



Department of Defense's

Competition Report

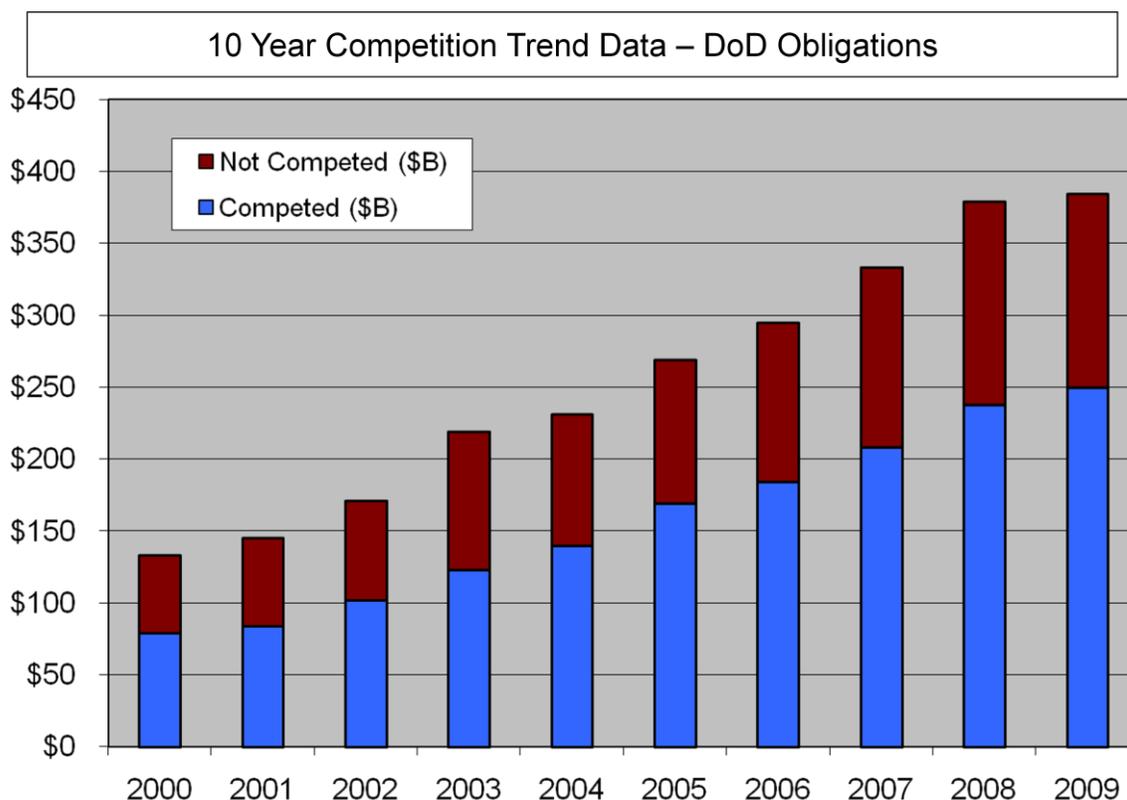
For FY 2009

# DoD's Competition Report for Fiscal Year 2009

## I. Competition Trends

In Fiscal Year (FY) 2009, the Department of Defense (DoD) reported that \$250 billion (or 65% of total DoD spend of \$384 billion) were competitively awarded.<sup>1</sup> This is an all time high and well above the 10 year average of 61%. This continual improvement in competition achievements results from an increased emphasis within the Department on competition. Table 1 provides DoD trend data on competitive vice non-competitive dollars for the past 10 years<sup>2</sup>.

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



<sup>1</sup> The FY 2008 and FY 2009 figures throughout this report are adjusted for an Army reporting anomaly in FY 2008 that overstated FY 2008 figures for total obligations and competitive obligations by \$13 billion and understated FY 2009 figures for the same by \$13 billion.

<sup>2</sup> The source of FY 2000-2006 data is DoD's DD 350 legacy system. The source for the FY 2007 thru FY 2009 is the Federal Procurement Data System (FPDS) "Competition Report" run on January 15, 2009 (for FY 2007 and 2008) and on January 6, 2010 (for FY 2009). FY 2008 and 2009 were adjusted as explained in Footnote #1. Consistent with the FPDS Report entitled "Competition Report" actions coded as "Not Available for Competition" are counted in the non-competitive dollars.

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The level of competition achieved within the Department varies, depending upon the type of product or service being bought by the DoD Component. Table 2 illustrates how the level of competition varies by DoD Components in FY 2009.<sup>3</sup> The competition reports for the Army, Navy, Air Force and Defense Logistics Agency are attached, as these Components represent 90% of DoD spend.

**Table 2 – FY 2009 Competition Achievements by DoD Component**

Contracting Agency	Competition Baseline	Completed (Dollars)	Percentage Completed
Army	\$145,513,716,326	\$97,329,694,328	67%
Navy	\$94,780,246,829	\$52,775,134,829	56%
Air Force	\$67,280,140,273	\$37,957,828,594	56%
Business Transformation Agency	\$2,979,612	\$2,892,535	97%
Defense Advanced Research Projects Agency	\$857,311,507	\$792,479,715	92%
Defense Commissary Agency	\$6,286,571,795	\$1,118,932,199	18%
Defense Contract Management Agency	\$390,875,171	\$263,478,034	67%
Defense Finance and Accounting Service	\$327,060,419	\$296,574,020	91%
Defense Information Systems Agency	\$4,493,988,519	\$3,867,508,968	86%
Defense Logistics Agency	\$37,169,169,290	\$33,331,344,556	90%
Defense Media Center	\$87,523,903	\$70,539,853	81%
Defense Microelectronics Activity	\$427,825,913	\$421,528,457	99%
Defense Security Cooperation Agency	\$57,665,637	\$51,018,789	88%
Defense Security Service	\$48,967,098	\$47,214,727	96%
Defense Threat Reduction Agency	\$939,765,792	\$799,562,061	85%
Dept of Defense Education Activity	\$288,846,313	\$262,231,628	91%
Missile Defense Agency	\$5,681,559,467	\$3,557,556,857	63%
TRICARE Management Activity	\$11,818,724,131	\$10,849,566,514	92%
Uniformed Services University of the Health Sciences	\$43,612,685	\$15,995,259	37%
U.S. Special Operations Command	\$2,294,100,515	\$1,640,466,147	72%
U.S. Transportation Command	\$4,101,502,599	\$4,046,779,695	99%
Washington Headquarters Services	\$796,192,788	\$743,051,470	93%
Total Reported in Baseline	\$383,688,346,582	\$250,241,379,236	65%
Null Values	\$167,557,630		
Total DoD Obligations	\$383,855,904,213	\$250,241,379,236	65%

Likewise, within the Components the level of competition achieved by various contracting organizations also varied based upon the product mix. Generally, those contracting organizations whose primary function is installation/depot contracting are well suited to competition and achieve the highest levels of competition. This is also true for contracting organizations heavily involved in construction. The competitive percentages are lower in contracting organizations that buy specialized medical equipment or services, major systems, or spares and upgrades that may

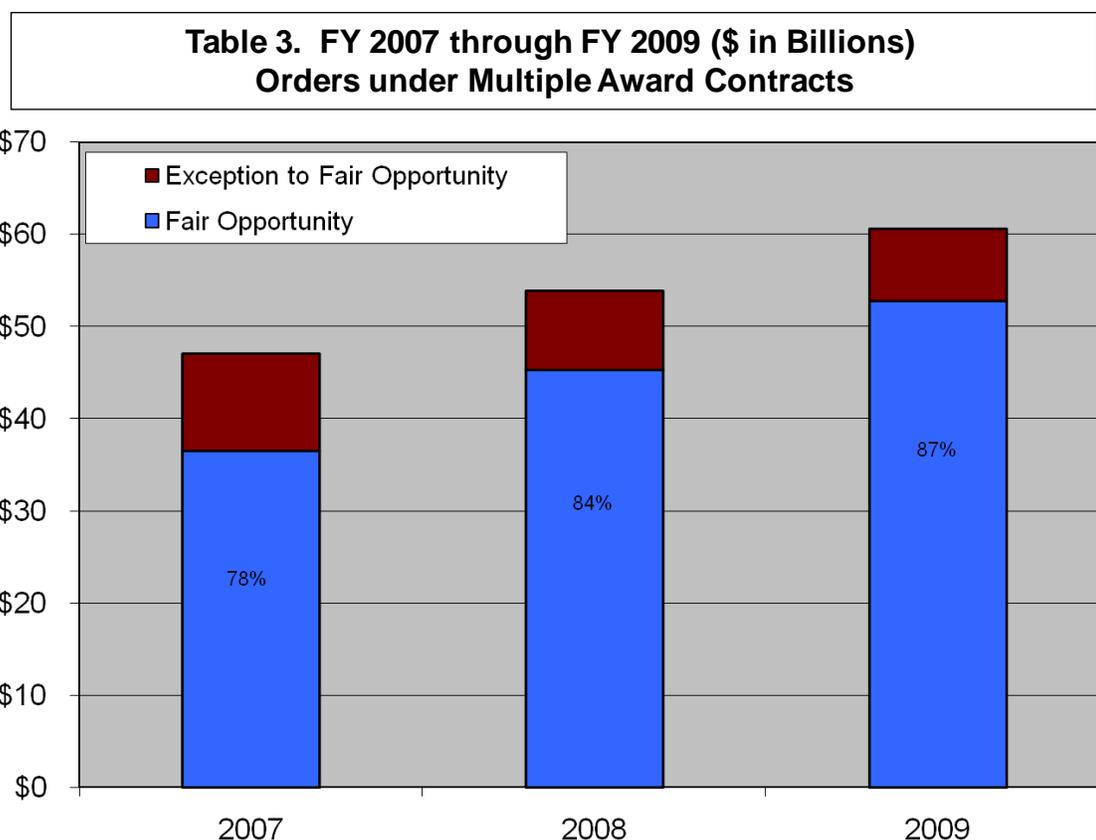
<sup>3</sup> The source is the FPDS Competition Report, run on January 6, 2010. Figures contained in the Military Department's and Defense Agency's Competition Reports may vary if the Competition Report was run on any other day since FPDS is a dynamic system.

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need to be purchased from the original equipment manufacturer (OEM) or supplier. These high dollar non-competitive buys significantly impact DoD's competition statistics.

### Fair Opportunity

DoD requires exceptions to fair opportunity for orders placed against multiple award contracts to be approved at the same levels required for Justifications and Approvals (J&As) for sole source contracts. DoD took this action back in FY 2004 to ensure appropriate emphasis is placed on providing competition (fair opportunity) at the order level. DPAP previously partnered with the Defense Manpower Data Center (DMDC) to develop a DoD report to track fair opportunity accomplishments, because the Federal Procurement Data System (FPDS) did not have a report on fair opportunity. Table 3 illustrates fair opportunity trend data for FY 2007 through FY 2009, at the DoD level<sup>4</sup>.



<sup>4</sup> The source for the FY 2007 and FY 2008 fair opportunity statistics is a DMDC report utilizing “frozen data” as of January 15, 2009. The source for the FY 2009 fair opportunity statistics is the fair opportunity workflow in the new FPDS Competition Report, as of January 6, 2010.

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DMDC also provides DoD a report that identifies the extent of fair opportunity achievement by the various types of multiple award contracts. Specifically, whether a DoD order is placed against a DoD awarded multiple award task or delivery order contract, a Federal Supply Schedule (FSS), a Government-wide Acquisition Contract (GWAC), or a multiple award task or delivery order contract awarded by some other non-DoD activity. Figure 4 summarizes how DoD fair opportunity achievements vary by type of multiple award contract. DMDC also runs these reports at the Component level which are provided to the Component's to assist them in overseeing the Component's fair opportunity achievements. The extent of fair opportunity achieved in FY 2009 for every type of multiple award contract improved over the achievements in FY 2008.

**Figure 4 – Fair Opportunity by Type of Multiple Award Contract**

	Total Orders under MACs	DoD MACs	FSS	GWAC	Non-DoD MACs
Obligations	\$60,063,248,203	\$49,886,350,570	\$9,216,291,767	\$857,106,327	\$103,499,539
% of Total Order Obligations	100.0%	83.1%	15.3%	1.4%	0.2%
Fair Opportunity Given	\$52,195,263,835	\$44,856,942,180	\$6,581,116,866	\$681,876,170	\$75,328,619
% Fair Opportunity Given (Dollars) By Type of Multiple Award Contracts	86.9%	89.9%	71.4%	79.6%	72.8%

DoD worked closely with the FPDS Program Manager in General Services Administration to develop a new FPDS standard report on fair opportunity that would be available to all FPDS users. The result is a new report entitled "Competition Based on Obligations" that was released to system administrators in early FY 2010 that utilizes the information reported for fair opportunity to determine the competitive nature of an order issued under a multiple award contract. Specifically, if fair opportunity was provided, the order is considered competed. If an exception to fair opportunity is reported, then the order is considered not-competed. Additionally, there are drill down options available in the new competition report that provide significantly more insight into the competitive and noncompetitive nature of contract actions, as well as insight into the extent of orders placed under multiple award contracts and whether fair opportunity or a particular exception to fair opportunity was applicable. Previously the FPDS Competition Report counted DoD orders under multiple award contracts as competitive because the initial contract awards were competitive. FPDS is awaiting Office of Federal Procurement Policy (OFPP) announcement of the new competition report prior to providing access beyond system administrators. With the release of the new FPDS report an order issued under a multiple award contract is considered competitive only if it provided for fair opportunity. The overall impact on the bottom line DoD competition achievements is approximately a 2% decrease in FY 2009, but again varies by Component, as shown in Table 5.

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<b>Table 5. FY 2009 FPDS NEW COMPETITION REPORT</b>			
<b>Factors in Fair Opportunity for Orders under Multiple Award Contracts</b>			
<b>Contracting Agency</b>	<b>Total Dollars</b>	<b>Completed Dollars</b>	<b>% Completed Dollars</b>
Army	\$145,607,506,714	\$94,162,725,096	65%
Navy	\$94,790,324,346	\$50,933,770,932	54%
Air Force	\$67,339,805,901	\$36,834,563,087	55%
Business Transformation Agency	\$2,979,612	\$2,892,535	97%
Defense Advanced Research Projects Agency	\$857,311,507	\$787,788,052	92%
Defense Commissary Agency	\$6,286,571,795	\$1,118,905,063	18%
Defense Contract Management Agency	\$390,682,159	\$279,010,379	71%
Defense Finance and Accounting Service	\$327,060,419	\$198,986,118	61%
Defense Information Systems Agency	\$4,494,272,387	\$3,444,753,211	77%
Defense Logistics Agency	\$37,168,818,244	\$33,231,659,010	89%
Defense Media Center	\$87,523,903	\$68,723,408	79%
Defense Microelectronics Activity	\$427,825,913	\$393,828,900	92%
Defense Security Cooperation Agency	\$57,665,637	\$50,468,038	88%
Defense Security Service	\$48,967,098	\$43,857,805	90%
Defense Threat Reduction Agency	\$939,755,625	\$643,159,804	68%
Dept of Defense Education Activity	\$288,852,666	\$258,349,139	89%
Missile Defense Agency	\$5,681,559,467	\$3,516,585,933	62%
TRICARE Management Activity	\$11,819,027,410	\$10,849,187,177	92%
Uniformed Services University of the Health Sciences	\$43,612,685	\$15,165,562	35%
U.S. Special Operations Command	\$2,294,100,515	\$1,461,855,138	64%
U.S. Transportation Command	\$4,105,343,719	\$4,007,729,692	98%
Washington Headquarters Services	\$796,336,492	\$717,614,635	90%
<b>Total DoD</b>	<b>\$383,855,904,213</b>	<b>\$243,021,578,714</b>	<b>63%</b>

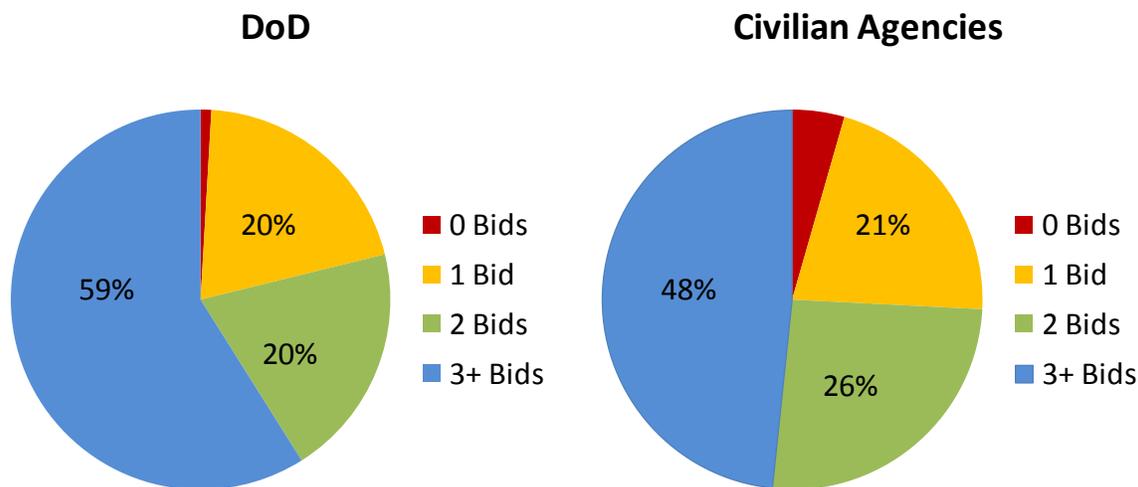
DoD is tracking competition achievements, at least in FY 2010, using both FPDS reports pending direction from the OFPP. We anticipate the new “Competition Based on Obligations Report” in FPDS may become the official competition report in the future. If this occurs, an adjustment to trend data must be recognized.

### Number of Offers

DoD has also done some analysis of the number of offers received on competitive awards. Figure 6 provides a percentage breakout of the number of offers received on competitive actions, based on information reported in the FPDS. For purposes of the analysis, actions reported as competitive that also addressed fair opportunity or were reported as a competitive delivery order were removed from the analysis. Single offer bids among DoD and the civilian agencies are comparable at approximately 20% of competitive awards.

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**Figure 6 – Number of Offers on Competitive Award Dollars<sup>5</sup>**



DMDC also runs a report for DoD on the number of offers received on orders placed under multiple award contracts that provided fair opportunity. Table 7 provides a top level summary of those results. The value of orders competitively awarded averages slightly higher than those for competitive contract awards, representing 23% of competitive orders. However, as the Table shows, the single award offers are significantly higher when using the FSS or non-DoD Multiple Award Contracts. The Department will continue to monitor these figures. From a trend perspective, the value of competitive awards with more than 2 offers and 3 or more offers increased slightly as a percentage over FY 2008 (up from 18% and 52%, respectively) with the value of orders with number of offers reported as 0 or 1 decreased from FY 2008 (down from 7% and 24%, respectively).

**Table 7 - Number of Offers on Competitive Orders (based on \$)<sup>6</sup>**

Number of Offers	Total Orders under MACs	DoD MACs	FSS	GWAC	Non-DoD MACs
0 Offers	6%	5%	10%	8%	9%
1 Offer	23%	20%	41%	23%	56%
2 Offers	19%	19%	16%	18%	18%
3 or more Offers	53%	55%	33%	51%	16%

These overall percentages for single offers for competitive awards and total orders under multiple award contracts of 20% to 23% are consistent with findings reported in a study conducted by the Institute for Defense Analysis for DoD on single bids

<sup>5</sup> Source of data is the FPDS, as of March 3, 2010 for FY 2009. For purposes of the analysis, actions reported as competitive that also addressed fair opportunity or were reported as a competitive delivery order were removed from the analysis. The reporting of zero bids is likely in error.

<sup>6</sup> Source of data is DMDC using FPDS frozen data for FY 2009, as of January 6, 2010.

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on competitively awarded service contracts.<sup>7</sup> In addition to analyzing FPDS data, IDA also contacted contractors and contracting officers to gain a better understanding of the potential reasons for single bid offers. As a result of its efforts, IDA identified the following as potential factors impacting a contractor's decision whether to submit a bid:

- The time available to prepare a proposal in response to a request for bid.
- The presence of an incumbent may deter potential bidders.
- Specialized technical requirements (medical, intelligence, test ranges) may reduce the pool of bidders, especially in combination with geographical or other restrictions.

