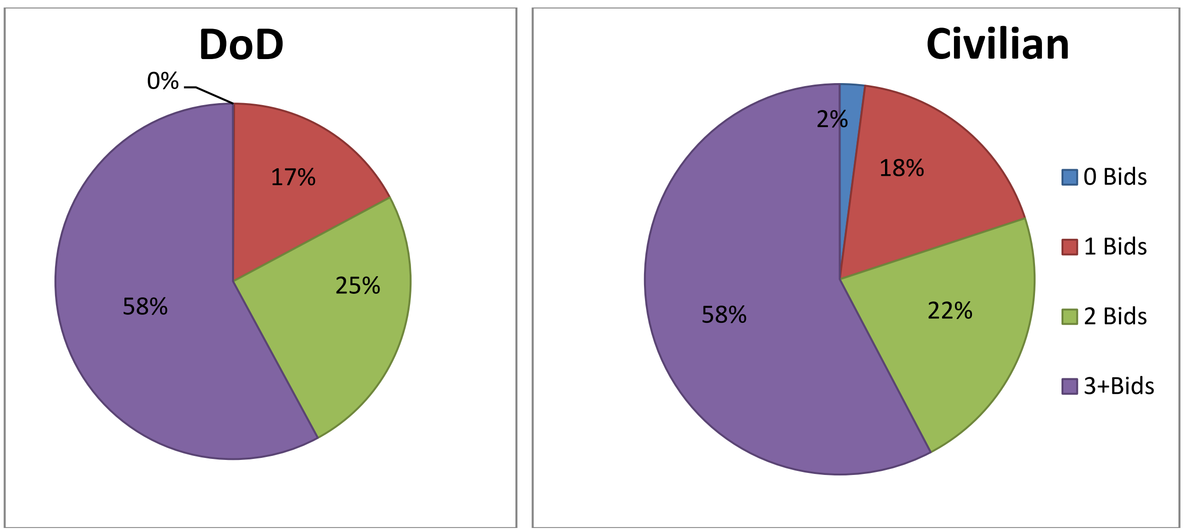
[6] Source of data is FPDS as of March 12, 2012.

The different obligation amounts for Total Subject to Fair Opportunity (Table 3) and Total Obligations under MACs in (Tables 4) is due to the different dates the reports were prepared. In FY 2011, the extent of fair opportunity achieved continues to improve with increases in every type of MAC compared to FY 2010 achievements.

<u>Number of Offers</u>

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

Figure 2 – Number of Offers on Competitive Award Dollars[7]



The breakout of bids/offers among DoD and Civilian agencies is comparable with "single bid" offers slightly lower for DoD. The "0" bids represent BOAs, BPAs, FSS, and GWACs contract actions that do not report number of offers and are included in the zero bid category. The FY 2011 "number of offers" statistics is used in the new competition metric "Effective Competition" described above and in more detail in the Initiatives section below.

[7] Source of data is FPDS as of March 12, 2012.

Non-Competitive Obligations

The new Competition report includes a summary of total dollars obligated, total dollars competed, null values for extent competed and total dollars not competed. Table 5 below provides a summary of the non-competitive details in FY 2011 with total dollars not competed increasing from $140.4 B in FY 2010 to $156.4 B in FY 2011. The report shows non competed "orders with exceptions to fair opportunity" decreased by $1.4 B from $9.5 B in FY 2010 to $8.1 B in FY 2011, while non-competitive "contract obligations authorized by Justification and Approval (J&A) authority" and obligations not competed using Simplified Acquisition Procedures increased from $130.9 B in FY 2010 by $17.4 B to $148.3 B in FY 2011 for a net increase in non-competed obligations of $16.0 B.

Table 5 – Non-Competitive Details[8]

Total Dollars Obligated		**$ 375,384,960,592**	**% of Total Dollars**
Total Dollars Competed		$ 218,705,591,932	58%
Null Values and Report Delta		$ 236,804,435	0%
Total Dollars Not Competed		$ 156,442,564,225	42%
Orders with an Exception to Fair Opportunity	$ 8,061,246,548	5%	2%
Contract Actions Authorized by J&A Authority	$ 148,381,317,677	95%	40%
Breakout of Various J&A Authorities		**% of J&A Authorities**	**% of Total Dollars**
FAR 6.302-1 "Only One Source"	$ 108,525,817,174	73%	29%
FAR 6.302-2 "Urgency"	$ 4,894,250,499	3%	1%
FAR 6.302-3 "Mobilization, Essential R&D"	$ 6,846,453,955	5%	2%
FAR 6.302-4 "International Agreement"	$ 4,535,312,844	3%	1%
FAR 6.302-5 "Authorized or Required by Statute"	$ 17,122,957,481	12%	5%
FAR 6.302-6 "National Security"	$ 2,712,142,709	2%	1%
FAR 6.302-7 "Public Interest"	$ 455,397,720	0%	0%
Not Competed Using SAP	$ 3,046,352,457	2%	1%
Null value for reason not competed	$ 242,632,838	0%	0%
Total	$ 148,381,317,677	**100%**	**40%**

Obligations under the "Only One Source" J&A authority increased from 26% of total obligations in FY 2010 to 29% in FY 2011 to account for $13.4 B of the $16.0 B increase in non competed dollars. As noted in the overall competition section above, much of the increase in non competitive contract obligations was for major weapon systems and specialized equipment that are important investments in support of our national security strategy. The percentage breakout for other J&A authorities remained consistent with previous years with 5% "Authorized or Required by Statute"

[8] FY11 Data (Source January 6, 2012)

in support of socio-economic programs such as 8a, HUBZone, Federal Prison Industries, Unicor, NIB/NISH, and Service Disabled Veteran Owned Small Business; 1% for "International Agreements" supporting Foreign Military Sales programs under which our foreign partners generally specify the vendor; and the remaining dollars spread among other authorities with only 1% attributable to urgency. Notwithstanding the increase in noncompetitive contract dollars, the Department continues to strive for greater competition in future years.

II. Initiatives

Better Buying Power (BBP) Initiative – Promoting Real Competition

As discussed earlier in Effective Competition, the Department continued to stress the importance of competition through the BBP initiatives to maximize competition in situations where only one offer is received in a competitive procurement. USD (AT&L) issued an Implementation Directive, dated November 4, 2010, directing military departments and defense agencies to increase their overall competition and effective competition rates by two and ten percent, respectively.

DPAP further implemented the initiative in the memorandum "Improving Competition in Defense Procurements," dated November 24, 2010, and follow-on memorandum "Improving Competition in Defense Procurements – Amplifying Guidance," dated April 27, 2011. These memoranda promote real (i.e., effective) competition by providing the necessary time and guidance to ensure more robust competition in the DoD contracting community. The memoranda instruct contracting officers to re-solicit for another 30 days any solicitation that was open for less than 30 days and only one offer was received. If only one offer is received after the re-solicitation period, the contracting officer is directed to use price or cost analysis to determine the offered price is fair and reasonable to ensure that the best value is received for the contract. DFARS Case 2011-D013 "Only One Offer" was initiated to implement the policy in regulation and is anticipated to be issued as a final rule in FY 2012.

DPAP also encouraged use of DoD Office of Small Business Programs Maximum Practicable (MaxPrac) Opportunity Analysis Model as a way for the Components to analyze and identify opportunities for improving competition in services similar to how MaxPrac is used to increased small business participation

In FY 2011, the BBP initiative focused on promoting real competition resulted in improvements to effective competition as noted above, but the improvements to overall competition were not immediately evident, signifying the initiative will take time to produce the intended results.

Peer Reviews

DPAP continues to review all proposed acquisition greater than $1 B to ensure the requirements are clear and well defined, the acquisition approach and business strategy are appropriate, and that there are mechanisms in place to provide appropriate oversight of contractor performance. Beginning in FY 2012, the Director, Defense Pricing will conduct peer reviews of all sole source procurements in excess of $500M that require the submission of cost and pricing data. The Peer Reviews ensure policy and regulations are being implemented in a consistent and appropriate manner throughout the department to continually improve the contracting process and to share best practices and lessons learned. The reviews also cover appropriate use of performance-based acquisition and commercial item competitions to include opportunities for small business. The Components also have management processes in place to ensure effective management and oversight of lower dollar acquisition of services.

Examples of Component Initiatives

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

- Procure data rights from Original Equipment Manufacturers (OEMs) in weapons system programs to compete for spare or replacement parts
- Component level breakout of weapon systems acquisitions where applicable.
- Draft RFPs and Pre-solicitation Conferences to minimize appearance of requirements being generated with a specific target in mind.
- Challenges to brand name or military unique specifications to minimize non-competitive contract awards.
- Developing “second sources” for previously sole sourced requirements in conjunction with using simplified purchases to meet requirements until “second source” was fully evaluated.
- Briefings with Supply Chain Acquisition Executives to emphasize competition and establish metrics for measuring competition.
- Continued focus on overall and effective competition through the BBP and Improving Competition in Defense Procurement Initiatives.
- Continued education of requirements organizations in writing functional, outcome-based requirements statements for requirements.
- On-site or road show training and development of user handbooks on market research, competition, commercial items and performance-based acquisition for acquisition professionals and contracting officer representatives.

- Contract action boards that review market research for sources and quality and level of competition.
- Provide fair opportunity for orders to include Competition Advocate or Independent Contracting Officer Reviews of exceptions to fair opportunity.
- Continue Peer Reviews and Program Management Reviews to encourage more competition and continuous process improvement.
- Awards program to recognize outstanding performance in improving competition and/or recognition of employees who made a special effort to make awards to small business.
- Continued focus on ensuring accuracy of data reported in the Federal Procurement Data System.

III. Barriers to Competition

The Department continues making efforts to improve competition. Aside from the product/service mix discussed in Section I, the Components Competition Reports provide additional impediments to competition, some of which are summarized below.

- Aging weapon systems and non-competitive follow-on buys
- Unique/critical mission or technical requirements.
- Proprietary rights on items developed at private expense
- Lack of good technical data packages.
- High Dollar directed source Foreign Military Sales (FMS) procurements
- Approval process and substantial investment/testing required for alternate sources for critical items and maintenance capability.
- Workload reductions and transition of contracting personnel associated with Base Re-alignment and Closure activity.
- Extended Continuing Resolutions necessitated sole source bridge contracts to avoid program disruptions.
- Classified Requirements.
- Socio-Economic program set asides.

IV. Recommendation to the Defense Acquisition Executive

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

Advocates to enable visibility and assist in the analysis of overall and effective competition as well as fair opportunity achievements.

System of Accountability

In FY 2011, the Department used the "new" methodology to track overall competition statistics. In July 2011, OMB formally deployed the new report by moving it from the System Administrator section of FPDS to the Standard Reports section. The Department uses the same report to track fair opportunity competition on task/delivery orders under multiple award contracts. As described in the Effective Competition section above, DPAP began using the new FPDS Report entitled "Competitive but Only One Offer" to track and report effective competition for the Department and Components in FY 2011. Collectively, these reports are used to track and report on competition at the quarterly competition advocate meetings and to prepare the annual competition reports.

DOD Competition Goals

The FY 2012 overall competition goal was set at 60% recognizing the Department's achieved overall competition rate of 58% fell short of the 63% goal established under the USD(AT&L) BBP Initiative, and even further short of the DoD Enterprise level established under the High Priority Performance Goal (HPPG) for the reasons cited above. To remain consistent with the guidance in the USD (AT&L) BBP Initiative, a two percent increase over the FY 2011 achieved rate was used to establish the Department's overall competition goal for FY 2012. In this context, a 60% goal for overall competition with one percent annual increases in future performance years is realistic and consistent with the HPPG.

Recommendation

The USD(AT&L) continue to stress the importance of competition through the policies and initiatives described herein to enable improvement in the Department's Overall and Effective Competition rates.

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

DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY OF THE ARMY
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SAAL-ZP

FEB 15 2012

MEMORANDUM FOR DIRECTOR, DEFENSE PROCUREMENT AND ACQUISITION POLICY

SUBJECT: U.S. Army Competition Report: Fiscal Year 2011 (FY11)

1. Enclosed is the U.S. Army's competition report for FY11 that includes an analysis of trends, fair opportunity results, impediments and efforts to enhance competition. The Army pulled data from the Federal Procurement Data System-Next Generation database as directed by your office in coordination with the other Department of Defense agencies.

2. Our contracting offices are making a dedicated effort in the face of a constantly increasing workload with decreasing personnel resources to support our Soldiers in their current mission while developing the acquisition strategies for future system requirements. The report reflects the initiatives made to maximize competition and get the best value for the taxpayer and the Soldier.

3. Given the current budgetary situation and emerging requirements, enhancing our near-term competitive picture remains a challenge. By rebuilding our contracting workforce and focusing on our larger cost drivers, the Army will make every effort to ensure that the Army benefits from a competitive marketplace in the coming years to the maximum extent practicable.

4. Point of contact for this memorandum is Ms. Felicia Harvey, (703) 617-0445, or e-mail: felicia.m.harvey.civ@mail.mil.

Kim D. Denver
Deputy Assistant Secretary
of the Army (Procurement)

Encl

ARMY COMPETITION REPORT

FY 2011

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

Army Competition Report 2011

I. Rates of Competition:

The Army's overall rate of competitive obligations in dollars for fiscal year 2011 (FY11) was 62.7%. The Army goal for FY11 was 65%.

Figure 1 below displays the top-level breakout of Competition by Dollars. These are the official totals extracted from the FPDS-NG database on 5 January 2012.

Competition By Dollars

Competition Base (Dollars)	Competed (Dollars)	Percentage Competed (Dollars)
$125,146,792,997	$78,505,038,165	62.7%

Figure 1

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

Demonstrated in Figure 2 below, the competitive percentages are lower when measured by actions. All commands are making an effort to compete what they can, but high dollar non-competitive buys drive the overall picture. In addition, the extended duration of the Continuing Resolution required sole source procurements to avoid major disruptions to essential government services and the need to purchase many of the spares and upgrades from the original equipment manufacturer or the original suppliers. This is due in large part to the fact that technical data packages were not procured in the original contract action leading to sole source requirements for follow-on maintenance and support contracts as well as required spares and upgrades.

