Department of Defense

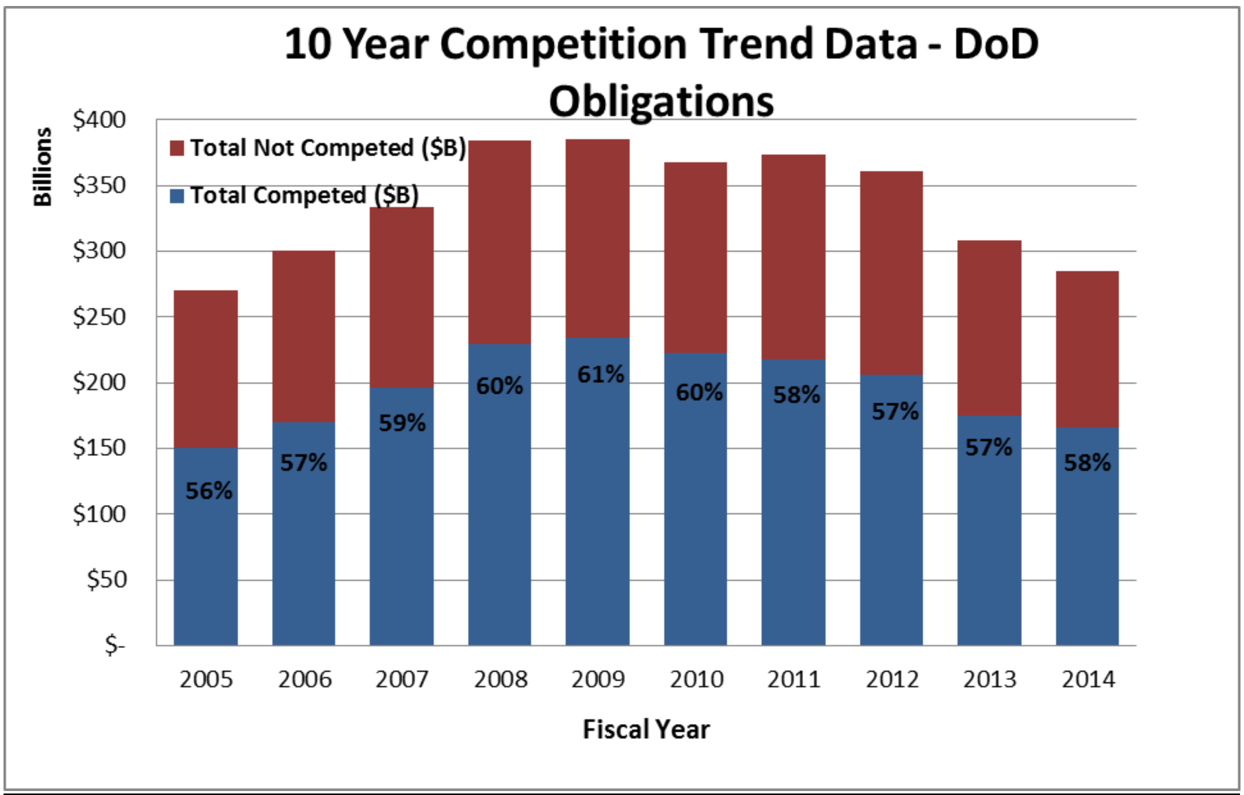
Competition Report

For FY 2014

I. Competition Trends

The Department of Defense (DoD) total dollars obligated decreased from $308 Billion (B) in Fiscal Year (FY) 2013 to $285 B in FY 2014, representing an 8% drop in total obligations for the year. The overall competition rate increased to 58.5% which exceeds the prior year and ten year average rate of 57%. This achievement exceeded slightly the FY 14 Agency Priority Goal of 58%. During the ten year period the competition rate has ranged from a high of 61% in FY 2009 to a low of 56% in FY 2005. The competitive dollars obligated decreased from $175 B in FY 2013 to $166 B in FY 2014 and non-competitive dollars obligated decreased from $133 B to $118 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)



[1] There are three sources for this data. The first is for the FY 2005-2012 data which is from the DoD Competition Report from FPDS-NG, dated March 18, 2013. The FY 2013 data is from the DoD Competition Report, dated January 29, 2014. The FY 2014 data is from DoD's certified FY14 data to OFPP, dated January 28, 2015. 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.

Overall Competition

Table 1 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 competition report tracks obligation and actions based on data from Federal Procurement Data System – Next Generation (FPDS-NG). The report tracks fair opportunity provided at the order level. Orders are only counted as competed if fair opportunity is provided, in order 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 2014.[2]

Table 1 – FY 2014 Overall Competition Report by DoD Component

Contracting Agency	Total Dollars	Competed Dollars	% Competed Dollars	% Competed Dollar Goal
DEPT OF THE ARMY	$ 75,905,794,197	$ 48,861,567,911	64%	67%
DEPT OF THE NAVY	$ 84,247,568,561	$ 37,379,363,977	44%	42%
DEPT OF THE AIR FORCE	$ 55,806,480,661	$ 24,277,169,880	44%	42%
DEFENSE LOGISTICS AGENCY	$ 31,947,833,517	$ 26,830,048,462	84%	84%
DEFENSE ADVANCED RESEARCH PROJECTS AGENCY	$ 875,431,290	$ 741,465,829	85%	92%
DEFENSE COMMISSARY AGENCY	$ 1,422,815,607	$ 1,315,030,172	92%	91%
DEFENSE CONTRACT MANAGEMENT AGENCY (See Footnote 2)	$ 122,412,402	$ (66,559,674)	-54%	69%
DEFENSE FINANCE AND ACCOUNTING SERVICE	$ 136,527,046	$ 113,953,052	83%	88%
DEFENSE HEALTH AGENCY	$ 13,071,848,006	$ 11,559,060,722	88%	92%
DEFENSE HUMAN RESOURCES ACTIVITY	$ 257,292,656	$ 129,256,728	50%	54%
DEFENSE INFORMATION SYSTEMS AGENCY	$ 5,205,307,424	$ 3,989,512,960	77%	80%
DEFENSE MEDIA ACTIVITY	$ 80,825,333	$ 57,761,546	71%	80%
DEFENSE MICROELECTRONICS ACTIVITY	$ 399,614,093	$ 383,755,750	96%	98%
DEFENSE SECURITY COOPERATION AGENCY	$ 47,489,767	$ 32,479,052	68%	74%
DEFENSE SECURITY SERVICE	$ 96,408,564	$ 76,848,907	80%	89%
DEFENSE THREAT REDUCTION AGENCY	$ 1,001,641,921	$ 858,004,151	86%	87%
DEPT OF DEFENSE EDUCATION ACTIVITY	$ 314,359,495	$ 226,218,178	72%	88%
JOINT IMPROVISED EXPLOSIVE DEVICE DEFEAT ORG.	$ 70,458,150	$ 58,027,448	82%	54%
MISSILE DEFENSE AGENCY	$ 6,050,847,487	$ 2,536,652,717	42%	30%
U.S. SPECIAL OPERATIONS COMMAND	$ 2,446,534,603	$ 1,832,685,816	75%	92%
UNIFORMED SERVICES UNIVERSITY OF THE HEALTH SCIENCES	$ 37,329,929	$ 24,134,582	65%	56%
USTRANSCOM	$ 4,065,361,728	$ 4,047,462,709	100%	98%
WASHINGTON HEADQUARTERS SERVICES	$ 1,283,907,715	$ 761,371,811	59%	62%
Total	**$ 284,894,090,151**	**$ 166,025,272,685**	**58%**	**58%**

[2] The source is the FPDS-NG FY2014 Competition Report from March 11, 2015. 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 70%.

In FY 2014, $166 B was competitively obligated for an overall competition rate of 58% ($166 B/$285 B). Despite the drop in total obligations, the competition rate surpassed the FY 2013 rate and ten year average noted earlier. As previously mentioned, competition achievement by contracting organizations varies widely based upon the mission and type of supply or service being procured. Generally, those contracting organizations supporting installation mission/function requirements and/or depot level maintenance services requirements which are better suited to competition, typically achieve 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 is 97%, which is consistent with the FY 2013 result.

<u>Effective Competition</u>

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 $166 B in FY 2014 with approximately $145 B in "Effective Competed Dollars" and $21 B in "Only One Offer Competed Dollars" resulting in an "Effective" competition rate of 87%, remaining constant with the FY 13 rate. Table 2 below provides a summary of the effective competition achievements for the Department and each Component in FY 2014.[3]

Table 2 – FY 2014 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	$ 48,861,567,911	$ 6,373,983,547	$ 42,487,584,364	87%
DEPT OF THE NAVY	$ 37,379,363,977	$ 6,681,332,587	$ 30,698,031,390	82%
DEPT OF THE AIR FORCE	$ 24,277,169,880	$ 3,228,669,936	$ 21,048,499,944	87%
DEFENSE LOGISTICS AGENCY	$ 26,830,048,462	$ 2,425,612,721	$ 24,404,435,741	91%
DEFENSE ADVANCED RESEARCH PROJECTS AGENCY	$ 741,465,829	$ 34,652,994	$ 706,812,834	95%
DEFENSE COMMISSARY AGENCY	$ 1,315,030,172	$ 15,309,856	$ 1,299,720,316	99%
DEFENSE CONTRACT MANAGEMENT AGENCY (See Footnote 3)	$ (66,559,674)	$ (63,324,714)	$ (3,234,959)	5%
DEFENSE FINANCE AND ACCOUNTING SERVICE	$ 113,953,052	$ 32,297,268	$ 81,655,784	72%
DEFENSE HEALTH AGENCY	$ 11,559,060,722	$ 33,842,984	$ 11,525,217,738	100%
DEFENSE HUMAN RESOURCES ACTIVITY	$ 129,256,728	$ 21,467,868	$ 107,788,860	83%
DEFENSE INFORMATION SYSTEMS AGENCY	$ 3,989,512,960	$ 763,647,266	$ 3,225,865,694	81%
DEFENSE MEDIA ACTIVITY	$ 57,761,546	$ 18,873,312	$ 38,888,234	67%
DEFENSE MICROELECTRONICS ACTIVITY	$ 383,755,750	$ 342,010,617	$ 41,745,133	11%
DEFENSE SECURITY COOPERATION AGENCY	$ 32,479,052	$ 2,688,389	$ 29,790,662	92%
DEFENSE SECURITY SERVICE	$ 76,848,907	$ 1,853,245	$ 74,995,662	98%
DEFENSE THREAT REDUCTION AGENCY	$ 858,004,151	$ 112,399,015	$ 745,605,136	87%
DEPT OF DEFENSE EDUCATION ACTIVITY	$ 226,218,178	$ 46,024,433	$ 180,193,745	80%
JOINT IMPROVISED EXPLOSIVE DEVICE DEFEAT ORG.	$ 58,027,448	$ 149,684	$ 57,877,764	100%
MISSILE DEFENSE AGENCY	$ 2,536,652,717	$ 462,237,493	$ 2,074,415,224	82%
U.S. SPECIAL OPERATIONS COMMAND	$ 1,832,685,816	$ 105,108,688	$ 1,727,577,127	94%
UNIFORMED SERVICES UNIVERSITY OF THE HEALTH SCIENCES	$ 24,134,582	$ 7,629,027	$ 16,505,556	68%
USTRANSCOM	$ 4,047,462,709	$ 115,990,126	$ 3,931,472,582	97%
WASHINGTON HEADQUARTERS SERVICES	$ 761,371,811	$ 158,902,776	$ 602,469,035	79%
Total	**$ 166,025,272,685**	**$ 20,921,359,120**	**$ 145,103,913,565**	**87%**

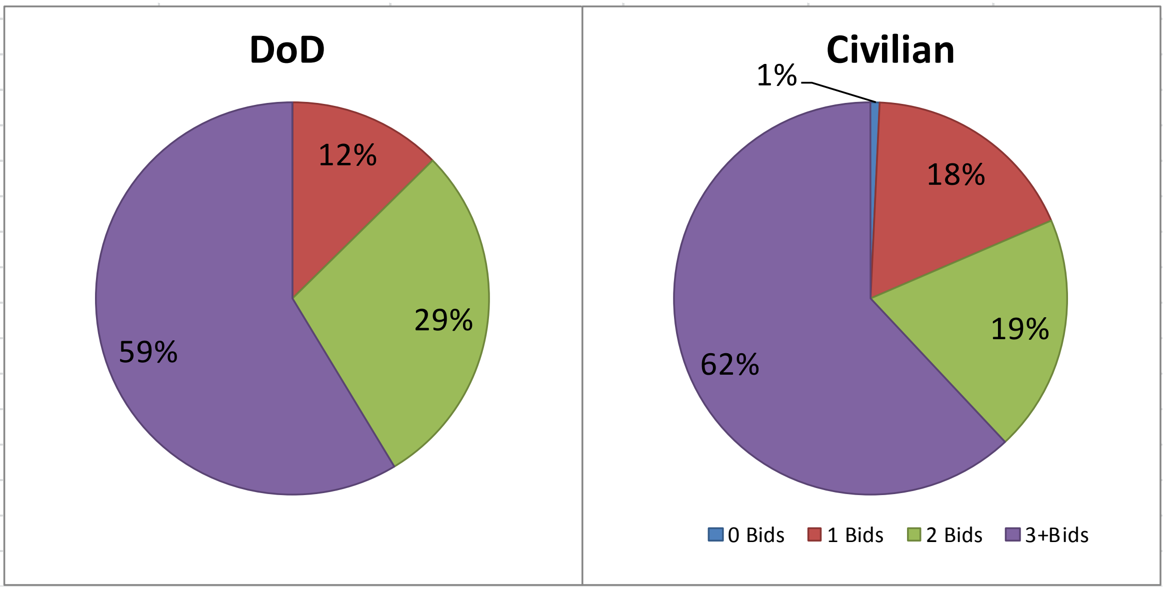
Number of Offers

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

[3] The source is the FPDS-NG FY14 Competed with Only One Offer Report run from March 11, 2015. 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 64%.

"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.

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 12% of obligations for DoD compared to 18% for the civilian agencies, and two bids obligations which are 29% of obligations for DoD compared to just 19% for Civilian Agencies. The DoD share of single bid obligations at 12% reflects a one percent drop from 13% in FY 2013 and continued improvement in effective competition.

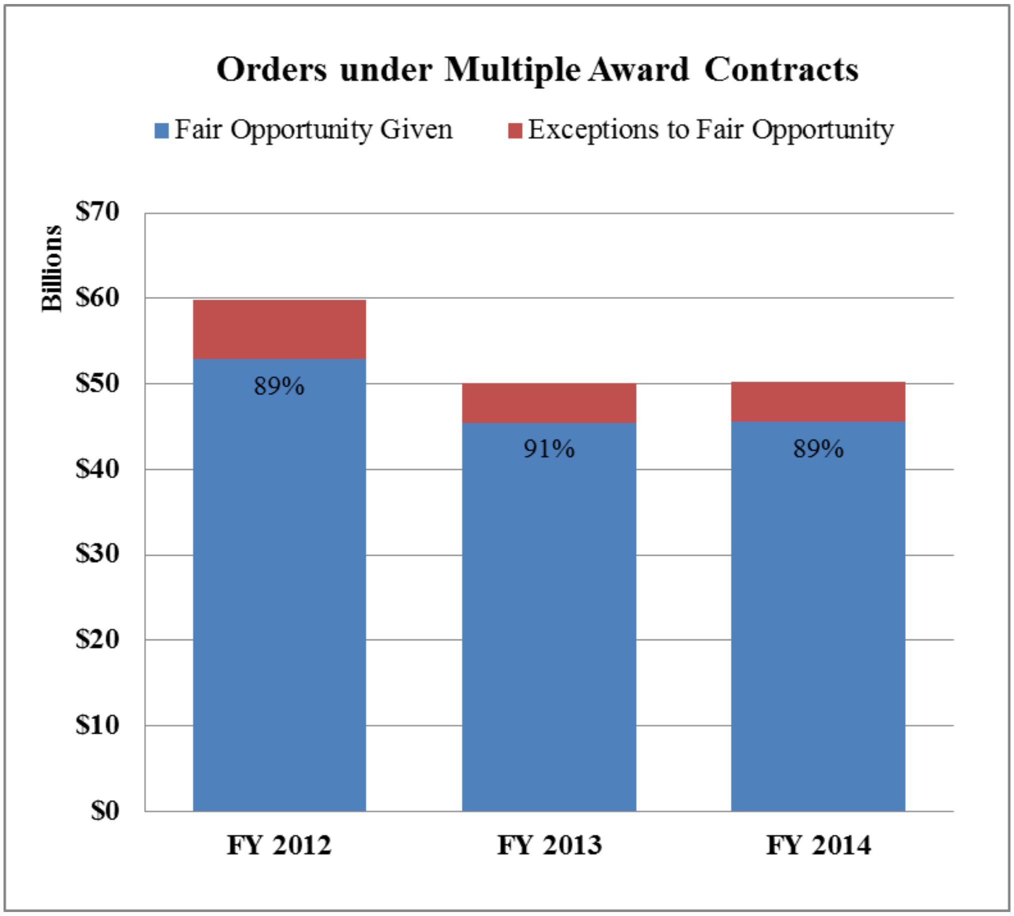
<u>Fair Opportunity</u>

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

[4] The source of data is from the FPDS-NG run from as of March 11, 2015. 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.

Competition Report. Chart 3 illustrates the fair opportunity trend for DoD from FY 2012 through FY 2014. Despite the decrease in total competed obligations, the total dollars subject to fair opportunity remained constant in FY 2014 at $50 B, yet the rate of fair opportunity competition decreased slightly from 91% to 89%.[5]

Chart 3 – FY 2012 to FY2014 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 a breakdown of DoD orders placed against DoD awarded multiple award task or delivery order contracts, GSA Federal Supply Schedules (FSS), Government-wide Acquisition Contracts (GWAC), or multiple award task or delivery order contracts awarded by another non-DoD activity.

[5] The source for the FY 2012, 2013, and 2014 fair opportunity statistics are the FPDS-NG Competition Reports utilizing the fair opportunity workflow as of March 18, 2013, January 29, 2014, and March 11, 2015 respectively.

Table 3 summarizes DoD fair opportunity achievements for FY 2014 based on the type of multiple award contract.[6]

Table 3 – Fair Opportunity by Type of Multiple Award Contract

	Total Obligations Under MACs	DoD MACs	GSA FSS	GWAC	Non-DoD MACs
Obligations	$ 46,166,410,605	$ 38,396,392,569	$ 4,919,760,677	$ 2,321,232,420	$ 529,024,938
% of Total Order Obligations	100%	83%	11%	5%	1%
Fair Opportunity Given	$ 41,183,281,673	$ 35,246,600,002	$ 3,608,642,284	$ 1,867,047,118	$ 460,992,269
% of Fair Opportunity Given (Obligations) by Type of Multiple Award Contract	89%	92%	73%	80%	87%

As noted above, the extent of fair opportunity competition achieved decreased slightly to 89% in FY 2014 with a 1% decrease in fair opportunity for DoD MACs, which comprise 83% of the Department's MAC task/delivery order obligations. GSA FSS and GWAC both saw slight decreases in the percent of fair opportunity given. While the total obligations for GSA FSS decreased, GWAC total obligations increased slightly.

Non-Competitive Obligations

This competition report includes a summary of the non-competitive obligations for FY 2014. 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 $14.5 B from $133.3 B in FY 2013 to $118.8 B in FY 2014. This report shows non-competed "orders with exceptions to fair opportunity" increased $.2 B from $4.7 B in FY 2013 to $4.9 B in FY 2014. Non-competitive contract obligations authorized by Justification and Approval (J&A) authority decreased $14.9 B from $128.7 B in FY 2013 to $113.8 B in FY 2014.

The percentage breakout for the non-competitive FAR based J&A exceptions remained consistent with previous years. The majority (76.8%) 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.

[6] The source of this data is FPDS-NG Fair Opportunity Report run from March 11, 2015

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		**$ 284,875,489,357**	**% of Total Dollars**
Total Dollars Competed		$166,025,272,685	58.3%
Null Values and Report Delta		$24,698,205	0.0%
Total Dollars Not Competed		$ 118,825,518,467	41.7%
Orders with an Exception to Fair Opportunity	$ 4,983,670,799	4.2%	1.7%
Contract Actions Authorized by J&A Authority	$ 113,841,847,667	95.8%	40.0%
Breakout of Various J&A Authorities		**% of J&A Authorities**	**% of Total Dollars**
FAR 6.302-1 "Only One Source"	$ 87,452,621,132	76.8%	30.7%
FAR 6.302-2 "Urgency"	$ 1,292,059,182	1.1%	0.5%
FAR 6.302-3 "Mobilization, Essential R&D"	$ 2,569,922,276	2.3%	0.9%
FAR 6.302-4 "International Agreement"	$ 6,431,308,115	5.6%	2.3%
FAR 6.302-5 "Authorized or Required by Statute"	$ 9,451,151,438	8.3%	3.3%
FAR 6.302-6 "National Security"	$ 3,564,293,754	3.1%	1.3%
FAR 6.302-7 "Public Interest"	$ 46,906,744	0.0%	0.0%
Not Competed Using SAP	$ 2,918,110,725	2.6%	1.0%
Null value for reason not competed	$ 115,474,301	0.1%	0.0%
Total	$ 113,841,847,667	**100.0%**	**40.0%**

The non-competitive dollars obligated under the next highest J&A authority was for contracts awarded under FAR 6.302-5 "Authorized or Required by Statute," representing contracts awarded when statutes expressly authorize or require that an acquisition be made from a specified source or through another agency, increased $.8 B from $8.6 B in FY 2013 to $9.4 B in 2014. The remaining J&A authorities either decreased slightly or remained constant with the FY 2013 values, with the exception of FAR 6.302-3 "Mobilization, Essential R&D," which increased from $2.1 B in FY 2013 to $2.6 B in FY 2014.