IDA additionally recognized that receipt of a single offer does not necessarily indicate a lack of competition. Contractors have limited resources available for preparing bids and proposals, forcing firms to be selective in choosing what they bid on. Firms choose to bid on projects when they think they have a competitive advantage. So, to the extent that a firm expects others to bid on the same projects, the benefits of competition are being realized even if only one bid is actually received.

### Reasons Not Competed

The new FPDS competition report provides a summary report that address total dollars obligated, null values for extent competed, total dollars competed, and total dollars not competed. As previously discussed, the new FPDS report provides a workflow that provides a breakout of the various reasons for non-competitive actions. Table 8 provides the summary report, but then shows how the total dollars not competed are comprised of orders under multiple award contracts that did not provide fair opportunity (5% of not competed dollars), with the remainder of the not competed dollars (95%) being justified by a J&A authority. Table 8 goes on to provide a summary of the extent the various J&A authorities were used.

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<sup>7</sup> The Office of the Under Secretary of Defense for Industrial Policy, Industrial Base Assessments Directorate, and DPAP partnered on a study to determine some of the underlying causes for sole source and single bid contracts and assess whether there are potential industrial base concerns.

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### Table 8 – Additional Non-Competitive Detail from the New FPDS Competition Report

Total Dollars Obligated		\$383,855,904,213	% of Total Dollars
Total Dollars Competed		\$243,021,578,714	63.3%
Null Values for Extent Competed		\$847,677,986	0.2%
Total Dollars Not Competed		\$139,983,861,030	36.5%
Orders with an Exception to Fair Opportunity	\$7,130,501,694	5%	
Contract actions Authorized by a J&A authority	\$132,853,359,336	95%	
Breakout of various J&A Authorities		% of J&A Authorities	% of Total Dollars
FAR 6.302-1 "Only One Source"	\$99,567,934,225	75%	26%
FAR 6.302-2 "Urgency"	\$3,372,668,503	3%	1%
FAR 6.302-3 "Mobilization, Essential R&D"	\$3,076,444,821	2%	1%
* FAR 6.302-4 "International Agreement"	\$5,386,743,162	4%	1%
* FAR 6.302-5 "Authorized for Resale or by Statute"	\$18,936,433,537	14%	5%
FAR 6.302-6 "National Security"	\$1,777,830,035	1%	0%
FAR 6.302-7 "Public Interest"	\$48,891,249	0%	0%
Not Competed using SAP	\$210,000	0%	0%
Null value for reason not competed	\$686,203,804	1%	0%
		100%	35%
* These actions and FAR 6.302-1 sole source actions for utilities are generally categorized as "Not Available for Competition"			

### Effect of Commercial Contracting

Commercial items and services have a mixed effect in terms of competition. Some activities report a positive effect, while in hardware commands it can have a negative impact. This happens most often when an OEM for a major system uses a vendor whose commercial part was privately developed and is protected by patent or trade secrets. Once this component or subsystem becomes incorporated into the end product, it creates a sole source situation for replacements and repairs. Breakouts are possible, with performance (form, fit, function) specifications, but the process is time consuming and expensive. It also requires sufficiently well staffed contracting offices to assist in the necessary acquisition planning and handle the additional contracting workload.

## **II. Initiatives**

### Commercial Items

The acquisition process requires that acquisition teams review each requirement for potential fulfillment by use of commercial items. The Department is in the process

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of updating its Commercial Items Handbook. The Handbook is designed to be a practical reference tool to help acquisition personnel develop sound acquisition strategies for procuring commercial items. The update was published in the Federal Register on July 1, 2009. Comments are currently being considered and an updated Handbook is expected to be published in late Spring of 2010, pending final resolution of comments. The Handbook focuses on how market research and cross-competency teaming can increase the Government's cost-effective use of commercial items to meet war fighter needs. The Handbook offers suggestions on questions to ask, and it points to additional sources of information, sources of training, and available tools.

The Department submitted a report to Congress on its use of the Test Program for Commercial Items authorized by section 4202(e) of the Clinger-Cohen Act of 1996 (10 U.S.C. note 2304) and implemented at FAR 13.5 on November 25, 2008. The program provides for the use of simplified procedures for the acquisition of commercial items in amounts not exceeding \$5.5 million (\$11 million for certain acquisitions in support of contingency operations). Some reported benefits of the Test Program are increased competition and small business participation, decreased acquisition lead time, enhanced workforce morale, and decreased costs all while increasing the war fighter's capabilities. Extension to the Test Program through January 1, 2012 was authorized by Section 816, National Defense Authorization Act of Fiscal Year 2010.

The National Defense Authorization Act for FY 2008 contained several provisions targeted to ensuring the appropriate use of commercial item procedures within DoD. Section 805 clarified when a Time-and-Material contract and Labor-Hour contract may be used for the acquisition of commercial items and clarified the procedures for obtaining cost or pricing data to determine price reasonableness for services that are "of a type" offered and sold competitively in substantial quantities in the commercial marketplace. Section 814 clarified when cost or pricing data on non-commercial modifications of commercial items is required. Section 815 addressed when a subsystem of a major weapon system may be treated as a commercial item. An interim rule to change the Defense Federal Acquisition Regulations Supplement was issued in the Federal Register on July 15, 2009 to implement Sections 805 and 815. An interim rule was issued in the Federal Register on March 19, 2009 to change the Federal Acquisition Regulation to implement Section 814 Government-wide.

The Federal Procurement Data Systems (FPDS) was modified in FY 2009 to allow Components to accurately report procurements that utilized the Test Program for Commercial Items, implemented in the FAR Part 13.5. This test program allows use of simplified acquisition procedures for certain commercial item acquisitions

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that exceed the simplified acquisition threshold. Previously, FPDS did not collect information in a manner that would support the Department's ability to provide summary data on the use of this authority.

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

### Competition

As the Competition Advocate for DoD, the Director, DPAP has reinvigorated the role of the DoD Competition Advocates. The Director, DPAP meets throughout the year with the DoD Component Competition Advocates in a forum where achievements are reviewed and best practices and competition-related issues are discussed. To assist DoD Competition Advocates in their analysis of competition and fair opportunity achievements, DPAP and DMDC partnered to develop periodic reports that are provided to the Components to provide visibility into achievements within the Components. Additionally, as discussed earlier in this report, DPAP personnel worked closely with the FPDS Program Manager in General Services Administration to develop a new FPDS standard report on fair opportunity that would be available to all FPDS users and to implement system changes to improve the accuracy of the reported data on competition.

A subcommittee of the Contract Integrity Panel made up of representatives of the military departments, defense agencies and DPAP developed a distance learning training module, CLC 055 "Competition Requirements in Defense Acquisition." This training module is intended for use by Competition Advocates to reinforce the importance of competition to everyone involved in the acquisition process, including the requirements community. It is structured to emphasize key concepts with links to in-depth material for those desiring a more thorough understanding of policy and procedures.

DPAP promotes the development of acquisition strategies that maximize the use of competition at the prime, subcontract and order level throughout the program life cycle. This is accomplished through peer reviews and the Defense Acquisition Board process. A DPAP representative also Chairs the Defense Acquisition Regulations Council and the Federal Acquisition Regulations (FAR) Acquisition Strategy Team that is handling several FAR cases aimed at enhancing competition both at the contract and order level.

The Source Selection Joint Analysis Team (JAT), established by USD(AT&L) in November 2008, is chaired by DPAP and includes representatives from the military departments, other Defense Agencies, and the OSD General Counsel.

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The objective of this team is to standardize and simplify the methodology and approach with which DoD conducts competitive source selections. The JAT is finalizing the DoD source selection procedure in preparation for implementation of this new policy in calendar year 2010.

### Performance Based Acquisition

The Director, DPAP reviews all proposed acquisition of services over \$1 billion to ensure the requirements are clear and well defined, the acquisition approach and business strategy are appropriate, and that there are mechanisms in place to provide appropriate oversight of contractor performance. Additionally, the Components all have a management process in place to ensure effective management and oversight of smaller dollar acquisition of services.

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

DAU has created a variety of training opportunities designed to improve the Components' proficiency in service acquisition. ACQ 265 "Mission Focused Services" is a cross functional four day case based course where students learn about the seven step service acquisition process and develop work products from the case such as team vision and charters, requirements roadmap, source selection evaluation criteria.

DAU also offers the Service Acquisition Workshop (SAW) early in the service acquisition process to help the teams develop better performance based requirements and business strategies. Workshops are only conducted if the project manager, contracting officer, requirements developers and contracting officer

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representatives can participate. During FY 2009, DAU conducted 15 SAWs and the demand is increasing.

DAU has also launched the Service Acquisition Mall or SAM. SAM is designed as a knowledge and training resource for the acquisition workforce available 24/7. SAM contains training of the seven step service acquisition process as well as instruction on developing work products associated with the acquisition process. Samples and worksheets are downloadable. SAM is in its early stages of development, but the goal is to have functional performance objectives and performance standards for the major types of services DOD acquires. The first "store" to be developed within SAM is the Knowledge Based Store which involves Advisory and Assistance type services and accounts for over \$47 Billion in DoD spend annually.

### Examples of Component Initiatives

The Component's Competition Reports address many initiatives to increase competition, the use of commercial items, and performance-based acquisition. A representative sampling is provided below.

- Component Competition Advocates reviews with field Competition Advocates.
- On-site or road show training and development of user handbooks on market research, competition, commercial items and performance-based acquisition for acquisition professionals and contracting officer representatives.
- Hosting conferences/industry days for suppliers on upcoming procurements to include use of web enabled collaboration tools, including access to videotapes of events.
- Hosting Capability Briefing Sessions, providing counseling centers, and publishing long-range acquisition forecasts are tools used to give small business an opportunity to present an overview of their capabilities and products they offer and learn of DoD business opportunities.
- Alternate sourcing initiatives that result in the identification of new sources and significant cost savings.
- Team focus (Program/Item Manager, Buyer/Contracting Officer, Small Business Specialist, Competition Advocate) and participation in acquisition planning, market research and development of performance-based work statements.
- Contract action boards that review market research for sources, and quality and level of competition.

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- Increased focus on providing fair opportunity for orders to include Competition Advocate or Independent Contracting Officer Reviews of exceptions to fair opportunity.
- Use of automated system to assist in market research efforts (e.g., Dun & Bradstreet's "Rapid Reach Campaign" that sends e-mails to vendors in a selected market area to announce pre-proposal conferences and issuance of solicitations.
- Challenges to brand name or military unique specifications.
- Utilization of broad agency announcements, requests for information and pre-solicitations to help define commercial solutions and increase competition.
- Program management reviews to encourage continuous improvement.
- Awards program to recognize outstanding performance in improving competition and/or recognition of employees who made a special effort to make awards to small business.
- Continued focus on ensuring accuracy of data reported in the Federal Procurement Data System.

### **III. Barriers to Competition**

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

- Aging weapon systems and non-competitive follow-on buys
- Unique/critical mission or technical requirements.
- Industry move toward consolidation.
- Urgent requirements in support of war operations.
- Proprietary rights on items developed at private expense.
- Lack of good technical data packages.
- Approval process and substantial investment/testing required for alternate sources for critical items and maintenance capability.
- Workload/reductions in contracting personnel.
- Credit markets in the United States adversely impacting vendors in the electricity market.

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

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### **III. Recommendations to the Defense Acquisition Executive**

#### DoD's Competition Goal

The Department established an aggressive goal for competition in FY 2009 of 66%, that reflected a 2% improvement over FY 2008's reported competition achievements of 64%. However, after the FY 2009 goal was established, the Department discovered that FY 2008 obligations and competition achievements were overstated by \$13 billion as a result of a reporting anomaly. The reporting anomaly also impacted FY 2009 and resulted in FY 2009 actual obligations and competition achievements being understated by \$13 billion. Adjusting for the reporting anomaly, results in competition achievements of 63% and 65%, respectively, for FY 2008 and FY 2009. The actual improvement of 2% is consistent with the improvement reflected in the goal established for FY 2009.

A DoD Enterprise-level High Priority Performance Goal has been established for competition beginning in FY 2010. The performance goal requires DoD to achieve a 1% increase each fiscal year in dollars obligated by DoD competitively over achievements in the prior fiscal year. The Enterprise metric recognizes that the basis for determining DoD's competition accomplishments is the official FPDS competition report and that the methodology for this report is likely to change in FY 2010. As such FY 2009 accomplishments were provided using both the existing FPDS report format (65%) and the preliminary release of the new FPDS report format that factors in fair opportunity (63%), as adjusted for the anomaly.

Accordingly, DoD establishes a FY 2010 goal for DoD competition achievements at 66% (using the existing FPDS report) and 64% (using the preliminary release of the new report). DoD will track both measures until the time OFPP officially transitions to the new FPDS report, but will focus predominantly on the new report as it factors in the extent that competition is provided in the placement of orders under multiple award contracts. This is a more accurate representation of the competition achieved for the government's requirement.

#### System of Accountability

As the DoD Competition Advocate, I established guidelines for the Component Competition Advocates to use to establish challenging goals for FY 2009 and FY 2010. I hold regular meetings with the DoD Competition Advocates to review progress towards achieving competition goals, to review fair opportunity achievements, and to provide an open forum to discuss issues and initiatives. SES's in DPAP participate in peer reviews and Defense Acquisition Boards to review acquisition strategies for competitive opportunities. This is in addition to

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discussions and initiatives on-going at the working level among OSD and Component representatives. For example, participation in working level program/contract reviews, development of FAR changes to strengthen competition policy and increase transparency; and improving training regarding competition related matters.

### Attachments:

Army Report

Navy Report

Air Force Report

Defense Logistics Agency Report



# ARMY COMPETITION REPORT

**2009**

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

## Army Competition Report 2009

### I. Rates of Competition:

The Army's overall rate of competitive obligations in dollars for fiscal year (FY) 2009 was 67%. The Army offered a goal of 65% for FY09; however, it was revised to 69% to comply with the new administration's interest in competition. It is important that the Army participate in every effort to support these new challenges.

The Army notes two significant issues that affect the figures for DoD and Army. It reflects an adjustment of \$13 billion dollars increase for FY08 and a decrease for FY09. The above FY09 Competition Goal Percentage of 67% reflects a \$13 billion dollars error that occurred in FY08. A Contract Action Report (CAR) was created in FY08 for a \$13 billion dollars award. The actual obligated amount of the award was \$15,252,000. The CAR was not corrected until FY09. As a result, the FY08 competition data is inflated by \$13 billion and the FY09 competition data reported is \$13 billion less than the actual competed dollars. Correction to the CAR in the fiscal year that the error occurred is the proper procedure to report the correct dollar obligations.

In the chart below is the top-level breakout shown in Figure 1 below. FPDS-NG does not reflect the Army's current command realignment efforts. These are the official totals extracted from the FPDS-NG database on 15 December 2009. For FY08 and FY09 Joint Contracting Command for Iraqi and Afghanistan data was abstracted from FPDS-NG database. Overall, there were few surprises in these numbers. Installation/depot contracting, which drives Army Contracting Command's numbers generally well suited to competition. This is even true for construction and services of the type that form the core of U.S. Army Corps of Engineer's mission.

#### Competition By Dollars

Total Dollars	Competition Base (Dollars)	Competed (Dollars)	Percentage Completed (Dollars)
\$145,607,506,714	\$145,513,716,326	\$97,329,694,328	67%

Adjustment for Army deobligation of \$13,901,924,427, for FY2008 error.

Figure 1

Measured in actions, the numbers are shown below as Figure 2. The fact that procurement actions are 80% competitive is consistent with the following analysis of the impact of Army Material Command’s “hardware” commands: Aviation & Missile Command and U.S. Army TACOM Life Cycle Management Command noncompetitive dollars are driven in large part by major systems and the need to purchase many of the spares and upgrades from the original equipment manufacturer or their original suppliers. The government failed to procure technical data packages to enable competition. The competitive percentages are higher when measured by actions because all commands are making an effort to compete what they can, but high-dollar noncompetitive buys drive the overall picture.

**Competition By Actions**

<b>Total Army Actions</b>	<b>Competition Base (Actions)</b>	<b>Completed (Actions)</b>	<b>% Completed Actions</b>
<b>500,607</b>	<b>469,275</b>	<b>375,299</b>	<b>80.%</b>

Figure 2

Noncompetitive Drivers: One of major factors is the large-dollar Justification & Approvals and the overwhelming majorities are FAR 6.302-1, Exception 1, only one responsible source. The Army’s total Justification & Approvals that we could identify (including those approved at lower levels are listed below in Figure 3).

<b>Exception No.</b>	<b>Description</b>	<b>\$ of J&amp;As</b>		<b>J&amp;A Actions</b>	<b>%</b>
1	Only one Responsible Source	\$36,818,389,696	76.6%	57,834	57.5%
2	Unusual and Compelling Urgency	\$1,441,100,504	3.00%	3,425	3.40%
3	Industrial Mobilization	\$933,242,274	1.94%	564	0.56%
4	International Agreement	\$2,136,445,306	4.44%	2,093	2.08%
5	Authorized or Required by Statute	\$6,028,883,840	12.5%	31,334	31.1%
6	National Security	\$107,840,660	0.22%	442	0.43%
7	Public Interest	\$31,785,360	0.06%	107	0.10%

Figure 3

Effects of major hardware systems: Contributing factors driving the overall Army percentage downward somewhat is major hardware systems, spare parts, medical equipment, supplies, and services. The impact of spares and upgrades to existing major systems is indicated by an analysis of the “Follow-on to Competition” category summarized below in Figure 4, which comprises of 207 actions, for a total of \$91,075,008 or less than 0.0529 % of the total Army actions but almost 1% of the dollars.

**Follow-On to Competition**

<b>Follow-On to Competed Actions</b>	<b>Percentage Follow On to Competed Action (Dollars)</b>	<b>Follow-On to Competed Action (Actions)</b>	<b>% Follow-On to Competed Action (Actions)</b>
<b>\$91,075,008</b>	<b>0.07%</b>	<b>207</b>	<b>0.0529%</b>

Figure 4

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

Effect of commercial contracting: Commercial items and services have a mixed effect in terms of competition. Some activities, such as Surface Deployment Distribution Command, report a positive effect, while in the hardware commands, such as Aviation & Missile Command and U.S. Army TACOM Life Cycle Management Command, it can have a negative effect. This happens most often when an original equipment manufacturer for a major system uses a vendor whose commercial part was privately developed and is protected by patents or trade secrets. Once this component or subsystem becomes incorporated into the product, it creates a sole source situation for replacements and repairs. In the figure 5 below shows the “Not available for Competition” dollars and actions.

**Not Available for Competition**

Not Available for Competition (Dollars)	% Not Available for Competition (Dollars)	Not Available for Competition (Actions)	% Not Available for Competition (Actions)
\$8,655,746,374	6.58%	35,678	9.12%

Figure 5

Fair Opportunity: The following table (Figures 6a and b) show the Army's rates, by actions and dollars, of conducting "fair opportunity" competitions on multiple-award task order contracts, and reflects the newer contracts for which FPDS-NG captured the data. Factoring in Fair Opportunity into the Competition Base dollars reduces the Army goal by 2 to 3 percent.

