NCAT EA Training: Contracting Team draft charts

As of 8/23/2002 14:04

Chart Objectives

- Underscore need for contracting community to pay attention to and embrace EA as an acquisition strategy
- Identify the impacts on contracting community
- Explain how PMs can facilitate contracting that will effectively implement an EA strategy
- Explain what contracting officers need to consider to effectively implement EA strategies

ISSUE: Audience??? – this subtopic is applicable to multiple areas

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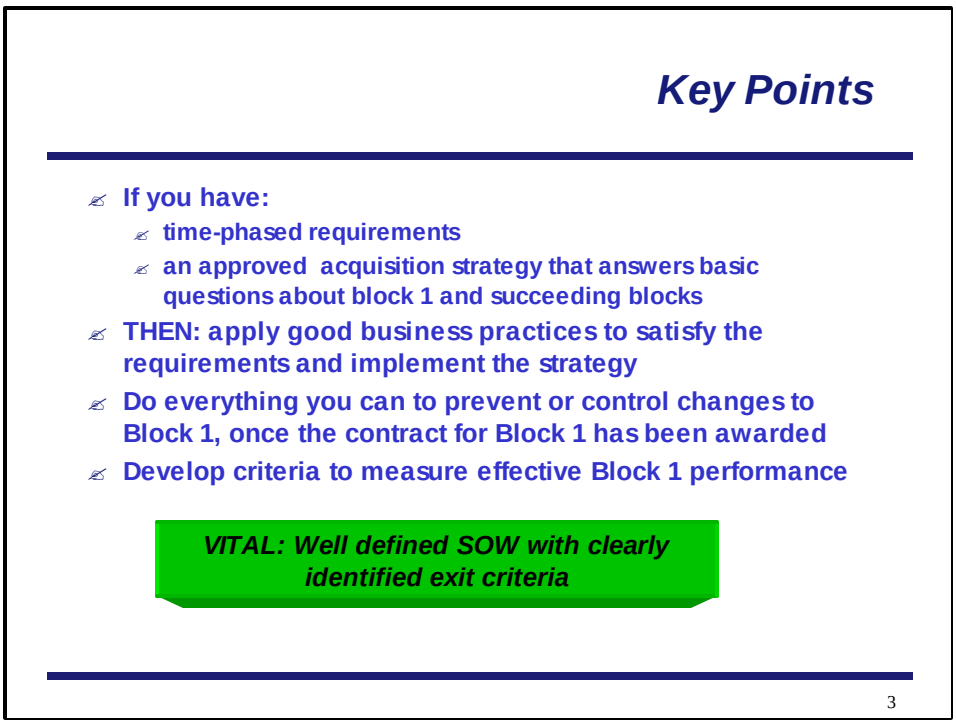
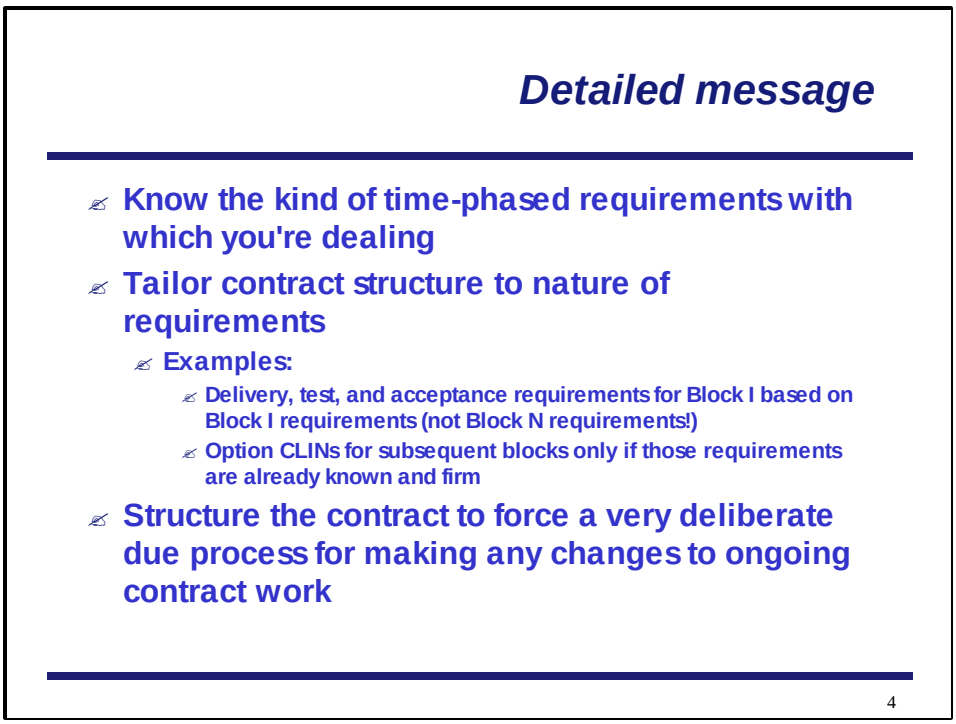


"If you have time-phased requirements, and an approved acquisition strategy that answers basic questions* about block 1 and succeeding blocks, your contracting people just need to apply good business practices to satisfy the requirements and implement the strategy." Message: There is no unique form of contracting involved here, but there ARE two prerequisites. Make sure they are provided so the contracting folks can do their job.