Competition By Actions

Total Army Actions	Competed (Actions)	% Competed Actions
596,287	350,804	58.83%

Figure 2

Follow-on to Competition category summarized below in Figure 3, which comprises of 5,998 actions, for a total of $2,000,960,628 or less than 0.0250 % of the total Army actions and less than 1% of the dollars.

Follow-On to Competition

Follow-On to Competed Actions	Percentage Follow On to Competed Action (Dollars)	Follow-On to Competed Action (Actions)	% Follow-On to Competed Action (Actions)
$2,000,960,628	48.14%	5,998	39.59%

Figure 3

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

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

Not Available for Competition

Not Available for Competition (Dollars)	% Not Available for Competition (Dollars)	Not Available for Competition (Actions)	% Not Available for Competition (Actions)
$46,595255,691	37.23%	244,461	40.99%

Figure 4

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

Figures 5a and 5b detail the Army's results, by actions and dollars, of conducting "fair opportunity" competitions on multiple-award task order contracts, and reflect the newer contracts captured in FPDS-NG:

Non Competitive Orders using exception to Fair Opportunity

Exception	Actions	Dollars	% Actions	% Dollars
No Exception - Fair Opportunity Given	84,255	$30,866,060,733	14.12%	24.66%
Exception to Fair Opportunity	15,150	$4,156,007,112	17.98%	13.45%
Follow-On to Following Competitive Action	5,998	$2,000,960,628	39.59%	48.14%
Minimum Guarantee	815	$249,370,387	5.37%	6.00%
Other Statutory Authority (DFARS 208.405-70(b)(1))	1,382	$368,472,045	9.12%	8.86%
Urgency (FAR 8.405-6(b)(3)	310	$136,095,298	2.04%	3.27%
Only one source – Other (FAR 8.405-6(b)(1)	6,645	$1,401,108,751	43.86%	33.71%
Total Exceptions to Fair Opportunity	30,300	$ 8,312,014,221	3.59%	2.69%

Figure 5a

Competitive Orders Subject To Fair Opportunity

Exception	Actions	Dollars	% Actions	% Dollars
No Exception - Fair Opportunity Given	84,255	$30,886,060,733	14.12%	24.66%
Competitive Orders Subject to Fair Opportunity Actions	68,130	$26,703,378,295	80.86%	86.45%

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. This bodes well for our ability to maintain competition in the services sector, as we transition most of our large services use of non-DOD contracts to DOD contracts. The only area of concern here is the large proportion of "only one source exceptions.

II. Impediments to Competition:

U.S. Army Corps of Engineers National Contracting Organization (USACE), Within Principal Assistant Responsible for Contracting (PARC)-Dallas, awards within the 8(a) program and those to Alaskan Native Corporations (ANCs) are the largest impediments to achieving the established goal.

PARC-Winchester supports several unique programs including OCONUS work performed by Transatlantic Middle East District (TAM). Many small businesses lack the ability or resources to work OCONUS. As a result, the Small Business Liaison is trying to increase partnership abilities by fostering relationships with large businesses seeking to support subcontractors.

Across the board, the USACE PARC/-Atlanta Districts/Divisions and PARC-Dallas reported that the single most significant factor impacting FY11 goal achievement is the inclusion of "not available for competition" in the competition base. If the calculation was based on the historical process of removing dollars from the competition base that were categorized as "not available for competition" all PARC-ATL Districts/Divisions would have achieved a green rating. As it stands, three (3) Divisions are green (LRD - Lakes & Rivers Division; MVD - Mississippi Valley Division; and SAD - South Atlantic Division). The NAD-North Atlantic Division is amber at 87.90% including 8a set-asides. PARC-Dallas would have achieved a competition rate of 98.16% versus 87.10%.

MEDCOM Health Care Acquisition Activity (HCAA) ability to compete a considerable number of dollars is significantly hampered due to the health care mission and the necessity for continuity of care. Medical items are readily available in the commercial market, but maintenance on certain expensive and complex equipment has to be completed by the original equipment manufacturer in order to keep the equipment under warranty. Additionally, competition is limited by physician prescribed invasive devices such as surgical implants, stents, pacemakers, artificial limbs, implantable contacts, and prosthetics. While there are multiple commercial sources for these products, the physician determines the item that best meets the specific medical, physical and psychological needs of an individual Soldier or beneficiary; as a result, these individual prescriptions are not available for competition. This area will continue to be a challenge as the demand for these devices and other patient unique invasive products continue to expand with new products. "Bridge" and interim contracts negatively impact HCAA's competition numbers. A large healthcare contract continues under sole source as the competitive award meets with protests by the incumbent both to the GAO and then in Court of Federal Claims. Bridge contracts were awarded for the protested reference lab contract which supports approximately 98% of all laboratory tests that have to be processed outside of the military treatment facility and for various health care provider contracts due to requirements being received too late to process a new competitive contract. HCAA has had to award sole source contracts for medical maintenance services because the proponent for said services has not awarded follow-on contracts for various types of equipment. This is all further complicated by the war-driven operations tempo and the ability to obtain and retain sufficient personnel to complete the mission. While customers are notified 18 months or more in advance of contract expiration, there are still those where submission of documents is late seriously impacting the ability to award timely contracts and requiring the use non-competitive contracts to meet the continuity of care.

Army Contracting Command – Aberdeen Proving Ground, MD Soldier, Chemical, Research and Test (ACC-APG SCRT) awarded several acquisition programs for advanced, state of the art equipment. Some of these programs are classified and are awarded on" other than full and open competition" basis under the authority of National Security. Similarly, significant Research & Development (R&D) and equipment purchases for the Product Manager-Force Sustainment Systems (PM-FPS), their parent organization Joint Program Executive Officer-Chemical, Biological Decontamination (JPEO-CBD), the U.S. Air Force, and PM-Special Operations Forces were awarded on an "other than full and open competition" basis. The constraints hindering competition are requirements designated for research and development or determined to be "state of the art" – particularly in the Chemical-Biological Defense commodity. These usually are refined to a very small market niche where many times only one source holds the required expertise to meet the Government's needs. The mission supporting the warfighter in the area of Chemical-Biological defense is affected by the limited number of qualified contractors engaged in this challenging and limited market. Many programs involve procuring equipment and supplies with quick award cycles or various combat requirements under Urgent Operational Needs Statements. A portion of the noncompetitive awards are directed awards or University Affiliated Research Contracts (UARCs). ACC-APR SCRT has little control over the relative value of these noncompetitive actions which cannot be reported as unavailable for competition.

Effect of commercial contracting: Commercial items and services have a mixed effect in terms of competition. Some activities, such as U.S. Army Military Surface Deployment & Distribution Command (SDDC), report a positive effect, while in the hardware commands, such as U.S. Army Aviation & Missile Life Cycle Management Command (AMCOM) and U.S. Army Tank-Automotive & Armaments Command (TACOM), it can have a negative effect. This happens most often when an original equipment manufacturer for a major system uses a vendor whose commercial part was privately developed and is protected by patents or trade secrets. Once this component or subsystem becomes incorporated into the end product, it creates a sole source situation for replacement and repairs.

We encourage the use of Indefinite Delivery/Indefinite Quantity (IDIQ) multiple award contracts, Blanket Purchase Agreements and Federal Supply Schedules to increase the opportunities for competition.

III. Efforts to improve competition:

MEDCOM HCAA continues its efforts to increase competition by developing additional sources for services and supplies by issuing draft solicitations and holding industry days for new and follow-on requirements. Additionally, the HCAA Office of Small and Disadvantages Business Programs hosts outreach programs to small businesses as over 55% of its actions are with small business. Emphasis is added by reviewing sole source requirements and challenging all sole source requirements that are not fully supported. Brand name requests are scrutinized and if not supported, rejected and detailed descriptions of salient characteristics required. HCAA plans to continue to minimize the use of sole source "bridge" and interim contracts a more aggressive program for acquisition planning and tracking has been implemented. The Chief of the Contracting Office approval is required on extension of services award and a report to the PARC is required when the extension exercised. The aim of the policy is to highlight those actions which may result in having to do a sole source award to maintain continuity of services. Additionally, adherence to acquisition milestones and enhanced customer education will reduce contract extensions and "bridge" contracts to the incumbent. The success of this plan is contingent on both customer education and having sufficient resources to execute the plan.

US Army Contracting Command – Aberdeen Proving Ground, MD Soldier, Chemical, Research and Test (ACC-APG SCRT) As a matter of policy ACC-APG SCRT employs best value source selection procedures for all systems acquisitions. Much of its R&D activity is related to Broad Agency Announcements (BAAs) and contract actions awarded the Small Business Innovative Research (SBIR) program. ACC-APG SCRT employed commercial contracting wherever practicable, taking advantage of the competitive marketplace and cost efficiency of commercial items and services. Much of its competition results are impacted by customer missions. Close coordination within the acquisition team ensures adequate acquisition planning and comprehensive proposal evaluation strategies. In such an environment ACC-APG SCRT encourages all market research techniques to ensure applicable statements of work are performance based to ensure competition is maximized. Multiple awards contracts (MACs) are used extensively. MACs are awarded through full and open competition unless exception by applicable regulation and task orders under IDIQ MACs are competed to the maximum extent practicable. Customers utilize various technical journals, symposia, and internet searches as part of a continuous market research process. This coupled with other research efforts has ensured that new contractors with innovative concepts in the chemical biological and related research fields are identified, and current or expanded capabilities are included in the Request for Proposal (RFP), as applicable. ACC-APG SCRT also utilizes draft RFPs and pre-solicitation conferences to enhance its market research to maximize and encourage competition. Results of these efforts are documented in procurement request packages, Acquisition Plans, and Acquisition Strategies. Utilizing Draft requirement statements that clearly identify the requirement minimizes the perception that certain procurements are ear-marked for a targeted audience. Additionally, ensuring that the work statements are performance based to the greatest extent possible, has proven less restrictive thereby generating more interest from industry. This has resulted in participation from a wider contractor base, thus providing the Government with an assortment of new and innovative ideas.

U.S. Army Program Executive Office for Simulation, Training & Instrumentation (PEO STRI) source selection philosophy memorandum stresses the importance of competition; competition is the norm and sole source actions are the exception. Additionally, the Head of Contracting Activity philosophy memorandum stresses the importance to ensure integrity and fairness is maintained throughout the source selection process, and maximizes the use of draft RFPs to ensure adequate understanding of requirements by industry and help increase competition. PEO STRI participates in an annual Training Simulation Industry Symposium (TSIS) that presents upcoming PEO STRI requirements and draft acquisition strategies/milestones to industry partners to aid in advance planning of requirements and opportunities. The PEO STRI Acquisition Center training for acquisition academy interns includes market research techniques and publicizing contract actions, competition requirements under FAR Part 6, competitive procurements in accordance with the Army Source Selection Manual, acquisition strategy and planning, and documenting justifications for other than full and open competition and exceptions to fair opportunity.

Army Contracting Command – Mission and Installation Contracting Command's (ACC-MICC) Industry Outreach Program was established because ACC-MICC leadership recognized the need for a forum that promotes the honest exchange of information with industry and serves as venue to increase understanding of the government contracting process from both perspectives. The Industry Outreach initiative focuses on building partnerships, exchanging timely and relevant information, identifying common challenges, and crafting workable solutions. Key government participants include ACC-MICC senior leadership, experienced field personnel, and customers representing U.S. Army Installation Management Command, U.S. Army Forces Command and U.S. Army Training and Doctrine Command. .

Small Business

ACC-APG SCRT Executive Director is a member of the Chemical and Biological Defense Acquisition Initiatives Forum (CBDAIF). This is a forum for regular discussion of items of interest in the area of acquisition initiatives the Executive Director, JPEO-CBD, and an industry group representing the chemical biological defense industrial base. 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.

Typically, during aggressive market research efforts, few small businesses with the necessary capabilities are identified with an expressed interest in the specialized technical areas that support the R&D or the chemical-biological community. ACC-APG SCRT strives to develop acquisition strategies that address this lack of diversity by providing small businesses with the opportunity to participate as both a prime and sub-contractor. Where competition is not available for small businesses as prime contractors, ACC-APG SCRT has included aggressive subcontracting participation criteria in full and open competitive solicitations that expanded upon the requirements for subcontracting goals set forth in the applicable regulations. The subcontracting participation goals included in solicitations ensures both small and large businesses seek out historically black colleges and universities, veteran owned small businesses, women owned small businesses, as well as small disadvantaged businesses under ACC-APG SCRT contracts,

PEO STRI was provided a capability brief to the Office of Small Business, a requirement in Program Manager Combined Arms Tactical Trainers (PM CATT) for an 8(a) sole source was identified in accordance with FAR 19.805-1(a)(2). After capability briefings were received from four small businesses, an 8(a) small business was selected for the

$4M award. This resulted in another small business becoming a viable competitor for work at PEO STRI thereby increasing the small business pool.

PEO STRI signed an Interagency Agreement with the Department of Veterans Affairs (VA) in support of providing equipment, supplies and services for the activation of the SimLEARN National Center. As much of the products are commercial and available on General Services Administration (GSA), PEO STRI used socioeconomic status as a primary evaluation factor when using Federal Supply Schedules (FSS) to achieve small business goals (FAR 8.405-1(c)). This strategy was further supported by Department of Army memo dated 16 July 2011, Enhanced Support for the Army Small Business Program. In FY11, $390K was awarded to FSS small businesses thus supporting the VA and PEO STRI small business initiatives.

PEO STRI Office Small Business Programs (OSBP), Naval Air Warfare Center Training Systems Division (NAWCTSD) OSBP and Army Contracting Natick hosted the 2nd Annual Small Business Showcase, on 2 August 2011. This collaborative effort provided 22 small businesses, including small disadvantaged businesses, woman-owned small businesses, service disabled veteran-owned small businesses, and Historically Underutilized Business Zones (HUBZone) small businesses, an opportunity to present and demonstrate their modeling, simulation, and training products and services. An estimated 350 government acquisition professionals visited with the small businesses to see the products and learn about their capabilities. Products and services presented by small businesses included: software/courseware development, training system design, mobile application development, logistics, designer and manufacturer of flight training devices, engineering, and technical services. The goal of the small business showcase was achieved by providing a venue for small businesses to maximize exposure and increase awareness and opportunities of their services and products.