<b>Total Army Orders against DoD issued multiple award contracts</b>				
	<b>Actions</b>	<b>Dollars</b>	<b>% Actions</b>	<b>% Dollars</b>
No Exception - Fair Opportunity Given	37,968	\$22,749,258,704	82.30%	90.96%
Follow -on Delivery Order	3,628	\$1,134,683,536	7.78%	4.54%
Minimum Guarantee	795	\$59,289,836	1.70%	0.24%
Other Statutory Authority	558	\$96,250,282	1.20%	0.38%
Urgency	254	\$79,996,991	0.54%	0.32%
Only one source - Other	2,999	\$647,067,293	6.43%	2.59%
Total Exceptions to Fair Opportunity	8,234	\$2,017,287,938	17.65%	8.07%

Figure 6a

**Total Army Orders against non-DoD issued multiple award contracts**

	<b>Actions</b>	<b>Dollars</b>	<b>% Actions</b>	<b>% Dollars</b>
No Exception - Fair Opportunity Given	123	\$38,382,597	69.49%	0.795%
Follow -on Delivery Order	9	\$4,786,534	5.08%	0.099%
Minimum Guarantee	0	\$0.00	0%	0%
Other Statutory Authority	11	\$2,087,309	6.21%	0.043%
Urgency	0	\$0.00		0%
Only one source - Other	29	\$3,203,727	16.38%	0.066%
Total Exceptions to Fair Opportunity	49	\$10,077,570	27.67%	0.208%

Figure 6b

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

## **II. Impediments to Competition:**

MEDCOM’s ability to compete a considerable number of dollars is significantly limited due to the health care mission. Medical items are generally available in the commercial market, but compatibility issues limit competition with existing government owned equipment. Additionally, physician prescribed invasive devices such as surgical implants, stents, pacemakers, artificial limbs, and prosthesis. While there are several commercial sources for these products, the physician selects the item that best meets the specific medical and physical needs of an individual patient; as a result, these individual requirements are not available for competition. This area will continue to be a challenge because no exemption exists for physician prescribed invasive devices or prosthesis. Bridge and interim contracts are another area that negatively affects HCAA’s competition numbers. HIV testing services are required to maintain readiness for active, guard and reserve troops and must continue. The HIV replacement contract was awarded in the 4<sup>th</sup> quarter so these actions will now reflect competition.

U.S. Army Corps of Engineers National Contracting Organization achieved a competition rate of 90.6%, which is just 0.4% shy of the 91% goal. A significant contributing factor to not achieving the competition goal was including actions in the competition base that were authorized by statute, and hence not available for competition. In FY09, the amount of dollars authorized by statute awarded as sole source was \$2,350,370,501. If calculation was based on the historical process of removing dollars from the competition base that were categorized as “not available for competition,” U.S. Army Corps of Engineers collectively would have achieved a competition rate of 98%, far exceeding its goal of 91%. Actions authorized by statute include those awarded under the 8(a) program, Veterans Benefits Act of 2003, HUBZone Act of 1997, Federal Prison Industries, and Qualified Nonprofit Agencies for the Blind or Severely Disabled.

National Capital Region Contracting Center, Information Technology, E-Commerce and Commercial Contracting Center (NCRCC/ITEC4) did not achieve its competition goal for FY09, NCRCC/ITEC4 primarily due to activity on a contract with Comtech Mobile Datacom Corp, for the Movement Tracking System. During FY09, NCRCC/ITEC4 obligated \$441,937,270 on this non-competitive vehicle; obligations for this one contract represented sixteen percent of their competition base of \$2,838,213,970.28, therefore, adversely affecting our

overall competition rate. Also due to the scheduled BRAC of Communication Electronic Command Contracting Center (CECOM), Headquarters from Fort Monmouth, NCRCC-ITEC4 was charged with the mission of migrating and assuming control of numerous larger CECOM's IDIQ contracts.

Within the U.S. Army Corps of Engineers Principal Assistant Responsible for Contracting in Dallas, 10.79% of the competition base was not available for competition that had an extremely negative impact on the competition achievement in FY09. PARC Dallas achieved a competition rate of 88.6%. Since competition base includes awards to 8(a) firms and Alaska Native Corporations (ANCs) which are authorized by statute to be awarded sole source, it introduces a conflict between achievement of the competition goal and achievement of the small business goals.

### **III. Efforts to improve the competitive picture:**

Establishment of Mission and Installation Contracting Center (MICC) Industry Council: The MICC Head of Contracting Activity (HCA) produced a robust and productive tool to engage the business community with the acquisition professional community, as well as with the MICC key requiring communities activities. This was a way to facilitate communications within and between communities and in turn reduce impediments to effective procurements that provide critical supplies and service to our warfighters and families. This also promoted an environment of collaboration in lieu of problems. The creation of the Industry Council held 4 sessions for FY09. The HCA and PARC are both active participants in the Council. Both attend and facilitate the quarterly meetings. The MICC has experienced great success in using competitively awarded enterprise/master contracts that decreased award of contracts and increased customer satisfaction. The MICC currently has four enterprise IDIQ Multiple Award Task Order Contracts (MATOC): Field and Installation Readiness Support Team (FIRST) principally for providing logistics; CONUS Support Base Services (CSBS) which replaces the Reserve Component Garrison Support Units and the CONUS Support Base Units that augments Garrisons in support of mobilization operations; Aviation and Maintenance Administrative Support Services (AVJAMSS); and Operation and Training Resource Support Services (OPARSS), that focus on support of the overall operational mission of U.S. Forces Command, as well as support to the U.S. Army Installation Management Command and U.S. Army Training and Doctrine Command.

U.S. Army Intelligence and Security Command continue its oversight of the acquisition process through the Contract Acquisition Review Board (CARB). All procurement actions over \$500K are reviewed in weekly CARB sessions that are attended by senior management. During these meetings, the quality and level of competition is assessed as requiring activities present requirements and supporting documentation, including market research for sources. To further enhance the CARB's usefulness, the command group directed the PARC to

initiate and lead a Lean Six Sigma review of the acquisition process are follows: requirements identification and validation, integrated products team planning and coordination and CARB decision making process.

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

U.S. Army Program Executive Office for Simulation, Training and Instrumentation's source selection philosophy memorandum stresses the importance of competition being the norm and sole source actions being the exception. Additionally, the HCA philosophy memorandum stresses the importance to ensure integrity and fairness is maintained throughout the source selection process, and maximizes the use of draft RFPs to ensure adequate understanding of requirements by industry and increase competition. PEO STRI participates in an annual Training Simulation Industry Symposium (TSIS) that presents upcoming PEO STRI requirements and draft acquisition strategies/milestones to industry partners to aid in their advance planning of requirements and opportunities. To ensure that task and delivery orders awards over \$1M under multiple award contracts are properly planned, issued and comply with regulations, PEO STRI developed a STOCII Contract Users Guide. This guide stresses commitment to the principles of the Competition in Contracting Act (CICA) and the involvement of small businesses to the maximum extent possible. The Special Competition Advocate is required to review all STOC II delivery/task orders to ensure competition goals are accomplished.

U.S. Contracting Center of Excellence, Mission and Installation Contracting Center is committed to maximizing competition and continually stresses to its workforce the importance of competing actions wherever possible. Management consistently challenges Justification and Approval Documents (J&A) when the rationale does not meet the criteria set in FAR part 6. In addition, U.S. Contracting Center of Excellence policy is not to approve any J&A that exceeds one year.

#### **IV. Trends Analysis**

Below (Figure 7) are the top-level trends in Army competition dollars and actions, from 2000 through 2009. The Army's intent is to show the trends before and during original equipment manufacturer. Due to the changeover in databases

beginning in 2006, while the years 2000 – 2005 should reflect a reliable year-to-year comparison, there is little confidence in the comparative value of the data after that. Prior to 2006, DD350/1057 database was used and whatever biases may have existed are now at least consistent. In 2006, when the migration to FPDS-NG was accomplished, not all the data migrated properly into the new system and the extent of the problem was never quantified. In 2007, the data was all in the new system, but in addition to the databases being different, 2007 reflects totals with contracts with Government Agencies and Foreign Military Sales (“Not Available for Competition”) being added to the competition base. Both the rise in 2006 and the drop in 2007 are therefore highly suspect.

**Army Competition Trends 2000-2009 %  
Competed**

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

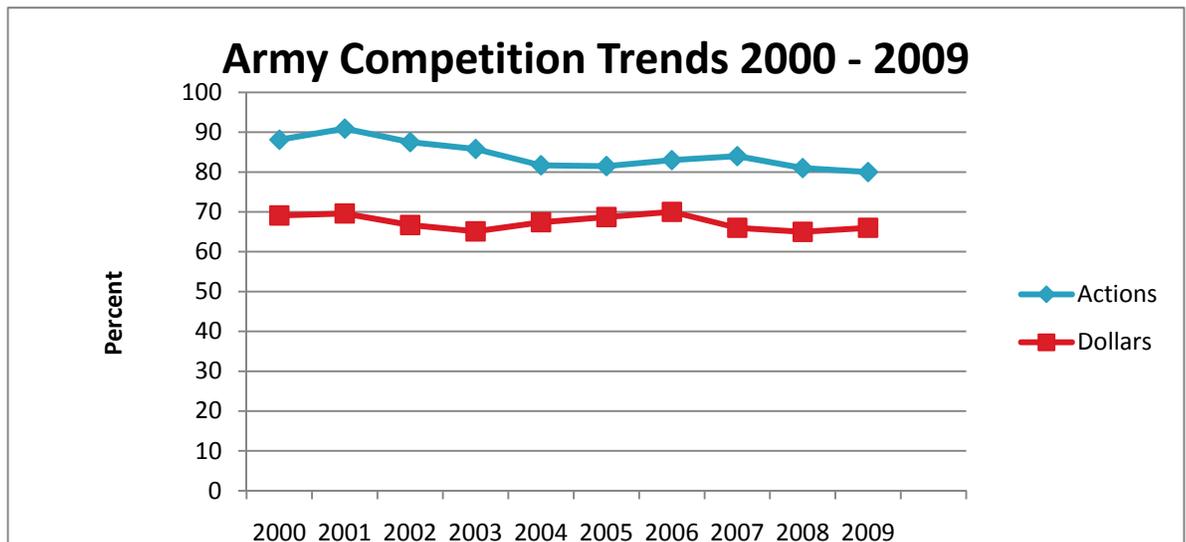


Figure 7

The notable competition trend from 2000 to 2005 was generally negative in actions, with dollars reaching a low in 2003 and then rebounding slightly. This suggests that rather than a definable event such as Operation Iraqi Freedom, there are longer term factors at work. There is no doubt that reductions in contracting personnel, with the consequent greater workload per contracting officer, has resulted in bundling of contract actions into larger packages for which fewer companies are able to compete. I

Over the last decade, Army contracting experienced a net 15 percent reduction in workforce concurrent with a 500 percent increase in contract dollars (FY07: \$32.5B, FY08: \$164B, FY09: \$145B). During the period 1998 – 2002, the

number of actions was sharply dropping, while dollars obligated were on a steady upward glide path. Operation Enduring Freedom had little overall effect in 2002. It was only with the beginning of the war in Iraq in 2003 that the pattern changed; dollars began to increase more sharply and actions began to climb back up. In spite of the increase in actions after 2002, average dollars per action (the middle line) continued to increase, as they have since 1998.

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

The Army Contracting community continues to be vigilant in its efforts to promote and provide for full and open competition in soliciting offers and awarding Government contracts. The overall percentage of dollars and actions awarded competitively has remained relatively constant since FY07. For example, the Army competitively awarded 64 percent of every dollar spent in 2007; in 2008, 65.4 percent were awarded competitively, which slightly exceeded the Army's competition goal of 63 percent. For 2009, the Army competed 67 percent of its dollars. Overall from 2007 to 2009 the Army increased dollars competed by 2 percent. Army total actions for FY09 were 469,275. The Army competed 375,299 of those actions, which is 79.97 percent of actions competed. The competitive percentages are higher when measured by actions because all Army Commands, Army Service Component Commands, and Direct Report Units are making a concentrated effort to compete requirements.

## **V. Goals**

The Army's goal for FY 2010 is 67% of the total procurement dollars. This reflects the fact that both major factors driving the percentages are not expected to change: funding of service contracts requiring noncompetitive "bridge" contracts, and hardware upgrades involving legacy systems.

Requirements for Army resources, supplies and service continues to grow, particularly in Afghanistan where the Army is sending more forces and equipment as part of a temporary buildup over the next several months. To meet the additional requirements to support the soldiers, there is an unforeseen increase in follow-on contract and bridge contracts to support these efforts. Another negative effect towards the Army's 2010 competition goal is the contingency

efforts in support of the earthquake in Haiti by providing humanitarian assistance and disaster relief.

With increased scrutiny of lengthy Exception 2 (unusual and compelling urgency), Exception 1 (only one source) contracts, and proper notification in FEDBIZOPPS, we should be able to make some improvement, but this could offset the need to refurbish vehicles and other hardware systems. The continuing nature of the contingencies we are supporting is not likely to change in the remainder of FY10.

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



## DEPARTMENT OF THE NAVY FISCAL YEAR 2009 COMPETITION REPORT

In accordance with President Obama's Memorandum on Government Contracting dated 04 March 2009 and the Defense Procurement and Acquisition Policy (DPAP) Memo dated 05 November 2009 entitled "Competition Report for Fiscal Year (FY) 2009", the Deputy Assistant Secretary of the Navy, Acquisition and Logistics Management (DASN A&LM), as the Competition Advocate General for the Department of the Navy (DON) is submitting the Fiscal Year 2009 Competition Report.

The DON achieved a competition rate of 54% computed based on obligations using the new FPDS-NG report that factors in fair opportunity under task or delivery order contracts, and a 56% rate using the existing FPDS Competition Report. The FY09 competition goal was established at 58%. The FY10 goal is established at 56%. In FY09, the DON achieved an 84% rate for fair opportunity provided for awards made under multiple award contracts.

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

The following information complies with FAR 6.502 reporting requirements. It includes additional information requested by DPAP concerning implementation of DPAP Memorandum of 14 September 2009 with regards to using the training template or Defense Acquisition University (DAU) Continuous Learning Course (CLC) 055 to educate the acquisition and requirements community on competition.

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

Contracting officials ensure that the necessary market research is done to accomplish the mission utilizing commercial items. Program Offices perform due diligence in assessing what products or services already exist and document results in the Acquisition Plan, and contracting officers challenge any determination that requirements are not commercially available. Market research is conducted to identify potential socioeconomic opportunities, and impacts the selection of evaluation factors, contracting and source selection methods, and amount and type of requested proposal information. At HQMC (I&L), positions have been created to review requirements and recommend to customers how to incorporate less restrictive language in the statements of work and

items descriptions. NAVSEA developed an enhanced Market Research questionnaire required before synopsising every requirement and established a Ready Support Group Support Division at SUPSHIP-Groton as a new initiative to identify additional qualified vendors through market surveys in traditionally sole source environments.

In FY09, Navy contracting offices continue to focus their efforts on promoting commercial item acquisitions through communication and educational initiatives. Competition Advocates encourage contracting personnel to become more familiar with their customers' business. A number of NAVSUP contracting offices have entered into partnering arrangements with their local Small Business Program Offices to jointly conduct workforce training on the specific topic of commercial item acquisition. Small Business Specialists work to educate the local business community on how to conduct business with the Government striving to link requirements with commercial sources. NAVAIR encourages DAU CLC 020 (Commercial Item Determination) toward accomplishment of the required DoD AT&L Acquisition Workforce 80 hour continuous learning requirement. COMSC has expanded an FY07 initiative to formalize requirements for cross-functional Acquisition Planning Teams for high value or high visibility procurements by incorporating a performance objective related to establishing contract milestone plans with customers to improve acquisition planning of commercial items. In areas where a system cannot be purchased commercially, prime contractors are encouraged to increase the use of commercial items at the subsystem or component level, as well as increase competition at the subcontract level.

Standardization of templates and additional oversight via review boards were also common initiatives. Several commands capture all of their changes to processes and procedures on a nearly real time basis via tools that are available to both the contracting and requirements communities. These include regulations, procedures, processes, templates, lessons learned, and training slides of various aspects of the contracting process and enable consistency across the enterprise in acquisitions and establish uniform dissemination of innovative processes to the Acquisition community located in offices worldwide. SPAWAR Contract Requirements Review Board requires all Heads of Contracts to review packages for large dollar value acquisitions to be awarded in accordance with FAR Part 15. While each of these packages may result in multiple award contracts, a variety of competitive acquisition strategies will be used (e.g., 8(a), SB Set-Aside, full and open competition).

Increased communication with industry was achieved in FY09, via methods such as Requests for Information (RFI's), industry days, and websites. SPAWAR conducted Presolicitation Conferences and One-on-One Meetings including the warfighter, program office personnel, contracting personnel, and legal counsel that provided valuable inputs to clarify the Government's requirements, revealed current industry capability to satisfy requirements, and gathered feedback from attendees which the program office and contract team used to refine draft solicitations. NAVSEA's Naval Warfare Centers employed their website for increasing contracting opportunities for commercial item contracting within their community, with approximately 200 registered Government users and 1200 registered businesses, each offering a unique array of products and services.

Most of the businesses registered on the website are small, third party resellers that specialize in hard to find Commercial-Off-The-Shelf (COTS) items required to maintain the Fleet and support the warfighter.

The Navy also maximizes utilization of existing Multiple Award Contracts (MAC), General Services Administration (GSA) Federal Supply Schedules (FSS), and other Government Wide Acquisition Contracts (GWAC) while meeting mission needs. Several field activities indicated that they used GSA e-Buy as another method to increase commercial item contracting, especially when procurements were identified as other than “open-market” buys.

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

Capturing, understanding, and clearly defining new requirements without restrictive specifications as early as possible is the most effective way to ensure the broadest opportunity for full and open competition. Contracting Officers continuously challenge customer requests for sole source purchases, and use this as an opportunity to train the requirements generators in the contracting process and use market research to identify alternate sources. Requirements in excess of \$100,000 are periodically sent to the Office of Counsel for review, and requirements exceeding \$550,000 are reviewed by the Competition Advocate to ensure competition is being promoted to the maximum extent practicable. Some Competition Advocates have begun to only approve actions for one-year, with no option years, for those situations where contracts are awarded on a non-competitive basis. For instance, where customers require sole or limited source “bridge” actions to ensure operational support, Competition Advocates ensure such actions are processed only in anticipation of a competitive follow-on, thereby limiting the period of performance to the time necessary to process the competitive follow-on. Follow-on contracts that have the same sole source outlook as the original acquisition are also targeted and challenged for the identification of additional sources. The Navy continues to reinforce the open architecture concept in development efforts and initiatives to find competitive solutions where data suitable for competition was not previously obtained.

From an industry perspective, constant outreach initiatives continue to be employed to help identify a segment of industry that is able to provide competition for materials and equipment that have historically been purchased on a sole source basis. As they are identified, companies are provided an opportunity to test and evaluate their products to meet the Government’s requirement.

Several internet tools and procedures have increased communication with potential vendors. Sources sought notices are issued in FedBizOps to locate potential vendors, and per Section 844 “Public Disclosure of Justification and Approval Documents for Noncompetitive Contracts” of the National Defense Authorization Act for Fiscal Year 2008, J&A documents relating to the use of noncompetitive procedures are posted within 14 days of contract award (or within 30 days if the J&A is for unusual and compelling urgency). In FY09, NSWC-Dahlgren continued to support the SeaPort-e

Multiple Award Contract vehicle by beginning a separate round of rolling admissions tailored exclusively for 8(a) companies. As a result, 199 new 8(a) companies were accepted into the SeaPort-e program. As SeaPort-e reached the five year mark, in lieu of conducting rolling admissions in FY09 beyond the 8(a) program initiative, NAVSEA exercised the award term options and recertified the size status for the existing SeaPort-e prime contractors. This successfully created a competitive environment that was more realistic based on current size standards. Another rolling admission is planned for mid-year FY10.

MARCORSYSCOM is establishing a Peer Review Policy to ensure Contracting Officers across the Command are implementing policies and regulations consistently; and, contracting processes are being developed with a cross-sharing of best practices and lessons learned. This will ensure Contracting Officers provide rationale documenting why full and open procedures do not apply to an acquisition, citing the appropriate authority, and address actions taken to improve the competitive environment for the current requirement and plans to improve competition for foreseeable follow-on acquisitions.

NAVAIR mandated that managers of competencies and programs ensure employees participating in source selections are provided adequate source selection training and mentoring. NAVAIR also utilizes a standardized template for Sections L and M of competitive solicitations to decrease the variability amongst NAVAIR solicitations. This benefits industry by allowing companies to generate proposal information in a common format that can be used for multiple solicitations and benefits the Government by decreasing the allotted time to generate and review the solicitations. NAVAIR chartered the Source Selection IPT (SSIPT) to identify, prioritize, and eliminate vulnerabilities in the NAVAIR Source Selection Process through training and updates to current policy, including the NAVAIR source selection instruction.

