OFFICE OF THE UNDER SECRETARY OF DEFENSE
3000 DEFENSE PENTAGON
WASHINGTON DC 20301-3000

ACQUISITION TECHNOLOGY AND LOGISTICS

APR 14 2008

Mr. Paul Denett, Administrator
Federal Procurement Policy
Office of Management and Budget
Washington, DC 20503

Dear Mr. Denett,

This is in response to your request for the Department's FY 2007 Competition Report. The enclosed report includes preliminary FY 2007 competition achievements as reported in the FPDS, as of January 8, 2008. Once DoD is able to certify it's FY 2007 data, final competition statistics can be obtained via the FPDS Competition Report.

For FY 2007, DoD competitive obligations totaled $192 billion or 62% of DoD obligations. This rate is consistent with achievements in FY 2006; has only been exceeded once, in FY 2005, when the Department achieved 63%; and is better than DoD's 10 year average of 60%. The report also addresses fair opportunity on orders placed against DoD multiple award contracts; barriers to competition; initiatives in the competition, commercial items and performance-based arena; and establishes a goal of 62% for FY 2008.

The Army, Navy, Air Force and Defense Logistics Agency FY 2007 Competition Reports are attachments to the DoD report, as these agencies comprise 94% of dollars obligated in FY 2007 by DoD. Please address any questions regarding this report to Ms. Teresa Brooks at 703-697-6710 or teresa.brooks@osd.mil.

Shay D. Assad
Director, Defense Procurement,
Acquisition Policy, and
Strategic Sourcing

Enclosure:
As stated

Department of Defense’s

Competition Report

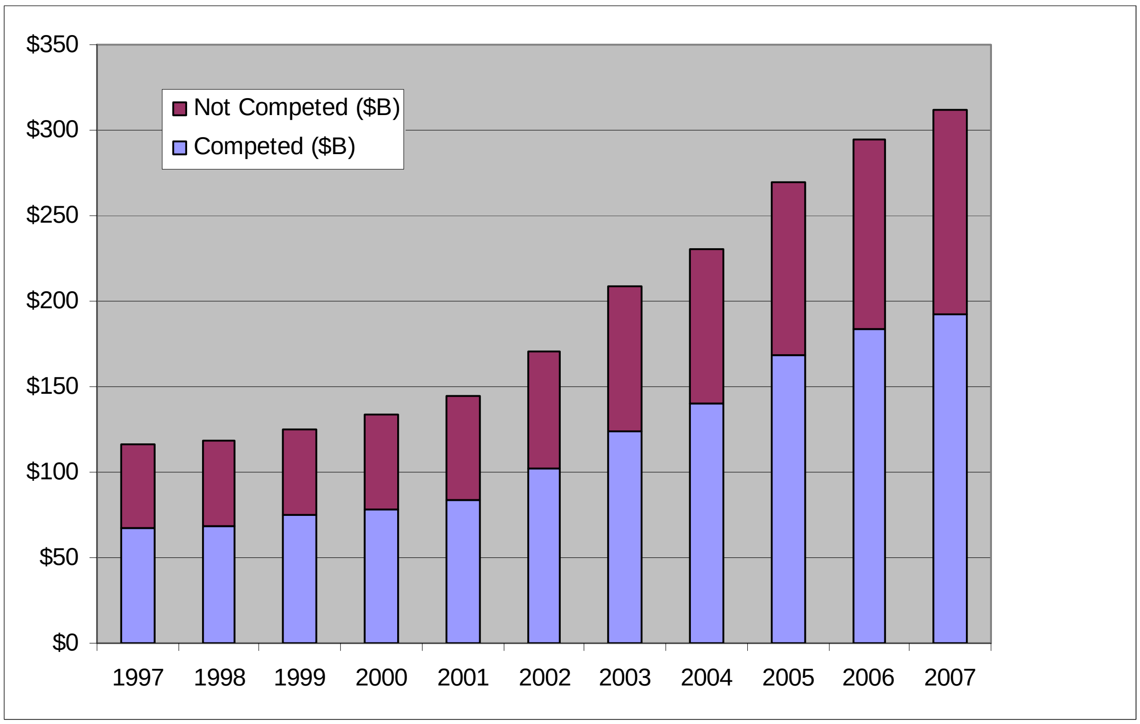
For FY 2007

DoD's Competition Report for FY 2007

I. Competition Trends

In FY 2007, the Department of Defense (DoD) reported that $192 billion or 62% of its dollars were competitively awarded.[1] In FY 2007, DoD obligations accounted for 71% of total Government-wide obligations, and 75% of all obligations reported in the Federal Procurement Data System (FPDS) competition report.[2] Of the $268 billion reported in the FPDS competition report as being competitive, 72% of these were DoD obligations. Table 1 provides DoD trend data on the dollars obligated for competitive vice non-competitive actions for the past 10 years. [3]

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



[1] The source of FY 1997-2006 data is DoD's DD 350 legacy system (though a comparison of the FY 2003-2006 FPDS Competition Report indicates it closely parallels that contained in the Federal Procurement Data System). The source for the FY 2007 data is the FPDS Competition Report, run on January 8, 2008. As DoD previously advised OFPP, overall FPDS issues impacted DoD's ability to certify its FY 2007 data until the third quarter of FY 2008, which precluded us from submitting our Competition Report by the requested date of December 31, 2007. FY 2007 achievements in this report are preliminary, with final achievements available in the FPDS once DoD completes its certification of FY 2007 data.

[2] This occurs because actions with null values for extent competed are not captured in the FPDS Competition Report. As a result of system issues identified by DoD, we reduced our null values for extent competed from $50 billion to less than 1% of total obligations, while we estimate the null values for extent competed for Civilian agencies averages approximately 17% of total Civilian agency obligations. (See Footnote #5 for further explanation.)

[3] This trend data is based on competitive/non-competitive dollars as a percentage of total dollars. Consistent with the official FPDS Competition Report actions coded as "Not Available for Competition" are counted in the non-competitive dollars.

DoD's overall rate of competitive obligations for the last 10 years has averaged 60%, in, comparison to the Government-wide overall average of 63%. In FY 2006 and FY 2007, the Department achieved a competition rate of 62%, in comparison to the Federal government's competition rates of 64%.

Table 2 – Year-By-Year Percentage Comparison ($ in Billions)

Year	DoD Total Obligations	DoD $ Competed	DoD % Competed	Gvt-wide Total Obligations	Gvt-wide $ Competed	Gvt-wide % Comp
1997	$117	$67	58%	$172	$108	63%
1998	$118	$69	58%	$184	$116	63%
1999	$125	$75	60%	$188	$120	64%
2000	$133	$79	59%	$204	$130	64%
2001	$145	$84	58%	$221	$139	63%
2002	$171	$102	60%	$261	$165	63%
2003	$209	$123	59%	$310	$195	63%
2004	$231	$140	61%	$338	$207	61%
2005	$269	$169	63%	$372	$238	64%
2006	$295	$184	62%	$394	$253	64%
2007	$312	$192	62%	$416	$268	64%
Totals	**$2,124**	**$1,284**	**60%**	**$3,060**	**$1,939**	**63%**

The level of competition achieved within the Department varies, depending upon the type of product or service being bought by the DoD Component. Table 3 illustrates how this varied by DoD Components in FY 2007.

Table 3 – FY 2007 Competition Achievements by DoD Component

DoD Component	Competition Base (Dollars in M's)	Competed (Dollars)	% Dollars Competed
DEPT OF THE ARMY	$111,685	$70,674	63%
DEPT OF THE NAVY	$83,721	$45,764	55%
DEPT OF THE AIR FORCE	$68,176	$37,335	55%
DEFENSE LOGISTICS AGENCY	$28,604	$26,392	92%
DEFENSE COMMISSARY AGENCY	$5,743	$997	17%
MISSILE DEFENSE AGENCY	$4,902	$3,561	73%
DEFENSE INFORMATION SYSTEMS AGENCY	$3,945	$3,382	86%
U.S. SPECIAL OPERATIONS COMMAND	$1,877	$1,328	71%
DEFENSE THREAT REDUCTION AGENCY	$874	$715	82%
WASHINGTON HEADQUARTERS SERVICES	$712	$638	90%
DEFENSE ADVANCED RESEARCH PROJECTS AGENCY	$416	$381	92%
DEFENSE MICROELECTRONICS ACTIVITY	$399	$371	93%
DEFENSE FINANCE AND ACCOUNTING SERVICE	$344	$268	78%
DEPT OF DEFENSE EDUCATION ACTIVITY	$166	$151	91%
U.S. TRANSPORTATION COMMAND	$118	$115	98%
DEFENSE MEDIA CENTER	$83	$62	74%
DEFENSE CONTRACT MANAGEMENT AGENCY	$73	$60	83%
UNIFORMED SERVICES UNIVERSITY OF THE HEALTH SCIENCES	$32	$18	56%
DEFENSE SECURITY COOPERATION AGENCY	$29	$19	65%
VIRGINIA CONTRACTING AGENCY	$3	$4	100%
TRICARE	$2	$2	72%
TOTAL DOD	**$311,904**	**$192,235**	**62%**

Likewise, within the Components, the level of competition achieved by various contracting organizations also varied based upon the product mix. The FY 2007 Competition Reports for the Departments of the Army, Navy and Air Force[4] and the Defense Logistics Agency are also provided to supplement this DoD report, as they comprise 94% of DoD dollars.

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 major systems or spares and upgrades that may need to be purchased from the original equipment manufacturer (OEM) or supplier. These high dollar non-competitive buys significantly impact DoD's competition statistics. Also, we saw competition percentages drop from 97% to 17% of dollars obligated for the Defense Commissary Agency as a result of resale items coded as "Not Available for Competition" no longer being authorized to be removed from the competition base. Instead these actions are now considered "Not Competed."

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.

Not Available for Competition

Since the passage of the Competition in Contracting Act, Federal agencies have historically calculated their competition achievements as a percentage of total obligations, reduced for contracting actions that were categorized as "Not Available for Competition." The majority of the contract actions that comprised this category include those:

- Authorized or required by statute such as awards to Federal Prison Industries, AbilityOne, 8(a), HUBZone, or SDVOSB sole source (FAR 6.302-5(a)(2)(i))
- For brand name commercial items for authorized resale (FAR 6.302-5(a)(2)(ii))

[4] Competition achievements reported for the Air Force in its report differ from those reported in the DoD Report. The Air Force report considers actions/dollars coded as "Not Available for Competition" to be "Competed." The DoD Report, consistent with the Official FPDS Competition Report, counts such actions/dollars as "Not Competed" though historically most DoD Components removed "Not Available for Competition" from the baseline for purposes of calculating competition achievements.

- Mandated by international agreements (FAR 6.302-4)
- Where circumstances dictate one supplier of utility services (FAR 6.302-1(b)(3))

Adjusting the competition baseline for actions coded as "Not Available for Competition," much like the small business goaling report does for actions not conducive to small business, was done so that goals and achievements were focused on actions that the contracting officer and competition advocate could influence. The official FPDS Competition report no longer does this, though it does currently retain visibility into actions that are coded as "Not Available for Competition." Further, the Office of Federal Procurement Policy (OFPP) advocated removing "Not Available for Competition" from the extent competed drop down options and revising the FPDS Competition Report to breakout the specific statutory authorities for other than full and open competition.

This change from historical reporting does not have a significant impact from an overall Government and DoD-wide perspective -- a reduction of approximately 4% and 3%, respectively. However, the impact on individual DoD Components and their buying activities can be significant, as indicated above for the Defense Commissary Agency.

DoD is actively working the changes in reporting with OFPP and other Federal Agencies and seeks to ensure we maintain some manner of insight into actions that are not conducive to competition, so that we can gauge our true competition achievements. We look forward to official guidance from OFPP on this matter.

<u>Fair Opportunity</u>

In FY 2007, the Department required DoD Components to address the extent of fair opportunity on orders placed against multiple award contracts in their Competition Reports and began actively tracking the extent of fair opportunity on task and delivery orders. We separately monitored orders DoD placed against our own multiple award contracts, as well as orders DoD placed against other agencies (including the Federal Supply Schedule) contracts. As a result of our review and verification/validation efforts, we found that null values were occurring in the fair opportunity field on orders placed against multiple award contracts, even though this is a required field for DoD. As such we worked with GSA and the FPDS contractor to deploy system and management fixes to correct the majority of the null values for orders placed by DoD against DoD contracts. However, as it appears that FPDS did not appropriately tag non-DoD contracts as multiple award contracts, it was not possible to program fixes to collect fair opportunity data after the fact on orders DoD placed against non-DoD contracts. Therefore, in Table 4 DoD provides only a summary of the extent of fair opportunity provided for DoD orders placed against DoD multiple award contracts.