IV. Trend Analysis

Figure 6 below presents the top-level trends in Army competition dollars and actions, from 2001 through 2011. The Army's intent is to show the trends before and during Operation Enduring Freedom/Operation Iraqi Freedom. Due to the changeover in databases beginning in 2006, it should be cautioned that while the years 2000 – 2005 should reflect a reliable year-to-year comparison, there can be little confidence in the comparative value of this data. Prior to 2006, the DD350/1057 database was used and data was consistent albeit possibly biased. In 2006, when the migration to FPDS-NG was accomplished, not all the data migrated properly into the new system but the extent of the problem was never quantified. In 2007, there was a change in FPDS-NB to included contracts with Government Agencies and Foreign Military Sales ("Not Available for Competition") in the competition base. Both the rise in 2006 and the drop in 2007 are therefore highly suspect.

Army Competition Trends 2000-2011% Competed

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Actions	88.1	90.9	87.5	85.8	81.7	81.5	83	84	81	80	77	59
Dollars	69.1	69.6	66.7	65.1	67.4	68.7	70	66	65	66	64	63

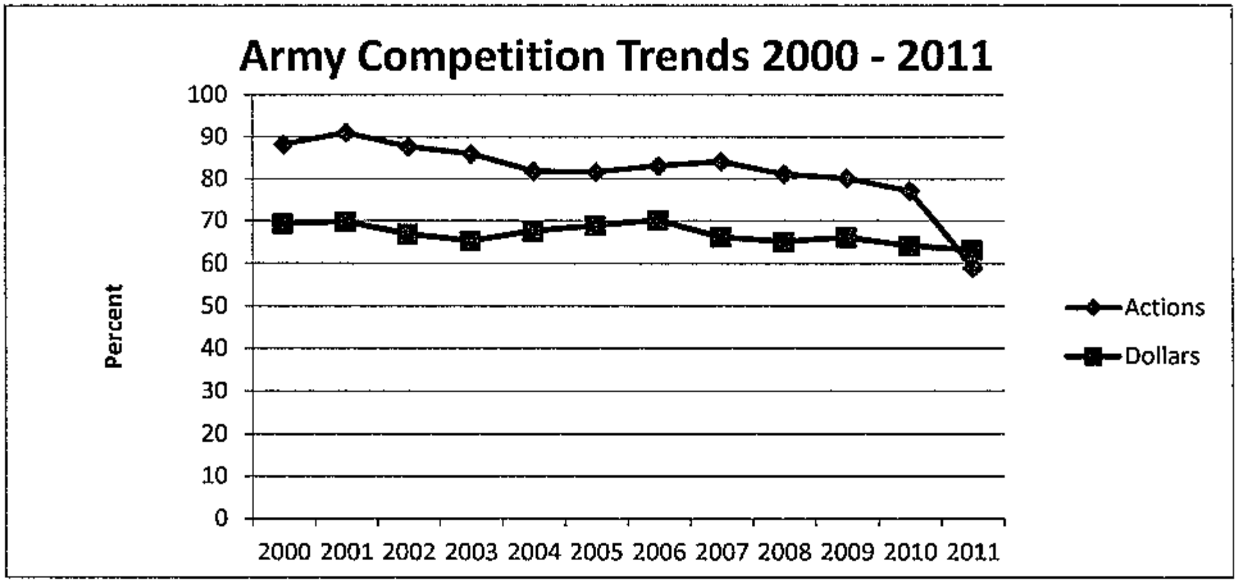


Figure 6

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

Even though the Army Contracting community continues to promote and provide for full and open competition in its procurement efforts, the overall percentage of dollars and actions awarded competitively has remained relatively constant since FY07. For example, the Army competitively awarded 64 percent of every dollar spent in 2007; in 2008, 65.4 percent were awarded competitively, which slightly exceeded the Army's competition goal of 63 percent. For 2009 the Army competed 67 percent of it dollars. Overall from 2007 to 2009 the Army increased dollars competed by 2 percent.

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

In FY12, the Army Competition Advocates are striving to improve upon competition achievements. The Army plans to increase competition by reducing acceptance of only one bid responses to solicitations. This will require the contracting office to add additional time to re-advertise the solicitation and adjust the statement of work. The Army will issue policy to increase market research in the effort to identify two or more independent competitors for requirements.

The Army will issue policy:

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

2. On training contracting personnel for correct coding of contracts in FPDS-NG. The Army FPDS-NG System Administrator will host training for contracting personnel to correct Contracting Action Reports for "null value" contracts and new updates associated with Blanket Purchase Agreements. Ensuring contracts are correctly coded in FPDS-NG will ensure all Competition and Small Business percentages are correctly captured.

3. To add requirements to improve market research tools and historical procurement evaluations to determine why a single bid or offer award resulted from a competitive procurement.

4. To increase small business participation in services acquisitions. The Army will apply Better Buying Power Initiatives and adopt best practices and obtain competition for improving efficiencies that will project cost savings in services acquisitions. Assistant Secretary of the Army for Acquisition, Logistics and Technology (ASA(ALT) has distributed to all Army Commands a Secretary of the Army approved Optimization of Services Acquisition Implementation Plan and Interim Army Regulation Guidance that describes a detailed organizational structure and integrated process to establish Commander oversight and accountability for services acquisition. The plan describes the roles and responsibilities of Headquarters, Department of the Army (HQDA) and subordinate organization leaders, the processes they will use to conduct services acquisition and the review mechanisms to improve accountability. Most importantly, this plan launches a new way of doing the business of services acquisition through a portfolio management approach to establish an oversight and management process and identify, track and monitor projected savings.

V. Goals

The Army's goal for FY 2012 is 64% of the total procurement dollars. This reflects the fact that both major factors driving the percentages are not expected to change: funding of service contracts requiring noncompetitive "bridge" contracts, and hardware upgrades involving legacy systems.

With increased scrutiny of Justification and Approval – non-competitive Exception 2 (unusual and compelling urgency) and Exception 1 (only one source) contracts and proper notification in Federal Business Opportunities, we should be able to make some improvement, but this could be offset by the need to refurbish vehicles and other hardware systems utilizing sole source contracts in support of the current contingency operations.

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

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

MAR 14 2012

MEMORANDUM FOR DIRECTOR, DEFENSE PROCUREMENT AND ACQUISITION POLICY

SUBJECT: Department of the Navy Fiscal Year (FY) 2011 Competition Report

Reference: (a) Director, Defense Procurement and Acquisition Policy Memorandum dated December 16, 2011, Subj: Request for Fiscal Year (FY) 2011 Competition Report

In accordance with Reference (a), the Department of the Navy FY 2011 Competition Report is attached.

My points of contact are Ms. Robbin Bruce at Robbin.Bruce@navy.mil or 703-693-3998 and Mr. Dwayne Weaver at Dwayne.Weaver@navy.mil or 703-693-4073.

Elliott B. Branch

Elliott B. Branch
Deputy Assistant Secretary of the Navy
(Acquisition & Procurement)

Attachments:
As stated

DEPARTMENT OF THE NAVY

FISCAL YEAR 2011 COMPETITION REPORT

In accordance with the Director, Defense Procurement and Acquisition Policy (DPAP) Memorandum dated December 16, 2011, the Deputy Assistant Secretary of the Navy (Acquisition and Procurement (DASN (AP), as the Competition Advocate General for the Department of the Navy (DON), hereby submits the DON Competition Report for Fiscal Year (FY) 2011.

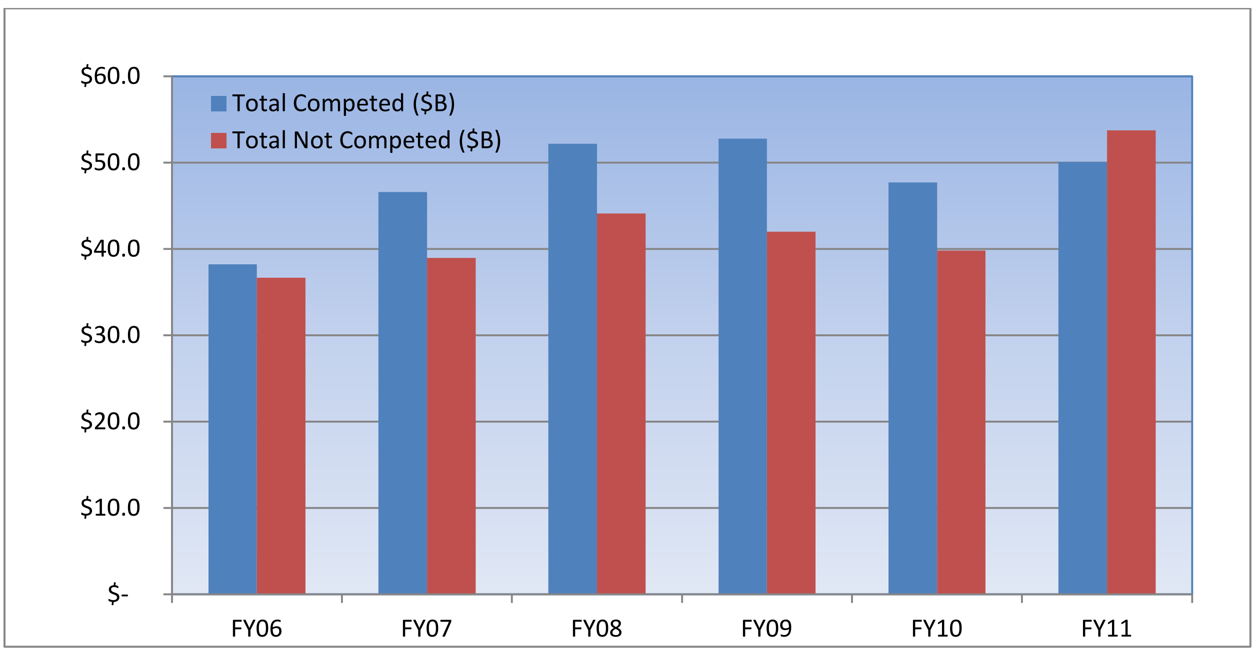
The Department of the Navy continues pursuing the Secretary's governing principles for Navy and Marine Corps acquisition, which entail improving the capability delivered to the fleet with a clear focus on affordability while minding the health of the industrial base. During FY 2011, the DON made significant improvements in effective competition by working across DON and Industry to: 1) improve cost estimates early in the requirements process, including a focus on operating and support cost early in design; 2) improve the producibility of our designs and incorporate open architecture; 3) understand and leverage what our ships, aircraft and weapon systems should cost; 4) employ fixed price contracts and include appropriate incentives for further cost reductions; and, 5) leverage competition. Additionally, we have made progress in strengthening our workforce core competencies in technical, program management, quality assurance, contracting and cost estimating.

This foundation led to successful acquisitions in our ship, aircraft and weapon system programs during FY 2011 as well in acquisitions across the DON for other hardware, services, construction, maintenance and repair. For example, following a focused effort to successfully stabilize the Littoral Combat Ship (LCS) program, the DON competitively awarded fixed-price contracts for the dual block buy of twenty LCS Ships. This successful competition proved to be a model of effective competition. After the successful restart of the DDG 51 Arleigh Burke Destroyer program, the DON quickly and successfully moved to an effective competition for three ships. Additionally, based on progress to move the AEGIS Weapon System to an open system, the DON is successfully conducting a competition for the next Platform System Engineering Agent contract. Among our aircraft programs, we successfully negotiated and awarded contracts for continued low rate initial production of the F-35 Joint Strike Fighter and for initial production of the P-8A Poseidon during FY 2011. While competitions were held to select the manufacturers for these significant investments, dollars obligated in the production phase will be appropriately coded as non-competitive actions. The DON will continue encouraging our prime contractors to apply the same rigors of effective competition and small business opportunity throughout their respective supply chains.

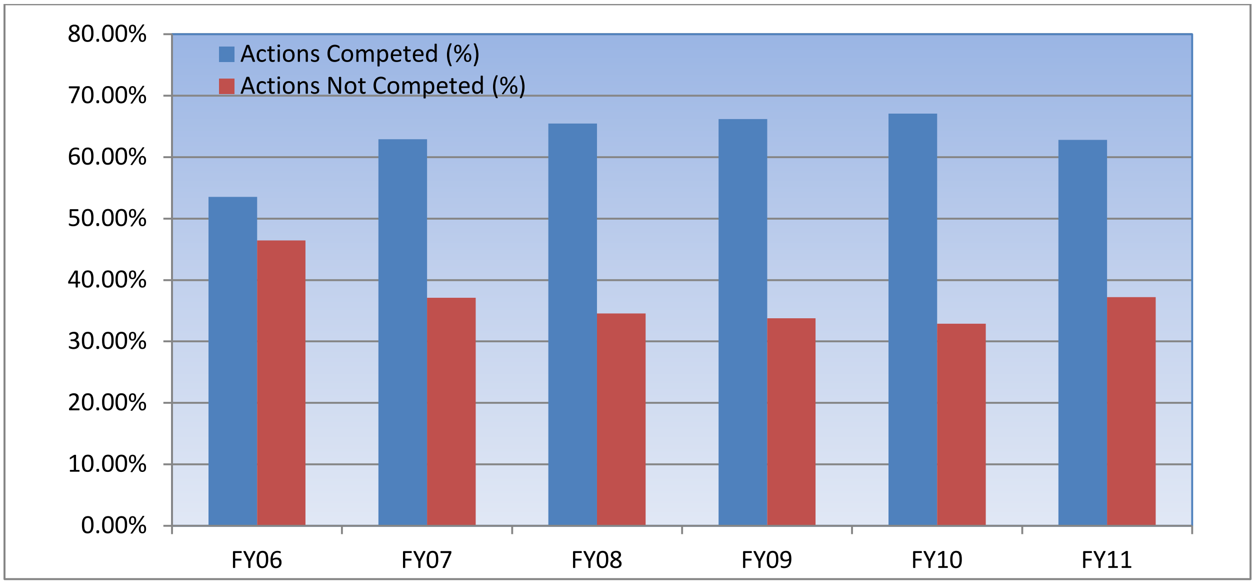
The DON will continue engaging our program managers to seek increased competition and small business opportunities in their portfolios and will continue seeking improvement in effective competition and fair opportunity to ensure more than one offer is received. In related arenas, the DON's Director for Services Acquisition is pursuing improved tradecraft in services, including increased competitive opportunities in the services portfolio. During FY 2011, the DON awarded increased numbers of Multiple Award Contracts, which establishes a foundation for improved fair opportunity competition through the award of competitive task and delivery orders. Additionally, members of the DON Competition Advocate and Director for Services Staff are proactively engaged with Department of Defense (DOD) level panels sharing best practices and lessons learned, and seeking improvements in effective competition.