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, and Operation United Assistance, initiated in September 2014.

[7] The source is FY14 FPDS-NG run from March 11, 2015.

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 2014. The total contingency contracting dollars decreased nearly $2 B from $5 B in FY 2013 to $3.1 B in FY 2014, consistent with reduced actions in support of OEF. The contingency contracting competition rate increased from 77% in FY 2013 to 78% in FY 2014. The effective competition rate also increased from 69% in FY 2013 to 87% in FY 2014.

Table 5 – Contingency Contracting Competition Details[8]

Contracting Agency	Total Contingency Contracting Dollars	Contingency Competed Dollars	% Contingency Competition	Ineffective Competed Dollars	Effective Competed Dollars	% Effective Competition
Dept of Army	$ 1,386,052,725	$ 796,963,157	57%	$ 281,483,857	$ 515,479,301	65%
Dept of Navy	$ 89,949,783	$ 4,850,322	5%	$ 931,759	$ 3,918,563	81%
Dept of Air Force	$ 145,061,258	$ 144,419,920	100%	$ 394,556	$ 144,025,363	100%
Defense Logistics Agency	$ 7,348,346	$ 5,500,046	75%	$ -	$ 5,500,046	100%
Defense Information Systems Agency	$ 13,952,497	$ 13,952,497	100%	$ 13,869,030	$ 83,467	1%
Dept of Defense Education Activity	$ -	$ -			$ -	
Defense Commissary Agency	$ -	$ -		$ -	$ -	
Joint Improvised Explosive Device Defeat Org	$ -	$ -		$ -	$ -	
USTRANSCOM	$ 1,423,695,269	$ 1,439,767,091	101%	$ 6,299,018	$ 1,433,468,073	100%
US Special Operations Command	$ 2,044,933	$ 2,044,933	100%		$ 2,044,933	100%
Washington Headquarters Services	$ 7,116,658	$ (2,638,195)	-37%	$ 1,823,336	$ (4,461,531)	169%
TOTAL	**$ 3,075,221,469**	**$ 2,404,859,771**	**78%**	**$ 304,801,557**	**$ 2,100,058,214**	**87%**

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

In FY 2014, DPAP and the components continued 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. The Department

[8] The source is from FY14 FPDS-NG run from March 11, 2015. Washington Headquarters Services Effective Competition % exceeds 100% due to the amount of de-obligations exceeding the amount of competed obligations for FY 14.

continued working to improve competition through the Better Buying Power initiatives by including competition as a recurring agenda item at Business Senior Integration Group (B-SIG) meetings beginning in July 2014. The B-SIG meetings have highlighted competition measures to increase visibility and accountability, and also focused on emerging tools, trends and guidance useful for the military departments and defense agencies to increase competition and overcome barriers to competition. This senior leaders focus and attention on competition at B-SIG meetings continued through FY 14 and will continue in FY 2015.

In an August 2014 memorandum entitled 'Actions to Improve Department of Defense Competition,' the Department provided a set of specific actions the Department is planning to take to improve competition, consistent with the BBP 2.0 Initiatives to Promote Effective Competition, and the BSIG Presentation on competition from March 20, 2014. The actions included: 1) address progress to improve competition, successful best practices employed, and efforts to expand competition at quarterly B-SIG meetings, 2) think about and consider various approaches to competitively fulfill DoD requirements by reading "Guidelines for Creating and Maintaining a Competitive Environment for Supplies and Services in the Department of Defense, dated December 2014, and 3) seek feedback from companies that expressed an interest during the market research phase, but did not submit an offer, as a way to help overcome barriers to competition in the future, and 4) require the use of Requests for Information or Sources Sought notices before soliciting non-competitive acquisitions that cite FAR 6.302-1 – "Only One Responsible Source". Given the declining trend in competition in the Department and in light of today's limited resources, the Department must maximize our use of direct and indirect competition. Every dollar saved through competition benefits the warfighter and the taxpayers.[9]

Other examples of initiatives to promote competition from the Component's Competition Reports follow:

- . DLA's Replenished Parts Purchase or Borrow Program (RPPOB) allows prospective contractors to buy or borrow items of supply for reverse engineering at their own discretion and expense. This process allows for expanded competition and reduction in prices since it adds additional sources of supply for items that are hard to procure.
- DLA developed Matching Acquisition Strategy to Industrial Capabilities (MASIC) which creates protocols and software to automatically group NSNs for long-term contracts based on shared parameters. The NSN groupings are evaluated through

[9] The guidance and requirements of this memorandum were subsequently incorporated in the Defense Acquisition Guidebook and Defense Federal Acquisition Regulation Supplement, Procedures Guidance and Information (Case 2014-P021) on April 20, 2015.

the national supplier database to locate current and new suppliers based on physical characteristics, capabilities, requirements and functions.

- The Air Force emphasized competition related training through webinars on Strategic Sourcing, Requests for Information and Sources Sought, the Electronic Justification and Approval process and Market Intelligence training.
- The Air Force issued requirements to initiate follow-on contracts up to 24 months before expiration of existing contracts. Mandated root cause analysis and corrective action briefing to command when contracts miss the established milestones.
- The Air Force developed the Government Rights in Data (GRID) tool to ensure that proper data rights clauses are included in all solicitations and contracts to protect Government data rights.
- The Air Force established multifunctional teams to work with customers on market research, including Requests for Information (RFIs), draft solicitation documents and industry days.
- The Defense Advanced Research Projects Agency, (DARPA), identified opportunities for purchase of Intellectual Property (IP) rights that would allow DoD to maintain competition for supplies and maintenance throughout the lifecycle.
- DARPA utilized Broad Agency Announcements (BAA) and draft solicitations to help define solutions and increase competition.
- The Navy made key revision to supplemental guidance, increasing the rigor required in order to obtain justification and approval for other than full and open competition and specifying who may certify the content.
- To provide fair opportunity to interested sources, the Defense Logistics Agency (DLA) acquisition teams, through the use of source qualification requirements, actively assisted suppliers wanting to bid and/or become qualified manufacturers, direct purchase suppliers or subcontractors to primes. Disapproved suppliers are provided input on discrepancies that will assist them in working towards approval.
- The Army senior leader management implemented quarterly Contracting Enterprise Reviews (CERs). Each Head of Contracting Activity (HCA) briefed their competition results to the Army Senior Procurement Executive (SPE) during these reviews. The Principal Deputy to the Assistant Secretary of the Army engaged commands on competition and activities during regularly scheduled Better Buying Power initiative updates.

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 falling under 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 constraints make it difficult to identify funding for the purchase of technical data packages;
- Extended Continuing Resolutions necessitating sole source "bridge" contracts to avoid program disruptions; and
- Service life extensions of legacy systems where technical data was not acquired at award, resulting in a longer than anticipated duration of sole source procurements.

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 2014, 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 2014. 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 2014, the Department's overall competition rate achieved 58.5% exceeding the goal of 58%. 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 2015.

For FY 2015, the Department's overall competition goal is set at 59% 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 2014 achievements; components that achieved a FY 2014 rate greater than 90% to maintain the rate. The components FY 2015 effective competition goals remained the same as the FY 2014 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 pending 2015 rollout of BBP 3.0 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
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MAR - 2 2015

SAAL-ZP

MEMORANDUM FOR DIRECTOR, DEFENSE PROCUREMENT AND ACQUISITION POLICY

SUBJECT: Fiscal Year 2014, Army Competition Report

1. Enclosed is the Army's Fiscal Year (FY) 2014 Competition Report containing an analysis of trends, fair opportunity results, as well as efforts taken to overcome barriers and impediments to competition. I am pleased to report that while the Army was unable to achieve its 67 percent goal, we did compete over 65 percent (specifically 65.31 percent) of our contractual obligations for the second year in a row.

2. The Army contracting enterprise is fully committed to employing competitive procedures to deliver quality products and services and to obtain the best value for the taxpayer and the Warfighter. With regard to the annual competition goal, I respectfully request your consideration of a stable goal lasting at least three years. This would enable the Services to better execute long-term strategies that might have lasting results. I recommend a stable 66 percent goal for the Army over the next three years (through FY18).

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

Harry P. Hallock

Encl

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

ARMY COMPETITION REPORT

Fiscal Year 2014

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

ARMY FISCAL YEAR 2014 COMPETITION REPORT
(February 27, 2015)

TABLE OF CONTENTS

Army Competition Report 2014

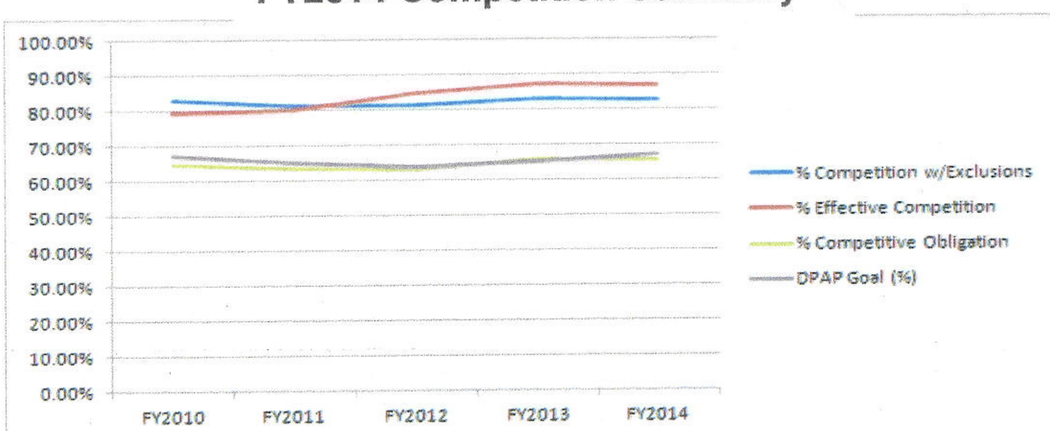
1. Introduction.

This report is provided in response to the Director of Defense Procurement and Acquisition Policy's (DPAP) memorandum, dated 23 December 2014, subject: Request for Fiscal Year 2014 Competition Report and Establishment of Fiscal Year 2015 Competition Goals. It was developed in accordance with Federal Acquisition Regulation (FAR) 6.502(b) and the Army Federal Acquisition Regulation Supplement (AFARS) 5106.502(b)(2) for fiscal year (FY) 2014. 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 (FPDS-NG) database on 8 January 2015 and elsewhere when noted.

2. Competition Summary.

a. Overall Summary. The Army continues to prominently support Department of Defense efforts to expand the use of competition when procuring its goods and services. For the second year in a row, the Army topped 65 percent (%), competing 65.31% of its FY14 contractual obligations and only dipping 0.52 percentage points between FY13 and FY14 (see Figure 1). This is an amazing feat in light of the budgetary turbulence experienced during FY14 when total obligations dipped 14.6%, or $12.7 billion (B), interrupting planned competitive acquisitions and reducing the number of new procurements available for competition. Unfortunately, the Army missed its DPAP assigned goal of 67% by 1.7 percentage points. In spite of all this, the Army continues to lead the other services for the fifth year in a row in percentage of contract action competed.

FY2014 Competition Summary[1]



	FY2010	FY2011	FY2012	FY2013	FY2014
% Competition w/Exclusions	83.05%	81.37%	81.40%	83.15%	82.70%
% Effective Competition	79.43%	80.19%	84.64%	87.08%	86.95%
% Competitive Obligation	64.84%	63.57%	63.20%	65.81%	65.31%
DPAP Goal (%)	67%	65%	64%	65%	67%

Figure 1: Competition Summary

b. Successful Efforts to Improve Competition. In FY14, the Army implemented many new initiatives and continued some previous efforts that contributed to its successful competition efforts. For example:

i. Headquarters, Department of the Army, created the conditions for success through hands-on, senior leader management and revamping of existing policy and procedures. Specifically, the Army Senior Procurement Executive (SPE) and her Deputy Assistant Secretary of the Army (Procurement) – the Army Competition Advocate General - managed the Army's Competition Advocacy Program through quarterly Contracting Enterprise Reviews (CERs), program status reviews, and special competition briefings. Each Head of Contracting Activity (HCA) or Principal Assistant Responsible for Contracting (PARC) and Program Executive Officer (PEO) briefed his or her competition results and efforts to the SPE and Competition General on a regular basis. The Principal Deputy to the Assistant Secretary of the Army (Acquisition, Logistics and Technology) (ASA(ALT)) engaged competition through regularly scheduled Better Buying Power briefings. Competition is a core element of the Defense Department's Better Buying Power initiatives. These meetings serve to measure progress towards assigned goals, to confront barriers to success, and to provide timely guidance.

ii. The Office of the Deputy Assistant Secretary of the Army (Procurement) (ODASA(P)) updated the aging Army Regulation (AR) 715-31, Army Competition Advocacy Program. The current AR has been in effect since June 1989. To date, the AR update has been staffed internally within the ASA(ALT) and is expected to be submitted for Army-wide staffing during the second quarter of FY15. In addition, the ODASA(P) made key revisions to its AFARS Parts 5106, Competition Requirements, and 5153, Forms, increasing the rigor required in order to obtain a justification and approval for other than full and open competition and specifying whom may certify the content.

iii. Organizationally, the Army Contracting Command (ACC)-New Jersey awarded the Rapid Prototyping and Technology Initiative (RPTI) Generation 2 (GEN2) contract to seven vendors as a multiple award, indefinite delivery indefinite quantity (IDIQ) type contract. This contract will provide the streamlined acquisition of design, fabrication, and testing of rapid technology solutions/products. The RPTI GEN2 provides competition for up to $300 million in task/delivery orders. ACC-NJ is also awarding a second RPTI GEN2 contract valued at up to $200 million that will be set aside for small businesses only. Award is imminent.

iv. The Program Executive Office-Simulation Training and Instrumentation (PEO STRI) designed the Simulation and Training Omnibus Contract II (STOC II) to meet the need for a streamlined, quick response contractual vehicle for the acquisition of state-of-the-art technology and services to address customer requirements while ensuring the delivery of high quality products at fair and reasonable prices. Due to PEO-STRI's advance planning for this need, future STOC requirements will be competed using a multiple award IDIQ contract vehicle to meet quick response needs.

v. To improve industry communications with regard to the way the Enhanced Army Global Logistics Enterprise (EAGLE) basic ordering agreement (BOA) is being executed, the ACC-Rock Island conducted a meeting where two individuals from each of the more than 200 BOA holders were invited to attend and engage senior organization leaders to ask questions and provide feedback. This collaboration effort serves to improve Army market research and the quality of proposals being submitted.

vi. The Medical Command's Health Care Acquisition Activity added Better Buying Power as a performance objective to each office chief's appraisal. Since competition is a core element of the BBP initiatives, this will serve as a catalyst for further improvement in competition.

vii. In spite of the extreme turbulence within CENTCOM-Joint Theater Support Contracting Command (C-JTSCC) associated with the rapid drawdown of troops and de-scoping of services in support of Operation Enduring Freedom (OEF), the C-JTSCC competed 100% of all task and delivery orders among the multiple awarded IDIQ contacts. C-JTSCC maintained multiple award contracts for the Afghan Literacy Program, English Language Training, National Afghan Trucking, Afghan Trucking Network and Fuel contracts.

viii. The ACC-Redstone Arsenal previously initiated the Standard Aviation and Missile Source Approval Request or SAMSAR on their home page to assist contractors with becoming an approved source for spare/repair parts or maintenance and overhaul requirements. It specifically addresses the historically challenging area of competing system sustainment. There were 145 new requests submitted through SAMSAR in FY14.

ix. Other reports of successful competitive initiatives from across the Army are grouped as follows:

(1) Proactive engagement with requirements generators to get the requirements in early and improve the quality of the statements of work.

(2) Leverage technology to better monitor and manage progress, improve market research, and conduct training.

(3) Emphasize training in market research and contract action reporting (CAR) system data entry (including educating the customers) in order to improve the quality of existing efforts.

(4) Team with the small business community to leverage their tools (industry meetings, conferences, fairs, etc).

(5) Increase the use of multiple award IDIQ type contracts, thereby reducing the number of single award IDIQs.

(6) Advocates for Competition are becoming more assertive in their duties, such as serving as the principal link with industry, principal trainer of competition techniques and approaches, and participating in acquisition strategy integrated product team meetings.

(7) Aggressive marketing of requirements to industry through small business fairs, industry days, internet websites, and other outreach mechanisms and venues.

3. Competition Data Assessment. The following paragraphs dissect the Army's competition rate and provide the reader a more in-depth understanding of the contents and impediments to Army competition.

a. Competition Survey.

i. Obligations Competed. As stated in the Overall Summary, the Army competed 65.31% of its contract obligations in FY14. Table 1 provides a 5-year summary of the obligation amounts used to calculate the annual competition rates, illustrates the significance of the obligations, and identifies in the last column the change in percentage points from the previous year.

Year	Total Obligations (Dollars)	Competed (Dollars)	% Competed (Dollars)	Delta (Yearly)
FY2010	$140,770,370,350	$91,280,620,070	64.84%	
FY2011	$125,018,573,378	$79,476,666,955	63.57%	1.27↓
FY2012	$108,566,873,595	$68,613,521,079	63.20%	0.37↓
FY2013	$87,435,857,022	$57,543,494,586	65.81%	2.61↑
FY2014	$74,726,549,746	$48,806,019,466	65.31%	0.50↓

Table 1: Competition in Dollars[1]

Table 1 also demonstrates that in general the volume of competitive obligations parallels the total volume of contractual obligations (see Figure 2). This supports the above inference that budgetary turbulence can affect an organization's competition rate. The reader should note that there is not a direct cause and effect relationship between dollars obligated and the competition rate, other factors also affect the competition rate. For example, there does not appear to be any significant change in the Army's observable competition rate from last year, even though the number/amount of obligations went down over 14%, this may be evidence of the Army's successful implementation of its FY14 competition initiatives.

It is further understood that with fewer new weapon systems being procured, the Army will be forced to maintain legacy systems for longer periods. This means, the Army will be forced to return to the original manufacturer on a non-competitive basis for replacement systems and possibly spare and repair parts, thereby ensuring a higher percentage of non-competed actions. As noted elsewhere in this report most weapons system contracts are not compete-able due to the Governments penchant for not procuring technical data in the mid-1990s when many of the legacy systems were originally bought.

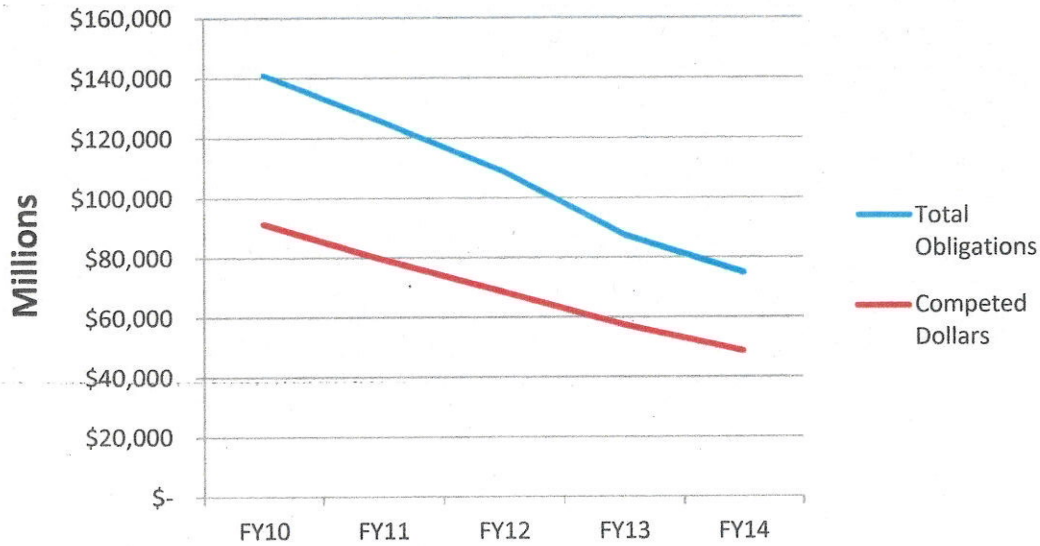


Figure 2: Obligations/Competition Comparison

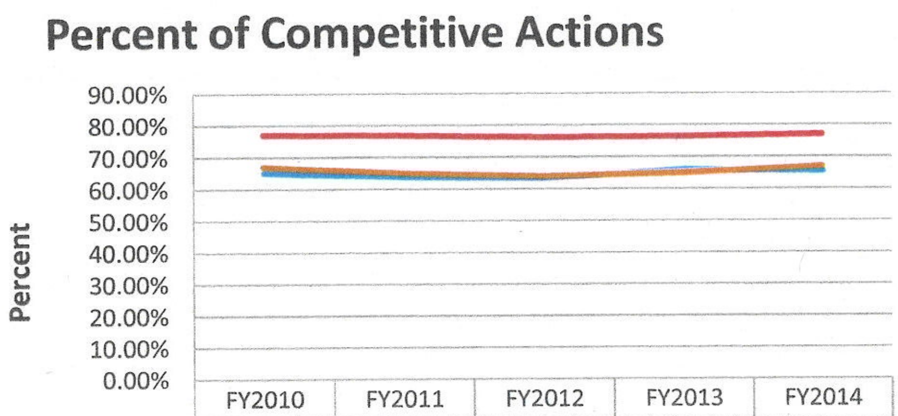
ii. Actions Competed. Coincidental with the obligations described above, the Army competed 77.04% of all its contractual actions in FY14. This is a 0.54 percentage point improvement over FY13 (Table 2).