Table 4 – Fair Opportunity Summary for DoD Orders Placed Against DoD Multiple Award Contracts

Fair Opportunity Information	Actions	% of Total	Dollars (in M's)	% of Total
Fair Opportunity Provided	89,160	80.3%	$30,353	85.3%
Total Exceptions to Fair Opportunity				
- Urgency	579	0.5%	$156	0.4%
- Only one source - Other	7,308	6.6%	$1,826	5.1%
- Follow-on Delivery Order	5,906	5.3%	$1,317	3.7%
- Minimum Guarantee	1,810	1.6%	$419	1.2%
- Other Statutory Authority	1,773	1.6%	$112	0.3%
Null Values	4,453	4.0%	$1,387	3.9%
Total Orders	**110,989**	**100%**	**$35,570**	**100%**

As the table illustrates, DoD generally provides for fair opportunity in the placement of orders against DoD multiple award contracts. When fair opportunity is not provided, it is typically for a sole source or follow-on order. Throughout DoD, the extent of fair opportunity provided varied significantly, with the larger agencies doing well. Specifically, Army – 86%; Navy – 83%; Air Force - 92%; and DLA - 99% of dollars on orders placed against DoD awarded multiple award contracts providing for fair opportunity. Some of the smaller Defense Agencies did not fair as well. We will continue to monitor FY 2008 competition and fair opportunity reporting in FPDS to ensure Components are striving to provide fair opportunity on orders, accurately reporting data, and that FPDS is no longer permitting null values in these fields.

II. Initiatives

Commercial Items

Consistent with section 813 of the John Warner National Defense Authorization Act for Fiscal Year 2007, the Department convened a panel of senior leaders representing a cross section of the Department to conduct a Department-wide review of progress made to eliminate areas of vulnerability of the defense contracting systems that allow fraud, waste, and abuse to occur. The Adequate Pricing Subcommittee, consistent with the Government Accountability Office, concluded that DoD sometimes uses commercial item procedures to procure items that are misclassified as commercial items, and, therefore, not subject to the forces of a competitive marketplace. DoD has taken several actions to address this area.

The Director, DPAP issued a memorandum, dated March 2, 2007, requiring documentation of the commercial item determination in the contract file for commercial item acquisitions exceeding $1 million. Additionally, the Director, DPAP (now DPAPSS) issued a memorandum, dated June 8, 2007, providing revised Procedures, Guidance, and Information (PGI) for determining fair and reasonable prices for commercial items.

The Department is in the process of drafting policy and interim rules to address sections 805, 815 and 821 of Public Law 110-181. Section 805 precludes DoD contracting officers from procuring services that are not offered and sold competitively in substantial quantities in the commercial market place unless the contracting officer determines in writing that the offeror has submitted sufficient information to evaluate, through price analysis, the reasonableness of the price for services. It further restricts commercial item acquisition for services to specified situations. Section 815 further addresses restrictions on the treatment of subsystems as commercial items. Section 821 requires DoD to restrict the number of unique contract clauses and other instructions inconsistent with commercial practices.

These initiatives are intended to ensure DoD appropriately uses commercial item procedures and obtains fair prices when commercial services exist, but may not be sold competitively in substantial quantities. The Department has also made use of the Commercial Item Test Program authorized by Congress that permits certain commercial items and other items used in defense against or recovery from nuclear, biological, chemical, or radiological attack to use streamlined acquisition procedures and is preparing a report to Congress on its use.

Competition

The Under Secretary of Defense for Acquisition, Technology and Logistics, (USD(AT&L)), the Defense Acquisition Executive, sets the tone for the Department and is a strong advocate of competition and transparency. In an AT&L memo dated August 24, 2007, the Under Secretary stressed the importance of open communication with industry during the competitive process. In an AT&L memo dated September 19, 2007, the Under Secretary set forth expectations that all pending and future acquisition strategies will provide for two or more competing teams producing prototypes through Milestone B.

As the Competition Advocate for DoD, the Director, DPAPSS has reinvigorated the role of the DoD Competition Advocates. Points of contact for each Competition Advocate have been identified to DoD, thus facilitating an open dialogue on competition-related issues. This forum has been used to share periodic reports on fair opportunity and competition achievements. It has also been used to identify competition related issues that need to be addressed from a policy, training or FPDS perspective.

For example, as a result of the Department's periodic runs of the FPDS, we identified $50 billion of DoD contract obligations (approximately 15% of total obligations) where the extent of competition was not entered. This is a required field for DoD, so it was apparent that this was a system issue. This issue would not have been evident in the FPDS official Competition Report because null values are removed from the report. The Department worked with the General Services Administration (GSA) and the FPDS contractor to identify system and management fixes to remedy this problem, which were implemented in late November 2007. As a result of these fixes, DoD reduced its null values down to .5% of total DoD dollars. As a result, DoD's competition base included 99.5% of total DoD dollars, whereas it appears that null values for Civilian agencies remains significant higher than this.[5]

The Department has been an extremely active participant in meetings with OFPP and the other Federal Agencies to identify needed changes to the FPDS to ensure accurate capture and report competition related information, consistent with existing law and regulation. The Department also heads up the Federal Acquisition Regulation (FAR) Acquisition Strategy Team which is actively working several FAR cases to strengthen competition policy and increase transparency.

The Appropriate Contracting Approaches and Techniques Subcommitee of the Contract Integrity Panel found that a great deal of effort has been expended in recent years throughout DoD to provide guidance and training materials addressing competition under multiple award contracts and that some very robust competition advocate programs, to include very effective Task and Delivery Order Ombudsman programs, exist within DoD. The Department recently expanded its discussion of fair opportunity application on multiple award contracts in the Continuous Learning Course 030 "Essentials of Interagency Acquisition." The Department will continue to review existing training material to determine whether enhancements are needed regarding competition and fair opportunity and share Competition Advocate best practices.

Performance Based Acquisition

Much is going on within the Department to improve the use of performance based acquisition, especially as it pertains to services. Back on October 2, 2006, the USD(AT&L) issued a memorandum that established and implemented a management structure for the acquisition of services in the Department. In a memorandum dated April 13, 2007, the USD(AT&L) delegated decision authority for Category I, II and III acquisitions of services to certain officials with the Components. Then on July 19, 2007, the USD(AT&L) required that Special Interest service acquisitions and acquisitions of services with a total estimated value greater than $1 billion be reviewed and approved by the Director, DPAPSS.

The Director, DPAPSS is also working with the senior contracting leadership to develop guidance and detailed implementation instructions for periodic independent management reviews of contracts for services, as required by section 808 of the National Defense Authorization Act for Fiscal Year 2008.

The Defense Acquisition University (DAU) teaches several courses on performance-based acquisition for the acquisition workforce and continually monitors the need for

[5] DoD ran Government-wide FPDS reports for FY 2007 as of January 8, 2008. The FPDS Federal Contract Actions and Dollars Report identified total dollars obligated for Civilian Agencies as $126 billion, whereas the FPDS Competition Report shows the Competition base obligations as $104 billion. This means that $22 billion of obligations (or 17%) are not captured in the FPDS competition report – most likely because they also have null values for extent competed.

improvements in training. For example, DAU is currently reviewing the competencies and training required for personnel responsible for generating requirements for major defense acquisition programs.

Examples of Component Initiatives

The Component's Competition Reports address many initiatives to increase competition, the use of commercial items, and performance-based acquisition. Just a few are listed below and are addressed further in individual reports of which the Army, Navy, Air Force and DLA reports are attached here since they represent 94% of DoD dollars.

- Web sites and counseling centers promoting DoD business opportunities
- Supplemental advertising to FedBizOps
- Involvement of competition advocates and small business specialists in acquisition planning
- Utilization of broad agency announcements, requests for information and pre-solicitations to help define commercial solutions and increase competition
- Alternate sourcing initiatives
- Program management reviews to encourage continuous improvement
- Training on competition, commercial items and performance-based acquisition for acquisition professionals

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.

- Unique/critical mission or technical requirements
- Industry move toward consolidation
- Urgent requirements in support of war operations
- Trend toward contractor logistics support of newly fielded systems
- Customer preference for brand name items or incumbent contractors
- Congressional adds or earmarks
- Proprietary rights on items developed at private expense
- Lack of good technical data packages
- Expense of testing and the approval processes for developing alternate sources
- Workload/reductions in contracting personnel

The Departments 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.

III. Recommendations to the Defense Acquisition Executive

DoD's Competition FY 2008 Competition Goal

The Department's goal for competition in FY 2008 is 62% of contract obligations. This goal is the second highest the Department has achieved in the past 10 years. The Department believes this is a challenging goal at this time, given Component's FY 2008 goals, on-going efforts to improve FPDS data integrity, and potential changes impacting the way competition is reported in FPDS. The Department will additionally monitor the Department's use of fair opportunity for orders placed against multiple award contracts.

System of Accountability

As the DoD Competition Advocate, the Director, DPAPSS plans to hold at least a mid-year review 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. This is in addition to discussions and initiatives on-going at the working level among OSD and Component representatives. For example, FAR changes are in progress to strengthen competition policy and increase transparency; and FPDS changes have been identified to improve reporting of competition and fair opportunity.

Attachments:
1. Army FY 2007 Competition Report
2. Navy FY 2007 Competition Report
3. Air Force FY 2007 Competition Report
4. Defense Logistics Agency FY 2007 Competition Report

DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY OF THE ARMY
ACQUISITION LOGISTICS AND TECHNOLOGY
103 ARMY PENTAGON
WASHINGTON DC 20310-0103

MAR 1 1 2008

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MEMORANDUM FOR DIRECTOR, DEFENSE PROCUREMENT, ACQUISITION POLICY AND STRATEGIC SOURCING

SUBJECT: Army Competition Report: Fiscal Year 2007 (FY07)

Enclosed is the U.S. Army's competition report for F07, incorporating the trend analysis, fair opportunity analysis, impediments and efforts to enhance competition as requested by the Office of Federal Procurement Policy. Our numbers were pulled from the Federal Procurement Data System –Next Generation database in coordination with the other Department of Defense agencies.

Our contracting offices, in supporting the Warfighters as well as developing acquisition strategy for future systems, have been making a heroic effort in the face of a constantly increasing workload with decreasing personnel resources. The report reflects the initiatives they have made to maximize competition and get the best value for the taxpayer and the Soldier.

Given the current budgetary situation and RESET requirements, it will be a challenge to substantially enhance our competitive picture in the near term. By rebuilding our contracting workforce and focusing on our larger cost drivers, we will make every effort to ensure that we reap the benefits of the competitive marketplace in the coming years to the maximum extent practicable.

Dale A. Ormond
Acting Deputy Assistant Secretary of
The Army (Policy and Procurement)

Enclosure
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ARMY COMPETITION REPORT

2007

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

Attachment 1

Army Competition Report 2007

I. Rates of Competition:

The Army's overall rate of competitive obligations in dollars for fiscal year 2007 was 61.5%. It should be noted that unlike previous years, the "Not Available for Competition" category is no longer being shown separately, but has been folded into the competition base. With "Not Available for Competition" broken out, the Army's rate would be 63.3%. This is a DOD-wide change, and is intended to achieve consistency with the civilian agencies, per direction from OFPP as part of the FPDS-NG implementation. The top-level breakout is shown in Figure 1 below.

These are the official totals, extracted from the FPDS-NG database on 08 January, 2008, in conjunction with the other DOD agencies. Only the JCCIA, which is not captured in FPDS-NG, represents a manual data call. Overall, there are few surprises in these numbers. Installation/depot contracting, which drives ACA's numbers, is generally well-suited to competition. This is even more true for construction and services of the type that form the core of USACE's mission. These two commands, together with AMC, comprise over 87% of total Army procurement dollars (see Figure 3 and the right-hand column of Figure 1), and they affect the competition dollars in very different ways.

