Department of Defense

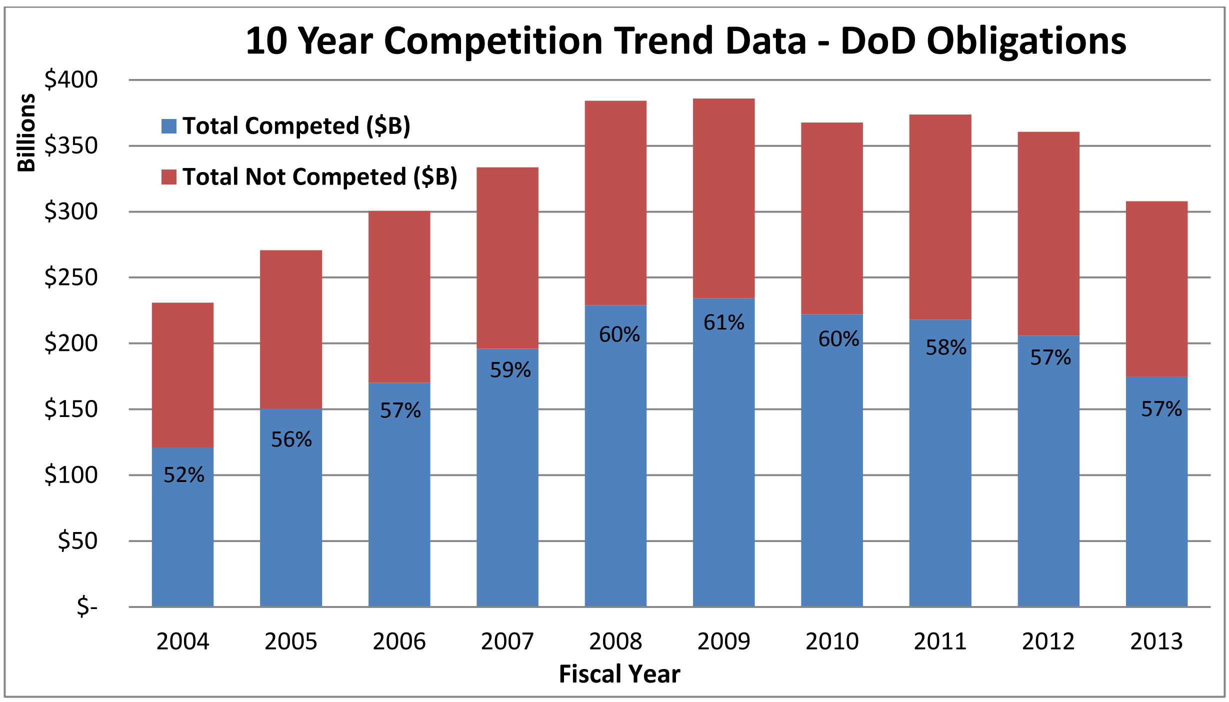
Competition Report

For FY 2013

I. Competition Trends

The Department of Defense (DoD) total dollars obligated decreased from $361 Billion (B) in Fiscal Year (FY) 2012 to $308 B in FY 2013, representing a 15% drop in total obligations for the year. The overall competition rate remained at 57% to match the prior year as well as the ten year average competition rate. During the ten year period the competition rate has ranged from a high of 61% in FY 2009 to a low of 52% in FY 2004. The competitive dollars obligated decreased from $206 B in FY 2012 to $175 B in FY 2013 and non-competitive dollars obligated decreased from $155 B to $133 B. Chart 1 below represents the ten year trend for competitive and non-competitive dollars obligated.[1]

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



Overall Competition

Table 1 on the following page summarizes competition achievements for the Department and Components. The competition rates for the Components vary depending upon the mission and type of product or service being procured. The

[1] The source of FY 2004-2012 data is the DoD Competition Report from FPDS-NG, dated March 18, 2013. The FY 2013 data is from DoD Competition Report, dated January 29, 2014. In FY 2008, the Army mistakenly obligated approximately $13B on a contract and then corrected the mistake via a de-obligation modification in FY 2009. Chart 1 represents the corrected dollar amounts for FY 2008 and FY 2009.

competition report tracks obligation and actions based on data from Federal Procurement Data System – Next Generation (FPDS-NG). The report also tracks whether fair opportunity is provided at the order level and only counts orders as competed if fair opportunity is provided to more accurately capture competition achievements on orders under multiple award contracts (MACs) and federal supply schedules (FSS). Based on this methodology, the table below illustrates how the level of competition varied by Component in FY 2013.[2]

Table 1 – FY 2013 Overall Competition Report by DoD Component

Contracting Agency	Total Dollars	Competed Dollars	% Competed Dollars	% Competed Dollar Goal
DEPT OF THE ARMY	$ 87,295,807,563	$ 57,469,056,740	66%	65%
DEPT OF THE NAVY	$ 93,560,985,370	$ 38,253,994,996	41%	47%
DEPT OF THE AIR FORCE	$ 55,163,102,673	$ 22,437,445,341	41%	38%
DEFENSE LOGISTICS AGENCY	$ 33,792,794,869	$ 27,683,624,572	82%	86%
DEFENSE ADVANCED RESEARCH PROJECTS AGENCY	$ 686,282,493	$ 633,546,405	92%	90%
DEFENSE COMMISSARY AGENCY	$ 1,476,646,768	$ 1,309,550,430	89%	90%
DEFENSE CONTRACT MGMT AGENCY (See Footnote 2)	$ 59,188,501	$ 3,665,245	63%	68%
DEFENSE FINANCE AND ACCOUNTING SERVICE	$ 140,334,408	$ 118,488,988	84%	61%
DEFENSE HUMAN RESOURCES ACTIVITY	$ 228,439,081	$ 121,266,753	53%	61%
DEFENSE INFORMATION SYSTEMS AGENCY	$ 4,650,584,061	$ 3,671,633,377	79%	85%
DEFENSE MEDIA ACTIVITY	$ 96,892,037	$ 75,716,486	78%	82%
DEFENSE MICROELECTRONICS ACTIVITY	$ 520,230,344	$ 509,598,744	98%	89%
DEFENSE SECURITY COOPERATION AGENCY	$ 60,172,027	$ 43,118,531	72%	84%
DEFENSE SECURITY SERVICE	$ 79,439,134	$ 69,532,962	88%	92%
DEFENSE THREAT REDUCTION AGENCY	$ 921,892,940	$ 787,400,561	85%	86%
DEPT OF DEFENSE EDUCATION ACTIVITY	$ 246,830,149	$ 212,442,976	86%	86%
JOINT IMPROVISED EXPLOSIVE DEVICE DEFEAT ORG.	$ 72,924,170	$ 39,111,481	54%	33%
MISSILE DEFENSE AGENCY	$ 7,645,352,625	$ 2,238,466,446	29%	63%
TRICARE MANAGEMENT ACTIVITY	$ 12,100,451,655	$ 10,888,626,725	90%	93%
U.S. SPECIAL OPERATIONS COMMAND	$ 2,479,480,821	$ 1,860,678,109	75%	75%
USTRANSCOM	$ 5,456,801,818	$ 5,400,956,523	99%	98%
WASHINGTON HEADQUARTERS SERVICES	$ 1,197,242,554	$ 721,988,631	60%	73%
Total	**$ 307,931,876,059**	**$ 174,549,911,023**	**57%**	**60%**

In FY 2013, $175 B was competitively obligated for an overall competition rate of 57% ($175 B/$308 B). Despite the drop in total obligations, the competition rate remained consistent with the FY 2012 rate and ten year average noted earlier. The level of competition achieved by contracting organizations varies widely based upon the mission and type of supply or service being procured. Generally, those contracting organizations whose mission/function includes installation and/or depot level

[2] The source is the FPDS Competition Report from January 29, 2014. Figures contained in the Military Department's and Defense Agency's Competition Reports vary if the Competition Report was run on any other day since FPDS is a dynamic system. The Defense Commissary Agency's competed dollar amount excludes obligations of "brand name commercial items" authorized for resale that are not subject to competition. The Defense Contract Management Agency's (DCMA) total and competed dollar amounts reflect contract administration office obligations/de-obligations in support of other components. The DCMA Procurement Centers achieved a competition rate of 63%.

maintenance services are better suited to competition and achieve the higher competition rates. This is also true for contracting organizations heavily involved in services, commercial and construction procurements. The competitive percentages are lower in organizations that buy major systems, (including weapons, automated information systems and Foreign Military Sales), specialized equipment, spares and upgrades that may need to be purchased from the original equipment manufacturer (OEM) or supplier. These programs may require sole source extensions of contracts that were originally competed because the programs have moved past the stage in their lifecycle where competition is economically viable. These sole source extensions are made in accordance with long-standing laws and regulations that recognize one responsible source.

Consistent with the above, the non-competitive obligations are the result of high dollar sole source acquisitions where there is not a competitive market due to the lack of technical data packages and proprietary data rights for mature and aging aircraft programs like the F-22, C-17, and satellite programs like the Advanced Extremely High Frequency (AEHF), Evolved Expendable Launch Vehicle (EELV), and Space-Based Infrared System (SBIRS). The Navy's non-competitive obligations increased due to continued investments and increased production quantities for the F-35 and P-8 aircraft as well as construction of CVN-79. Foreign Military Sales (FMS) procurements for aircraft continued to be a significant driver of non-competitive contracts for the Air Force, and the Missile Defense Agency experienced a significant increase in FMS procurements for components of the Ballistic Missile Defense System.

The competition rate above is based on dollar obligations. However, if based on contract actions, the competition rate increased from 85% in FY 2012 to 97% in FY 2013, reflecting continued improvement in competition for lower dollar value contract actions.

Effective Competition

The Department continues to track effective competition, which was a measure of competition under the Under Secretary of Defense for Acquisition, Technology and Logistics (USD (AT&L's)) Better Buying Power (BBP) Initiative. The measure tracks acquisitions using competitive procedures in which only one offer is received. Defense Procurement and Acquisition Policy (DPAP), in coordination with Defense Manpower Data Center (DMDC), used the standard report "Competitive Procedures, with Only One Offer" to measure contract obligations where competition was sought but only one offer received.

As noted previously, the Department's "Total Competed Dollars" decreased to $175 B in FY 2013 with approximately $152 B in "Effective Competed Dollars" and $23 B in "Only One Offer Competed Dollars" resulting in an "Effective" competition rate of 87%. This is a 2% increase over FY 2012 which demonstrates continued improvement under USD (AT&L's) BBP Initiative for promoting competition. Table 2 below provides a summary of the effective competition achievements for the Department and each Component in FY 2013.[3]

Table 2 – FY 2013 Effective Competition Report by DoD Component

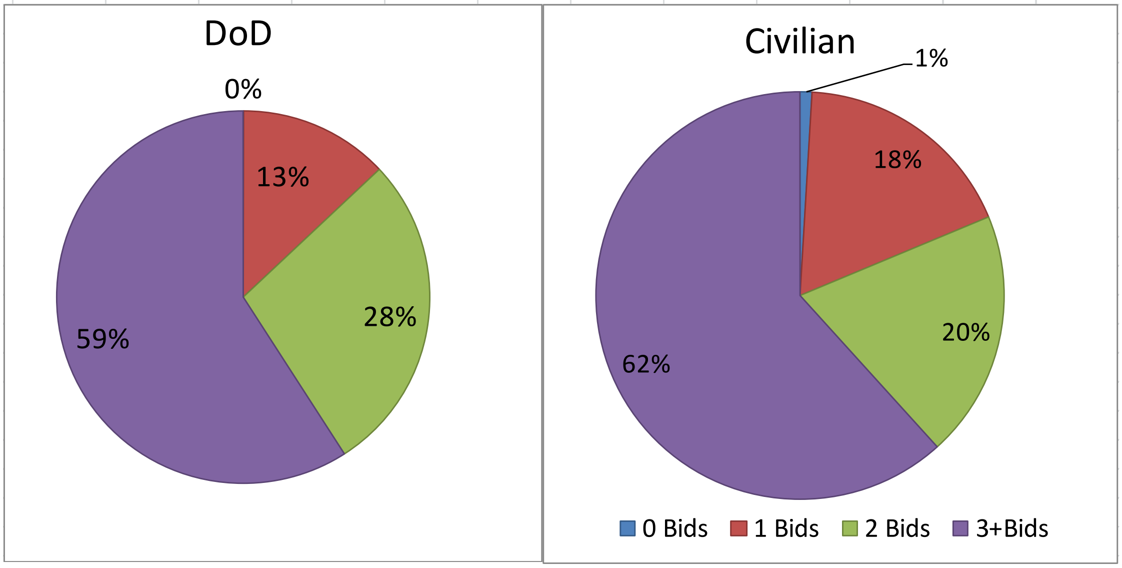
Contracting Agency	Total Competed Dollars	Only One Offer Competed Dollars	Effective Competed Dollars	% Effective Dollars Competed
DEPT OF THE ARMY	$ 57,469,056,740	$ 8,069,378,380	$ 49,399,678,359	86%
DEPT OF THE NAVY	$ 38,253,994,996	$ 6,678,862,592	$ 31,575,132,405	83%
DEPT OF THE AIR FORCE	$ 22,437,445,341	$ 3,263,825,970	$ 19,173,619,370	85%
DEFENSE LOGISTICS AGENCY	$ 27,683,624,572	$ 2,181,139,677	$ 25,502,484,896	92%
DEFENSE ADVANCED RESEARCH PROJECTS AGENCY	$ 633,546,405	$ 35,548,178	$ 597,998,227	94%
DEFENSE COMMISSARY AGENCY	$ 1,309,550,430	$ 12,723,605	$ 1,296,826,824	99%
DEFENSE CONTRACT MANAGEMENT AGENCY (See Footnote 3)	$ 3,665,245	$ (56,036,912)	$ 59,702,157	55%
DEFENSE FINANCE AND ACCOUNTING SERVICE	$ 118,488,988	$ 32,620,230	$ 85,868,758	72%
DEFENSE HUMAN RESOURCES ACTIVITY	$ 121,266,753	$ 15,109,013	$ 106,157,741	88%
DEFENSE INFORMATION SYSTEMS AGENCY	$ 3,671,633,377	$ 864,495,785	$ 2,807,137,592	76%
DEFENSE MEDIA ACTIVITY	$ 75,716,486	$ 6,729,300	$ 68,987,186	91%
DEFENSE MICROELECTRONICS ACTIVITY	$ 509,598,744	$ 498,460,913	$ 11,137,831	2%
DEFENSE SECURITY COOPERATION AGENCY	$ 43,118,531	$ 7,924,412	$ 35,194,119	82%
DEFENSE SECURITY SERVICE	$ 69,532,962	$ 3,391,404	$ 66,141,558	95%
DEFENSE THREAT REDUCTION AGENCY	$ 787,400,561	$ 86,210,749	$ 701,189,811	89%
DEPT OF DEFENSE EDUCATION ACTIVITY	$ 212,442,976	$ 36,595,047	$ 175,847,929	83%
JOINT IMPROVISED EXPLOSIVE DEVICE DEFEAT ORGANIZATION	$ 39,111,481	$ 224,896	$ 38,886,586	99%
MISSILE DEFENSE AGENCY	$ 2,238,466,446	$ 495,730,215	$ 1,742,736,230	78%
TRICARE MANAGEMENT ACTIVITY	$ 10,888,626,725	$ 27,430,934	$ 10,861,195,791	100%
U.S. SPECIAL OPERATIONS COMMAND	$ 1,860,678,109	$ 88,786,651	$ 1,771,891,458	95%
USTRANSCOM	$ 5,400,956,523	$ 157,840,012	$ 5,243,116,511	97%
WASHINGTON HEADQUARTERS SERVICES	$ 721,988,631	$ 141,554,164	$ 580,434,467	80%
Total	**$ 174,549,911,023**	**$ 22,648,545,218**	**$151,901,365,805**	**87%**

Number of Offers

The Department also analyzed of the number of offers received on competitive awards compared to civilian agencies. The "number of offers" is used in conjunction with the "Effective Competition" report described above to provide more detail on the number of offers received under solicitations using competitive procedures. Chart 2 provides a comparative analysis between DoD and civilian agencies on the number of offers received under competitive solicitations based on dollars obligated in the FPDS.

[3] The source is the FPDS Competed with Only One Offer Report run on January 29, 2014. 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 DCMA dollar amounts reflect obligations/de-obligations for contract administration office in support of other components. The DCMA Procurement Centers achieved an effective competition rate of 55%.

Chart 2 – Number of Offers on Competitive Award Dollars[4]



The percentage breakout of offers/bids are comparable except for "single bid" obligations which are 13% of obligations for DoD compared to 18% for the civilian agencies, and two bids obligations which are 28% of obligations for DoD compared to just 20% for Civilian Agencies. The DoD share of single bid obligations at 13% reflects a two percent drop from 15% in FY 2012 and continued improvement in effective competition.

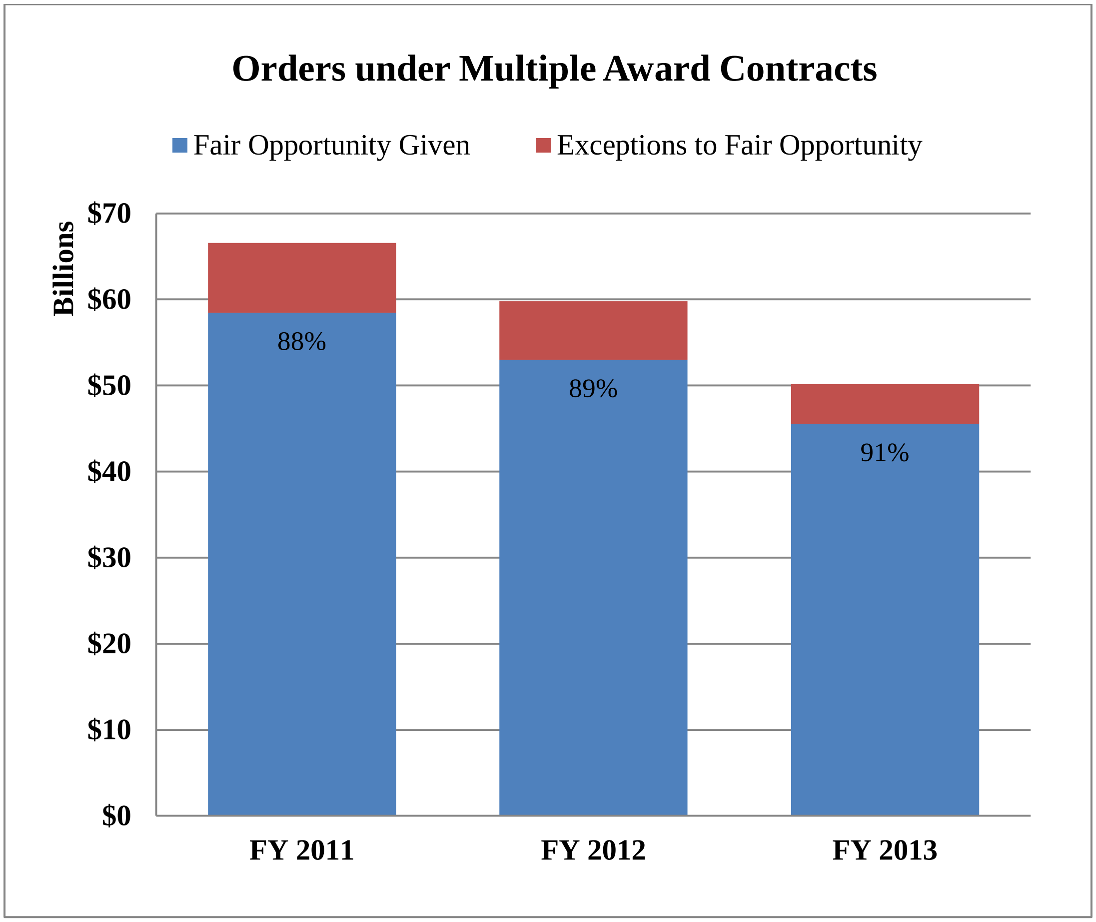
Fair Opportunity

Federal Acquisition Regulation (FAR) 16.505(b)(1) requires fair opportunity be provided for each delivery/task order issued under multiple award contracts (MAC), except for limited circumstances that require a written determination justifying the exception. The determinations for exceptions to fair opportunity require the same level of approval as non-competitive justification and approval (J&A) documents. The Department began tracking this element of competition in FY 2009, and continues to report on fair opportunity using the FPDS-NG, Fair Opportunity Workflow under the Competition Report. Chart 3 illustrates the fair opportunity trend for DoD from FY 2011 through FY 2013. Consistent with the decrease in total competed obligations, the total dollars subject to fair opportunity decreased from $60 B in

[4] Source of data is FPDS as of March 24, 2013. 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.