Year	Total Army (Actions)	Competed (Actions)	% Competed (Actions)	Delta (Yearly)
FY2010	499,566	384,912	77.05%	
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↑
FY2014	303,866	234,107	77.04%	0.54↑

Table 2: Competition in Actions[1]

Figure 3, below, shows the percentage of competitive contract actions closely paralleling the competition rate for dollars obligated. There are no major anomalies indicated and a slight rise in the percentage of actions from FY13 to FY14.

[1] Data for FY2010-2014 is from the final Army Contracting Enterprise Review for each year.



	FY2010	FY2011	FY2012	FY2013	FY2014
% Competitive Obligations (Avg = 64.55%)	64.84%	63.57%	63.20%	65.81%	65.31%
% Competitive Actions (Avg = 76.74%)	77.05%	76.83%	76.26%	76.50%	77.04%
DPAP Goal (%)	67%	65%	64%	65%	67%

Figure 3: Competitive Actions Summary

iii. 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 and actions[2]. The Army's FY14 effective competition rate was consistent with the FY13 rate of about 87% as depicted in Table 3.

Year	Competed Dollars	Effective Competitive Dollars	% Competed Dollars	Delta (Yearly)
FY2010	$91,280,620,070	$72,507,136,176	79.43%	
FY2011	$79,476,666,955	$63,733,266,657	80.19%	0.76↑
FY2012	$68,613,521,079	$58,073,716,267	84.64%	4.45↑
FY2013	$57,543,494,586	$50,107,499,166	87.08%	2.44↑
FY2014	$48,806,019,466	$42,435,222,011	86.95%	0.13↓

Table 3: Effective Competition in Dollars[3]

[2] The Director, Defense Procurement and Acquisition Policy office calculates effective competition by subtracting the "competed but one offer" contracts from the total competed and divides the net by total competed.

[3] Office of the Secretary of Defense, Business Intelligence Tool, Competition Scorecard, dated 8 January 2015 (except for FY14 data).

Table 4, in comparison to Table 2 , indicates that while the volume of actions only went up 0.54 percentage points in FY14, the number of contract actions that were the result of effective competition went up 2.44 percentage points. This can be interpreted as a sign the Army is moving in the right direction and toward a higher quality of competition (more offerors per solicitation).

Year	Competed Actions	Effective Competed Actions	% Competed Actions	Delta (Yearly)
FY2010	384,912	114,014	70.38%	
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↑
FY2014	234,107	192,149	82.08%	2.44↑

Table 4: Effective Competition in Actions

iv. Competition with Exclusions. As displayed in Figure 1, the Army achieved an 82.7%[4] competition rate for FY14 when contract actions that could not be competed are removed. The competition with exclusion rate is considered by some to be a more accurate reflection of the status of competition, when the actions that cannot be competed are removed from the calculation. For example, contracts are not typically competed that relate to legacy major weapon systems[5], use foreign funding (the foreign country usually directs the recipient of Foreign Military Sales (FMS) or non-FMS contract), where the reason for Other than Full and Open Competition is "International Agreement" or "Authorized by Statute", and/or when Fair Opportunity/Limited Sources is "Sole Source".

b. Army Major Contracting Commands. Figure 4 provides a FY13 and FY14 snapshot comparison of competition rates by Army major contracting commands. The chart replicates those used by Army leadership to manage competition efforts during quarterly CERs and highlights progress using a color-coded rating system.

The Corps of Engineers improved from 83.95% to 86.15% by holding District and Division Commanders responsible for competition in their appraisals. The ACC and U.S. Army Intelligence and Security Command (INSCOM) competition rates both fell in FY14. The ACC is the Army's biggest buyer of weapons systems and therefore hamstrung by the Government's lack of technical data rights necessary to compete. This makes ACC particularly sensitive to the budgetary fluctuations. The dip in

[4] Office of the Secretary of Defense, Business Intelligence Tool, Competition Scorecard, dated 8 January 2015 (except for FY2014 data).
[5] It's important to note that during the mid-1990s the Department of Defense policy was to not procure technical data. Therefore, many of the weapons system contractor's own the technical data and have proprietary rights necessary for the Army to compete subsequent procurements.

INSCOM's competition rate was largely due to the delayed award of a single, but very large, multiple award IDIQ contract.

Comparison of Awards thru 4QFY13 and 4QFY14

	thru 4QFY13					thru 4QFY14				
Commands	Dollars Competed	% Dollars Competed	FY13 Goal		Range	Dollars Competed	% Dollars Competed	FY14 Goal		Range
ACC	35,193,157,617	57.95%	54%	G	G: ≥ 54% A: 51.29 - 53.99% R: < 51.28%	$27,435,830,772	55.69%	57%	A	G: ≥ 57% A: 54.15 – 56.99% R: < 54.14%
USACE	14,114,047,638	83.95%	85%	A	G: ≥ 85% A: 80.74 - 84.99% R: < 80.73%	$14,753,662,120	86.15%	85%	G	G: ≥ 85% A: 80.75 - 84.99% R: < 80.74%
NGB	1,997,354,503	79.39%	80%	A	G: ≥ 80% A: 75.99 - 79.99% R: < 75.98%	$1,695,466,941	78.56%	80%	A	G: ≥ 80% A: 76.00 - 79.99% R: < 75.99%
MEDCOM	1,922,807,421	71.65%	84%	R	G: ≥ 84% A: 79.79 - 83.99% R: < 79.78%	$1,757,705,288	70.40%	80%	R	G: ≥ 80% A: 76.00 - 79.99% R: < 75.99%
PEO-STRI	1,830,358,648	85.95%	80%	G	G: ≥ 80% A: 75.99 - 79.99% R: < 75.98%	$1,692,273,599	88.03%	83%	G	G: ≥ 83% A: 78.85 – 82.99% R: < 78.84%
INSCOM	978,738,929	91.51%	95%	A	G: ≥ 95% A: 90.24 - 94.99% R: < 90.23%	$589,238,942	82.17%	91%	R	G: ≥ 91% A: 86.45 - 90.99% R: < 86.44%
C-JTSCC	1,040,035,978	98.42%	85%	G	G: ≥ 85% A: 80.74 - 84.99% R: < 80.73%	$542,539,205	88.06%	80%	G	G: ≥ 80% A: 76.00 - 79.99% R: < 75.99%
Total Army	**$57,076,500,735**	**65.61%**	**63.5%**	G	**G: ≥ 63.5% A: 60.31 - 63.49% R: < 60.30%**	**$48,466,716,867**	**65.23%**	**67%**	A	**G: ≥ 67% A: 63.65 - 66.99% R: < 63.64%**

Source: FPDS-NG, 3 OCT 14

Green	Achieved ≥ Goal
Amber	Achieved 95%+ of Goal
Red	Achieved < 95% of Goal

Figure 4: Army Major Command Competition

The INSCOM Global Intelligence (GI) contract award was delayed multiple times from its planned award date due to protests, which resulted in several sole-source extensions (bridge contract) of existing contracts. Bridging these contracts will end once the GI contract gets awarded. The MEDCOM remained red primarily due to the late receipt of requirements and the procurement of a high volume of unique, or "Only one source-other" requirements. For example, when a doctor needs a particular prosthetic for an injury or special diagnostic equipment to screen the genome, MEDCOM buys it.

c. Contingency Contracting Achievements. A review of all indefinite delivery type contract vehicles supporting declared contingencies in FY14 (omnibus), with performance outside the United States, indicates there were 5,288 contract actions for a total of $3,139,671,841. Of these actions, 4,812 or $2,849,974,168 were competitively awarded for a competition rate of 90.77% (91.00% for actions). In accordance with Section 844 of the National Defense Authorization Act of FY2012 all non-competitive, omnibus contracts were reviewed in accordance with established procedures. See paragraph 4.a. for additional information on the effects of Operation Enduring Freedom (OEF) drawdown on competition.

d. Survey of Non-competed Actions. In contrast to the above competition data, it is also important to consider what was not competed. This is necessary to get a better understanding of the situation and impediments to competition.

i. In FY14, the Army did not compete 69,676 contact actions for a total of $25,915,156,694[5]. To put this into context, the Army conducted a survey of each of its sixteen commodity portfolios (natural affinity groupings of its commodities) to identify where non-competition was most prevalent (see Figure 5). The Aircraft, Ships/Submarines, and Land Vehicles category was the largest portfolio group affected, leading Weapons and Ammunition by over 11 percentage points or $2.9B. The Facility Related Services and Knowledge Based Services groups came in third and fourth, respectively. Table 5 provides details concerning the portfolio breakdown. The "P" and "S" at the end of the commodity description identify the commodity as a product or service.

The portfolio stratification in Figure 5 reinforces previous assertions that weapons systems and other commodities typically locked out of competition by proprietary technology or software, license restrictions, or the lack of technical data is a major contributor to the non-competition percentage. Facility related services pertain to utilities, building and plant maintenance, machinery and equipment maintenance, operation of government owned equipment, and architecture and engineering services. Knowledge Based Services are engineering and technical services, program management services, management support, professional services, and education and training. Electronic and Communications Equipment are automatic data processing and firmware, communications equipment, electric and electronic equipment, and night vision equipment among other similar type items.

[5] There is a discrepancy of approximately $5,438,751, or 83 actions, in the FPDS-NG report between the not competed data and the difference between total and competed. This could be attributed to some contracting officers not filling out the CAR correctly.

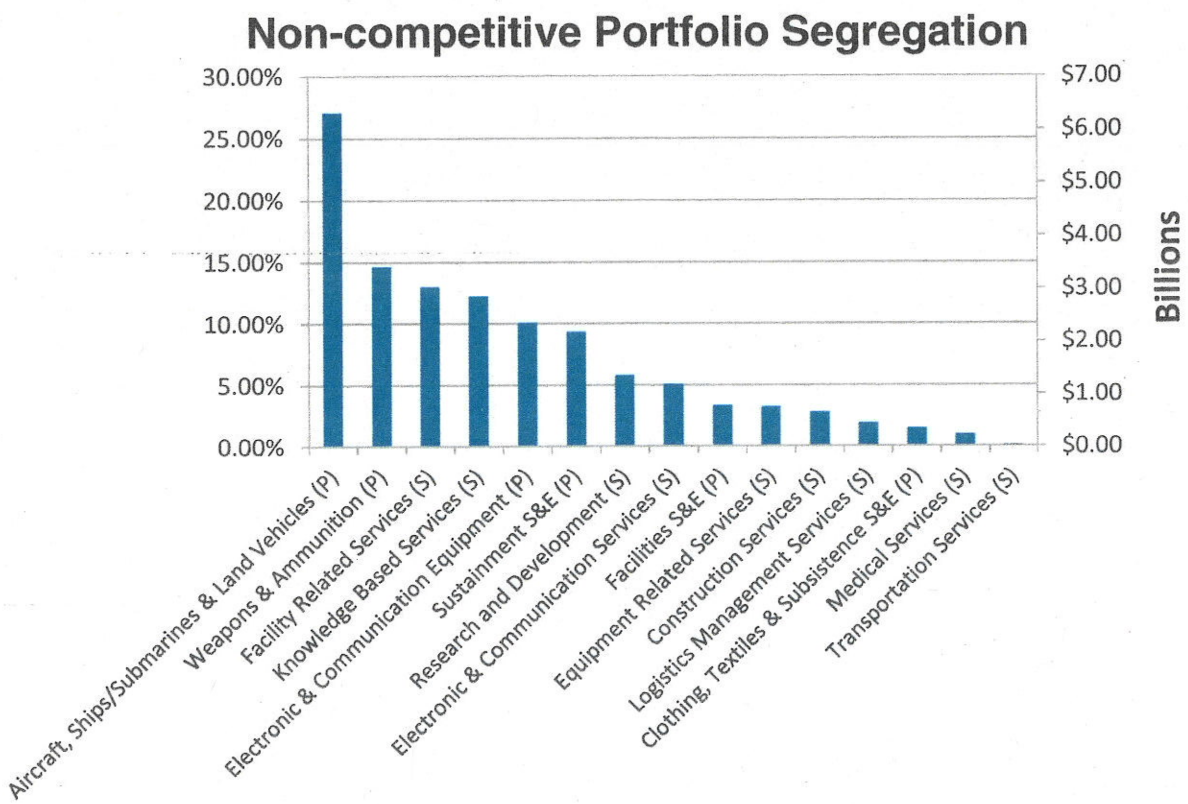


Figure 5[6]: Portfolio Comparison

Portfolio Group	Non-competitive Dollars	% Non-competitive Dollars
Aircraft, Ships/Submarines & Land Vehicles (P)	$6,325,622,358.01	24.40%
Weapons & Ammunition (P)	$3,410,270,595.94	13.16%
Facility Related Services (S)	$3,033,225,476.91	11.70%
Knowledge Based Services (S)	$2,856,406,353.54	11.02%
Electronic & Communication Equipment (P)	$2,354,066,812.26	9.08%
Sustainment S&E (P)	$2,174,311,060.04	8.39%
Research and Development (S)	$1,353,931,677.43	5.22%
Electronic & Communication Services (S)	$1,183,731,054.72	4.57%
Facilities S&E (P)	$776,503,186.41	3.00%
Equipment Related Services (S)	$753,273,295.39	2.91%
Construction Services (S)	$647,344,332.71	2.50%
Logistics Management Services (S)	$443,523,795.43	1.71%
Clothing, Textiles & Subsistence S&E (P)	$347,763,612.84	1.34%
Medical Services (S)	$231,226,933.98	0.89%
Transportation Services (S)	$29,309,634.38	0.11%

Table 5: Portfolio Competition Breakdown

[6] Office of the Secretary of Defense, Business Intelligence Tool, Competition Scorecard, dated 12 January 2015

ii. 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. Segregation of non-competitive actions by these seven exceptions in descending order are as follows:

1. FAR 6.302-1 – Only One Responsible Source and No Other Supplies or Services Will Satisfy Agency Requirements (66.89%).
2. FAR 6.302-5 – Authorized or Required by Statute (16.34%).
3. FAR 6.302-4 – International Agreement (7.96%).
4. FAR 6.302-3 – Industrial Mobilization; Engineering, Development, or Research Capability; or Expert Services (3.87%).
5. FAR 6.302-2 – Unusual and Compelling Urgency (2.55%).
6. FAR 6.302-6 – National Security (0.52%).
7. FAR 6.302-7 – Public Interest (0.01%).

This breakdown of authorized exceptions to full and open competition reinforces once again previous statements regarding commodities that are not habitually competitive – commodities where only one source can provide the required supplies or services or that are non-competitive due to statute or international agreement. Unfortunately, more definition of the rational for the exception is necessary to understand the root cause.

iii. Table 6 identifies the salient issues that are driving the Army's failure to employ full and open competition by categorizing the above exceptions into typical CAR groupings. Data from FPDS-NG indicates that "Only one source – other" is the most common reason or justification given by contracting officers for not competing an action. This one CAR selection alone is responsible for over $14.2B or 59.29% of the justifications recorded. Only one source – other pertains to when required supplies or services are available from only one responsible source and they are not the result of a follow-on contract action or are a unique supply or service. The second most numerous reason for not competing an action is "Authorized by Statute". This is when Congress has authorized or required the contracting officer to use a particular source. International Agreement is the third highest reason for not competing with approximately $1.9B. From the table, it is clear that the three most common reasons cited account for over 83% of the total non-competitive procurements. Figure 6 illustrates the point and gives a more complete breakout of the reasons given by contracting officers for not being able to compete.

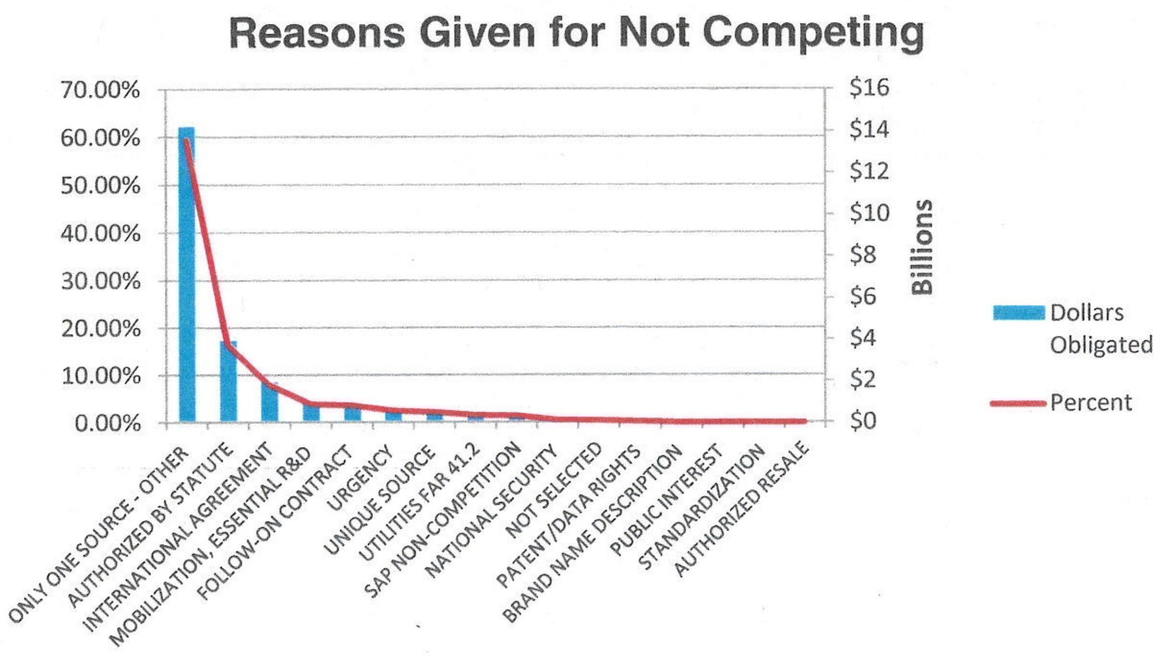


Figure 6

Other Than Full and Open Competition	Dollars Obligated	Percent
ONLY ONE SOURCE - OTHER	$14,200,186,244	59.29%
AUTHORIZED BY STATUTE	$3,914,363,594	16.34%
INTERNATIONAL AGREEMENT	$1,907,456,666	7.96%
MOBILIZATION, ESSENTIAL R&D	$925,797,749	3.87%
FOLLOW-ON CONTRACT	$856,396,784	3.58%
URGENCY	$610,842,708	2.55%
UNIQUE SOURCE	$520,294,452	2.17%
UTILITIES FAR 41.2	$370,776,808	1.55%
SAP NON-COMPETITION	$348,466,135	1.45%
NATIONAL SECURITY	$123,445,576	0.52%
NOT SELECTED	$96,748,652	0.40%
PATENT/DATA RIGHTS	$60,365,114	0.25%
BRAND NAME DESCRIPTION	$12,729,925	0.05%
PUBLIC INTEREST	$2,496,453	0.01%
STANDARDIZATION	$1,049,805	0.00%
AUTHORIZED RESALE	$224,219	0.00%

Table 6: Details of Other Than Full and Open Competition

iv. Follow-on to Competition. This category represents the number and percent of those contract actions that were not competed, but executed as a non-competitive follow-on to a previously competed contract action. It is important to note this category because it represents a segment of the contract population that while not statutorily limited from competition are not practically available to compete. There are myriad reasons why the Government may deem supplies available only from the original source in the case of a follow-on contract for the continued development or production of a major system or highly specialized equipment (including major components). The same goes for services: there are many reasons why services may be available only from the original source in the case of follow-on contracts for the continued provision of highly specialized services. Within the Department of Defense and especially the major weapons systems, information technology, and communications equipment worlds, requirements can change once the user has a better understanding of how to employ a system or its capabilities. 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. Often, these type contracts are the result of award protests that delay the new contract beyond the current period of performance (known as a bridge contract).

The number of these type actions decreased in each of the last three fiscal years to only nine actions in FY14. Contract actions awarded as a follow-on to competition equate to a minus $262 thousand (K), which means there was actually over $260K de-obligated from existing contracts during FY14 (Table 7).

Year	Non-Competed Follow-On to Competed Obligations	Follow-On as a % of Non-competed Obligations	Non-Competed Follow-On to Competed Actions	Follow-On as % of Competed Actions
FY2012	$17,007,039	.04%	31	0.03%
FY2013	($2,047,367)	-0.01%	18	0.02%
FY2014	($261,934)	0.00%	9	0.01%

Table 7: Follow-On to Competition in FY14

v. 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 8, reflects just this situation, an increasing percent of "Not available for Competition" dollars (dollars as a percent of total non-competitive obligations over the fiscal year) which are mandated by statues, regulation and other agreements and are prevented from competitive procurement. While the number of actions that are not available for competition has gone down 8,846 over the last three years, the percentage of obligations has gone up 6.97 percentage points (percent dollars). This is most likely attributable to the aforementioned budget reduction.

The majority of contract actions that comprise this category include those required by statute, such as awards to Federal Prison Industries, set asides for AbilityOne and Small Business programs or FMS directed awards. In other words, those requirements the contracting officer has no control over with regard to competition.