Do everything you can to prevent or control changes to Block 1, once the contract for Block 1 has been awarded. In order to deliver Block 1 capability on time and within cost, you'll find you have to MANAGE USER EXPECTATIONS. You need the full cooperation of your boss and the User. Anyone who views this as "not being responsive to the user" is not well versed in EA. Actually, the converse is true. The less hard line you are in protecting Block 1 from change, the less responsive you are to the user,



- Know what kind of time-phased requirements with which you're dealing. Read the pertinent paragraph** in DoD 5000.2-R. This drives (1) how competition will apply, and (2) how you structure the solicitation and contract(s).

- Structure the contract to force a very deliberate due process before any changes can be made to contract requirements affecting the Block the contractor is currently working to deliver. This process should involve complete description of the changed work, and negotiated price and schedule adjustments, before the change is directed.

- Unless requirements for Blocks 2 through N are firm, do not create options for Blocks 2 through N.

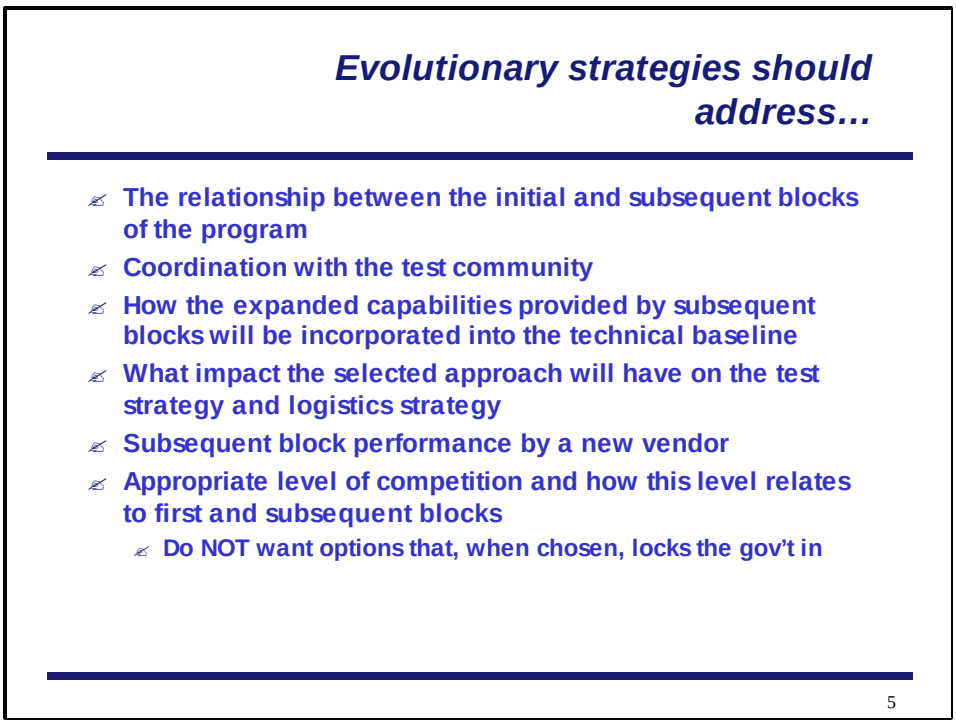
- - It should be VERY rare that requirements for subsequent blocks are firm. Remember, the whole premise of evolutionary acquisition is that threats and technologies change rapidly, and it's unlikely we know

today what we'll need or be able to get 2 years from now.

- - Unpriced options cannot be exercised and are therefore not really options.

- - Priced options based on obsolete requirements have to be re-priced when the requirements are updated. It is wasteful for both government and industry to go through the motions twice.

- When Block 2 requirements are firm, solicit the proposal(s) for Block 2. If Block 2 must be done by the Block 1 contractor, be sure your original Block 1 solicitation laid out the facts, so all players were informed that the winner of Block 1 work would be the sole source for Block 2 (through Block N) work.



* The relationship between the initial and subsequent blocks of the program. Specifically, is demonstrated technical success on Block I necessary to initiate Block II ? If the PM fails to achieve the schedule objectives of Block I, will initiation of all subsequent blocks be delayed? Will separate decision review events be required for each Block (i.e., one review for initiation of Low Rate Initial Production on Block I, and a separate review for initiation of development on Block II, occurring at approximately the same point in time), or will the review events be combined? There is no single "correct" answer to any of these questions. The PM must identify and consider each alternative, and associated risks and implications.