FY 2012 to $50 B in FY 2013, yet the rate of fair opportunity competition increased slightly from 89% to 91%.[5]

Chart 3 – FY 2011 to FY2013 Fair Opportunity Trend Data



In addition to the Fair Opportunity Workflow in the Competition Report, Defense Manpower Data Center (DMDC) provides an adhoc report that identifies the extent of fair opportunity achievement by the various types of MACs. Specifically, whether a DoD order is placed against a DoD awarded multiple award task or delivery order contract, GSA Federal Supply Schedule (FSS), Government-wide Acquisition Contract (GWAC), or a multiple award task or delivery order contract awarded by another non-DoD activity. Table 3 summarizes DoD fair opportunity achievements for FY 2013 based on the type of multiple award contract[6].

[5] The source for the FY 2011, 2012, and 2013 fair opportunity statistics are the FPDS-NG Competition Reports utilizing the fair opportunity workflow "frozen data" as of January 6, 2012, January 14, 2013, and January 29, 2014 respectively.
[6] Source of data is FPDS-NG as of February 10, 2014.

Table 3 – Fair Opportunity by Type of Multiple Award Contract

	Total Obligations Under MACs	DoD MACs	GSA FSS	GWAC	Non-DoD MACs
Obligations	$ 50,210,123,137	$ 42,671,150,255	$ 5,235,193,264	$ 1,864,703,983	$ 439,075,635
% of Total Order Obligations	100%	85%	10%	4%	1%
Fair Opportunity Given	$ 45,546,768,060	$ 39,602,256,632	$ 3,929,863,117	$ 1,612,817,553	$ 401,830,759
% of Fair Opportunity Given (Obligations) by Type of Multiple Award Contract	91%	93%	75%	86%	92%

As noted above, the extent of fair opportunity competition achieved increased slightly to 91% in FY 2013 with a 2% increase in fair opportunity for DoD MACs, which comprise 85% of the Department's MAC task/delivery order obligations. GSA FSS and GWAC both saw slight increases in the percent of fair opportunity given, while the total obligations for each category decreased.

Non-Competitive Obligations

The competition report includes a summary of the non-competitive obligations from FY 2013. Table 4 reflects total dollars obligated, total dollars competed, null values for extent competed and total dollars not competed. The total dollars not competed decreased $21.2 B from $154.5 B in FY 2012 to $133.3 B in FY 2013. The report shows non-competed "orders with exceptions to fair opportunity" decreased $2.1 B from $6.8 B in FY 2012 to $4.7 B in FY 2013. Non-competitive contract obligations authorized by Justification and Approval (J&A) authority decreased $19 B from $147.7 B in FY 2012 to $128.7 B in FY 2013.

The percentage breakout for the non-competitive FAR based J&A exceptions remained consistent with previous years. The majority (77.8%) of non-competitive dollars obligated were under FAR 6.302-1 "Only One Source." As noted in the overall competition section above, many of the non-competitive contract obligations are for weapon systems and specialized equipment that are important investments in support of our national security strategy. These programs may have been originally competed, but now require sole-source contract extensions because the programs have moved past the stage in their program lifecycle where competition is economically viable. The Department continues to take steps to increase competition for major systems by introducing competition during the sustainment phase of a product's life cycle through the use of open systems and open architectures.

Table 4 – Non-Competitive Details[7]

Total Dollars Obligated		$ 307,931,876,060	% of Total Dollars
Total Dollars Competed		$ 174,549,911,023	56.7%
Null Values and Report Delta		$ 17,637,485	0.0%
Total Dollars Not Competed		$ 133,364,327,552	43.3%
Orders with an Exception to Fair Opportunity	$ 4,664,073,748	3.5%	1.5%
Contract Actions Authorized by J&A Authority	$ 128,700,253,804	96.5%	41.8%
Breakout of Various J&A Authorities		**% of J&A Authorities**	**% of Total Dollars**
FAR 6.302-1 "Only One Source"	$ 100,167,004,525	77.8%	32.5%
FAR 6.302-2 "Urgency"	$ 2,110,122,803	1.6%	0.7%
FAR 6.302-3 "Mobilization, Essential R&D"	$ 2,169,985,920	1.7%	0.7%
FAR 6.302-4 "International Agreement"	$ 9,088,227,456	7.1%	3.0%
FAR 6.302-5 "Authorized or Required by Statute"	$ 8,598,406,361	6.7%	2.8%
FAR 6.302-6 "National Security"	$ 3,602,143,523	2.8%	1.2%
FAR 6.302-7 "Public Interest"	$ 591,060,589	0.5%	0.2%
Not Competed Using SAP	$ 2,134,566,791	1.7%	0.7%
Null value for reason not competed	$ 238,735,836	0.2%	0.1%
Total	$ 128,700,253,804	**100.0%**	**41.8%**

The non-competitive dollars obligated under the next highest J&A authority was for contracts awarded under FAR 6.302-4 “International Agreements,” representing contracts awarded on behalf of a foreign government (i.e., Foreign Military Sales) decreased $2.9 B from $12.0 B in FY 2012 to $9.1 B in 2013. The remaining J&A authorities either decreased slightly or remained constant with the FY 2012 values, with the exception of FAR 6.302-7 “Public Interest,” which increased from $.3 B in FY 2012 to $.6 B in FY 2013.

Contingency Contracting

DPAP continued to track competition for actions in support of Operation Enduring Freedom (OEF), as established under Section 844 (a) of the FY 2012 National Defense Authorization Act. Table 5 summarizes the Department and Component level contingency contracting dollars obligated, competed and effective competed dollars obligated, and the resulting competition rates for FY 2013. The total contingency contracting dollars decreased from $9.3 B in FY 2012 to $5.0 B in FY 2013, a reduction of $4.3 B consistent with reduce actions in support of OEF. The contingency contracting competition rate decreased from 87% in FY 2012 to 77% in FY 2013, based on a 10% drop in the Army’s contingency contracting competition

[7] Source is FY13 FPDS “Frozen Data” from January 29, 2014.

rate. The effective competition rate also decreased from 75% in FY 2012 to 69% in FY 2013.

Table 5 – Contingency Contracting Competition Details[8]

Contracting Agency	Total Contingency Contracting Dollars	Contingency Competed Dollars	% Contingency Competition	Effective Competed Dollars	% Effective Competition
Dept of Army	$ 2,734,849,865	$ 1,930,302,865	71%	$ 836,511,551	43%
Dept of Navy	$ 398,037,664	$ 74,264,097	19%	$ 42,958,972	58%
Dept of Air Force	$ 192,616,829	$ 186,755,647	97%	$ 186,755,647	100%
Defense Logistics Agency	$ 12,342,825	$ 12,307,533	100%	$ 12,297,703	100%
Defense Information Systems Agency	$ 30,951,456	$ 30,951,264	100%	$ 11,448,076	37%
Dept of Defnese Education Activity	$ 650,396	$ 650,396	100%	$ 650,396	100%
Defense Commissary Agency	$ 460,870	$ 460,870	100%	$ 460,870	100%
Joint Improvised Explosive Device Defeat Org	$ 7,911,537	$ (14,141)	0%	$ (14,141)	100%
USTRANSCOM	$ 1,590,818,988	$ 1,590,754,665	100%	$ 1,556,874,594	98%
US Special Operations Command	$ 15,017,895	$ 14,894,598	99%	$ 14,894,598	100%
Washington Headquarters Services	$ 20,756,271	$ 9,342,762	45%	$ 7,507,901	80%
TOTAL	**$ 5,004,414,595**	**$ 3,850,670,556**	**77%**	**$ 2,670,346,168**	**69%**

II. Initiatives

The Department continues to emphasize BBP and builds upon the success achieved since the initiatives were introduced in FY 2010. On November 13, 2012, the USD(AT&L) issued BBP 2.0. The guidance encompasses 36 initiatives organized into seven focus areas. The area under, "Promote Effective Competition" provides the following guidance:

- Emphasize competition strategies and creating and maintaining competitive environments
- Enforce open systems architectures and effectively manage technical data rights
- Increase small business roles and opportunities
- Use the Technology Development phase for true risk reduction

DPAP and the components continue to promote competition by creating strategies and activities in acquisitions and procurements that enable a competitive environment throughout a program/product/service's life cycle. Examples from the Component's Competition Reports follow:

- Promote acquisition workshops to inform, educate, and train the acquisition workforce on current and relevant acquisition and procurement policies and

[8] Source is FY13 FPDS "Frozen Data" from January 29, 2014.

procedures to create/enhance awareness of Federal and DoD procurement trends, issues and challenges;

- Emphasize competition in small business subcontracting and technology development efforts under the Small Business Innovative Research Program;
- Train non-acquisition professionals to ensure performance work statements are clearly written and not overly restrictive with metrics that favor the incumbent contractor;
- Continued education of requirements organizations in writing functional, outcome-based requirements statements for requirements;
- Utilize contract action boards to review market research for sources and quality and level of competition;
- Consider component level breakout of weapon systems acquisitions where applicable and elements of services acquisition that can be broken out to enhance the degree of competition on “parts of the whole”;
- Challenge brand name or military unique specifications to minimize non-competitive contract awards;
- Require that all Justification and Approval (J&A) packages include copies of the predecessor J&A as a reference document for each J&A approved at a level higher than the Contracting Officer;
- Introduce Better Buying Tool, which provides techniques and tools to implement Better Buying Power 2.0 and enhance competition by addressing all of the BBP 2.0 factors and sub-factors and provides 80 techniques to enhance competition in all phases;
- Continue use of Request for Information (RFI) on large dollar, complex procurements in order to enhance likelihood of receiving multiple offers;
- Develop an automated tool called Matching Acquisition Strategies to Industry Capabilities (MASIC) to reduce direct material costs by attracting more suppliers;
- Utilization of Supply Assurance through Multisource Contracting clause, which provides avenue for unqualified sources to become qualified through limited production;
- Implement use of second source option Contract Line Item Numbers (CLINs) within competitions to require prime contractor to qualify another vendor for components for future competitions;
- Use of Service Requirements Review Boards to validate service requirements early in the process to improve use of performance based contracting, avoid duplication of services, and provide increased opportunity for competition and small business participation;
- Increase leadership oversight on “bridge” contracts to minimize use and ensure adequate steps are taken to award follow-on competitive using predictive scheduling tools;

- Continue focus on ensuring accuracy of data reported in the Federal Procurement Data System;
- Continue Peer Reviews and Program Management Reviews to encourage more competition and continuous process improvement;
- Brief Acquisition Executives on competition metrics achievements;
- Monitor competition performance on a monthly basis, via agency metric that track agency and supply chain competition against the goals, and provided updates during monthly metrics reviews and senior levels in the component;
- Create tool for actions that require a J&A for other than full and open competition to track and report on plans to advance competition;
- Conduct Industry Days for services acquisitions to share information and foster better communication with industry to expand the "industrial base" for upcoming acquisitions;
- Develop and employ forecasting tools to identify upcoming acquisitions early enough in the process to effect change and maximize competition;
- Form market intelligence teams to analyze the private and public sectors to discover potential strategic sourcing and breakout opportunities to increase competition;
- Require annual competition training and encourage the use of the Defense Acquisition University (DAU) CLC 055 Course - Competition Requirements for DoD Acquisition for contracting and acquisition personnel.

III. Barriers to Competition

As noted above, the Department continues making efforts to improve competition. Aside from the product/service mix discussed in Section I, the Component's Competition Reports provide additional impediments to competition, some of which are summarized below:

- Reduction in new starts and major programs and reliance upon non-competitive follow-on procurements for mature systems and aging weapon systems;
- Technical data packages that do not state requirements in terms of functions to be performed, performance required, or essential physical characteristics;
- High Dollar directed source Foreign Military Sales (FMS) procurements using the exception at FAR 6.302-4 International Agreement;
- Approval process and substantial investment/testing required for alternate sources for critical items and maintenance capability;
- Classified Requirements using the exception at FAR 6.302-6 National Security;
- Non-competitive and limited/single source actions in support of socio-economic programs under FAR Parts 8 and 19;

- Unique/critical mission or technical requirements with proprietary rights for items developed at private expense for legacy systems, software, telecommunications/satellite equipment and services;
- Budget austerity makes it difficult to identify funding for the purchase of technical data package;
- Extended Continuing Resolutions necessitating sole source “bridge” contracts to avoid program disruptions.

IV. Recommendation to the Defense Acquisition Executive

As the DoD Competition Advocate, the Director, DPAP works with Component Competition Advocates throughout the year to emphasize competition and review metrics results. DPAP and DMDC partner with Component Competition Advocates to enable visibility and assist in the analysis of overall, effective and contingency competition as well as fair opportunity achievements.

System of Accountability

In FY 2013, the Department used the competition report in FPDS-NG to track overall competition statistics. 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 previously, DPAP uses the FPDS-NG report entitled “Competitive but Only One Offer” to track and report effective competition for the Department and Components in FY 2013. The Number of Offers and Contingency Contracting information are based on Ad Hoc FPDS reports. Collectively these reports are used to track competition and to prepare the annual competition reports.

DOD Competition Goals

In FY 2013, the Department’s overall competition rate of 57% fell short of the goal of 60%. As noted previously, the military departments drive the Department’s competitively awarded dollar obligations, and the reduction in obligations and increases in non-competitive contact obligations are the primary source for the shortfall. Barriers to competition from non-competitive procurements for major systems, foreign military sales, statutory requirements, and limited new starts of programs in the current budget environment are expected to continue in FY 2014.

For FY 2014, the Department’s overall competition goal was set at 58% and the effective competition goal at 88.8%. The overall competition goals for the components were calculated by incorporating a two percent improvement over the FY 2013 achievements; components that achieved a FY 2013 rate greater than 90% to maintain the rate. The components FY 2014 effective competition goals remained the same as the FY 2013 goals. The contingency contracting goals match the component's overall and effective competition rates.

Recommendation

The USD (AT&L) continues to focus on the importance of increased competition. The rollout of BBP 2.0 policies and initiatives highlight the Under Secretary's commitment to improving 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
ACQUISITION LOGISTICS AND TECHNOLOGY
103 ARMY PENTAGON
WASHINGTON DC 20310-0103

SAAL-ZP

FEB 6 2014

MEMORANDUM FOR DIRECTOR, DEFENSE PROCUREMENT AND ACQUISITION POLICY

SUBJECT: Army Competition Report: Fiscal Year 2013 (FY13)

1. Enclosed is the Army's FY13 Competition Report containing analysis of trends, fair opportunity results, as well as efforts taken to overcome barriers and impediments to competition. I am pleased to report the Army achieved 65.82 percent in dollars competed against the assigned Army goal of 64.9 percent for FY13.

2. The Army contracting enterprise is fully committed to using competitive procedures to deliver quality products and services and to obtain the best value for the taxpayer and the War-fighter. However, in the face of fiscal constraints and budget uncertainties, I respectfully request your reconsideration of the Army's FY14 goal of 67 percent and recommend the goal stay the same as last year at 64.9 percent.

3. Point of contact for this memorandum is Mr. Martin R. Tillman, (703) 617-0303, or e-mail: martin.r.tillman.civ@mail.mil.

Encl

Harry P. Hallock
Deputy Assistant Secretary
of the Army (Procurement)

ARMY COMPETITION REPORT

Fiscal Year 2013

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

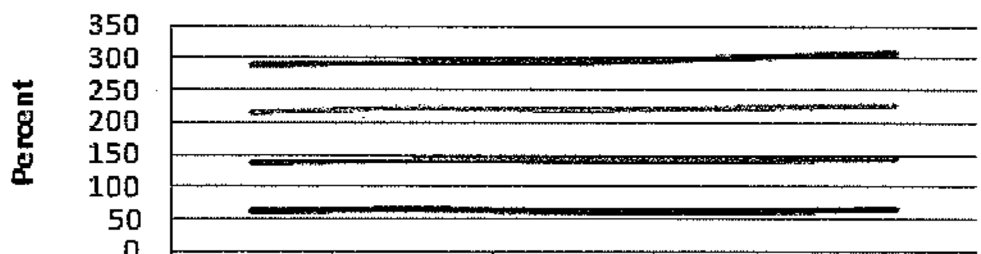
Army Competition Report 2013

This report is provided in response to the Director of Defense Procurement and Acquisition Policy's (DPAP) memorandum, dated 6 January 2014, subject: Request for Fiscal Year 2013 Competition Report and Establishment of FY 2014 Competition Goals. It was developed in accordance with Federal Acquisition Regulation (FAR) 6.502(b) and the Army Federal Acquisition Regulation Supplement 5106.502(b)(2) for fiscal year (FY) 2013. The report includes an analysis of procurement trends, fair opportunity results, impediments to competition, and new initiatives intended to enhance competition in FY14. The data used in this report came from the Federal Procurement Data System-Next Generation database on 15 January 2014.

1. **Competition Achieved in FY13.**

A. Overall. As demonstrated in figure 1, the Army continues to improve its use of competitive procedures when contracting for goods and services. In FY 2013, the Army competed 65.82 percent of all contractual dollars obligated. This percentage represents an increase of 4.16 percent over the Army's FY12 accomplishment (Table 1) and exceeds its Office of the Under Secretary of Defense (OSD) goal of 64.9 percent for the same time-period by almost 1.4 percent. Similarly, the Army competed 76.50 percent of all its contractual actions in FY13. This is 17.87 percent above the OSD goal and an improvement over FY12 (Table 2). Together, the increase in dollars obligated and the actions competed in FY13 are a remarkable accomplishment considering the turbulent budget environment experienced during the past year and a reduction in dollars available for competition by almost 20 percent.

Army Competition Summary



	FY2009	FY2010	FY2011	FY2012	FY2013
% Effective Competition (Actions)	73.85	70.38	74.15	77.84	79.64
% Effective Competition (Dollars)	77.5	79.45	79.83	83.85	85.96
% Competition (Actions)	76.28	77.05	76.83	76.26	76.5
% Competition (Dollars)	60.23	64.75	63.59	63.19	65.82

Figure 1

Year	Total Obligations (Dollars)	Competed (Dollars)	% Competed (Dollars)	Delta (Yearly)
FY2009	$132,721,089,366	$79,931,484,018	60.23%	
FY2010	$140,656,299,397	$91,081,047,097	64.75%	4.53↑
FY2011	$125,097,524,366	$79,542,964,982	63.59%	1.17↓
FY2012	$108,518,489,469	$68,573,931,068	63.19%	0.39↓
FY2013	$87,280,979,648	$57,450,143,757	65.82%	2.63↑

Table 1: Competition in Dollars

Year	Total Army (Actions)	Competed (Actions)	% Competed (Actions)	Delta (Yearly)
FY2009	506,632	386,430	76.28%	
FY2010	499,566	384,912	77.05%	0.77↑
FY2011	465,667	357,791	76.83%	0.22↓
FY2012	419,730	320,093	76.26%	0.57↑
FY2013	342,157	261,757	76.50%	0.24↓

Table 2: Competition in Actions

B. Effective Competition. On occasion, an otherwise unrestricted solicitation will attract only one offer. As a result, the competition is limited in a way that could affect the quality of the proposal chosen and/or the price compared to when there are multiple companies competing. This is especially evident when the successful contractor is aware that they are the only vendor proposing. Therefore, effective competition is measured when the "competed but one offer" contracts are subtracted from the total competed dollars or actions. Again, the Army's effective competition rate for both dollars competed and contract actions continued to rise slightly in FY13 as depicted in Tables 3 and 4.

