



DAU



***Pricing Other Transactions:
Striking the Balance Between
Speed and Price***

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1:00 - 3:00 p.m. (Eastern)

Other Transaction Authority – Value/Pricing



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- Disclaimer
- Expectations from today
- 2018 DoD guidebook
- Problem Statement
- Evaluating Price; Other Transactions (OTs)
 - Pricing Forces
 - Inherent Competition
 - Budget Fulfillment
 - Price Considerations
 - Alternatives / What if no award?
 - Price/Value continuum
 - Time/Value considerations
 - Proposal Independent Price Estimate (PIPE)
 - FTE labor cost estimate



This brief is intended to promote pricing ideas, collaboration, and to increase communication. The slides and discussion are not official Agency Policy, or the policy of the Department of Defense or USG.

- What today is **NOT**
 - Other Transaction Authority (OTA) instructions & guidance
 - A panel telling you how to write or structure your agreements
- What today **is**
 - A collaborative discussion on how to evaluate fair and reasonable pricing in an OT environment absent cost data
- Discussion:
 - “I have another way to solve for fair and reasonable price...”
 - “The Government tends to _____, Commercial businesses tend to _____”
 - “I have another story or idea I want to share....”

Hypothesis / Problem Statement

- DoD OT Guidebook
 - [https://www.dau.edu/guidebooks/Shared%20Documents/Other%20Transactions%20\(OT\)%20Guide.pdf](https://www.dau.edu/guidebooks/Shared%20Documents/Other%20Transactions%20(OT)%20Guide.pdf)

i. Price Reasonableness – The Government team *shall* determine price reasonableness. The Government team may need data to establish price reasonableness, including commercial pricing data, market data, parametric data, or cost information. However, the AO should exhaust other means to establish price reasonableness before resorting to requesting cost information.

- **Hypothesis:** There is a continued disconnect between price-evaluation practices used as commercial industry standards and those being adopted by DoD Contracting/Agreement Officers
- DCMA Commercial Item Group (CIG)
 - [https://www.dcma.mil/Portals/31/Documents/CIG/EvaluatingPrice_OtherTransactions\(OTs\)_V6.pdf](https://www.dcma.mil/Portals/31/Documents/CIG/EvaluatingPrice_OtherTransactions(OTs)_V6.pdf)

Inherent Competition

- Multiple offerors
- Multiple solutions
- Unique problem



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- Publicizing Budget
- To do it, or not?



Source; rd.usda.gov



- What are the alternatives?
- Price of not buying?
- Cost of Problem/Cost of Solution?
- Comparison to the next-best solution
 - (price walk)



- Focus on Value
- Functionality
- Use comparative analysis of the next best option

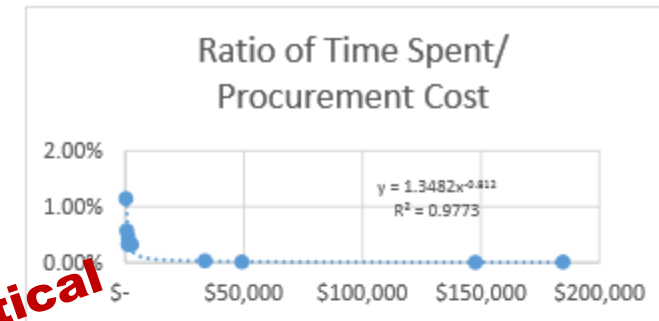


- What is your time worth?
- How much time should you spend?
- Speed vs Price



Source: Zillow

Investment	Hours Spent on research	Average Product Cost	Research: Cost Ratio
Home	20	\$ 184,600	0.01%
Vehicle	11	\$ 33,666	0.03%
Major Home Improvement	7	\$ 49,240	0.01%
Mortgage decision	9	\$ 147,680	0.01%
Vacation	9	\$ 2,788	0.32%
Minor home improvement	4	\$ 700	0.57%
Computer	6	\$ 1,299	0.46%
Television	4	\$ 1,224	0.33%
Mobile Phone	4	\$ 349	1.15%



Theoretical

Using the regression formula from the above analysis (hours researching per product value), the table to the right represents major procurements and the estimated amount of time associated with their research. “Hours Researching” represents total dedicated time e.g. 40 hours would be the equivalent of 1 analyst, 100% dedicated for 5 8-hour days. This is not a recommended guidepost to use for procurements; rather an opportunity of self-reflection and thinking about the internal efforts involved with determining a fair price.

Value of Procurement	Hours Researching
\$25M	33
\$50M	38
\$100M	43
\$250M	51
\$500M	58

- Proposal Independent Price Estimate (PIPE)
 - Cost Estimating vs. Contract Pricing
 - Advance analysis
 - Procurement Administrative Lead Time (PALT)



- Solving problems by looking at it differently
 - Million vs Billion
 - Services /IT install



- “I have another way to solve for fair and reasonable price...”
- “The Government tends to _____, Commercial businesses tend to _____”
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