Competition by $

Major Command	$ Awd	Comp	% Comp	% Total Awds
ACA	$17,589,603,179.27	$12,217,922,933.63	69.5%	14.410%
AMC	$66,734,253,131.91	$33,033,067,567.71	49.5%	54.672%
USACE	$20,415,513,501.93	$17,154,105,099.53	84.0%	16.725%
ATEC	$105,779,174.24	$83,760,877.00	79.2%	0.087%
INSCOM	$1,135,369,587.28	$329,388,455.28	29.0%	0.930%
JCCIA	$5,251,498,537.00	$4,474,298,537.00	85.2%	4.302%
JM&L LCMC	$2,464,628,425.16	$1,271,340,332.75	51.6%	2.019%
MEDCOM	$2,741,146,709.79	$2,048,424,206.29	74.7%	2.246%
NGB	$2,502,984,455.17	$1,989,460,484.13	79.5%	2.051%
PEO STRI	$335,436,619.00	$215,492,959.00	64.2%	0.275%
SDDC	$379,462,322.74	$348,242,908.57	91.8%	0.311%
SMDC	$2,321,491,746.78	$1,891,031,028.78	81.5%	1.902%
Other Army	$84,254,097.55	$59,398,322.55	70.5%	0.069%
USASOA	$1,268,343.00	$593,343.00	46.8%	0.001%
Total Army	$122,062,689,830.82	$75,116,527,055.22	61.5%	

Figure 1

Measured in actions, the numbers are shown below as Figure 2. The fact that procurement actions are 76% competitive is consistent with the following analysis of the impact of AMC's "hardware" commands: 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 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

Major Command	Actions Awarded	Actions Competed	% Competed
ACA	158,381	110,850	70%
AMC	80,570	58,872	73%
USACE	65,862	45,536	69%
ATEC	706	390	55%
INSCOM	1074	747	70%
JCCIA	50157	50,060	100%
JM&L LCMC	2334	1,063	46%
MEDCOM	33706	27,836	83%
NGB	39371	32,236	82%
PEO STRI	356	274	77%
SDDC	696	547	79%
SMDC	3427	2,723	79%
Army	98	80	82%
USASOA	13	10	77%
Total Army	**436,751**	**331,224**	**76%**

Figure 2

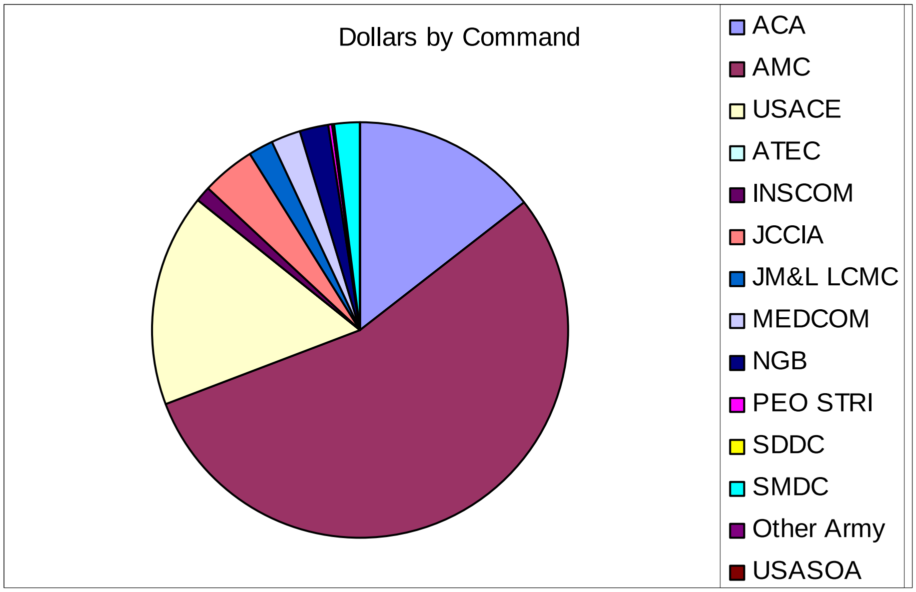


Figure 3

Noncompetitive Drivers: Of the large-dollar J&As that must be approved at the Acquisition Executive level, the overwhelming majority are Exception 1, only one source. During 2007, 56 such J&As were processed, of which 52 were Exception 1 and two each were Exceptions 2 and 3. These large programs totaled an estimated $209B, which will represent obligations limiting the competition rate over the next several years. For the total J&As that we could identify (including those approved at lower levels), 77% were Exception 1, 19% Exception 2 and the remaining 4% divided mostly among Exceptions 3, 5, and 6, with only one identified Exception 4. See Figure 4 below:

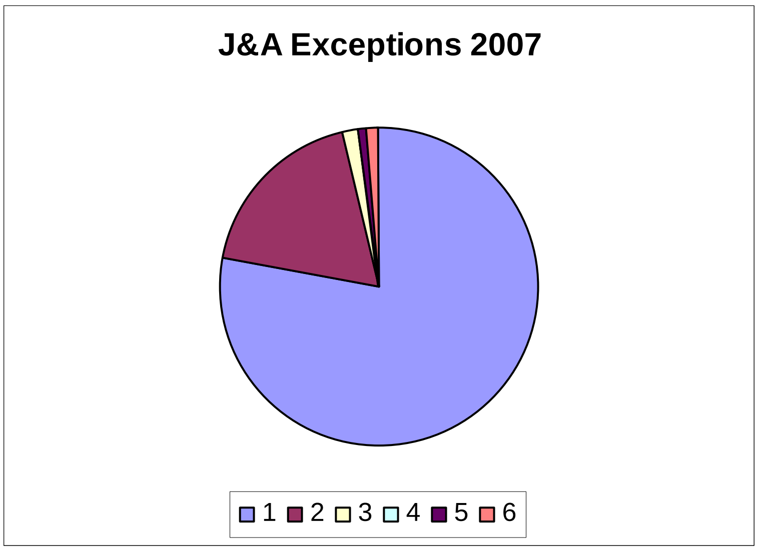


Figure 4

Effect of AMC's major hardware systems: Driving the overall Army percentage downward somewhat is AMC, which while at 49% it does not have the lowest percentage of competitively-awarded dollars, is lower than average and, crucially, accounts for 57% of the Army's total procurement dollars. The full impact of this can be appreciated by noting the contribution of the two biggest hardware commands, TACOM, and AMCOM, whose combined total obligations of over $29.1B, which was 25% of the Army's total, reflected a competition rate of 29.8%. Removing these from the total would give the remainder of AMC a competition percentage of 77%, and the Army as a whole would be at 75%. 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 5, which comprises 654 actions, for a total of $2,365,473,731, or less than .002% of the total Army actions but almost 2% of the dollars. The portion of the Army's total "Follow-on to Competition" dollars represented by the major hardware commands AMCOM and TACOM is over 93%, at $2,211,188,401.

Analysis of Follow-on Dollars and Actions						
Major Command	**Total $ Awd**	**Follow-on $**	%	**Total Actions**	**Follow-on Actions**	**Follow-on %**
ACA	$17,589,603,179.27	$8,646,020.74	0.05%	158381	139	0.088%
AMC	$66,734,253,131.91	$2,291,493,970.43	3.43%	80570	362	0.449%
USACE	$20,415,513,501.93	$24,468,057.00	0.12%	65862	63	0.096%
ATEC	$105,779,174.24	$0.00	0.00%	0	0	0.000%
INSCOM	$1,135,369,587.28	$0.00	0.00%	0	0	0.000%
JCCIA	$5,251,498,537.00	$0.00	0.00%	50157	0	0.000%
JM&L LCMC	$2,464,628,425.16	$23,960,256.81	0.97%	23,960,257	3	0.000%
MEDCOM	$2,741,146,709.79	$3,412,707.00	0.12%	3,412,707	25	0.001%
NGB	$2,502,984,455.17	$9,616,904.00	0.38%	9,616,904	51	0.001%
PEO STRI	$335,436,619.00	$315,890.00	0.09%	315,890	2	0.001%
SDDC	$379,462,322.74	$2,950,017.00	0.78%	2,950,017	3	0.000%
SMDC	$2,321,491,746.78	$609,908.00	0.03%	609,908	6	0.001%
Other Army	$84,254,097.55	$0.00	0.00%	0	0	0.000%
USASOA	$1,268,343.00	$0.00	0.00%	0	0	0.000%
Total Army	**$122,062,689,830.82**	**$2,365,473,730.98**	**1.94%**	**41,220,653**	**654**	0.002%

Figure 5

Also indicative of the negative impact that large-system buys and follow-on actions have on the competition percentage is the fact that the mean dollar value of all competitive actions is much less than that for noncompetitive ones: $226,785 vs. $728,585. 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 SDDC, report a positive effect, while in the hardware commands, such as AMCOM and TACOM, it can have a negative effect. This happens most often when an OEM for a major system uses a vendor whose commercial part was privately developed and is protected by patents or trade secrets. Once this component or subsystem becomes incorporated into the end product, it creates a sole source situation for replacements and repairs. Breakouts are possible, with performance (form, fit and 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. See the discussion below on source approval programs. This may be an area that warrants further study, both in regard to the effect on competition and cost impact.

Differential Impact of removal of the "Not Available for Competition" category:

While as noted above, the impact to the Army's overall numbers is 3%, the change is not evenly spread over the commands. The following table (Figure 6) illustrates the impact on the individual commands.

Impact of removal of "Not Available for Competition"			
Major Command	Total $	Not Avail	%
ACA	$17,589,603,179.27	$1,792,779,712.02	10.19%
AMC	$66,734,253,131.91	$1,478,624,568.61	2.22%
USACE	$20,415,513,501.93	$1,420,917,411.58	6.96%
ATEC	$105,779,174.24	$3,403,830.00	3.22%
INSCOM	$1,135,369,587.28	$1,464,051.00	0.13%
JCCIA	$5,251,498,537.00	$0.00	0.00%
JM&L LCMC	$2,464,628,425.16	$70,397,811.06	2.86%
MEDCOM	$2,741,146,709.79	$151,765,135.46	5.54%
NGB	$2,502,984,455.17	$168,015,002.09	6.71%
PEO STRI	$335,436,619.00	$1,728,820.00	0.52%
SDDC	$379,462,322.74	$9,995,183.92	2.63%
SMDC	$2,321,491,746.78	$48,037,731.00	2.07%
Other Army	$84,254,097.55	$10,700,605.00	12.70%
USASOA	$1,268,343.00	$325,000.00	25.62%
Total Army	**$122,062,689,830.82**	**$5,158,154,861.74**	**4.23%**

Figure 6

Of the commands with procurement budgets larger than $1B, ACA, USACE, MEDCOM, and NGB will be affected the most by the new rule. The fact that ACA is being folded into AMC will mask their effect, but the impact on installation contracting will be the same regardless of the reporting chain.

Fair Opportunity: the following tables (Figures 7a 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:

Total Army Orders against DoD issued multiple award contracts					
	Actions	Dollars		% Actions	% Dollars
No Exception - Fair Opportunity Given	31,829	$13,436,067,628.20		83.5%	88.0%
Follow -on Delivery Order	2,004	$537,737,808.44			
Minimum Guarantee	882	$220,727,367.98			
Other Statutory Authority	339	$34,820,052.31			
Urgency	248	$69,866,452.56			
Only one source - Other	2,798	$961,577,831.27			
Total Exceptions to Fair Opportunity	6,271	$1,824,729,512.56		16.5%	12.0%

Figure 7a

Total Army Orders against non-DoD issued multiple award contracts					
	Actions	**Dollars**		**% Actions**	**% Dollars**
No Exception - Fair Opportunity Given	17,839	$1,132,223,316.13		81.9%	72.3%
Follow -on Delivery Order	612	$76,547,088.67			
Minimum Guarantee	7	$63,977.00			
Other Statutory Authority	409	$56,164,303.15			
Urgency	182	$10,890,355.21			
Only one source - Other	2,738	$289,791,568.30			
Total Exceptions to Fair Opportunity	3,948	$433,457,292.33		18.1%	27.7%

Figure 7b

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 will be transitioning most of our large services IDIQs to multiple-award arrangements in the coming years, and are limiting our use of non-DOD contracts. The only area of concern here is the large proportion of “only one source – other” exceptions. This will require some further study to determine if it is an artifact of the database conversion.