Year	Competed (Dollars)	Competed But One Offer Rec'd (Dollars)	% Competed (Dollars)	Delta (Yearly)
FY2009	$79,931,484,018	$17,984,966,325	77.50%	
FY2010	$91,081,047,097	$18,719,054,517	79.45%	1.95↑
FY2011	$79,542,964,982	$16,047,470,750	79.83%	0.38↑
FY2012	$68,573,931,068	$11,073,209,907	83.85%	4.03↑
FY2013	$57,450,143,757	$8,064,310,928	85.96%	2.11↑

Table 3: Effective Competition in Dollars

Year	Competed (Actions)	Competed Less One Bid (Actions)	% Competed (Actions)	Delta (Yearly)
FY2009	386,430	101,068	73.85%	
FY2010	384,912	114,014	70.38%	3.47↓
FY2011	357,791	92,489	74.15%	3.77↑
FY2012	320,093	70,921	77.84%	3.69↑
FY2013	261,757	53,291	79.64%	1.80↑

Table 4: Effective Competition in Actions

2. **Competition Assessment.** The following paragraphs dissect the contents of the above competition statistics and provide the reader a more in-depth understanding of the contents and impediments to Army competition.

A. Follow-On to Competition. Within the Department of Defense and especially the major weapons systems, information technology, and communications equipment worlds, requirements sometimes change once the user has a better understanding of how to employ the system or its capabilities. There are a myriad of reasons for the Government needing to purchase from a contractor that previously received an award through competition. For example, the user may discover they need more of the systems than originally thought or require some change to the previously designed system to make it more effective. This category represents the number and percent of those contract actions that were not competed, but were executed as a follow-on to a previously competed contract action. This information is important to report because it represents a segment of the contract population that while not statutorily limited from competition are not practically available to compete.

In summary, the number of these type actions decreased in each of the last three fiscal years to only 27 actions. Contract actions awarded as a follow-on to competition equate to a minus $2.3 million (M), which means there was actually over $2M de-obligated from existing contracts during FY13 (Table 5).

Year	Follow-On to Competed Actions ($)	Follow-On as % of Competed Actions ($)	Follow-On to Competed Actions (Actions)	Follow-On as % of Competed Actions (Actions)
FY2011	$24,657,027	.03%	77	.02%
FY2012	$16,559,114	.02%	40	.01%
FY2013	($2,255,146)	.00%	27	.01%

Table 5: Follow-On to Competition in FY13

B. Not Available for Competition. The Army's efforts to compete are further impeded when there is an increase in the percentage of procurement dollars set-aside for special purposes and not available for competition. Table 6, below, reflects just this situation, an increasing percent of "Not available for Competition" dollars (dollars as a percent of total obligations over the fiscal year) which are mandated by statues, regulation and other agreements and are prevented from competitive procurement. While the percentage of actions that are not available for competition has gone down slightly over the last three years, this seems to be an indicator of fewer purchases for larger sums of money.

In the past, contract actions that were not competed because of statutory direction, regulation, or other agreements were removed from the competitive baseline used to calculate the percentage of competitive actions achieved. This has changed; now actions reported as "not available for competition" are merely counted as "not competed" per direction from the Office of Federal Procurement Policy. The majority of contract actions that comprise this category include those required by statue, such as awards to Federal Prison Industries, set asides for Ability One and Small Business programs or directed awards for Foreign Military Sales (FMS).

Year	Not Available for Competition (Dollars)	% Not Available for Competition (Dollars)	Not Available for Competition (Actions)	% Not Available for Competition (Actions)
FY2011	$7,087,414,064	5.67%	34,255	7.36%
FY2012	$6,217,305,337	5.73%	30,627	7.30%
FY2013	$5,393,207,846	6.18%	24,646	7.20%

Table 6: Not Available for Competition

C. Eligible Fair Opportunity/Limited Sources Actions. Multiple award task and delivery-order contracts are extremely valuable to a procuring activity when the exact times and/or quantities of future deliveries are unknown. They are also generally believed to provide a quicker, more efficient method for procuring multiple supplies or services that are relatively similar, such as with the Army's Program Executive Office-Simulation Training and Instrumentation's (PEO-STRI's) Train, Educate, And CoacH (TEACH) contract. In addition, many of these multiple award contracts contribute to the Army strategic sourcing efforts (e.g. Information Technology Enterprise Solutions (ITES)) and result in substantial savings to the Government. In consideration of these contract types, the FAR 16.505(b) requires contracting officers to provide each awardee a fair opportunity to be considered for each order exceeding $3,000 issued under a multiple delivery-order contract or multiple task-order contract, with limited exceptions. Though these requirements could have been issued as individual contracts to a single contractor, they were awarded to multiple contractors who compete for each task/delivery order requirement. While these actions are awarded based on competition among the contracts previously awarded for a particular requirement, they are not available for full and open competition and therefore negatively impact the Army's competition rate. As indicated in Table 7a, below, there are a significant number of these actions and their associated dollars impact the Army's competition rate (the percentages are approximately the same as last year).

Exception	Actions	% Actions	Dollars	% Dollars
Fair Opportunity Given	47,776	83%	$19,457,942,922	87%
Statutory Exception to Fair Opportunity	10,102	17%	$3,038,529,906	13%
Total Eligible Fair Opportunity/Limited Sources Actions	57,878		$22,496,472,828	

Table 7a: Eligible Fair Opportunity/Limited Sources Actions

D. The table below, Table 7b, dissects the composition of "statutory exception to fair opportunity" and reflects the key categories and numbers of dollars and actions for each. It is particularly noteworthy that most of the actions and dollars are associated with "Only One Source" and "Follow-on DO Following Competitive Initial Order", 35.19% and 52.45% (dollars), respectively. This seems to further reinforce the comments made in the earlier discussion concerning weapons systems, information technology, and communications equipment procurement. Once a large amount of time, money, and experience is invested with a particular company on a particular system, especially when dealing with advanced technology, it is difficult to change or procure more of those systems without going back to the original contractor. This topic will be explored more in later paragraphs.

Exception	Actions	% Actions	Dollars	% Dollars
Minimum Guarantee	787	7.79%	$42,950,200	2.22%
Only One Source	3,805	37.67%	$680,746,125	35.19%
Urgency	190	1.88%	$32,403,795	1.68%
Follow-on DO Following Competitive Initial Order	4,199	41.57%	$1,014,534,858	52.45%
Other Statutory Authority	1,121	11.10%	$163,805,665	8.47%
Total Exceptions to Fair Opportunity	10,102		$1,934,440,643	

Table 7b: Statutory Exception to Fair Opportunity

E. Details of Other Than Full and Open Competition. In implementing the controlling statutes, FAR 6.101 requires contracting officers, with certain limited exceptions, to promote and provide for full and open competition in soliciting offers and awarding Government contracts. Table 7c, below, helps to identify the salient issues that are driving the Army's failure to employ full and open competition by categorizing the rationale cited into typical affinity groupings. From the table, it is clear that there are two exceptions most commonly cited and comprising 69% of the total non-competitive procurements used for these justifications.

i. A statute authorizes or directs the procurement source (Federal Prison Industry, Ability One, or other mandatory sources); and

ii. Only one responsible source met the requirement, such as when buying proprietary weapons systems, unique munitions, technical data packages, or justified brand name.

Once more, the information seems to be pointing to statutorily directed sources or the belief that select procurements are tied to a legacy system as is typically found with weapons systems acquisition. All the other issues seem to be well within the normal range.

Details of Other Than Full and Open Competition	Actions	% Actions	Dollars	% Dollars
Authorized by Statute	20,089	28.40%	$3,264,367,986	11.34%
Authorized Resale	34	0.05%	$4,770,592	0.02%
Brand Name Description	485	0.69%	$114,344,381	0.40%
Follow-On Contract	2,330	3.29%	$1,811,294,650	6.29%
International Agreement	1,219	1.72%	$1,916,675,203	6.66%
Mobilization, Essential R&AMPD	1,142	1.61%	$1,089,937,058	3.79%
National Security	498	0.70%	$330,059,613	1.15%
Only One Source - Other	22,300	31.53%	$16,669,308,549	57.91%
Patent/Data Rights	182	0.26%	$5,051,469	0.02%
Public Interest	39	0.06%	$557,963,101	1.94%
SAP Non-Competition	12,326	17.43%	$278,415,469	0.97%
Standardization	57	0.08%	$4,190,987	0.01%
Unique Source	2,600	3.68%	$1,385,161,220	4.81%
Unsolicited Research Proposal	9	0.01%	$679,409	0.00%
Urgency	1,589	2.25%	$917,042,310	3.19%
Utilities FAR 41.2	5,833	8.25%	$437,661,965	1.52%
Total	70,732		$28,786,923,962	

Table 7c: Details of Other Than Full and Open Competition

3. **Impediments to Competition.** A survey of the individual, Army major contracting activity competition reports along with a review of the above Other Than Full and Open Competition statistics indicates the following significant impediments to competition:

A. Contingency and urgent situations. In FY13, Operation Enduring Freedom was underway and the Army was at war in Afghanistan. As a result, the Army executed a pronounced number of contract actions with a single source based on the urgency of the procurement or in accordance with an international agreement (including FMS). These contact actions were often due to allied efforts to improve the Afghanistan Army's ability to take over combat operations. In addition, the CENTCOM Joint Theater Support Contracting Command has expressed concern regarding the potential for an increase in the number of last minute requirements for sole or limited source acquisitions due to anticipated retrograde operations that have not yet been finalized.

B. Only one source. As often happens, once the Army has invested a large amount of money into developing a new system or state of the art technology, it is near impossible to build a positive business case for competition of follow-on contracts for a similar capability. The original equipment manufacturer (OEM) typically owns the data rights necessary to re-procure or make changes to the equipment or systems. The OEM then seeks to restrict competition through proprietary or other rights provisions. To insist on competition for such a capability in this case could incur significant duplication of costs, often in the billions of dollars, and may require time that is critical for successful combat operations or to save soldier's lives. For example, the Army encountered this situation when procuring the Mine-Resistant Ambush Protected vehicle maintenance and repair services, the Tactical Unmanned Aircraft System, and the Lightweight Counter Mortar Radar AN/TPQ-50. On other occasions, the Army found itself needing to buy from a particular source due to the nature of the item being procured. For example, medical devices must often be procured from a specific source, when a doctor specifies a specific device or medicine that will uniquely treat an injury or malady. Also related, some organizations, such as PEO-STRI, have a few large sole-source procurements that biased their competition percentage simply because of their size.

C. Legacy support. Legacy system support continues as a barrier to competition and reduces contract opportunities for new vendors. Again, this impediment is largely due to the OEM's experience with a particular system, their already possessing the necessary equipment and facilities, and/or their ownership of the data rights. Examples of these legacy systems procurements that could not be competed are the Army's Counter-Rocket Artillery and Mortar Command and Control System, the High Mobility Artillery Rocket System, Life Cycle Launcher Support, and the Mobile Strike Force Vehicles.

D. Customer tardiness. The extensive and often chaotic requirements development process along with the resulting schedule pressures imposed on the contracting process and vendors is well documented. Often, the various requirements, document development, and acquisition strategy development processes delay acquisitions in a way that precludes the time needed by acquiring organizations to conduct industry days, publish draft request for proposals, and submit sources sought announcements in order to attract more offerors. Altogether, this delay serves to reduce the number of contractors that are informed of a requirement with enough time to consider responding to a solicitation.

E. Funding turbulence. Several of the Army's contracting activities have expressed concern regarding the FY13 budget turbulence. Specifically, there were comments concerning the impact their organizations felt by having to furlough the contracting staff during the year and how competition was affected when funds for urgent requirements were only received at the last minute.

4. **Significant Actions Taken to Improve Competition in FY13.** The Army implemented the following actions during FY13 in order to improve its competition percentage.

A. Headquarters, Department of the Army. On behalf of the Army's Senior Procurement Executive, the Deputy Assistant Secretary of the Army (Procurement) in his role as the Army Competition Advocate General:

i) Set competition goals for each of the subordinate, major Army contracting activities,

ii) Monitored contracting activity performance on a quarterly basis via Contracting Enterprise Reviews (CER), and

iii) Reviewed competition related documentation prescribed in the Federal Acquisition Regulation (FAR) and Defense FAR Supplement, such as 41 Justification and Approvals (J&As) for sole-source contracts above $85.5M and 25 Determinations and Findings.

B. U.S. Army Contracting Command (ACC) instituted the following:

i) ACC leadership has utilized the quarterly CERs to increase their awareness and visibility into the competition metrics at each subordinate center and command.

ii) ACC focused on significantly decreasing sole-source bridge contracts through robust acquisition planning and close collaboration with supported customers on requirements.

iii) ACC increased competition by providing their supported activities with robust market research tools and support. For example, ACC established the Contract Management and Research Tool, which is a database of all Army Indefinitely Delivery Indefinite Quantity (IDIQ) contracts. This tool enhances the opportunity for supported activities to seek out vendors capable of providing the goods and services that meet their requirements.

C. CENTCOM-Joint Theater Support Contracting Command (C-JTSCC) Iraq/Afghanistan instituted the following in support of Operation Enduring Freedom:

i) Expanded solicitation base. The Head of Contracting Activity directed that all solicitations be posted in the Joint Contingency Contracting System (JCCS) and open to any and all potential bidders as opposed to the previous practice of using local bidder lists.

ii) Vendor training. While vendor training is typically conducted on an individual basis as required, the C-JTSCC is emphasizing consolidated assistance in order to increase the breadth of assistance and information. For example, the Regional Contracting Center-East held vendor training which focused on educating and assisting local national businesses with JCCS registration, contracting processes, and tax issues. Approximately 31 local vendors were provided the ability to seek clarification regarding government business processes and procedures. At Manas, Kyrgyzstan, vendor training has been conducted twice a month.

iii) Multiple award, fair opportunity IDIQs for fuel. Multiple Award IDIQ contracts replaced Blanket Purchase Agreements as the vehicle to procure fuel for the Afghan National Security Forces. Each order for fuel is now competed among the nine IDIQ awardees with confidence that each contractor will compete for the prospective award.

In response to the DPAP memorandum, it should be noted that all Army major contracting activities are assigned an individual competition goal. These goals are tracked individually by quarter during the previously mentioned CER. Therefore, all contracting activities supporting OEF are monitored and actual contrasted with their assigned goal. Table 8, below, offers a snapshot of the various goals.

Command	Dollars Competed	% Dollars Competed	FY13 Goal
AMC/ACC	$35,352,994,233	58.04%	54%
C-JTSCC	$1,053,323,076	98.41%	85%
INSCOM	$987,246,125	91.49%	95%
MEDCOM	$1,897,983,239	71.17%	84%
National Guard	$2,003,582,471	79.38%	80%
PEO-STRI	$1,830,358,648	85.95%	80%
Corps of Engineers	$14,206,938,546	84.34%	85%
Total Army	$57,450,143,757	65.82%	64.9%

*** Numbers may vary based on the date the data was pulled. MEDCOM includes USARMRAA.**

Table 8: Army Competition Goals by Major Command

D. U.S. Army Intelligence and Security Command instituted the following:

i) Involved, proactive leadership. The PARC examined all procurements valued at $500 thousand (K) and above during weekly Contract Acquisition Review Board (CARB) forums. During these meetings, the requiring activities presented their upcoming requirements with supporting documentation, such as market research to justify any sole source procurements. Contracting officers then crosscheck sole source market research to ensure it is adequate and justifiable prior to soliciting on a sole source basis. Although procurements valued at less than $500K are not reviewed by the CARB, they are reviewed and approved by the INSCOM Chief of Staff (the package includes a justification for any sole source requests). Again, contracting officers once must validate the market research before soliciting on a sole source basis. Customers were also advised to submit acquisition plans for procurements exceeding $50M (and related strategies for procurements exceeding $100M) to the competition advocate for review and approval.

ii) Improved Competition Advocate/requiring activity relationship. The competition advocate continued to advise contract staff and customers of the need to actively conduct market research to identify sources prior to submitting requirements packages. The competition advocate maintained involvement in the planning process through periodic meetings on individual procurements to ensure that sufficient attention is given to acquisition planning, then further advising on methods of obtaining completion.

iii) Teaming. The competition advocate continued to work with the small business director to ensure that there was maximum practicable opportunity for small business, both in prime and subcontracts for acquisitions valued at $5M or greater. Also, the competition advocate worked in concert with legal counsel to ensure that written justifications with appropriate analyses are developed IAW FAR 6.303 to support acquisitions that may be conducted under other than full and open competition valued at $650K and above.

iv) For high-dollar procurements, those valued at $100M and greater, INSCOM continues to undertake extra efforts to find sources. For example, to encourage small business participation, the solicitation for Global Intelligence included a provision that requires offerors to propose significant small business subcontracting goals in all categories with a total goal of 40%.

E. U.S. Army Medical Command (MEDCOM) and U.S. Army Medical Research and Materiel Command (USAMRAA) instituted the following:

i) Market survey emphasis. Emphasized the use of market surveys and outreach to identify award candidates,

ii) Team effort. Coordinated with the Fort Detrick Business Development Office to identify small businesses of all types to solicit,

iii) Fundamental focus. Emphasized acquisition planning, buying commercial whenever possible, using performance based specifications, and challenged non-performance specifications,

iv) Training. Education of the customer base and training of the contracting workforce. Specifically, MEDCOM required all contracting personnel to complete the Basic Contracting for General Services Administration Schedules Course (FAC023).

F. National Guard Bureau (NGB) instituted the following:

i) Emphasized competition and advanced acquisition planning throughout the acquisition cycle,

ii) Provided oversight/reviews of contract actions to ensure they were not too restrictive or lacking in detail,

iii) Emphasized procurement lead time requirements to increase the opportunity for new vendors to respond to solicitations,

iv) Continued to develop the NGB customer education program, including Defense Acquisition University training, newsletters, and assistance as requested.

G. U.S. Army Program Executive Officer for Simulation, Training and Instrumentation (PEO- STRI) instituted the following:

i) Improve commercial item solicitations. The PEO-STRI created a Simplified Acquisition Procedures (SAP) team to provide flexible and efficient commercial solutions to various project management/staff organizations across the PEO, as well as external customers. The team successfully executed 67 new SAP awards and 97 modifications valued at $29.2M in FY13, this effort netted a $26M increase during the fiscal year.

ii) Leadership emphasis on competition. PEO STRI's updated source selection philosophy memorandum stresses the importance of competition being the norm and sole source actions being the exception. Additionally, the Head of Contracting Activity (HCA) philosophy memorandum stresses the importance of integrity and fairness throughout the source selection process and maximizes the use of draft Request for Proposals to ensure an adequate understanding of requirements by industry and to increase competition.

iii) Training. To facilitate training on competition regulations, the Principal Assistant Responsible for Contracting created a Source Selection Advisory Team (SSAT) composed of experienced acquisition personnel to train in real time, the Integrated Program Teams preparing for competitive acquisitions. Based on initial successes in FY13, PEO STRI formalized the SSAT in both grade and function in order to capitalize on the strengths of a NH-IV SSAT Team Lead, Project Director, and Engineer. In addition, PEO-STRI promoted acquisition workshops to inform, educate, and train the acquisition workforce on current and relevant acquisition policies and procedures to enhance awareness of procurement trends, issues and challenges.

iv) In order to promote requirements awareness, identify potential small business concerns as candidates for acquisitions, and obtain feedback from industry; both, one-on-one sessions with interested industry partners and industry days are encouraged on competitive acquisitions. In addition, the PARC conducts a monthly Procurement Administrative Lead Time Industry brief that provides updated status and information on current and future programs. PEO STRI continues to participate in the annual Training Simulation Industry Symposium

(TSIS) and I/ITSEC and presents upcoming PEO STRI requirements and draft acquisition strategies/milestones to industry partners to aid in their advance planning of requirements/opportunities.

H. U.S. Army Corps of Engineers instituted the following:

i) Increased emphasis on competition during project delivery team kickoff meetings and on District Acquisition Strategy Boards.

ii) Encouraged contracting officer's representatives, and associated procurement analysts within the District's business oversight branches, to analyze contract requirements for competition opportunities.

iii) USACE leadership conducted a mid-year review to identify barriers to competition.

iv) Encouraged the regular use of industry days, pre-notification, and sources sought announcements in order to ensure industry awareness of upcoming business opportunities.