DON Competition Achievement

The DON FY 2011 competition goal was established at 55.5 percent. The DON pulled FY 2011 data from the Federal Procurement Data System for this report on December 14, 2011. The total DON obligated dollars increased from $87.5 billion in FY 2010 to $103.8 billion in FY 2011 due, in part, to increases in ship and aircraft production. For FY 2011, DON competitive dollars obligated increased by $2.3 billion to $50.1 billion, which is 48.2 percent of overall obligated dollars. The DON's trend in competition rates achieved based on dollars obligated has ranged from 51.1 to 55.7 percent for the period from FY 2006 to FY 2010. The chart below shows the trend in competitive and non-competitive obligated dollars for FY 2006 to FY 2011.



In comparison, the DON's trend in competition rates achieved based on number of contract actions recorded in the Federal Procurement Data System has ranged from 53.5 percent in FY 2006 to 67.1 percent in FY 2010. In FY 2011, the DON competition rate based on number of contract actions was 62.8% based on 339,479 total actions recorded. The chart below shows the trend in rate for competitive and non-competitive actions for FY 2006 to FY 2011.



In past Competition Reports, the DON has reported on the trend in fair opportunity in task and delivery order contracts under multiple award contracts. The table below shows the DON rate achieved for fair opportunity from FY 2008 through FY 2011.

FY 2008	FY 2009	FY 2010	FY 2011
82%	84%	84%	87%

In keeping with initiatives to improve real competition (i.e., cases where more than one offer was received), FY 2011 was the first year where goals for 'effective competition' were established. Based on a January 14, 2011 analysis of DON's FY 2010 statistics for competed dollars obligated and DOD-wide criteria for measurement of effective competition, it was determined that DON achieved an effective competition rate of 77.3 percent for FY 2010. Using this FY 2010 achieved rate as a baseline and applying the initial criteria to achieve 10 percent improvement, DON's goal for effective competition in FY 2011 was established at 85.1 percent of competed dollars obligated. The DON achieved an effective competition rate of 77.7 percent of competed dollars obligated for FY 2011. The DON is committed to increasing competition where possible and to obtaining improvements in real competition, including effective competition at the task or delivery order level. The trend in DON toward increased numbers of multiple award contracts is establishing a foundation for improvements in fair opportunity and effective competition at the task or delivery order level.

In accordance with the December 16, 2011 DPAP guidance, the DON's FY 2012 goal for overall competition was established at 49.3 percent and reflects a two percent improvement over the DON's FY 2011 achieved rate based on dollars obligated. Additionally, the DON's FY 2012 goal for effective competition was established at 85.5 percent and reflects a 10 percent improvement over the FY 2011 achieved rate based on competed dollars obligated. The DON is committed to improving competitive and small business opportunities.

The Federal Acquisition Regulation (FAR), Subpart 6.5 Competition Advocates, requires agency and procuring activity competition advocates to promote competition and improve competitive opportunity across their portfolio of acquisitions; and, to provide oversight of competition in the contracting operations of the agency. As a result, the DoN's Competition Advocate requires each of its major Commands to assess and submit their achievements on an annual basis in accordance with the reporting requirement at FAR 6.502, duties and responsibilities. A summary of the results and actions taken follows.

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

The DON contracting competency continues to screen incoming requirements to maximize the use of commercial contracts. Contracting Officers continue to release Requests for Information (RFIs) and Sources Sought notices in FedBizOpps in search of commercially available items that meet customer requirements. A few of the many examples cited in Command reports are below.

The Naval Sea Systems Command's (NAVSEA's) Southwest Regional Maintenance Center maintains a list of qualified contractors, issues sources sought notices, and continually seeks additional suppliers using the Central Contractor Registration database and other available sources to located commercial items that may meet the needs of the agency

The Military Sealift Command (MSC) has increased engagements with industry using events like "Industry Days" for commercial items, to broaden the pool of potential offerors. One successful example of this is an Industry Day held with tug service providers on the west coast. MSC has removed requirements for third-party products in a number of commodity contracts in order to align with commercial practices and increase competition.

The Naval Air System Command (NAVAIR) Persistent Ground Surveillance System acquisition team utilized a new strategy using commercial items in an effort to reduce overall procurement costs and stabilize the supplier base for major components. After initial contract phases involving five contractors, NAVAIR found several opportunities to break out commercial components and procure them from the Original Equipment Manufacturers. This resulted in better terms, lower pricing, no pass through charges and a larger, more stable supplier base for these items.

Marine Corps Field Contracting System personnel regularly attend Chamber of Commerce sponsored industry days/seminars. These efforts bring together the requirements of the activities (customers) with the business community, linking customer requirements with potential commercial sources.

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

The DON is committed to leveraging competition and has challenged its program managers to increase competition in their respective portfolios. All of the DON commands note the use of Industry Days and Long Range Acquisition Forecasts as useful tools to foster and increase competition. A few of the many examples cited in Command reports are below.

The Space and Naval Warfare Systems Command (SPAWAR) and the Naval Supply Systems Command (NAVSUP) have successfully continued their initiatives to increase the use of Multiple Award Contracts and improve effective competition. NAVSEA's Northwest Regional Maintenance Center recently unbundled its ship repair and overhaul effort and awarded Multiple Award Contracts (MACs) that provide for open rolling enrollment during the five-year contract period of performance. The Naval Facilities Engineering Command (NAVFAC) routinely uses Multiple Award Construction Contracts (MACCs) worldwide to achieve increased competition and continued fair opportunity in construction and base operations services.

The Marine Corps Regional Contracting Office (RCO) National Capital Region has leveraged the Navy's Seaport-e portal, competitively awarding 21 large contracts totaling $38M in new procurements. The Office of Naval Research (ONR) uses Broad Agency Announcements, Small Business Innovative Research (SBIR)/Small Business Technology Transfer Research (STTR) solicitations, and the Seaport-e portal extensively for 90% of ONR's requirements.

NAVSUP Competition Advocates, in collaboration with contracting offices, have identified several initiatives to promote increased competition in Foreign Military Sales. One contracting office in particular, based upon favorable results in FY 2011, plans to increase competitive opportunities for certain FMS requirements by conducting reverse auctions.

The Naval Medical Logistics Command (NAVMEDLOGCOM) continues to pursue innovative ways to promote full and open competition. In FY 2012, NAVMEDLOGCOM is pursuing an initiative to standardize and enhance medical equipment requirements packages. The intent of the initiative is to better identify and define essential characteristics in order to reduce the number of sole source procurements and promote increased competition.

In terms of improving tradecraft in service acquisition, NAVSUP has taken numerous steps, primarily through its strategic sourcing program efforts, to improving the acquisition of services; more specifically, implementation of two specific Better Buying Power initiatives: ‘Adopt a uniform taxonomy for different types of services’ and ‘Increase small business participation in providing services’. From a uniform taxonomy for services perspective, NAVSUP is creating an inventory of tasks for service acquisitions structured by the taxonomy of a services library containing Titles of Acquisition and Associated Inventory of Services, which are linked to Product Service Codes (PSCs) within the Acquisition of Services Taxonomy. The Inventory of Services Library will be designed and developed with the goal of being compatible with and incorporated into a future performance work statement tool.

Also, NAVSUP, NAVSEA and others are in the process of conducting “Services Courts” designed to examine and assess existing and future service requirements throughout the enterprise. Short-term, the project is focused on identifying immediate opportunities to improve competition. Long-term, the focus is on changing the culture associated with requirements determination and management through the establishment of a formalized process standardizing the review/validation of contractor service requirements

MSC used Pre-Proposal Conferences to increase competition for shipboard chemicals, east coast tug service, and west coast tug service. These procurements have historically been competitively solicited, but have only received offers from the incumbent contractors. Additionally, in an effort to increase competition, MSC recently worked with a technical code that visited a contractor they believed had capability but had not previously proposed on any MSC efforts.

NAVSEA cites several examples where competition is being achieved for items that have been sole source for many years. For instance, the AEGIS Platform Systems Engineering Agent competition is underway and is the first of other competitions planned where open architecture and purchase of competitive data packages are making competition possible. Another similar example is NAVAIR’s pilot effort to compete depot level installations of F/A-18 A-D engineering change proposals.

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

All of the DON commands routinely work with the requiring activities and program offices during the acquisition planning phase to ensure requirements are clearly defined and not overly restrictive. Most of the commands cited use of a formal acquisition team body to review requirements and ensure they are stated in performance based terms; and, have put in place tools and guide books to enable their acquisition teams to better prepare performance based actions. The commands cite formalization of a Procurement Planning Strategy board or similar meeting early in the procurement cycle as an initiative that has helped better define requirements in performance based terms. A few of the many examples cited in Command reports are below.

NAVFAC mandates use of standard performance based templates and continues leveraging Design-Build contracts to accomplish the majority of its construction projects because these contracts typically incorporate performance goals to define the construction and performance requirements. They also extensively use performance-based specifications in their Design-Build construction contracts.

The Strategic Systems Program (SSP) recently updated its instruction regarding requirements for Contracting Officer Representatives and Quality Assurance Surveillance Plans (QASP) to improve understanding about performance areas that will be measured, and requires the QASP be prepared in conjunction with the performance based statement of work.

The Marine Corps Systems Command initiated a Lean Six Sigma project to review their procurement request process, which has resulted in a draft standard procedure and a pilot training session to improve competency in performance based contracting. Full deployment of the training course is expected during FY 2012.

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

As with past years, DON commands note challenges in introducing competition for fielded systems because of the lack of necessary technical data and/or data rights. DON recognizes these challenges and remains committed to working toward reducing or eliminating these barriers to competition. Some commands cite Congressional Earmarks directed to a specific source and direction of a foreign government under the Foreign Military Sales (FMS) program as unnecessarily restrictive. While we have seen some improvement, some of our overseas offices continue seeing cases where the failure of the contractors to accept the purchase card or electronic funds transfer as a form of payment limits our availability to compete. Contractor teaming arrangements sometimes limit competition unexpectedly.

The DON commands and program offices continue seeking breakout opportunities and resolution of data rights issues in order to foster increased competition.

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

The DON commands continue using formal and informal training for the contracting and requirements communities to ensure focus on competitive and small business opportunities. Several of the DON commands have established contracts competency training on a recurring basis, including structured 'boot camp' training for trainees and interns; and, training focused on improving competencies in market research, commercial item acquisition, pricing and cost estimating, performance based contracting, source selection and evaluation, open systems, and quality assurance and surveillance.

Awareness training, specifically DAU course CLC-055, on current competition policy and guidance, the benefits of competition, and opportunities to increase competition in Government acquisitions was made mandatory for program managers, program executive officers, logistics managers, and contracting personnel. The DON commands have implemented additional refresher training for Contracting Officer Representatives to improve quality assurance and surveillance. Additionally, the DON commands provide training in use of improved tools for procurement document preparers.

The Marine Corps Field Contracting System uses an active vendor outreach program, administered by Small Business Specialists, to increase competition and identify sources for purchase of commercially available items.

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

As with past reports, the DON commands have established review procedures during the pre and post solicitation stages as well as the pre-award stage to ensure task and delivery orders over $1M issued under multiple award contracts are properly planned, issued, and comply with FAR Subparts 8.405 and 16.505. The Commands who use task and delivery order contracts are using Peer Reviews and/or Contract Review Boards to provide insight and guidance to improve multiple award contracts and fair opportunity competitions. Command Competition Advocate and Office of Small Business Programs representatives are engaged early in procurements to ensure compliance with current regulations and policies for task/delivery order competitions under multiple award contracts with emphasis on fair opportunity, requirement description, evaluation factors, and basis of award.

MSC continues using their practices to increase competition on large Multiple Award Contracts by setting milestones and timelines that allow a longer period for companies to respond to a Request for Quote; closely examining the Performance Work Statement to ensure it is not restricting competition; and holding pre-quote conference calls with all the multiple award contractors as a group to share information in order to help increase competition.

NAVSUP and SPAWAR have increased their focus on multiple award contracting strategies and have increased the number of multiple award contracts during FY 2011. Several of the DON Commands have implemented on-ramp provisions to ensure continued real competition after multiple award contracts are awarded. For example, SPAWAR's Systems Center Pacific requires a local peer review prior to exercising an option on a multiple award contract which has achieved low levels of task order competition. SPAWAR's multiple award contracts include language that allows for soliciting and awarding additional contracts in the event real competition is not being achieved with the current mix of multiple award contractors. Other DON Commands use similar on-ramp provisions for multiple award contracts.

NAVSEA continues using SeaPort-e to competitively award multiple award contracts for services under FAR 16.505. Advance Notices of procurements give SeaPort-e partners more time to become familiar with individual requirements; more time to form partnerships, teams and alliances with other Seaport contractors; and more time to put together complete and accurate proposals. All of these factors have had the effect of enhancing the competitive environment. At SUPSHIPs Gulf Coast, semi-Annual Training is conducted to insure the proper procedures are followed. The Naval Undersea Warfare Center Newport (NUWCDIVNPT) uses Seaport–e to issue the vast majority of multiple award task orders. The Southwest Regional Maintenance Center (SWRMC) competes all task and delivery orders over $1,000,000 issued under its multiple award contracts.