II. Impediments to Competition:

In the arena of spares, subsystems and upgrades, competition is frequently limited by the presence of proprietary rights on the part of vendors of OEMs (often for commercial-derivative components), lack of technical data packages, and the rigorous testing process that is required to approve substitute items. The latter factor is especially notable in the aircraft industry, where safety-of-flight considerations make the testing and approval process especially lengthy and expensive. It is also a major factor with vehicles, as noted above. The large amounts of money allocated to RESET will be a factor suppressing competition in FY08 and beyond as well as FY07.

MEDCOM's numbers were lower than expected this year in part because of escalations in some of their requirements for surgical implants, stents, pacemakers, artificial limbs, etc., which are bought for individual patients on the orders of physicians and therefore are not possible to compete. This has been due to the needs of service personnel returning from Iraq and Afghanistan. Bridge contracts required because of delays caused by protests on their HIV testing recompetitions have also been a factor.

Organizations including PEO STRI and some USACE divisions, which have in recent years had a substantial increase in mission with no increase in personnel, frequently streamline their purchasing by placing their recurring services requirements on large BPAs and IDIQ contracts. In the past, many of these corporate contracts have been single-award.

ACA reports continued problems with FPDS-NG coding and default settings, with a default code of "not competed" for JWOD/Ability One and utilities. With "not available for competition" folded into the non-competed category, the utilities are now simply shown as another noncompetitive action. Urgent requirements for Operation Iraqi Freedom and Operation Enduring Freedom (OEF/OIF) also impeded competition, as did the standup of AFRICOM. In addition, the budgetary constraints that required incremental funding of Operations and Maintenance funded actions resulted in numerous sole source "bridge" contracts being awarded. This was a particularly noticeable problem in installation contracting, and therefore became a major factor for ACA. There is no indication to date that we can expect this to change in the coming year.

JCC-I/A reports that in addition to some urgent requirements, the need to provide Iraqi forces standardized equipment results in some brand name requirements that can not be fully competed. Implications for future years will depend on the developing situation on the ground in Iraq and Afghanistan.

III. Efforts to improve the competitive picture:

Major hardware commands: TACOM has an active Source Approval Process to qualify new sources for parts normally purchased sole source from OEMs or their original vendors. This breakout program is now managed by the acquisition center with the active support of the competition advocate, rather than by the laboratories, as was done previously. The net result is that additional sources are obtained who are manufacturers, not just dealers. In a notable example, they recently qualified an additional source for armor glass for the up-armor High Mobility Multi-purpose Wheeled Vehicle (HMMWV), saving $4.6M on the first delivery orders issued under the three contracts awarded. During FY 07, more than 40 new Source Approval cases were submitted, and 19 were approved. This is done without any budget allocation for testing; prospective suppliers must pay for the testing and evaluation to have their items qualified.

AMCOM also has a Source Approval Request process, which performed full screening on 1,722 items during FY 07 and approved 80 new sources. For technical and professional services, they have set up a multiple-BPA system with 16 teams (AMCOM Express), which provides an expedited system for competitively acquiring these services.

HQ AMC is aware of the problems associated with spares acquisition, and has in the past sought to address them through Resource Management channels, but these have typically not focused on the remedy of competitive breakouts. One factor that limits the effectiveness of source approval processes is the expense of testing and approval that has to be borne entirely by a prospective competitive offeror. Some small businesses have asked for help through Congressional inquiries, but our acquisition organizations do not have a budget for that presently. A possible initiative to promote competitive breakout of spares would be to identify the highest priority items for breakout (based on cost, lack of current competition, and potential for competitive sourcing), and provide at least partial funding of the test and approval process for those items as an incentive to potential offerors. The approach most likely to obtain support would be to limit eligibility for the program to U.S. small businesses, and operate it as a joint effort of the small business and competition offices at the hardware commands. While this would entail an up-front investment, the dollar impact shown above and the known impact of competition on reducing prices should result in substantial cost savings over time. It would also yield the benefit of increasing surge capacities.

Cost-Benefit studies are done at the time of approval of Exception 1 J&As to assess the feasibility of developing second sources. For large systems, some examples are:

System	Cost	Includes:
AH-64D Apache Longbow	$10.0702B	TDP, Nonrecurring Development
Abrams M1A2SEPv2 Upgrade	$1.2B	Facilities only; does not include workforce costs
Family of Heavy Tactical Vehicles 2 (FHTV2)	$160.8M	Testing, logistics, maintenance and technology insertion

These results are typical of major systems acquisitions, and illustrate the magnitude of costs that would be incurred in developing competitive sources for large systems. It should be noted that the FHTV2 is based on a performance specification, and is an assemblage of mostly commercial components, for which the government does not own the data.

Other efforts to increase competition (FY 07 and ongoing):

MEDCOM is redoubling its efforts in acquisition planning in order to minimize the need for bridge contracts in FY 08.

PEO STRI is conducting training in market research as a tool to be used during acquisition strategy development. The training also covers elements required for justifications for other than full and open competition. They are also ensuring that they properly code their multiple-award services contracts, which will be competitive with fair opportunity provided on task orders.

The additional emphasis being placed on multiple award IDIQs with fair opportunity should improve the overall picture somewhat. The new LOGCAP IV contract is being set up this way, but it will not impact the overall competitive picture, as the LOGCAP III task orders are already being reported as competitive.

With the FPDS-NG now capturing "Fair Opportunity" competitions, we will continue to emphasize the use of multiple-award task order contracts in place of single-award IDIQs, and develop policy around maximizing the use of fair opportunity.

In the area of ammunition, there has been an effort on the part of Picatinny Arsenal and the PEO Ammunition to promote the availability of Technical Data Packages (TDPs). A FEDBIZOPPS Special Notice was issued to industry advising of the process and criteria for obtaining ammunition TDPs.

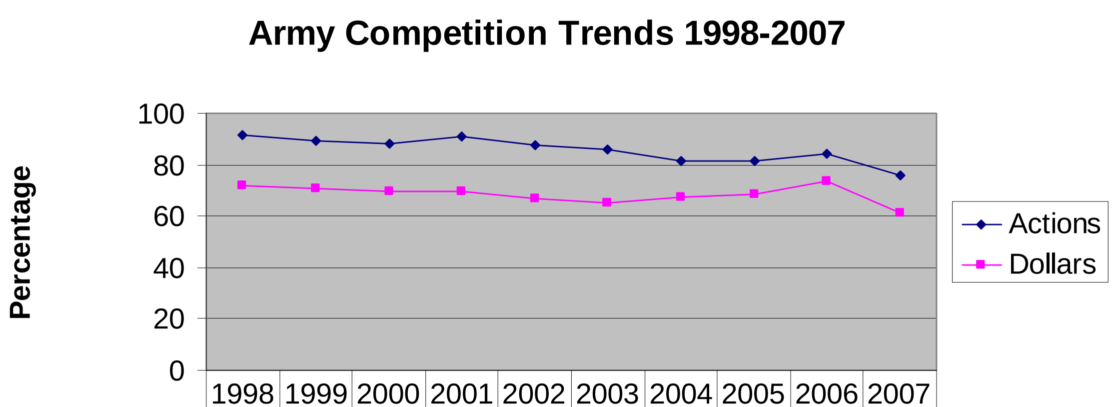
CECOM emphasizes team participation and training, with materials posted on their Legal Office's Knowledge Center. JM&L LCMC has begun something similar with a "competition advocate's toolbox." CECOM scrutinizes legacy systems and performs cost/benefit analyses to ascertain the advisability of purchasing TDPs. Because of the rapid turnover of technology in the electronics area, CECOM generally has less of a legacy system problem than the other hardware commands, and their competition percentage of 68% of total dollars reflects that.

All contracting offices continue to emphasize market research, industry outreach, draft solicitations, and the scrubbing of statements of work to remove unnecessary restrictive language.

Procurement policy will continue to emphasize the need for fair opportunity competition under multiple-award task order contracts. Since the reliance on large IDIQ contracts is not expected to change in the near term, this provides a cost-effective solution that should reap the continuing benefits of competition for the Army.

IV. Trends Analysis

Below (Figure 8) are the top-level trends in Army competition dollars and actions, from 1998 through 2007. This is longer than requested by OFPP; the Army's intent is to show the trends before and during OEF/OIF. Due to the changeover in databases beginning in 2006, it should be cautioned that while the years 1998 – 2005 should reflect a reliable year-to-year comparison, there can be little confidence in the comparative value of the data after that. Prior to 2006, the DD350/1057 database was used and whatever biases may have existed should at least have been 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.



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Actions	91.5	89.6	88.1	90.9	87.5	85.8	81.7	81.5	84.5	75.8
Dollars	71.7	71	69.6	69.6	66.7	65.1	67.4	68.7	73.4	61.5

Figure 8

The notable competition trend from 1998 to 2005 was generally negative in actions, with dollars reaching a low in 2003 and then rebounding slightly. This suggests that rather than a definable event such as Operation Iraqi Freedom, there are longer-term factors at work. There is no doubt that reductions in contracting personnel, with the consequent greater workload per contracting officer, has resulted in bundling of contract actions into larger packages for which fewer companies are able to compete. This is supported by the following comparison of the trends in actions and dollars awarded over the same time period (Figure 9). It should be noted that this shows an increase in workload at the same time that the Army contracting workforce was declining in size (there was an 11%

reduction in the 1100 series from 1997 to 2007, and there had been more cuts before that).

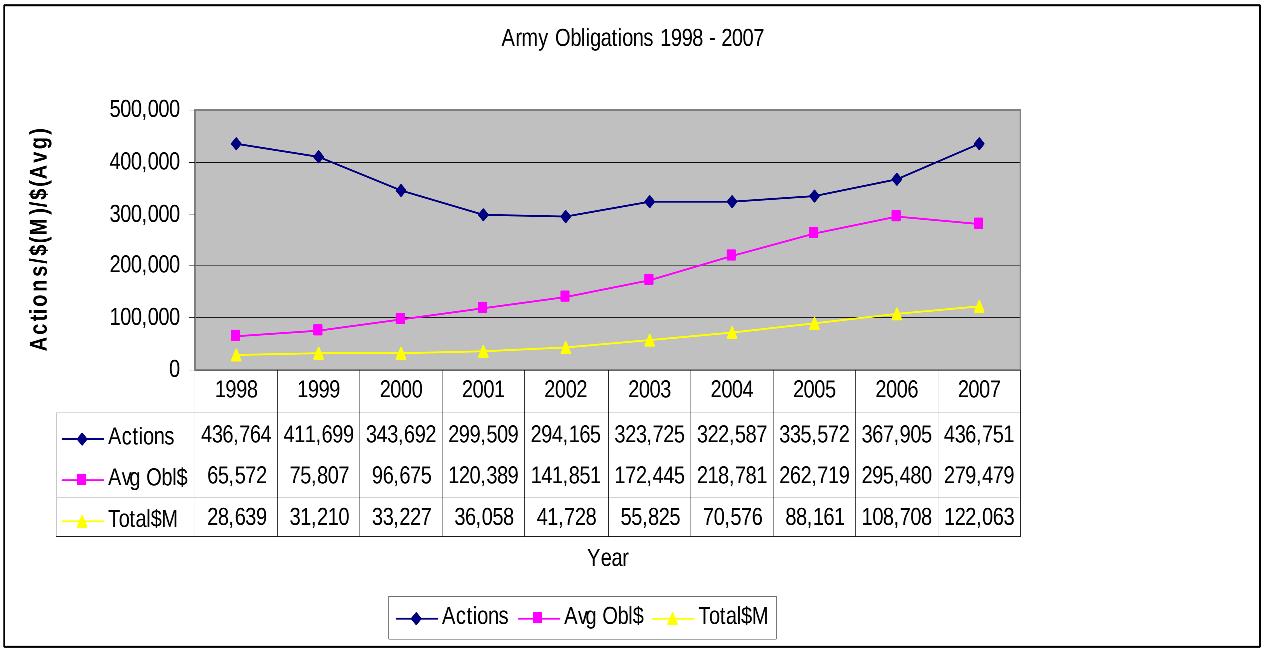


Figure 9

What Figure 9 makes clear is that during the period 1998 – 2002, the number of actions was sharply dropping, while dollars obligated were on a steady upward glidepath. 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 had been steadily doing since 1998. The fact that dollars per action were increasing on a steeper curve (confirmed by an analysis of year-over-year percentage increases – see Figure 10 below) from 1999 through 2002 suggests that requirements consolidation was a factor.