Year	Not Available for Competition (Dollars)	% Not Available for Competition (Dollars)	Not Available for Competition (Actions)	% Not Available for Competition (Actions)
FY2012	$6,224,021,882	15.58%	30,910	31.06%
FY2013	$5,495,296,769	18.40%	25,155	31.21%
FY2014	$5,843,786,465	22.55%	22,064	31.66%

Table 8: Not Available for Competition

vi. 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 PEO-STRI's previously mentioned STOC II contract, ACC-Rock Island's EAGLE BOA, and ACC-New Jersey's RPTI GEN 2 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 on order to compete for each task/delivery order requirement. Because these task/delivery orders are awarded based on competition among the contracts previously awarded, they are not available for full and open competition and therefore negatively affect the quality of the Army's competition. As indicated in Table 9, there are a significant number of these actions. The number decreased in FY14 by 5.77% from 57,878 to 54,540 actions and from $22,496,472,828 in FY13 to $17,054,052,694 in FY14 a reduction of 24.19%. This is a positive sign that competition is becoming more robust.

Exception	Actions	% Actions	Dollars	% Dollars
Fair Opportunity Given	**42,058**	**77.11%**	**$14,243,561,766**	**83.52%**
Exception to Fair Opportunity	**12,482**	**22.89%**	**$2,810,490,928**	**16.48%**
Total Eligible Fair Opportunity/Limited Sources Actions	**54,540**		**$17,054,052,694**	

Table 9: Eligible Fair Opportunity/Limited Sources Actions

Table 10 further dissects the composition of "exceptions to the fair opportunity process" and reflects the key categories, dollars, and actions for each. It is particularly noteworthy that most of the actions and dollars are associated with "Follow-on Action Following Competitive Initial Action", "Competitive Set Aside", and "Only One Source – Other", respectively. These results are generally in line with the exceptions to single contract actions summarized in Table 6, only less extreme. And again, this seems to 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 to Fair Opportunity	Actions	% Actions	Dollars	% Dollars
Follow-on Action Following Competitive Initial Action	**3,488**	**5.01%**	**$897,722,153**	**3.46%**
Competitive Set Aside	**3,596**	**5.16%**	**$851,883,893**	**3.29%**
Only One Source - Other	**3,397**	**4.88%**	**$557,308,731**	**2.15%**
Other Statutory Authority	**999**	**1.43%**	**$204,154,815**	**0.79%**
Minimum Guarantee	**743**	**1.07%**	**$153,326,602**	**0.59%**
Urgency	**185**	**0.27%**	**$107,810,983**	**0.42%**
Sole Source	**74**	**0.11%**	**$38,283,752**	**0.15%**
Total Exceptions to Fair Opportunity	**12,482**	**4.11%**	**$2,810,490,928**	**10.84%**

Table 10: Exception to Fair Opportunity

4. Barriers 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 FY14, OEF was winding down and the Army closed approximately 95 forward operating bases (FOBs), which generated hundreds of contract termination actions. In addition, many contracted services were de-scoped to align with the reduced level of support needed to operate the remaining FOBs. The net result was $618,064,715 in contract obligations, derived from a total of $960.89M in obligations less $342.82M in de-obligations stemming largely from termination and de-scoping actions. Compounding the difficulty with competing procurements, many of these actions were considered urgent due to the late notification of approval to demobilize. Other contract actions were in support of allied efforts to improve the Afghanistan Army's ability to take over combat operations.

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 competing the 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 lives. For example, the Army encountered this situation when procuring the AH-64E Apache Longbow Block III, Full Rate Production contract, and the M88A2 Heavy Equipment Recovery Combat Utility Lift and Evacuation System (HERCULES) production contracts. 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 INSCOM, have a few large sole-source procurements that biased their competition percentage simply because of the contract size (see previous GI contract discussion).

c. Legacy system support. Legacy system support continues as a barrier to competition and reduces contract opportunities for new vendors. 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 Industrial Engineering Services for programs under Precision Fires Rocket and Missile Systems (PFRMS)[7].

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 surprising way that precludes the time needed by acquiring organizations to conduct industry days, publish draft request for proposals, and submit sources sought

[7] The PFRMS programs include: Multiple Launch Rocket System (MLRS) Family of Munitions, including the Army Tactical Missile System (ATACMS) Block I/IA, ATACMS Unitary, Guided Multiple Launch Rocket System, Low Cost Reduced Range Practice Rocket, all MLRS launcher platforms, subsystems and variants thereto, including the M270, M270A1, M270B1, M270C1, M270D1, High Mobility Artillery Rocket Systems, and ancillary support equipment.

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. Many of the Army's contracting activities have expressed concern regarding the budget turbulence and its impact on their competition plans. In fact, when developing the update to AR 715-31, Army Competition Advocacy Program, and planning to continue the requirement for a five year plan, several Advocates called to complain that there was no way they could plan that far out due to budget fluctuations.

f. Data integrity. During analysis of the FPDS-NG data in preparation of this report, it was noticed that in a couple of places the values were not consistent, which could indicate a failure on the part of some contracting officers to properly code the CAR. If this is the case, it would be consistent with a previous finding by the Army Audit Agency (AAA) in their Report A-2011-0002-ALC, titled: Extent of Competition in Army Contracting, dated 12 October 2010. In the report, AAA stated that contracting personnel misclassified 18 of the 89 contracts in their sample, valued at about $66 million, resulting in errors that affected the amount of contract dollars classified as competed.

5. Mitigating Actions. In FY14, the Army conducted the following actions to overcome the previously mentioned barriers to competition and to improve its competition rates.

a. Headquarters, Department of the Army. As stated earlier, the Army leadership worked to create conditions for success through hands-on management and the revamping of existing policy and procedures. Specifically, the Army's SPE and Competition Advocate General managed the Army's Competition Advocacy Program through quarterly CERs, program status reviews, and special competition briefings. Each major subordinate command and Program Executive Officer routinely briefed his or her competition results and efforts to the leadership via one of these venues. The Principal Deputy to the ASA(ALT) also engaged competition through regularly scheduled Better Buying Power briefings in support of the OSD Business Senior Integration Group.

b. The ODASA(P) contributed to DPAP's efforts to improve the competition environment by reviewing the DoD Competition Handbook and providing meaningful comments that emphasize the requirements community involvement and team collaboration necessary to improve competition across the Department. Further, ODASA(P) updated the aging Army Regulation (AR) 715-31, Army Competition Advocacy Program. The current AR is over 26 years old and dated June 1989. It serves as the cornerstone for how the Army is to approach competition and articulates objectives, roles, and responsibilities. The update has already been staffed internally within the Office of the ASA(ALT) and is being readied for Army-wide staffing during the second quarter of FY15. In addition, the ODASA(P) made key revisions to its AFARS

Parts 5106 and 5153 in FY14, increasing the rigor required in order to obtain a justification and approval for other than full and open competition and specifying whom may certify the content. In parallel to the AFARS revision, the ODASA(P) drafted a Justification and Approval (J&A) Guide to assist the Army community standardization efforts and further define the level of detail required for any J&A. The J&A Guide is currently being reviewed within ODASA(P).

c. U.S. Army Contracting Command (ACC). At the major command level, the ACC leadership added competition as a metric to their internal commander's dashboard for easy monitoring of progress towards assigned goals. The ACC designated sole-source bridge contracts as an item of special interest that are routinely briefed to management in their Commander's Update Briefings. Additionally, Headquarters ACC is attempting to facilitate increased competition by offering its subordinate commands access to the contract management and research tool (CMART), which as a database of all Army IDIQ contracts, enhances the command's ability (including requiring activities) to seek out vendors capable of providing required goods and services. Other efforts to improve competition within the ACC were detailed in the Overall Summary on page 5.

The ACC recognizes the following top performing individuals for their extraordinary efforts to improve competition:

i. Mr. Dave Freshour from the Fort Huachuca Contracting Office.

ii. Ms. Amy VanSickle in the Rock Island, ASC Business Relations Office.

iii. Ms. Amy Sentner Acting Director for the Warfighter Support Center, ACC-New Jersey.

iv. The ACC-Warren TACOM Strategic Service Solutions (TS3), Joint Light Tactical Vehicle (JLTV), and Market Research and Justification and Approval Training Team.

d. CENTCOM-Joint Theater Support Contracting Command Iraq/Afghanistan:

i. The Commanding General and Senior Contracting Official-Afghanistan monitored the competition rates quarterly via the CER.

ii. In an effort to ensure proper coding of contract actions, a deficiency report was generated bi-weekly to review the competitive fields within the CAR.

iii. The C-JTSCC took a pro-active approach to decrease traditional sole source requirements. For example, over the past five years, the Counterinsurgency Advisory and Assistance Team service, valued at about $21M for a three-month period, has been procured using sole source authority. The Chief of the Regional Contracting Center collaborated with the International Security Assistance Force customer and its legal officers to plan and conduct robust market research, which revealed multiple sources capable of performing at the same level and expertise as the long-standing incumbent. The new contract was competed saving millions of dollars yearly.

iv. The C-JTSCC personnel were provided training on CAR coding twice during FY14.

v. The C-JTSCC conducted 10 vendor-day conferences in Afghanistan and five within Central Asian States. Contracting opportunities presented to local businessmen and Parwan Province (Afghanistan) Tribal Elders during a provincial community shura (conference) led to a 45% increase in the number of Parwan community vendors registered in the Joint Contingency Contracting System where all C-JTSCC solicitations are posted.

e. U.S. Army Intelligence and Security Command:

i. The new INSCOM Commander made clear his commitment to competition by publishing the INSCOM, FY15 Acquisition Guidance stating INSCOM would "achieve DA acquisition performance measures for competition" and directing the INSCOM Acquisition Center to meet quarterly with major subordinate command commanders to conduct acquisition strategy reviews.

ii. Competition is a standing topic at all Executive Requirements Review Board forums led by the INSCOM Chief of Staff.

iii. The Advocate for Competition maintains involvement in the planning process through periodic meetings on individual procurements to ensure they receive sufficient attention.

f. U.S. Army Medical Command (MEDCOM). The U.S. Army Health Care Acquisition Activity (HCAA) and the U.S. Army Medical Research and Materiel Command (USAMRAA) only recently came under a common Principal Assistant Responsible for Contracting (PARC), therefore MEDCOM had a bifocal approach to competition throughout much of FY14. In FY14, MEDCOM instituted the following initiatives:

i. USAMRAA policy letters were updated to include Better Buying Power 3.0 strategies.

ii. HCAA added a performance objective to the appraisal of each office chief.

iii. HCAA leadership directed all Requests for Information and Sources Sought to be posted for 30 days prior to contract award to ensure adequate time for expressions of interest and to obtain industry feedback.

iv. USAMRAA senior leadership provided written and verbal recognition to the contracting staff on competition successes.

v. HCAA Advocates for Competition reviewed all sole-source contracts over the simplified acquisition threshold. Each of these reviews concentrated on identifying opportunities for competition and ensuring the correct authority was cited.

vi. The USAMRAA Command Advocate for Competition and his alternate conducted competition training throughout the year in one-on-one mentoring sessions. These sessions involved approximately one-third of the workforce or about 35 employees. One example of the effectiveness of this approach was the pathology database software requirement for over $12M, which had previously been awarded sole-source. After discussions and training on competition, the contract specialist went back to the customer, better defined the minimum essential characteristics of the requirement, and cancelled the J&A so the action could be competed.

vii. HCAA and USAMRAA participated and supported recurring industry days to encourage and improve partnership with the small business community, thereby increasing competition. A key example is USAMRAA's aggressive participation in the annual Strengthening the Mid-Atlantic Region for Tomorrow (SMART) Procurement Conference held in Frederick, Maryland.

viii. MEDCOM recognizes the Europe Regional Contracting Office (ERCO) for competing 99.9% of all FY14 contract actions and associated dollars.

g. National Guard Bureau (NGB):

i. The NGB increased its emphasis on market research when conducting internal procurement management reviews.

ii. Provided additional training opportunities on market research to customers. To this end, NGB entered into a support agreement with the Defense Acquisition University to provide onsite training with the goal of ensuring that contracting officer's representatives and customers receive training in market research, developing performance based requirements, source selection, and mission focused service acquisitions. Approximately 122 acquisition workforce members completed and graduated from CLC 004, Market Research, in FY14.

iii. The NGB recognizes the following United States Property and Fiscal Officers (USPFO) for their extra-ordinary achievement of over a 90% competition and effective competition rate (obligations) in FY14: Arkansas – COL Bradley Cox, Connecticut – COL Michael Tuohy, Hawaii – COL Edward Chunfat Jr., Illinois – COL Eric Little, and Montana – COL Robert Sparing.

h. U.S. Army Program Executive Officer for Simulation, Training and Instrumentation:

i. As stated above, PEO-STRI awarded the STOC II contract to meet the need for a streamlined, quick response vehicle for state-of-the-art technology and services pertaining to mission requirements. As a multiple award, IDIQ type contact, each task/delivery order is expected to be competed which will lower the cost to the government.

ii. PEO-STRI created a Simplified Acquisition Procedures (SAP) team to provide the organization with flexible and efficient commercial solutions to various project management and staff organizations within the PEO and for external customers. The team successfully executed 35 new SAP awards and 31 modifications valued at $25.4M.

iii. In order to promote awareness of requirements, identify potential small business concerns, and obtain feedback from industry; one-on-one sessions with interested industry partners and industry days were encouraged on competitive acquisitions. For example: PEO-STRI participated in the annual Training Simulation Industry Symposium (TSIS) and Inter-service/Industry Training, Simulation and Education conference where they presented upcoming requirements and draft acquisition strategies to industry partners to aid in their advanced planning.

iv. In addition, the PARC conducted a monthly Procurement Administrative Lead Time (PALT) Industry Brief that provided an updated status and information on current and future programs. The PALT industry day grew to attract over 2,500 industry partners in FY14.

v. The PEO employed a process that required an endorsement by the Associate Director for Contracting Operations before any sole-source actions were submitted to the Command Advocate for Competition for approval ($650K to $12.5M).

vi. Another initiative was the creation of a Lean Six Sigma project to improve the quality of the requirements packages developed within the command and to reduce the cycle time for acceptance (reducing the number of deficiencies requiring the package to be returned).

v. The PEO-STRI recognizes Ms. Lesley A. Sullivan, Special Competition Advocate, as a top performing individual that has made an extraordinary effort to improve competition.

i. U.S. Army Corps of Engineers:

i. Increased emphasis on competition in Project Delivery Team Kickoff meetings and District Acquisition Strategy Boards.

ii. Encouraged contracting officer's representatives, as well as procurement analysts within the District's Business Oversight branches, to conduct an analysis of contract requirements.

iii. For new contracts, the consolidation and bundling analysis documented in acquisition strategies or acquisition plans consisted of thorough analysis of historical procurements to ensure competition was not limited, as well as not limiting small business participation as prime offerors.

iv. Conducted mid-year reviews to identify barriers to competition and to ensure viable set-aside programs were in place to balance competition with socio-economic goals.

v. Utilized industry days, pre-notification, and sources sought announcements to ensure industry was aware of upcoming business opportunities.

vi. The HCA and World-Wide PARC often reviewed J&As below their dollar threshold.

vii. The HCA and World-Wide PARC, by exception, conducted peer reviews below dollar threshold.

viii. USACE recognizes one district contracting office and one contracting center for their exceptional efforts to improve the use of competition in FY14. The USACE District, Europe percentage of competed actions was 98% for an obligation value of $476.8M. The District Contracting Chief, Ms. Rachael Raposa's hands-on leadership and solid technical skills were instrumental in this high achievement. The Huntsville Contracting Center competed 89% of its actions for an obligated value of $1.4B. Ms. Julie Shaddock competed 100% of her actions through a combination of leadership, robust market research, and interactions with the vendor community.

6. Future Years Competition Plans.

a. Headquarters, Department of the Army. In order to improve upon the Army's competition rate in FY15, the Army Competition Advocate General (the DASA(P)) will:

i. Collaborate, support, and influence other senior Defense and Army initiatives related to competition, including quarterly Business Senior Integration Group (BSIG) discussions and CERs.

ii. Define and execute the Army's competition advocacy program via an updated AR 715-31, Army Competition Advocacy Program.

iii. Establish Army competition goals leading to improved competition performance.

iv. Establish quarterly and semiannual forums to improve community practices.

v. Improve competition data integrity, to include refresher training where needed.

vi. Recognize quality performance in the acquisition community.

b. U.S. Army Contracting Activities. For the second year in a row, subordinate contracting activities will accomplish the following initiatives to improve their competition rates. They will report their achieved progress in their quarterly reports.

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. Furthermore, 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 maximize 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 synopsises, using 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 will collaborate with their small business offices and requiring activities (customers) on individual efforts to attract more competition. 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. When appropriate, they will set competition goals for large volume customers.

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 execute relevant contracting fundamentals such as commerciality determinations.

v. The Army will continue to reward exceptional efforts to drive competition into the organization either by creative, effective solutions, or by organizational changes.

7. FY 15 Competition Goal.

a. The Director, Defense Procurement and Acquisition Policy, in his memorandum, dated 23 December 2014, subject: Request for Fiscal Year 2014 Competition Report and Establishment of FY 2015 Competition Goals, assigned the Army a competition goal for FY15 of 66.6% and an effective competition goal of 93.9%.

b. To enable the Army to achieve these goals, subordinate level major contracting activities will continue to pursue their assigned FY14 competition goals (see Table 11). Each contracting activity will likewise delegate competition goals across their subordinate commands and as they see fit to major customers as practical and compatible with their own goals.

Army Fiscal Year (FY) 2015 Competition Goals (Dollars)

Organization	FY2014 Overall Goals	FY2014 Overall Actual	FY2015 Overall Goal	FY2014 Effective Goal	FY2014 Effective Actual	FY2015[8] Effective Goal
HQ, Army	67%	65.31%	66.6%	93.9%	87.00%	93.9%
HQ AMC/ACC[9]	57%	55.80%	57%	91.64%	84.75%	91.64%
C-JTSCC	80%	87.78%	80%	0.10%	48.38%	0.10%
INSCOM	91%	81.61%	91%	82.75%	82.03%	82.75%
MEDCOM[10]	80%	70.92%	80%	78.83%	78.73%	78.83%
NGB	80%	78.64%	80%	84.02%	81.97%	84.02%
PEO-STRI	83%	88.15%	83%	95.09%	95.90%	95.09%
USACE	85%	86.06%	85%	94.14%	93.20%	94.14%

Table 11: Army Major Contracting Activity Competition Goals

[8] Effective competition is calculated as the percentage of competed dollars less "Competed But One Offer Dollars" divided by the total competed dollars ((competed dollars – "Competed But One Offer Dollars")/total competed dollars).
[9] HQ AMC/ACC includes all subordinate commands, including ATEC.
[10] MEDCOM includes USAMRAA actual and goals.

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

22 MAY 2015

MEMORANDUM FOR DIRECTOR, DEFENSE PROCUREMENT AND ACQUISITION POLICY

SUBJECT: Department of the Navy Fiscal Year (FY) 2014 Competition Report

Reference: (a) Director, Defense Procurement and Acquisition Policy Memorandum dated December 23, 2014, Subject: Request for Fiscal Year 2014 Competition Report and Establishment of Fiscal Year 2015 Competition Goals

In accordance with reference (a), the Department of the Navy FY 2014 Competition Report is attached.

My points of contact are Mr. Dwayne Weaver at dwayne.weaver@navy.mil or 703-693-4073.

Elliott B Branch

Elliott B. Branch

Attachment: As stated

DEPARTMENT OF THE NAVY
FISCAL YEAR 2014 COMPETITION REPORT

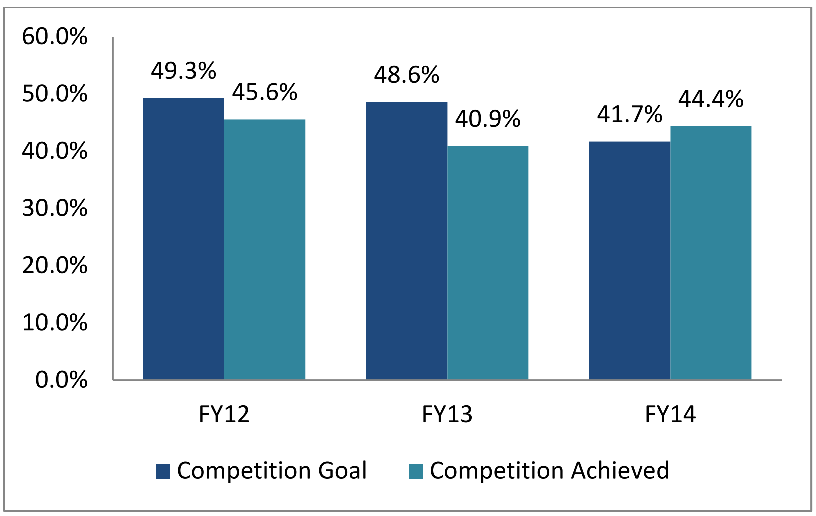
In accordance with the Defense Procurement and Acquisition Policy (DPAP) Memorandum dated December 23, 2014, the Deputy Assistant Secretary of the Navy (Acquisition and Procurement) (DASN (AP)), as the Competition Advocate General for the Department of the Navy (DON), hereby submits the DON Competition Report for Fiscal Year (FY)2014.

The Navy has included Acquisition Spending as a focused business priority and part of its Department transformation model. The business priority is aligned with the goals described in the Department of Defense (DoD) Better Buying Power (BBP) initiative to ensure affordability and increase productivity in defense spending and deliver value to the tax payer and Warfighter. One of the objectives of the BBP goal is to promote effective competition. The DON is committed to improving how it buys weapons and was very focused on cost in FY2014 because the impact of an uncertain budgetary environment and the imposition of sequester-level funding further require the DON to focus on increasing competition. The Secretary of the Navy (SECNAV) has stated that as in FY2014, the future will continue to put pressure on DON to meet mission and deal with emerging threats that are not going to decline and nor is demand for increasingly capable weapon systems, which bring added cost, which make affordability a compelling requirement. The Navy continues to make cost reduction a priority and acquisition execution is an area the department continues to assess and improve.