Several of the other DON Commands use SeaPort-e where task orders are competed and provide fair consideration/opportunity to all offerors in the appropriate zone. Additionally, the Commands report that GSA orders are placed through the e-buy, electronic quote system, and provided fair opportunity when awarding orders against the Federal Supply Schedule contracts through GSA. Requirements are posted to e-buy for competition among the GSA/FSS holders to maximize competition.

Summary and Conclusion

During FY 2011, the DON successfully improved effective competition across our portfolio of acquisitions and worked across DON and Industry to better understand what our systems, hardware and services should cost in order to make every dollar count while minding the health of the industrial base. Additionally, we continue reviewing the requirements in our major non-competitive acquisitions for opportunities to introduce competition, for example, through component breakout, advances in open architecture solutions and securing data rights appropriate for future competition.

Also during FY 2011, the DON Commands placed greater scrutiny on the requirements and practices for acquiring services with increased emphasis on early engagement to ensure performance based work descriptions, small business opportunity and improvement in effective competition. The DON Commands continued moving away from single award task and delivery order contracts where possible and replacing them with multiple award contracts. These initiatives help establish a foundation for continuing improvement in fair opportunity and effective competition.

The DON will continue building on our accomplishments and continue making progress in strengthening our core competencies in technical, program management, quality assurance, contracting and cost estimating. And, we will continue working across DON and Industry to understand what our ships, aircraft and weapon systems should cost in pursuit of affordability in both competitive and non-competitive actions.

DEPARTMENT OF THE AIR FORCE
WASHINGTON, DC

OFFICE OF THE ASSISTANT SECRETARY

MEMORANDUM FOR OUSD (AT&L) DPAP

FROM: SAF/AQC

SUBJECT: Fiscal Year 2011 Air Force Competition Report

In response to your request of 16 Dec 2011, Competition Report for Fiscal Year (FY) 2011, SAF/AQC hereby submits the FY11 Air Force Competition Report. The Air Force competition report focuses on measuring the Air Force's success in meeting our annual competition and effective competition goals.

Questions regarding this report should be addressed to Ms. Jeanette Snyder, SAF/AQCP, 571-256-2372 or DSN 260-2372.

Wendy M Masiello
WENDY M. MASIELLO, Maj Gen, USAF
Deputy Assistant Secretary (Contracting)
Assistant Secretary (Acquisition)

Attachment:
FY11 Air Force Competition Report

AIR FORCE COMPETITION REPORT
FISCAL YEAR 2011

January 2012

INTRODUCTION

In accordance with the Office of the Under Secretary of Defense (OUSD)(Acquisition, Technology & Logistics (AT&L)/Defense Procurement Acquisition Policy (DPAP) memo, dated 16 Dec 2011, Request for Fiscal Year (FY) 2011 Competition Report and Headquarters Air Force (HAF) Mission Directive (MD) 1-10, SAF/AQC, as the Air Force Competition Advocate General, is submitting the FY11 Air Force Competition Report. The competition report conveys the Air Force's effort to achieve its FY11 competition goal of 53.7% and its effective competition goal of 77.5% and presents the Air Force FY12 competition goal of 43% and suggested effective competition goal of 90%. The FY12 Air Force competition goal is based on DPAP methodology of adding two percent to the FY11 actual competition rate in accordance with Dr. Carter's Better Buying Power Initiatives (BBPs). The effective competition rate assigned by DPAP is 93.5%, which is 10% higher than that achieved in FY11 in accordance with Dr. Carter's BBPs. However, the Air Force respectfully requests a 90% effective competition rate for FY11. This request is based on the 21% increase achieved by the Air Force in FY11. Considering this substantial increase, another 10% increase may not be attainable. Further, based on the fact that other Components that exceeded 90% effective competition were held at their FY11 achieved rate, a 90% rate is a more reasonable goal. Regardless, the AF will continue to pursue efforts to increase effective competition.

COMPETITION EFFORTS

All Major Commands (MAJCOMs), Field Operating Agencies (FOAs) and Direct Reporting Units (DRUs) (hereafter referred to as Commands) listed in the Air Force Federal Acquisition Regulation Supplement (AFFARS) Subpart 5306.501 must have a competition advocate. The competition advocates are responsible for the competition and commercial program within their respective organizations. They are responsible for tracking and reporting competition results pulled from the Federal Procurement Data System (FPDS). They are also responsible for promoting competition and commercial practices in acquisition programs managed by their commander or associated Program Executive Officers (PEOs). Air Force Policy Directive 63-3 and AFFARS Mandatory Procedure MP5306.501, require competition advocates to improve overall competition performance, including effective competition, and to increase the use of commercial practices by overcoming barriers such as, overly restrictive requirements, policies, procedures and/or decisions that restrict competition and/or commercial practices. Competition advocates participate in acquisition strategy planning through forums such as the Acquisition Strategy Panel (ASP), coordination on or approval of Justification and Approval (J&A) documents, reviewing acquisition planning (AP) documents and approving exceptions to fair opportunity. They ensure market research demonstrates that competitive and commercial opportunities are considered and they develop annual competition plans, establish, procedures to monitor the performance of their respective activities and take necessary action to ensure their competition rates meet or exceed assigned goals to the maximum extent possible.

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

The Air Force relies on cross-functional teams during the acquisition planning process to challenge requirements that are not stated in terms of functions to be performed, performance required or essential physical characteristics. Potential markets are engaged via market research and pre-solicitation outreach events. The Air Force has been very successful in conducting Industry Days to share information with new and existing suppliers and obtaining input to assist in acquisition planning. For instance, Air Force Global Strike Command participates in community outreach events offered by local, state and federal counterparts to increase visibility into upcoming acquisitions. They also work with local Chambers of Commerce, Government Procurement Centers, Small Business Development Centers, as well as the Small Business Administration offices in their areas to, again, increase visibility into upcoming acquisitions. Another example of the Air Force outreach program is AFOTEC segregating requirements on the Engineering and Test Services multiple award contract into a competitive small business set-aside. They did so through robust market research efforts, including the issuance of requests for information and industry briefings. AFOTEC also participates in the Professional Aerospace Contractor's Association Briefing for Industry during August of each year to advertise its upcoming requirements. Further, the Air Force Research Laboratory (AFRL) hosts an annual industry day to publicize its upcoming business opportunities within AFRL. One of the most valuable tools the Air Force has to communicate with industry regarding future mission requirements is the Long Range Acquisition Estimates (LRAE) tool, which assists with planning and locating additional sources of supply. This tool is invaluable in that it allows vendors to preview current and future acquisitions and is used to define requirements and obtain both competition and commercial opportunities. Moreover, it meets the intent of the Small Business Act requirement to prepare a forecast of expected contract opportunities; thus, the tool is a critical resource for companies interested in doing business with the Air Force.

FY11: COMPETITION

THE DATA

The Air Force pulled its data from FPDS on 6 Jan 2012 using the “Competition Based on Obligations Report” and ad hoc reports for “effective competition”. The Air Force accepted the DPAP assigned FY11 competition goal of 53.7% and ended the year with a competition rate of 42.2%. The AF also accepted the FY11 effective competition goal of 77.5% and exceeded the goal by ending the year with an effective competition rate of 85%.

TREND ANALYSIS

In FY11, the Air Force awarded a total of 208,905 actions valued at approximately $65B with 159,842 competed actions (76.5%) valued at approximately $28B. Although our dollars obligated remained fairly consistent with FY10 spend, we experienced a $2.5B decrease in dollars obligated from FY09. We did see a slight increase in number of actions over FYs 09 and 10, with 198,827 in 09 and 195,764 in FY10. However, our percent of competed actions remained relatively consistent over the last three years, averaging 77% and we competed an additional 7,818 actions in FY11. Regardless of this increase, our competition rate declined from FY09 (52%) and FY10 (51%) to 42.2% in FY11. This is indicative of the fact that our dollars obligated against our competitive actions were insufficient to overcome the 87% of total dollars obligated by our major weapon system Commands, AFMC and AFSPC. AFMC, alone, obligated

72% of total Air Force obligations. This reflects the current Air Force environment in which we obligate the vast majority of our dollars to maintain our high dollar value, long-standing, sole-source weapon system contracts and our directed-source Foreign Military Sales (FMS) contracts.

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

	FY09	FY10	FY11
Total Dollars	67,918,037,591	65,570,338,088	65,495,033,031
Competed Dollars	35,159,751,034	33,153,399,941	27,669,066,499
Percentage of Competed Dollars (Competition Rate)	52%	51%	42.2%
Total Actions	198,827	195,746	208,905
Total Competed Actions	155,371	151,664	159,842
Percentage of Total Competed Actions to Total Actions	78%	77%	76.5%

Table 1

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

The Air Force has two primary missions (operational and systems): 1) the operational Commands, typically award contracts for installation support and 2) the system Commands, Air Force Materiel Command (AFMC) and Air Force Space Command (AFSPC), which procure our weapon systems and logistics support. The operational mission lends itself to more robust competition and commercial opportunities, while the weapons systems and logistics missions lend themselves to the Original Equipment Manufacturers (OEMs) that designed, developed and produced the systems. The OEMs often remain the sole supplier capable of providing additional system acquisitions and sustainment in an efficient and timely manner, thus, driving long-term contractual relationships with little opportunity for competition. Although the Air Force awarded the competitive KC-X, Tanker, contract in FY11, the dollars obligated against it, $725M, were insufficient to increase our competition rate, as the non-competitive obligations against other major programs and FMS obligations far exceeded this obligation.

Regardless of these obstacles, the Air Force continues to pursue competition by engaging competition advocates early in the acquisition process, utilizing *FedBizOpps* to ensure widest dissemination of contract opportunities and program information to business and industry, even when its use is not mandated. In addition, we award multiple award indefinite-delivery-indefinite-quantity (ID/IQ) contracts where appropriate; emphasize robust market research;

challenge overly restrictive requirements; use industry days to convey overall and specific program needs to increase industry participation and feedback; and use sources sought to find additional sources of supply. Further, we work very closely with the small business community, including small business specialists in the acquisition planning process to identify opportunities for small businesses early and often. This is in addition to our participation in small business trade fairs and outreach events. Moreover, in FY11 the Air Force increased its efforts to obtain data and data rights associated with the major weapon systems and will continue to pursue these opportunities in the coming years. Thus far, the Air Force was successful in obtaining agreement from the OEM to compete the C-17 engine overhaul contract.

The Air Force also continues to emphasize competition through training. MAJCOMs are providing additional competition and market research training throughout the year. For instance, in Oct 2010, all AETC contracting personnel received market research training as part of the AETC mandatory "Top Ten" training program. This training covered market research websites, methods to research requirements (GSA, FedBizOpps, EDA, EZQuery, etc.). Training also covered initiating Request for Information (RFI) and Sources Sought synopses. In addition, to ensure accurate FPDS coding, AFMC developed and deployed mandatory FPDS CAR coding training, which is now the standard training for all Air Force contracting personnel.

FY COMPETITION GOALS AND ACHIEVEMENT

COMMAND	PERCENT OF TOTAL AF DOLLARS	FY11 GOAL	FY11 ACTUAL
ACC	3.5	89	88
AETC	2.6	78	80
AFDW	1.1	78	78
AFISRA	.43	90	72
AFMC	72	53	36
AFOTEC	.03	90	78
AFRC	.4	84	81
AFSOC	.37	68	61
AFSPC	15	52	40
AMC	1.5	73	69
PACAF	1.4	75	61
USAFA	.37	76	67
USAFE	.8	95	94
AFGSC	.4	90	69

Table 2

As illustrated in Table 2, with the exception of 2 Commands, all of the operational Commands failed to meet their assigned competition goals. Regardless, the percentage to total Air Force dollars by Command is provided to show that operational Commands have a minimal impact on Air Force performance. Conversely, expenditures at AFMC and AFSPC have a major impact on Air Force performance and the percentage of total Air Force dollars obligated by these two Commands increased from 84% in FY10 to 87% in FY11. This increase was a contributing factor in the decrease in the overall Air Force competition rate. However, the primary driver for the decrease in the Air Force competition rate was due to a contract action report (CAR) verification and validation exercise performed on contracts reflecting "ineffective competition".

This exercise was conducted in an effort to ensure compliance with the Better Buying Power initiative to increase effective competition. The exercise revealed CAR coding errors that, when corrected, resulted in a 33.7% decrease in AFMC's competition rate and a 19.6% decrease in the Air Force competition rate. On the other hand, this exercise resulted in a substantial increase in our effective competition rate. Considering the Air Force's success in this area, the Air Force does not anticipate the need to perform similar exercises in the future; thus, the Air Force does not anticipate any further negative impacts due to CAR coding errors going forward.

BARRIERS TO COMPETITION

While the Air Force continues to stress increased competition, we are, nevertheless, experiencing significant barriers to competition. The reduction in new starts/major programs and the reliance upon the noncompetitive follow-on procurements for mature systems continue to be major factors in reduced opportunities for competition. Since the Air Force's performance is primarily impacted by AFSPC and AFMC, this section focuses specifically on the barriers faced by these two Commands.