Year-Over-Year Increases (Decreases); Total $ and Average Action

	1999	2000	2001	2002	2003	2004	2005	2006	2007
% Incr Total $	8.97%	6.46%	8.52%	15.72%	33.78%	26.42%	24.92%	23.31%	12.28%
% Incr Average Action	15.61%	27.53%	24.53%	17.83%	21.57%	26.87%	20.08%	12.47%	-5.42%

Figure 10

This pattern weakened in 2002 and reversed itself in 2003, which suggests a recent upswing in smaller buys. Taken together, these trendlines 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.

V. Goals

The Army's goal for FY 2008 is 63% of the total procurement dollars. This reflects the fact that both major factors driving the percentages are not expected to change: incremental funding of service contracts requiring noncompetitive "bridge" contracts, and hardware upgrades involving legacy systems.

With increased scrutiny of lengthy Exception 2 (unusual and compelling urgency) contracts and proper notification in FEDBIZOPPS, we should be able to make some improvement, but this could be offset by the need to refurbish vehicles and other hardware systems. Improvements obtained from restricting Exception 2 J&As to not more than one year are expected to be reflected for the most part beginning in FY 09, since the rule will not go into effect until after the middle of FY 08. The continuing nature of the contingencies we are supporting is not likely to change in the remainder of FY08.

The Army will continue to attempt to enhance competition through the efforts described in Section III. If funds can be identified, we will explore the establishment of a program to share costs and thereby encourage the development of competitive sources on legacy components and subsystems as described in that section.

In accordance with the recommendations of the Gansler Commission, 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
THE COMPETITION ADVOCATE GENERAL
1000 NAVY PENTAGON
WASHINGTON DC 20350-1000

February 15, 2008

MEMORANDUM FOR THE DIRECTOR DEFENSE PROCUREMENT AND ACQUISITION POLICY

Subj: DEPARTMENT OF THE NAVY FISCAL YEAR (FY) 2007 COMPETITION REPORT

Ref: (a) Director, Defense Procurement and Acquisition Policy Memorandum December 7, 2007, FY 2007 Competition Reports
(b) Administrator, Office of Federal Procurement Policy Memorandum May 31, 2007, Enhancing Competition of Federal Acquisition

Encl: (1) FY 2005 through FY 2007 Competition Dollar Values, and FY 2008 Competition Goal
(2) Template for Reporting Fair Opportunity on Orders Against Multiple Award Contracts

The Department of the Navy submits the FY 2007 Competition Report in response to references (a) and (b). The report complies with the reporting requirements of the Federal Acquisition Regulation Subpart 6.5 and addresses the initiatives of the Competition Advocate to acquire commercial items and to increase competition. Additionally, the report analyzes opportunity under multiple award contracts.

Enclosure (1) provides historical competition achievements for FYs 2005 through 2007, and the FY 2008 Competition Goal. For FY 2007, competitive dollars obligated equaled 56% of dollars available for competition, against a goal of 50%. The competition goal for FY 2008, is 58%, and builds upon the initiatives to increase the value of competitive awards.

Enclosure (2) provides the FY 2007 DoN reporting of fair opportunity under multiple award contracts.

The initiatives described in this report support the Department of the Navy's commitment to seek and implement opportunities to obtain the full advantages of competition and the acquisition of commercial items.

I look forward to discussing with you the proactive measures that the Department of the Navy is implementing.

Subj: DEPARTMENT OF THE NAVY FISCAL YEAR (FY) 2007 COMPETITION REPORT

Please address questions regarding this report to Ms. Suzanne LeValley at (703) 614-9610 or Suzanne.levalley@navy.mil.

S. F. Crean
RDML, SC, USN

DEPARTMENT OF THE NAVY

FISCAL YEAR 2007

COMPETITION REPORT

FEBRUARY 2008

Attachment 2

DEPARTMENT OF THE NAVY
FISCAL YEAR 2007 COMPETITION REPORT

The Department of the Navy (DoN) utilizes the authorities established in FAR Parts 10 Market Research, FAR Part 12 Acquisition of Commercial Items, FAR Part 13 Simplified Acquisition Procedures, FAR Part 14 Sealed Bidding, and FAR Part 15 Contracting by Negotiation to promote the acquisition of commercial items and to promote competition. In many cases, the acquisition planning process is accomplished by cross functional teams that assess requirements and develop strategies that focus on utilizing commercial items or non-developmental items to the maximum extent practicable, and seek to optimize competition. Maximizing competition and encouraging contractors to provide quality proposals is key to acquisition process, therefore the complexity of the requirement, and time necessary to permit contractor responses are considered when developing acquisition plans. Market research is an integral part of the acquisition planning process, as it is used to identify potential commercial sources and to increase competition. We engage potential commercial suppliers through various outreach techniques. One example is our use of presolicitation conferences. Presolicitation conferences include the warfighter, program office and contract personnel, other advisory personnel, and industry. These meetings result in the sharing of information relevant to government requirements and industry capability. Several of our Commands, among them Naval Air Systems Command (NAVAIR), Naval Sea Systems Command (NAVSEA) and the Space and Naval Warfare Systems Command (SPAWAR), have established outreach programs that bring government experts and potential suppliers together. These forums provide an opportunity for sharing information between government and industry.

- One of the products provided to industry at a local vendor forum held in July 2007 by NAVAIR, was a list of projected future requirements and a plan for an on-line tool that will provide projected requirements data to suppliers. Commander NAVAIR and senior leaders and experts participated in this event, indicating the commitment of the government. Over 80 companies participated.
- At a recent event hosted by NAVSEA in May 2007 participants learned more about SeaPort Enhanced (SeaPort-e) processes and enhancements, and the Navy's Open Architecture Technologies. Again, senior leaders participated.
- Additional examples of the Department's engagement with local communities include NAVSEA where leaders, including a competition advocate and head of the contracting agency, attend meetings of local professional organizations, furthering business interests in their area, and the Marine Corps in North Carolina where it participates in the Military Business Center and Community College Small Business Development Center that support the development of local defense-related businesses.

Industry days are another proactive way of how we search the market place for commercial solutions that will meet our requirements. SPAWAR has conducted industry days as a market research tool for several programs including the Navy Marine Corps Intranet (NMCI) Next Generation and Consolidated Afloat Networks and Enterprise Services (CANES). These meetings resulted in valuable input that clarified the government's requirements, revealed industry capability to satisfy the requirements and gathered feedback from attendees that the program office and contract team used to refine draft solicitations. Industry benefits as well by having a better understanding of the requirement that helps it in preparing proposals.

We include small and disadvantaged business utilization specialists in the acquisition planning process, and seek their concurrence on the acquisition plan/strategy. They are part of the acquisition planning team, and we leverage their knowledge of the small business community to increase small business participation in government contracts as prime contractor and as subcontractor. There have been instances where industry days were held in conjunction with small business fairs. Naval Surface Warfare Center (NSWC) Dahlgren is an example of where a command created a web site for small businesses to use to create their company profile, and define their core skills and capabilities, products and services. NSWC customers search the site to identify potential sources. Similarly, large businesses can use the site to search for prospective subcontractors. Over 900 businesses are registered on this site.

The deployment of SeaPort Enhanced (SeaPort-e) has revolutionized the way the Department can procure professional support services. Seaport-e provides an efficient and effective means of contracting. Using SeaPort-e, the Navy Virtual SYSCOM (VS) Commanders (NAVAIR, NAVSEA, NAVSUP and SPAWAR) have adopted an integrated approach to contracting for support services. The SeaPort-e portal provides a standardized means of issuing competitive solicitations among a large and diverse community of approved contractors, as well as a platform for awarding and managing performance-based task orders. This unified approach allows SeaPort-e service procurement teams to leverage their best work products, practices, and approaches across the Navy's critical service business sector. SeaPort-e multiple award contracts are afforded fair opportunity, thereby promoting competition. There are over 1,300 contractors participating in Seaport-e and the list continues to grow each year.

Where appropriate, the DoN utilizes the authority of FAR 13.5 Test Program for Certain Commercial Items to streamline the acquisition process and maximize savings in time and money for the government and industry. The procurement of ship support services by Puget Sound Naval Shipyard is an example of the successful use of this authority. In fiscal year 2007, this activity used the authority to set-aside for small business and competitively procure critical and urgent services valued at approximately $2.7 million.

Other examples of how DoN promotes the use of commercial items and competition include the use of the Broad Agency Announcement (BAA) and Requests for Information (RFI). The BAA solicitation process has provided potential contractors maximum flexibility to define proposed commercial solutions, and has increased competitive participation by suppliers during the solicitation process. The RFI provides market information relative to capabilities and available technology. The acquisition planning team members review catalogs and trade journals for articles on new technology, and utilize the market research already completed for similar acquisitions.

While DoN is continuously improving the opportunities for the acquisition of commercial items and competition; there are barriers that inhibit our efforts. These barriers include 1) unique/critical mission or technical requirements 2) use of proprietary information, 3) a trend in industry toward consolidation, 4) the time necessary to develop new sources, 5) Congressional Earmarks or "Plus-Ups" which often direct the source of supply, 6) emergency contracts to support war operations that either direct acquisition to the original equipment manufacturer, or whose immediate need for a non-commercial item by the customer cannot withstand the time necessary to conduct competitive procurements, 7) the remaining use of military specifications, especially for legacy systems where technical data was not purchased, 8) the expedited fielding of systems without cataloging or provisioning, and 9) the trend toward contractor logistical support of newly fielded systems which restricts the supplier and often does not provide access to technical data.

Based on Federal Procurement Data System-Next Generation (FPDS-NG) data that was provided, the Department of the Navy's reporting of fair opportunity given under multiple award contracts (79.5% of total actions) is consistent with the overall Department of Defense reporting statistics (80.3%). There is room for improvement, however, specifically with regard to the exception used for only one source (8.9%), and follow-on to an order previously competed (5.7%). As required by the Defense Federal Acquisition Regulation Supplement 216.505-70 (b) contracting officers make written determinations when orders exceeding $100,000 cannot be awarded with fair opportunity. Policy and procedures are in place that explains this requirement. Determinations are reviewed, based on dollar value, at levels above the contracting officer. Compliance with policy is given a renewed focus during the internal review processes, and we will increase emphasis on data integrity. The FPDS-NG data is a good tool to use to measure compliance with policy, and to uncover potential data integrity issues. It is requested that a standard report that will provide data to the system command level (also known as major command level in FPDS-NG) be developed and made available to better utilize FPDS-NG to monitor compliance with this policy.

DoN has a continuous learning policy and developed training programs for government personnel that focus on the use of competitive and commercial sources and performance based work statements. Several Commands have established web-based tools that provide acquisition personnel access to current policy and guidance that they use to develop acquisition plans, or in-house training, while others have implemented policy newsletters. Contracting leadership revisits the topic during command contracting conferences. The Marine Corps is partnering with the Defense Acquisition University to develop a course that addresses acquisition policy and guidance that support the Marine Corps mission. Another formalized resource used for training is the National Contract Management Association (NCMA). Some Commands have developed subject matter experts in these areas. Their job is to facilitate and educate the acquisition planning team during the acquisition planning process. Through experience we've learned that educating the customer about how these strategies can assist them in meeting their mission has resulted in increased use of commercial items, competitive sources and performance based work statements. At NAVAIR the program executive offices have instituted training of their personnel on writing improved work statements that are based on performance measurements, and effective quality assurance programs. At the Naval Inventory Control Point (NAVICP), contract specialists work with their customers to develop work statements that are based on performance measures and effective Quality Assurance Surveillance Plans (QASP). The use of competition, commercial items and performance based work statements is found across the Department of the Navy in support of its various missions.

We oversee compliance with regulation by conducting periodic pre and post award reviews of acquisitions, and evaluate lessons learned for opportunities for improvement. These reviews are accomplished at the Department level and at the Contracting Office level. Processes and procedures are in place that assures that these strategies are addressed by the acquisition planning team, and that the acquisition is executed in accordance with the stated plan. The acquisition process and source selection decisions are documented, providing the rationale for tradeoffs, past performance evaluation, and best value selections.