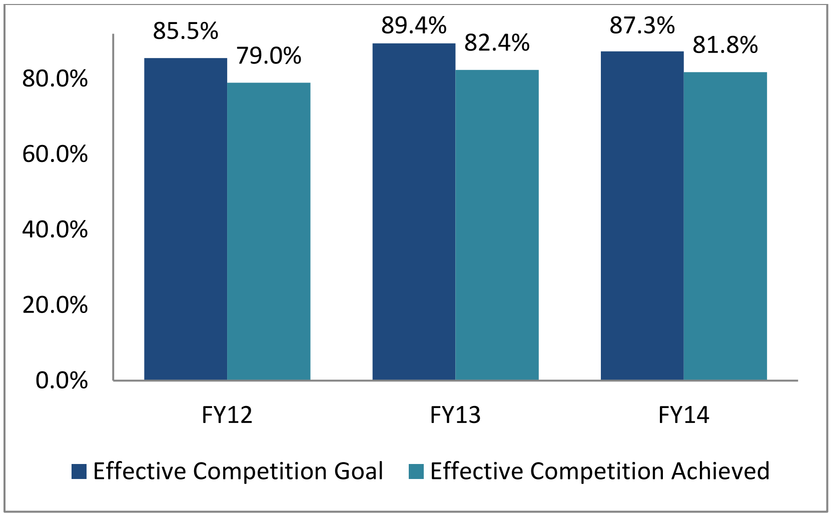
The focus on competition has led to successful acquisitions in our ship, aircraft and weapon system programs during FY2014 as well in acquisitions across the DON for other hardware, services, construction, maintenance and repair. During FY2014, the DON successfully continued its quest for significant improvements in effective competition on several fronts. For example, the DON continues to benefit from the DDG-51 MYP PRO and Virginia Class Submarine Block IV MYP component breakout competitions, which will lead to savings for a 10^{th} ship to be purchased. The pursuit of effective competition and better buying power discipline has produced reduction in costs for the Navy Air and Missile Defense program acquisition cost, Consolidated Afloat Networks and Enterprise Services, and ship-to-shore connector replacement for the Air Cushioned Vehicle. The DON is also focusing on the health of subcontractors in addition to major defense contractors. Examples of proactive DON involvement were described in recent SECNAV Congressional testimony that described efforts to work with the big defense contractors and ask them how are they viewing their supply chain to ensure that it remains healthy by identifying what are the critical elements of that supply chain, whether it's either a single or a low number of suppliers because a loss of those suppliers results in less competition and potentially higher prices.

DON Competition Achievement

In accordance with the January 6, 2014 DPAP guidance, the DON's FY2014 goal for overall competition was established at 41.7 percent and reflects a 0.8 percent increase over the DON's FY2013 achieved rate based on dollars obligated. Additionally, the DON's FY2014 goal for effective competition was established at 87.3 percent and reflects a 4.9 percent improvement over the FY2013 achieved rate based on competed dollars obligated. The DON extracted FY2014 data from the Federal Procurement Data System, Next Generation (FPDS-NG) for this report on November 3, 2014. The total DON obligated dollars decreased from $93.6 billion in FY2013 to $83.9 billion in FY2014 due, in part, to budget constraints. For FY2014, DON competitive dollars obligated decreased by $ 1.1 billion to $37.2 billion, but the DON exceeded its assigned competition goal reaching 44.4 percent of overall obligated dollars. The below table illustrates the DON's trend in overall competition rates achieved based on dollars obligated, which has ranged from 45.6 to 44.4 percent for the period from FY2012 to FY2014.



In comparison, the below table illustrates the DON's trend in effective competition rates achieved based on the number of dollars eligible, which has steadily increased from 79 percent in FY2012 to 81.8 percent in FY2014.



A review of the types of acquisitions that comprise the DON acquisition portfolio includes both supplies and services. The supply acquisitions include major weapons system and many of the related supply support procurements which reach back to a single source original manufacturer. As can be expected, the competition statistics for this category decreases the DON's overall opportunity to measurably increase competition, but all program acquisition plans are periodically reviewed for restructuring in order to increase competition and also ensure technical data packages are part of the overall acquisition plan which can lead to new sources of supply and increased competition. The category of competed services for the DON in FY2014 was significantly more successful and resulted in a 81.3 percent competition rate for eligible dollars as the below table illustrates .

Services FY2014 Sum of Action Obligation	**Eligible $**	**% Competed**
Knowledge Based Services	**$ 7,703,788,665**	**82.75%**
Logistics Management Services	**$ 540,808,354**	**82.10%**
Equipment Related Services	**$ 5,856,531,459**	**72.10%**
Electronic & Communication Services	**$ 4,172,422,458**	**63.77%**
Medical Services	**$ 341,346,171**	**80.97%**
Transportation Services	**$ 1,288,528,566**	**90.96%**
Facility Related Services	**$ 5,117,671,240**	**94.59%**
Construction Services	**$ 2,481,975,552**	**95.45%**
Grand Total	**$27,503,072,466**	**81.30%**

The DON is also committed to increasing competition where possible and to obtaining improvements in effective competition at the task or delivery order level. The

DON has traditionally reported on the trend in fair opportunity in task and delivery order contracts under multiple award contracts and the table below illustrates the DON rate achieved for fair opportunity from FY2012 through FY2014:

FY2012	FY2013	FY2014
90%	89%	85%

The year-over-year results have been updated to reflect data used from FPDS-NG verses other data used in previous years. An analysis of the 2014 data revealed that although the dollars eligible for fair opportunity was comparable to FY2012, the amount of fair opportunity given was over $619M less, primarily driven by follow-on obligations on task orders issued from an initial competition and obligations towards competitive set-asides. The DON success in promoting competition across all types of procurements also resulted in reduced sole source and urgent task and delivery orders for FY2014.

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 to promote competition is explained in the remainder of this report.

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

The DON recognizes there are numerous initiatives within DoD to promote the acquisition of commercial items. Examples include enterprise contracts with multiple vendors and common commodities, supplies, and services, strategic sourcing, and non-DoD contract like GSA schedules. The DON contracting community also made a concerted effort to work with requiring activities to plan and conduct new procurements, to include an emphasis on acquiring commercial items. Contracting Officers continue to release market surveys, requests for information, sources sought and broad agency announcements, industry days, and improving training and local guides and templates for standardizing business practices that include market research tools and commercial acquisition practices. All of these communication initiatives enabled the Navy to increase the amount of communication with industry and improve transparency of requirements to allow increased commercial-off-the–shelf insertion into several weapon systems that utilize open architecture.

All of the Navy Systems Commands (SYSCOMs) in FY2014 emphasized working with customers early in an effort to identify opportunities early within the acquisition planning process to promote competition. The Naval Supply Systems Command (NAVSUP) field commands used "contract services courts" to promote internal and external communication and review current and future requirements, including commercial item applicability. The Navy Sea Systems Command (NAVSEA) is active in utilizing GSA E-Buy and reverse auction websites that make acquisition of commercial items more efficient. The Space and Naval Warfare Systems Command (SPAWAR) actively pursues request for information from industry for information and planning purposes. SPAWAR has experienced success utilizing industry day's focusing on specific aspects of their requirements include that integrated stakeholder teams consisting of end users, Program Office personnel, Contracting personnel, and legal; and have provided valuable input to clarify the Government's requirements, revealed current industry capabilities to satisfy requirements, and gathered feedback from attendees to refine draft solicitations. The Military Sealift Command (MSC) awarded 69% of contract actions using commercial acquisition procedures by focusing on removing restrictive non-mandatory DoD/government requirements and transition to less restrictive commercial standards.

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

The DON continues to challenge its program managers to review requirements and increase communications with their contracting agency support offices in order to achieve/increase competition in their respective portfolios. Already discussed, the DON field contracting commands use industry days and share long range acquisition forecasts to foster and increase competition, but the primary theme of FY2014 were the many examples cited in SYSCOM reports that emphasized the critical aspect of working closely with customers early in the acquisition cycle to clearly define requirements, eliminate restrictive specifications and maximize competition. Most of the SYSCOMs utilize competitive one offer tripwires, which provide visibility and force analysis of competition strategies for procurements and BBP initiatives emphasize best practices to drive improvements and help acquisition professionals think critically by encouraging innovative and technical excellence.

Certain NAVSEA contracting offices achieved a high rate of competition, over 80% in some instances, by using acquisition tools such as SeaPort-e to the maximum extent practicable and awarded service type contracts resulting from early engagement with Small Business representatives. A very successful strategy that gained momentum in FY2014 was decoupling larger previously sole source requirements to increase competition. For example, a task for Engineering and Technical Support was awarded as a multiple award contract to two vendors. The decoupled tasks were awarded using Seaport and competed separately. NAVSEA cites several other 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 for requirements like the AEGIS Combat Systems Engineering Agent and Ship Self Defense Systems, elements of the programs are currently in various stages of competition: SPAWAR continues to increase the focus on multiple award strategies and challenging all sole source justifications while investigating the possibility of "breaking out" work to be competed. SPAWAR issued a policy on "Component Breakouts" with guidance on how to identify and break out defined components of commercial items. The Naval Facility and Engineering Command (NAVFAC)'s policy requires that all one bid/proposals received under a competitive solicitation, including task orders, be reported to the Chief of Contracting Office.

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.

An emphasis for FY2014 was for DON commands to work with the requiring activities and program offices during acquisition planning to develop proper use of performance metrics and performance objectives to ensure requirements are stated in terms of functions and outcomes, and remove overly restrictive specifications that impede competition. The SYSCOMs used various approaches including integrated procurement teams similar to the NAVSEA Procurement Planning Strategy Meeting (PPSM) in the procurement cycle as an initiative whose objective is to formally develop a supportable acquisition strategy based upon established parameters including functions to be performed, required performance, and/or required physical characteristics. NAVSEA continues to emphasize PPSM requirements review and review of 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. NAVAIR has challenged customer requirements through Procurement Planning Conferences and Agreements and pre-solicitation Peer Reviews that offer additional opportunities to challenge requirements that are not stated in terms of functions to be performed, performance required or essential physical characteristics. Military Sealift Command (MSC) reviews all requirements at a pre-established Contract Review Board threshold level, which ensures a higher level critical review and opportunity to question possible restrictions or deviations from commercial standards (e.g., proprietary data, etc.). During the acquisition planning period, MSC procurement teams actively work to minimize requirements that may restrict the development of innovative solutions from industry.

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:

Navy continues to improve department knowledge and understanding of the acquisition process, defining requirements, and avoiding vendor developed requirements. Some Navy SYSCOMs like NAVSUP are challenged to increase competitive obligations due to predominately legacy system support and Navy and Marine Corps Intranet (NMCI) requirements. Other conditions include significant numbers of requirements in support of other budget submitting offices, which creates challenges to influence critical acquisition planning. The Strategic Systems Program (SSP) also identified the primary barrier to the acquisition of commercial items or increased competition is their unique acquisition in the area of nuclear deterrence and the weapons systems are not conducive to the acquisition of commercial items at the hardware system or subsystem level.

Navy field commands highlighted other critical barriers that limit the acquisition of commercial items or increased competition to include the challenges stemming from the lack of necessary technical data and/or data rights. NAVAIR acknowledged that the designer and developer of the weapon system possesses the requisite knowledge and experience and, most importantly, the technical data and proprietary information necessary to produce these complex systems and not including this information as part of the contract deliverables results in reduced competition in future production runs. In addition, companies performing services develop proprietary processes, such as repair processes, and create and own the manuals documenting those processes, which also prevent future competition. NAVSEA also cites that obtaining the data rights required for a competitive procurement can be costly and contractors may be reluctant to release them. NAVSEA did achieve some success in the area of data rights where an initiative focused on setting a procurement goal of Government Purpose Rights (GPR) (or better) data rights including an option to buy GPR rights for any restricted data. This approach lead to competitive awards that successfully obtained unlimited data rights that will enable future competition.

Reliance on legacy weapon systems and an increasing percentage of repair parts in support of aging systems create barriers for NAVSUP and MSC who continues to buy supplies and services that are no longer stocked or even regularly produced by the original manufacturer resulting in reduced commercial item opportunities. An MSC example includes lack of data rights in T-AKE Class ships where Original Equipment Manufacturers (OEM) parts or services are required to maintain the integrity of its systems and or to maintain a warranty. Starting in FY2012 and continued through FY2014, MSC senior acquisition leadership aggressively challenged the requiring activities to properly justify these types of requirements to ensure that the required OEM’s are more than just distributors and / or integrators of parts. Lastly, NMCI compliance for all SYSCOMs using the network severely restricts full and open competition forcing Brand Name mandatory requirements. In other cases requirements which are congressionally earmarked for a particular source or are Foreign Military Sales directed by requiring countries to use one source are examples of restricted competition or from access to commercial items.

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

Continuing the momentum of FY2013, the DON SYSCOMS and field contracting commands continue using formal and informal training for the contracting and requirements communities to ensure focus remains on competition and acquisition of commercial items. Defense Acquisition University (DAU) training continues to be encouraged to include continuous learning modules CLC004 Market Research, CLC020 Commercial Item Determination, CLC055 Competition Requirements, and CLC131 Commercial Item Pricing. A review of FY2014 SYSCOM field contracting accomplishments provide clear evidence that training was a major focus. For example, NAVSEA developed a local market research training module in FY2014 and several field contracting offices developed similar modules or focus areas to include some guidebooks. Market Research tools and training are available through DAU continuous learning modules and local on-site training for both new and experienced acquisition workforce members and most SYSCOMs reported they conducted DAU led and or local training that covered a wide range of acquisition topics, including competition and commercial item purchases and procedures. NAVAIR for example aggressively tracks the contracts workforce to ensure they satisfy DoD continuous learning requirements, which results in a better-trained workforce with current skill sets. NAVAIR has even established a command-wide training academic construct, NAVAIR University, to provide comprehensive, standardized, quality technical, leadership, and professional training including effective market research. Other DON SYSCOMS like Marine Corps System Command (MCSC) and NAVSUP implemented FAR Part 12 commercial items training and pursued electronic training opportunities available through usage of a vendor provided Applied Learning Online and Virtual Acquisition Office online training and webinars that routinely discuss competition and commercial item procurements.

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 prior reports, the DON contracting commands have established review procedures during the pre and post solicitation stages as well as the pre-award phase 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. NAVSEA provided a good example demonstrating fair opportunity and implementing procedures to ensure fair opportunity by conducting a thorough file review during 2014 of the command's largest multiple award contracts including Multiple Award Contract-Multi Order (MAC-MO) and Multi-Ship/Multi-Option (MSMO) which confirmed that orders were being issued in accordance with FAR 8.405 and 16.505. Unlike the current cost-type MSMO contracts which facilitate sole source negotiations during execution, the MAC-MO competes shipyard availabilities and Continuous Maintenance Availabilities as Fixed-Price Delivery Orders with award based on a combination of price and non-price factors. NAVSEA is monitoring opportunities resulting from the MAC-MO pilot to increase price competition across the surface ship maintenance, repair and modernization portfolio as well as improve cost, schedule, quality performance and maintain flexibility with responsiveness.

During FY2014, SPAWAR continued emphasis by contracting personnel to utilize SPAWAR's SCPPM guidance entitled: "Proper Use of Non-DoD Contracts" and "Multiple Award Contracts Procedures." The SPAWAR e-commerce site facilitates synopsis and posting of justifications for MAC task order fair opportunity exemptions. The work products produced have improvements resulting from standardized templates, process work flows, supplemental guidance and training for both requirements originators and ordering officers. A success story from MSC described a contracting field activity that worked with requirements personnel and were able to identify an

Indefinite Delivery Indefinite Quantity (IDIQ) type contract opportunity for ship support parts being procured sole source via individual purchase orders. As part of the acquisition planning and early engagement with industry, it was determined that the potential existed to expand the supplier base for the parts which has led to the launch of other IDIQ initiatives across MSC.

Recommend to the agency senior procurement executive and the chief acquisition officer goals and plans for increasing competition on a fiscal year basis, including any ideas for a system of personal and organizational accountability for competition, which may include the use of recognition and awards to motivate program managers, contracting officers, and others in authority to promote competition in acquisition.

The DON recognizes there are numerous initiatives to increase competition. Examples include enterprise contracts with multiple vendors and common commodities, supplies, and services, and finally strategic sourcing. Another Navy plan to increase competition on a fiscal year basis is to continue the standardization of business processes that will promote efficiencies and reduce acquisition times. For example, NAVSEA's Advance Planning Milestone initiative will increase the potential for competition on a fiscal year basis through early visibility of procurements, allowing for more time to conduct competitions. For example, the NAVSEA Naval Surface Warfare Center Dahlgren office intends to increase communication with industry with regard to future requirements so that industry partners are better positioned to compete for and fulfill the requirements. This approach may include the communication of the government's intent to acquire technical data packages as part of the terms and conditions of the contract.

In the area of technical data rights, NAVAIR acknowledged that current regulatory construct is burdensome, both in terms of clearly establishing government rights in technical data early and upfront in the acquisition process as well as in terms of challenging non-conforming or perhaps unwarranted markings during execution. The rights/responsibilities between government and industry need to be more appropriately balanced to ensure adequate government insight into and understanding of technical data rights early in the life cycle of programs, as well as facilitate quick/timely resolution of post award technical data issues during execution. One recommendation was to ensure the Defense Federal Acquisition Regulation (DFAR) contract clause 227-7027, Deferred Ordering of Technical Data or Computer Software is mandatory in all contracts. Industry often objects to inclusion of this clause which provides a post award mechanism to obtain technical data generated under a particular contract. Making the clause mandatory removes that negotiation issue/barrier. DFARS 252.227-7013(e)(3) and 252.227-7014(d)(3) both provide a mechanism for contractors, post award, to provide subsequent data assertion disclosures.

Another aspect of the issue of data rights is that the prevailing DoD industry business practice is to subcontract out substantial portions of our major weapon systems. This creates unique issues in the arena of data rights as the Government does not have privity of contract with these suppliers. While the DFARS technical data clauses referenced above require subcontractor flow down, this often isn't done by industry and instead negotiating away data rights is a not uncommon practice between DoD primes and subcontractors. The recommendation is to create a new pre award certification or otherwise modifying the existing clauses to require consideration to the Government if subcontractor flow down is not accomplished.

Regarding personal accountability within the acquisition community for increasing competition, many of the DON SYSCOMs provided recommendations Several SYSCOMs like United States Marine Corps Installation and Logistics and NAVAIR submitted recommendations that included establishing competition goals in acquisition personnel performance objectives, special recognition for individuals or activities that demonstrates increase in annual competition. For example, the NAVAIR Senior Executive Service Contracting Department Heads' performance standard includes an objective for promoting competition. SPAWAR has implemented a Contracting Officer Representative (COR) of the Quarter recognition program for excellent contract monitoring, surveillance, and administration. NAVSEA has established a "Contracting Professional of the Year" award that utilizes promoting competition as one of the selection criteria. Other incentives used at NAVSEA include use of cash and time off "on-the-spot" awards, nominations, and its "enterprise" award, providing recognition to employees who demonstrate resourcefulness in significant contributions toward the advancement of the Command's mission which includes competition goals support.

Actions taken promote competition consistent with the USD (AT&L) Implementation Directive for Better Buying Power.

The applicable BBP implementation for FY2014 included directives stemming from 1.0 and 2.0. The BBP 2.0 included the goal of promoting effective competition through competition strategies that maintain competitive environments, enforce open system architectures and effectively manage technical data rights, increase small business roles and opportunities, and use the technology development phase to reduce risk. As described in this report, the DON focused on requirements determinations and competitive strategies to promote better buying throughout the Navy. Field contracting activities are being empowered to use all the acquisition tools available to explore all possible solutions to match requirements to carefully balance risk and procurement process that adhere to regulatory compliance. Emphasis on selecting the best evaluation criteria, limit restrictive requirement definitions, utilize available strategically sourced contract vehicles that promote fair opportunity and competition, and an emphasis on small business participation are widespread in the DON. BBP initiatives to communicate with industry early and share technical requirements is being promoted through an increase in the utilization of sources sought announcements, requests for information announcements, and industry day events. These industry communications help the Navy to promote better requirements that are structured to enhance the BBP principles.

At MCSC, the Program Executive Office – Land Systems (PEO-LS) effectively implemented BBP 2.0 by promoting competition with the Amphibious Assault Vehicle (AAV) and Mine Resistant Ambush Protected (MRAP) Vehicle programs by successfully transitioning sole-source environments to competitive environments for key acquisitions. The AAV Program competed a hull survivability upgrade, resulting in innovative solutions and a reduction in total AAV lifecycle costs and the MRAP program to achieve a 7% and 26% reduction in cost savings. NAVSEA is conducting multiple competitions supporting the Common Processing System and Common Display System programs that promote other aspects of the BBP to include open system architecture and the effective management of technical data rights. These buys also standardize hardware with common commercial-off-the-shelf components across combat systems resulting in reduced shipboard hardware footprint, lower costs by minimizing display/processing equipment, reducing system integration costs, and establishing a single logistics support infrastructure.