4. **Plan for Competition in FY14.**

A. Headquarters, Department of the Army. In order to improve upon the Army's competition rate in FY14, the Army Competition Advocate General (the DASA(P)) will:

i) Work with other DASAs to emphasize competition in the Army's acquisition policy regulations, such as Army Regulation 70-1, Army Acquisition Policy.

ii) Update the Army FAR Supplement (AFARS), especially Parts 5106-Competition Requirements, and 5153-Forms, to reflect more stringent justification requirements for procurements citing other than full and open competition. Add a new appendix to the AFARS with a Justification and Approval Guide.

iii) Request Army contracting activities to involve their larger customers in achieving their assigned competition goals. This may include assigning goals for the individual customers and briefing the HCA periodically on their progress.

iv) Request Army contracting activities to initiate or include in their annual training plans detailed refresher training on how to properly "code" the contract action report. There have been numerous examples over the last couple of years where contract specialists improperly coded the competition categories.

v) Initiate an update to the 1989, AR 715-31, Army Competition Advocacy Program, and make it reflect the current organization and procedures.

B. U.S. Army Contracting Activities. Subordinate contracting activities will employ a variety of initiatives in FY14 to improve their competition rates. In general, they plan to accomplish the following:

i) Proactive, involved leadership. Major Army contracting activities will continue to use quarterly CER reviews to manage competition goals, track progress, identify barriers to competition, and share solutions. Local leadership will scrutinize acquisition strategies to ensure consideration of competition and demand strong justifications when not using full and open competition. To this end, the Leadership will participate in the requiring activity's Contract Acquisition Review Boards and similar pre-planning forums. They will challenge sole-source requirements, encourage the use of competition through the contract types selected, urge prior planning to alleviate the need for bridge type contracts, and maximum use of commercial procurement. When practical they will attempt to break the lock on competition that contractor's seek to employ through the use of data rights by requiring open systems architecture, challenging proprietary assertions, and procuring data rights.

ii) Improve market research. Emphasize the need for robust market research using available tools, such as conducting local industry days, issuing draft Request for Proposals, Requests for Information, publishing sources sought synopsis, internet and database searches, on-line communications with industry when appropriate, and technical conferences to ensure industry is aware of upcoming business opportunities.

iii) Team. Army contracting organizations intend to collaborate with the small business offices and the requiring activities on their individual efforts in order to attract more competition for individual procurements. Specifically, they will coordinate with the small business offices to ensure potential vendors are informed of upcoming procurements in which they may wish to participate. They will work with their requiring activities to help them develop performance based statements of work, train their source selection teams on the competition process, and advise them on strategies that will yield the best competition.

iv) Training and Awards. Contracting activities will continue to train their workforce, customers, and on occasion, industry representatives on how to enhance competition (roles and responsibilities), conduct robust market research, prepare quality J&As, and relevant contracting fundamentals such as commerciality determinations. In addition, the Army will continue to reward exceptional efforts to drive competition into the organization either by creative, effective solutions, or by organizational changes.

5. **FY 14 Competition Goal.** In his memorandum, dated 6 January 2014, subject: Request for Fiscal Year 2013 Competition Report and Establishment of FY 2014 Competition Goals, the Director of DPAP set the overall, Army FY14 competition goal at 67.0 percent with an effective competition goal of 93.9 percent. This FY14 goal was determined by incorporating a two percent increase over the achieved FY2013

competition rate. As stated previously in this report, there are several factors that could have a major impact on the Army's ability to achieve the above goal.

First, the environment in which the Army buys its goods and services remains fiscally turbulent. While we have received some relief from the effects of sequestration, the Army budget continues to be in flux and often seems like a target for further reduction of many of its major programs. This turbulence affects competition within the services by reducing the time available to inform and attract vendors to new opportunities, it reduces the number of procurements available for competition (often forcing the requiring activity to seek additional procurement from the OEM), and it increases the number of assumptions necessary when planning future acquisitions. Acquisition planning conducted in a hurry or with broad assumptions can lead to inefficient processes (once again with less effective competition).

Secondly, the schedule and strategy for withdrawal from Afghanistan (winding down OEF) is still in question. The C-JTSC remains poised to support the withdrawal of U.S. forces from Afghanistan by the end of 2014. But, actual contract planning and execution will not be final till a national strategy is available. Likewise, there is talk of some form of forces withdrawal from Germany.

A third factor affecting the Army's achievement of the goal in FY14 is the increased reliance on legacy systems that is inherent in a reduced environment.

Bottom line. In view of the above factors that may affect achievement of the Army goal, the Army requests its FY14 goal remain at the same level as the FY13 goal, overall 64.9 percent.

DEPARTMENT OF THE NAVY
FISCAL YEAR 2013 COMPETITION REPORT

In accordance with the Director, Defense Procurement and Acquisition Policy (DPAP) Memorandum dated January 6, 2014, 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) 2013.

The Department of the Navy continues pursuing the Secretary's governing principles for Navy and Marine Corps acquisition, which entail improving capability delivered to the fleet with a clear focus on affordability while minding the health of the industrial base. During FY 2013, the DON successfully continued its quest for significant improvements in effective competition on several fronts with improved producibility of designs, increasing use and application of open architecture solutions, effective application of should cost techniques and appropriate incentives for cost reductions, and increasing use of service contract review boards as cornerstones. Additionally, we continue 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 2013 as well in acquisitions across the DON for other hardware, services, construction, maintenance and repair. For example within our Naval Sea Systems Command (NAVSEA), the Air & Missile Defense Radar (AMDR) program successfully conducted phased competitive prototyping that result in Engineering Manufacturing and Development (EMD) competitive offers including a higher percentage of Commercial Off The Shelf (COTS) components. The DON implemented the use of second source option Contract Line Item Numbers (CLINs) within competitions to require a prime contractor to qualify another vendor for components for future competitions and inclusion of data rights buy-out options within competitive evaluations. The DON illustrated this by the inclusion of Data Items and Provisioned Items Order (PIO) with options for EMD within the initial Request for Proposals (RFP). Additionally, DON has successfully converted several of its requirements that have been sole source for many years to full and open competition, many of which stemmed from NAVSEA's Program Executive Office (PEO) for Integrated Warfare Systems (IWS), including: 1) MK 41 Vertical Launch System (VLS) Launcher Production; (2) VLS Canisters and, Associated Equipment in support of the U.S. Navy and NATO SEASPARROW Missile Consortium requirements; and, (3) Surface Electronic Warfare Improvement Program Block 3 Preliminary Design, Low Rate Initial Production (LRIP) and Engineering Services. Among our aircraft programs in conjunction with these efforts the DON has successfully competed 737 commercial common spare parts from the Boeing P-8A LRIP IV production contract. In early FY2013 the DON formed a Requirements Review Working Group, a multi-functional team comprised of contracts, program office personnel, and several Research Development Testing and Evaluation (RDT&E) and Fleet customers. The Working Group determined that although the Government property currently installed on the contractor aircraft was desired, the need for it was not certain because the RDT&E customers were unable to validate the requirements in the upcoming contract. Thus the requirement for contractor aircraft to be outfitted with Government property was removed from the follow-on requirement, eliminating a condition that had historically negatively impacted competition.

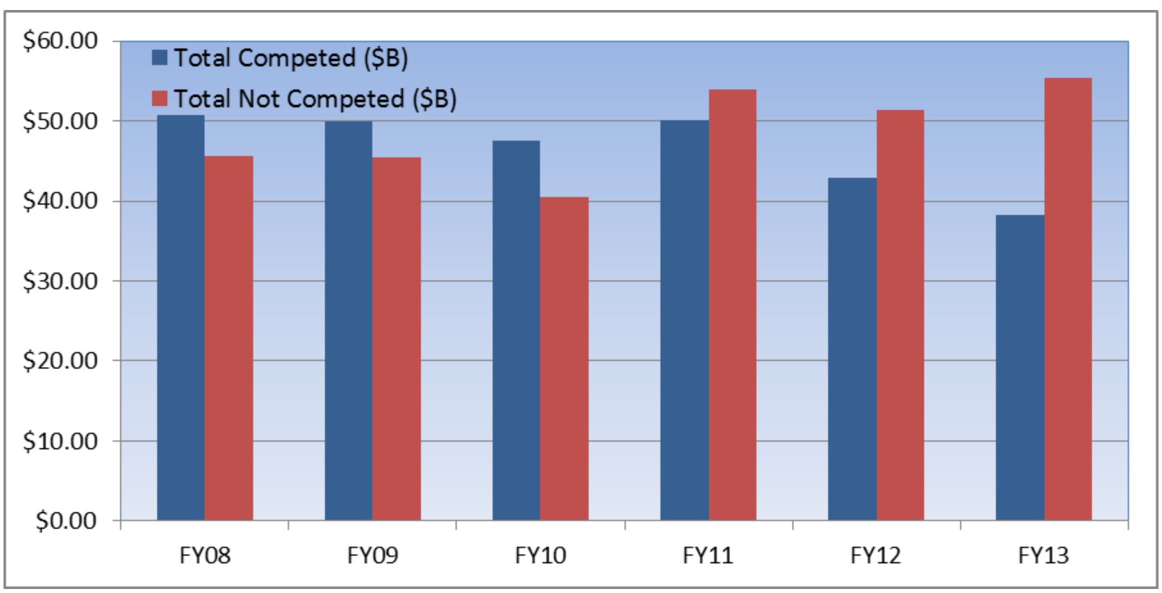
In FY 2013 the DON continued to drive open competition by conducting aggressive market research, including several informative and well-attended Industry Days. In conjunction with this effort, the DON aggressively employed the use of Federal Business Opportunities (FedBizOpps) website and in-depth analysis of current market conditions and intelligence that resulted in an overall net increase in full and open competition. As a result, the previous sole source contracts have been converted into a full and open competition for small aircraft maintenance requirement(s), and a competitive small business set-aside for the propeller aircraft requirement. Award is anticipated in FY14. On the weapon systems front, the DON issued a competitive commercial item Request for Quote (RFQ) for an electro-optical and infrared collimator and LASER measurement device for use in the FA-18/EA-18G Advanced Weapons Laboratory. Use of simplified procedures under FAR 13.5 resulted in multiple competitive quotes. Additionally, the DON is conducting a robust competition for: (1) The Long Range Land Attack Projectile (LRLAP) to include LRIP, PIO, and Engineering Services that will be delivered to DDG 1000/1001/1002 to support the MK 51 Advanced Gun System; (2) AEGIS Combat System Engineering Agent (CSEA) requirements supporting the AEGIS combat and weapon systems on DDG 51 and CG 47 ships; (3) Ship Self Defense Systems (SSDS) CSEA Requirements; (4) Ship Integration and Test (SI&T) requirements supporting the AEGIS combat and weapon systems on DDG 51 and CG 47 class ships; and (5) Cooperative Engagement Capability (CEC) including the Common Array Block Family of Antennas and CEC Production Requirements.

In the Services arena, the DON's Director for Services Acquisition continues pursuing improved tradecraft in services, including increased competitive opportunities in the services portfolio. During FY 2013, the DON continued a trend seen in FY 2012 by awarding increased numbers of Multiple Award Contracts for services, which establishes a foundation for improved fair opportunity competition through the award of competitive task and delivery orders. Additionally, Service Requirements Review Boards implemented across the DON are validating services requirements early in the process to improve use of performance based contracting, avoid duplication of services within the DON, and to provide increased opportunity for small business and increased competition. Lastly, DON continued to execute the Health Assessment process whereby a thorough review of command level processes for contract administration and requirements generation were reviewed for best practices and areas of improvement.

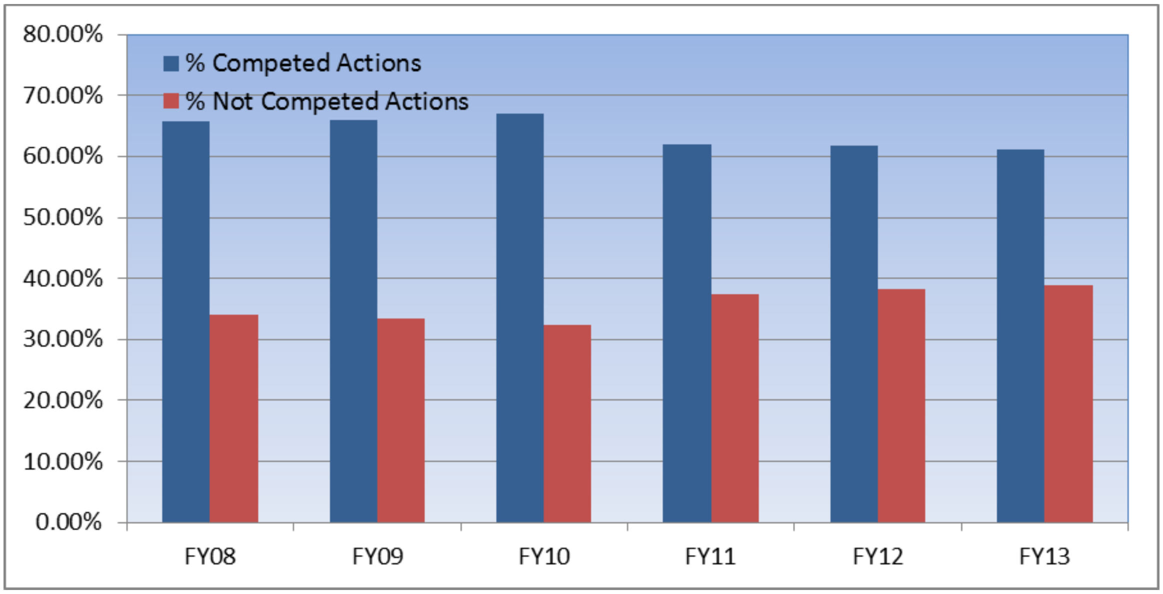
The DON's electronic Purchase Request Procedures and DON Source Selection Guide instituted guidance for Service Contracts via performance-based requirements. Service contracts were reviewed to ensure requirements were not restrictive, and that statements of work (SOWs) contained performance standards and objectives instead of directing the manner of performance. 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 2013 competition goal was established at 48.6 percent. The DON extracted FY 2013 data from the Federal Procurement Data System, Next Generation (FPDS-NG) for this report on January 21, 2014. The total DON obligated dollars decreased from $93.9 billion in FY 2012 to $93.6 billion in FY 2013 due, in part, to Continuing Resolution and budget constraints. For FY 2013, DON competitive dollars obligated decreased by $ 4.6 billion to $38.3 billion, which is 40.9 percent of overall obligated dollars. The DON's trend in competition rates achieved based on dollars obligated has ranged from 52.6 to 40.9 percent for the period from FY 2008 to FY 2013. The chart below shows the trend in competitive and non-competitive obligated dollars for FY 2008 to FY 2013.



In comparison, the DON's trend in competition rates achieved based on the number of contract actions recorded in the FPDS-NG has ranged from 65.78 percent in FY 2008 to 61.70 percent in FY 2012. In FY 2013, the DON competition rate based on number of contract actions was 61.1 percent based on 290,687 total actions recorded. The chart below shows the trend in rate for competitive and non-competitive actions for FY 2008 to FY 2013.



In accordance with the January 6, 2014 DPAP guidance, the DON's FY 2014 goal for overall competition was established at 41.7 percent and reflects a .8 percent increase over the DON's FY 2013 achieved rate based on dollars obligated. Additionally, the DON's FY 2014 goal for effective competition was established at 87.3 percent and reflects a 4.9 percent improvement over the FY 2013 achieved rate based on competed dollars obligated. The DON is committed to improving competitive and small business opportunities, and continues to improve competitive opportunity through open architecture solutions and improved tradecraft in services. However, the continued investment and increasing production quantities for F-35 and P-8A aircraft will continue to negatively affect the DON's competition rate in FY 2014. The FY 2013 obligations for construction of the CVN 79 are coded as a non-competitive action, which also ultimately lead to a negative effect on DON's competition rate in FY 2013. Furthermore, the anticipated total obligations for service contracts in FY 2014 will continue to decrease which is likely to adversely impact the overall competition percentage.

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 illustrates the DON rate achieved for fair opportunity from FY 2010 through FY 2013.

FY 2010	FY 2011	FY 2012	FY 2013
84%	87%	88%	89%

In keeping with initiatives to improve real competition (i.e., cases where more than one offer was received), FY 2013 is the third year where goals for 'effective competition' were measured. The DON's goal for effective competition in FY 2013 was established at 87.3 percent of competed dollars obligated, an 8 percent increase over the FY 2012 achieved rate of 79.4 percent. The table below shows the DON rate achieved for effective competition from FY 2011 through FY 2013.

FY 2011	FY 2012	FY 2013
77.7%	79.4%	82.5%

The DON has consistently improved its effective competition rate over the last three years, with FY 2013 yielding an improvement of 2.9 percent. 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. Additionally, the DON achieved an overall competition rate of 20.3 percent in FY 2013 for contingency contracting actions in support of Operation Enduring Freedom (OEF).

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.

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

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.

NAVSEA headquarters and field activities continued to use General Services Administration's (GSA) "e-Buy" and FedBid reverse auction sites to increase commercial item contracting. Several offices held industry days, interchange meetings and pre-solicitation conferences to communicate requirements and ensure understanding to maximize the use of commercial items. This has enabled the development of a catalog of vendors for use in commercial item market research. The NAVSEA competency regularly uses GSA Advantage, GSA "e-Buy", and Enterprise Software Initiative (ESI) to further increase commercial competition.

The Military Sealift Command (MSC) increased reliance on market surveys and continues to increase pre-solicitation engagements with industry using events like "Industry Days" and draft RFP for commercial items, to broaden the pool of potential offerors. These focused exchanges helped identify restrictive non-mandatory DoD/Government requirements which could be transitioned into less restrictive commercial standards. MSC also refined its distribution network requirement commodities contracts so they were aligned with commercial practices.

Naval Air Warfare Center Aircraft Division (NAWCAD) Lakehurst successfully used reverse auctions for competing non-complex commercial items. The reverse auction process enables the procuring activity to publicize its requirements where multiple sellers are able to offer bids on the contract. The sellers are able to view the current low offer as the auction progresses and then make a business decision whether to submit a lower offer. According to DOD's "Guidelines for Creating and Maintaining a Competitive Environment for Supplies and Services in the Department of Defense (October 2013)" implementing Better Buying Power (BBP) 2.0, reverse auctions are an excellent method of strategic sourcing and ensure that the Government is receiving fair and reasonable pricing. Reverse auctions are appropriate when the requirements are well-defined and most beneficial for commodities or non-complex services. Marine Corps Field Contracting System (MCFCS) offices utilize a variety of enterprise-level contracting vehicles to acquire commercial supplies and services to include the Naval Supply Systems Command (NAVSUP) Global Business Solutions (GBS) contract for temporary labor, Government Wide Acquisition Contracts (GWAC) from the National Institute of Health's NITAAC, NASA's Solutions for Enterprise-Wide Procurement (SEWP),the Army's Computer Hardware, Enterprise Software and Solutions (CHESS) and GSA's STARS II contracts. Marine Corps Installations (MCI) West has implemented the use of FedBid, a reverse auction site, which allows for a streamlined processing of Bids and increased competition.

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) has successfully continued their initiatives to increase the use of Multiple Award Contracts (MACs) and improve effective competition. For example, SPAWAR Systems Center (SSC) Atlantic successfully awarded twenty-four (24) competitive capability-focused Pillar Contracts, six (6) to large business and eighteen (18) as small business MACs.

MSC awarded multiple Indefinite Delivery, Indefinite Quantity (IDIQ) contracts for voyage repair support on the US West Coast and Hawaii. These contract vehicles will allow MSC to more efficiently support minor ship repairs, leverage a competitive base of skilled contractors, and reduce the need to limit competition through individual open market procurements in emergent situations.

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 percent of ONR's requirements.

MCFCS works closely with customers early in the acquisition cycle to remove restrictive specifications that hamper competition and conducts market research to maximize sourcing and promote competition. In addition, SPAWAR has taken numerous steps to improving the acquisition of products and services, through the implementation of Better Buying Power initiatives, such as effectively managing technical data rights and emphasizing the importance of competitive strategies.

NAVSUP has created/maintained competitive strategies and environments in the following major areas: Strategic Sourcing (e.g., wireless, GBS contracts require each order to be competed among the MAC holders), Seaport-e services (task orders competed among the MAC holders; sole source orders are not allowed on the program), and Reverse Auctions (utilize an on-line website with thousands of registered vendors that compete for each requirement). In each of these areas, competition is an integral element in the process.