The Department has an established Department of the Navy Competition and Procurement Excellence Award Program. It is an annual award recognizing the individuals and teams who have made outstanding contributions in promoting competition and innovation in the acquisition process. The award is presented by the Secretary of the Navy, recognizing that competition and innovative contracting techniques are critical factors in the Navy Acquisition Policy. The FY 2006 awards were presented to individuals and cross-functional teams for innovative contracting techniques that promote competition.

- At SPAWAR an individual award was presented for creating a competitive environment for the procurement of the Multifunctional Information Distribution System (MIDS) for a Foreign Military Sale customer. The procurement resulted in cost savings to the customer (Greece) and established a contract option, thereby creating the opportunity for future savings.
- A team award was presented to the Military Sealift Command for its proactive measures taken to establish a Crisis Response Team well ahead of being notified of the need to immediately evacuate U.S. personnel from Lebanon. When the order was given, the team was prepared to solicit and evaluate proposals. Award was made within 72 hours of the tasking, and cost savings estimated at $14 million were projected.
- The effort of the SeaPort-e Program Management and SeaPort-e Governance Teams to expand the SeaPort-e structure is estimated, conservatively, at a cost savings of 7-10%. Based on FY06 expenditures of $1.211 billion, cost savings due to increased competition range from $91 to $134 million in that year alone. The team continued to develop policy guidance and on-site training to the Virtual Systems Commands.

In addition to this award, Commands have implemented awards programs that recognize the achievements of teams and individuals at various levels. Rewards can be monetary or time-off. A suggested new initiative is to include an NSPS objective for all acquisition planning team personnel that measures the results achieved with regard to competition and use of commercial items.

FY 2005 THROUGH FY 2007 DoN COMPETITION
SOURCE FPDS-NG

	Computed including “Not Available for Competition” (data from FPDS-NG Competition Report)			Computed excluding “Not Available for Competition” (Historical DoD)	
	Competition Base (Dollars)	Competed (Dollars)	Percentage Competed (Dollars)	Not Available for Competition (Dollars)	Percentage Competed (Dollars)
FY 2005	$65,390,435,346	$35,507,626,355	54%	$2,010,119,485	56%
FY 2006	$74,198,731,627	$37,591,280,193	51%	$2,891,546,591	53%
FY 2007	$83,458,623,414	$45,736,727,516	55%	$2,308,580,432	56%

The competition goal, in terms of percent competed (dollars), is computed two ways; by including the dollar value of awards determined to be “Not Available for Competition” in the competition baseline, and by removing the “Not Available for Competition” value from the competition baseline to be consistent with historical DoD reporting.

FY 2008 DoN COMPETITION
SOURCE PROJECTION BASED ON MISSION REQUIREMENTS

	Computed including “Not Available for Competition”			Computed excluding “Not Available for Competition”	
	Competition Base (Dollars)	Competed (Dollars)	Percentage Competed (Dollars)	Not Available for Competition (Dollars)	Percentage Competed (Dollars)
FY 2008	$86,321,125,064	$48,502,234,614	56%	$2,401,126,281	58%

The competition goal, in terms of percent competed (dollars), is computed two ways; by including the dollar value of awards determined to be “Not Available for Competition” in the competition baseline, and by removing the “Not Available for Competition” value from the competition baseline to be consistent with historical DoD reporting.

TEMPLATE FOR REPORTING
FAIR OPPORTUNITY ON ORDERS AGAINST
MULTIPLE AWARD CONTRACTS

	Actions		Dollars	
	Actions	% of Total	Dollars	% of Total
Total Orders issued by DoN against DoN multiple award contracts	25,305	100%	$ 7,997,641,532	100%
Fair Opportunity Provided	20,109	79.5%	$ 6,638,445,216	83.0%
Total Exceptions to Fair Opportunity	5,196	20.5%	$ 1,359,196,316	17.0%
- Urgency	252	1.0%	$ 60,195,432	.8%
- Only one Source – Other	2,260	8.9%	$ 499,484,182	6.2%
- Follow-on Delivery Order	1,448	5.7%	$ 229,195,637	2.9%
- Minimum Guarantee	402	1.6%	$ 116,590,333	1.5%
- Other Statutory Authority	94	.4%	$ 11,463,530	.1%
Null Values	740	2.9%	$ 442,267,202	5.5%

Enclosure (2)

DEPARTMENT OF THE AIR FORCE
WASHINGTON, DC

OFFICE OF THE ASSISTANT SECRETARY

FEB 15 2008

MEMORANDUM FOR OUSD (AT&L) DPAP

FROM: SAF/AQC

SUBJECT: Fiscal Year 2007 Air Force Competition Report

In response to your request of Dec 07, 2007, FY 2007 Competition Reports, SAF/AQC submits the FY 07 Air Force Competition Report. The Air Force competition report focuses on measuring the Air Force's success in meeting our annual competition goal.

Questions regarding the comments should be addressed to Ms. Betsy Ann Matich, SAF/AQCP, 703-588-7026 or DSN 425-7026.

CHARLIE E. WILLIAMS, JR.
Deputy Assistant Secretary (Contracting)
Assistant Secretary (Acquisition)

Attachment:
FY 07 Air Force Competition Report

AIR FORCE COMPETITION REPORT

FISCAL YEAR 2007

February 2008

AIR FORCE COMPETITION REPORT

FOR

FISCAL YEAR 2007

INTRODUCTION

In accordance with Title 41, United States Code 418, OMB Memo, dated May 31, 2007, Enhancing Competition in Federal Acquisition and Secretary of the Air Force Order 650.3, SAF/AQC, as the Air Force Competition Advocate General, is submitting the Fiscal Year 2007 (FY 07) Air Force Competition Report. The competition report conveys the results of the Air Force in achieving its FY 07 competition goal of 55%, and presents the FY 08 goal, and reflects the Air Force's emphasis, through the Competition Advocates Program, on obtaining full and open competition.

All MAJCOM/FOA/DRUs listed at AFFARS 5306.501 must have a Competition Advocate. These Advocates are responsible for the competition program within their command, and tracking competition results via the Federal Data Procurement System (FPDS). They are responsible for promoting competition and commercial practices in acquisition programs managed by their commander or an associated Program Executive Officer (PEO). AFI 63-301, Air Force Competition and Commercial Advocacy Program requires the 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. Advocates participate in acquisition strategy planning through forums such as the Acquisition Strategy Panel process, coordinate on or approve Justification and Approval (J&A) documents, review acquisition planning (AP) documents and 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 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, working with government and industry to investigate and eliminate barriers to competition and the acquisition of commercial items, identifying potential competition or commercial conversion opportunities through J&A and AP document reviews, and ensuring that program requirements are stated in the least restrictive manner to allow for effective competition and use of commercial practices.

The Competition Advocate Program focuses on measuring the success of the Air Force in meeting its annual competition goal. The goal is the ratio of total contract dollars competitively awarded (to include Not Available for Competition) to the total number of contract dollars awarded. The Air Force uses this ratio to develop the Air Force goal and presents the goal as a percentage. The Air Force Competition Advocate General assigns the goal to each MAJCOM and DRU at the start of each fiscal year. The Air Force migrated to FPDS in FY 07. The data contained in this report is based upon a FPDS-NG query for 8 Jan 08. The Air Force goal for FY 08 is 55%.

The Air Force Competition rate is included in the Air Force Strategic Contracting Plan, as part of the Balanced Score Card. The Air Force Competition report measures the Air Force's success in achieving our FY 07 competition goal of 55%, identifies the barriers to competition considered in establishing the FY 08 competition rate, and proposes measures taken to increase competition throughout Air Force contracting.

Data derived from the J001 Reporting System through FY 06 shows that the Air Force's competition performance has been consistent. The integrity of the data due to the Department of Defense migration to FPDS in FY 07 and the resultant change to the competition baseline make it difficult to establish our FY 08 competition goal. The migration to FPDS in FY 07 has created unique challenges. For instance, as with any migration there are ongoing problems with the data fields, as well as addressing the unique challenges associated with DoD acquisitions at a federal-level, e.g. weapons system, and space systems, which can have a significant impact on the Air Force competition rate.

Despite our aging weapons systems, the consolidation of the defense industry, and the challenges associated with the migration to FPDS, the Air Force has been successful in meeting our FY 07 competition goal. This success is, of course, no accident. The Air Force devotes a significant amount of energy and resources throughout the year to increase or maintain competitive opportunities. The Competition Advocacy Program is a clear example of sound Air Force policy, and a concrete plan to attain and achieve our goals.

FY 07: COMPETITION -- THE BIG PICTURE

Historical Perspective

Competition performance naturally divides along mission lines into two main categories: the operational MAJCOMs award contracts primarily to support installations and Air Force Materiel Command (AFMC) and Air Force Space Command (AFSPC) primarily award contracts for weapon systems and logistics-supply. AFMC dwarfs the operational MAJCOMs in dollars spent, and is the primary driver of the overall Air Force competition rate. As *Table 1* on the next page demonstrates there has been a significant increase in competition since the release of the Competition in Contracting Act of 1984.

Historical View of Competition

	FY84	FY07	▲ FY84-FY07
AF Dollars Obligated	$39.6B	$68.2B	+ 42%
AF Dollars Competed	$12.4B	$37.3B	+201%
% AF Dollars Competed	31%	60%	+ 94%
% AF Actions Competed	78%	83%	+ 6%

Table 1

Air Force Contracting awarded over 131,895 competitive contractual actions in FY07 worth in excess of $37B, putting our competitive obligation rate at 60%. This is significantly higher than the 56% achieved in FY 06. This is commendable when one considers the $6B increase in dollars obligated in FY 07. *Table 2* demonstrates the percentage of dollars competed. Historically the Air Force competition rate has been relatively stable, particularly for operational contracting. This was partially due to the DD350 reporting system used by DoD that allowed the exclusion of dollars for mandatory programs that resulted in noncompetitive actions, e.g. 8(a), Ability One, and utilities. The table shows that the change in business rules using FPDS results in an increase in the competition rate to 60%. However, beginning in FY 08, DoD will no longer be able to include dollars not available for competition in our competed dollars equation, thus when removing these dollars for FY 07 the AF competition rate is 55%. *Table 2* demonstrates the percentage of dollars competed.

Air Force Competed Dollars

	FY05	FY06	FY07
AF % Competed	57	56	60*
Dollars Obligated (Billions)	$52	$62	$68

Table 2

* includes not available for competition dollars

Not only have the dollars obligated increased since FY 05, but the percentage of dollars competed has increased as well. This reflects the success of efforts to offset noncompetitive weapon system programs and competing task orders (to include GSA schedules).

COMPETITION --THE DETAILS

A significant difference exists between the dollars obligated and percentage of dollars competed between the Operational MAJCOMs and AFMC and AFSPC. *Table 3* shows that AFMC and AFSPC account for 83% of the dollars obligated in Air Force Contracting while the Operational Commands account for 17%.

Operational Versus Weapon Systems (Dollars)

	Total Dollars Obligated	% Total Dollars Competed
Operational MAJCOMs	$11.5B	17%
AFMC & AFSPC	$56.6B	83%

Table 3

Table 4 demonstrates that when including dollars not available for competition, the Operational MAJCOM's maintained an average rate of over 90% of their dollars obligated, while AFMC and AFSPC's competition rates are steadily declining, primarily due to the maturity of Air Force weapon systems and the resulting sole source sustainment contracts.

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Historical Competition Rates*
(Percentage of Total Dollars Competed)

MAJCOM	FY 05	FY 06	FY 07
ACC	97	96	98
AETC	97	97	96
AFMC	46	45	51
AFSPC	67	61	67
AMC	98	98	96
PACAF	96	96	93
USAFA	96	92	94
USAFE	97	97	93

Table 4

*The obligated competitive rates include Not Available for Competition

AFMC and AFSPC's competition rates have a visible effect on the overall Air Force rate. It is not fair, however, to make the argument that AFMC and AFSPC are depressing the overall rate or are obviously doing "worse" than the rest of the commands. In competition terms, comparing AFMC and AFSPC with the MAJCOMs is like comparing applies and oranges. While the largely "commercial" nature of the items purchased by the operational commands lends itself to competitive acquisitions, AFMC and AFSPC must buy uniquely military equipment and services, and the logistics support, modification, upgrades and spare parts for their major weapon systems. The Original Equipment Manufacturers that designed, developed and produced the systems often have unique capabilities 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.