Although AFSPC continually seeks strategies to eliminate barriers to competition, the nature of their mission dictates the use of specific vendors. These vendors make up the very small industrial base capable of providing for the development and construction of space assets to include: satellites, launch vehicles and satellite/launch support, and hardware and software services. AFSPC obligated $9.9B, 15% of total Air Force obligations. Of the $9.9B obligated, approximately 56%, or $5.5B, was not competed due to only one source being available to meet the Government need, international agreement or authorized by statute. The associated non-competitive obligations are as follows: $2.2B, 37%, of the total not competed dollars in AFSPC, were obligated by the Military Satellite Communication Directorate at the Space and Missile Systems Center on two single source contracts for the Advanced Extremely High Frequency (AEHF) Satellite Program and Wideband Global Satellite Communications (WGS) Program; both programs have reached full production status; $1.5B, 25%, of the total not competed dollars in AFSPC were obligated by the Launch and Range Systems Directorate at the Space and Missile Systems Center on a single source contract for the Evolved Expendable Launch Vehicle program; $864M, 14%, of the total not competed dollars in AFSPC were obligated by the Program Management and Integration Directorate at the Space and Missile Systems Center on single source annual FFRDC contract to the Aerospace Corporation; $419M, 7%, of the total not competed dollars in AFSPC were obligated by the Infrared Space Systems (SBIRS) Directorate at the Space and Missile Systems Center on a single source contract for SBIRS space vehicle production lots three and four; $177 million dollars, 3%, of the total not competed dollars in AFSPC were obligated by the Satellite Control and Network Systems Directorate at the Space and Missile Systems Center on two single source contracts for the Remote Tracking Station (RTS) Block Change (RBC) modernization and sustainment; and the Standard Space Trainer (SST). Although not all inclusive, these are the primary factors affecting AFSPC's increase in total not competed dollars. These noncompetitive actions will continue to affect AFSPC's competition rate in FY12 and beyond since, as these complex systems move to full production, the dollars obligated will continue to increase. International agreements also negatively impacted AFSPC's competition rate. To point, the Base Operations Support contract for Thule AFB Greenland continues, and will continue, to impact AFSPC's total not competed dollars as the agreement between the United States and the Denmark remains intact and only Danish firms may compete and be awarded contracts in support of the installation. This contract accounts for $246M, 4%, of the total not competed dollars in AFSPC. Lastly, $93M, 1.6%, of AFSPC's total not competed dollars were awarded under Authorized by Statute. These programs/areas account for 90% of the total AFSPC non-competed obligations. Although AFSPC anticipates several bridge contracts to be competed in FY12, because of the barriers stated, they do not anticipate an increase in their competition rate in FY12.

Although AFMC's philosophy is that competition should be the norm, not the exception, the Command did not meet its FY11 competition goal. There are a number of reasons for this, the most significant being due to CAR corrections, which resulted in a 33.7% decrease in their competition rate between Oct 2011 and March 2012, ultimately resulting in a 16% overstatement of AFMC's goal. In addition, FMS obligations and long-standing sole-source contracts with OEMs for our major systems and subsystems were also significant contributors. In the case of our mature systems and subsystems, the decision to not procure the data and the rights to the data was made many years ago and, at this point in time, the OEM is either unwilling to sell the data or the excessive cost of procuring the data makes it economically unfeasible to do so. The following is a representative sample of the significant sole-source obligations made in FY11 and represent 90% of total AFMC non-competed obligations. Aeronautical Systems Center obligated $2.1B for the F-22 Program; $2.2B for the C-17 Program; $5.6B for Intelligence, Surveillance and Reconnaissance (ISR); $4B for the C-5 Program; $1B for Propulsion; and the F-16, F-15, B-2 and B-1 account for another billion dollars. WR-ALC obligated $1.1B for the C-17 Program; $1.6B for C2ISR Programs; and the C-130, F-15, SOF Fixed Wing, Electronic Warfare, C-5 and C-130 totaled $797M. Programs at AAC, ESC, OC-ALC and OO-ALC obligated another $2.4B in sole source obligations. Lastly, directed source FMS obligations totaled approximately $5B in obligations, which is 11% of total AFMC dollars obligated.

As stated above, AFSPC and AFMC obligations dollars accounted for 87% of total Air Force FY11 obligated dollars; thus, the significant barriers to competition faced by these two commands clearly explains why the Air Force did not meet its FY11 competition goal.

Because of these significant barriers, we are exploring new opportunities for competition. For instance, we are reviewing the competitive acquisition strategy for component breakout for a portion of the Reaper Aircraft and generating a Business Case Analysis for possible acquisition of data rights for the Global Hawk Aircraft. Additionally, a Data Rights Team (DRT) was stood up to assess the Air Force's technical data rights needs in supporting the ongoing organic depot standup process. Further, Pratt & Whitney has agreed to provide the data and data rights to compete the C-17 engine overhaul contract. The F-22 program office is also pursuing the breakout of specific components of the "brains of the system"; however, due to the mix of classified and unclassified components, an incremental approach will be taken, starting in FY12. Given that the timelines and associated obligations for these efforts are unknown, we cannot project the impact to the Air Force FY12 competition rate. However, we do anticipate a number of high dollar value competitive obligations in FY12 totaling $2.4B, which includes the $725M anticipated obligation for the KC-X.

In addition, the Air Force PEO for Services is leading efforts to increase competition in the Services arena by:

1. Setting aside contracts for small businesses, previously set-aside for a large business, when market research indicates small business capability; and

2. Applying necessary pressure to ensure robust market research is performed to identify viable competition opportunities, including adding a market research specialist position to the Services PEO team.

Regardless of the above efforts to increase competition and the anticipated FY12 competitive obligations, the dollars obligated against our weapon system/subsystem/FMS programs are so substantial that it is likely to be years before we realize any meaningful increase in our competition rate. Unfortunately, we also anticipate an additional $10B in directed source FMS obligations in FY12 at AFMC as a result of a recent $30B agreement between the United States and the Saudi Arabian Governments for FMS procurements. Assuming all things remain constant, this would result in 32% of AFMC's obligations being made from directed source FMS dollars. If these FMS obligations are made in FY12, this will have a devastating impact on AFMC's and the Air Force's overall competition rate. Specifically, the additional FMS obligations would result in the Air Force ending FY12 with a 31% competition rate. Clearly, FMS is, and will continue to be, a major contributing factor to our declining competition rate; this is important to note, as FMS obligations were not previously counted against our competition rate in the reporting system that preceded FPDS. (Note: FMS dollars are not included under International Agreement in Table 3, since FAR 6.302-4 does not require a J&A FPDS does not capture the data in that category.)

Air Force Significant Barriers to Competition

	FY09	FY10	FY11
Total Dollars	67,918,037,591	65,570,338,088	65,495,033,031
Total Not Competed Dollars	31,240,750,543**	31,205,948,890**	37,638,220,407**
Percentage of Total not Competed Dollars to Total Dollars	46%	48%	57.8%
Total Authorized by Statute (SB)	1,461,394,994*	1,725,574,041*	$1,547,894,171*
Percentage of Total Authorized by Statute Dollars to Total Not Competed Dollars	5%	6%	4%
Other Than Full and Open Competition Authorities			
Only One Source (FAR 6.302-1)	21,121,521,288	16,877,893,605	27,597,289,550
Urgency (FAR 6.302-2)	1,011,174,578	1,292,141,493	2,2274,009,218
Industrial Mobilization (FAR 6.302-3)	996,606,974	557,707,848	609,328,430
International Agreement (FAR 6.302-4)***	2,051,021,657	3,157,866,281	1,879,871,981
Authorized or Required by Statute (FAR 6.302-5)	2,125,706,345	1,848,236,059*	1,391,161,968
National Security (FAR 6.302-6)	4,028,311,171	4,465,579,731	2,428,069,148
Public Interest (FAR 6.302-7)	199,127	4,065,763	$0
Total	31,334,541,140**	28,203,490,780**	37,638,220,407**

Table 3

**See table 8 for additional breakout*

***Any variances in totals are due to conversion to FPDS and resultant not competed null actions*

TASK AND DELIVERY ORDERS GREATER THAN $1M

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

THE DATA

The Air Force pulled data from FPDS on 28 Nov 2011 for FY11. Table 4 illustrates the FY11 results for task and delivery orders issued over $1M showing a 4.5% decrease from FY10.

Task/Delivery Orders>$1M

	FY09	FY10	FY11
Total Task & Delivery Orders>$1M	28,744,379,542	29,015,404,855	27,651,226,082
Total AF Dollars	67,918,037,591	64,911,017,944	65,507,701,301
Percentage of Total Task and Delivery Orders Greater than $1M to Total Dollars	42%	44%	42%

Table 4

FAIR OPPORTUNITY

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

(SAF/AQC). For orders exceeding $85.5M, the Senior Procurement Executive approves the placement of the order. In addition, our Commands provide periodic training on the topic; for example, AFMC provided Multiple Award Task Orders/Delivery Order/Fair Opportunity training in February 2011 as part of their "Top Ten" training Program.

THE DATA

The Air Force pulled its data from FPDS on 28 Nov 2011 for FY11 and again on 17 January, for FYs 10 and 11, for validation purposes. Table 5 demonstrates that the Air Force did very well in applying fair opportunity in the placement of task or delivery orders against multiple award contracts. A total of over $27B in task and delivery orders over $1M were awarded in FY11, out of this, $8.6B were subject to fair opportunity and $7.2B were given fair opportunity, which equates to 84% of dollars obligated under fair opportunity and 84% of actions under fair opportunity (Table 5). Table 6 illustrates instances where fair opportunity was not applied, with the majority being split between Only One Source and Follow-on Delivery Order to Competitive Initial Order. In FY11, there was an increase in exceptions to fair opportunity from 14% in FY10 to 16% in FY11. The increase is due to an additional $100M in minimum guarantee orders placed to meet contractual requirements.

Air Force Fair Opportunity on Orders against Multiple Award Contracts

	FY09	FY10	FY11
Total Subject to Fair Opportunity Dollars	7,638,684,930	9,434,680,713	8,615,127,321
Total Fair Opportunity Given Dollars	6,227,144,751	7,467,934,058	7,236,615,936
Percentage of Total Fair Opportunity Given Dollars to Total Subject to Fair Opportunity Dollars	82%	79%	84%
Total Actions Subject to Fair Opportunity	30,519	35,752	40,010
Total Actions Given Fair Opportunity	25,822	30,073	33,716
Percentage of Total Fair Opportunity Given Actions to Total Subject to Fair Opportunity Actions	85%	84%	84%

Table 5

Exceptions to Fair Opportunity on Task or Delivery Orders

	FY09	FY10	FY11
Total Exception Dollars to Fair Opportunity	963,545,566	1,278,989,343	1,372,746,530
Urgency (FAR 8.405-6(b)(3) or 16.505(b)(2)(i) Actions	35,888,633	87,787,668	70,332,742
Only One Source Other (FAR 8.405 6(b)(1) or 16.505(b)(2)(ii) Dollars	485,899,343	657,794,177	568,623,196
Follow-on Delivery Order to Competitive Initial Order (FAR 8.405(b)(2) or 16.505(b)(2)(iii))Actions	369,267,691	401,692,886	491,600,178
Minimum Guarantee (FAR 16.505(b)(2)(iv)) Actions	6,681,098	33,125,732	126,772,483
Other Statutory Authority	65,808,801	98,588,880	115,897,947
Percentage of Total Fair Opportunity Exception Dollars to Total Subject to Fair Opportunity Dollars	13%	14%	16%

Table 6

COMPETITION AND EFFECTIVE COMPETITION GOALS
The Air Force established its command FY12 competition goals based upon trend analysis, barriers to competition and the overall Air Force goal (Table 7). The Air Force command goals assigned are consistent with FY11 performance.

AFMC's goal was increased above their performance due to the sharp decline experienced from the CAR validation and verification exercise. Regardless of the significant barriers to competition faced by AFMC and the expected increase in FMS, a stretch goal was assigned to incentivize the Command to explore every opportunity to promote competitive efforts. PACAF's goal was held relatively constant due to the percentage of PACAF's dollars awarded under International Agreement that are unavailable for competition. This is a long-term contract; therefore, we do not expect to see changes in the competitive environment. Although AFDW was successful in exceeding its FY11 goal, we did not increase their goal due to declining budgets that will have a direct impact on their ability to compete new actions. We applied the same methodology in developing the remaining Command goals. As noted above, AFMC is the predominant driver of Air Force performance; therefore, if the FMS obligations materialize as indicated above, it is unlikely AFMC or the Air Force will achieve assigned FY12 goals.

Air Force FY11 Competition Results & FY12 Competition Goals
(Percentage of Total Dollars Competed)

Contracting Activity	FY11 Competition Goal	FY11 Competition Actual	FY12 Competition Goal
ACC	89	88	89
AETC	78	80	82
AFDW	79	87	87
AFGSC	90	68	69
AFISRA	90	72	73
AFMC	53	36	37
AFOTEC	90	68	69
AFRC	84	81	82
AFSOC	68	61	62
AFSPC	52	40	41
AMC	73	69	70
PACAF	75	61	62
USAFA	76	74	76
USAFE	94	94	94
Total AF Goal	53.7	42.2	43

Table 7

In FY11, all Commands were assigned the Air Force's FY11 effective competition assigned goal of 77.5% and we utilized the same methodology for FY12, assigning all Commands the Air Force goal of 93.5% (Table 8). However, as stated above, the Air Force respectfully requests an effective competition goal of 90%.

Air Force FY10 Baseline and FY11 Effective Competition Results & FY12 Goal
(Percentage of Total Dollars Competed)

	FY10 Actual	FY11 Goal	FY11 Actual	FY12 Goal
Air Force	70%	77.5%	85%	93.5%*

Table 8

*DPAP assigned, request 90% goal be assigned.

COMMERCIAL

The Air Force strongly supports the use of commercial procedures whenever feasible. Market research is the key to the acquisition workforce understanding the commercial marketplace. Therefore, we use industry days, vendor capability briefings, sources sought announcements and FedBizOpps to engage industry to assist us in ensuring our acquisitions reflect commercial practices.

Our Commands regularly procure commercial items and/or services and use requests for information to obtain information from business and industry to determine if items are commercially available. For instance, the majority of the awards made at AFOTEC and AFSOC, at or under the simplified acquisition threshold, are determined to be commercial and are competed using the General Services Administration (GSA) schedules. In addition, for AFOTEC's operational test and evaluation service contracts, requests for information are issued to industry to gather information on commercial applicability. AETC is now using "Facebook" to advertise requirements between $10,000 and $25,000 to increase opportunities for commercial and small business entities. AETC also conducted a vendor day in May 2011 to meet with potential vendors to gather information regarding available commercial options for meeting Government requirements. AFDW uses various resources to increase competition and commercial practices to include a recent decrease in its review threshold from $2M to $500K. Additionally, AFDW utilizes the Central Contractor Registration site, Small Business Administration websites, industry events and FedBizOpps for requests for information and draft solicitations, all of which ensure the acquisition strategy supports the use of competitive and commercial practices. AMC utilizes multi-functional teams at lower dollar thresholds to emphasize the need for competition and commercial practices. Further, the Command uses FedBizOpps and GSA E-buy to promote maximum industry participation and commercial practices. Although AFMC's mission lends itself to non-commercial practices, commercial practices are utilized whenever feasible. Additionally, market research workshops are conducted on a continuing basis for new acquisition teams with complex, large dollar value requirements. Further, AFMC and AFSPC operational units utilize commercial contracts to the maximum extent practicable.