The DON has implemented an enterprise-wide Services Requirement Review Board (SRRB) process designed to review and validate requirements, increase competition and increase small business opportunities and participation.

MSC has expanded use of the Seaport-e IDIQ vehicle for a variety of services acquisitions, encouraging participation from vendors, which had previously not participated in MSC procurements. To the maximum extent practicable and in conformance with DOD policy, MSC continued to shift existing single award IDIQ contracts to multiple award IDIQ contracts.

NAVSEA cites several examples where competition is being achieved for items that have been sole source for many years Due to open architecture efforts and the purchase of competitive data packages the following requirements are currently in various stages of competition: AEGIS Combat Systems Engineering Agent, the Ship Integration and Test requirements, MK 41 Vertical Launch System (VLS) Launcher Production, VLS Canisters and Associated Equipment, and Ship Self Defense Systems

(SSDS) CSEA Requirements. NAVSEA HQ commenced piloting a contracting strategy for surface ship maintenance, repair and modernization requirements that utilizes a Multiple Award Contract-Multi Order (MAC-MO) contracting strategy. This approach evolved from the current Multi-Ship/Multi-Option (MSMO) contracting strategy to drive increased price competition while maintaining flexibility and responsiveness for the Surface Navy. Unlike the current cost-type MSMO contracts which facilitate sole source negotiations during execution, the MAC-MO competes CNO availabilities and Continuous Maintenance Availabilities (CMAVs) as Fixed-Price Delivery Orders with award based on a combination of price and non-price factors. NAVSEA is exploring opportunities to leverage lessons learned out of the MAC-MO to continue to increase price competition across the surface ship maintenance, repair and modernization portfolio, to maximize competition and use of fixed-price type contracts. This strategy is expected to improve cost, schedule & quality performance while maintaining flexibility & responsiveness.

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 Meeting (PPSM) 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.

NAVSEA, via the institution of a PPSM in FY11, continues to emphasize requirements review and discussions pursuant to performance-based statements of work early in the acquisition strategy process, allowing Contracting Officers the ability to challenge, at the beginning of the acquisition process, any non-performance-based statements of work. NAVSEA continues to emphasize performance-based statements of work in the intern boot camp and Contracting Officer Representative (COR) training programs. Guidance documents, checklists and templates continue to be utilized and updated as necessary to stay current and relevant. In FY 2013 NAVSEA enhanced the current milestone process by adding milestones events to the front-end of the plan that would be executed well before purchase request submission. These milestones will address schedule and strategy, and include a read-through session of the requirements definition documents. The current milestone plan starts with an Acquisition Plan followed by submittal of a purchase request. The additional milestones will allow time to challenge requirements, address performance based requirements, and challenge mandatory requirements that may be restrictive to competition. This extended milestone plan is expected for rollout in FY 2014.

The Naval Air Systems Command (NAVAIR) used a culmination of two processes to thoroughly vet and challenge requirements, which include: (1) The Procurement Planning Conferences and Agreements, these are a useful tool in early challenge of requirements that are not stated in terms of functions to be performed, performance required or essential physical characteristics. Secondly, the RFP Peer Reviews and Legal Review Boards offer additional opportunities to challenge requirements that are not stated in terms of functions to be performed, performance required or essential physical characteristics. In addition, MSC procurement teams are actively working to minimize requirements that may restrict the development of innovative solutions from industry. Specifically, while ship operations and charters often have very specific requirements related to vessel capabilities, where possible, use of specific platforms are being challenged and broader characteristics for ship type are being employed. As an example, after reviewing historical utilization rates, the MSC procurement team was able to demonstrate to the Third Marine Expeditionary Force that the vessel speed requirement desired was limiting the number of contractual solutions to meet their mission and driving up cost.

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. 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.

NAVAIR demonstrated this on various contract actions that were broken out from large business into smaller actions; these pending Small Business Set-asides provide additional competition regarding the installation of the Electronic Propeller Control System (EPCS) and Engine Instruments Display System (EDIS) into Legacy KC-130T aircraft with award in early FY2014.

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 remains mandatory for program managers, program executive officers, logistics managers, and contracting personnel. The DON has implemented additional refresher training for CORs to improve quality assurance and surveillance. Additionally, DON commands continue to provide training in use of improved tools for procurement document preparers.

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

MARCORSYSCOM's Procurement Performance Management Assessment Program (PPMAP) is an effective process for ensuring that acquisition personnel are acquiring commercial items to the fullest extent as a PPMAP special interest item.

NAVSEA continues to utilize agency guidance, training, DAU Service Acquisition Mall (SAM) site, checklists and policy updates.

Initiatives that ensure task and delivery orders over $1,000,000 issued under multiple award contracts are properly planned, issued, and comply with FAR 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 Advocates 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, requirements description, evaluation factors, and basis of award.

MSC maximizes competition under all of its MAC contracts and GSA's Federal Supply Schedules (FSS) orders by planning for task/delivery orders early, issuing advance notices, similar to synopses, which allows 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.

All NAVSUP multiple award contract holders are afforded the opportunity to compete on all task orders issued under NAVSUP MACs unless one of the four exceptions identified in FAR 16.505 (b)(2) apply and is properly justified in accordance with DFARS 216.505-70(b) and FAR 8.405-6. As an example, Navy activities continue to place competitively procured delivery and task orders against the NAVSUP Fleet Logistic Center (FLC) San Diego Global Business Solutions (GBS) contract.

SPAWAR's SSC Atlantic used Seaport "O" portal to conduct a majority of the in-house multiple competitions, which is a more efficient means of conducting task order competitions and provides increased visibility into competition metrics, efficiency data, etc.

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-e contractors; and more time to put together complete and accurate proposals. All of these factors have had the effect of enhancing the competitive environment.

SPAWAR awarded eighteen (18) Small Business MACs. Each Task Order will be competed to increase competition with a total potential contract value for the six Pillars in excess of one billion dollars.

The DON has expanded the use of Seaport-e where task orders are competed and provide fair 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 FSS contracts through GSA. Requirements are posted to e-Buy for competition among the GSA/FSS holders to maximize competition.

Summary and Conclusion

During FY 2013, the DON successfully improved 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, by breaking out each component; advances in open architecture solutions and securing data rights in order to increase future competition.

In FY 2013 The DON illustrated its commitment to AT&L's BBP 2.0 as demonstrated by (1) Bringing better cost estimates to the table early and often in the requirements definition process; (2) Guarding against exquisite solutions and requirements creep; (3) Compressing the seemingly ever-increasing time it takes to advance a weapon system from development, and design, through build and test and deploying; (4) Increasing our focus on operating and support cost early in design; (5) Working with industry to improve producibility of our designs; (6) Working across government and industry to incorporate open system architecture; (7) Providing stability through predictable workload and, where appropriate, long term contracts; (8) Understanding what our weapon systems should cost, and implementing cost controls to ensure that number is realized; (9) Leveraging competition; (10) Employing fixed price contracts; and (11) Incentivizing capital improvements that result in further cost reductions.

Also during FY 2013, the DON Commands continued to place 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 is committed on continuing our efforts to bring stability to our major programs, continuing to leverage multiyear and block buy procurements across destroyers, the Aegis Weapon System, the Littoral Combat Ship, the VIRGINIA, The Super Hornet, Romeo and Sierra helicopters, and now the Advanced Hawkeye programs.

DON will continue to leverage competition for innovation and affordability. Competition this past year across the destroyer program, Next Generation Jammer, Next Generation Enterprise Network, the Aegis Combat System Engineering Agent, and the Air & Missile Defense Radar yielded significant savings, to affordably deliver needed capability in the face of budget constraints and sequestration.

AIR FORCE COMPETITION REPORT

FISCAL YEAR 2013

January 2014

INTRODUCTION

In accordance with the Office of the Under Secretary of Defense (Acquisition, Technology & Logistics (OUSD (AT&L))/Defense Procurement and Acquisition Policy (DPAP) memo dated 06 January 2014, *Request for Fiscal Year 2013 Competition Report and Establishment of FY2014 Competition Goals*, and Headquarters Air Force (HAF) Mission Directive (MD) 1-10, SAF/AQC, as the Air Force Competition Advocate General, submits the Air Force (AF) Competition Report for Fiscal Year 2013 (FY13). This report discusses AF efforts to achieve its FY13 overall competition goal of 37.9% and effective competition goal of 95.2%. The AF acknowledges, as requested, the FY14 actual competition goal of 41.5%, a 2% increase from FY13 actual rate, and the AF FY14 Effective Competition goal of 95.2%, which is unchanged from the FY13 goal.

Despite the increase in the AF competition rate in FY13, it is undeniable that Sequestration had a significant impact on AF contracting in FY13. Most of the AF acquisition community was furloughed in the summer of FY13, reducing available contracting hours by the 48 furlough hours and also the normal end of fiscal year overtime hours. The reduced hours was paired with the increased contracting effort required to adjust contracts to reflect reduced funding. Each table in this report shows a significant reduction of obligations since FY12. Sequestration cuts could have resulted in a disproportional reduction in competitive actions, or may have triggered an increase in non-competitive actions as a secondary effect from reduced contracting hours available. This report cannot identify the extent that Sequestration impacted the data.

COMPETITION EFFORTS

All Major Commands (MAJCOMs), Direct Reporting Units (DRUs), and Field Operating Agencies (FOAs) (hereafter referred to as Commands) are designated as procuring activities in AF Federal Acquisition Regulation Supplement (AFFARS) section 5306.501, and are required to have a competition advocate. The Air Force is in compliance with this requirement.

Competition advocates are responsible for the competition and commercial advocacy program within their respective organizations. They promote and support full and open competition and commercial practices in acquisition programs managed by their Commander or associated Program Executive Officers (PEOs). AF Policy Directive 63-3 and AFFARS Mandatory Procedure MP5306.50 require competition advocates to improve overall competitive 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 identify potential opportunities for full and open competition and effective competition as well as commercial opportunities by participating in acquisition strategy planning through forums such as the Acquisition Strategy Panel (ASP) process, coordination on or approving Justification and Approval (J&A) documents, reviewing acquisition planning (AP) documents, and approving exceptions to fair opportunity.

The AF 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, the AF is engaged in a collaborative and structured strategic sourcing process whereby spend analysis is utilized to make business decisions about acquiring commodities and services more efficiently and effectively. The AF awards multiple-award, indefinite-delivery/indefinite-quantity (IDIQ) contracts where appropriate; emphasizes robust market research; challenges overly restrictive requirements; uses industry days, sources sought notices, and requests for information to convey general and specific program needs to increase industry participation and feedback, and to identify additional sources of supply. Furthermore, the AF works very closely with the small business community, including small business specialists early and often during the acquisition planning process to identify opportunities for small businesses in addition to participation in small business trade fairs and outreach events.

Competition Advocates throughout the Air Force have instituted a number of initiatives to implement the requirements of the Competition Advocate program to scrutinize and challenge requests for single-source or non-commercial items, and to identify potential competition or commercial conversion opportunities through component breakout during J&A and AP document reviews. Air Force Space Command (AFSPC) takes a hard line against sole source bridge contracts caused by inadequate planning. After customer notification that no bridge contracts would be awarded due to inadequate planning, the policy was enforced by allowing breaks in service until the follow on contract was awarded. Pacific Air Forces (PACAF) Late to Need policy targets timely RFPs as a critical contracting step and applies penalties for missed deadlines. Several organizations, including Air Force Reserve Command (AFRC) and AFSPC's 45 CONS have targeted sole source 8(a) conversions to competitive 8(a) contracts to help move their competition rate. AFRC reduced their sole source 8(a) awards by 84% and 45 CONS attributes 77% of their increase in competition dollars to this conversion. While these increases by themselves will not move the Air Force competition rate, the cumulative effect of incremental changes in behavior can move the competition needle at all organizational levels.

Air Force Competition Advocates ensure that program requirements are stated in the least restrictive terms to permit effective competition and utilization of commercial practices. The AF relies on cross-functional teams during the acquisition planning process to challenge requirements that are not stated in terms of the functions to be performed, performance required, or essential physical characteristics. PACAF uses their Early Strategy and Issues Sessions to ensure early multifunctional engagement in contract planning. Air Force District of Washington (AFDW) uses their multi-functional teams of contracting, small business and quality assurance experts to review requirements for competition and small business awards. By unbundling proprietary software from one services contract and a single unique skill requirement from another, both contracts were converted to competitive awards.

The Air Force continues to develop new tools to support competition. Air Force Materiel Command (AFMC) developed and deployed the Service Predictive Scheduling Tool (PST) which projects required milestone dates for services acquisitions in excess of $100M. The projections are based on the required start date or the end date of the predecessor contract. The tool provides action and due date visibility to the requirements community ensuring that they meet their program dates. Comprehensive use of the tool ensured that AFMC did not award any bridge service contracts in FY13. Several organizations have begun using the tool for service contracts below $100M.

One of the responsibilities of the Competition Advocate is ensure market research demonstrates that competitive and commercial opportunities were considered. Air Force Competition advocates use a variety of techniques and tools to ensure that the have robust market research. AFRC uses the Long Range Acquisition Estimate (LRAE) tool to identify upcoming acquisitions early enough in the process to effect change. The acquisition team comprised of the customer, program manager, acquisition program manager, contracting, small business specialist and competition advocate is convened to review the requirement, do extensive market research and develop a sources sought synopsis. The LRAE early identification of requirements supercharges the effects of market research by increasing the possibility of implementing change into the procurement process. Several AF offices focus on long range targets for competition change. AFDW targets follow-on contracts more than five years out to ensure adequate time for market research and enable movement to competitive strategies. Air Force Special Operations Command (AFSOC) engages the long range plans office to collaborate on requirements gap analysis. Teams collaborate on a daily or weekly basis to move contracts into a competitive environment.

Competition Advocates promote source development programs which assist potential sources with identifying business opportunities and becoming qualified sources. They work with government and industry alike to investigate and eliminate barriers to competition, to promote the acquisition of commercial items. Like most AF contracting organizations, Air Education and Training Command (AETC) and, 386 ECONS, an ACC subordinate organization, provide training during Industry Day. The 386 ECONS FedBizOps training paid off when contractors applied their new knowledge to respond to a sources sought synopsis, turning that requirement competitive.

The engagement of the requirements community is critical for competition success. The Air Force starts that engagement with education. AFDW provides training to their requirements and resource management community twice a year. AFMC has a robust Acquisition Training Webinar program for the entire Air Force acquisition workforce. Over 6,300 AF acquisition personnel received training from AFMC on five competition webinars in FY13.

Air Force Commands often have teams engaged in market intelligence activities to analyze the market and reveal details of who is buying and who is selling similar requirements within both the Government and Industry, how they are doing so, and if there is a potential for effective strategic sourcing or breakout opportunities to increase competition. Potential markets are engaged via pre-solicitation outreach events such as trade shows and conferences, site visits and Industry Days to exchange information with new and existing suppliers and to obtain industry perspective during the acquisition planning phase. AFDW personnel routinely attend local Match-Making and Small Business Summits within the commuting area to identify new sources. They have participated in meetings with industry through forums sponsored by the city of Baltimore, Joint Base Andrews, American Legion, U.S. Women's Chamber of Commerce, as well as meetings with Senator Cardin's staff and several small business groups. The A-10 program office reports that due to extensive market research (to include Industry Days, Capabilities Briefings, Early Industry Involvement, and effective Acquisition Planning) they are able to maintain a competition rate of over 90% in FY13. With Sequestration, the ability to travel to engage industry has been severely limited. However, with creativity, our teams have identified local opportunities to ensure that the forward progress in engaging with industry to enhance competition continues. Each meeting with industry provides the opportunity to reach out to many businesses and increases the probability of finding competitive matches. The current budget environment has radically impacted the ability of organizations to travel outside their local commuting areas to participate in regional gatherings, but has enhanced the creativity of organizations to seek out more local opportunities to engage with the business communities.

FY13: COMPETITION
THE DATA

The AF pulled FY13 data for this report from FPDS on 8 December 2013 using the standard competition report, ad hoc reports, and the "Competitive Procedures, but Only One Offer Report," to report on "effective competition".

The AF finished the year with a competition rate of 40.7% as compared to the DPAP assigned FY13 competition goal of 37.9%. The AF was assigned an effective competition goal of 95.2%, and achieved a rate of 85.5% as compared to an 87% achievement in FY12. Table 1 below shows the decrease in total actions and spend that the Air Force has experienced in the past three years. The AF trend typically follows the path of AFMC, which represents over 75% of the total AF contracting spend. While the impact of AFMC (and to a lesser extent AFSPC) historically drives the direction of the AF slope, the cumulative effect of the operational commands' success moved the competition needle enough to ensure the AF success in exceeding the FY13 goal.

AF Historical Data: Competed Dollars Actions and Rates

	FY11	FY12	FY13
Total Obligated Dollars	$65,495,033,031	$69,769,189,399	$55,158,362,464
Total Competed Dollars	$27,669,066,499	$25,762,115,689	$22,431,115,219
Competed Dollars Rate	42%	37%	40.7%
Total Actions	208,905	179,474	159,544
Total Competed Actions	159,842	135,023	118,632
Competed Actions Rate	77%	75%	74.4%

Table 1

TREND ANALYSIS

The AF has two primary missions, operational and systems acquisition. The operational Commands typically award contracts for installation support while the system Commands, AFMC and AFSPC, procure weapon systems and logistics support. The operational Commands, which frequently contract for commercial goods and services, typically have more robust competition opportunities whereas the weapon systems and logistics missions rely heavily on the Original Equipment Manufacturers (OEMs) who designed, developed, and produced the systems. The AF has a number of mature and aging systems and sub-systems and a reduced number of new starts/programs than historically. With the mature and aging systems (F-22, C-17, KC-10s etc.) there is an increased need for reliance on typically non-competitive follow-on buys from the Original Equipment Manufacturers (OEM's) to provide addition systems acquisitions, if necessary, and provide sustainment in an efficient and timely manner. In most cases, a lack of complete reprocurement data packages and proprietary data rights also continue to present barriers to competition driving long-term contractual relationships with little opportunity for competition.

Total obligations for the operational Commands decreased over $1.2B from FY12 to FY13 ($7.4B to $ 6.2B) resulting in over 10,200 fewer actions. The competitive dollars dropped by $.8B during the same time ($5.6B in FY12 to $4.8B in FY13). The operational commands competition rate changed only slightly, rising from 76.4% in FY12 to 76.9% in FY13.

The percentage of total AF dollars obligated by the two systems Commands (AFMC and AFSPC) slightly decreased from 90% in FY12 to 89% in FY13 but continues to be a major factor in driving the AF competition rate. The AF has experienced a reduction in the number of program new starts. In the current environment, the AF obligates the vast majority of its dollars to maintain its high dollar value, long-standing, sole-source weapon system contracts.

FY13 Competition Goals and Achievement

COMMAND	SHARE TOTAL AF DOLLARS	PERCENTAGE OF TOTAL AF DOLLARS	PERCENTAGE Of TOTAL AF COMPETED DOLLARS	FY13 COMPETITION GOAL	FY13 ACTUAL RATE
ACC	$1,552,289,171	2.8%	5.8%	88%	83.6%
AETC	$1,231,931,880	2.2%	3.8%	77%	69.8%
AFDW	$332,130,706	.6%	1.1%	76%	77.3%
AFGSC	$206,646,491	.4%	.7%	70%	71.5%
AFISRA	$248,513,885	.5%	.8%	73%	72.5%
AFMC	$41,596,743,487	75.4%	65.9%	33%	35.5%
AFOTEC	$7,769,132	0.1%	.1%	81%	100%
AFRC	$197,605,129	.4%	.8%	84%	90%
AFSOC	$149,840,098	.3%	.5%	78%	79.8%
AFSPC	$7,378,244,090	13.4%	12.9%	38%	39.3%
AMC	$803,716,737	1.5%	2.7%	72%	74.1%
PACAF	$889,685,881	1.6%	2.7%	64%	67.6%
USAFA	$196,438,757	.4%	.7%	70%	84%
USAFE	$366,807,014	.7%	1.5%	96%	93.6%

Table 2

As illustrated in Table 2, ten commands met or exceeded their assigned competition goals. As evidenced by the percentage of total AF dollars obligated by command, the dollars expended by AFMC and AFSPC drive the overall AF competition trend, but the cumulative effect of the competition successes of the smaller commands can have a cumulative impact to support AF success in meeting the competition goal.