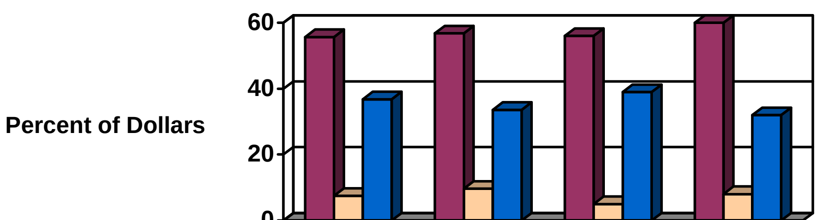
IMPEDIMENTS TO COMPETITION

While the Air Force continues to stress increased competition, contracting offices are nevertheless experiencing impediments to competition. Although initially competitively awarded, the follow-on programs for the F-22 and C-17 contribute to the Air Force's inability to increase our goal. In spite of these driving forces, AF continues to attempt to seek competition. For example, Lockheed-Martin and Raytheon expressed interest in our acquisition for the JDAM, Phase II EMD. However, the small quantities required by the Air Force discouraged them from completing a business case analysis.

Mature Systems:

Reduced numbers of new starts and the increased reliance on typically noncompetitive follow-on buys from mature systems continues to be a major impediment for improvement in our competition rate. A portion is, in fact, a "follow-on" award. In these contracts the original production run was competed, but the ensuing or "follow-on" production runs are not competed. Under the J001 these actions counted towards our competition rate, even though they are not separately competed. However, under FPDS they will no longer be included in our competitive obligated rate. Figure 1 below compares the competitive, follow-on, and non-competitive rates for recent years.

Summary of Procurement Actions



	FY04	FY05	FY 06	FY 07
Competitive %	55.7	56.8	56	60
Follow-on %	7.5	9.6	5	8
Non-competitive %	36.8	33.6	39	32

Figure 1

As illustrated by the chart, the percentage of acquisitions competed remained relatively stable under the J001 reporting system (FY 04-06). The migration to FPDS in FY 07 and associated data integrity problems prohibit the Air Force from projecting what will occur in the future. However, we do know that DoD will no longer be able to include dollars not available for competition, and that follow-on dollars will no longer be included in our competitive obligated rate.

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, past habits 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 justifying the skills of a particular contractor, rather than the uniqueness of the service being acquired. Contracting officers, unable to establish the requirement for purchase themselves, tend to accept the program manager's recommendation and either issue an approved waiver or limit competition. SAF/AQC mandates that acquisition professionals take competition training on an annual basis. This training, located on the SAF/AQC website, makes it clear that the contracting officer's understanding of the marketplace is the basis for determining the level of competition necessary, not the program managers desire to retain the incumbent.

Table 5 reveals the Air Force is making progress in competing task orders under multiple award contracts. Air Force FY 07 task order dollars have increased twenty-four percent over FY 05, to a total of $8.4B. This is a slight decrease from the FY 06 task order dollars of $8.7B. *Table 6* reflects a 44% increase in the percentage of competed-dollars between FY 05 and FY 07. The Air Force believes this significant increase is associated with FPDS data migration challenges. The Air Force is confident we will continue to experience an increase in the percentage of dollars and actions competed each year.

Air Force Multiple Award Task Orders

Air Force-wide	Task Order Dollars	Task Order Actions	Percentage Competed - Dollars	Percentage Competed - Actions
FY 05	$6.8B	10,844	58%	68%
FY 06	$8.7B	13,245	64%	72%
FY 07	$8.4B	15,657	92%	85%

Table 5

Overall, *Table 5* demonstrates for FY 07 that the Air Force competition rate for multiple award task orders exceeds our actual competition rate of 60%. Contributing to this progress was SAF/AQC requesting the MAJCOM's update their Inspection Checklists to ensure the Air Force is in compliance with Public Law 109-163, Section 812, Management Structure for Procurement of Contract Services. This change ensures that task orders under multiple award contracts are being awarded competitively, and where competition is restricted, the appropriate justifications and approvals for other than full and open competition are properly completed.

SAF/AQC EFFORTS TO EMPHASIZE COMPETITION

In establishing the FY 08 competition goals, the Air Force considered the integrity of the data due to the migration to FPDS-NG, the elimination of not available for competition in the competitive rate, and the Federal initiative to revise the FPDS competition report in FY 08. This had a significant impact on establishing the FY 08 competition goal for most of the operational MAJCOMs. However, AFMC and AFSPC's competitive obligation rate increased as a result of the migration, therefore, Air Force was able to establish an FY 08 goal of 55%. *Table 6* shows the MAJCOM and FOA FY 07 competition goals and the actual rate achieved with the not available for competition included, and the adjusted rate when excluding the not available for competition; as well as the FY 08 competition goal.

Air Force FY 07 Competition Results & FY 08 Goals
(Percentage of Total Dollars Competed)

Contracting Activity	FY 07 Competition Goal	FY 07 Competition Actual (Includes Not Available For Competition)	FY 07 Competition Actual (Excluding Not Available for Competition	FY 08 Competition Goal (Excludes Not Available for Competition)
ACC	95	97	85	85
AETC	97	96	83	83
AFDW	75	89	83	83
AFMC	45	51	46	46
AFOTEC	98	99	95	95
AFRC	95	91	78	78
AFSOC	98	94	78	78
AFSPC	53	63	60	60
AMC	95	96	92	92
PACAF	97	93	75	75
USAFA	95	94	77	77
USAFE	98	99	99	99
Total AF	55	60	55	55

Table 6

The data reflects that for FY 07 AETC, AFRC, AFSOC, and USAFA did not meet their projected goals, even when including the “not available for competition” dollars, yet the Air Force achieved its goal of 55% due to the increased competition rates attributed to AFMC, AFSPC and AFDW under the migration to FPDS.

SAF/AQC in its efforts to increase competition includes mandating the Air Force contracting workforce receive recurring training on the statutory and regulatory competition requirements so they can make informed decisions.

Further the migration to a new data system in FY 07, increased congressional interest and OFPP mandates to enhance and revive the role of the competition advocate have led the Air Force to conclude that we need to complete an evaluation of the effectiveness of our current Competition and Commercial Program during FY 08.

SUMMARY

Our goal was 55% in FY 07, and was derived by including those dollars not available for competition. Based upon including those dollars, the Air Force achieved a competition rate of 60% under FPDS. However, in establishing the FY 08 goal we considered the impact of no longer being able to include those dollars not available for competition, and the impact of programs such as the Space Lift Range System (SLRS), the FFRDC/Aerospace Corporation, F-22 and C-17, as well as the impact of the effects of a reduced industrial base, and our inability to obtain complete procurement data packages. Maintaining a competition rate of 55% for FY 08 reflects our continued commitment to competition, while acknowledging the significance of existing impediments upon goal achievement. In addition it reflects the difficulties associated with the data reporting source and uncertainty as to its level of accuracy at this point in time.

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

IN REPLY
REFER TO J-7

MEMORANDUM FOR DIRECTOR, DEFENSE PROCUREMENT AND ACQUISITION POLICY (DPAP)

SUBJECT: Defense Logistics Agency (DLA) Annual Competition Advocate Report for Fiscal Year 2007 (FY07)

DLA's Annual Competition Advocate Report for FY07 is attached. In accordance with Federal Acquisition Regulation (FAR) Part 6.502 and DPAP memorandum dated December 7, 2007, the primary focus of the Annual Competition Report is Competition Advocates' activities and initiatives to enhance competition during FY07. The report contains preliminary information on FY07 competition achievements and tentative goals for FY08. As requested in the memorandum, Federal Procurement Database-Next Generation reports run January 8, 2008, are the basis for the Competition Report.

A trend analysis of DLA goals for the last 3 years has also been provided. This analysis was used as a baseline for development of the FY08 DLA goal.

DLA's established goals for FY07 were 91 percent for both contracting dollars and actions. Based on preliminary data run dated January 8, 2007, DLA met its FY 2007 competition goals for dollars spent. The FY07 rate achieved was 92 percent, which represents approximately $26.39B in competitive acquisitions, and 89 percent of all actions.

Point of contact for this action is Ms. Jennifer Smith at DSN 427-1395 or commercial (703) 767-1395.

CLAUDIA S. KNOTT
Senior Procurement Executive

Attachment

Defense Logistics Agency (DLA)
Annual Competition Advocacy Report
Fiscal Year 2007 (FY07)

This report focuses primarily on the DLA Competition Advocate's (COMPAD) activities and initiatives for FY07. The report includes preliminary information on FY07 achievements and tentative goals for FY08. It should be noted that the goal achievement data is based on preliminary data dated January 8, 2007. DLA has not yet certified this data. So the information included in this report is based on preliminary findings that may be subject to change.

Competition Rate Achieved

DLA's established goal for FY07 was 91 percent for both contracting dollars and actions. Based on preliminary data (as of January 8, 2007), DLA met its FY07 competition goals for dollars spent. The FY07 rate achieved was 92 percent, which represents approximately $26.39B in competitive acquisitions, and 89 percent of all actions.

The percent of contract actions fell below goal mostly due to calculation changes in the Federal Procurement Data System-Next Generation (FPDS-NG). The system no longer excludes qualified nonprofit agencies employing people who are blind or severely disabled (see Federal Acquisition Regulation (FAR) Subpart 8.7) or 8(a) program (see FAR Subpart 19.8) from the competitive base. Previously, this subset of actions was considered "not available for competition" and did not impact competition numbers. As these actions are not typically high dollar values, the percentage of dollars competitively awarded was not impacted greatly. However, with this change, the volume of competitive actions fell to 89 percent.

Advocates Activities

DLA currently has nine different COMPAD's serving the various supply chains and services centers: Defense Supply Center Philadelphia (DSCP), Defense Supply Center Richmond (DSCR), Defense Supply Center Columbus (DSCC), DLA Contracting Services Office (DCSO), Defense Energy Support Center (DESC), Defense Reutilization and Marketing Service (DRMS), Defense Distribution Center (DDC), Defense National Stockpile Center (DNSC) and Document Automation and Production Service (DAPS).

Advocates are regularly involved in acquisition training efforts with the workforce to encourage competition, in various customer outreach efforts and partnership conferences, and in acquisition reviews.

DLA's Supply Chain and Service Centers are actively pursuing efforts to identify new sources and reduce the number of sole source National Stock Numbers (NSN) through Source Approval Requests (SAR) and reverse engineering efforts. An overview of notable activities is given below:

NSN 5985-01-390-2336: (Antenna): Subject NSN was sole source for the F/A-18 and the AV-8, Harrier Aircraft. The team worked to identify two potential sources: Dayton-Granger and Microwave Engineering Corporation. Technical Data Packages (TDP) were reviewed by the cognizant Engineering Support Activity (ESA) and both sources received approval. Over $447K in savings have been documented to date.

NSN 2910-01-263-3224: (Engine Fuel Tank). The Weapon System Support Manager (WSSM) asked for assistance in developing a new source of supply for the Basic A-1 version of the High Mobility Multipurpose Wheeled Vehicle (HMMWV). A team obtained samples and drawings of the required item, which they forwarded to several fuel tank manufacturers. By eliminating the modification of the old system and competitively developing new sources, $2.7M in maintenance costs were avoided.

NSN 2995-01-082-1528: Investigation revealed that the items on different source control drawings were interchangeable. This investigation and discovery resulted in a cost savings of approximately $720K on a subsequent contract award.

Field Hand Wash Stations: The Subsistence Food Service Equipment Branch procures Field Hand Wash Stations, an item under the Deployable Field Support program, which were previously ordered by four NSNs. In order to increase competition, a product specialist worked with Natick to develop a Commercial Item Description (CID). Two new NSNs, with commercial descriptions, were developed for a green wash station and a tan wash station. As a result, the two previous manufacturers now have to compete on the generic NSNs, which will result in better pricing. In addition, the implementation of the CID will now allow for other vendors or manufacturers to offer their own hand wash station.