Similar standardization of processes enabled MSC to simplify their evaluation process and streamline vendor proposal requirements, to include standardization of evaluation criteria where appropriate, fewer technical factors more meaningfully tailored for the requirement, and implementation of a hybrid approach that maximizes use of minimum technical requirements and provide a trade-off only for those areas where the value can be best defined. MSC also actively promoted small business participation by using small business set-asides for vessel operations and cargo transportation has been increased, despite small businesses not being abundant in MSC transportation business line. Early planning and market research efforts have resulted in the identification of new entrant small businesses, and in increased use of cascading set-aside provisions has resulted in more small business awards. This small business emphasis is being used for material management and warehousing requirements which were formerly performed by a large business and now pursued as small business set-asides.

Separately show any Contingency Contracting dollars and percentages.

Only NAVSUP identified contingency contracting dollars for Combined Joint Task Force – Horn of Africa (CJTF-HOA) in FY14 and the effort did surpass the FY2014 competition goal of 41% and reached 44.9%. This accomplishment is only slightly greater than FY2013 which was 43.5%.

Summary and Conclusion

During FY2014, the DON continued to focus on competition and increased procurement of commercial items. These efforts comprise the SECNAVs business priorities for the Navy and are consistent with DoD Better Buying Power initiatives. The DON’s persistence to improve competition and commercial item acquisition continues as budgets for overall eligible dollars continues to decline. The DON has held a consistent competition rate over the past several years and the 44.4% achievement in FY2014 supports this trend. This report provides numerous examples where DON SYSCOM contracting offices made significant progress in furthering the business priorities of the Navy and executing initiatives to improve competition and the purchase of commercial items. The SECNAV has gone on record to make it a business priority that competition, contract incentives, affordability caps, and cost goals will help the DON execute affordable modernization programs, but what is needed are stable and realistic requirements. Over the past few years the Navy and the Marine Corps team has been diligent in making difficult trades to balances risk within our modernization portfolio. Unpredictable budgets, continuing resolutions and other uncertainties inhibit our ability to effectively plan and execute the programs. As the Assistant Secretary of the Navy for Research, Development and Acquisitions has stated in relation to developing future budgets, “the DON continues to remain faithful to fiscal responsibilities and leverage every tool available to drive down cost. This effort includes tightened requirements and maximizing competition”.

DEPARTMENT OF THE AIR FORCE
WASHINGTON, DC

OFFICE OF THE ASSISTANT SECRETARY

12 MAR 2015

MEMORANDUM FOR OUSD (AT&L) DPAP

FROM: SAF/AQC

SUBJECT: Fiscal Year 2014 Air Force Competition Report

In response to your request of 23 December 2014, Request for Fiscal Year 2014 Competition Report and Establishment of FY2015 Competition Goals, SAF/AQC hereby submits the FY14 Air Force Competition Report. The Air Force competition report focuses on measuring the Air Force's success in meeting our annual competition and effective competition goals.

Questions regarding this report should be addressed to Ms. Susan Rindner, SAF/AQCP, 571-256-2422 or DSN 260-2422.

JOHN M. LYLE, SES, USAF
Associate Deputy Assistant
Secretary (Contracting)
Assistant Secretary (Acquisition)

Attachment:
FY14 Air Force Competition Report

AIR FORCE COMPETITION REPORT

FISCAL YEAR 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 23 December 2014, *Request for Fiscal Year 2014 Competition Report and Establishment of FY2015 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 2014 (FY14). This report discusses AF efforts to achieve its FY14 overall competition goal of 41.5% and effective competition goal of 95.2%.

The AF acknowledges, as requested, the AF Actual Competition Goal of 44.4% and the unchanged Effective Competition goal of 95.2%. The FY15 Effective Competition rate reflects the goal established in 2013 at 95.2%, the highest of the three services (Army 93.9%, Navy 87.3%). When established, the AF had the highest historical Effective Competition rate (86.5%) of the three services. Since that time, both Army and the Navy achieved their highest rates. In FY14, the Army achieved the highest service effective competition rate to date (87%) with no commensurate adjustment to their goal.

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. Although major programs cannot quickly implement competitive changes, the additional focus will have a long term impact on competition success. In FY14, the Assistant Secretary of the Air Force for Acquisition (SAF/AQ) traveled extensively to the field to promote adherence to the principles of Better Buying Power 2.0 (BBP 2.0). Promoting Effective Competition, Focus Area 5, is advanced through the implementation of open system architecture, identifying and obtaining data rights whenever possible and ensuring that whenever possible barriers to competition are removed from requirements packages. SAF/AQ has developed 5 Priorities for AF Acquisition. Priority 4 is Improve Business Acumen & Small Business, Objective 4.4 Achieve measurable increase in contracts awarded competitively. All SAF Acquisition civilians are evaluated and rated in accordance with their contributions in supporting these priorities to ensure that we consider these priorities in all the work we do. "Additionally in FY14, SAF/AQ required each Program Executive Officer to submit program contract information on competition, tracking the planned transition of contracts from sole source to competitive as well as those that are currently anticipated to remain non-competitive. Data updates are required quarterly.

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.

Air Force FY14 data reflects a major change in organizational structure as mentioned in the Air Force FY13 Competition Report. Air Force Installation Command Agency (AFICA) began operation October 1, 2013. The AFICA competition data, as reported in FPDS-NG, reflects the competition results of the AFICA headquarters contracting organization only. The Air Force MAJCOM contracting offices are now Operating Locations under AFICA, but as designated procuring activities, they continue to report for competition purposes directly to the Air Force Competition Advocate General. Also as of FY14, Space and Missile Command became an Air Force procuring activity, and reports their competition numbers separate from Air Force Space Command (AFSPC), although FPDS-NG reports their data under AFSPC. As of FY15, Air

Force Intelligence, Surveillance and Reconnaissance Agency (AFISRA) moved under Air Combat Command (ACC) and no longer reports separately.

As a result of the Air Force renewed focus on competition, the Air Force MAJCOM Competition Advocates continue to implement new projects /processes to track and improve competition in their organizations. Although changes to the competition rate cannot be directly correlated to these changes, it is likely that competition focus and attention contributes to the overall success of the Air Force.

Improved Tracking and Monitoring Of Competition Progress

The Air Force has improved its tracking and monitoring of competition results both at the headquarters level and in the field. In FY14, the Air Force assigned competition goals to the individual Program Executive Offices (PEOs) as well as to the MAJCOMs. The PEOs are responsible for tracking and monitoring their achievements. PEOs are required to do quarterly reporting to the Acquisition Executive on contracts transitioning to competition as well as all program contracts remaining sole source. The consolidation of information on the planned competitive status will provide the overview necessary for improving competition.

The Defense Procurement and Acquisition Policy performed a services wide analysis of PSC portfolios which showed the Air Force as comparatively low in competition rates in five Product Service Code (PSC) portfolios. The Air Force initiated a high priority review of 85% of the non-competitive dollars ($5.6B) in each portfolio to determine the basis for the competition differences. A replication of the coding process showed a variety of coding “right answers” for a given contracting action indicating that miscoding was not a significant concern. Major programs accounted for 90% of the non-competed dollars, significantly as a result of contracted logistics support (CLS)/sustainment. While major programs are generally awarded competitively, changes to the program planning, such as an increase in purchases or downstream logistics support, may be sole source to the original equipment manufacturer (OEM) unless adequate technical data was acquired to support competition. Air Force is working to appropriately acquire for data for legacy programs, however it remains a challenge that impacts our competitive posture.

Finally, MAJCOM and PEO competition data is reviewed, no less frequently than quarterly, using comparative analysis techniques. The MAJCOMs have generally replicated the review for their subordinate organizations.

The AF ensures that Competition training is available to all acquisition staff to promote competition

Air Force FY14 competition training was done through a variety of means and on a number of competition topics. Some examples include:

▪ AFMC provided four competition related webinars on Strategic Sourcing, Requests for Information and Sources Sought, the Electronic J&A process and Market Intelligence training over 1500 people. The webinars are posted to the AF Contracting website for continuous training availability. Local offices under AFMC also provided training with the Warner Robins Competition Advocate Office trained 300 program managers and contracting personnel on the Market Research process and the AFRL Phillips Research site provided Market Research training to scientists, engineers and program on research methods and processes to emphasize competition.

▪ The PACAF Chief of Policy provided a 90 minute competition training session to all PACAF contracting squadrons and all staff assistance visits include competition training. Further training is provided in the customer education guide.

▪ AFDW provides on-the-job training to identify restrictive language that may hamper competition. AFDW 11 CONS used a lessons learned/hands on approach by identifying on each non-competitive award, how the sole source could have been avoided and targeted the path to ensure the next award is competitive.

▪ ACC subordinate units have created customer guides, provided one-on-one training to requirements generators, and provided resource advisor training. The focus includes early planning, requirements definitions to remove customer preferences unrelated to the mission, and market research.

▪ Air Education and Training Command trains squadron commanders on the importance of competition and the impact sole source contracting has on the commander's budget. Base Strategy and Planning Sessions routinely include competition briefings.

▪ In addition to standard training, AFGSC provides information on the factors that limit competition via a share point site, and a recently developed buyer/customer education program is an innovative program developed at one location.

The evolution of training both within the contracting community and expanding to the financial and requirements community will assist in ensuring that competition options are the default position in every Air Force contracting action.

Air Force Competition Advocates ensure that program requirements are stated in the least restrictive terms to permit effective competition and utilization of commercial practices.

Throughout the Air Force, teams are scrubbing requirements packages to determine if barriers to competition can be removed.

▪ A multifunctional team identified elements of a FY15 Intelligence, Surveillance and Reconnaissance Support Contract requirements that apparently targeted the incumbent contractor. The requirements package was scrubbed and a competitive award made.

▪ A Tyndall AFB team scrubbed a restrictive brand name or equal patrol boat requirement. Customer preferences not contributing to the functional requirement were identified and removed, allowing a competitive contract award .

▪ United States Air Forces Europe (USAFE) has reworked the requirements packages for telecom services since the privatization of British Telecom eliminated their sole source mandate. Over 65% of the requirements have been reworked and competed to date.

▪ Air Force Life Cycle Management Center (AFLCMC-AFMC) created competition for the follow-on Tower Simulator System contract by allowing replacement of the proprietary software with commercial simulator software, provided the government was authorized to modify and maintain the software for the life of the simulators. This resulted in a cost savings of 48.5% over the government estimate ($35M IGE, award $18M) and will allow continued competition in the future.

▪ AFSGC broke apart the sole source B2 maintenance contract to enable competition for various portions, reducing overall costs.

By continuing to scrub requirements packages, the Air Force is obtaining more competition and reducing costs.

The Competition Advocate is responsible for ensuring adequate market research.

By providing competition training of requirements personal the Air Force has expanded and enhanced market research to support competition.

▪ ACC is using the full range of market research for promotion of competition, routinely using Requests for Information/Sources Sought, Industry Days and the Air Force Long Range Acquisition Estimates website which provides contractors advance notice of upcoming requirements. In Qatar, the 379 ECONS found that RFIs and site visits greatly enhanced competition.

▪Tinker AFB (AFMC) provides early acquisition support to contracting officers and program teams to assist with market research and the identification of additional sources. The investment in support is producing results, the use of market research for a base lodging linen contract identified a small business able to perform the work providing over $200K in savings, and contributed to their competition and small business achievement.

▪ AFDW found an unexpected benefit in market research when industry recommended that unbundling proprietary portions of the requirements would improve competition. A requirement that had never been successfully competed with more than one offer became highly competitive with the removal, and separate procurement, of proprietary software.

▪ AFMC Hill AFB established multifunctional teams to work with customers on market research, including RFIs, draft solicitation documents and industry days. The tremendous response from vendors resulted in five awards under a strategic sourcing initiative. This saved both time and money, replacing approximately 150 annual individual non-competitive or only one offer buys with competitive strategic contracting.

Lead time to transition

Long lead time can be a critical element in transitioning contracts to competitive status. Extending the lead time provides the opportunity for a more comprehensive analysis of the barriers to competition, permits implementation of a variety of market research techniques and improves success in converting the requirement to competition.

▪ AMC initiated a requirement to initiate work on service contracts 18 months in advance of need, to eliminate the core non-competitive contract driver of lack of adequate planning.

▪ McDill AFB requires initiation of follow-on contracts 24 months before expiration of the existing contract, with contract status is briefed monthly from that point until award. Due to over-reliance on the extension of services clause, which allows additional time to award, inclusion of that clause in the contract is no longer routinely allowed.

▪ PACAF mandated a root cause analysis and corrective action briefing to Command when contracts miss the established milestones under their Late to Notice program. This program resulted in a decline in bridge contracts from eight in FY13 to three in FY14. On time acquisition increased during the same period from 86% to 95%.

▪ Air Force Space Command (AFSPC) issues a 36 month warning order semiannually to all AFSPC wing commanders for follow-on service contracts over $10M to ensure sufficient time for requirements review and adequate market research.

▪ The 36 month warning order issued by AFSPC allowed sufficient time to effectively transition the Thule Base Operations contract from sole source to competitive. Restricted by international agreement to companies from Denmark and Greenland, and located 1,200 kilometers north of the Arctic Circle, base operations are difficult in this remote area where all supplies must be transported by water or air. In order the change this 30 year sole source arrangement, multiple vendor conferences were held along with extensive site visits to the remote location for interested contractors. The contract, which was awarded in the opening days of FY15, received four offers, proving that the long lead time used to effect this transition, as well as the exhaustive use of market research techniques was worthwhile. While the incumbent protested the award, GAO upheld the contract action.

The Air Force continues to look for innovation in contracting to enhance competition.

Lack of data rights continues to impact Air Force competition. However, innovative approaches can make a difference.

▪ Air Force Nuclear Weapons Center (AFNWC-AFMC) has been actively working to acquire data rights. An AFNWC subject matter expert developed a government rights in data (GRID) tool to ensure that proper data rights clauses are included in all solicitations/contracts, protecting government data rights. AFNWC also obtained a no cost data package for the Blast Containment Management System at Kirtland Underground Munitions and Maintenance Storage Complex and is educating industry partners to enhance the transition to competitive environment.

▪ Foreign Military Sales (FMS) constitute a significant percentage of Air Force non-competitive contract awards. Air Education and Training Command (AETC) targeted its international workload for competition improvement. In FY14 they developed a $275M multiple award IDIQ Multi-Aircraft Flight Training acquisition with award projected for FY15. By awarding competitive IDIQ’s they can offer FMS customers timely and economical alternatives to country-directed sole source.

▪ USAFE awarded the Turkey, Spain Base Maintenance Contract (TSBMC) at 63.6% of the government estimate ($350M vs $550M) by increasing the number of offerors from two to seven through intensive market research, requirements definition and industry communication.

▪ The Alaska Radar System (ARS) is an antiquated system acquired in 1977. Due to proprietary data, currently operation and maintenance is performed under a sole source contract. An Essential Parts Replacement Program (EPRP) managed by AFMC modernized the ARS and upgraded a 1980's era portion of the legacy electronic equipment replacing it with commercial off the shelf (COTS) components. The COTS components and a requirements scrub, allowed PACAF to compete the follow-on ARS contract. The expected savings on the ARS contract is $183M over 10 years.

▪ Air Mobility Command (AMC) has successfully obtained competition on previous non-competitive acquisitions in large measure due to having sufficient lead time to work the issues. Scott AFB challenged a historically sole-source branded "Giant Voice" mass notification system; another source was located with market research, resulting in a successful competition. At JB Charleston, a requirements owner requested brand name radios; alternatively the team developed salient characteristics and through market research identified potential alternative manufacturers, resulting in a competitive award saving over $182K. USCENTCOM transferred a previously large business sole source requirement ($30M) to MacDill who was able to award competitively to an SDVOSB.

▪ Other innovations used by the Air Force to enhance competition include using an acquisition program manager to do an early review of requirements packages (AFRC), attempting to certify new entrants to compete for EELV launch services (SMC), Broad Agency Announcements to encourage submission of innovative technical/scientific approaches (AFRL-AFMC), and the extensive use of Business Case Analysis (BCAs) to determine if any segments of large Original Equipment Manufacturer (OEM) contracts can be competed (AFMC).

FY14: COMPETITION
THE DATA

The AF pulled FY14 data for this report from FPDS on 8 December 2014 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 43.5% as compared to the DPAP assigned FY14 competition goal of 41.5%. The AF was assigned an effective competition goal of 95.2%, and achieved a rate of 86.7% as compared to 85.4% achievement in FY13. 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 67% of the total AF contracting spend. This is somewhat reduced from FY13 when AFMC represented 75% of the AF spend. This reduction is a result of the creation of AFICA and the movement of ESG to that organization. While the impact of AFMC (and to a lesser extent AFSPC and now AFICA) 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 FY14 goal.

AF Historical Data: Competed Dollars Actions and Rates

	FY11	FY12	FY13	FY14
Total Obligated Dollars	**$65,495,033,031**	**$69,769,189,399**	**$55,158,362,464**	**$55,767,855,443**
Total Competed Dollars	**$27,669,066,499**	**$25,762,115,689**	**$22,431,115,219**	**$24,245,279,685**
Competed Dollars Rate	**42%**	**37%**	**40.7%**	**43.5%**
Total Actions	**208,905**	**179,474**	**159,544**	**146,854**
Total Competed Actions	**159,842**	**135,023**	**118,632**	**107,647**
Competed Actions Rate	77%	75%	**74.4%**	**73.3%**

Table 1

FY14 % of Total and Competed Dollars and Actions

	% OF TOTAL ACTIONS	% OF COMPETED ACTIONS	TOTAL DOLLARS	% OF TOTAL DOLLARS	COMPETED DOLLARS	% OF COMPETED DOLLARS
ACC	12.1%	13.8%	$1,802,205,864	3.2%	$1,489,340,368	6.1%
AETC	8.2%	7.9%	$1,494,536,034	2.7%	$1,082,771,448	4.5%
AFDW	1.2%	1.2%	$377,892,574	0.7%	$281,469,667	1.2%
AFGSC	3.4%	3.9%	$266,766,087	0.5%	$208,703,173	0.9%
AFICA	4.4%	5.7%	$2,969,499,499	5.3%	$2,827,643,715	11.7%
AFISRA	0.6%	0.6%	$195,823,156	0.4%	$100,653,838	0.4%
AFMC	40.9%	33.5%	$37,412,261,817	67.1%	$12,844,069,603	53.0%
AFOTEC	0.1%	0.1%	$16,134,277	0.0%	$15,620,303	0.1%
AFRC	1.7%	1.6%	$229,976,972	0.4%	$198,166,530	0.8%
AFSOC	2.0%	2.4%	$186,311,479	0.3%	$153,570,416	0.6%
AFSPC	4.4%	4.9%	$1,094,915,504	2.0%	$855,251,250	3.5%
AMC	7.4%	8.6%	$1,026,565,944	1.8%	$790,136,129	3.3%
PACAF	5.7%	6.8%	$761,754,362	1.4%	$476,736,311	2.0%
SMC	1.7%	1.5%	$7,338,494,141	13.2%	$2,377,492,255	9.8%
USAFA	0.8%	0.8%	$154,067,155	0.3%	$125,852,434	0.5%
USAFE	5.3%	6.8%	$440,650,577	0.8%	$417,802,244	1.7%
TOTAL AF	100.00%	100.00%	$55,767,855,443	100.00%	$24,245,279,685	100.00%

Table 2

The AF has two primary contracting missions, operational and systems acquisition. The operational commands typically award contracts for installation support while the system commands, AFMC and SMC, 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.

The percentage of total AF dollars obligated by the two systems Commands (AFMC and SMC) represent 80.3% of obligated dollars but only 62.8% of competed dollars. 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. As evidenced by the percentage of total AF dollars obligated by command, the dollars expended by AFMC and SMC 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.

FY14 MAJCOM GOALS AND ACHIEVEMENT

	ACTUAL COMPETITION		EFFECTIVE COMPETITION	
	FY14 Goal	FY14 Final	FY14 Goal	FY14 Final
ACC	85.3%	82.6%	95.2%	92.1%
AETC	71.2%	72.4%	95.2%	95.1%
AFDW	78.8%	74.5%	95.2%	56.5%
AFGSC	72.9%	78.2%	95.2%	89.2%
AFICA	96.4%	95.2%	95.2%	73.9%
AFISRA	73.4%	51.4%	95.2%	67.8%
AFMC	31.9%	34.3%	95.2%	86.6%
AFOTEC	90.0%	96.8%	95.2%	35.0%
AFRC	90.0%	86.2%	95.2%	84.1%
AFSOC	81.4%	82.4%	95.2%	87.2%
AFSPC	79.2%	78.1%	95.2%	94.6%
AMC	75.6%	77.0%	95.2%	87.8%
PACAF	69.0%	62.6%	95.2%	85.5%
SMC	34.7%	32.4%	95.2%	94.9%
USAFA	85.7%	81.7%	95.2%	97.3%
USAFE	93.6%	94.8%	95.2%	93.6%
TOTAL AF	41.5%	43.5%	95.2%	86.7%

Table 3

As illustrated in Table 3, eight commands met or exceeded their assigned actual competition goals. One Command exceeded the AF Effective Competition Goal.