BARRIERS TO COMPETITION

While stressing increased competition, the AF continues to experience significant barriers to competition. Single source actions in support of socio-economic programs, the reduction in new starts and major programs, and the reliance upon noncompetitive follow-on procurements for mature systems continue to be major factors in reduced opportunities for competition. Since the AF's performance is primarily impacted by AFSPC and AFMC, this section focuses predominantly on the barriers faced by these two commands. The AF is aggressively exploring new opportunities for competition to include reviewing competitive acquisition strategies for potential component breakouts and generating Business Case Analyses to support decisions regarding the acquisition of data rights. Delving into market intelligence is leading to better defined requirements and a broader understanding of the market relating to the requirement, and more effective strategic sourcing.

The Air Force Competition Advocates take necessary action to meet or exceed assigned competition goals to the maximum extent possible by identifying and monitoring actions to remove obstacles to competition and commercial practices through advocacy, awareness, and oversight.

Significant barriers to competition exist for satellite systems; once initial production contract(s) are awarded, follow-on contracts are issued on a sole source basis due to lack of procurement data to procure additional satellites. Many of our satellites are long past the life expectancy anticipated at the time of contract award. Technical data was not acquired at award due to the anticipated short life expectancies. Cost and lead time to procure secure data communication satellites, time to build and launch acquired satellites and budget driven pressures often forced extension of satellite schedules. However, the life expectancy of satellites has turned out to be significantly longer than anticipated resulting in an unanticipated duration of sole source procurements. AFSPC continually seeks strategies to eliminate barriers to competition; however, the nature of the cyber and launch mission dictates the use of specific vendors. The industrial base for procuring and sustaining satellites, launch vehicles, and satellite/launch support hardware/software/services is extremely limited.

Past decisions concerning the purchase of data rights has restricted opportunities for competition. The six contracts awarded in FY13 for the Evolved Expendable Launch Vehicle (EELV) program accounted for $1.2B in non-competed dollars. Contracts in support of Advanced Extremely High Frequency (AEHF) Satellite Program, Federally Funded Research and Development Contract to The Aerospace Corporation and Space-Based Infrared System (SBIRS) space vehicle production lots accounted for another $2.2B in AFSPC's non-competitive awards. Although not all-inclusive, these account for 76% of AFSPC's noncompetitive obligations. These noncompetitive actions will continue to affect AFSPC's competition rate in FY14 and beyond as these complex systems move to full production. As the commercial space industry continues to evolve and expand, and as the philosophical shift to procure data rights takes hold, opportunities to increase competitive acquisitions in space assets have potential to improve.

Space and Missile Command (SMC) is making progress in introducing competition back into the EELV program. The AF has an approved New Entrant Certification Guide outlining the requirements new entrants must meet to be eligible to compete for 14 launch services available for competition between FY15-17 if new entrants have been certified. The AF anticipates additional vendors will be certified before the FY15 competition.

AFMC continues to aggressively convey the philosophy that competition is the rule, not the exception. AFMC exceeded their competition goal this year by 2.5% despite the large dollar single-source acquisitions in support of mature and aging systems for which there is no commercial market or suppliers due to proprietary data rights and lack of technical/re-procurement data packages (F-22, C-17, etc). Foreign Military Sales (FMS) contracts continue to be a significant portion of the AFMC obligations, contributing to their inability to achieve higher levels of competition. FMS contract awards, established by International Agreement and funded by a foreign source, accounted for 21% of all AFMC obligations for FY13. FMS accounted for 29% of AFMC's non-competed obligations. Although other organizations have FMS actions, AFMC is responsible for 96.8% of all of the AF's FMS obligations.

The current fiscal environment presents a competition dichotomy. At a time when the potential cost savings resulting from competition is critical to meeting budget constraints, identifying funding for the purchase of technical data is difficult. However, the AF continues to pursue opportunities for acquiring the technical and data rights for its major systems and subsystems from OEMs with upfront planning and budgeting for component breakout and competition of major subsystems. AFMC has actively engaged data rights experts within the legal community to investigate and explore data rights issues for specific acquisitions with notable results.

For example, the Data Rights Team (DRT) at LCMC Wright-Patterson continues to assess past and current data assertions made by the OEM's to ensure the Government's rights are preserved and the appropriate data is delivered. A number of AFMC organizations have had success in obtaining data rights and converting sole source awards to competitive. AFMC reports that the Eglin follow-on Joint Programmable Fuze (JPF) contract was competitively awarded to provide fuze systems and spares for USAF and FMS customers. At the current quantity of 23,629 units, the unit price savings of $160 resulted in $3.78M in competitive cost savings. The Air Force Nuclear Weapons Center (AFNWC) data rights resolution on the ICBM Prime Integration Contract (IPIC) with Northrop Grumman led to the successful competition of the Integration Support Contract (ISC). The KC-46 office is also aggressively pursuing data rights. A joint KC-46 SPO - Boeing Summit was held to achieve a mutual agreement on the level of data rights included in the contract. The data rights are central to the USAF strategic plan for organic maintenance of the KC-46 in future years. The F-16 office successfully negotiated unlimited data rights for the Technical Data Package (TDP) for the Service Life Extension Program (SLEP) Contract. This data package with Unlimited Rights will support a competitive Production and Installation (Phase III of Legacy SLEP) on F-16 Block 40/42 and Block 50/52 aircraft.

In FY13, the C-130 Division at Robins AFB successfully broke out and competed the following contracts: Crashworthy Seat, Armor, Electronic Propeller Control System, C-130 A&AS Support, Modular Aerial Spray System, and the Afghan AF C-130H CLS. The total amount of these contracts is $189,969,000.

Through Market Research, PACAF identified that the operations portion of the Misawa/Osan/Kunsan/Kadena Instrumentation Training System (MOKKITS) contract can be performed by multiple contractors, whereas only the incumbent can perform the sustainment maintenance on the pods. PACAF has progressed in separating the operations and sustainment and plans to award a competitive operations contract in FY14.

While funded by U.S. appropriated funds, PACAF's Master Labor Contract (MLC), mandated by post-World War II International Agreement, has an annual obligation between $175M-$180M, 20% of PACAF's total annual obligations. The MLC transfers the civilian personnel costs for Japanese nationals working for the U.S. Forces. Since there is no expiration for the agreement, PACAF competition rates will continue to be impacted by this agreement for the foreseeable future.

International agreements continue to negatively impact AFSPC's competition rate. The $100M Base Maintenance Contract for Thule AFB, Greenland, continues to impact AFSPCs total not competed dollars. By international agreement, only Danish or Greenlandic firms may be awarded contract work in support of Thule AFB, located 750 miles above the Artic Circle. AFSPC issued a 36 month warning order of an expiring service contract. This allowed sufficient time to execute comprehensive market research resulting in the identification of multiple potential vendors. After over 30 years of sole source awards, it is anticipated that the next contract action will be competitive. Through early requirements identification and robust market research, we can continue our progress in improving our competition rate.

Even with ongoing efforts to remove barriers and increase competition, the dollars obligated against weapon systems, subsystems, and FMS programs represent such a large portion of AFMC, and AF, obligations it drives the competition rate down regardless of competition progress in other areas. Even the purchase of data rights will not result in significant increases in competition for that program until the program is in sustainment, which can be decades in the future. It is the intent of the AF to continue to explore innovative solutions to enhance competition and to ensure that the AF pursues the goal of establishing a robust competitive environment that engages the requirements and contracting community into a team that continually strives to identify additional contracts that can be converted to competitive awards.

AF Significant Barriers to Competition

	FY11	FY12	FY13
Total Dollars	$65,495,033,031	$69,769,189,399	$55,158,361,464
Total Not Competed Dollars	$37,638,220,407	$43,829,256,601	$32,727,247,245
Percentage of Total Not Competed Dollars to Total Dollars	57%	63%	59.3%
Other Than Full and Open Competition Authorities			
Only One Source (FAR 6.302-1)	$27,597,289,550	$25,991,820,181	$17,932,767,904
Urgency (FAR 6.302-2)	$2,274,009,218	$1,116,073,259	$772,314,776
Industrial Mobilization (FAR 6.302-3)	$609,328,430	$993,874,526	$871,015,772
International Agreement (FAR 6.302-4)	$1,879,871,981	$9,472,158,267	$8,752,775,218
Authorized or Required by Statute (FAR 6.302-5)	$1,391,161,968	$1,324,915,775	$982,986,397
National Security (FAR 6.302-6)	$2,428,069,148	$3,452,105,490	$3,365,342,088
Public Interest (FAR 6.302-7)	$0	$2,434,695	$1,560
Reason Not Competed – Simplified Acquisition Procedures or Null	$85,743,582	$186,106,387	$207,716,874
Total Not Competed Excl. Total Exception Dollars to Fair Opportunity*	$36,265,473,877	$42,539,488,580	$29,598,124,322

Table 3

**See Table 6 for additional breakout of Exception Dollars to Fair Opportunity*

TASK AND DELIVERY ORDERS GREATER THAN $1M

The AF properly plans, issues, and complies with FAR Parts 8.405 and 16.505 for task and delivery orders over $1M. All multiple award contract holders are afforded the opportunity to compete on all task and delivery orders issued unless one of the exceptions applies. Contracting activities follow established procedures in the acquisition planning phase to ensure compliance. In addition, the AF performs both pre-award reviews 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 AF pulled FY13 data from FPDS on 13 Jan 2014. Table 4 illustrates the FY13 results for task and delivery orders issued over $1M, and shows a 25% decrease from FY12 to FY13, while the total obligations declined 21% over the same period.

Task and Delivery Orders>$1M

	FY11	FY12	FY13
Total Task & Delivery Orders>$1M	**$27,651,226,082**	**$29,100,184,444**	**$21,783,508,238**
Total AF Dollars	**$65,507,701,301**	**$69,769,189,399**	**$55,158,362,464**
Percentage of Total Task and Delivery Orders Greater than $1M to Total Dollars	**42%**	**42%**	**39.5%**

Table 4

FAIR OPPORTUNITY

For task or delivery orders over $3,000 issued against multiple award contracts, the AF applies fair opportunity procedures in accordance with FAR 16.505(b) unless one of the exceptions applies. AF 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 AF complies with DFARS 216.505-70. The AF ensures a description of the supply or service and the basis for source selection are clearly defined for each order. Further, the AF ensures 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 proposed task and delivery orders during the acquisition planning phase. When one of the exceptions at FAR 16.505-2 applies, the AF 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 requires justification approval for orders exceeding $12.5M, but not exceeding $85.5M, by the Senior Contracting Official (SCO) or the Senior Center Contracting Official (SCCO) who meets the criteria in FAR 8.405-6(h)(3)(ii). If a Command SCO/SCCO does not meet the criteria in FAR 8.405-6(h)(3)(ii), the justification must be approved by the AF Head of the Contracting Activity (HCA), which is SAF/AQC. For orders exceeding $85.5M, the Senior Procurement Executive approves the placement of the order. In addition, Commands provide periodic training on the topic.

THE DATA

Table 5 demonstrates that, along with a continuing decline in total actions and dollars subject to fair opportunity, the AF continues to decline in applying fair opportunity in the placement of task or delivery orders against multiple award contracts in FY13. However, a review of past data indicates that since FY08, the AF percentage of total fair opportunity given fluctuates annually between 80% and 85%. A total of over $21.7B in task and delivery orders over $1M were awarded in FY13; $5.5B was subject to fair opportunity and $4.4B of orders were given fair opportunity, which equates to 80.4% of dollars obligated under fair opportunity and 80.3% of actions awarded under fair opportunity (Table 5). Overall, there was a decrease of $1.7B in total dollars subject to fair opportunity which is a decrease of 23%.

Table 6 illustrates instances where fair opportunity was not applied, with the majority being Only One Source. In FY13, there was a decrease in exceptions to fair opportunity from 18% in FY12 to 15.9% in FY13, which returned it to the FY11 level. There was a 32% decrease in exception to fair opportunity dollars from FY12 to FY13.

AF Fair Opportunity on Orders against Multiple Award Contracts

	FY11	FY12	FY13
Total Dollars Subject to Fair Opportunity	$8,613,381,193	$7,172,888,372	$5,461,456,638
Total Fair Opportunity Given Dollars	$7,275,892,115	$5,881,975,528	$4,392,267,903
Percentage of Total Fair Opportunity Given Dollars to Total Subject to Fair Opportunity Dollars	84%	82%	80.4%
Total Actions Subject to Fair Opportunity	40,297	34,011	29,493
Total Actions Given Fair Opportunity	34,055	28,783	23,683
Percentage of Total Fair Opportunity Given Actions to Total Subject to Fair Opportunity Actions	85%	85%	80.3%

Table 5

Exceptions to Fair Opportunity on Task or Delivery Orders

	FY11	FY12	FY13
Total Exception Dollars to Fair Opportunity	1,338,249,730	1,289,768,021	$866,350,134
Urgency (FAR 8.405-6(b)(3) or 16.505(b)(2)(i) Actions	67,832,636	50,485,351	$53,263,182
Only One Source Other (FAR 8.405 6(b)(1) or 16.505(b)(2)(ii) Dollars	557,452,756	460,813,413	$422,729,680
Follow-on Delivery Order to Competitive Initial Order (FAR 8.405(b)(2) or 16.505(b)(2)(iii))Actions	468,625,779	476,727,081	$218,880,076
Minimum Guarantee (FAR 16.505(b)(2)(iv)) Actions	126,772,484	174,416,148	$56,445,670
Other Statutory Authority	117,566,075	127,326,029	$110,186,255
Percentage of Total Fair Opportunity Exception Dollars to Total Subject to Fair Opportunity Dollars	16%	18%	15.9%

Table 6

TREND ANALYSIS: Most of the MAJCOMs reported declines in the Fair Opportunity given over the past three years. However, AFGSC noted that they have been able to increase their competitive opportunities by establishing procedures to closely review all orders in excess of $10,000 on a weekly basis using EZ query. AFRC experienced a 42% decline in task and delivery order value in FY13 and also experienced a decline in exceptions to fair opportunity. USAFA noted that the reductions in total fair opportunity given that they experienced was related to utilization of statutory authority exceptions. ACC experienced a significant increase in Follow-on Delivery Orders in FY13. While evaluating their numbers they identified $6.2M in Contract Action Report coding errors which is being corrected

Several AF organizations are experiencing declines in the use of the urgency exception. ACC reduced their urgency exceptions from $1M in FY11 to zero in FY13. AFDW has not used an urgency exception since FY11 and reduced their Only One Source from $9.3M to $2.4M since FY11. AFRC had a 98% decrease in urgency exceptions from FY11 to FY12, but experienced a slight increase in FY13. AFSPC also showed a marked decrease in urgency exceptions of $1.4B, however they have had a $26M increase in Only One Source during that period.

COMPETITION AND EFFECTIVE COMPETITION GOALS

AF contracting underwent reorganization when the Air Force Installation Contracting Agency (AFICA) achieved Initial Operating Capability on 1 October 2013. The Enterprise Sourcing Group (ESG) of AFMC was redesignated a component of AFICA which also comprises the contracting staffs at eight supported MAJCOMs and five above-wing specialized execution units. This new construct will allow AF contracting to continue to meet our MAJCOM mission while absorbing substantial manpower cuts. AFICA is headquartered at Wright-Patterson AFB, Ohio but operates as a virtual organization across multiple locations. While this changes the reporting structure for the MAJCOMs, each of the MAJCOMs will continue to have a Competition Advocate that reports directly to the AF Competition Advocate General in that capacity.

Two changes directly affect the current competition structure for the FY14 annual report. The re-designation relocating ESG to AFICA headquarters affects the FY13 AFMC competition rate as it applies to establishment of the FY14 goals. The ESG FY13 competition rates will become the AFICA baseline rates, and the ESG data will be removed from the AFMC FY13 data establishing a new AFMC baseline. Space and Missile Command was also removed from AFSPC, requiring the establishment of new baselines by extracting the SMC data from AFSPC's. The FY13 achieved rates in Table 7 (actual competition) and Table 8 (effective competition) reflect the organizational structure in effect in FY13. The adjusted FY13 results reflecting the FY14 organizational structure and the correlated FY14 Goals are shown in Table 9.

The same methodology was generally applied in developing the remaining Commands goals as was used by DPAP in establishing AF goals. All Commands were given the same Effective Competition rate as that applied to the AF, since success in achieving the Effective Competition rate is not correlated to the nature of the items acquired. Rates achieved in excess of 90% have not been increased in the goals. AFOTEC's FY13 rate was inflated due to deobligations of non-competitive action rather than contract awards, and does not reflect a reasonable FY14 goal, so their FY14 goal was reduced to 90%.

Within the major programs with little opportunity for competition, the AF will continue to focus on subsystem competition opportunities. Further, the AF will continue to embrace multiple-award IDIQ structures with on-ramps to continue and enhance the competitive environment, while ensuring data rights are claimed that will, at a minimum, enable competitive sustainment arrangements. For existing sole-source sustainment programs, the AF will examine opportunities to challenge contractor claims to proprietary data and assert government rights where possible in order to enable subsequent competitions.

AF FY13 Actual Competition Results by MAJCOM

Contracting Activity	FY12 Competition Actual Rate	FY13 Competition Actual Rate (FY 13 Goal)	Delta FY12 to FY13	FY13 Competition Dollars
ACC	**85%**	**83.6% (88)**	**-1.4**	**$1,297,900,603**
AETC	**75%**	**69.8% (77)**	**-5.2**	**$860,115,060**
AFDW	**74%**	**77.3% (76)**	**+3.3**	**$256,574,221**
AFGSC	**70%**	**71.5%(70)**	**+1.5**	**$147,703,262**
AFISRA	**71%**	**72.5% (73)**	**+1.5**	**$180,103,070**
AFMC	**31%**	**35.5%(33)**	**+4.5**	**$14,777,083,651**
AFOTEC	**81%**	**100% (81)**	**+19.5**	**$7,803,753**
AFRC	**82%**	**90.0% (84)**	**+8**	**$177,893,575**
AFSOC	**76%**	**79.8% (78)**	**+3.8**	**$119,634,477**
AFSPC	**37%**	**39.3% (38)**	**+2.3**	**$2,900,789,041**
AMC	**71%**	**74.1% (72)**	**+3.1**	**$595,848,217**
PACAF	**63%**	**67.6% (64)**	**+4.6**	**$601,307,611**
USAFA	**69%**	**84% (70)**	**+15**	**$164,971,091**
USAFE	**95%**	**93.6% (96)**	**-1.4**	**$343,387,581**
Total AF	**37%**	**40.7% (38)**	**+3.7**	**$22,431,115,219**

Table 7

AF FY13 "Effective Competition" Results by MAJCOM
(Percentage of Total Dollars Competed)

Contracting Activity	FY12 Actual	FY13 Actual (FY13 Goal 92.4% All Organizations)	Delta FY12 to FY13	FY13 Effective Competition Dollars
ACC	**94%**	**94.2%**	**+.2**	**$1,221,938,219**
AETC	**94%**	**96.6%**	**+2.6**	**$831,246,724**
AFDW	**71%**	**60.8%**	**-10.2**	**$155,890,373**
AFGSC	**92%**	**90.1%**	**-1.9**	**$133,081,723**
AFISRA	**79%**	**78.4%**	**-.6**	**$141,232,421**
AFMC	**84%**	**84%**	**0**	**$12,411,337,297**
AFOTEC	**59%**	**41.9%**	**-17.1**	**$3,268,058**
AFRC	**90%**	**85.2%**	**-4.8**	**$151,513,449**
AFSOC	**89%**	**88.8%**	**-.2**	**$106,177,950**
AFSPC	**95%**	**88.5%**	**-6.5**	**$2,566,147,950**
AMC	**88%**	**86.8%**	**-1.2**	**$517,116,896**
PACAF	**80%**	**75.1%**	**-4.9**	**$451,845,280**
USAFA	**98%**	**96.6%**	**-1.4**	**$159,286,625**
USAFE	**95%**	**92.5%**	**-2.5**	**$317,742,719**
Total AF	**87%**	**85.5%**	**-1.5**	**$19,167,825,691**

Table 8

FY14 AF MAJCOM COMPETION AND EFFECTIVE COMPETITION GOALS

	FY13 Competition Actual Rate (Adjusted)*	FY14 Competition Goals	FY13 Effective Competition Rate (Adjusted)*	FY14 Effective Competition Goals
ACC	83.6%	85.3%	94%	95.2%
AETC	69.8%	71.2%	96.6%	95.2%
AFDW	77.3%	78.8%	60.8%	95.2%
AFGSC	71.5%	72.9%	90.1%	95.2%
AFICA (was ESG)	96.4%	96.4%	70.9%	95.2%
AFISRA	72.5%	73.4%	78.4%	95.2%
AFMC w/o ESG	31.3%	31.9%	86.7%	95.2%
AFOTEC	100.5%	90%	41.9%	95.2%
AFRC	90.0%	90%	85.2%	95.2%
AFSOC	79.8%	81.4%	85.2%	95.2%
AFSPC w/o SMC	77.6%	79.2%	96.1%	95.2%
AMC	74.1%	75.6%	86.7%	95.2%
PACAF	67.6%	69%	75.2%	95.2%
SMC	34%	34.7%	86.2%	95.2%
USAFA	84%	85.7%	96.5%	95.2%
USAFE	93.6%	93.6%	92.5%	95.2%
Total AF	40.7%	41.5%	85.5%	95.2%

Table 9

*** This table shows the FY13 rates re-allocated according to the FY14 restructured organizations.**

During FY12, major programs were reorganized for life-cycle management into PEO portfolios. FY14 competition goals have been allocated by PEO, using FY13 baseline data (Table 10 and Table 11).

