Price-based Acquisition

PBA Study Overview
August 1999
Agenda

- Background
  - Selected Recommendations
    - Acquisition Strategies
    - Preaward
    - Postaward
  - Summary
PBA Objectives

- Access to commercial technology
- Reduce government infrastructure
- Better contract prices
- Civil military integration
- Increased competition while maintaining the public trust

Room for both cost-based & price-based solutions

CBA-PBA Continuum
Price-based acquisition is a way for DoD to buy goods and services that does not rely primarily on suppliers’ providing actual or estimated cost data. It does not preclude DoD and suppliers from mutually agreeing to use limited cost data to establish price reasonableness, cost realism, a financing agreement, or other contract terms and conditions. A price-based acquisition must be firm-fixed-price (with or without Economic Price Adjustment) or fixed-price with non-cost.
Where We’ve Been

Intensive effort - ESG and 3 focus groups with 50 people (field and staff)

- Industry Roundtable (commercial)
- MIT (Lean Aerospace Initiative)
  - Crane Research Center
  - Litton/TASC Report
  - Defense Science Board

Distilled information from diverse perspectives to reach balanced recommendations
Where We’re Going
(Schedule of Upcoming Events)

April
2
Initial draft report released for internal PBA team review

May
3
ESG comments due on draft report
3-14
Disposition comments
14
Distribute dispositioned comments to ESG
24
Conduct ESG to discuss unresolved issues

June
7
Official draft report released

Price-based Acquisition
Too Ambitious...
Now planned for late September
Industry Roundtable Insights

➤ Trust but verify
- Market/make knowledge is a must
- Team approach-early stakeholder involvement
- Supplier profit percent not an issue, cost reduction is
  ➤ Achieve by incentivizing suppliers
- Cost data is often required
- Displacing an incumbent supplier requires a 25 to 40% improvement
- Cost contracts, legal action, supplier financing, and funding of R&D efforts are rare
NOTE: The PBA Study Group has developed 48 recommendations to further the Department’s use of price-based acquisition. Because these recommendations are considered pre-decisional, it’s not appropriate to post them on the WWW at this time.
Price-based Acquisition

Agenda

- Background
- Selected Recommendations
  - Acquisition Strategies
  - Preaward
  - Postaward
- Summary
## Price-based Acquisition

### Much Can Be Done Now

<table>
<thead>
<tr>
<th>Recommendations</th>
<th>Internal Procedure</th>
<th>Regulatory</th>
<th>Statutory</th>
</tr>
</thead>
<tbody>
<tr>
<td>Evolutionary</td>
<td>✓+</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Incremental Development</td>
<td>✓+</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dissimilar</td>
<td>✓+</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program Progress</td>
<td>✓+</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Waivers and Deviations</td>
<td>✓+</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Claims</td>
<td>✓+</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market Research COE</td>
<td>✓+</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business System Reviews</td>
<td>✓+</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Training</td>
<td>✓+</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FFP R&amp;D Waiver Deletion</td>
<td>✓+</td>
<td>✓+</td>
<td></td>
</tr>
<tr>
<td>Past Performance</td>
<td>✓+</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Contract Types</td>
<td>✓+</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Pricing Methods</td>
<td>✓+</td>
<td>✓</td>
<td></td>
</tr>
</tbody>
</table>

+ = Majority of effort
✓ = Requires change
 ✓= DFARS change
 ✓= FAR change

---

**Regulatory**

- **Statutory**

**Recommended Actions**

- **Evolutionary Incremental Development**
- **Dissimilar Program Progress**
- **Waivers and Deviations**
- **Claims**
- **Market Research COE**
- **Business System Reviews**
- **Training**
- **FFP R&D Waiver Deletion**
- **Past Performance**
- **Contract Types**
- **Pricing Methods**

---

**Technical Recommendations**

- **Evolutionary Incremental Development**
- **Dissimilar Program Progress**
- **Waivers and Deviations**
- **Claims**
- **Market Research COE**
- **Business System Reviews**
- **Training**
- **FFP R&D Waiver Deletion**
- **Past Performance**
- **Contract Types**
- **Pricing Methods**

---

**Operational Recommendations**

- **Evolutionary Incremental Development**
- **Dissimilar Program Progress**
- **Waivers and Deviations**
- **Claims**
- **Market Research COE**
- **Business System Reviews**
- **Training**
- **FFP R&D Waiver Deletion**
- **Past Performance**
- **Contract Types**
- **Pricing Methods**
### Price-based Acquisition

#### Much Can Be Done Now

<table>
<thead>
<tr>
<th>Recommendations</th>
<th>Internal Procedure</th>
<th>Regulatory</th>
<th>Statutory</th>
</tr>
</thead>
<tbody>
<tr>
<td>Letter Contracts / UCAs</td>
<td>✓+</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>EPA</td>
<td>✓+</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Preference for PBA</td>
<td>✓+</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Value-based</td>
<td>✓+</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Value Engineering</td>
<td>✓+</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Contract Modification</td>
<td>✓+</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>GFP</td>
<td>✓+</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>PBA in Acquisition Plan</td>
<td>✓+</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>T for C</td>
<td>✓</td>
<td>✓</td>
<td>✓+</td>
</tr>
<tr>
<td>Financing</td>
<td>✓+</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Source Selection Strategies</td>
<td>✓</td>
<td>✓</td>
<td>✓+</td>
</tr>
<tr>
<td>Cancellation Charges</td>
<td>✓</td>
<td>✓</td>
<td>✓+</td>
</tr>
<tr>
<td>Wage Determinations</td>
<td>✓</td>
<td>✓</td>
<td>✓+</td>
</tr>
<tr>
<td>TINA</td>
<td>✓</td>
<td>✓</td>
<td>✓+</td>
</tr>
</tbody>
</table>

+ = Majority of effort
✓ = Requires change
✓= DFARS change
✓ = FAR change

Much Can Be Done Now