Shipping Labels: The requirement to supply shipping labels and printer ribbons for all 26 DDC depots was competed in FY07. The result from receiving 11 offers was a multiple award to 2 companies: Adams Marketing (Woman-Owned SB) and Automated Bar Code Systems (Service-Disabled Veteran Owned SB) for $3.9M and $1.5M respectively.

Pouch, Human Remains: The Medical Readiness Division initiated a Small Disabled Veteran Set-Aside for a pouch, human remains, commercial type, based on extensive market research. This set-aside procurement yielded tight competition among four small disabled, veteran-owned small businesses.

Lube Oil: In 2007, DESC-BC CONUS Contracting received requirements for the first time to solicit commercial lube oil (product Engine L40) to support customers at Marine Corps Logistics Base, Blount Island. In previous years, the product was procured directly by the Navy on a sole source basis. DESC issued a solicitation seeking full and open competition and received a total of seven offers, resulting in a contract award to a new supplier. The benefit was not only a cost savings but also identified other makers of the product, which was previously believed to be made by only one manufacturer.

Utilities Privatization: Utilities privatization contracts issued in FY07 all showed substantial cost savings over the respective Government "Should Cost" Estimates (GSCE). FY07 awards resulting from competitive procurements were: 22 utility systems at 9 sites resulting in awards valued at slightly over $5B with a cost savings to the Government in excess of $450M.

New Initiatives

The Competition Advocates continue to work numerous initiatives to increase the acquisition of commercial items, increase competition, and to ensure requirements are stated in terms of functions to be performed, performance required or essential physical characteristics. Several of the notable examples for FY07 include the following:

1. **Communication with Industry:**

In order to promote better competition, DSCC improved and updated the Web Page and DLA Internet Bid Board (DIBBS) in September 2007, to provide clearer instructions to the contractors pertaining to the submission of alternate offers. This page also provides planned acquisition information on NSN items with forecasted demands greater than $10K during the next twelve-month period on the web and a message from the DSCC COMPAD to the supplier and potential supplier base. These efforts of placing information on the DSCC home page will provide contractors access to much needed information. There is also a direct email link for sending questions to the DSCC COMPAD.

DSCC is also utilizing the 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. The BCC**,** open weekdays from 0830 to 1630, also has trained personnel on hand to provide assistance, demonstrations, and advice to visiting contractors. This service helps assure that our vendors are better able to effectively and efficiently do business with DLA. The BCC offers contractors a place to meet and partner with DSCC personnel with three conference areas to discuss issues and resolve problems.

In addition to advertising in the Federal Business Opportunities (FedBizOps) for coal solicitations, DESC is now advertising in Platt's "Coal Outlook." This publication is furnished weekly in hard copy as well as online to a wide array of coal contractors and coal brokers, which has enhanced competition and resulted in receiving new offers.

2. **Streamlining Source Approval Request (SAR) Process:**

The DSCR Competition Advocate is working with the Value Engineering (VE) Branch to develop a central database for SAR tracking. The separate tracking systems currently used will be replaced with a single database providing improved visibility and tracking of SAR's. This will enable follow-up and prioritization of SAR processing based on the need for additional sources to improve availability of items in short supply.

DSCR is also evaluating the recommendations and improvements to the SAR process that would yield increased competition and other potential benefits to DLA, its customers, and suppliers whenever a new source is desired. The acquisition employees who currently support the SAR process are located in the Small Business Office. The Small Business Office and VE are considering a joint LEAN event. Potential benefits include reduced customer wait time, reduced backorders, and unit price savings.

3. **Development of Performance Based Acquisitions**:

Competition Advocates are currently working to develop customer toolkits with examples or samples that will facilitate Performance Based contracting. One recent success in this area includes an effort to increase competition in the acquisition of protective barriers. In conjunction with the Army Maneuver Support Center, performance based specifications for protective barriers (known as expeditionary earth filled protective barriers) have been developed. The various protective barriers have been purchased for many years primarily based upon customer preference and on a limited source basis. A full and open competitive solicitation is being prepared, using this specification, with the intent to maximize competition. It is anticipated that this competitive specification will result in cost savings and added benefits to our customers.

4. **Challenging Brand Name and Military Unique Specifications**:

While reviewing a proposed long-term, sole source procurement for an aluminum cot, the DSCP Competition Advocate requested that the specification be revised as a brand name or equal specification. The resulting change to the procurement specification allowed for competition on two subsequent small purchases. The previous price on the 5-year long term contract was $30.83. The two new prices on the small purchases were $20.19 and $16.98 respectively. A full & open solicitation has recently been issued for a proposed long-term contract for the aluminum cot.

Many of DSCP Clothing &Textile (C&T) items are military-unique and still require specifications, but technical and acquisition personnel are actively engaged in buying commercial items wherever practical or possible. In addition to purchasing commercial t-shirts, underwear, running shoes, and socks, C&T has actively moved to commercial items in several areas. For example, dress shoes are now being procured as Brand Name or Equal commercial items. The Neck Gaitor was also converted to a commercial item, which helped to increase competition on the acquisition.

C&T also has several subcommittees (comprised of DSCP personnel, the Services' ESA's, and the industrial base) who meet regularly. Their purpose is to facilitate communication to find domestically available commercial alternatives. The Glove Subcommittee in particular has been successful with this effort. To date, the subcommittee has successfully transitioned two gloves from the commercial marketplace to full military application (Intermediate Cold/Wet and Fuel Handler's). A third (Flexor) will become available in the recruit clothing bag in FY10.

5. **Updating Source Lists:**

Other Competition Advocates are currently working to refine the vendor source lists to ensure current vendors meet the organization's needs, striving to add three new vendors to the source list per quarter, and using the results of outreach and marketing activities to increase the vendor source listing.

Any Barriers to the Acquisition of Commercial Items or Competition that Remain

Because the nine activities (Supply Chains and Service Centers) are so unique in their respective missions and operational environment, the challenges faced by each activity are diverse. Barriers range from proprietary data issues to geographical location challenges. However, as evidenced by the above, DLA is committed and working to reduce the impact of these obstacles to promote competition where possible. To this end, SAR efforts, meetings with industry, and education of the workforce have been and will continue to be critical to DLA's ability to promote competition. An example of some barriers faced by the activities is given below:

The single biggest impediment to competition at DSCR is the nature of the commodities purchased by the Aviation Supply Chain. Many of the items are critical to the safety of the weapons system and the military personnel involved with the operation of the system. DSCR and the engineering support activities in particular, are extremely conservative when processing source approval requests for these items. The most prominent example is Federal Supply Class (FSC) 2840, aircraft engine components which includes a large percentage of the flight safety critical application items.

In our C&T activity, items that have limited competition, such as the Running Shoes, because of the declining domestic industrial base, efforts have been made to find alternate domestic suppliers, but they have been unsuccessful to date. Similarly, there are few domestic sources for Rubber Gloves. For the Chemical and Oil Glove, there is only one domestic source.

For the Chemical Protective Butyl Glove, two sources remain and are endangered by the low requirements for these items.

At DCSO, barriers remain with respect to our customers' preference for brand name items and continued service from incumbent firms. The value of competition must be instilled in customers to move away from this long standing practice. The importance of thorough market research is being stressed to help overcome this barrier.

Another significant barrier is DDC's pursuit of small business goals. As previously noted, striving for excellence in attaining small business goals to 8(a) and other preference program contractors can be counterproductive to attaining high competition goals.

At DRMS and DESC, current and continued requirements for support in Iraq and other trouble areas is anticipated. Due to this changing operational environment, it is anticipated that competition may be limited in some areas. Agencies are diligently working to secure additional sources in these areas, where possible.

Other ways in which the Agency has emphasized the acquisition of commercial item and competition in areas such as acquisition training and research

In addition to initiatives above and tracking the competition rate throughout the year with the various buying activities, the agency will work to emphasize the acquisition of commercial items and competition in the following ways:

1. **Conferences with the Suppliers:**

Many of the activities have reached out to suppliers in an effort to apprise and/generate interest in upcoming procurements. A few notable examples are given below:

DSCC began hosting monthly Capability Briefing Sessions in FY06 and continued them throughout FY07. These sessions provide an opportunity for up to ten contractors to present an overview of their companies to DSCC associates such as Buyers, Product Specialists, Industrial Specialists, Engineers, Competition Advocate, and others interested in developing new sources of supply. The contractors have been overwhelmingly pleased with this opportunity and a number of DSCC associates have found companies whose capabilities matched current requirements.

In November 2007, the Land Supply Chain hosted a Strategic Material Capability Summit in an effort to inform vendors of upcoming projects for FY08. The Summit was attended by 158 companies representing various commodity groups across our industrial base. It has become a routine part of the acquisition process to hold Industry Days on the larger acquisitions to get suppliers engaged up front in the acquisition planning stages and to encourage potential suppliers to partner and participate.

DSCR also conducted its Aviation Supply Chain Annual Business Conference in June 2007 with over 600 vendors in attendance. Several workshops on source approval were conducted to increase interest in the SAR program and educate businesses on the process for submitting alternate offers. A variety of other workshops were offered to assist vendors in their efforts to do business with DSCR.

2. **Procurement Reviews:**

Many of the activities have been coordinated with the workforce to educate them and improve competition. Local Program Management Reviews are frequently held to identify key areas, such as market research, and to encourage continual improvement. Other notable activities include:

In October 2007, the Contract Review Chief conducted a series of procurement seminars for the entire acquisition workforce, which emphasized indentifying closely related commercial items during negotiations that were produced by sole source vendors. The emphasis was on "similar, of-a-type items" because the component density and space limitations of military aircraft often preclude exact commercial equivalents. Identifying acceptable commercial item equivalents will continue to be pursued, but for the reasons stated, the development of competitive specifications with applicable quality controls will likely be the most effective strategy for many of the items in the Aviation Supply Chain.

The 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, is provided. 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. The DCSO Site Lead at each site is required to present alternatives considered along with recommended course of action to the DCSO Competition Advocate and DCSO Chief of the Contracting Office for concurrence prior to moving forward with any bridge contract action.

Fair Opportunity

Based on the January 10, 2008 email from DPAP transmitting Fair Opportunity Statistics for 2007, DLA achieved a Fair Opportunity Rate of 90.7 percent. This number is inclusive all of all Federal Supply Schedule, GWAC, and Multiple Award contracts placed by the agency. The largest exception to Fair Opportunity was “not coded” at 7.7 percent. This is presumably a systems issue still being addressed. The second largest exception was sole source at 1.2 percent.

For DLA’s multiple award contracts (which the Agency was asked to focus on in the December 7, 2007 memo from DPAP), the Fair Opportunity rate was 99.9 percent for FY07. The largest exception to Fair Opportunity was .6 percent, again, attributable to sole source requirements. DLA is committed to continually conducting Fair Opportunity to the maximum extent possible and will continue to monitor and track this statistic over FY08. Additionally, DLA will work with the various activities to stress the importance of fair opportunity and value of post award competition.

Trend Analysis and FY08 Competition Goals

For that last three years, DLA has had competition goals of 91 percent for both procurement actions and dollars. Although the goals have remained the same, DLA has strived to meet and exceed this high standard. As seen in the table below, DLA has strived to continually reach this goal.

	Goals	Actual	
		Dollars	Actions
FY04	91%	90.13%	95.60%
FY05	91%	91.30%	91.00%
FY06	91%	91.30%	90.50%

Competition levels have remained relatively the same and DLA has undertaken new efforts to enhance competition. It is these efforts that have allowed the Agency to maintain a 91 percent rate despite reorganization, standing up of new detachments, etc. Much of the “low hanging fruit” or easy competition wins have been implemented. The last 9 percent is particularly challenging due to the remaining barriers. Although DLA is committed to further tackling those barriers, the probability that the Agency will be able to achieve 100 percent competition on every action is unrealistic.

Given the last 3 years worth of data, Calendar Year 2007 preliminary performance, and barriers noted in the report, the new FY08 competition goal for dollars spent will remain 91pecent. Historically, DLA has been able to achieve 91 percent for number of actions as well. However, with the recent change in the way FPDS-NG calculates the competition base, DLA was only able to achieve 89 percent for number of actions in FY07. Taking into account this historical trend, the impact of the calculation change and the upcoming stand-up of Depot Level Reparable (DLR) procurement detachments at 9 service sites (DLRs are often sole source items), DLA’s FY08 goal for number of actions competed will remain at 89 percent.