As a result of the focus on competition, more than 88% (inclusive of all actions) of NAVFAC's awards are competitive and SPAWAR's acquisition planning process achieved 84.7% of all obligated dollars through full and open competition by focusing on competition and the acquisition of commercial items or non-developmental items.

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

Standardized templates are used by several activities to proactively assist requirements personnel in developing performance based packages. Contracting personnel are well-versed and accustomed to teaming with customers to develop Performance Work Statements (PWS) and Quality Assurance Surveillance Plans (QASP) that meet the requirements in FAR Subpart 37.6. For example, NAVSUP contracting personnel developed a Service Contract Administration Toolkit that includes several items to assist customers in developing performance-based requirements including a QASP Tutorial and Guide and a QASP Preparation Template that focuses the customer on the performance requirements. This toolkit and tutorial is available to contracting

personnel via the NAVSUP Contracting Knowledge Site. Additionally, NAVSUP has compiled an extensive electronic library of performance work statement templates that they share with customers as a means of assisting them in the development of performance-based work statements.

The USMC Contract Management Process Guide (CMPG) provides detailed information regarding how to define the requirement and identifies desired results so the requirement is described based on outcomes. In addition, the CMPG provides a link to various sections of the DoD PBSA Guide and includes sample Performance Work Statements for various services. All Marine Corps requirements generators have full access to the CMPG and contracting personnel use the information, references, and samples when reviewing PWS's for specific requirements. Requirements are always challenged when brand name or equal is part of the requirements description.

NAVFAC policy mandates Facilities Support contracts (such as ground maintenance, and custodial services) greater than \$25,000 use a standard performance-based template that aligns to the Commander Naval Installation Command's (CNIC's) core business model. Also, NAVFAC prefers Design-Build contracts to accomplish the majority of the construction projects because these contracts typically incorporate performance goals and performance-based specifications to define the construction requirements.

Additional oversight also helps in ensuring requirements are performance based. Some SYSCOMs have pushed the requirements of DON policy for Management and Oversight Process for the Acquisition of Services 2 (MOPAS 2) down to all service acquisitions exceeding \$100,000. MOPAS 2 builds a business case that specifically must identify performance-based elements of each service acquisition, including clear specifications, quality control planning, metrics, etc. NAVSUP utilizes a training tool for Quality Assurance Self-Assessment (QASA) program reviews, which provide contracting personnel the opportunity to examine contract actions for quality and compliance issues, including an assessment of whether commercial items, performance-based standards and competition are being maximized. NAVFAC continues to manage and apply robust Inter-Agency and Intra-Navy policies and higher-level review/approval for all acquisitions for professional services, resulting in reductions to the number of contract actions issued based on limited or no competition.

**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.**

A portion of the mix of supplies and services procured by the DON does not lend itself to either commercial item acquisition or competitive procedures. The limited and/or unique nature of these particular supplies and services (e.g., repair parts not actively supported by the stock system or regularly produced by the original equipment manufacturers) serves to limit competition.

Highly specialized materials and equipment related to supporting fleet customers (e.g., use of military specifications for ships and aircraft and the small and specialized facet of industry involved in the manufacturing and production of such supplies and services), Small Business Innovative Research requirements (e.g., requirement for a Justification & Approval (J&A) for Phase III awards), information technology licensing requirements, and the execution of grants limit the ability to promote commercial items and competition. Additionally, those requirements in direct support of war fighting efforts (e.g., force protection) and urgent/immediate procurement requests due to unforeseen military movements and exercises continue to make it challenging to maximize the use of competition and commercial item acquisition procedures. In overseas offices, the failure of contractors to accept the purchase card or Electronic Funds Transfer as a form of payment is also restrictive. A limited number of suppliers for medical and meteorological/ oceanographic equipment and services present a challenge for competitive or commercial item procurements as well.

The support of legacy weapon systems also limits competition. Purchase of items or services with warranty conditions that limit support and replacement parts to the Original Equipment Manufacturer (OEM) restrict acquisition competition. The failure of the Program Offices to purchase data rights for weapons systems during the initial acquisition process also limits the ability to purchase commercial items. Additionally, sole source contractors continue to be reluctant to provide technical data (or provide it at a reasonable cost), thereby, restricting the ability to acquire commercial items or seek competitive acquisitions.

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

The barriers to the acquisition of commercial items or competition are consistent with those reported in the FY08 Competition Report. These include: 1) unique/critical mission or technical requirements where the designer or developer possess the requisite knowledge, experience, and proprietary information; 2) lack of technical data to develop technical data packages suitable for competition; 3) remaining military specifications; 4) Industry's trend toward consolidation of large Department of Defense (DoD) contractors reducing the industrial base; 5) Congressional Earmarks or "Plus-Ups" which often direct a source; 6) Emergency contracting in support of war operations which can be limited to original equipment manufacturers or require acquisition of emerging technological solutions which tend to be sole sourced; and 7) the mature stage of many programs and the limited number of suppliers for them.

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

The Navy saw continuing emphasis on the use of performance-based acquisitions in FY09. Several offices rolled out specific awareness training for their specialists. Requirements generators are encouraged to include contracting personnel at the earliest stage of identifying a mission need to review draft specifications and statements of work during acquisition strategy and planning meetings to allow for the requirements

descriptions to be reworked if necessary to promote performance-based acquisitions. MOPAS 2 ensures that services acquisitions, to the maximum extent practicable, are based on clear performance-based requirements that are identifiable and measurable. If a performance based acquisition will not be used to satisfy a requirement, approval must be obtained and documented in the MOPAS 2 Acquisition Strategy.

A MARCORSYSCOM Contracts AIS Portal was developed to help improve the sharing of information such as policies, procedures, templates and best practices between product groups. Within the Contracts AIS Portal is guidance and policy related to Performance Based Acquisitions (PBAs) to encourage the use of PBA to the maximum extent practicable to ensure DoD's performance-based acquisition goal is met.

NAVAIR's program management competency, with the assistance of the contracts competency, conducted several training classes entitled "NAVAIR's Procurement Process Overview" for approximately 200 acquisition workforce members. The training is to provide information, materials and methods to IPT leads and supporting program office personnel on roles and responsibilities, basic policy and procedures, and key considerations of the NAVAIR Procurement Process in accordance with new acquisition instructions. The training also provides practical applications in preparing and processing procurement documents and integrating supporting requirements documents (i.e., Statements of Work, Specifications, CDRLs, Sections B-H, J, L, and M, and other documents/attachments required in the procurement process).

The Military Sealift Command established a working group to review and standardize Proforma agreements in order to create more performance focused contracts and cross-functional reviews of requirements.

**Other ways in which the agency has emphasized the acquisition of commercial items and competition in areas such as acquisition training and research.**

Formal and informal training for the contracting and requirements communities are utilized. The contracting community complies with Defense Acquisition Workforce Improvement Act (DAWIA) training requirements and DAU continuous learning events. In addition to all required training, local training opportunities at the command level have been implemented. NAVFAC has a robust intern program, and has instituted an Acquisition "Basic Training" for the new contracting personnel based on the basic FAR and DFAR concept of competition and acquiring commercial items to ensure uniform basic training is available across the command. NAVSEA conducted monthly training on various acquisition topics to include President Obama's memorandum on "Government Contracting" of 04 March 2009, performance-based acquisition and commercial item contracting. MARCORSYSCOM hired a Contracts Director for Career Management to set up and provide training to contracts and acquisition professionals on an ongoing basis. Training is currently being developed for the acquisition of commercial items to include a discussion on the statutory preference, commerciality determination, clauses, pricing of commercial items and contract type limitations. HQMC (I&L) provides functional and technical PRBuilder training to

MCFCS customers.

The NAVAIR Competition Advocate sponsored several training opportunities, including a 4-hour training module on Source Selection, which was presented to over 400 personnel in contracts, legal and customer competencies engaged in the acquisition process, and a 1 1/2 day classroom training course in advanced source selection was offered by Professor Ralph C. Nash, Jr. NAVAIR also completed the first of three computer based training modules which presents a detailed overview of the entire source selection process, and has initiated development of the second source selection training module targeted for evaluators and designed to provide source selection team members with the basics needed to be an effective member of an evaluation Team.

SPAWAR conducted training on multiple topics including: Source Selection Plans and Evaluation Process; Justification & Approvals; Commercial Item Procurements, Pricing & Required Documentation; Small Business Plans and Source Selection; Open Systems/Open Systems Architecture; ERP; Navy IT Applications Management; and SPAWAR CIO Acquisition of Services (MOPAS) Checklist.

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

Commands have established review procedures to ensure task and delivery orders over \$1,000,000 issued under multiple award contracts are properly planned, issued, and comply with 8.405 and 16.505. Internal Procurement Performance Management Assessment Program (PPMAP) Reviews evaluate compliance with current regulations and policies for task/delivery order competitions under multiple award contracts with emphasis on fair opportunity, requirements description, evaluation factors, and basis of award. HQMC (I&L) has increased internal reviews of all contracts and task and delivery orders exceeding the SAT via a Contract Review Board (CRB). The CRB is actively engaged during the pre-solicitation, post-solicitation, and pre-award stages of an acquisition to ensure that all contracts are properly planned, issued, and in compliance with all applicable regulations.

Besides oversight, other initiatives include issuing guidance such as SPAWAR's "Proper Use of Non-DoD Contracts" and "Multiple Award Contracts Procedures." HQMC (I&L) established the requirement for contract specialists to conduct acquisition strategy meetings for all requirements above the SAT utilizing an acquisition board consisting of, at minimum, the customer, technical representative, and contracting personnel. Competition Advocates review actions over \$1,000,000 and all J&As for Other Than Full and Open Competition over \$550,000 and justifications for limiting sources when placing orders under Federal Supply Schedules required by 8.405-6.

**Explain practices for placement of orders against multiple award contracts and the role of the competition advocate in the review process. Explain how exceptions to fair opportunity are documented.**

The Navy has improved the fair opportunity percentages for awards made under multiple award contracts, and the trend over the past three fiscal years is as follows:

FY07	FY08	FY09
76%	82%	84%

In accordance with FAR 16.505(b), all multiple award contract holders are afforded the opportunity to compete on all task or delivery orders issued unless one of the four exceptions identified in FAR 16.505 (b)(2) applies. In accordance with DFARS 216.505-70, for services exceeding \$100,000 in value, Contracting Officers ensure that fair notice is provided to all contractors offering the services under the multiple award contract. Further, in accordance with DFARS 216.505-70(b), orders that do not provide for a fair opportunity to compete based on one of the exceptions identified in FAR 16.505(b)(2) must be supported by a Limited Source Justification prepared and approved in accordance with FAR 8.405-6. This determination and accompanying rationale is completed in accordance with the J&A content requirements at FAR 6.303-2. All awardees of multiple award contracts will continue to be given a fair opportunity to compete, with a senior official designated as the ombudsman (IAW FAR 16.505(b)(6)) to review complaints from the contractors and ensure that all contractors are afforded a fair opportunity, consistent with the procedures in the contract. Awards of Task Orders / Delivery Orders under multiple award contracts are reviewed using the same or similar procedures used for those awards made in the open market. The Competition Advocate reviews acquisitions during the pre-solicitation and pre-award phases to insure that they are properly planned, issued and in compliance with FAR 8.405 and 16.505 and DFARS 208.405-70 and 216.505. Approval levels and authorities for the exceptions to fair opportunity are in accordance with FAR 6.304 and exceptions for fair opportunity are documented in the business clearance. Local policies are followed and are readily available to all employees.

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

Placement of orders under task and delivery order contracts and multiple award contracts continues to be reviewed as a special interest item during headquarters PPMAP reviews. In addition, these MACs continue to be a focus area for the NAVFAC Process Management and Audit Program (PMAP). The vulnerabilities identified in DPAPSS memo, dated 16 Jul 08, are included in the NAVFAC PMAP review; as well as, the

PMP standard practice of verifying contracting officers adhere to all relevant regulations, maintain proper file documentation, and comply with the BMS process.

SPAWAR Competition Advocates review and approve any task order over \$10,000,000. The Competition Advocate will also review the Business Clearance Memorandum prior to award. The Competition Advocate reviews for approval any award where there is a greater than 10% delta between potential awardee and other offerors. At NAVSUP, all sole source orders over \$1,000,000, including GSA, are required to be submitted prior to award to the local contract review board for review and approval. As a member of this board, the Competition Advocate ensures sound competitive practices and procedures are followed in accordance with Federal Acquisition Regulation requirements. MARCORSSYSCOM Contracting Officers are required to perform several actions to enhance competition for requirements in excess of \$5,000,000 under a multiple award task or delivery order contract, to include a reasonable period of time to provide a proposal in response to the notice; and disclosure of the significant evaluation factors and subfactors and their relative importance, including cost or price.

A large volume of NAVSEA multiple award contracts (MACs) are awarded under the SeaPort-e process, which requires competition of all SeaPort orders. The NAVSEA CAG is briefed monthly on SeaPort-e major procurements and reviews business clearances of all actions at his clearance level. ONR ensures that fair opportunity for orders placed against multiple award contracts is applied correctly and task order solicitations for all support services under SeaPort-e are posted on the SeaPort website and an e-mail is sent to the contractors.

**Competition Trend Analysis FY04-09**

The competition achievement has been consistent from FY04 through FY09. Increased use of SeaPort-e positively impacts the competition trend. Outreach programs, education, consistent guidance, and emphasis from all levels of management within the acquisition community have impacted competition in a positive manner. Challenges to increase competition remain with the acquisition of military hardware for major weapons systems, due to system complexity and proprietary or restrictive information. The below rates are computed including actions that are not available for competition.

<b>FY04</b>	<b>FY05</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09</b>
51%	54%	51%	55%	55%	54%

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

The FY10 competition goal is established at 56% based on projected obligations and the new FPDS-NG Competition Report including fair opportunity. In addition to the continuation of those initiatives discussed herein, other initiatives planned for increasing competition in FY10 include continued standardization of business processes and

templates to the maximum extent feasible; increasing the requirement generator awareness of competition through scheduled, repeated, and regular training; working with requirements generators to overcome identified hindrances to the competitive environment; reviewing each proposed acquisition to devise procurement strategies that identify opportunities for use of competitive contracting procedures and increase emphasis on multiple award procedures; continued guidance to staff and technical community customers regarding market research techniques; and continued outreach efforts, including internet pages such as SPAWAR's Electronic Commerce Central Business Opportunities Page and the Federal Business Opportunities page, to inform the business community of current and future opportunities for contracting with this command.

**Recommend 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.**

At the Department level, DON established the Acquisition Excellence Awards Program to formally recognize individuals and teams who have made outstanding contributions to the effectiveness and advancement of competition and innovative procurement. These contributions are recognized annually by the Secretary of the Navy (SECNAV) in formal awards. Military and civilian personnel from the contracting, finance, planning, technical, and requirements functional areas are eligible. The primary criteria for evaluating competition are promoting and achieving competition and cost savings/cost avoidance. Innovation is evaluated by the degree and adaptability of innovative techniques. In FY09, a SECNAV instruction was issued that expanded the program to include awards for Competition Excellence, Innovation Excellence, Expeditionary Contracting, Major Acquisition Activity, Field Acquisition Activity, Small Business, SECNAV Special Achievement and Acquisition Professional of the Year. In FY09, 27 nomination packages were received for consideration and the associated awards ceremony is scheduled to take place in May 2010.

There are several recognition programs that exist at the command level. These include the NAVAIR Commander's Award, recognizing the achievements of teams that have successfully supported the main goals of the Command. This award is a distinguished command honorary award that includes a cash award, as appropriate. NAVAIR also developed the Small Business Advocacy Awards Program that recognizes contributions to the Small Business Program at each site/business unit and national level. SPAWAR has exercised several recognition and award tools to motivate personnel including time off and monetary awards, promotions, and Claimancy "Lightning Bolt" recognition awards presented at quarterly Claimancy All Hands.

Some contracting offices, in conjunction with their local small business program office, have developed a small business award program, whereby 1102s and/or 1105s are designated "Small Business Advocates of the Quarter." The program, which has been incorporated into the command's awards program, provides contracting personnel additional incentive to seek out opportunities for small business participation.

**Maximum Small Business Opportunities: Address specific activities with the Office of Small Business and support of the Ability One Program, as appropriate, to maximize opportunities for small business.**

In accordance with FAR requirements, the Office of Small Business reviews all acquisitions valued over \$10,000 for small business opportunities. Small business specialists actively participate from the planning stages by being a member of the Acquisition Strategy Boards, the Contract Review Boards, and the source selection team. The concentrated effort of small business specialists to work closely with the customer, program and acquisition personnel helps to ensure maximum practicable opportunities to small business concerns in both prime and subcontracting awards. Command level policies reinforce the commitment to small business opportunities, and establish a vision for improving small business participation in their acquisitions. The Contracting Officer's submission of the Small Business Coordination Record (DD Form 2579) and/or Subcontracting Plan to the Small and Small Disadvantaged Business Utilization (SADBUS), ensures the Navy is providing all potential opportunities. Additionally, market research via FedBizOpps is conducted on the majority of proposed acquisitions to determine if the acquisition should be set-aside for small business participation. In situations where a set-aside is not appropriate, the procurement is analyzed to determine: (i) if a portion could be allocated as a small business set-aside; (ii) if a companion small business procurement would be appropriate; or (iii) to provide for additional emphasis on small business participation in unrestricted procurements.

Small business specialists participate in PPMAPs, providing valuable insight for improvement and sharing and promoting ideas with their colleagues. They also conduct in-house training to contracting personnel to ensure everyone is kept up-to-date on pertinent information related to small business regulatory changes as well as discussing potential small business concerns. Small business specialists maintain active communication networks with their local small business contractor communities, and attend outreach events to provide training, publicize technical requirements, and share leadership perspectives with the small business community. They sponsor "capability briefs" presented by potential small businesses to contracting personnel and customers in an effort to identify additional sources for activity requirements.

NAVAIR's Office of Small Business Programs (OSBP) has developed a Long Term Strategy that includes Strategic Outreach, Service-Disabled Veteran-Owned Small Businesses (SDVOSB) Command Champion, Communication, Process Improvements and Awards & Recognition. There are several websites including the OSBP Community of Interest (COI) web site that provides NAVAIR employees access to small business information such as training, policy and NAVAIR small business performance, and the NAVAIR OSBP public web site that provides public users information on how to do business with NAVAIR. The NAVAIR Acquisition Community uses this data base to perform market research. A Lean Six Sigma Project, sponsored by the NAVAIR OSBP, was launched to establish and publish a Long Range Acquisition Forecast (LRAF) for all

NAVAIR acquisitions over the Simplified Acquisition threshold (\$100,000) as required by law. The LRAF will create a demand signal visible to a wider range of industry that should contribute to better support of NAVAIR requirements, including the prospect of fostering increased competition.

Several contracting offices within NAVSUP have second year contracting interns rotate through local small business program offices in order to get a better understanding of the importance of small business participation. During the rotational assignment, contracting interns are responsible for conducting small business specialist functions, which includes reviewing DD Form 2579's, participating in small business outreach events, etc. NAVSUP has lobbied for the establishment of small business specialist billets within contracting organizations to ensure maximum opportunities are being provided to small business concerns.

SPAWAR's SSC Atlantic worked with the Small Business Office to award an 8(a) MAC to thirty-three vendors that provides for C4ISR Mission Enablement Support for task areas such as: Program, Project and Acquisition Management Support; Material and Equipment Procurement Support; Engineering and Testing Support; Integrated Logistics Support; Maintenance and Technical Support; Configuration Management Support; and Information Technology (IT) and Web Services Support. This innovative acquisition method provides a strategic approach to increasing business development opportunities for 8(a) companies and provides for streamlined acquisition methods for the government to obtain necessary services.

### **Support of the AbilityOne Program**

NAVFAC aggressively continues to support the AbilityOne program. In FY09, NAVFAC awarded over \$101M to AbilityOne Community Rehabilitation Programs (CRPs), an increase of \$79M over FY 2008. NAVFAC's outreach program includes attending various regional and national AbilityOne training conferences to identify new CRPs that are providing services that NAVFAC requires. Additionally, the NAVFAC Director for Small Business Programs routinely meets with AbilityOne East Region and National Business Development Directors to assist in NAVFAC's AbilityOne program planning. Finally, NAVFAC's Alliance with AbilityOne has recently undergone regeneration to establish new objectives for current year and beyond. These objectives include updating the NISH/AbilityOne Contracting Officer's guide, establishing processes in NAVFAC's Business Management System for AbilityOne work, and establishing a training plan for field offices.