FY14 PEO GOALS AND ACHIEVEMENT

	ACTUAL COMPETITION		EFFECTIVE COMPETITION	
	FY14 Goal	FY14 Final	FY14 Goal	FY14 Final
PEO-ACS	44.6%	53.0%	95.2%	97.4%
PEO-WEAPONS	19.8%	22.6%	95.2%	82.2%
PEO-B&ES	62.1%	59.3%	95.2%	66.3%
PEO-BM	30.5%	28.4%	95.2%	85.8%
PEO-C31&N	64.7%	62.2%	95.2%	88.7%
PEO-FIGHTER BOMBER	11.6%	1.9%	95.2%	88.4%
PEO-ISR	2.7%	7.5%	95.2%	19.9%
PEO-MOBILITY	15.4%	6.9%	95.2%	96.5%
PEO-SPACE (AFMC)	97.0%	99.1%	95.2%	85.4%
PEO-STRATEGIC	68.3%	72.5%	95.2%	85.9%
PEO-TANKER	94.0%	96.8%	95.2%	100%
PEO-SP (SMC)	34.70%	32.4%	95.2%	94.9%

TABLE 4

Table 4 shows the results of the first year of tracking the Program Executive Offices (PEOs) to competition goals. Six PEOs exceeded their Actual Competition goals and three PEOs exceeded their Effective Competition Goals. One PEO, PEO Tanker, exceeded their Actual Competition Goal (96.8%) and achieved 100% Effective Competition.

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 SMC 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. SMC 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. Contracts in support of Advanced Extremely High Frequency (AEHF) Satellite Program, Evolved Expendable Launch Vehicle (EELV), Federally Funded Research and Development Contract to The Aerospace Corporation and Space-Based Infrared System (SBIRS) are all SMC programs that are substantially non-competitive. These noncompetitive actions will continue to affect SMCs competition rate for many years. 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 for 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 2.4% 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. Foreign Military Sales represented 12.1% ($6.7B) of the total Air Force Obligations for FY14, and across the AF 18.8% of the FMS contracts were competed. FMS contract awards accounted for 16.7% of AFMC total obligations, down from 21% in FY13. FMS accounted for 21.7% of AFMC's non-competed obligations, down from 29% in FY13. Although other organizations have FMS actions, AFMC is responsible for 96.6% 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. The KC-46 office is 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.

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.

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

	FY12	FY13	FY14
Total Obligated Dollars	**$69,769,189,399**	**$55,158,361,464**	**$55,767,855,443**
Total Not Competed Dollars	**$43,829,256,601**	**$32,727,247,245**	**$31,522,575,758**
Percentage of Total Not Competed Dollars to Total Dollars	**63%**	**59.30%**	**56.50%**
Other Than Full and Open Competition Authorities			
Only One Source (FAR 6.302-1)	**$25,991,820,181**	**$17,932,767,904**	**$16,985,117,407**
Urgency (FAR 6.302-2)	**$1,116,073,259**	**$772,314,776**	**$409,014,603**
Industrial Mobilization (FAR 6.302-3)	**$993,874,526**	**$871,015,772**	**$1,272,070,079**
International Agreement (FAR 6.302-4)	**$9,472,158,267**	**$8,752,775,218**	**$3,715,253,176**
Authorized or Required by Statute (FAR 6.302-5)	**$1,324,915,775**	**$982,986,397**	**$1,163,105,198**
National Security (FAR 6.302-6)	**$3,452,105,490**	**$3,365,342,088**	**$3,385,809,044**
Public Interest (FAR 6.302-7)	**$2,434,695**	**$1,560**	**$650,417**
Reason Not Competed – Simplified Acquisition Procedures or Null	**$186,106,387**	**$207,716,874**	**$195,496,290**

Table 5

Although the total Air Force obligations are about $500M greater than FY13, the AF use of the Only one source dropped by almost $1B in FY14 with contracts citing an Urgency justification down by another $350M.

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.

Table 4 illustrates the FY14 results for task and delivery orders issued over $1M. FY14 total task and delivery orders > $1M are comparable to FY14.

Task and Delivery Orders>$1M

	FY12	FY13	FY14
Total Task & Delivery Orders > $1M	**$29,100,184,444**	**$21,783,508,238**	**$22,766,221,106**
Total AF Obligated Dollars	**$69,769,189,399**	**$55,158,362,464**	**$55,767,855,443**
Percentage of Total Task and Delivery Orders > $1M to Total Obligated Dollars	**42%**	**39.5%**	**40.8%**

Table 6

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.

AF Fair Opportunity on Orders against Multiple Award Contracts

	FY12	FY13	FY14
Total Dollars Subject to Fair Opportunity	$7,172,888,372	$5,461,456,638	$6,082,606,890
Total Fair Opportunity Given Dollars	$5,881,975,528	$4,392,267,903	$4,689,804,489
Percentage of Total Fair Opportunity Given Dollars to Total Subject to Fair Opportunity Dollars	82%	80.40%	77.2%
Total Actions Subject to Fair Opportunity	34,011	29,493	65,279
Total Actions Given Fair Opportunity	28,783	23,683	56,488
Percentage of Total Fair Opportunity Given Actions to Total Subject to Fair Opportunity Actions	85%	80.30%	86.5%

TABLE 7

Over $22.7B in task and delivery orders over $1M were awarded in FY14; $6B was subject to Fair Opportunity and $4.7B of orders were given fair opportunity. (Table7)

Exceptions to Fair Opportunity

	FY12	FY13	FY14
Total Exception Dollars to Fair Opportunity	$1,289,768,021	$866,350,134	$911,925,419
Urgency (FAR 8.405-6(b)(3) or 16.505(b)(2)(i) Actions	$50,485,351	$53,263,182	$96,135,312
Only One Source Other (FAR 8.405 6(b)(1) or 16.505(b)(2)(ii) Dollars	460,813,413	$422,729,680	$361,203,968
Follow-on Delivery Order to Competitive Initial Order (FAR 8.405(b)(2) or 16.505(b)(2)(iii))Actions	$476,727,081	$218,880,076	$253,963,123
Minimum Guarantee (FAR 16.505(b)(2)(iv)) Actions	$174,416,148	$56,445,670	$18,815,014
Other Statutory Authority	$127,326,029	$110,186,255	$163,709,179

Table 8

TREND ANALYSIS:
There was a significant increase in the use of the urgency exception to Fair Opportunity this year. This may be related to an increased number of bridge contracts/orders resulting from protests against some of the major multiple award strategic sourcing initiatives such as NETCENTS and EPASS. As those protests are resolved and the bridge contracts expire, we should see an improvement in those areas.

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 allows 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 changed the reporting structure for the MAJCOMs, each of the MAJCOMs continues to have a Competition Advocate that reports directly to the AF Competition Advocate General in that capacity.

Two changes directly affected the competition data for the FY14 annual report. The former AFMC ESG was relocated and became AFICA headquarters. The FY13 AFMC data was normalized to ensure that the FY14 AFMC goal reflected their FY14 configuration. The FY14 AFICA goal was established using the ESG FY13 competition data. Space and Missile Command was also removed from AFSPC for competition purposes, and the SMC and AFSPC FY14 goals were established by extracting the SMC FY13 data from AFSPC FY13 data. The FY14 achieved rates in Table 9 (actual competition) and Table 10 (effective competition) reflect the organizational structure in effect during FY14.

MAJCOM FY12-FY14 ACTUAL COMPETITION PERFORMANCE TREND

Contracting Activity	FY12 Competition Actual Rate	FY13 Competition Actual Rate	FY14 Act. Competition Rate (FY 14 Goal)	FY12-FY14 Delta	FY14 Competition Dollars
ACC	85%	83.60%	82.6% (85.3)	-2.4	$1,489,340,368
AETC	75%	69.80%	72.4%(71.2)	-2.6	$1,082,771,448
AFDW	74%	77.30%	74.5%(78.8)	0.5	$281,469,667
AFGSC	70%	71.50%	78.2%(72.9)	8.2	$208,703,173
AFICA	*	96.40%	95.2%(96.4)	-1.2	$2,827,643,715
AFISRA	71%	72.50%	51.4%(73.4)	-19.6	$100,653,838
AFMC	*	31.30%	34.3%(31.9)	3	$12,844,069,603
AFOTEC	81%	100%	96.8%(90%)	15.8	$15,620,303
AFRC	82%	90.00%	86.2%(90)	4.2	$198,166,530
AFSOC	76%	79.80%	82.4%(81.4)	6.4	$153,570,416
AFSPC	*	77.60%	78.1%(79.2)	1.5	$855,251,250
AMC	71%	74.10%	77.0%(75.6)	6	$790,136,129
PACAF	63%	67.60%	62.6%(69)	-0.4	$476,736,311
SMC	*	34%	32.4%(34.7)	-1.6	$2,377,492,255
USAFA	69%	84%	81.7%(85.7)	11.7	$125,852,434
USAFE	95%	93.60%	94.8%(93.6)	0.2	$417,802,244

Table 9

MAJCOM FY12-FY14 "EFFECTIVE COMPETITION"PERFORMANCE TREND
(Percentage of Total Dollars Competed)

Contracting Activity	FY12 Effective Competition	FY13 Effective Competition	FY14 Effective Comp (Goal 95.2% for all)	Delta FY12 to FY13	FY13 Effective Competition Dollars
ACC	94%	94.2%	92.1%	-1.9	$1,372,217,111
AETC	94%	96.6%	95.1%	1.1	$1,029,687,634
AFDW	71%	60.8%	56.5%	-14.5	$158,901,961
AFGSC	92%	90.1%	89.2%	-2.8	$186,078,823
AFICA	*	70.9	73.9%	3.9	$2,089,684,181
AFISRA	79%	78.4%	67.8%	11.2	$68,202,540
AFMC	*	86.7%	86.6%	-0.1	$11,121,468,608
AFOTEC	59%	41.9%	35.0%	-24	$5,472,477
AFRC	90%	85.2%	84.1%	-5.9	$166,606,226
AFSOC	89%	88.8%	87.2%	-1.8	$133,926,477
AFSPC	*	96.1%	94.6%	-1.5	$808,646,685
AMC	88%	86.8%	87.8%	-0.2	$693,349,000
PACAF	80%	75.1%	85.5%	5.5	$407,522,754
SMC	*	86.2%	94.9%	8.7	$2,257,246,413
USAFA	98%	96.6%	97.3%	-0.7	$122,479,928

Table 10

In FY15, AFISRA was relocated under ACC, and will report competition data to ACC in the future. To ensure accurate goaling, ACC FY14 data was adjusted to reflect the FY15 organizational structure and is shown in the FY14 in Table 11.

MAJCOM COMPETITON GOALS

	FY14 Actual Competition Rate	FY15 Actual Competition Goals	FY14 Effective Competition Rate (Adjusted)	FY15 Effective Competition Goals
ACC (inc AFISRA) *	79.6%	**81.2%**	**90.6%**	**95.2%**
AETC	72.4%	**73.8%**	**95.1%**	**95.2%**
AFDW	74.5%	**76.0%**	**56.5%**	**95.2%**
AFGSC	78.2%	**79.8%**	**89.2%**	**95.2%**
AFICA	95.2%	**95.2%**	**73.9%**	**95.2%**
AFMC	34.3%	**35.0%**	**86.6%**	**95.2%**
AFOTEC	96.8%	**96.8%**	**35.0%**	**95.2%**
AFRC	86.2%	**87.9%**	**84.1%**	**95.2%**
AFSOC	82.4%	**84.0%**	**87.2%**	**95.2%**
AFSPC	78.1%	**79.7%**	**94.6%**	**95.2%**
AMC	77%	**78.5%**	**87.8%**	**95.2%**
PACAF	62.6%	**63.9%**	**85.5%**	**95.2%**
SMC	32.4%	**33.0%**	**94.9%**	**95.2%**
USAFA	81.7%	**83.3%**	**97.3%**	**95.2%**
USAFE	94.8%	**94.8%**	**93.6%**	**95.2%**
Total AF	41.5%	**44.4%**	**86.7%**	**95.2%**

Table 11

*** This table shows the FY14 rates re-allocated according to the FY15 restructured organization (AFISRA moved under ACC).**

During FY12, major programs were reorganized for life-cycle management into PEO portfolios. FY14 competition goals were also allocated by PEO, using FY13 baseline data. Table 12 and Table 13 show the FY14 final results in both Actual and Effective Competition in comparison to FY13 achievements and the FY14 goal, and provides the goals for FY15.

AF PEO FY14 Actual Competition Results and FY15 Competition Goals

PEO	FY14 TOTAL OBLIGATIONS	FY14 COMPETED DOLLARS	FY13 COMPETITION RATE	FY14 COMPETITION ACTUAL (Goal)	FY15 Goal
PEO-ACS	$1,903,081,078	$1,009,374,699	43.7%	53%(44.6)	54.1%
PEO WEAPONS	$1,686,753,166	$380,458,170	18.8%	22.6%(19.2)	23.1%
PEO-B&ES	$360,645,357	$213,771,026	60.9%	59.3%(62.1)	60.5%
PEO-BM	$2,228,928,769	$632,754,272	29.9%	28.4%(30.5)	29.0%
PEO-C31&N	$720,528,804	$448,421,054	63.4%	62.2%(64.7)	63.4%
PEO-FIGHTER BOMBER	$5,608,753,569	$107,975,793	10.6%	1.9%(10.8)	1.9%
PEO-ISR	$5,431,652,778	$409,919,890	1.7%	7.5%(1.8)	7.7%
PEO-MOBILITY	$6,595,499,906	$456,602,094	14.4%	6.9%(14.7)	7.0%
PEO-SPACE AFMC	$770,427,999	$763,700,928	97%	99.1%(97)	99.1%%
PEO-STRATEGIC	$660,659,403	$479,199,484	67%	72.5%(68.3)	74.0%
PEO-TANKER	$1,859,563,568	$1,799,476,997	94.0%	96.8%(94.0)	96.8%
PEO-SP (SMC)	$7,338,494,141	$2,377,492,255	34%	32.4%(34.7)	33.0%

Table 12

AF PEO FY14 EFFECTIVE COMPARATIVE COMPETITION RESULTS and FY15 GOALS
(Percentage of Total Dollars Competed)

PEO	FY14 TOTAL OBLIGATIONS	FY14 EFFECTIVE COMPETITION DOLLARS	FY13 EFFECTIVE COMPETITION RATE	FY14 EFFECTIVE COMPETITION RATE	FY14/15 EFFECTIVE COMPETITION GOALS
PEO-ACS	$1,903,047,871	$983,151,412	97%	97.4%	95.2%
PEO WEAPONS	$1,686,753,166	$312,747,849	67%	82.2%	95.2%
PEO-B&ES	$360,645,357	$141,689,060	73%	66.3%	95.2%
PEO-BM	$2,228,928,769	$542,770,534	85%	85.5%	95.2%
PEO-C31&N	$720,528,804	$397,733,167	86%	88.7%	95.2%
PEO FIGHTER BOMBER	$5,608,753,569	$95,432,023	97%	88.40%	95.20%
PEO-ISR	$5,431,652,778	$81,383,694	69%	19.9%	95.2%
PEO-MOBILITY	$6,595,499,906	$440,621,373	94%	96.5%	95.2%
PEO-SPACE AFMC only	$770,427,999	$652,485,299	83%	85.4%	95.2%
PEO-STRATEGIC	$660,659,403	$411,578,982	93%	85.9%	95.2%
PEO-TANKER	$1,859,563,568	$1,799,476,997	100%	100%	95.2%
PEO-SP (SMC)	$7,338,494,141	$2,257,246,413	86.2%	94.9%	95.2%

Table 13

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.

A focal area for improved competition for the Air Force is converting sole source 8(a) contracts to competitive 8(a) contracts. A number of our MAJCOMs have successfully worked with the Small Business Administration to obtain permission for the conversions by demonstrating the benefits it will have for the 8(a) community at large. By obtaining experience competing for government business while still an 8(a) company, the companies will be more prepared for the transition out of 8(a) status. Additionally, most organizations are pushing for competitive rather than sole source 8(a)s for new 8(a) efforts. These initiatives help the Air Force in achieving their goals in both Competition and Small Business, helps the companies by opening new opportunities for 8(a) companies to work with the Air Force, and result in lower cost to the government.

BETTER BUYING POWER 2.0 AND 3.0

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. This tool is routinely updated to incorporate all BBP changes, and has been updated to include BBP 3.0. A demo of the Air Force Better Buying Tool was provided to Air Force and DoD Acquisition leadership.

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.

Air Force has begun implementation of BBP 3.0. Tracking of work and completion of actions under both 2.0 and 3.0 will continue within the Air Force.

SUMMARY

The AF exceeded its FY14 overall competition goal of 41.5%, achieving a rate of 43.5%. 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. FY15 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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FEB 27 2015

MEMORANDUM FOR THE DIRECTOR, DEFENSE PROCUREMENT AND ACQUISITION POLICY

SUBJECT: Defense Logistics Agency (DLA) Annual Competition Advocate Report for Fiscal Year 2014 (FY14)

As required by FAR 6.502 and DPAP Memorandum dated December 23, 2014, the FY14 DLA Competition Report is attached. DLA achieved a competition rate of 84.0 percent of total dollars obligated against an overall goal of 83.7 percent, and for effective competition, achieved 91.0 percent against a goal of 92.1 percent. The Agency achieved our overall competition goal for the first time since FY11 and increased performance for overall competition from FY13 by nearly 2.5 percent. We attribute this success to increased emphasis by senior leaders at all levels, the agency wide effort to reduce sole source bridge contracts, and the DLA initiative to break out sole source items. We missed the effective competition goal by one percent and will looking to improve that percentage in FY15 by delving in to instances where only one offer was received.

If you have any questions, please contact Juanita McKee at 703-767-2636 or email: Juanita.mckee@dla.mil.

MATTHEW R. BEEBE
Director, DLA Acquisition

Fiscal Year 2014 Competition Advocate Report

Defense Logistics Agency (DLA)

Yvette Burke - DLA Competition Advocate

January 30, 2015

I. Fiscal Year 2014 (FY14) Competition Rate Achieved

DLA achieved a competition rate of 84.0% of total dollars obligated against an overall goal of 83.7%. The FY14 competition base in terms of total dollars was approximately $31.9 billion with $26.8 billion obligated competitively. This is an increase in achievement from FY13, where we experienced an achievement rate for dollars obligated of 82.1% and $34 billion. Spend from FY13 and FY14 remained fairly consistent. The improved competition rate can be attributed to increased emphasis by senior leaders at all levels, the agency wide effort to reduce sole source bridge contracts and a DLA wide effort to breakout sole source items. For effective competition, our goal was 92.1% and we achieved 91%.

DLA consists of nine supply chains and five contracting activities that have established goals and reportable achievements, as identified in Table 1. Six activities met/exceeded their goal for overall competition. Data for this report was obtained from FPDS-NG on December 16, 2014 and reflects the most accurate information available. DLA certified the FPDS-NG data on Jan 13, 2015.

Supply Chain/Activity	Overall Competition FY14 Goal	Overall Competition FY14 Result	Effective Competition FY14 Goal	Effective Competition FY14 Result
DLA Aviation	36.0%	34.0%	75.0%	59.7%
DLA Land	76.0%	**77.4%**	75.0%	58.8%
DLA Maritime	75.0%	**76.7%**	75.0%	69.2%
DLA TS - Subsistence	85.0%	**91.0%**	99.0%	98.8%
DLA TS - Medical	97.75%	**98.8%**	96.0%	**97.3%**
DLA TS - C&T	74.0%	68.9%	83.76%	**89.0%**
DLA TS - C&E	94.9%	**96.7%**	94.0%	93.0%
DLA Document Svs	94.0%	75.4%	86.29%	**94.6%**

DLA Contracting Svs	81.0%	80.5%	75.0%	72.2%
DLA Distribution	91.5%	89.1%	96.0%	**99.9%**
DLA Strategic Matls	70.0%	34.77%	91.0%	37.12%*
DLA Disposition	89.0%	88.1%	75.0%	**94.9%**
DLA Energy	93.0%	**95.9%**	98.0%	97.6%
Total DLA	**83.7%**	**84.0%**	**92.1%**	**91.0%**

Table 1. DLA activities FY14 competition goals and achievements
*A large deobligation in FY14 skewed the effective competition rate for Strategic Materials

As reflected in the table above, DLA achieved (and exceeded) our overall competition goal, the first time since 2011. We expected to eliminate most sole source bridges on our strategic acquisitions but did not achieve the reduction anticipated. In 2013, DLA received numerous protests on the Subsistence Prime Vendor CONUS program (over 30 contracts in various regions), resulting in placement of many bridges while the protests and resulting actions were accomplished. Bridge contracts on this program continued throughout FY14. In addition, a change in acquisition strategy for the Maintenance, Repair and Operations program in FY14 necessitated additional bridges on that program, many of which will continue in FY15. DLA Troop Support expects to eliminate all remaining bridges on both programs by mid-summer 2015. In addition, we intend to award more sole source Performance-Based Logistics (PBL) contracts in FY15. While these PBLs help us to achieve savings and improve efficiency, we understand that sole source PLBs may impact on our competition rate and we will remain focused on this area going forward. Discussion of ways to minimize the impact is found later in this report

II. Advocate's Activities

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 during these monthly briefings, during which the importance of competition was emphasized within DLA and performance was discussed at the senior executive levels. Discussion also focused on areas of interest to DPAP, particularly the 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. The headquarters COMPAD 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 addition to the Agency level COMPAD, each primary level field activity (PLFA) and field level activity has an assigned competition advocate. These COMPADs work with their respective field offices on various initiatives to increase competition. Examples of activities at the field level follow.