AF PEO FY13 Competition Results and FY14 Competition Goals

PEO	FY13 TOTAL OBLIGATIONS	FY13 COMPETED DOLLARS	FY13 COMPETITION RATE	FY14 COMPETITION GOALS
PEO-ACS	$1,990,047,871	$870,041,048	43.7%	44.6%
PEO WEAPONS	$2,461,852,848	$463,302,330	18.8%	19.2%
PEO-B&ES	$348,134,894	$211,988,061	60.9%	62.1%
PEO-BM	$2,499,892,168	$746,855,516	29.9%	30.5%
PEO-C31&N	$783,936,416	$497,365,742	63.4%	64.7%
PEO-FIGHTER BOMBER	$6,881,143,313	$732,609,837	10.6%	10.8%
PEO-ISR	$5,781,127,574	$97,273,407	1.7%	1.8%
PEO-MOBILITY	$6,248,314,842	$898,091,302	14.4%	14.7%
PEO-SPACE AFMC only	$372,916,173	$361,686,726	97%	97%
PEO-STRATEGIC	$564,855,976	$378,568,631	67%	68.3%
PEO-TANKER	$1,812,264,396	$1,703,951,869	94.0%	94.0%

Table 10

AF PEO FY13 Effective Competition Results and FY14 Effective Competition Goals (Percentage of Total Dollars Competed)

PEO	FY13 TOTAL OBLIGATIONS	FY13 EFFECTIVE COMPETITION DOLLARS	FY13 EFFECTIVE COMPETITION RATE	FY14 EFFECTIVE COMPETITION GOALS
PEO-ACS	$1,990,047,871	$844,046,476	97%	95.2%
PEO WEAPONS	$2,461,852,848	$311,241,713	67%	95.2%
PEO-B&ES	$348,134,894	$154,209,866	73%	95.2%
PEO-BM	$2,499,892,168	$635,679,877	85%	95.2%
PEO-C31&N	$783,936,416	$426,598,198	86%	95.2%
PEO-FIGHTER BOMBER	$6,881,143,313	$708,979,291	97%	95.2%
PEO-ISR	$5,781,127,574	$66,715,545	69%	95.2%
PEO-MOBILITY	$6,248,314,842	$848,417,818	94%	95.2%
PEO-SPACE AFMC only	$372,916,173	$301,256,235	83%	95.2%
PEO-STRATEGIC	$564,855,976	$352,945,371	93%	95.2%
PEO-TANKER	$1,812,264,396	$1,701,044,913	100%	95.2%

Table 11

MAXIMIZING SMALL BUSINESS OPPORTUNITIES

The AF fully supports all SBA socio-economic programs, as well as the Ability-One program. Small businesses account for the vast majority of contract work performed in the operational commands; however, the AF continues to seek opportunities to increase small business participation in other mission areas. In addition to reviewing all acquisitions greater than $10,000 and making recommendations regarding the use of small businesses, Small Business Specialists at the local and Command levels participate on Acquisition Strategy Panels to provide small businesses input into acquisition strategies. AF Small Business Specialists also work with small businesses to provide training at vendor fairs and other outreach events on how to conduct business with the Government to expand the vendor base. Leveraging DoD's "MaxPrac" tool, the AF maintains an enhanced tool to assist in identifying small business opportunities. Information in this tool may be used as an early indicator of small business capabilities in the marketplace based on a five-year spend history by NAICS/PSC code.

The AF Small Business Office, SAF/SB, implemented an AF Small Business Improvement Plan in February 2012. The plan has three goals: 1) partner with key stakeholders to deliver the right prime and subcontract small business solutions to accomplish the AF mission; 2) partner with key stakeholders to develop Better Buying Power (BBP) strategies that maximize small business opportunities to provide solutions to AF mission challenges; and, 3) develop and maintain a small business professional workforce and operational environment, ensuring compliance with all applicable laws and regulations. The results of this plan are reviewed quarterly and adjusted as necessary to provide for maximum practicable opportunity for small business participation. In FY13 the AF established a multi-functional Small Business Tiger Team to address declining small business numbers. Additionally, they have been working on the development of a new electronic tool to provide better long range planning capability.

Product Service Codes:

The AF continues to look for innovative ways to improve competition and small business participation in all Product Service Codes (PSC) to include the specific Knowledge Based Services, Electronic and Communications Services, and Facility Related Services portfolio groups reflected in Table 9. Prime contracts are being systematically reviewed for potential awards to small business in FY14, specifically in the areas of engineering, professional and facility support services. To ensure the AF has an accurate accounting of its service contract obligations, the AF plans to standardize alignment of Element of Expense/Investment Codes (EEICs) to specific PSCs. This will help AF identify where they are spending their valuable resources, and facilitate management of these obligations by PSC. AFPEO/CM's Air Force Instruction (AFI) 63-138 addresses the acquisition of services and standardized processes across the entire AF and to help mission owners become more demanding customers. Further, the AFI defines overall services management oversight responsibilities including requirements reviews, approvals, periodic requirement revalidation, and performance expectations of all participants responsible for acquiring services in a Better Buying Power (BBP) environment. The underlying expectation is to increase competition and utilization of small businesses in the contracted services arena while ensuring the exacting delivery of contractor-promised performance. Over time, the AF is confident that the combination of these efforts will maximize effective competition and increase small business participation at the prime contract level across all services portfolio groups, notwithstanding budget reductions aimed at services requirements.

THE DATA

AF Competition Achievements in Specific Product Service Groups *

Knowledge Based Services PSC	FY11	FY12	FY13
Competitive	$4,568,656,537	$3,987,958,928	$3,481,479,906
Non-Competitive	$3,905,357,393	$5,328,527,234	$4,950,277,080
TOTAL	$8,474,013,909	$9,316,486,162	$8.431.756.987
Electronic and Communication Services PSC	**FY11**	**FY12**	**FY13**
Competitive	$1,622,940,726	$1,581,237,001	$1,201,243,070
Non-Competitive	$999,689,650	$1,064,374,295	$1,159,689,214
TOTAL	$2,622,630,376	$2,645,611,296	$2,360,932,284
Facility Related Services PSC	**FY11**	**FY12**	**FY13**
Competitive	$3,969,541,612	$3,665673,217	$2,918,111,454
Non-Competitive	$1,522,087,153	$1,687,256,973	$1,224,594,626
TOTAL	$5,491,628,766	$5,352,930,190	$4,142,706,080

Table 12

* This data has been rebaselined using the data available in the OSD BI Tool

The AF PEO-Services organization monitors the acquisition of services. AF PEO-Services was established in 2007 as the only PEO dedicated to the execution of contract services acquisition. PEO-Services was created to develop an environment that ensures improvement, efficiency and innovation in strategies, solicitation and source selection to ensure successful contract performance through the life of the contract. As the first services organization, it was the model for those established in the other services. Initially PEO-Services organizational structure was developed on a customer based model with product managers assigned along MAJCOM lines. PEO- CM is currently in the process of converting to a Product Services Code (PSC) Group based organizational structure. This will provide greater visibility across the PSC Group, providing a greater expertise of the specific product line of services.

There is a significant delay between the work that an office does to remove barriers to competition and the date of award, resulting in the results showing up in FPDS-NG statistics long after the work was accomplished.

PEO-Services uses a 36 month lead time in evaluation and removal of barriers to competition for services acquisitions. Service contracts that were evaluated in FY11, including work to remove barriers, will generally not be awarded until FY14 or even FY15. There is rarely an immediate correlation between work that is done to enhance competition, and a change to the competition profile of the service. It takes a significant number of contract dollars moving from non-competitive to competitive before rates change. Only a change to the competition status of a major program could alter a rate by itself, and the removal of barriers, such as the purchase of technical data, generally will not result in competitive awards until the program moves to sustainment which may be years.

OPERATION ENDURING FREEDOM (OEF)

The AF competed 100% of all contingency contract actions in FY13 and fully expects this trend to continue. The reduction in OEF obligations is significant due to the drawdown in Afghanistan. That trend is expected to continue as well.

AF Operation Enduring Freedom

	FY12	FY13
Total AF OEF Dollars	$284,736,733	$192,616,829
Total AF OEF Competed Dollars	$279,031,453	$192,616,829
AF OEF Percentage of Competed Dollars (Competition Rate)	98%	100%

Table 13

Better Buying Power 2.0 Promote Effective Competition

The Air Force took a number of steps forward in promoting effective competition in response to the issuance of Better Buying Power 2.0. A complete documentation review was accomplished to ensure that competition is considered at each acquisition decision. A number of additional actions were taken throughout the Air Force.

The Competition Advocate General issued a policy memorandum on 15 April 2013 requiring that all Justification and Approval (J&A) packages include copies of the predecessor J&A as a reference document for each J&A approved at a level higher than the Contracting Officer. The inclusion of the prior J&A provides the approver the opportunity to understand barriers that existed for prior competition; identifies previous actions to remove barriers to competition; provides necessary information to the approver to determine if the identified actions had been accomplished; and ensures that the current J&A addresses any deficiencies in removing barriers to competition and may provide an incentive to more effective planning. No data is available on the results from this change since only a handful of J&As have reached the level of the Competition Advocate General since the memo was signed.

The Air Force issued an integrated Air Force Instruction (AFI) 63-101/20-101, *Integrated Life Cycle Management*, which provides implementing guidance for DoDI 5000.02 *Operation of the Defense Acquisition System* and consolidates systems engineering, product support and program management into a single integrated life cycle management document. The document establishes requirements to ensure competition, or the option for competition, at both the prime and subcontract levels. It also encourages the use of open system architecture to enable competition upgrades and the acquisition of technical data packages, periodic competition for subsystem upgrades and the licensing of additional suppliers to enhance competition. The creation of a life cycle approach to programs supports competition improvements. Early decisions to use open system architecture or to acquire data rights support continued opportunities for competition throughout the program life-cycle.

Accurate reporting of competition data in Federal Procurement Data System- Next Generation is critical to ensure accuracy of data obtained from the system. Inaccurate coding can result in an under reporting of competition and effective competition actions and dollars. The Air Force Competition Advocate General issued a memo on 22 April 2013 mandating that all Air Force personnel responsible for the coding of Contract Actions Reports complete updated FPDS-NG training.

The Air Force Materiel Command (AFMC) developed the Air Force Better Buying Tool, which was launched in January 2013. The tool provides techniques and tools to implement Better Buying Power 2.0 and enhance competition. It addresses all of the BBP 2.0 factors and sub-factors and provides 80 techniques to enhance competition in all phases.

The Air Force Competition Tool has been extensively modified to enable its use for competition planning and tracking, and results in extensive information on the status of the Air Force Competition Program.

All Better Buying Power 2.0 actions are closely monitored by Air Force senior leadership until completion. Status slides for all open actions are updated and provided to leadership weekly and the status is briefed monthly. Deep dive briefings on all actions were provided on all tasks, and will continue to be provided until closeout approval is granted.

SUMMARY

The AF exceeded its FY13 overall competition goal of 37.9%, achieving a rate of 40.7%. The AF is fully committed to the Competition and Commercial Advocacy Program, the use of full and open and effective competition. The AF competition program is innovative and vibrant, continually seeking opportunities to compete, or to enhance competition further, whether in CONUS or in our contracting offices throughout the world.

AF contracting professionals at every level remain engaged and cognizant of the current policies and procedures to affect the optimum end result. Commands will continue to stress with their customers that competition is the standard and any proposed single-source action will be highly scrutinized, balanced with efforts to also meet small business/socio-economic program goals which are legitimate competing interests. FY14 will be another extremely challenging year for the AF with further cuts to manpower and budgets anticipated. Contracting Airmen will continue to strive to be the best and most effective in enhancing competition as they do in all aspects of contracting. By understanding that work done today may take years to result in significant increases to the competition rate, the AF will continue to strive to create the most robust competition advocate program within the Department of Defense.

DEFENSE LOGISTICS AGENCY
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JAN 3 1 2014

MEMORANDUM FOR THE DIRECTOR, DEFENSE PROCUREMENT AND ACQUISITION POLICY

SUBJECT: Defense Logistics Agency (DLA) Annual Competition Advocate Report for Fiscal Year 2013 (FY13)

As required by FAR 6.502 and DPAP Memorandum dated January 6, 2014, the FY13 DLA Competition Advocate Report is attached. DLA achieved a competition rate of 82.1 percent of total dollars obligated against an overall goal of 85.8 percent and for effective competition, achieved 92.2 percent of total procurement dollars against a goal of 92.1 percent. The Agency did not meet our FY13 overall competition goal, primarily due to two significant issues. In order to meet minimum guarantee requirements on an OCONUS bulk fuel contract, DLA Energy made a business decision to delay award of a competitive $4.5 billion acquisition to FY14. This acquisition was nearly 13 percent of our forecasted competitive spend. In addition, numerous sole source bridge contracts were issued by DLA Troop Support in FY13 due to protest. These protests have been resolved and the bridge contracts are expected to be eliminated by the end of June 2014.

If you have any questions, please contact me at 703-767-1470 or email: matthew.beebe@dla.mil.

MATTHEW R. BEEBE
Deputy Director, DLA Acquisition

Attachment:
As stated

Fiscal Year 2013 Competition Advocate Report

Defense Logistics Agency (DLA)

Matthew R. Beebe - DLA Competition Advocate

January 28, 2014

DLA submits this annual report in accordance with FAR 6.502(b)(2) and DPAP memorandum dated January 6, 2014, Subject: Competition Report for Fiscal Year 2013 (FY 13).

I. Fiscal Year 2013 (FY13) Competition Rate Achieved

DLA achieved a competition rate of 82.1% of total dollars obligated against an overall goal of 85.8%. The FY13 competition base in terms of total dollars was approximately $34 billion with $28 billion obligated competitively. This is a decrease in achievement from FY12, where we experienced an achievement rate for dollars obligated of 83.3% and $36 billion. Between FY12 and FY13, total spend fell by over $9 billion was attributed to reduced customer demand. For effective competition, our goal was 92.1% and we achieved 92.2%.

DLA consists of nine supply chains and five contracting activities that have established goals and reportable achievements, as identified in Table 1. Seven activities met/exceeded their goal for overall competition.

Supply Chain/Activity	Overall Competition FY13 Goal	Overall Competition FY13 Result	Effective Competition FY13 Goal	Effective Competition FY13 Result
DLA Aviation	45.0%	36.7%	75.0%	59.0%
DLA Land	74.5%	78.8%	75.0%	69.2%
DLA Maritime	78.5%	73.2%	75.0%	69.0%
DLA TS - Subsistence	96.5%	75.7%	99.0%	98.1%
DLA TS - Medical	97.0%	97.8%	96.0%	95.9%
DLA TS - C&T	68.5%	76.7%	83.8%	92.8%
DLA TS - C&E	92.5%	95.0%	94.0%	92.6%
DLA Document Svs	95.5%	78.1%	86.3%	85.7%
DLA Contracting Svs	76.0%	79.8%	75.0%	74.9%
DLA Distribution	91.0%	95.0%	96.0%	96.1%
DLA Strategic Matls	96.0%	78.0%	91.0%	84.3%
DLA Disposition	83.5%	87.35%	75.0%	93.9%
DLA Energy	95.0%	91.96%	98.0%	98.7%
Total DLA	**85.8%**	**82.1%**	**92.1%**	**92.2%**

Table 1. DLA activities FY 13 competition goals and achievements

DLA certified the FPDS-NG data on January 13, 2014. Data for this report was obtained from FPDS-NG on December 23, 2013 and reflects the most accurate information available. DLA did not achieve the overall competition goal of 85.8%. Competition was impacted by two significant issues that occurred at DLA. First, DLA Energy experienced significantly reduced customer demand in FY13, resulting in a reduced competitive spend. To meet the minimum guarantee requirement in an existing bulk fuel contract, they made a business decision to delay award of a $4.5B competition acquisition from FY13 to FY14. However, this delay had an impact to the overall agency performance as it meant that our expected competitive spend was considerably lower than planned. The $4.5B was over 10% of the forecasted total spend and nearly 13% of the forecasted competitive spend. If that contract had been awarded in FY13 as initially planned, DLA would have achieved a competition rate of 84.1%, approximately 2% higher than our FY13 achievement.

Secondly, DLA had a number of sole source bridges that extended into FY13 and negatively impacted our competition rate. Most significant was the bridge on the Subsistence Prime Vendor (SPV) Afghanistan contract, which was due to protest of the follow-on contract. Although awarded in September 2012, a protest by the incumbent in December 2012, resulted in DLA Troop Support issuing a sole source bridge with a not to exceed value of $4B. This protest has since been resolved and performance has transitioned to the new awardee. In addition, DLA received numerous protests on the SPV CONUS program valued at $4.6B (over 30 contracts in various regions), resulting in placement of many bridges while the protests and resulting actions were accomplished. The protests have been resolved and DLA Troop Support expects to award the last contract in early summer, thereby eliminating all remaining bridges on this program.

II. <u>Advocate's Activities</u>

At the Headquarters level, DLA Acquisition continues to monitor competition performance on a monthly basis through our competition metric, tracking the Agency and Supply chain performance against the OSD goal. The agency Competition Advocate (COMPAD) provided updates to the Director, DLA Acquisition and supply chain Acquisition Executives during the monthly metrics review. These briefings emphasized the importance of competition within DLA and provided an opportunity for discussion of performance at the senior acquisition levels. Discussion also focused on areas of interest to DPAP, impact of bridges on our competition rate and effective competition. These metrics were also discussed with the field level COMPADs on a routine basis.

The agency COMPAD hosted several DLA wide conference calls with the field COMPADs to discuss competition and actions to promote real competition. At our mid-year call, discussion focused on five recent IG/GAO audits on competition, proper Federal Procurement Data System (FPDS) coding, Justification and Approval (J&A) reviews and actions COMPADs could do to improve the quality of the J&As, and recent trends within DLA. As a result of the discussion on FPDS coding, one activity identified an erroneous practice, that when corrected, resulted in significant improvement to their competition rate. Further, the headquarters COMPAD staff maintains an ongoing dialogue with the field activities' COMPADs, discussing specific issues, competition trends, FPDS reporting and input, and feedback from the quarterly DPAP meetings. In 2013 when J&As required Agency COMPAD and Senior Procurement Executive (SPE) approval, the field was asked to include copies of previous J&As. Both the COMPAD and SPE asked questions regarding previous J&As, with a focus on barriers and actions taken to remove those barriers. The upcoming DPAP memorandum will formalize this practice all levels.

Under the guidance of the COMPAD and continual effort to develop both Market Research tools and focus, buyers are conducting more intensive Market Research and contacting more vendors prior to submitting J&A documents.