NAVSUP contracting personnel, in partnership with small business, collaborated together in establishing the first AbilityOne contract for Galley Attendant Services (valued at \$16M). This Galley Attendant Services contract was added to The Committees for Purchase from People Who are Blind or Severely Disabled Procurement List. The Ability One Program is supported by the Small Purchases Division located at the Naval Research Laboratory and through all ONR Government Purchase Card

transactions where cardholders are first required to screen the mandatory supply sources, i.e., Ability One.

**Address how DPAP memorandum of September 14, 2009 regarding DAU CLC 055 training may be implemented.**

The DON Competition Advocate General issued a memorandum entitled “Competition in the Department of the Navy Acquisition” dated 23 November 2009 mandating DAU CLC 055 training for all Department of the Navy personnel engaged in the acquisition process including program managers, program executive officers, logistics, and contracting personnel. An initial report of progress is required to be submitted by 30 April 2010, with continued progress reporting required as part of the inputs for the FY10 annual Competition Report due in December 2010. The Navy will rely on Register-Now for additional information on completion of CLC 055.

Each command was tasked to provide a plan for completion of the training. Early feedback from the commands indicates proactive support of this initiative. For example, in addition to the career ladder 1102 curriculum, NAVFAC plans to require each 1102 to complete CLC 055 by 15 April 2010. NAVAIR posted the DPAP presentation onto the AIR-2.0 competency website and is currently in the process of strategizing with the program management competency (AIR-1.0) regarding methods to ensure universal training is accomplished, tracked and reported, as required. ONR and NRL Acquisition Managers continue support and encouragement of completion of the CLC 055 course, with the deadline for completion to be set at a future date.

NAVSEA senior management will direct all NAVSEA acquisition, logistics and procurement personnel to take CLC 055 by 30 April 2010. Senior contract management will also provide a presentation at headquarters to emphasize the administration’s vision for increased competition. Field procurement officers will be directed to provide a similar presentation to their acquisition personnel. At MARCORSYSCOM, once the applicable competencies have been identified that require the training, a mandatory “Block Training” will be established, and coordination will be done with the Workforce Training Team to track the training that has been completed. The Competition Advocate at SSP will update annual training requirements to include CLC 055, and SSP’s Head of Contracts will incorporate the latest information related to competition into the annual presentation of “Contracting for Program Managers.”

NAVSUP contracting offices plan to incorporate the CLC 055 training requirement into employees’ Individual Development Plans (IDPs). Applicable portions of CLC 055 pertinent to the requirements community will be incorporated into existing training materials currently being used by contracting personnel to further educate customers on competition requirements. Aside from CLC 055, contracting offices continue to educate customers on market research and best value procurement as a means of reducing the number of sole source requests received. Specific initiatives taken include distributing competition-related policies and regulations via email to acquisition workforce members, informing customers on business-process requirements, training

customers on emergent procurement-related competition requirements (e.g., Recovery Act, J&A Posting, etc.), and ensuring workforce members receive required training.

The DPAP memorandum of 14 September 2009, the DPAP training entitled “Enhancing Competition Awareness in DoD” and the Navy Competition Advocate General memorandum of 23 November 2009 were disseminated to SPAWAR 2.0 Contracts personnel and posted to SPAWAR Contracts Policy website. Secondary notification was sent to all Program Offices, PEO’s and the logistics offices. Contracting personnel were requested to take CLC 055 prior to 15 March 2010. Training certificates are currently being collected and monitored within each competency, and follow-up reminders will be sent out in CY10.



# AIR FORCE COMPETITION REPORT

FISCAL YEAR 2009



JANUARY 2010



## AIR FORCE COMPETITION REPORT

FOR

FISCAL YEAR 2009

### INTRODUCTION

In accordance with the Office of the Under Secretary of Defense (OUSD) (Acquisition, Technology & Logistics (AT&L)/Defense Procurement Acquisition Policy (DPAP) memo, dated November 5, 2009, Competition Report for Fiscal Year (FY) 2009, and Headquarters Air Force (HAF) Mission Directive (MD) 1-10, SAF/AQC, as the Air Force Competition Advocate General, is submitting the Fiscal Year 2009 (FY09) Air Force Competition Report. The competition report conveys the Air Force's efforts toward achieving its FY09 competition goal of 62%, and presents the Air Force FY 10 competition goal of 58%. Additionally this report discusses the Air Force's efforts in fulfilling its requirements, to the maximum extent possible, through the acquisition of commercial items and services, and illustrates the Air Forces success in applying fair opportunity to task and delivery orders placed against multiple award contracts.

### COMPETITION EFFORTS

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

The competition advocates must maintain a program that includes identifying, tracking, and following-up on actions to remove impediments to competition and commercial practices. They are responsible for promoting source-development programs to assist potential sources with identifying business opportunities and becoming qualified sources. They work with government and industry to investigate and eliminate barriers to competition and to the acquisition of

commercial items, identifying potential competition or commercial conversion opportunities through J&A and AP document reviews. The competition advocates also ensure that program requirements are stated in the least restrictive manner to allow for effective competition and use of commercial practices.

The Air Force relies upon cross functional teams during the acquisition planning process to challenge requirements that are not stated in terms of functions to be performed, performance required, or essential physical characteristics. Potential markets are engaged via market research and presolicitation outreach techniques. The Air Force has been very successful in conducting Industry Days by sharing information with commercial suppliers and obtaining their input at the start of acquisition planning. Another example of the Air Force engaging industry is the all-day seminar, "Acquisition Journey to Excellence and Integrated AQ Assessment Tool Update held by the Deputy PEO for Weapons at AAC, in which we seek industry's input into present and future programs. This joint two-day symposium sponsored by Eglin Air Force Base and the National Defense Industrial Association allows Air Force program offices and industry to meet to discuss near term and long term program needs. The Air Force also engages industry by posting our Long Range Acquisition Estimates (LGAE) on the Secretary of the Air Force (Acquisition) (SAF/AQ) Homepage allowing vendors to preview current and up coming acquisitions. This list is used to define requirements, as well as to obtain full and open competition.

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

Furthermore, Air Force actively participated in supporting the Department of Defense Procurement Integrity Panel, 2009 Action 5c Subcommittee in developing the Defense Acquisition University Continuous Learning Module, Competition Requirements for DoD Acquisition. Air Force mandates that contracting professionals complete this course annually. Our competition advocates are encouraged to use the training template to assist in training other acquisition and non-acquisition professionals.

## **FY 09: COMPETITION**

### **The Data**

The Air Force obtained competition data from the Federal Procurement Data System (FPDS) on 15 December 2009 from the Standard Competition Report. For FY09 the Air Force originally proposed a goal of 59% , however, we accepted the Department of Defense challenge to increase our FY09 goal to 62%. Air Force had already established the MAJCOM/FOA/DRU goals for FY09; therefore, we accepted the DoD challenge as a management challenge. We ended the year with a competition rate of 56.4%.

## Trend Analysis

Air Force contracting organizations awarded over 130,463 competitive contractual actions in FY09 worth in excess of \$37B, putting our competitive obligation rate at 56.4%. Table 1 shows an Air Force competition rate of 56.4% for FY09. This is lower than the 59% achieved in FY08. However, the Table shows overall the Air Force competition rate increased since FY07 even though our competition dollars continue to rise. Aging weapon systems and consolidation of the defense industry continue to pose a unique challenge to Air Force.

**Air Force Competed Dollars**

	FY07	FY08	FY09
AF % Competed	55*	59	56.4
Dollars Obligated (Billions)	\$68	\$63	\$67

\*excludes not available for competition dollars

*Table 1*

Competition performance naturally divides along mission lines into two categories: 1) the operational MAJCOMs historically award contracts primarily to support installations, and 2) Air Force Materiel Command (AFMC) and Air Force Space Command (AFSPC) primarily award contracts for weapon systems and logistics-supply. The operational commands traditionally lend themselves to commercial acquisition, while the acquisitions at AFMC and AFSPC tend to lend themselves to the Original Equipment Manufacturers (OEM) that designed, developed and produced the systems and remain the sole viable source to provide the needed support for older systems in an efficient and timely manner, thus driving longer contractual relationships and less opportunities for competition.

The Air Force's approach to influencing competition is to engage the competition advocates early in the acquisition process, relying upon *FedBizOps* to ensure the widest dissemination of business opportunities and program information to industry, even when its use may not be mandatory. We also rely upon multiple award indefinite-delivery-indefinite-quantity contracts (when deemed appropriate); and we also challenge requirements in the early stages of strategy planning phases to ensure the requirements are defined in accordance with the market research, and essential characteristics. The Air Force offers small business every opportunity to participate in our acquisitions we support the small business office by participating in trade fairs and outreach events.

**Historical Competition Rates  
(Percentage of Total Dollars Competed)**

MAJCOM	FY07	FY08	FY09
ACC	85	86	89
AETC	83	84	85
AFMC	46	54	52
AFRC	78	82	84
AFSPC	60	55	48
AMC	92	68	66
PACAF	67	73	77
USAFA	77	77	62
USAFE	99	98	98

*Table 2*

Table 2 demonstrates that in spite of all the challenges limiting competition growth our acquisition professionals are seeking opportunities to increase competition, and we are continuing to see the results of their efforts. For example, the majority of the operational commands show a consistent increase in their competition rates for FY07, 08, and FY09 respectively. Although the AFMC's FY09 competition rate of 52% is less than their competition rate of 54% in FY08. The table shows that the AFMC competition rate for FY09 is significantly greater than AFMC's FY07 competition rate of 46%.

There are a number of factors that contributed to the two percent decrease in AFMC's competition rate from FY08 to FY09. First of all, despite attempts to seek sources for sustainment for the F-22 program using market research, the F-22 sustainment efforts are awarded on a noncompetitive basis using public/private partnering agreements. Similarly, mature systems such as the F-16, F-15, and C-17 are unavailable for competition due to the existence of sole source indefinite delivery indefinite quantity contracts and the prohibitive costs any potential competitor would face in obtaining the expert knowledge, facilities, and tooling already possessed by Original Equipment Manufacturer (OEM) contractors. Secondly, three large Federal Funded Research and Development Center (FFRDC) non-competitive awards contributed in limiting AFMCs ability to increase competition. Finally, the transfer of the \$1.3B dollars workload for replacement spares from the Air Logistics Centers to the Defense Logistics Agency reduced the number of Air Force contract dollars available for competition.

Air Force Space Command's FY09 competition rate of 48% is significantly less than its FY08 competition rate of 55%. The difference is largely attributed to the significant increases in single award contracts in programs such as the Defense Support System (DSP) Spacecraft, DSP Sensors, and the Global Positioning Satellite.

The Air Mobility Command's (AMC) competition rate of 66% for FY09 is lower than its rate of 68% in FY08. The decrease is the result of the sole source nature of AMC's largest acquisition, Senior Leadership Command, Control and Communications System – Airborne Broadband

Satellite Communication Service. The broadband system in the aircraft the contract supports is scheduled for replacement in FY12. The change in the broadband system should result in a FY12 competitive acquisition.

The significant decrease in the FY09 competition rate for the United States Air Force Academy can be attributed to the recent award of utility privatized contracts in accordance with the FAR, Subpart 41.2. The Academy also experienced a significant increase in the contract dollars awarded under the 8(a) and the Ability One programs.

### **Fair Opportunity**

For task or delivery orders over \$3,000 issued against multiple award contracts, unless one of the exceptions applies, the Air Force applies fair opportunity procedures at FAR 16.505(b). For task or delivery orders exceeding \$100,000 the Air Force complies with the DFARS 216.505-70. We make certain a description of the supply or service and the basis for our selection are clearly defined for each order. We make certain that all contractors responding to the fair opportunity notice are provided an opportunity to submit an offer and that the offer will be fairly considered. The competition advocates review task and delivery orders during the acquisition planning phase. When one of the exceptions at FAR 16.505(2) applies, the Air Force complies with the requirement for a justification that is prepared and approved in accordance with FAR 8.405-6. The competition advocate reviews the determination, validating that it includes the information at FAR 8.405-6(g), and it is approved in accordance with FAR 8.405-6(h) with orders over \$550,000, but not exceeding \$11.5 million, being approved by the competition advocate. Orders below \$550,000 are approved by the contracting officer. For orders exceeding \$11.5 million, but not exceeding \$78.5 million the justification is approved by the head of the procuring activity placing the order. For orders exceeding \$78.5 million the Senior Procurement Executive approves the placing of the order.

Air Force policy is that the use of the exceptions under fair opportunity should be rare. We are currently reviewing the approval authorities for using the exceptions at FAR 16.505 and DFARS 216.505. It is our intent to ensure the approval thresholds for the justifications are at an appropriate level to ensure this policy is applied across the Air Force.

### **The Data**

The Air Force used the FY07, 08, and 09 Fair Opportunity (“frozen”) reports provided by OSD (AT&L)/DPAP on 15 December 2009 in compiling this report. The Air Force continues to notice discrepancies in the FY07 fair opportunity data, and attributes these inconsistencies to the migration from the Department of Defense Contract Reporting System, J001 to FPDS in FY07.

Table 3 demonstrates that Air Force does very well in applying fair opportunity in the placement of task or delivery orders against multiple award contracts. A total of \$9.6B in task and delivery orders was awarded in FY09, and out of these awards we applied fair opportunity to 88% or \$8.4B of the orders.

The table also indicates that the Air Force achieved a significant increase in the number of task and delivery orders awarded in FY09 where fair opportunity was provided. When fair opportunity was not provided, it was typically for sole source or follow-on orders.

**Fair Opportunity on Orders against Multiple Award Contracts\***

<b>FY07</b>	<b>Actions</b>	<b>% of Total</b>	<b>Dollars</b>	<b>% of Total</b>
<b>Total Orders against DoD issued multiple award contracts</b>	44,070	N/A	11B	N/A
Fair Opportunity Provided	22,304		9.7B	84
Total Exceptions to Fair Opportunity				
- Urgency	64	0	8M	0
- Only one source - Other	1,811	4	418M	4
- Follow-on Delivery Order	758	2	181M	2
- Minimum Guarantee	495	1	221M	1
- Other Statutory Authority	174	0	63M	1
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<b>FY08</b>	<b>Actions</b>	<b>% of Total</b>	<b>Dollars</b>	<b>% of Total</b>
<b>Total Orders against DoD issued multiple award contracts</b>	41,314	N/A	8.9B	N/A
Fair Opportunity Provided	33,715	82	7.4B	83
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\*Discrepancies between total actions and dollars are due to discrepancies in coding dollars and actions into FPDS.

Table 3

## Trend Analysis

Table 4 indicates that the Air Force is making progress in competing task and delivery orders under multiple award contracts. The table shows that the total dollars in task and delivery orders in FY09 increased by seven percent to \$9.6B over the FY08 total of \$8.9B. Table 4 shows that the Air Force percentage of competed dollars in FY09 was 87%. This represents a significant increase over the percentage of competed dollars in FY08 of 83%, but also exceeds the percentage of competed dollars for FY07 of 84%. The table shows that the number of task order actions has been declining since FY07. Air Force experienced an increase in the percentage of actions competed in FY09, achieving a rate of 84% compared with the 82% of actions competed in FY08. The 84% achieved in FY09 is slightly less than the 85% of actions competed in FY07.

### Air Force Fair Opportunity on Orders against Multiple Award Contracts

Air Force-wide	Task Order Dollars	Task Order Actions	Percentage Competed - Dollars	Percentage Competed - Actions
FY 07	\$11B	44,070	84%	85%
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Table 4

## Impediments to Competition

While the Air Force continues to stress increased competition, contracting offices are nevertheless experiencing impediments or barriers to competition. Reduced numbers of new starts/programs and the increased reliance on typically noncompetitive follow-on buys for mature systems continues to be a major factor in reduced opportunities. The Air Force continues to see increases in major programs impacting the AFSPC competitive rate to include the Evolved Experimental Launch Vehicle (EELV), the Space Tracking and Surveillance System (STSS), and the Aerospace Corp Federally Funded Research and Development Center (FFRDC). AFSPC is also constrained by three large Federally Funded Research and Development Center (FFRDC) costs preclude us from obtaining these rights for contracts previously awarded.

Another impediment to increased competition is the challenge associated with competing task orders under multiple award contracts, to include GSA schedules. The FY 02 National Defense Authorization Act requires contracting officers to solicit offers from all contractors offering the required services under multiple-award contracts and federal supply schedule orders. Waivers of competition of multiple-award contract orders and federal supply schedule orders are authorized, in limited circumstances. However, often past practices keep us from accomplishing effective competition, especially in the area of task orders. Program office education is one of our biggest challenges -- many Program Managers are not convinced about the advantages of writing

statements of need that allow the flexibility to competitively source the requirement. In some instances, users still request sole source purchases of items by part number rather than stating the requirements in terms of performance specifications. Others are explaining their desire for the skills of a particular contractor, rather than the distinctiveness of the service being acquired. Contracting Officers must be vigilant not to simply accept the Program Manager's technical recommendation and either issue an approved waiver or limit competition. SAF/AQC as the Competition Advocate General historically mandates that contracting professionals take competition training on an annual basis. This year contracting professional's are being required to complete the DAU Continuous Learning Module, CLC 055, Competition Requirements for DoD Acquisition during FY10. Air Force is also encouraging Air Force competition advocates to use the DOD developed competition briefing template to assist them in training senior leaders. Annual competition training helps Air Force Contracting Officer's to have a clear understanding that the marketplace is the basis for determining the level of competition necessary, not the Program Managers desire to retain the incumbent.

**Air Force FY 09 Competition Results & FY 10 Goals  
(Percentage of Total Dollars Competed)**

<b>Contracting Activity</b>	<b>FY 09 Competition Goal</b>	<b>FY 09 Competition Actual</b>	<b>FY10 Competition Goal</b>
ACC	86	89	90
AETC	86	85	88
AFDW	84	79	81
AFMC	54	52	55
AFOTEC	91	86	86
AFRC	83	84	84
AFSOC	65	62	62
AFSPC	55	48	49
AMC	68	66	66
PACAF	82	77	77
USAFA	77	62	64
USAFE	98	98	98
<b>Total AF Proposed Goal</b>	<b>59</b>	<b>56.4</b>	<b>58*</b>

\*AF Proposed Goal factors in the OFPP projected change in Fair Opportunity

*Table 5*

The Air Force established its command FY10 competition goal based upon trend analysis, barriers to competition, and the DPAP memo of 5 November 2009. We also considered the DPAP guidelines for establishing our FY10 competition goals, the recent OFPP directed revision to FPDS, and the new FPDS Standard Competition Report that will be released early in FY10 in

establishing our MAJCOM/FOA/DRU and Air Force goals. The Air Force adjusted each command's FY10 competition goal based upon an FY07 through FY09 trend analysis that included each of the exceptions to full and open competition authorized at 41 U.S.C. 253(c) and 10 U.S.C. 2304(c). Table 5 demonstrates that Air Force is challenging four of its commands to increase their competition rates in FY10. While Air Force decreased the FY10 competition rate for seven of the commands. The basis for the decrease was either a large increase in competed dollars redirected towards socio-economic programs or restrictions Air Force could support as to why a command's competition rate could not be increased. For example, AFOTEC's goal for FY08 was based upon its achievement of a 91% competition rate in FY08. However, in FY09 AFOTEC awarded a test equipment contract using an 8(a) set-aside. This business decision resulted in a large increase in their small business dollars, but a decrease in their competition rate. AFOTEC's goal was adjusted to reflect that these dollars are no longer available for competition.

Table 5 also reflects a significant decrease in the Pacific Commands FY10 competition goal. The adjustment is the result of a coding error in FPDS that was discovered after the Air Force had established PACAF's FY09 competition goal of 82%. This goal was established based upon the FY08 actual competition rate. However, in early FY09 PACAF discovered a significant coding error in FPDS. PACAF's FY08 actual competition rate was actually 73%.