In 2014, the COMPAD at DLA Land and Maritime (L&M) worked closely with their Operations Support Directorate to enhance the already redesigned production flow, coordination, tracking and oversight of incoming Alternate Offer and Source Approval Request (SAR) technical data packages. The intent of this collaboration was to maximize competition and ensure timely and productive reviews of SAR packages. This office also actively participated in all available Vendor Out-reach programs either by briefings/presentations or by supplying support guidance, literature and points of contact information. The Acquisition Policy Office also worked to develop contracting methods for encouraging and supporting alternate offer submissions and newly approved sources. This effort supports the agency wide initiative to break out sole source items. The Land Aberdeen Director, Acquisition Division Chief, and local COMPAD/Small Business Director attended the 2014 C4ISR Small Business (SB) Conference and the Advanced Planning Briefing for Industry (APBI). At this conference, the Land Aberdeen COMPAD met with a number of contractors to share more about Aberdeen's Contracting Opportunities. Over 500 attendees from both contractors and government participated. This is an example in which the PFLA is avidly working to increase their supplier base to ensure that they are achieving maximum competition.

Within our DLA Contracting Services Office (DCSO) office, when Limited Source Justifications (LSJ) or Justification & Approvals (J&A) are submitted for approval, the COMPAD places a significant amount of emphasis on the performance period of the sole source effort. The COMPAD ensures that the contracting officers are conducting extensive market research and analysis to identify alternative acquisition strategies in an effort to transition to a competitive process, if at all practicable. Contracting officers are required to submit with all LSJs and J&As for bridge actions, a timeline to accompany the documents which demonstrates that there will be sufficient planning for follow-on acquisitions to eliminate additional bridge actions. These packages are reviewed by the COMPAD as well as the DCSO Director.

III. <u>New Initiatives to Increase the Acquisition of Commercial Items</u>

In FY14, more contracting officers throughout the agency 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. Below are some specific examples of this practice.

DLA L&M buyers are conducting more intensive market research, contacting more suppliers, and asking for additional clarifications on the item descriptions/specs prior to completing their acquisition plans. This has contributed in converting some previously non-commercial vehicle maintenance kits to commercial items and streamlining the acquisition process on those items. They are working on several Commercial Price List projects including Cummins, CAT, OshKosh, and Axeltech/Meritor, to establish commercial price list contracts.

DLA Aviation. has increased use of the commercial practices under FAR 13.5, Test Program for Certain Commercial Items. Buyers are applying commercial procedures for items that are commercial off the shelf as well as commercial of a type with modifications such as similar manufacturing processes.

DLA Troop Support's Clothing and Textiles items are military-unique and still require specifications, but the C&T technical and acquisition personnel are actively engaged in buying commercial items wherever practical or possible. C&T has moved towards buying commercial items on several product lines such as footwear and underwear.

IV. New Initiatives to Increase Competition

For FY14, a new goal of 10 bridges or less for our significant acquisitions was established. This goal recognized circumstances, such as protests, when a bridge may be appropriate and necessary to ensure continuity of services or supply. Although the goal of 10 bridges or less was not met this fiscal year, DLA saw a significant reduction in the obligated dollars on sole source bridges. DLA policy for use of bridges requires advance HCA review and approval. Continued attention at the senior level ensures that bridges are only used when necessary.

The agency, as a whole, continually sought opportunities to streamline processes and procedures that are a hindrance to competition. The below are specific examples of new initiatives to increase competition.

DLA Aviation completed 739 SARs during the fiscal year where a total of 307 (41.5%) of the completed SARs were approved. Of those approved, 23 items became competitive Acquisition Method Code (AMC)/AMSC of 1/G, which reflects items that could be made available through a full and open competitive acquisition procedure for the first time.

DLA Aviation's Ogden acquisition teams were dedicated to ensuring acquisitions were planned and written in a manner that maximized competition and provided fair opportunity to interested sources wanting to bid and/or become a qualified manufacturer, e.g., through the use of source qualification requirements. Ogden actively assisted suppliers interested in becoming new sources of supply as both direct purchase suppliers and subcontractors to primes on sole source acquisitions. In FY14, there were 38 SARs submitted and of these, 21 (55%) were approved. Suppliers that are disapproved were provided information regarding the discrepancies that will assist them in working towards approval.

The DLA Aviation Engineering Directorate has continued to support the Aviation COMPADs through the Replenishment Parts Purchase or Borrow Program (RPPOB) which allows prospective contractors to buy or borrow items of supply for reverse engineering at their own discretion and expense. RPPOB issued seventy-two bailment contracts to forty-six different prospective suppliers. The RPPOB process results in a Reverse Engineering (RE) effort where technical data is generated from a sample part to create a complete technical data package for the item. This process allows for expanded competition and reduction in prices since it adds additional sources of supply for items that are hard to procure or over-priced. Government-sponsored RE to create fully competitive technical data packages (TDPs), is also selectively used by the Aviation Engineering Directorate to engage Organic/Military manufacturing facilities or Commercial contractors.

DLA Aviation Engineering also supports the COMPAD by developing additional sources and creating complete TDPs for certain items of supply that are hard to procure. This is accomplished in various ways, such as identifying manufacturers and communicating the alternate sourcing procedures to these potential new suppliers, by working with the Services to obtain full TDPs suitable for competitive procurement and by working with the Engineering Support Activities (ESAs) to process SARs.

DLA L&M worked with DLA R&D to develop an automated process called Matching Acquisition Strategies to Industry Capabilities (MASIC) that reduces direct material costs by attracting more suppliers. The MASIC 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 suppliers based on physical characteristics, capabilities, requirements and functions. The capabilities and requirements of the MASIC Program are in the process of being rolled into an organic program and it currently in the initial stage and will be spearheaded by J6, DLA's Information Systems group.

As a result of a Captains of Industry initiative, DLA Troop Support developed a National Contracts Program for FY14. The intent of this initiative is to leverage the buying power of the Government by combining requirements for a particular category of item and awarding to a few firms. These larger contracts attract vendors who aren't normally interested in the smaller quantities. Such contracts have been pursued by DLA Troop Support Subsistence, who combined the OCONUS requirements for Chicken. The first contract was awarded in March 2014 and resulted in a savings of $19.7M over the life of the contract.   A National Contracts Captains of Industry (COI) meeting was held at DLA Troop Support in August 2014 to conduct market research and solicit feedback from industry on ways to structure the solicitation groupings for the remaining categories of items in order to maximize competition. Additional market research continues in each of the remaining protein categories – beef, pork, turkey and seafood. This concept is also in use in DLA Troop Support's Medical Supply Chain. There were 12 competed awards in FY14, with an on-average savings of 33.11% over previous prices, which equated to a total estimated savings of $163.9M over a potential five year contract period. In FY15, the Medical supply chain plans to increase awards of National Contracts, in which requirements for the Veterans Administration and other agencies will be included.

In advance of the upcoming DFARS change on use of sources sought (SS) and requests for information (RFI) for the "only one source" exception, many of our activities are already issuing these notices, looking for more potential offers for items typically categorized as sole source. For example, in FY14, DLA Energy continually sought opportunities to enhance competition by gathering market research through the use of RFIs and networking. These methods are used to obtain the most current information on availability of storage and storage related services. Additionally, extensive coordination was performed during the planning and developmental phase of each requirement to ensure the opportunity for full and open competition to the maximum extent possible. They awarded 14 additional contracts through the use of competitive procedures for multiple locations, both CONUS and OCONUS, for Government-Owned, Contractor-Operated (GOCO), Contractor-Owned, Contractor-Operated (COCO), Alongside Aircraft Refueling (AAR), Lab Testing, Environmental and other storage related services. Furthermore, numerous Pre-Award Conferences were conducted with new offerors and current contractors to generate increased interest and competition for new and follow-on requirements.

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

Across the agency, DLA is vigilant in ensuring requirements are stated in terms of functions to be performed, performance required, and/or essential physical characteristics. As an example, within DLA Aviation's DLRs, military-specific items must be built according to exact specifications and characteristics, many of which the Services don't have complete technical data for, as the OEM retains sole ownership. Failure of any newly built items would have catastrophic results for both life and property. In this environment, DLA Aviation continues an effort to attempt to purchase technical data from the OEMs, so that they can supply the information to possible sources and increase competition.

A new initiative in the DLA Troop Support Subsistence supply chain is the Integrated Food Service (IFS) concept under which a contractor would be expected to provide full foodservice support including personnel, supervision, supplies and services. A PWS was issued to industry and a pre-solicitation conference held October 2014 to provide preliminary information to industry and customers, and obtain feedback on the Government's acquisition strategy. During FY15, this initiative will continue to move forward towards implementation, ensuring that requirements are stated in terms of functions to be performed, performance required, and/or essential physical characteristics.

VI. <u>Barriers and Challenges</u>

DLA's DLR contracting offices procure many spare parts for the Services. Many of these items are in support of old, outdated equipment where parts are usually available only from the OEM. In most instances, technical data was not acquired at the onset, so our DLRs are limited in obtaining these parts. Further, because these spare parts are often in support of this older equipment where demand is low and/or future requirements unknown, many suppliers are hesitant to invest time and money to become alternate sources for these parts. However, DLA is looking for ways to reduce these challenges by encouraging potential suppliers to submit a Source Approval Package (SAR) to become an approved source. To further encourage this effort, DLA L&M has initiated multi-source awards, so that once a new source is approved, they will get a partial award if the new source quotes a price that is lower than the last competitive price; this practice allows the new source to recoup some of their non-recurring costs and demonstrate their ability to manufacture the item. A challenge for approval of the SARs continues to be the time required to obtain a response. These SARs must be approved by the Engineering Support Activities (ESAs), who are often constrained by competing priorities for their attention. A focus for FY15 will be to work with the ESAs to reduce the review and approval time typically associated with SARs.

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. As mentioned earlier, DLA L&M's multi-source awards initiative provides a way to encourage the supplier to seek approval on other items and allows them to demonstrate that they can manufacture the item at a fair and reasonable price. For FY15, we're looking to export this practice to other PLFAs where it makes sense.

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 FY14, this constituted approximately 9% of our noncompetitive dollars, and without these numbers in the calculation, DLA's overall competition achievement would have been 85%. In addition, DLA is focused on increasing the use of DOD wide PBL contracts, Long Term Contracts (LTC) and Joint Opportunity Contracts (JOC). While this may result in moving a small number of previously competitive items under the umbrella of the PBL/LTC/JOC contracts, the increased efficiency and better pricing benefit DLA. As mentioned elsewhere, we are also working with our large suppliers to increase competition at the sub-tier levels and while this doesn't improve our competition rates, it does drive down prices and promotes affordability. To counter the effect of these initiatives, DLA will look for ways to increase competition in other areas, which are discussed further in section VII of this report.

Customers' preference for brand name items and continued service from incumbent firms is a barrier that our contracting officers continue to address. The requirement for, and value of competition is continually emphasized to our customers in an effort to move away from this long standing practice. The importance of thorough market research is stressed to help overcome this barrier. DLA 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 Distribution continues to strive to achieve their competition goals, but some barriers that still remain include Non-commercial items that are purchased year after year, Material Handling

Equipment (MHE) that require maintenance and replacement of parts, software specific licenses, unique reclamation services, cell phone airtime, and chemicals that necessitate batch specific requirements for water/sewage treatment. They have taken full advantage of the many opportunities by posting requirements at the Federal Business Opportunities (FBO) website but remain challenged when only one offer is received.

DLA Energy anticipates that historical obstacles will continue in FY15. A number of obstacles in various divisions across DLA Energy serve to preclude competition internationally. For instance, a number of Energy's large dollar overseas requirements are associated with 'state-owned' entities and cannot be competed, thereby rendering them as sole-source requirements. Examples of such sole-source requirements are fuel and gasoline requirements for Qatar, utilizing Qatar fuel (WOQOD) as the contractor, requirements for JP8 at Al Dhafra Air Base in Abu Dhabi, utilizing Abu Dhabi National Oil Company (ADNOC), which is a state-owned entity, and diesel and Mogas for US military forces in Kuwait, utilizing Kuwait Petroleum Corporation (KPC), which is also a state-owned entity. Another obstacle unique to DLA Energy is the need for pipeline support in overseas countries. In the United States, the distribution of fuel through pipeline is not controlled by a single company and pipelines for fuel delivery are shared amongst competitors and allow for the competitive awarding of pipeline delivery contracts. However, this is not the case in some countries where DLA Energy provides fuel. These pipelines are often owned by single entities who do not allow competitors to utilize their pipelines, thereby limiting the number of sources which can be used. 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 analyses and using historical pricing, which takes into account industry trends, if any, as a basis of estimate for our independent government estimates. For example, in late 2014, they completed a JAA conversion initiative that resulted in the switch from JP8 to commercial standard jet fuel (JAA), providing DLA Energy the opportunity to increase efficiency in several ways. The most significant benefit was increased competition. Because JP8 is a military specification product, it requires segregated storage as it moves through the supply chain. As a result, some refineries in the U.S. that currently produce commercial jet fuel have chosen not to enter the JP8 market. The switch to JAA allows a greater number of refiners and marketers the opportunity to compete for Government business. This benefit dovetails nicely with the Better Buying Power 3.0 initiative "Promote Effective

Competition," both through creating more competition generally, and by increasing small business opportunities. Although there are very few small business refiners operating in the United States, the conversion affords greater opportunities to supply fuel to the Department.

VII. Other Ways Competition is Emphasized

Industry Days, roadshows, industry forums, etc. are becoming a common practice across the agency. These venues are an opportunity for suppliers to meet with DLA acquisition personnel and current and potential suppliers in a group setting. Additionally, market research has become a more avid practice throughout the agency, which ensures that the competition possibilities are certainly addressed from SAT to billion dollar strategic contracts.

DLA Land Aberdeen's continued 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 discussion between the requiring activity and the contracting staff addresses 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 the supporting documents to execute the procurement.

The DLA L&M Small Business Programs Office works closely with our COMPAD, as many of their objectives serve common goals. Fostering competition, by building a strong small business community, has long been central to the focus of both offices. The Office of Small Business Programs uses a Scorecard Plan, based upon the overarching guidelines presented in the DLA FY14 Small Business Improvement and Marketing Plan.

As a continuation of 2012's "Captains of Industry" initiative, 2014 saw over 10 engagements in support of this initiative. As before, the DLA Director, with other DLA senior leaders, met with the presidents/senior leaders of our major suppliers for each supply chain, providing opportunity for our major contractors to discuss ways to reduce costs, increase competition, improve processes, and identify "smarter" ways of doing business. Many new strategic initiatives such as the national contracts program have come out of these meetings, which have significantly decreased DLA costs.

Although many of the spare parts managed and purchased by DLA are sole source from the OEM, DLA is working with the prime contractors to obtain the benefit of reduced costs through increased competition at the sub-tier level. While this does not directly impact our competition rate, it results in better prices and more affordability.

DLA Aviation has placed significant emphasis on an enhanced engineering presence that focuses on identification of certain sole source parts that may be potential candidates for reverse engineering. Criteria for such parts include demand, part complexity, and probability of success. If the part meets the criteria, reverse engineering is pursued in an effort to develop quality technical data that can be used to develop additional sources and ultimately increase competition.

DLA is also exploring the concept of additive manufacturing, working with the Services in partnership to determine potential candidates and applicability. Additive manufacturing when implemented into DLA, will stimulate competition throughout the agency. Currently, DLA is in the R&D stage to determine the concept and applicability across several DLA supply chains. The concept may become operational in FY16, but DLA may start to see true effects on competition closer to FY17.

Lastly, through participation in events such as the Captains of Industry (noted above) and DCMA's Corporate Management Council meetings, senior leadership has engaged our large suppliers in discussion on their practices for selling licenses for certain sole source parts, asking them to consider alternatives to the traditional practice of a relationship with only one vendor. The concept of selling the licenses to multiple vendors, which would increase competition and drive down prices, has been encouraged.

VIII. <u>Effective Competition</u>

In FY14, DLA continued to focus on actions to be taken to improve real competition by including the use of less restrictive specifications and more extensive market research and advertising. For example, DLA Troop Support has moved to more generic items in their catalogs, thereby encouraging competition. We continued to track effective competition, reviewing our metric on a monthly basis with the Director, DLA Acquisition. 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. In FY15, we intend to dig deeper into instances where only one offer is received to determine the reasons for these single offers and identify ways to increase the number of offerors.

For FY14, we achieved a rate of 91%, slightly below the goal of 92.1%. 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 FY14, DLA had $936 million subject to FO requirements and of that amount, $779 million or 83% 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 53.8% of the dollars. Urgency was third in actions but fourth in dollars, followed by “only one source”. Table 2 contains the full data on exceptions to FO. It was obtained from FPDS-NG on December 16, 2014 and reflects the most accurate FY14 data available.

FY14 Fair Opportunity	Actions	% of Total	Dollars	% of Total
Subject to Fair Opportunity	7817	N/A	$936,795,101	N/A
Fair Opportunity Provided	7041	90%	$778,728,879	83%
Total Exceptions to Fair Opportunity	776	9.92%	$139,467,290	14.89%
-Urgency	18	2.32%	$578,204	0.41%
- Only one source – other	504	64.95%	$45,481,704	32.61%

- Follow-on Delivery Order	181	23.33%	$75,066,858	53.82%
- Minimum Guarantee	5	0.64%	$1,539,436	1.1%
- Other Statutory Authority	68	8.76%	$16,801,088	12.05%
- Sole Source Actions	0	0%	$0	0%

Table 2. DLA Fair Opportunity Data (source FPDS 12/16/14)

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% and 89.5%. Table 3 contains the historical data.

Fiscal Year	Total $ Subject to FO	$ FO Provided	% FO Given
FY12	$1,428,684,899	$1,194,637,371	83.6%
FY13	$1,617,657,334	$1,447216,351	89.5%
FY14	$936,795,101	$$778,730,794	83%

Table 3. Historical DLA Fair Opportunity Percentage of Dollars (Sources: FY14 data came from FPDS-NG on 12/16/14, FY13 data from FPDS-NG on 12/23/13, FY12 data from FY12 FPDS-NG on 1/11/13).

X. <u>Trend Analysis and FY14 Competition Goals</u>

Trend analysis using historical data from FY12, FY13 and FY14 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 from FY12 through FY14 slowed increases in competition. However, with increased senior leader attention and implementation of the bridge policy and reduction plan, the dollars obligated on sole source bridges was reduced and we saw improvement in the competition rate for FY14.

	FY12	FY13	FY14
Total Dollars Obligated	$43,105,521,949	$33,968,270,300	$31,918,428,029

Dollars Competed	$35,905,570,167	$27,869,981,980	$26,801,838,414
% Competed Total Dollars	**83.3%**	**82.1%**	**84%**
Dollars Subject to Fair Opportunity	$1,428,684,899	$1,617,657,334	$936,795,101
-Fair Opportunity Provided	$1,194,637,371	$1,447,216,351	$778,730,794
-Exceptions and Null Values	$234,047,527	$166,517,708	$139,467,290

Table 4. Historical DLA Fair Opportunity Percentage of Dollars (Sources: FY14 data came from FPDS-NG on 12/16/14, FY13 data from FPDS-NG on 12/23/13, FY12 data from FY12 FPDS-NG on 1/11/13).

Reasons not competed: Over 49% of the actions and 75% 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 (DLA Aviation, DLA Land, and DLA 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 14 Not competed	**Actions**	**% of Total**	**Dollars**	**% of Total**
Total not competed	65,879	N/A	$5,115,587,670	N/A
Only one source (6.302-1)	32,340	49.68%	$3,733,169,908	75.0%
Urgency (6.302-2)	99	0.2%	$61,668,619	1.24%
Mobilization and R&D (6.302-3)	1	0.0%	$0	0.0%
International Agreement (6.302-4)	11	0.02 %	$23,757,226	0.48%
Authorized/required by Statute (6.302-5)	3,476	5.3%	$451,142,940	9.06%
National security (6.392-6)	2	0.0%	$18,033	0.0%

Table 5. FY Reason Not Competed (source FPDS-NG new report pulled on 12/16/14)

FY15 Goal:

For FY15, DPAP asked for a 2% increase over FY14 achievement, which equates to an 85.7% goal for overall competition. The goal for effective competition remains 92.1%, the same as the FY14 goal. For FY15, we have reviewed expected spend and anticipated sole source acquisitions, to include any sole source bridges, mandatory sources, required purchases from state owned entities, JOC/PBL efforts, and Captains of Industry efforts. Based on this review, our expected sole source spend can be broken out as follows: 1% - sole source bridges, 1% - joint opportunity, 1.2% - PBL/Platform-based systems initiatives , 1.5% - mandatory sources, 2.5% - state owned entities, and 8% only one source. Based on these estimates, DLA will achieve a competition rate of 84.8%, slightly below the DPAP goal. So in order to ensure that we can meet this goal, we plan a more strategic and aggressive approach to increasing competition. In FY15, we will focus greater attention on the only one source category to identify items that can be moved from sole source to competitive through our breakout initiative, which will help to reduce our sole source dollars. As mentioned earlier, our agency emphasis on increased use of PBLs and JOCs with our large OEMs may have an impact on our competition rate; therefore, we will emphasize the need to increase competition elsewhere to meet our goal. In addition, we will minimize the impact of the forecasted bridges through reduction/elimination and emphasis the need for our primes to compete work at the sub-tier level. For FY15/16, we are developing a more robust agency level strategic plan to increase competition that is clearly tied to Better Buying Power, focusing on the eight focus areas. This plan will require increased attention on market research, sharing of lessons learned/success stories across all PLFAs/contracting activities, reduced timelines for SAR approvals, emphasize reverse engineering efforts for certain categories of parts, encourage further exploration of the concept of additive manufacturing, and encourage licensing agreements with the large suppliers. We also are planning a competition advocate training summit that will focus on FPDS training, data analysis of competition data, forecasting methodologies for analyzing future opportunities, and sharing of lessons learned and effective techniques for increasing competition.