The Air Force will continue to promote the use of and explore new opportunities for utilizing commercial practices, but is increasing due diligence in distinguishing true "commercial" items from "of a type" items.

MAXIMIZING SMALL BUSINESS OPPORTUNITIES

The Air Force continues to seek opportunities to increase small business participation in many areas. Small Business Specialists at the local and Command levels participate in acquisition strategy panels to provide small business input into acquisition strategies. In addition, small business specialists review all acquisitions greater than $10,000 and make recommendations regarding the use of small business. Our small business specialists also work with small businesses to provide training on how to conduct business with the Government.

As evidenced in Table 9, the Air Force experienced a slight decline in socio-economic program awards. However, we did see a substantial increase in awards to Veteran Owned Small Businesses, which indicates our strong support of our Veterans. Total authorized by statute obligations account for approximately 4% of the Air Force's total not competed dollars.

To increase support in this area, the Air Force Small Business Office, SAF/SB, has initiated and is in the process of implementing an Air Force Small Business Improvement Plan. The plan addresses more robust market research training for small business specialists, an advance notification to SAF/SB for any proposed bundling or consolidation effort over $8M, inclusion of SAF/SB at high-dollar value acquisition planning meetings, requiring PEOs to include minimum small business goals as a percentage of total contract dollar value and including small business participation in performance management review briefings. We anticipate program implementation within the next few months.

Further, our service PEO is leading efforts increase small business participation in the area of services by setting aside any contract for small businesses, previously awarded to a large business, when market research indicates small business capability.

Air Force Authorized By Statute Historical Rates

Authorized by Statute Dollars FAR 6.302-5	FY09	FY10	FY11
Ability One Dollars	155,046,954	390,461,019	246,651,321
Sole Source 8(a) Dollars	1,113,493,446	1,124,071,261	1,016,354,788
Sole Source SDVOSB Dollars	5,164,709	43,858,440	15,467,954
Sole Source HUBZone Dollars	36,004,646	43,268,552	28,574,076
Sole Source Veteran Dollars	2,070,868	45,281,678	81,550,935
Total other Sole Source Authorized by Statute FAR 6.302-5	60,569,385	122,053,032	159,295,097
Total	1,372,349,758	1,768,993,982	1,547,894,171

Table 9

SUMMARY

Although the Air Force did not achieve its FY11 goal of 53.7%, the Air Force is committed to the Competition and Commercial Advocacy Program, the use of full and open and effective competition and commercial practices and will continue to strive to meet assigned goals regardless of the significant barriers we continue to face. However, with the expected substantial increase in FMS obligations and declining budgets, it will be extremely challenging for the Air Force to meet its FY12 assigned goal of 43%.

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

JAN 3 1 2012

MEMORANDUM FOR THE DIRECTOR, DEFENSE PROCUREMENT, ACQUISITION POLICY

SUBJECT: Defense Logistics Agency (DLA) Annual Competition Advocate Report for Fiscal Year 2011 (FY11)

The DLA Competition Advocate Report, as required by FAR 6.502 and DPAP Memorandum dated December 16, 2011, is attached. The Agency achieved our FY11goal for overall competition but did not reach our effective competition goal. We will continue to explore ways to improve our competitive practices in order to promote real competition.

The point of contact for the report is the DLA Competition Advocate, Ms. Juanita McKee, J72, (703) 767-2636 or email: juanita.mckee@dla.mil.

Sincerely,

Nancy M. H

NANCY M. HEIMBAUGH
Component Acquisition Executive
DLA Acquisition

Fiscal Year 2011 Competition Advocate Report

Defense Logistics Agency (DLA)

Juanita McKee-DLA Competition Advocate
1/26/2010

DLA submits this annual report in accordance with FAR 6.502(b)(2) and DPAP memorandum dated Dec 16, 2011, Subject: Competition Report for Fiscal year (FY) 2011.

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Fiscal Year 2010 Competition Rate Achieved

DLA achieved a competition rate of 82.42% of total dollars obligated against an overall goal of 80.4% and for effective competition, achieved 89.14% of total procurement dollars against a goal of 95.67%. The FY11 competition base in terms of total dollars was $35.93 billion with $29.61 billion obligated competitively. This is improvement from FY10, where we experienced an achievement rate for percentage of dollars obligated of 78.78% and $34.69 billion.[1] DLA consists of thirteen supply chains/activities that have established goals and reportable achievements, as identified in Table 1. Three activities met/exceeded their goal for overall competition, and another five were within 5 percent of their goal. Fiscal year 2011 was the first time measuring effective competition by both DoD and DLA and our goal was to increase effective competition by 10% over the baseline. DPAP established out baseline at 87.07% and assigned a goal of 95.67%. We achieved an effective competition rate of 88.85%. DLA certified the FPDS-NG data on Jan 4, 2012. The data was obtained from FPDS-NG on December 28, 2011 and reflects the most accurate information available.

Supply Chain/Activity	Overall Competition FY 11 Goal	Overall Competition FY 11 Result	Effective Competition FY 11 Baseline/Goal	Effective Competition FY 11 Result
DLA Aviation	54.43%	49.55%	56.25%	53.77%
DLA Land	76.0%	78.03%	66.61%	53.77%
DLA Maritime	88.0%	74.31%	66.12%	69.27%
DLA TS - Subsistence	98.0%	95.43%	98.67%	97.64%
DLA TS - Medical	99.0%	97.54%	96.67%	95.77%
DLA TS - C&T	90.0%	66.56%	87.47%	75.02%
DLA TS - C&E	93.0%	91.41%	93.24%	93.32%
DLA Document Svs	93.0%	91.41%	62.75%	75.13%
DLA Contracting Svs	86.0%	68.03%	48.93%	53.14%
DLA Distribution	76%	81.68%	95.73%	92.76%
DLA Strategic Matls	82.0%	67.82%	45.67%	97.13%
DLA Disposition	89.0%	88.25%	93.06%	97.63%
DLA Energy	81.0%	90.36%	93.98%	98.15%
Total DLA	**80.4%**	**82.42%**	**95.67%**	**88.85%**

Table 1. DLA activities FY 11 competition goals and achievements

II. Advocate's Activities

At the Headquarters level, DLA Acquisition established an Agency metric for tracking the Agency and Supply chain competition against the OSD goal in FY2010. In FY 2011, this became a more robust endeavor with monthly updates to the Director of DLA Acquisition and quarterly briefings to the Supply Chain Acquisition Executives. These

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

briefings emphasized the importance of competition within DLA and provide an opportunity for discussion on performance at the senior levels of acquisition. Discussion also focused on areas of interest to DPAP, such as emphasis on competition of services. These metrics were also discussed with the supply chain competition advocates (COMPAD) on a routine basis. The agency COMPAD also hosted several DLA wide conference calls with the supply chains' COMPADs to discuss competition. One such call focused on sharing briefings on effective competition from the 2011 DoD Procurement Conference, ensuring each advocate understood the definition of effective competition and methodology of calculation. Also discussed were ways to influence actions to promote real competition. Examples of individual procurements/activities where competition effort was instrumental in achieving substantial cost savings or other benefits are described below.

At DLA Aviation, Source Approval Requests (SARS) increased significantly at the Richmond site from 639 received in FY10 to 749 received in FY11 (Up 17.2%). Most dramatically, approval of new sources resulting from SAR's increased from 139 new sources in FY10 to 317 new sources in FY11 (up over 125%). In addition, 53 SARS were converted to fully competitive specifications. Also notable is that near the end of the fiscal year, a new model which evaluates for SAR cost effectiveness was implemented. This resulted in 27 SARS not being evaluated because the actual savings would have been nominal. The purpose of this program is to allow for more focus on the actions that would provide for significant savings. The Competition Advocate at Richmond intervened in 68 of the Richmond SAR actions in FY 2011.

Richmond Aviation developed a second source for Fighter Aircraft Heat Exchangers NSN 1660-01-341-7295 based upon a unique "qualified" J&A approval to only allow the sole source LTC procurement to go forward until an anticipated alternate offer was evaluated. Simplified purchases were pursued to meet urgent needs until the second source was evaluated. The competition advocate at Richmond worked extensively with the Engineering Support Activity to get a thorough and timely assessment of the 2nd source. Based upon actual usage and unit price reduction, the estimated annual savings is $1,100,000.00.

Troop Support Supply Chains

Medical's the Hospital, and Equipment Division is responsible for the Electronic Catalog (ECAT) Program. To comply with the requirement of DFARS 208.405-70 in FY08, ordering procedures were established that enhance competition for any order valued over the Simplified Acquisition Threshold placed against an ECAT contract. All orders valued over $150,000 were suspended in the ECAT system so the Medical Supply Chain Contracting Officer can individually compete products among all vendors within a particular program. Once an order is suspended, the Contracting Officer prepares a Request for Quotation (RFQ) which is then sent to all ECAT suppliers. Upon receiving all quotes in response to the RFQ, the Contracting Officer makes a best value decision based upon price, delivery, past performance and other factors, as required, to meet the ordering activity's minimum needs. As a result, in FY11, Medical Supply Chain

Contracting Officers have been able to save our customers approximately $1.6 million or 3.5%.

Further, the Troop Support COMPAD worked with the Medical Surgical Prime Vendor (MSPV) Division on the award of the Generation IV of the MSPV program, a highly competitive acquisition covering all regions in CONUS and OCONUS. The result was reduced distribution fees with estimated savings of over $28 million over the five year term of the contract.

Contracting personnel from the C&E Supply Chain as well as cost and pricing personnel from DLA Troop Support worked with Northrup Grumman Corporation (NGC). During contract discussions it was discovered that NGC could compete sub-components among various suppliers, as opposed to their intention to use just one supplier. C&E contracting officers moved NGC to compete the sub-component items. The competition among subcontractors caused a drastic reduction in initial offer and negotiations brought the price down further. The initial contract price was $10,947,478.00. The new contract price is $7,923,180.00 resulting in a total savings of $3,024,298.00.

DLA Document Services achieved substantial cost savings during FY11 with the acquisition of new commercial black & white production equipment and maintenance services for its facilities throughout the United States and overseas locations. The requirement was solicited in accordance with FAR Part 12 under full & open competition as a single award Indefinite Delivery, Indefinite Quantity (IDIQ) contract. Due to the commercial nature of the equipment and services, the contract was awarded to the low priced technically acceptable offer. The Government estimate of $102,957.564 was based on extensive market research that included historical pricing from past contracts as well as currently published prices of equipment and services. Much of the equipment is also available under GSA Federal Supply Schedule contracts. Therefore, those prices were also utilized in the compilation of the Government's estimate as well the price analysis of the resulting offers. Of the six offers received, three were evaluated as technically acceptable. The contract was awarded for $55,994,546, representing a reduction of $46,963,018 from the Government estimate.

III. New Initiatives to increase the acquisition of commercial items

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

DLA Aviation has continued to aggressively work with engineering support activities among the services across the country to break out and approve alternate offers and develop technical data packages via the source approval process. Also, Aviation will continue to encourage the workforce to be trained on the overall benefits that can be obtained by pursuing competitive acquisitions where possible. In addition, they are continuing to expand commercial purchasing in electrical power cables and fire detection sensors and have had much success. We already have a well-established commercial purchasing in lighting equipment. Previous expansion of commercial purchasing in aircraft engine parts has met with only mixed success and that has been primarily in the area of blades. Two additional areas we hope to expand commercial purchasing into are aircraft meters and infra-red equipment. This past year the SAR program led to the approval of 317 new sources which is the highest number of approvals ever. This continues to be the best method to improve competition for Aviation items.

Clothing & Textiles (C&T) continues to combine customer requirements for non-stocked items to procure as Indefinite Delivery Purchase Orders (IDPOs). Using the IDPO acquisition strategy enhances competition since offerors are more likely to submit quotes on higher quantities. The higher quantities result in lower prices so cost savings on the items are achieved as well as reduced administrative procurement costs.

Construction & Equipment (C&E)' Lighting program is continuing to move more items from sole source to competitive. When there are salient characteristics available on the manufacturer's web site, they are included in the purchase item description. All alternate offers are evaluated by DLA Troop Support technical representatives and, if determined to be acceptable, will be added to the product item description as another source of supply. So far, eight lighting/HVAC/Commercial Hardware Division items have been successfully broken out. These breakout situations will provide opportunities for competing future requirements and generate cost savings as a result of having multiple sources of supply for these heretofore single source items.

The majority of services and supplies procured by DLA Contracting Services Office are commercial. Frequently the requirements received from customers include the use of brand names. A DLA Contracting Services Office policy memorandum regarding the use of brand name specifications highlights posting requirements. Contracting Officers have been encouraged to question the necessity for brand name items or services and to ensure that justifications for the use of a brand name meet the requirements of FAR and to use brand name or equal whenever possible. Additionally, a DLA CSO policy memorandum regarding public disclosure of Justification and Approval documents for noncompetitive contracts highlights posting requirements.

IV. <u>New Initiatives to Increase Competition</u>

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

Within DLA Aviation, this past year the SAR program led to the approval of 317 new sources which is the highest number of approvals ever. This continues to be the best method to improve competition for Aviation items.

At DLA Troop Support – Subsistence, the overwhelming number of subsistence items are considered commercial and competitive; however, there are some items that have remained sole source. One of those items is the emergency pouched water used by the Subsistence Rations team. Subsistence worked with Natick to resolve this sole-source situation by developing a competitive specification. A solicitation with the new specification was issued in FY 2011, resulting in a competitive award. Four offers were received, with three in the competitive range.

Subsistence is working to break the sole source for the 50 foot extension cord used in conjunction with the Modern Burner Unit as one contractor has been the sole source of supply for the extension cord for many years. Recent market research has located a domestic Small Disadvantaged, Veteran Owned Small Business that offers the extension cord for $35 less along with better delivery terms. Their item is currently being evaluated by Natick. Subsistence has identified an alternate product which has not yet been approved by the Engineering Support Activity (ESA).