Table 5 also reflects that we adjusted Air Mobility Command's FY10 competition rate downward in support of the sole source nature of their largest acquisition, Senior Leadership Command, Control and Communications System – Airborne Broadband Satellite Communication Service. Air Force supports the Air Mobility Command seeking a competitive acquisition in FY12.

The Air Force FY10 competition goal is 58%. This goal takes into consideration the recent OFPP directed change to FPDS in how fair opportunity is used in capturing the extent that orders issued under multiple award contracts are competed. The Air Force FY10 competition goal would be 59% if the change in fair opportunity reporting were not considered. The Air Force is projecting this revision will decrease our FY10 competition rate by 1%. Therefore, we adjusted the Air Force FY10 proposed competition goal to 58% to reflect the change in reporting.

## **COMMERCIAL**

The Air Force is a staunch supporter of commercial acquisitions as evidenced by the operational commands utilizing the FAR Part 12 procedures whenever feasible. Market research is the key to acquisition professionals understanding the commercial marketplace. We also use industry days, and *FedBizOps* to engage industry is assisting us to ensure our acquisitions reflect the practices of the commercial marketplace.

In the past, the Air Force used commercial procedures for the acquisition of some major weapon systems; however, the lessons learned identified by the Government Accounting Office (GAO) led the Air Force to use caution when considering commercial practices in the area of major weapon systems. For example, the Air Force expanded the Determination and Finding

requirements of the DFARS for using commercial procedures for weapon systems to include projections of the extent the Air Force will increase competition as a result of using the commercial practices of the FAR Part 12; the extent the Air Force will have greater access to commercial markets as a result of using commercial practices; and a projection of the extent the Air Force will receive better prices and/or new market entrants or technologies as a result of using commercial practices.

Air Force participated in the DoD Procurement Integrity Panel, 2009 Action 4a Subcommittee reviewing the policies and procedures addressing the use of commercial item “of a type” contracts, verifying the extent to which Air Force contracting officers’ document commercial item determinations in accordance with prescribed regulations, and assessing the sufficiency of supporting documentation for price reasonableness determinations. The Panel requested the Air Force, Army and Navy identify the policies and procedures addressing the use of commercial item contracts; verifying the extent contracting officers’ document commercial item determinations in accordance with prescribed regulations; and assess the sufficiency of supporting documentation for price reasonableness. The results of the review revealed that the Air Force has adequate policy to ensure that contracting professionals make informed decisions regarding commercial acquisitions, that the commercial item determinations are supported with adequate market research and that we have the necessary information to determine the price fair and reasonable.

## **MAXIMIZING SMALL BUSINESS OPPORTUNITIES**

The Air Force continues to seek opportunities to increase small business participation in many areas. Small Business Specialists, at the installation, MAJCOM and Air Force level participate early in the acquisition strategy panel to provide small business solutions. The Air Force Small Business Specialists review all acquisitions greater than \$10,000 and recommend one of the small business programs as applicable.

Our FY07-09 analysis revealed that Air Force is successful in encouraging the use of socio-economic programs. The analysis shows that our operational commands continue to see growth in contracts supporting socio-economic programs such as Ability One and the 8(a) Program.

## **REVISED COMMERCIAL AND COMPETITION ADVOCATE PROGRAM**

The Air Force is in the process of implementing its revised Air Force Competition and Commercial Advocacy Program. The Competition Advocate General is responsible for appointing MAJCOM-level competition advocates. Under this program the Air Force now requires a senior leader be appointed at every installation to serve as the competition advocate.

The Air Force also expanded the roles and responsibilities of the competition advocate to include the tracking, and reporting of the use of fair opportunity on task and delivery orders written against multiple award contracts. This is in addition to tracking and reporting their progress in

achieving their annual competition goals. To support these additions, beginning in FY10, the Air Force will conduct quarterly competition advocate meetings to discuss progress in these areas.

The Air Force is expanding the competition reporting requirements beginning in FY10. The MAJCOM/FOA/DRUs goal will be established using the DoD guidelines. The MAJCOMs are also required to include in their competition plans three years of trend analysis to support their proposed goal. The trend analysis includes reviewing justifications and approvals, as well as socio-economic programs where competitive dollars are redirected in support of these programs.

## **SUMMARY**

This report demonstrates that the Air Force is committed to increasing the use of commercial acquisitions and ensuring full and open competition. Although we did not achieve our goal of 62% in FY09, this report reveals that Air Force continues to take measures to make sure that full and open competition a key tenet of acquisition. We are increasing our FY10 competition goal to 58%. The Air Force Commercial and Competition Advocacy Program promotes the acquisition of commercial items, promotes full and open competition, ensures our focus is on managing the program rather than focusing on goals, and demonstrates the Air Forces commitment to excellence.



# AIR FORCE COMPETITION REPORT

FISCAL YEAR 2009



JANUARY 2010



## **AIR FORCE COMPETITION REPORT**

**FOR**

**FISCAL YEAR 2009**

### **INTRODUCTION**

In accordance with the Office of the Under Secretary of Defense (OUSD) (Acquisition, Technology & Logistics (AT&L)/Defense Procurement Acquisition Policy (DPAP) memo, dated November 5, 2009, Competition Report for Fiscal Year (FY) 2009, and Headquarters Air Force (HAF) Mission Directive (MD) 1-10, SAF/AQC, as the Air Force Competition Advocate General, is submitting the Fiscal Year 2009 (FY09) Air Force Competition Report. The competition report conveys the Air Force's efforts toward achieving its FY09 competition goal of 62%, and presents the Air Force FY 10 competition goal of 58%. Additionally this report discusses the Air Force's efforts in fulfilling its requirements, to the maximum extent possible, through the acquisition of commercial items and services, and illustrates the Air Forces success in applying fair opportunity to task and delivery orders placed against multiple award contracts.

### **COMPETITION EFFORTS**

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

The competition advocates must maintain a program that includes identifying, tracking, and following-up on actions to remove impediments to competition and commercial practices. They are responsible for promoting source-development programs to assist potential sources with identifying business opportunities and becoming qualified sources. They work with government and industry to investigate and eliminate barriers to competition and to the acquisition of

commercial items, identifying potential competition or commercial conversion opportunities through J&A and AP document reviews. The competition advocates also ensure that program requirements are stated in the least restrictive manner to allow for effective competition and use of commercial practices.

The Air Force relies upon cross functional teams during the acquisition planning process to challenge requirements that are not stated in terms of functions to be performed, performance required, or essential physical characteristics. Potential markets are engaged via market research and presolicitation outreach techniques. The Air Force has been very successful in conducting Industry Days by sharing information with commercial suppliers and obtaining their input at the start of acquisition planning. Another example of the Air Force engaging industry is the all-day seminar, "Acquisition Journey to Excellence and Integrated AQ Assessment Tool Update held by the Deputy PEO for Weapons at AAC, in which we seek industry's input into present and future programs. This joint two-day symposium sponsored by Eglin Air Force Base and the National Defense Industrial Association allows Air Force program offices and industry to meet to discuss near term and long term program needs. The Air Force also engages industry by posting our Long Range Acquisition Estimates (LGAE) on the Secretary of the Air Force (Acquisition) (SAF/AQ) Homepage allowing vendors to preview current and up coming acquisitions. This list is used to define requirements, as well as to obtain full and open competition.

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

Furthermore, Air Force actively participated in supporting the Department of Defense Procurement Integrity Panel, 2009 Action 5c Subcommittee in developing the Defense Acquisition University Continuous Learning Module, Competition Requirements for DoD Acquisition. Air Force mandates that contracting professionals complete this course annually. Our competition advocates are encouraged to use the training template to assist in training other acquisition and non-acquisition professionals.

## **FY 09: COMPETITION**

### **The Data**

The Air Force obtained competition data from the Federal Procurement Data System (FPDS) on 15 December 2009 from the Standard Competition Report. For FY09 the Air Force originally proposed a goal of 59% , however, we accepted the Department of Defense challenge to increase our FY09 goal to 62%. Air Force had already established the MAJCOM/FOA/DRU goals for FY09; therefore, we accepted the DoD challenge as a management challenge. We ended the year with a competition rate of 56.4%.

## Trend Analysis

Air Force contracting organizations awarded over 130,463 competitive contractual actions in FY09 worth in excess of \$37B, putting our competitive obligation rate at 56.4%. Table 1 shows an Air Force competition rate of 56.4% for FY09. This is lower than the 59% achieved in FY08. However, the Table shows overall the Air Force competition rate increased since FY07 even though our competition dollars continue to rise. Aging weapon systems and consolidation of the defense industry continue to pose a unique challenge to Air Force.

### Air Force Competed Dollars

	FY07	FY08	FY09
AF % Competed	55*	59	56.4
Dollars Obligated (Billions)	\$68	\$63	\$67

\*excludes not available for competition dollars

Table 1

Competition performance naturally divides along mission lines into two categories: 1) the operational MAJCOMs historically award contracts primarily to support installations, and 2) Air Force Materiel Command (AFMC) and Air Force Space Command (AFSPC) primarily award contracts for weapon systems and logistics-supply. The operational commands traditionally lend themselves to commercial acquisition, while the acquisitions at AFMC and AFSPC tend to lend themselves to the Original Equipment Manufacturers (OEM) that designed, developed and produced the systems and remain the sole viable source to provide the needed support for older systems in an efficient and timely manner, thus driving longer contractual relationships and less opportunities for competition.

The Air Force's approach to influencing competition is to engage the competition advocates early in the acquisition process, relying upon *FedBizOps* to ensure the widest dissemination of business opportunities and program information to industry, even when its use may not be mandatory. We also rely upon multiple award indefinite-delivery-indefinite-quantity contracts (when deemed appropriate); and we also challenge requirements in the early stages of strategy planning phases to ensure the requirements are defined in accordance with the market research, and essential characteristics. The Air Force offers small business every opportunity to participate in our acquisitions we support the small business office by participating in trade fairs and outreach events.

**Historical Competition Rates  
(Percentage of Total Dollars Competed)**

<b>MAJCOM</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09</b>
ACC	85	86	89
AETC	83	84	85
AFMC	46	54	52
AFRC	78	82	84
AFSPC	60	55	48
AMC	92	68	66
PACAF	67	73	77
USAFA	77	77	62
USAFE	99	98	98

*Table 2*

Table 2 demonstrates that in spite of all the challenges limiting competition growth our acquisition professionals are seeking opportunities to increase competition, and we are continuing to see the results of their efforts. For example, the majority of the operational commands show a consistent increase in their competition rates for FY07, 08, and FY09 respectively. Although the AFMC's FY09 competition rate of 52% is less than their competition rate of 54% in FY08. The table shows that the AFMC competition rate for FY09 is significantly greater than AFMC's FY07 competition rate of 46%.

There are a number of factors that contributed to the two percent decrease in AFMC's competition rate from FY08 to FY09. First of all, despite attempts to seek sources for sustainment for the F-22 program using market research, the F-22 sustainment efforts are awarded on a noncompetitive basis using public/private partnering agreements. Similarly, mature systems such as the F-16, F-15, and C-17 are unavailable for competition due to the existence of sole source indefinite delivery indefinite quantity contracts and the prohibitive costs any potential competitor would face in obtaining the expert knowledge, facilities, and tooling already possessed by Original Equipment Manufacturer (OEM) contractors. Secondly, three large Federal Funded Research and Development Center (FFRDC) non-competitive awards contributed in limiting AFMCs ability to increase competition. Finally, the transfer of the \$1.3B dollars workload for replacement spares from the Air Logistics Centers to the Defense Logistics Agency reduced the number of Air Force contract dollars available for competition.

Air Force Space Command's FY09 competition rate of 48% is significantly less than its FY08 competition rate of 55%. The difference is largely attributed to the significant increases in single award contracts in programs such as the Defense Support System (DSP) Spacecraft, DSP Sensors, and the Global Positioning Satellite.

The Air Mobility Command's (AMC) competition rate of 66% for FY09 is lower than its rate of 68% in FY08. The decrease is the result of the sole source nature of AMC's largest acquisition, Senior Leadership Command, Control and Communications System – Airborne Broadband

Satellite Communication Service. The broadband system in the aircraft the contract supports is scheduled for replacement in FY12. The change in the broadband system should result in a FY12 competitive acquisition.

The significant decrease in the FY09 competition rate for the United States Air Force Academy can be attributed to the recent award of utility privatized contracts in accordance with the FAR, Subpart 41.2. The Academy also experienced a significant increase in the contract dollars awarded under the 8(a) and the Ability One programs.

## **Fair Opportunity**

For task or delivery orders over \$3,000 issued against multiple award contracts, unless one of the exceptions applies, the Air Force applies fair opportunity procedures at FAR 16.505(b). For task or delivery orders exceeding \$100,000 the Air Force complies with the DFARS 216.505-70. We make certain a description of the supply or service and the basis for our selection are clearly defined for each order. We make certain that all contractors responding to the fair opportunity notice are provided an opportunity to submit an offer and that the offer will be fairly considered. The competition advocates review task and delivery orders during the acquisition planning phase. When one of the exceptions at FAR 16.505(2) applies, the Air Force complies with the requirement for a justification that is prepared and approved in accordance with FAR 8.405-6. The competition advocate reviews the determination, validating that it includes the information at FAR 8.405-6(g), and it is approved in accordance with FAR 8.405-6(h) with orders over \$550,000, but not exceeding \$11.5 million, being approved by the competition advocate. Orders below \$550,000 are approved by the contracting officer. For orders exceeding \$11.5 million, but not exceeding \$78.5 million the justification is approved by the head of the procuring activity placing the order. For orders exceeding \$78.5 million the Senior Procurement Executive approves the placing of the order.

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### Air Force Fair Opportunity on Orders against Multiple Award Contracts

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While the Air Force continues to stress increased competition, contracting offices are nevertheless experiencing impediments or barriers to competition. Reduced numbers of new starts/programs and the increased reliance on typically noncompetitive follow-on buys for mature systems continues to be a major factor in reduced opportunities. The Air Force continues to see increases in major programs impacting the AFSPC competitive rate to include the Evolved Experimental Launch Vehicle (EELV), the Space Tracking and Surveillance System (STSS), and the Aerospace Corp Federally Funded Research and Development Center (FFRDC). AFSPC is also constrained by three large Federally Funded Research and Development Center (FFRDC) costs preclude us from obtaining these rights for contracts previously awarded.

Another impediment to increased competition is the challenge associated with competing task orders under multiple award contracts, to include GSA schedules. The FY 02 National Defense Authorization Act requires contracting officers to solicit offers from all contractors offering the required services under multiple-award contracts and federal supply schedule orders. Waivers of competition of multiple-award contract orders and federal supply schedule orders are authorized, in limited circumstances. However, often past practices keep us from accomplishing effective competition, especially in the area of task orders. Program office education is one of our biggest challenges -- many Program Managers are not convinced about the advantages of writing

statements of need that allow the flexibility to competitively source the requirement. In some instances, users still request sole source purchases of items by part number rather than stating the requirements in terms of performance specifications. Others are explaining their desire for the skills of a particular contractor, rather than the distinctiveness of the service being acquired. Contracting Officers must be vigilant not to simply accept the Program Manager's technical recommendation and either issue an approved waiver or limit competition. SAF/AQC as the Competition Advocate General historically mandates that contracting professionals take competition training on an annual basis. This year contracting professional's are being required to complete the DAU Continuous Learning Module, CLC 055, Competition Requirements for DoD Acquisition during FY10. Air Force is also encouraging Air Force competition advocates to use the DOD developed competition briefing template to assist them in training senior leaders. Annual competition training helps Air Force Contracting Officer's to have a clear understanding that the marketplace is the basis for determining the level of competition necessary, not the Program Managers desire to retain the incumbent.

**Air Force FY 09 Competition Results & FY 10 Goals  
(Percentage of Total Dollars Competed)**

<b>Contracting Activity</b>	<b>FY 09 Competition Goal</b>	<b>FY 09 Competition Actual</b>	<b>FY10 Competition Goal</b>
ACC	86	89	90
AETC	86	85	88
AFDW	84	79	81
AFMC	54	52	55
AFOTEC	91	86	86
AFRC	83	84	84
AFSOC	65	62	62
AFSPC	55	48	49
AMC	68	66	66
PACAF	82	77	77
USAFA	77	62	64
USAFE	98	98	98
<b>Total AF Proposed Goal</b>	<b>59</b>	<b>56.4</b>	<b>58*</b>

\*AF Proposed Goal factors in the OFPP projected change in Fair Opportunity

*Table 5*

The Air Force established its command FY10 competition goal based upon trend analysis, barriers to competition, and the DPAP memo of 5 November 2009. We also considered the DPAP guidelines for establishing our FY10 competition goals, the recent OFPP directed revision to FPDS, and the new FPDS Standard Competition Report that will be released early in FY10 in

establishing our MAJCOM/FOA/DRU and Air Force goals. The Air Force adjusted each command's FY10 competition goal based upon an FY07 through FY09 trend analysis that included each of the exceptions to full and open competition authorized at 41 U.S.C. 253(c) and 10 U.S.C. 2304(c). Table 5 demonstrates that Air Force is challenging four of its commands to increase their competition rates in FY10. While Air Force decreased the FY10 competition rate for seven of the commands. The basis for the decrease was either a large increase in competed dollars redirected towards socio-economic programs or restrictions Air Force could support as to why a command's competition rate could not be increased. For example, AFOTEC's goal for FY08 was based upon its achievement of a 91% competition rate in FY08. However, in FY09 AFOTEC awarded a test equipment contract using an 8(a) set-aside. This business decision resulted in a large increase in their small business dollars, but a decrease in their competition rate. AFOTEC's goal was adjusted to reflect that these dollars are no longer available for competition.

Table 5 also reflects a significant decrease in the Pacific Commands FY10 competition goal. The adjustment is the result of a coding error in FPDS that was discovered after the Air Force had established PACAF's FY09 competition goal of 82%. This goal was established based upon the FY08 actual competition rate. However, in early FY09 PACAF discovered a significant coding error in FPDS. PACAF's FY08 actual competition rate was actually 73%.

Table 5 also reflects that we adjusted Air Mobility Command's FY10 competition rate downward in support of the sole source nature of their largest acquisition, Senior Leadership Command, Control and Communications System – Airborne Broadband Satellite Communication Service. Air Force supports the Air Mobility Command seeking a competitive acquisition in FY12.

The Air Force FY10 competition goal is 58%. This goal takes into consideration the recent OFPP directed change to FPDS in how fair opportunity is used in capturing the extent that orders issued under multiple award contracts are competed. The Air Force FY10 competition goal would be 59% if the change in fair opportunity reporting were not considered. The Air Force is projecting this revision will decrease our FY10 competition rate by 1%. Therefore, we adjusted the Air Force FY10 proposed competition goal to 58% to reflect the change in reporting.

## **COMMERCIAL**

The Air Force is a staunch supporter of commercial acquisitions as evidenced by the operational commands utilizing the FAR Part 12 procedures whenever feasible. Market research is the key to acquisition professionals understanding the commercial marketplace. We also use industry days, and *FedBizOps* to engage industry is assisting us to ensure our acquisitions reflect the practices of the commercial marketplace.

In the past, the Air Force used commercial procedures for the acquisition of some major weapon systems; however, the lessons learned identified by the Government Accounting Office (GAO) led the Air Force to use caution when considering commercial practices in the area of major weapon systems. For example, the Air Force expanded the Determination and Finding

requirements of the DFARS for using commercial procedures for weapon systems to include projections of the extent the Air Force will increase competition as a result of using the commercial practices of the FAR Part 12; the extent the Air Force will have greater access to commercial markets as a result of using commercial practices; and a projection of the extent the Air Force will receive better prices and/or new market entrants or technologies as a result of using commercial practices.

Air Force participated in the DoD Procurement Integrity Panel, 2009 Action 4a Subcommittee reviewing the policies and procedures addressing the use of commercial item “of a type” contracts, verifying the extent to which Air Force contracting officers’ document commercial item determinations in accordance with prescribed regulations, and assessing the sufficiency of supporting documentation for price reasonableness determinations. The Panel requested the Air Force, Army and Navy identify the policies and procedures addressing the use of commercial item contracts; verifying the extent contracting officers’ document commercial item determinations in accordance with prescribed regulations; and assess the sufficiency of supporting documentation for price reasonableness. The results of the review revealed that the Air Force has adequate policy to ensure that contracting professionals make informed decisions regarding commercial acquisitions, that the commercial item determinations are supported with adequate market research and that we have the necessary information to determine the price fair and reasonable.