As discussed in section I of this report, FY13 focused on reduction of the sole source bridges. The COMPAD worked with field activities to develop an agency bridge policy focused on providing more clarity and visibility into the total bridge population, identifying acceptable reasons for bridges, requiring Head of Contracting Agency (HCA) approval for bridges exceeding the simplified acquisition threshold, and establishing quarterly reporting of all such bridges. The policy was put into place in October 2013, and so we expect the greatest impact will be felt in FY14.

In addition to the Agency level COMPAD, each primary level field activity (PLFA) has an assigned competition advocate. These COMPADs work with their respective fields on various initiatives to increase competition. Examples of activities at the field level follow.

During 2013, the COMPAD at DLA Land and Maritime (L&M) worked closely with their Operations Support (formerly Value Engineering) on a Command-directed Lean Six Sigma black belt team tasked with studying and executing the production flow, coordination, tracking and oversight of incoming Alternate Offer and Source Approval Request (SAR) technical data packages to maximize enhanced competition and develop better quality vendor technical data packages for increased service approvals.

The L&M COMPAD is also working with the field and DLA R&D to develop an automated tool called Matching Acquisition Strategies to Industry Capabilities (MASIC) to reduce direct material costs by attracting more suppliers. This tool incorporates industry's input, creates protocols, and develops software to automatically group NSNs for long-term contracts based on shared parameters. The NSN groupings are evaluated through the national supplier database to locate current and new vendors based on physical characteristics, capabilities, requirements and functions. The MASIC tool will tailor the solicitations to correspond to the needs of DLA L&M and vendor capabilities.

Within our DLA Contracting Services Office (DCSO) office, to move away from reliance on sole source bridge contracts issued to the incumbent on a sole source basis rather than short term competitive contracts until the follow-on contract is in place, DCSO implemented a new policy stating that any bridge contracts issued pursuant to FAR 6.302-1, 6.302-2 or 8.405-6 will be permitted only after all alternatives are considered. The Site Lead at each location is required to present alternatives considered along with recommended course of action to the DCSO COMPAD and Chief of the Contracting Office for concurrence prior to moving forward with any bridge contract action.

In FY13, DLA continued efforts to improve the SAR process to include reducing the length of time necessary to process a SAR. Each PLFA has a program to review and process SARs as a means of increasing approved sources for specific items/parts.

Within L&M, the SAR process was a focus area and, as a result of an FY12 Black Belt project, was streamlined and centralized to the Competition Advocate's office. In FY13, the Value Management Office, in conjunction with the Competition Advocate's Office, implemented the recommendations of the lean six effort to improve the tracking, evaluation and approval of SARs. The goal was to increase the number of SAR packages forwarded to the ESAs by 100% and as of September 2013, this metric was at 268%. The improved processing and direct analyst interaction with the contractors and ESAs has resulted in more additional sources being added to DLA managed NSNs. The new process resulted in 37 recorded source approvals for FY13.

DLA Aviation has achieved success in increasing the number of SARs as follows:

- The Value Engineer Sourcing Support Tool (VESST) has and is expected to continue to expand the industrial base by adding vendors which compete under the VESST Contract for the development of technical data packages. To date, 48 NSNs have been pursued under VESST and have resulted in the receipt of 34 SAR packages.

- The shouldered shaft used on the C-5 aircraft demonstrates success in a reverse engineering effort. This sole source part, initially identified as an ideal candidate for a reverse engineering project as the result of a Should Cost, was pursued as a reverse engineering effort under VESST. This effort culminated with a SAR submission that was approved by the Oklahoma ALC. The original quote for the shouldered shaft was $2,528 each. Three contracts awarded in FY13 with an average unit cost of $731saved a total of $610,018 from this effort.

- DLA Aviation's Richmond office received 1,077 SARs in FY13, with 523 completed and approved. Of these approved SARs, 32 items became competitive AMC/AMSC of 1/G.

- DLA Aviation's Ogden office received 60 SARs in FY13. Of these, 42 (70%) were approved. Vendors that were disapproved were provided information regarding the discrepancies that will assist them in working towards approval.

- For the DLA Aviation Huntsville office, to aid in increasing competition during the pre-solicitation process, contractors are encouraged to seek source approval by accessing the Army Aviation & Missile Command (AMCOM) Competition Management Office website for instructions and guidance under the qualification procedures for aviation and missile requirements. Another effort to increase the number of competitive awards was to establish a better working relationship with the Army Research Development and Engineering Command (AMRDEC), who handles the entire source approval request (SAR) for DLA Aviation Huntsville. In FY13 AMRDEC reviewed over 184 SARs. Of these, 84 were approved, 68 were disapproved and 22 are pending additional information. The 84 additional approved sources help to promote competition and add to the supplier base, with significant impact on cost and savings to the Government.

As a result of the efforts described above to expand competition and further the use of the alternate offer process, DLA Aviation Engineering reported savings in FY13 on 191 NSNs with expanded competition, 26 reverse engineered NSNs, and 249 NSNs with savings as a result of should cost, casting and forging, and price challenge projects. Total Savings from these efforts exceeded $56M in FY13.

Each year the Land Directorate refers some of the highest dollar sole source NIINs to the Operations Support directorate for break-out potential. The most recent success was the "Hawker Battery" project. The Operations Support directorate is in the process of gathering data to quantify those efforts.

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

In FY13, more contracting officers applied commercial procedures for items that are commercial off the shelf as well as commercial of a type with modifications such as similar manufacturing process.

DLA Aviation's Oklahoma City DLR office determined that the Government could potentially reduce costs by purchasing commercially refurbished parts for the F108 Engine. Additional NSNs have been targeted for FY14 and FY15 and the process continues to be refined to look for additional ways to increase competition and purchase commercially refurbished surplus. This initiative is changing the need to purchase many identified F108 parts sole source from the OEM.

At DLA Energy, barriers to procurement of commercial items have been reduced due to the recent expansion of the conversion from JP8 (military specification for jet fuel) to the commercial equivalent Jet A in the CONUS solicitations. They are currently implementing the changes, location by location and most locations using JP8 will be converted by end of 2014.

DLA Energy has also engaged its suppliers in an effort to garner their opinions as to how best to increase competition and their overwhelming response has been to contract in a manner that more closely resembles standard commercial practice.

IV. New Initiatives to Increase Competition

At the Agency level, significant attention has been placed upon the use of sole source bridge contracts. DLA issued a large number of bridge contracts over the past few years that extended into FY13. In 2012, DLA Acquisition instituted a metric to track the number of bridge contracts on our significant acquisitions. For 2013, a new bridge metric of a 50% reduction in the number of bridges was established. For FY14, we will continue tracking bridges, and have established a new goal of 10 or less for our significant acquisitions. This goal recognizes that there are circumstances (such as protest) when a bridge is appropriate.

DLA Troop Support had numerous protests to the Subsistence Prime Vendor CONUS program and issued many bridges to the existing contracts to ensure continue support. The acquisition team developed a new business model with a fixed unit price (with a different EPA clause) as an alternative to the traditional business model, which has been the subject of industry objections. This new model was used on two contracts (San Antonio and Texas/New Mexico) and initial results show total saving through this type of competition at approximately $757,248 between the two competitive awards. Similar savings are expected for the remaining awards that follow this model.

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.

DLA Troop Support's Construction and Equipment (C&E) focused on developing additional sources for specialized containers to enhance competition and lower prices with the long-term goal to issue large dollar value Customer Value Contracts providing

DLA customers with a broader suite of like products to choose from. Award is anticipated by September 2014.

DLA Distribution has increased usage of Request for Information (RFI's) and combined solicitation/synopsis to enhance competition efforts.

When Limited Source Justifications or J&As are submitted for approval, DCSO contracting personnel place significant emphasis on the performance period of the sole source effort and the need for extensive market research and analysis to identify alternative acquisition strategies in an effort to transition to a competitive process if practicable.

To increase competition at DLA Energy, recurring synopses will be published in the FEDBIZOPPS to alert all contractors that there are several recurring solicitations for all purchase programs, Into-plane, Bunkers, and Post Camps and Stations. This advertisement will provide potential contractors with requirements and contacts. Additionally, more pre-solicitation/pre-proposal conferences will be held to educate contractors on how to do business with the DoD.

The Land Directorate is using the Supply Assurance Through Multisource Contracting clause, which allows them to keep the procurement pipeline going with proven sources, while unproven sources are given partial quantities to perform and become qualified, i.e. pass First Article Testing, Production Lot Testing, etc.

L&M's Strategic Acquisitions Program Directorate posts sources sought notices for all sole/limited source items during the market research stage of an acquisition with the hopes of gaining advanced knowledge of any possible alternate sources so as to provide those sources, in advance, with the information they need to submit their SAR packages to start the approval process. For items defined as competitive but which have historically been procured from only one source, a pre-solicitation sources sought notice is posted, including a link to the drawings, in an attempt to attract new sources. In addition, for that same population of items, they are increasing their usage of partial set-asides in an attempt to develop small business sources.

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

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

DLA Document Services performs an initial review of all requirements packages to ensure this standard is met. Partnering with requirements generators allows for all equipment requirements to be specified in terms of functional requirements. Requirements for services utilize performance based statements of work.

VI. Barriers and Challenges

Within all the supply chains, the balance between supporting Government wide socio-economic initiatives and programs and the need to increase competition continues to be a challenge. The dollars and actions 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. In FY13, this constituted approximately 8% of our noncompetitive dollars. In addition, DLA is focused on increasing the use of DoD wide PBL contracts, Long Term Contracts, and Joint Opportunity contracts. While this may result in moving a small number of previously competitive items under the umbrella of the PBL/LTC/JO contract to achieve more efficiency and better pricing, DLA will continue to support these programs and look for ways to increase competition in other areas.

As mentioned earlier, DLA focuses a great deal of attention on getting new sources approved (SAR process or Reverse Engineering) as a way of increasing competition. When an original equipment manufacturer sees that another source has been approved, they may reduce their price to undercut the new source. Although the new source has invested money to develop their alternate item, they won't recoup anything unless they receive an award. Our activities are looking for ways to make an award to these recently approved sources as a way to encourage the vendor to seek approval on other items. This also allows them opportunity to demonstrate that they can manufacture the item at a fair and reasonable price.

Our customers often prefer and request brand name items and continued service from incumbent firms. The requirement for, and value of competition is continually emphasized to them in an effort to move from this long standing practice. The importance of thorough market research is stressed to help overcome this barrier. If unchallenged, the customer has no incentive to attempt to develop alternate sources of supply. Our contracting officers question the need for brand name and work with the customer to determine if a brand name or equal would meet their needs.

DLA Energy relies on pipelines for mission support in overseas countries. In several mid-eastern countries where DLA Energy provides support, pipelines are often owned by single entities who do not allow use by competitors. While these challenges pose impediments to meeting competition goals, DLA Energy is taking steps to ensure best value to the government by relying on price analysis' and using historical pricing, which takes into account industry trends, if any, as a basis of estimate for our independent government estimates.

DLA Energy has experienced reduced competition in some of our overseas programs. Offers have been received, but in several instances incumbent contractors have failed to submit offers. DLA Energy learned that reduction in fuel requirements has impacted the level of financial return these contractors will realize, and therefore, some are no longer interested in our business. DLA Energy is looking into longer term contracts as a means of encouraging offers.

Historical obstacles dealing with "state-owned" entities will continue in FY14. A large number of our large dollar overseas fuel requirements are associated with these 'state-owned' entities and cannot be competed. Examples of such sole-source requirements are fuel and gasoline requirements for Qatar (Qatar fuel (WOQOD)), requirements for JP8 at Al Dhafra Air Base in Abu Dhabi (Abu Dhabi National Oil Company (ADNOC)) and diesel and Mogas for US military forces in Kuwait (Kuwait Petroleum Corporation (KPC)). For FY14, these expected procurements will total nearly $600M.

VII. <u>Other Ways Competition is Emphasized</u>

Industry Days were held by DLA Aviation, DLA Land & Maritime, DLA Energy, DLA Troop Support and DLA Strategic Materials and provided an opportunity for vendors to meet with DLA acquisition personnel and current and potential suppliers in a group setting. In addition, many field level competition advocates have been working with the small business specialists to attend roadshows, industry forums, etc. to provide an opportunity to identify vendors and encourage submission of source approval requests.

DLA Land Aberdeen's use of the Collaborative Acquisition Strategy Sessions (CASS) and new Document Review Sessions (DRS) with the customer allows planning, preparation and discussion of factors that create competition barriers or impediments early in the procurement process. The CASS is a discussion between the requiring activity and the contracting staff to address all aspects of a specific procurement action in the requirements definition and acquisition strategy development phase that influence competition and small business opportunities. The DRS is done to finalize the strategic plan for the acquisition and supporting documents to execute the procurement. CASS and DRS meetings are used to emphasize the importance of the acquisition of both commercial and competitive items and they will continue to be used to foster competition moving forward.

In support of the DLA Director's focus on reducing material costs, DLA L&M targeted the Mine Resistant Ambush Protected (MRAP) vehicle sole source for NSN breakout, expansion of supplier network via the Reverse Engineering Program, and an accelerated effort to increase competition on purchased material as a whole. Additional focus was given to identifying NSNs where government owned technical data may exist. One example was the Up Armor Construction Equipment project. Value engineering was able to change the procurement method from sole source to competitive on 88 NSNs by coordinating the release of the technical data packages with the Army Engineering Support Activity (ESA). This effort resulted in $3.7M savings in FY13.

The DLA Troop Support COMPAD provided training in Nov 2012 and May 2013 to their current class of DLA Interns on the proper method of drafting a J&A and supporting their rationale for the J&A.

In 2012, the DLA Director instituted a "Captains of Industry" initiative where he and other senior leaders at DLA met with the presidents/senior leaders of our major contractors. In 2013, this effort was "ramped up", providing opportunity for our major contractors to discuss ways to reduce costs, increase competition, improve processes, and identify "smarter" ways of doing business. Many of the new initiatives discussed have come out of these meetings.

VIII. Effective Competition

In FY13, DLA's approach to increase effective competition was to focus on actions to be taken to improve real competition, and included use of less restrictive specifications and more extensive market research and advertising. We continued to track effective competition, reviewing our metric on a monthly basis with the Director, DLA Acquisition and supply chain Acquisition Executives. The Agency COMPAD also worked with the PLFAs to ensure a sound understanding of effective competition and discussed the goal and performance during quarterly COMPAD and Chiefs of the Contracting Office (CCO) calls.

For FY13, we achieved a rate of 92.2%, slightly exceeding the goal. We will continue to emphasize this metric and work with the field COMPADs to ensure that more than one bid is achievable.

IX. Fair Opportunity (FO)

For FY13, DLA had $1.6 billion subject to FO requirements and of that amount, $1.4 billion or 89.5% provided for FO. Our performance has historically been very strong in this area and while no goal is required, we strive to provide for fair opportunity to the maximum extent. Of the exceptions to FO, "only one source" constitutes the majority of excepted actions but "follow-on delivery order" was responsible for 47% of the dollars. In FY12, urgency was responsible for the majority of exceptions in actions and dollars, followed by "only one source". Table 2 contains the full data on exceptions to FO. It was obtained from FPDS-NG on December 23, 2013 and reflects the most accurate FY13 data available.

FY13 Fair Opportunity	Actions	% of Total	Dollars	% of Total
Subject to Fair Opportunity	18,189	N/A	$1,617,657,334	N/A
Fair Opportunity Provided	16,722	91.9%	$1,447,216,351	89.5%
Total Exceptions to Fair Opportunity	1,398	7.7%	$166,517,709	10.3%
-Urgency	145	10.4%	$7,495,978	4.5%
- Only one source – other	956	68.34%	$68,731,004	41.3%
- Follow-on Delivery Order	164	11.7%	$78,933,270	47.4%
- Minimum Guarantee	40	2.9%	$5,202	0.0%
- Other Statutory Authority	92	6.6%	$9,461,911	5.7%
- Sole Source Actions	1	0.1%	$1,890,343	1.1%

Table 2. DLA Fair Opportunity Data (source FPDS 12/23/13)

Historical Data: A comparison of the dollars subject to FO and dollars where FO was provided shows DLA has a fairly consistent performance from FY11, FY12 and FY13, ranging between 83.6% and 89.5%. Table 3 contains the historical data.

Fiscal Year	Total $ Subject to FO	$ FO Provided	% FO Given
FY11	$1,650,083,758	$1,457,521,867	88.3%
FY12	$1,428,684,899	$1,194,637,371	83.6%
FY13	$1,617,657,334	$1,447216,351	89.5%

Table 3. Historical DLA Fair Opportunity Percentage of Dollars (Sources: FY13 data came from FPDS-NG on 12/23/13, FY12 data from FY12 FPDS-NG on 1/11/13 and FY11 data from FY11 FPDS-NG on 12/28/11)

X. Trend Analysis and FY13 Competition Goals

Trend analysis using historical data from FY11, FY12 and FY13 shows the competition achievement rate (based on dollars obligated) has remained fairly consistent over the past three years. The use of sole source bridge contracts in FY12 and FY13 slowed increases in competition. However, with increased senior leader attention and implementation of the bridge policy and reduction plan, we expect to see improvement in the competition rate for FY14.

	FY11	FY12	FY13
Total Dollars Obligated	$35,928,071,915	$43,105,521,949	$33,968,270,300
Dollars Competed	$29,610,603,964	$35,905,570,167	$27,869,981,980
% Competed Total Dollars	**82.4%**	**83.3%**	**82.1%**
Dollars Subject to Fair Opportunity	$1,650,083,758	$1,428,684,899	$1,617,657,334
-Fair Opportunity Provided	$1,457,521,867	$1,194,637,371	$1,447,216,351
-Exceptions and Null Values	$191,832,234.43	$234,047,527	$166,517,708

Table 4. Historical DLA Fair Opportunity Percentage of Dollars (Sources: FY13 data came from FPDS-NG on 12/23/13, FY12 data from FY12 FPDS-NG on 1/11/13 and FY11 data from FY11 FPDS-NG on 12/28/11)

Reasons not competed: Over 61% of the actions and 74% of the dollars not competed were a result of sole source procurements. This is consistent with obstacles faced in the weapon system oriented supply chains (Aviation, Land, and Maritime) and mandated sole source procurement of certain fuels from overseas state-owned entities by DLA Energy. DLA is looking at ways to break out many sole source items, which when successful, will reduce our sole source procurements. The complete data is included at Table 5.

FY 13 Not competed	**Actions**	**% of Total**	**Dollars**	**% of Total**
Total not competed	77,072	N/A	$5,931,845,621	N/A
Only one source (6.302-1)	47,322	61.4%	$4,425,849,548	74.6%
Urgency (6.302-2)	91	0.1%	$51,643,289	0.9%
Mobilization and R&D (6.302-3)	2	0.0%	$-230	0.0%
International Agreement (6.302-4)	17	0.0 %	$365,086,382	6.2%
Authorized/required by Statute (6.302-5)	3,836	4.9%	$464,975,999	7.8%
National security (6.392-6)	1	0.0%	$24,375	0.0%

Table 5. FY Reason Not Competed (source FPDS-NG new report pulled on 12/23/13)

FY14 Goal:

For FY13, the DLA goal assigned by DPAP was initially in terms of dollars rather than a percentage, with the assigned goal of $36,858,630,789 for competitive acquisitions. DLA obligated $33.97B in FY14, with $27.87B competitive, equating to a competition rate of 82.05%. As discussed earlier, delay in award of a major competitive contract and numerous sole source bridges hampered our ability to achieve the goal.

DPAP's January 6, 2014 letter set the DLA goal at 83.7% for overall competition and 92.1% for effective competition. For FY14, we have reviewed expected spend and anticipated sole source acquisitions, to include any remaining sole source bridges. This review identified approximately 14% of non-competitive spend that is attributable to sole source OEM acquisitions (such as PBLs and Joint Opportunities), 8(a) set asides, mandatory sources, and state owned entities, presenting little opportunity for competition. However, there is about 2% of non-competitive spend where we are focusing efforts to remove barriers to competition through elimination of sole source bridges, break out of NSNs, and timely awards to avoid sole source buys due to lack of time. We expect the results of this effort will be felt in FY15. DLA expects to achieve both goals in FY14 through limiting the number and duration of bridge contracts and adherence to our bridge reduction plan for existing bridges.