* Coordination with the test community. Extensive coordination with the test community is essential, to ensure that there is a common understanding of the capabilities available for evaluation at each discrete test event. If this coordination is not conducted, and consensus is not reached, the system will appear to perform poorly, when in fact it has actually achieved or even exceeded a level of performance anticipated by the acquisition community, and deemed of value to the user. Additionally, the Acquisition Program Baseline (APB) will have to be structured to clearly depict the evolution of the system toward achieving full capability (in terms of thresholds and objectives) in defined increments. This means that all blocks and their associated thresholds and objectives must be depicted in the initial APB, not just the block under immediate consideration.

* How the expanded capabilities provided by subsequent blocks

Applying Competition when using an EA Strategy

- **Competition contributes to achieving the objectives of EA**
  - **An EA objective is shortening cycle time; competition can motivate a contractor to deliver the block on which he's working on time**
  - **An EA objective is to apply the best and latest technologies to satisfy warfighter requirements; competition drives innovation as well as efficiency, and motivates industry to develop and apply new concepts and technologies.**

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Applying Competition when using an EA Strategy

- **Industry cares**
  - Established suppliers want a chance at new business
  - New businesses with new things to offer want to be able to compete for and win government business
- **Congress cares**
  - Businesses in each Congress person's district let their representative know if they don't think they're getting a fair chance to win government contracts
  - Competition is the law of the land; Congress passed the law! (cite CICA and FAR Part 6 implementation of CICA)

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Things to consider in DEVELOPING and EA strategy - OUTLINE

- **Things to consider when implementing a strategy based on a finding that the Block I contractor must also do Block II (thru Block N):**
  1. **Describing the strategy in the synopsis**
  2. **Describing the strategy in the solicitation**
  3. **Designing an appropriate contract structure**
     a. **Will subsequent blocks be done under the Block I contract, or under separate contracts?**
     b. **When are options appropriate, and when are they not appropriate?**
     c. **Building in due process for managing any changes to ongoing contract work**
  4. **Administrative procedure for complying with CICA (i.e., processing J&As before contracting for subsequent blocks)**
  5. **Soliciting proposal for subsequent blocks.**

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The following is from DoD 5000.2-R

C2.9.1.2. Building Competition into Individual Acquisition Strategies.

PMs and contracting officers shall provide for full and open competition, unless one of the limited statutory exceptions applies (FAR Subpart 6.3 (reference (bb))). PMs and contracting officers shall use competitive procedures best suited to the circumstances of the acquisition program. To comply with these policies, PMs shall plan for competition from the inception of program activity. Such competition planning shall precede preparation of an acquisition strategy when, for example, a technology project or an effort involving advanced development or demonstration activities has potential to transition into an acquisition program. Competition planning must include the immediate effort being undertaken and any foreseeable future procurement as part of an acquisition program. Competitive prototyping, competitive alternative sources, and competition with other systems that may be able to accomplish the mission shall be used where practicable.

C2.9.1.2.1. Applying Competition to Acquisition Phases.

The acquisition strategy prepared to support program initiation shall include plans for competition for the long term. The strategy shall be structured to make maximum use of competition through the life of the contemplated program to achieve performance and schedule requirements, improve product quality and reliability, and reduce cost.

The following is from DoD 5000.2-R (Cont' d)

C2.9.1.2.2. Applying Competition to Evolutionary Acquisition

C2.9.1.2.2.1. An evolutionary acquisition strategy must be based on time-phased requirements, consisting of an initial block of capability, and some number of subsequent blocks necessary to provide the full capability required. Plans for competition must be tailored to the nature of each block, and the relationship of the successive blocks to each other. For example, if each block adds a discrete capability in a segregable package to a pre-established modular open system architecture, it may be possible and desirable to obtain full and open competition for each block. If each successive block enhances capability by building on its predecessor, such that it is necessary that the supplier of the first block also create the next block, then competition for the initial block may establish the sole source for subsequent blocks.

C2.9.1.2.2.2. There is no presumption that successive blocks must be developed or produced by the same contractor. The acquisition strategy shall:

C2.9.1.2.2.2.1. Describe the plan for competition for the initial block. State how the solicitation will treat the initial block, and why. For example, the first block may be:

C2.9.1.2.2.2.1.1. A stand-alone requirement, independent of any future procurements of subsequent blocks;

C2.9.1.2.2.2.1.2. The first in a series of time-phased requirements, all of which are expected to need to be satisfied by the same prime contractor.

The following is from DoD 5000.2-R (cont'd)

C2.9.1.2.2.2.2. State, for each successive block, whether competition at the prime contract level is practicable, and why.

C2.9.1.2.2.2.2.1. When competition is practicable, explain plans for the transition from one block to the next if there is a different prime contractor for each, and the manner in which integration issues will be addressed.

C2.9.1.2.2.2.2.2. When competition is not planned at the prime contract level, identify the FAR Part 6 reason for using other than full and open competition; explain how long, in terms of contemplated successive blocks, the sole source is expected to be necessary; and address when and how competition will be introduced, including plans for bringing competitive pressure to bear on the program through competition at major subcontractor or lower tiers or through other means.