## **MAXIMIZING SMALL BUSINESS OPPORTUNITIES**

The Air Force continues to seek opportunities to increase small business participation in many areas. Small Business Specialists, at the installation, MAJCOM and Air Force level participate early in the acquisition strategy panel to provide small business solutions. The Air Force Small Business Specialists review all acquisitions greater than \$10,000 and recommend one of the small business programs as applicable.

Our FY07-09 analysis revealed that Air Force is successful in encouraging the use of socio-economic programs. The analysis shows that our operational commands continue to see growth in contracts supporting socio-economic programs such as Ability One and the 8(a) Program.

## **REVISED COMMERCIAL AND COMPETITION ADVOCATE PROGRAM**

The Air Force is in the process of implementing its revised Air Force Competition and Commercial Advocacy Program. The Competition Advocate General is responsible for appointing MAJCOM-level competition advocates. Under this program the Air Force now requires a senior leader be appointed at every installation to serve as the competition advocate.

The Air Force also expanded the roles and responsibilities of the competition advocate to include the tracking, and reporting of the use of fair opportunity on task and delivery orders written against multiple award contracts. This is in addition to tracking and reporting their progress in

achieving their annual competition goals. To support these additions, beginning in FY10, the Air Force will conduct quarterly competition advocate meetings to discuss progress in these areas.

The Air Force is expanding the competition reporting requirements beginning in FY10. The MAJCOM/FOA/DRUs goal will be established using the DoD guidelines. The MAJCOMs are also required to include in their competition plans three years of trend analysis to support their proposed goal. The trend analysis includes reviewing justifications and approvals, as well as socio-economic programs where competitive dollars are redirected in support of these programs.

## **SUMMARY**

This report demonstrates that the Air Force is committed to increasing the use of commercial acquisitions and ensuring full and open competition. Although we did not achieve our goal of 62% in FY09, this report reveals that Air Force continues to take measures to make sure that full and open competition a key tenet of acquisition. We are increasing our FY10 competition goal to 58%. The Air Force Commercial and Competition Advocacy Program promotes the acquisition of commercial items, promotes full and open competition, ensures our focus is on managing the program rather than focusing on goals, and demonstrates the Air Forces commitment to excellence.

# Fiscal Year 09 Competition Advocate Report

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Defense Logistics Agency (DLA)

**Sallee S. Justis-DLA Competition Advocate**

**1/11/2010**

DLA submits this annual report in accordance with FAR 6.502(b)(2) and DPAP memorandum dated Nov 5, 2009, Subject: Competition Report for Fiscal year (FY2009).

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## **I. Fiscal Year 2009 Competition Rate Achieved**

DLA achieved a competition rate of 90% of total dollars obligated against a goal of 88% and achieved 94% of total procurement actions against a goal of 90%. The FY 09 competition base in terms of total dollars was \$37.2 billion with \$33.3 billion obligated competitively. This is a significant improvement from FY 08, where we experienced an achievement rate for percentage of dollars obligated of 87.3% and \$29.8 billion.<sup>1</sup> DLA consists of thirteen supply chains/activities that have established goals and reportable achievements, as identified in Table 1. Nine activities met their goal for percentage of dollars and eleven activities met their goal for percentage of actions. Of the thirteen reporting elements, six achieved percentage dollars greater than 90% and only three were below 85%. DLA certified the FPDS-NG data on Dec 15, 2009 and at that time identified some issues, which have subsequently been corrected. The data for this report was obtained from FPDS-NG on January 5, 2009 and reflects the most accurate information available.

	<b>% Dollars</b>		<b>% Actions</b>	
<b>Supply Chain/Activity</b>	<b>FY 09 Goal</b>	<b>FY 09 Actual</b>	<b>FY 09 Goal</b>	<b>FY 09 Actual</b>
Land (DSCC)	84.0%	76.2%	85.5%	94.5%
Maritime DSCC)	88.0%	88.5%	86.5%	93.5%
Aviation (DSCR)	52.0%	56.2%	76.0%	80.9%
Subsistence (DSCP)	98.0%	98.9%	99.0%	97.9%
Medical (DSCP)	99.2%	99.4%	99.2%	99.5%
C&E (DSCP)	94.0%	97.4%	93.0%	97.2%
C&T (DSCP)	92.0%	82.4%	91.0%	90.8%
Support (DCSO)	81.0%	85.8%	81.0%	87.5%
Energy (DESC)	88.0%	95.3%	92.0%	95.5%
Reutilization (DRMS)	89.0%	88.6%	90.0%	94.0%
Distribution (DDC)	86.0%	85.0%	85.0%	85.1%
Stockpile (DNSC)	61.0%	92.6%	50.0%	72.9%
Printing (DAPS)	86.0%	92.3%	82.0%	98.4%
<b>Total DLA</b>	<b>88%</b>	<b>90%</b>	<b>90%</b>	<b>94%</b>

Table 1. DLA activities FY 09 competition goals and achievements

<sup>1</sup> The source of the FY 08 data referenced here is the FY 08 DLA Competition Advocate Report. In a later reference to FY 08 numbers, the competition achievement rate is different because it is based on a later run of the data from FPDS in a report provided by DPAP.

## II. Advocate's Activities

Examples of individual procurements/activities where competition effort was instrumental in achieving substantial cost savings or other benefits are described below.

**Energy Supply Chain:** The coal solicitation resulted in increased competition with contractors offering on new line items. New competition was received on four line items. Awards on these four line items resulted in a savings of \$1.4 million over the current contractors offer. Natural Gas requirements were solicited for NASA Johnson Space Center, TX, an installation new to the natural gas program. Market research was conducted and qualified suppliers were provided a copy of the solicitation. Three offers were received which resulted in an estimated annual cost \$800,000 below comparable utility rates. The Bulk Helium contract, which had previously been awarded based on a sole offer, was awarded with competition from four in-theater suppliers, resulting in savings of \$1.7 million over two years, as a result of changing follow-on acquisition strategy.

**Land and Maritime Supply Chains:** Additional sources resulted in competition and savings for the following items: VHF antenna used by the Army with savings of \$7,384,710.00; brake shoe that is a critical part used on the Highly Mobility Multipurpose Wheeled Vehicle (HMMWV) with savings of \$14 million; radio frequency amplifier used on the EA-6B Prowler with savings of \$335,440; solenoid valve used on the P-3 Orion Aircraft with savings of \$1 million; and a ball joint with multiple uses with savings of \$1.4 million.

**Clothing & Textiles (C&T):** Competition on C&T procurements is always instrumental in achieving cost savings and this held true for the Concealable Body Armor (CBA) buy. Four companies have this item listed on the GSA schedule, but competition among them resulted in offered prices 24% to 60% below the GSA Schedule prices.

**Joint Modular Intermodal Container (JMIC):** The JMIC is a standardized collapsible intermodal shipping cargo container fully described by a complete technical drawing package. The JMICs have been in the supply system for several years with only one qualified source. Industry was encouraged to participate and a second source was approved and awarded a contract, resulting in unit price decrease from \$2,595 to \$1,845. A long term contract was awarded for an estimated quantity of 6,000 containers, valued at over \$9 million. The savings that will be realized are in excess of \$6 million.

**Electronic Catalog (ECAT):** To comply with the requirements of DFARS 208.405-70, ordering procedures that enhance competition for orders over the Simplified Acquisition Threshold (\$100K) placed against an ECAT contract were established. Orders temporarily drop

from the system and the Contracting Officer competes among vendors within a program and makes a best value decision based upon price, delivery, past performance, and other factors. FY 09 savings are \$1.5 million or 6.9% of ECAT sales.

**eBuy:** eBuy is an electronic RFQ system that automatically notifies vendors of solicitations from agencies. Solicitations are posted to eBuy to allow vendors holding GSA schedules to compete. In order to meet the requirement from Section 803 of the FY 2002 National Defense Authorization Act (P.L. 107-107) to provide for notice to as many schedule contractors as practicable, the DLA Contract Support Office (DCSO)'s policy is that acquisitions over \$100,000 using schedules, must be posted to eBuy. The DLA Automated Printing Service (DAPS) also uses eBuy for acquisition of multifunctional devices (printer/copier/scanner) and for the DAPS Equipment Management Services (EMS) Program (program cost over \$100M per year).

### III. Competition Initiatives

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

**Source Approval Requests:** The Aviation Supply Chain continues to improve competition by assisting and encouraging new sources in the submission of Source Approval Requests (SARs). Approximately 673 new SARs were received by DLA Richmond in FY 09. The majority of these (521) were processed by the Small Business Office which provides potential new sources with significant advice and assistance. Many (101) were processed by acquisition specialists who received alternate proposals against active purchases and the balance (51) were processed by the Aviation Engineering Directorate. At FY 09 end, 233 of these requests resulted in new approved sources and 190 were disapproved or rejected. Also notable is that upon review, 25 of the source approval requests resulted in reclassification to fully competitive item descriptions.. There were also an additional 147 aviation SARs processed, resulting in 106 approvals, at DLA Ogden during FY 09.

Land and Maritime Supply Chains maintain a dedicated resource to process, track, monitor, and follow up on all SARs. In FY 09, 222 SARs were received, with 25 resulting in ESA referrals and 6 approvals. The remaining SARs have deficiencies that are being coordinated via vendor/value engineering (100) or were rejected due insufficient supporting data (91). The Procurement Analyst in the Small Business Office responsible for coordinating the SAR program conducted training sessions with the Product Specialists to stress the importance of additional sources to increase competition and the industrial base. Two examples of savings resulting from SARs follow:

After considerable research and discussion a SAR package was received from a new vendor and subsequently approved by the ESA. A unit price savings of \$3,305 was realized on the first award of 50 units and resulted in total savings of \$165,250. A second award for 125 units yielded \$474,125 in savings.

A project to expand competition on a sole source screw spacer revealed an existing drawing from which a new source could be developed. A known supplier of similar items was solicited and became an approved supplier through submission of a SAR. The unit price was reduced by approximately 97% and the first purchase with competing sources for 5,578 units yielded a savings of \$69,167.

**Replenishment Parts Purchase or Borrow (RPPOB) Program:** The RPPOB program allows perspective contractors to buy or borrow items of supply for reverse engineering at their own initiative and expense. The Aviation RPPOB issued 35 bailment contracts totaling \$33,869. Reverse Engineering (RE) is a process where technical data is generated from a sample part to create a complete technical data package for the item. The Aviation Business Opportunity Center (BOC) supports the RPPOB program by maintaining an inventory of the parts which are RE candidates. As a result of the reverse engineering efforts this year, 23 items changed to fully competitive for a savings of \$7.6 million and 75 items had additional sources identified for a savings of \$10.8 million. Two examples of this program are discussed.

Efforts to reduce sole source acquisitions for aircraft latch assemblies have been ongoing and this item represents the most recent success. The unit price was reduced by 70% and the first purchase under the new competitive item description for 156 units yielded a savings of \$157,521. Additional savings of \$112,082 accrued on three more contract awards during the year..

A successful reverse engineering project on a formerly sole source turbine wheel led to the development of a new source and a unit price reduction of 20%. The first purchase with the new source for 81 units yielded a savings of \$20,400.

**Industry Meetings/Forums/Associations:** Subsistence representatives regularly participate in food industry forums, meetings, food shows, including the Defense Supply Center Philadelphia (DSCP) sponsored Domestic Sourcing Conference and the World Wide Subsistence Customer Conference which has significant industry participation. Customers have a major role in maintaining competition through providing feedback and identifying potential sources. The Land and Maritime Supply Chains have engaged with the National Institute for Standards and Technology (NIST). Under the NIST Manufacturing Extension Partnership (MEP) they provide technical consultant services to small businesses. The Value Engineering office is working with NIST to utilize this nationwide network to develop business opportunities. Some other examples of conferences attended are: The Supplier Conference sponsored by the Diving & Equipment Marketing Association in October 2008; The Supplier Conference and Trade Show sponsored by

the International Food Service Executives Association in April 2009; The Supplier Conference sponsored by the American Apparel and Footwear Association (AAFA) in May 2009.

**Expanding Readiness Contractors:** For the FY 07 Competition Report, the Medical Supply Chain reported the use of an Open Season Solicitation to expand the opportunities for pharmaceutical vendors to participate in the Medical Readiness Corporate Exigency Contract (CEC) program. At that time, two awards had been made to new firms never before having Readiness Contracts. In FY 2008, a third award was made. In FY 09 an additional three sources were awarded contracts under this solicitation, thus gaining entry into the Readiness Program. These additional awards will enhance the number of readiness CEC contractors available to support deployments. Also, in FY 08, an Open Season Solicitation for the medical surgical CEC Program was issued and in FY 09 one additional source was added.

#### IV. Commercial Items

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

**Energy Supply Chain:** A solicitation was issued seeking offers for 200 million gallons of various commercial grades of fuel. Two successful pre-proposal conferences were held which resulted in receiving 48 offers. Of the 48 offers received, 21 were new vendors that were made aware of the procurement through outreach efforts. Aggressive negotiations resulted in a total savings to the government of \$5.4 million under the basic awards. Another solicitation was issued seeking offers for 77 million gallons of various commercial grades of fuel. A pre-proposal conference was held that resulted in 18 new vendors offering against the basic requirements of the solicitation. In an effort to increase competition, the Renewable Initiatives team is constantly reviewing commercial best practices for the development and installation of on-site renewable projects. By modifying solicitation language so is consistent with commercial industry practices, and meets federal regulations, efficiencies can be realized. Continuing to monitor industry practices can have a significant impact on increasing commercial practices and competition.

**Bulk Fuels Initiative:** Energy faced unexpected challenges soliciting for the USAF Jet A Test Initiative which began in June 2009. The main purpose of the initiative is to validate that the procurement of commercial specification jet fuel versus military specification jet fuel will enhance competition and cost savings. This is the first commercial, fungible product that has been procured within the Bulk Fuels Directorate, so they experienced difficulties converging military specification fuels acquisition processes with those of the standard commercial industry.

The first contract was awarded for commercial specification Jet A Bulk Fuels for three USAF bases within the continental United States. Discussions are being held with the contractor to identify additional means to purchase commercial specification jet fuel for future solicitations as the test initiative expands.

**Aviation Supply Chain:** There were several commodity areas in which the supply chain focused on increasing the acquisition of commercial items during this past year. Some of the most notable areas where non-commercial items were purchased as commercial items for the first time include engine blades, sorbents, and handheld transceivers.

**Clothing & Textiles (C&T):** Many of C&T's items are military-unique and still require specifications, but our technical and acquisition personnel are actively engaged in buying commercial items wherever practical. C&T has moved towards buying commercial items on several product lines such as footwear and underwear. This year additional product lines were purchased using commercial acquisition procedures, including all-weather coats, sweaters, lightweight jackets, overcoats, and jumpers. They have also increased the use of FAR 13.5 Test Program procedures, including acquisitions for maternity uniforms and a wide range of ecclesiastical supplies.

**Construction & Equipment (C&E):** An industry day was held in April with participation by 40 DLA representatives and customers and 27 contractors, to discuss the pending Commercial Tent/Shelter Tailored Logistical Support Program (TLSP). Office of Counsel and the Equipment Division Chief led an information session regarding various aspects related to the request for proposals, concept, benefits, draft statement of work, Berry Amendment, Buy American and Trade Agreements Acts, types of items to be included, and supplier concerns. The vendors were given the opportunity to ask questions at the end of the day. Market surveys were collected to help assess the state of the commercial tent industrial base and to help formulate the acquisition strategy.

**Stockpile:** This activity increased the use of collaboration by the program office and procurement office to provide a foundation for planning, awarding, and managing commercial acquisitions. Contracting officers worked with program managers to ensure that each acquisition was reviewed in the planning stage and to determine if it was an appropriate commercial item candidate.

## V. Performance Based Requirements

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

**Clothing & Textiles (C&T):** Several C&T items are procured against specifications that cite performance criteria. Examples include the Improved Outer Tactical Vest (IOTV) and Enhanced Small Arms Protective Inserts (ESAPI). Both of these critical safety items were procured using performance specifications resulting in receipt of at least ten offers. In 2009, C&T worked with the services on a new item Supply Request Package process. This new process requires that the services provide descriptive data to enhance competition on future acquisitions.

**Construction & Equipment (C&E):** A spotlight was originally a sole source item, but by describing the requirement using performance specifications that allowed contractors to submit alternate products, competition was received. As a result, estimated savings of \$281,325.00 will be realized on this long-term contract. The Lighting Division continues to convert more items from sole source to competitive status. When there are salient characteristics available on a manufacturer's web site, those characteristics are included in the Purchase Item Description, and the solicitations reference brand name or equal, openly inviting alternate offers.

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

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

**DLA Automated Printing Services (DAPS):** All equipment requirements are specified in terms of functional requirements and services utilize performance based statements of work.

## VI. New Initiatives

This section describes plans for improving competition, such as identifying change in contracting techniques or other operational procedures which will enhance the competitive aspects of procurement.

**Monthly COMPAD Telecom:** The DLA Competition Advocate initiated a monthly telecom for the field Competition Advocates in July 09. DLA has Competition Advocates at the 14 Supply Chain/activities. In addition, there are Competition Advocates at the 9 Depot Level Repairable sites assigned to the Aviation, Land, and Maritime Supply Chains. The calls provide an opportunity for the field to discuss issues and for headquarters to provide information. One example of a topic discussed was FAR Case 2009-038, Justification & Approval (J&A) of Sole-

Source Contracts, that will require Sole Source 8(a) contracts over \$20 million be supported by a J&A, as required by Section 811 of the National Defense Authorization Act for FY 2010.

**Manufacturer's Pricing Agreements (MPAs):** Subsistence operates almost entirely by using Long-term Contracts (LTCs), so competition at the subcontracting level is important. In FY 08 the Manufacturer's Pricing Agreements (MPAs) program was developed. The intent was to provide those involved in the subcontracting sourcing process on Subsistence Prime Vendor contracts with a tool to enhance competition at the subcontractor level by clearly showing the subcontractor's pricing relative to its competitors' pricing on an unencumbered, FOB Origin basis. Such a transparent comparison can currently be obscured by a complicated supply chain. Last year the MPAs were a concept, in FY 09 the first contract incorporating MPAs was awarded and, in FY 10 the first actual subcontract using an MPA will be fully implemented.

**Competition Award:** The first annual competition award was implemented in the Aviation Supply Chain in FY 09. This award allows for the Head of the Contracting Activity (HCA) to personally recognize an individual who made outstanding contributions to competition efforts. Nominees come from any activity or career field in the Aviation Demand and Supply Chain. In addition to recognition, there is also a cash award. This year's recipient was a Product Specialist who developed item descriptions for approximately 150 sole source aircraft items. Through an enormous amount of market research item descriptions were written for 94 of the items that contained competitive manufacturing sources. To date, the estimated savings using the expanded item descriptions has been \$1.1 million. The DLA Automated Printing Service (DAPS) activity is also establishing a program in FY 10 to recognize exceptional employees or teams that have made significant contributions to improving competition.

**Rapid Reach:** The Energy Supply Chain met with representatives from Dun & Bradstreet (D&B) to discuss a robust marketing tool offered by D&B from Rapid Reach, a newly acquired company named. Rapid Reach sends out mass email notifications based on preselected search parameters. In collaboration with the Small Business Office, a rapid reach campaign consisting of 20,000 emails was purchased. A recent solicitation issuance announcement was emailed to over 4,000 small vendors and refineries. Another procurement team later utilized Rapid Reach to market their pre-proposal conference and solicitation issuance and reported an increase in the pre-proposal conference attendance by 20 businesses.

## VII. Barriers and Challenges

Even though the majority of DLA field activities met their competition goals, a wide range of barriers are identified below.

**Limited or No Technical Data:** The Aviation Supply Chain has the most significant barriers to competition (and the lowest competition rate) and the acquisition of commercial items because of the nature of the commodities purchased. Many aircraft components are critical, described by

part number or Original Equipment Manufacturer (OEM) owned technical data. Many items are replacement parts for large weapons systems that are proprietary or export controlled. For example, DLA Huntsville purchases missile components, which are part of large weapons systems like Raytheon's Patriot system. Approval of alternate offers presents a variety of issues.