The Pharmaceutical Prime Vendor Division is currently soliciting the follow-on contract for the National Prime Vendor Program. Implementation of reverse auctioning is contemplated. This will be the first time reverse auctioning will be applied to a Medical Prime Vendor Program acquisition. It is estimated that this will result in savings of $5.8 million per year for ten years beginning in FY13.

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 at all practicable. Time lines are now required in all Limited Source Justifications and Justifications and Approvals for bridge actions to allow sufficient planning for follow-on acquisitions to eliminate the need for these type of actions in the future. Over the last year, DLA CSO initiated the Wall-to-wall Inventory of acquisitions (WAL-E) to give senior managers more oversight into the acquisitions that are in-house and are coming up for renewals.

To increase the acquisition of commercial items, DLA Disposition Services will continue to expand the commercial service contracting methodology into the hazardous waste disposal requirements.

The DLA Document Services Equipment Management Services (EMS) Program supports the Department of Defense (DoD) and Executive Agencies with approximately 30,000 multifunctional devices (MFDs) for print, copy, scan and fax at a total program cost of over $80M per year. Document Services was recently designated by the Air Force and Navy as the preferred provider of this equipment due to the substantial savings achieved by using a combination of competitive open market contracts, Indefinite Delivery, Indefinite Quantity (IDIQ) contracts and competitive GSA Advantage

E-Buy task orders for acquisition of MFDs. Document Services recently issued multiple award IDIQ contracts to support all US Air Force MFD requirements. These contracts are designed to utilize a reverse auction process for competing individual task orders which will result in significant savings for FY12.

V. Performance Based Requirements

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

Several C&T items are procured against specifications that cite performance criteria, such as the Advanced Combat Helmet, Lightweight Helmet, MOLLE (Modular Lightweight Load-carrying Equipment), Lightweight Maintenance Enclosure (LME), and Enhanced Side Ballistic Inserts

Within DLA Contracting Services Office, 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.

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

IV. Barriers and Challenges

Many of the DLA field activities did not meet their competition goals for FY11 and have identified a variety of barriers and challenges that impacted their ability to achieve competition.

Within all the supply chains, the balance between supporting Government wide socio-economic initiatives and programs and the need to increase competition is always a challenge. The dollars and actions that are included in the competition base but awarded under the statutory authority of FAR 6.302-5(sole source 8(a) /sole source HUBZone/ sole source Ability One/UNICOR) contribute to reduced achievement percentages.

Within C&T, a significant portion of clothing acquisitions are very competitive. The main barrier to competition is at the sub-tier supplier level. Due to material specifications and industrial base issues, many end-item manufacturers rely on sole source suppliers of components such as fiber, yarn, or cloth. For example, there is only one domestic source for the poly-wool material used in dress clothing. C&T contacted another material supplier about making this cloth. Although initially interested, they were unable to manufacture the cloth as required by the Services. Market research is ongoing in an effort to obtain additional cloth suppliers.

Another barrier to the acquisition of commercial items continues to be when the items are classified as sole source and obtaining Certified Cost or Pricing Data is prohibited. Many of the original equipment manufacturer (OEM) contractors are reluctant to provide additional information regarding previous sales history or release any significant technical data due to its proprietary nature. Technical data can be used to compare similar items for price reasonableness, but many contractors feel releasing this information may cause the sensitive material to be released to the public (other vendors). Many of the sole source OEMs have invested a great deal of time/cost with regard to the research and development of an item and feel they should be the only source of supply to benefit from the development. Further, it is often the case sole source OEMs do not wish to disclose previous sales information due to the fact they do not wish to disclose their commercial or Government customers. As a result of the declining economy, industry has become more protective of this kind of information.

Depot Level Repairable (DLR) procurement activities rely on the customers' technical recommendations and technical data for the requirements they manage; to the extent practicable, competition is promoted within privy where ever possible, in accordance with FAR and DLA guidance. In addition, all of the DLR sites face issues with small quantity purchases, out of production, changing technology, unavailable test equipment and engineering. For our supply chains with depot level repairable responsibility, the technical and material management authority/responsibilities resides with the services and fall under the management of the Army and Navy service's Competition Management Office.

The military services continue to buy systems without any technical data to support them. This lack of technical data puts the Government in a sole source position for most of the items on that end item (ex. Transdigm, MRAP). When it is no longer profitable to supply certain items, the OEMs may obsolete these spare parts and the Government doesn't have legal rights to the data. They want to sell the next generation of end item whether the Government wants it or not.

Extensive testing requirements such as performance testing, first article and functional testing are expensive and often eliminate potential suppliers from consideration. The Government buys many critical items that require thorough testing to ensure their performance. Many other items require testing because the services want an extra factor of safety that the items will perform as well or better than the OEM parts. These requirements are too often restrictive and not necessary to buy a good part.

Frequent design changes from OEMs may effectively eliminate the competition for certain parts. With even a relatively minor design change approved, any competitors part numbers must be removed from that stock number. This reduces competition and increases the Governments cost to support that item and the system it is used in.

Once we get a new source approved, an award on the recently approved item/part may encourage the Vendor to seek approval on other items. This also allows them to demonstrate that they can manufacture the item at a fair and reasonable price. Very frequently, when an original equipment manufacturer sees that another source has been approved, they may reduce their price to undercut the new source. The new source has invested money to develop their alternate item but won't recoup anything until they receive an award.

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

Customers sometimes request a particular make, model or brand name without providing sufficient support for a sole source acquisition. If unchallenged, the customer has no incentive to attempt to develop alternate sources of supply.

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

Within DLA Energy, the requirement to purchase fuel from certain mandated state owned entities continues to be an issue. Many such purchases may reach or exceed the billion dollar price tag and are on a two year cycle, negatively impacting competition rates every other year.

Another obstacle to the DLA Energy meeting its competition goal has been the need for pipeline mission support in overseas countries. In the United States, the distribution of fuel through pipeline is not controlled by one company. Pipelines for fuel delivery are shared amongst competitors and allows for the competitive awarding of pipeline delivery contracts. This is not the case several of the mid-eastern countries that DLA Energy provides mission support. The pipelines are owned by single entity and do not allow competitors to utilize their pipelines.

VII. Other Ways Competition is Emphasized

DLA hosts an annual Supplier Conference, providing an opportunity for acquisition personnel and current and potential suppliers in a group setting. The conference benefits both large and small businesses by providing education, information and networking opportunities. In addition, Industry Days were held by DLA Aviation, DLA Energy and DLA Troop Support.

DLA Strategic Materials hosts numerous industry conferences such as Ferro Alloys/Ryan's Notes Conference, Defense Manufacturing Conference, National Defense Industry Association Events, International Titanium Conference, and Minor Metals Trade Association Conference.

DLA Disposition held an Industry Hazardous Waste Symposium, where discussions were held regarding the use of commercial contracting for hazardous waste disposal. The various supply chains also hosted a variety of training events such as the proper method of drafting a J&A for interns (Troop Support), onsite training focused at increasing competition and Commercial Item Contracting (DLA Energy), to offering several training refresher classes in pricing.

DLA Troop Support hosted a Stand Down in which the COMPAD presented training to the workforce on J&A preparation and Reverse Auctions.

DLA Distribution has provided continual training of acquisition personnel and activity personnel with significant use of market research techniques to avoid sole source procurement. The Acquisition planning branch continues to assume a larger role in reviewing high dollar value and unique requirements to promote market research and acquisition planning among customer. Their efforts include reviewing or assisting with the development of specifications, obtaining budgetary estimates, and locating commercial manufacturers and value added resellers.

VIII. Effective Competition

Fiscal year 2011 was the first effort to measure effective competition. DLA developed a plan of action which focused on actions to be taken to improve real competition. Such actions included use of less restrictive specifications, more extensive market research and advertising, and a review of all high dollar sole source acquisitions through the DLA Acquisition Strategy Review Panels. In addition, a metric for effective competition was established and briefed monthly to the Director, DLA Acquisition and quarterly to the supply chain Acquisition Executives. Performance was reviewed periodically with both the supply chain COMPADs as well as the Chiefs of the Contracting Office (CCOs).

For FY12, we plan to focus additional attention on effective competition and analyze the data by portfolio. We also plan to review the data by actions under and over the simplified acquisition threshold and develop a revised plan tailored to the unique supply chain barriers. The Agency COMPAD plans to host a meeting of all the supply chain COMPADs to dedicate additional effort to identifying ways of promote real competition.

IX. <u>Fair Opportunity (FO)</u>

Fiscal Year 11: For FY 11, DLA had 16,608 actions and $1.65 billion subject to FO requirements and of that amount, 114,741 actions or 88.76%% and $1.46 billion or 88.33 % provided for FO. This represents a reduction over last year's FO statistics of 95.735% for actions and 92.15% for dollars. Our performance has historically been very strong in this area and while no goal is required, ideally we strive for providing for FO to the maximum extent. Of the exceptions to FO, "Urgency" constitutes the majority of excepted actions and dollars. Of the 1,865 actions and $191 million in exceptions to FO, the "urgency" category is 1,172 actions or 62.84% and $56 million or 29.20% of the dollars. In FY10, only one source" was the primary category. DLA is reviewing FO statistics to evaluate this change and determine if this is a systemic change or unique circumstance. Table 2 contains the full data on exceptions FO. It was obtained from FPDS-NG on December 28, 2010 and reflects the most accurate FY 11 data available.

FY 09 Fair Opportunity	Actions	% of Total	Dollars	% of Total
Subject to Fair Opportunity	16,608	N/A	$1,650,083,758	N/A
Null Values	2	< than 1%	$729,656	< than 1%
Fair Opportunity Provided	14,741	88.76%	$1,457,521,867	88.33%
Total Exceptions to Fair Opportunity	1,865	11.23%	191,832,234	11.63%
-Urgency	1,172	62.84% %	$56,023,637	29.20%
- Only one source – other	488	26.17%	60,864,780	31.73%
- Follow-on Delivery Order	134	7.19%	63,399,111	33.05%
- Minimum Guarantee	6	.32%	616,812	.32%
- Other Statutory Authority	65	3.49%	10,927,892	5.70%

Table 2. DLA Fair Opportunity Data (source FPDS 12/28/11)

Historical Data: A comparison of the dollars subject to FO and dollars where FO was provided shows DLA has a fairly consistent performance from FY 08, FY 09, and FY 10, ranging between 87.42% and 92.15%. Table 3 contains the historical data.

Fiscal Year	Total $ Subject to FO	$ FO Provided	% FO Given
FY 09	$1,325,553,343	$1,158,862,615	87.42%
FY 10	$1,554,861,789	$1,432,858,053	92.15 %
FY 11	$1,650,083,758	$1,457,521,867	88.33 %

Table 3. Historical DLA Fair Opportunity Percentage of Dollars (Sources: FY11 data came from FY11 FPDS-NG on 12/28/11, FY10 data came from FY10 FPDS-NG on 12/29/10, and FY 09 data came from FPDS-NG on 1/7/10)

X. <u>Trend Analysis and FY 11 Competition Goals</u>

Trend Analysis: A trend analysis using historical data from FY 09, FY 10 and FY 11 shows the competition achievement rate (based on dollars obligated) has fluctuated somewhat from year to year. DLA Energy is required to purchase fuels from certain state owned entities on a non-competitive basis. In FY10, mandated purchases from two state owned entities totaling nearly $3B negatively impacted our competition rate. These acquisitions are up for renewal in FY12.

The 2005 BRAC resulted in many DLR functions being transferred to DLA. Many of these DLR functions typically procure critical safety, critical application and source controlled items that have historically been sole source. DLA's COMPADs have been working with the contracting officers to breakout these items and enhance competition.

	2009	2010	2011
Total Dollars Obligated	$37,169,153,515	$34,686,474,934	$35,928,071,915
Dollars Competed	$33,331,328,781	$27,326,546,489	$29,610,603,964
% Competed of Total Dollars	**89.7% rounded to 90%**	**78.78%**	**82.4163%**
Dollars Subject to Fair Opportunity	$1,325,553,343	$1,554,861,789	$1,650,083,758
-Fair Opportunity Provided	$1,158,862,615	$1,432,858,053	1,457,521,867
-Exceptions and Null Values	$166,690,728	$122,000,694	$191,832,234.43

Table 4. Historical DLA Fair Opportunity Percentage of Dollars (Sources: FY11 data came from FY11 FPDS-NG on 12/28/11, FY10 data came from FY10 FPDS-NG on 12/29/10, and FY 09 data came from FPDS-NG on 1/7/10)

Reasons not competed: Over 69% of the actions and 73% of the dollars not competed were a result of sole source procurements. This is consistent with the obstacles faced in the weapon system oriented supply chains, Aviation, Land, and Maritime and the mandated sole source procurement of certain fuels from state-owned entities by DLA Energy. The complete data is included at Table 5.

FY 11 Not competed	**Actions**	**% of Total**	**Dollars**	**% of Total**
Total not competed	75,000	N/A	6,316,797,294	N/A
Only one source (6.302-1)	51,624	69.92%	4,496,160,746	73.41
Urgency (6.302-2)	863	1.17%	35,544,910	0.58%
Mobilization and R&D (6.302-3)	37	.05	33,157133	0.54%
International Agreement (6.302-4)	12	0.02 %	355,669,385	5.80%
Authorized/required by Statute (6.302-5)	17,476	23.67 %	1,097,006,787	17.9%
National security (6.392-6)	21	0.03%	42,598,582	0.70%

Table 5. FY 11 Reason Not Competed (source FPDS-NG new report pulled on 12/28/11)

FY 12 Goal:
For FY12, the DLA goal of 84.3% of dollars obligated is a 2% increase over the achievement rate for FY11 of 82.42%. For effective competition, we received a 10% increase over FY11 achievement rates, resulting in a new goal of 97.6%. While DLA did not meet our goal of 95.67% for effective competition for FY11, progress was achieved as we ended the year with an effective rate of 88.85%. For FY12, we will continue to identify ways to promote real competition and will require quarterly analysis of improvements by the field level COMPADs. We will also continue to place great emphasis on the need to provide for Fair Opportunity under multiple award contracts and ensuring the FPDS coding is correct in FY 11.