**Alternate Source Approval Process:** A specific barrier that is reducing the approval of new competitive sources is the existing practice of requiring each service that uses an aircraft component to have its own Engineering Support Activity (ESA) approve a new source. The approval of new sources is contingent on each service approving the item. Sometimes the largest user, who is most familiar with the item, promptly approves the new source but the smallest user does not approve the new source, so it cannot be added as a new source. Because each service may use the items in a different manner, there is no easy solution. In addition, the long response times required for the evaluation of alternate offers by the ESA inhibits the Government's ability to capitalize on immediate procurements. Beside frustrating the potential contractors and discouraging them from future alternate offers, procurements are often awarded based on immediate need at a much higher cost.

**Extensive testing requirements:** Performance, first article and functional testing are expensive and often eliminate potential suppliers from consideration. The Government buys many critical items that require thorough testing to ensure performance. Many other items require testing because the services want an extra factor of safety that the items will perform as well or better than the OEM parts. Testing requirements for the Qualified Products List (QPL) Lube Oil products continues to be a barrier to competition. In 2008, a main lube supplier requested a waiver to the requirement for retesting at 5-year intervals. This requirement was waived but will resurface as an issue in 2013 as suppliers' voice their unwillingness to undergo expensive testing without some assurance that they will receive an award.

**Follow-on Maintenance:** For the DLA Automated Printing Service (DAPS) activity, competition for follow-on maintenance of large scale reprographic production equipment continues to be an issue. Although these requirements are solicited competitively, only the original equipment manufacturers (OEMs) have responded to the solicitations. This is primarily due to the substantial investments required by independent firms to develop maintenance capabilities. Also, proprietary diagnostic software, special tools and equipment patents preclude competition. We will continue to competitively solicit these requirements and encourage competing firms to overcome these barriers.

**Economy:** The current condition of credit markets in the United States is having a direct negative impact on almost all vendors in the electricity market. Vendors depend on access to credit to facilitate transactions between parties, whether building power plants or offering on a competitive retail electric supply acquisition. The Energy Supply Chain has again experienced

reduced competition in some of the overseas programs because of unstable economies and business relationships.

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

**Specialized Manufacture:** Barriers to competition for Berets is still an issue. The impediments include the requirement for very specialized machinery that can only be used in the manufacture of this one item, as well as the technical complexity of the design and manufacture of the item. Actions that are being taken to resolve these impediments include continual market research. In an effort to attract an additional manufacturer, the production lead-time was extended to 10 months. As a result, there are now two sources in production for berets.

**No Domestic Sources:** No firms were found to have a domestic production line capable of manufacturing the Chemical and Oil Glove, nor were any firms interested in developing the necessary equipment and additional production capacity to manufacture these gloves.

**“Not available for competition” in Rate Calculation:** The Defense Distribution Command’s (DDC) competition base for actions during FY 09 is 2,524. Competed actions total 2,149 or 85.14% and non-competed actions total 218 (8.63%). Out of this 218, there were 157 actions (6.22%) not available for competition. The majority of the actions that were not competed or were not available for competition were either authorized by statute (i.e. 8(a) awards, Ability One, NIB/NISH, etc.), making the competition rate lower.

## VII. Other Ways Competition is Emphasized

Other efforts or accomplishments for improving competition, such as identifying change in contracting techniques or other operational procedures which will enhance the competitive aspects of procurement are identified.

**Stockpile:** They implemented numerous initiatives in FY 09 to achieve competition, increased acquisition of commercial items, and improved requirements statements. The initiatives included increasing staffing in procurement review process, promoting the use of feedback to the contract specialist by tracking trends in acquisition strategy and procedures, and vigorously managing the warrant and certification program to ensure an established baseline for qualified acquisition personnel. Contract specialists are accountable for the accuracy of FPDS-NG data in their annual performance evaluations. They reduced the use of options periods in non-competitive procurements and forced the requestor to revisit market research to increase the

potential for a competitive procurement. Also, they developed customer toolkits with examples to facilitate Performance Based contracting.

**Reutilization:** The Directorate of Acquisition Management held an internal stand down day on October 15, 2009. The focus was to collectively review and discuss specific areas of the procurement cycle. Some of the areas addressed include competition requirements and fair opportunity, performance work statements, solicitation requirements, price analysis techniques, award documentation and post award contract administration.

**Land and Maritime Supply Chains:** During FY 09, Commercial Training Sessions were given to buyers with the goal of increasing the knowledge base and encouraging use of commercial contracting procedures where appropriate. A contracting kit was updated to aid the buyers during the acquisition of commercial items. The Competition Advocate and Chief of the Contracting Office take great care in ensuring that the buyer has addressed item commerciality determination during the acquisition planning phase of procurement.

The Competition Advocate continues to work with members of the Web Home Page Team to update the Home Page, especially the section regarding “How To Do Business with Defense Supply Center Columbus (DSCC)”, and key points of contact such as the Alternate Offer and Source Development focal points. DSCC continues to improve the DLA Internet Bid Board (DIBBS) to provide clearer instructions to the contractors pertaining to the submission of alternate offers. There is a direct email link for sending questions/competition based issues to the DSCC Competition Advocate.

The Competition Advocate also works with the DSCC Source Development Office which continues to offer substantial support for development of new sources of supply. Another aspect of support provided is our Business Counseling Center (BCC). The BCC has two computer workstations available for contractors to access the latest information on government acquisitions, technical information and web-based search-engines for finding opportunities. Trained personnel are on hand to provide assistance, demonstrations and advice to visiting contractors.

In December 08, the Maritime Supply Chain hosted an Industry Day for the Federal Supply Class/Supply Chain Partnership initiative to get suppliers engaged in the acquisition planning stages. The event was attended by over 30 companies representing various commodity groups across our industrial base.

In FY 09, five two-day seminars were held in Columbus for interested suppliers. These seminars, known as TKOs (Training, Knowledge, and Opportunities), provide comprehensive information about selling to DLA and DSCC and are attended by 125-150 individuals, with more than half of the attendees coming from outside Ohio. The sessions include presentations from subject matter experts in areas such as Packaging, Transportation, Engineering, Defense Contract

Management Agency (DCMA), Procurement Technical Assistance Center (PTAC), and Defense Finance and Accounting service (DFAS) and provide hands-on training on DIBBS.

**Aviation Supply Chain:** During FY 09 the Aviation Supply Chain Competition Advocate at Defense Supply Center Richmond (DSCR) reviewed and approved approximately 701 Justification & Approvals (J&A) to limit competition, with 21% of the acquisitions requiring revision in order to achieve better competitive status. The most common reasons for revision before approval were: (1) expanding market research to add additional potential sources (2) setting aside as a competitive small business procurement (3) advocating or validating commercial status (4) including alternate offer instructions and provisions in the solicitation document and (5) making certain that permanent item description data assignments were made for those items with temporary code assignments – AMSC code H and (6) utilizing specifications instead of restricting competition. In addition to the 701 J&As approved by the competition advocate at DSCR Richmond, an additional 551 J&As were also approved by the 5 Competition Advocates at the Depot Level reparable (DLR) detachments. The Competition Advocate personally investigated 71 competitive complaints that were brought to his office's attention during fiscal year 2009. The Competition Advocate conducted both individual and small group instruction regarding conducting and documenting market research used in the identification of new commercial sources.

**DLA Contract Support Office (DCSO):** The draft DCSO Contract Quality Management Plan (CQMP) places an emphasis on acquisition planning for follow-on contracts. The CQMP requires that acquisition planning should begin as early as possible (e.g. when the final option is exercised) to ensure that there is no lapse in contract coverage and adequate time for contract turn over if necessary. In the past some offices have relied on bridge contracts issued to the incumbent on a sole source basis rather than short term competitive contracts until the follow-on contract is in place. The CQMP states that any bridge contracts issued pursuant to FAR 6.302-1, 6.302-2 or 8.405-6 will be permitted only after all alternatives are considered.

**Energy Supply Chain:** They routinely conduct market research for both new and follow-on requirements, issue request for information (RFI) notices to identify potential sources and capabilities, and hosts pre-proposal conferences. They participate in conferences to educate interested companies on how to do business. They participated in the Alternative Fuels Small Business Conference held in San Antonio, TX, to increase small business participation and to identify companies to participate in the synthetic fuel initiatives. This conference afforded companies an opportunity to learn about the solicitation format, requirements, and evaluation process.

**Construction & Equipment (C&E):** The Competition Advocate continues to provide training to personnel involved with processing Justification & Approvals (J&A). The Office of the Competition Advocate, in conjunction with the Office of Counsel, provided training to interns on

the proper J&A procedures as part of an ongoing partnership with the Office of Counsel. This office also emphasizes working with buyers to improve their writing skills to produce strong J&As.

**Defense Supply Center Philadelphia (DSCP):** The Office of Procurement Process Support holds Acquisition Forums for the acquisition workforce. One forum covered the new requirement for posting Justification & Approvals (J&As) to the Federal Business Opportunities (FedBizOpps) website after contract award. The Competition Advocate’s Office has been monitoring the posting and timeliness of J&As to FedBizOpps and they conduct periodic, random reviews to ensure proper content of each J&A. The Competition Advocate's office continues to serve as the facilitator for DSCP's Reverse Auction initiative in the effort to increase competition. Three Reverse Auctions were successfully conducted during FY 09 with reported savings of \$570K. An Acquisition Forum was held on promoting the expanded use of this tool by arranging for on-site training for select contracting personnel in each of the Supply Chains during the first half of FY 10. In June 2009, the Office of Procurement Process Support presented an Acquisition Forum to the DSCP acquisition workforce on the FAR Part 13.5 Test Program for Commercial Items.

**XI. Fair Opportunity (FO)**

**Fiscal Year 09:** For FY 09, DLA had 17,754 actions and \$1.3 billion subject to FO requirements and of that amount, 16,802 actions or 94.64% and \$1.2 billion or 87.42 % provided for FO. Our performance in this area is very strong and while no goal is required, ideally we strive for providing for FO to the maximum extent. Of the exceptions to FO, “only one source” constitutes the majority of excepted actions and dollars. Of the 826 actions and \$165 million exceptions to FO, the “only one source” category is 633 actions or 76.63% and \$ 134 million or 82.24% of the dollars. Table 2 contains the full data on exceptions FO. It was obtained from FPDS-NG on January 7, 2010 and reflects the most accurate FY 09 data available.

<b>FY 09 Fair Opportunity</b>	<b>Actions</b>	<b>% of Total</b>	<b>Dollars</b>	<b>% of Total</b>
Subject to Fair Opportunity	17,754	N/A	\$1,325,553,343.57	N/A
Null Values	126	0.71%	\$1,314,945.93	0.10%
Fair Opportunity Provided	16,802	94.64 %	\$1,158,862,615.47	87.42 %
Total Exceptions to Fair Opportunity	826	4.65 %	\$165,375,782.17	12.48%
-Urgency	15	1.82 %	\$2,016,419.42	1.22%
- Only one source – other	633	76.63%	\$ 134,359,328.84	82.24%
- Follow-on Delivery Order	128	15.5 %	\$17,959,959.40	10.86%
- Minimum Guarantee	13	1.57 %	\$ 767,429.05	0.46%
- Other Statutory Authority	37	4.48%	\$10,272645.46	6.21%

Table 2. DLA Fair Opportunity Data (source FPDS 1/7/10)

**Historical Data:** A comparison of the dollars subject to FO and dollars where FO was provided shows DLA has a fairly consistent performance from FY 07, FY 08, and FY 09, ranging between 87.42% and 89.84%. The dollars subject to FO have decreased 7.6% and the dollars where FO was provided have decreased at the same rate 7.5%. Table 3 contains the historical data.

<b>Fiscal Year</b>	<b>Total \$ Subject to FO</b>	<b>\$ FO Provided</b>	<b>% FO Given</b>
FY 07	\$1,732,827,980	\$ 1,551,298,791	89.52%
FY 08	\$ 1,642,938,713	\$ 1,476,005,864	89.84%
FY 09	\$1,325,553,343	\$1,158,862,615	87.42%

Table 3. Historical DLA Fair Opportunity Percentage of Dollars (Sources: FY 09 data came from FPDS-NG on 1/7/10, FY 08 data came from DPAP from FPDS-NG on 1/15/09, and FY 07 data came from DPAP from FPDS-NG on 10/15/09)

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

**Construction & Equipment (C&E):** On the Fire & Emergency Services Tailored Logistical Support Program (TLSP), every delivery order must be competed. This has resulted in every order to date having received multiple offers in each region.

**DLA Automated Printing Service (DAPS):** DAPS obtains multifunctional devices and other production equipment primarily under GSA Federal Supply Schedule 36. Requirements are competed among GSA Schedule 36 holders on GSA eBuy. This has resulted in a high (98%) competition rate under the fair opportunity process.

**DLA Distribution Command (DDC):** DDC placed a total of 465 delivery/task orders during FY 09. The majority of these actions were placed against multiple award contracts under GSA’s Federal Supply Schedule program. Through the validation and verification process, all the orders were correctly coded “no exception – fair opportunity given”. All FSS orders over \$10,000 are reviewed to ensure fair opportunity to the maximum extent.

**Energy Supply Chain:** They have two on-going contract programs involving FO multiple awards where the delivery/task orders are competed. The first is the program supporting consulting services. In early November 2009, they awarded 23 consulting services contracts for a

performance period of 5 years, in 3 different categories; management support, studies and analysis, and applied research. Multiple contracts were awarded in each category. Each task order requirement is competed among the different contractors in the applicable category. The second on-going FO program involves trailer refurbishment/recertification services used for aerospace fuel containers, 17 delivery orders under the multiple 5 year IDIQ trainer and recertification contracts were competitively awarded. The contracts expire August, 2013.

**X. Trend Analysis and FY 10 Competition Goals**

**Trend Analysis:** A trend analysis using historical data from FY 07, FY 08, and FY 09 shows the competition achievement rate (based on dollars obligated) has fluctuated between a low of 84% for FY 08, 89% for FY 07, and the current high rate of 90%. When the impact of deducting the dollars where Fair Opportunity (FO) was not provided from the total dollars competed, the competition achievement rate drops a percentage point or in FY 07 to 88%; FY 08 to 83%, and FY 09 to 89%. Table 4 contains the data for the past three fiscal years.<sup>2</sup>

	2007	2008	2009
Total Dollars Obligated	\$30,556,091,318	\$35,483,411,145	\$37,169,153,515
Dollar Competed	\$27,057,912,029	\$29,779,033,416	\$33,331,328,781
<b>% Competed of Total Dollars</b>	<b>89%</b>	<b>84%</b>	<b>89.7% rounded to 90%</b>
Dollars Subject to Fair Opportunity	\$1,732,827,980	\$1,642,938,713	\$1,325,553,343
-Fair Opportunity Provided	\$1,551,298,791	\$1,476,005,864	\$1,158,862,615
-Exceptions and Null Values	\$181,529,189	\$166,932,849	\$166,690,728
<b>Revised Competitive Baseline</b>			
Dollars Competed	\$27,057,912,029	\$29,779,033,416	\$33,331,328,781
Minus Exception and Null Values	\$181,529,189	\$166,932,849	\$166,690,728
Revised Dollars Competed	\$26,876,382,840	\$29,612,100,567	\$33,164,638,053
<b>Revised % Competed of Total Dollars</b>	<b>88%</b>	<b>83%</b>	<b>89.2% rounded to 89%</b>

Table 4. Historical DLA Competition & Fair Opportunity achievements (Sources – FY09- FPDS 1/7/10, FY 08 – DPAP data as of 1/15/09, FY 07 – DPAP data as of 10/15/09)

**Reasons not competed:** Over 78% of the actions and 75% of the dollars not competed, were a result of sole source procurements. This is consistent with the obstacles faced in the weapon

<sup>2</sup> The FY 08 data was obtained from DPAP from an FPDS-NG pull as of 1/15/09 and it is different than the FY 08 data referenced earlier in this report because it was pulled at a different point in time.

system oriented supply chains, Aviation, Land, and Maritime. The complete data is included at Table 5.

<b>FY 09 Not competed</b>	<b>Actions</b>	<b>% of Total</b>	<b>Dollars</b>	<b>% of Total</b>
Total not competed	31,758	N/A	3,936,202,113	N/A
Not competed	30,932	97.4%	3,770,826,330	95.8%
Null	31	.10 %	520,465	0.01 %
<b>Only one source (6.302-1)</b>	<b>24,001</b>	<b>77.6 %</b>	<b>2,811,306,028</b>	<b>74.6%</b>
Urgency (6.302-2)	1,226	4.0 %	65,964,715	1.8%
Mobilization and R&D (6.302-3)	66	0.2%	\$ 1,267,431	0.03%
International Agreement (6.302-4)	12	0.04 %	1,333,862	0.04%
Authorized/required by Statute (6.302-5)	5,590	18.1 %	\$ 646,800,094	17.2%
National security (6.392-6)	6	0.02%	\$243,633,735	6.5%

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

**FY 10 Goal:**

**Overall DLA:** The DLA goal of 90% of dollars obligated is a 2% increase over the goal for FY09 of 88%. Overall DLA FY 09 performance was at 90% (rounded up from 89.7%). DLA will make every effort to reduce the impact of Fair Opportunity and maintain a goal of 90% under the new way of calculating. We will put greater emphasis on providing for Fair Opportunity under multiple award contracts and ensuring the FPDS coding is correct in FY 10. We adhered to the DPAP guidelines in establishing the 90% goals for both ways of calculating. The anticipated FY 10 total obligation amount is \$35,298,356,225, which is approximately \$2 billion less than the amount obligated this fiscal year.

**DLA Supply Chains/Activities:** We negotiated aggressive goals with the field activities in setting FY 10 goals, which are included in Table 6. Six of the thirteen activities/supply chains have percent of dollars obligated goals of 90% or greater and only three activities have goals at or less than 80%. The goals reflect the DLA commitment to pursuing improvement in competition outcomes. The Aviation, Land, and Maritime Supply Chains will continue to experience the negative impacts of purchasing large dollar value sole source Depot Level Repairable (DLR) items resulting from BRAC 2005. Energy Supply Chain anticipates negative

impact resulting from the award of a \$2 billion 2 year sole source contract with the nationally owned petroleum company, Abu Dhabi National Oil Company (ADNOC), in support of the Al Dafra Air Base in the United Arab Emirates. Consistent enforcement of competition requirements; accurate coding of awards; and an educated workforce are the basis for improving competition.

<b>Supply Chain/Activity</b>	<b>% Dollars</b>	<b>% Actions</b>
Land (DSCC)	76.0%	88.5%
Maritime DSCC)	88.0%	89.5%
Aviation (DSCR)	59.0%	87.0%
Subsistence (DSCP)	98.0%	99.0%
Medical (DSCP)	99.2%	99.2%
C&E (DSCP)	94.0%	93.0%
C&T (DSCP)	92.0%	91.0%
Support (DCSO)	88.0%	88.0%
Energy (DESC)	90.0%	95.0%
Reutilization (DRMS)	89.0%	94.0%
Distribution (DDC)	86.0%	85.0%
Stockpile (DNSC)	80.0 %	65.0 %
Printing (DAPS)	91.0%	98.0%
Total DLA	90.0%	95.0%

Table 6. DLA activities FY10 Competition Goals – using the current way the rate is calculated

**XI. Competition in Department of Defense Acquisition Training Requirement**

**Contracting Workforce:** As required by the DPAP Memorandum, Subject: Competition in Department of Defense Acquisition, dated September 14, 2009, DLA is requiring at a minimum, all contracting personnel to complete the Continuous Learning Class (CLC) 055 this fiscal year. We are explaining the possibility of expanding the mandatory training requirement.

**Non-Contracting Workforce:** The course is recommended for all others, but is not mandatory.

**DLA Interns:** The CLC 055 course has been added as a mandatory training requirement in the second year of the DLA Contracting Intern program. To ensure technical and planning experts involved in the acquisition process also are trained, highlights of the course will be added to the DLA Intern overview course which is mandatory for all non-contracting interns.