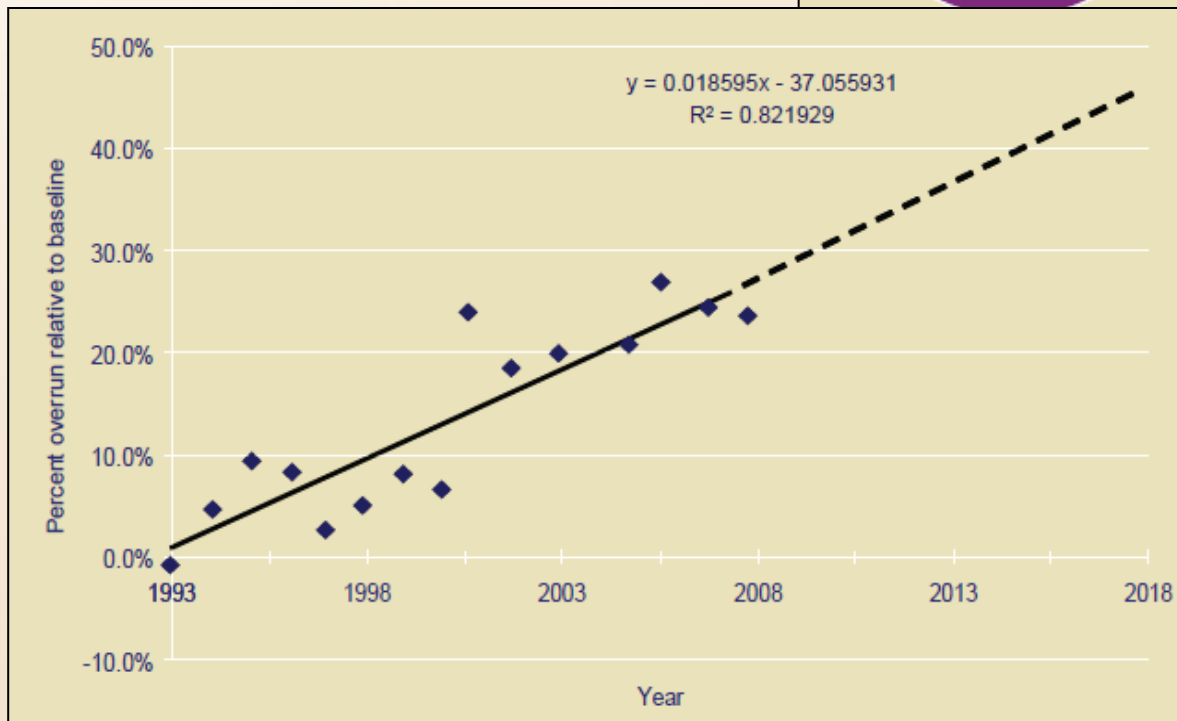
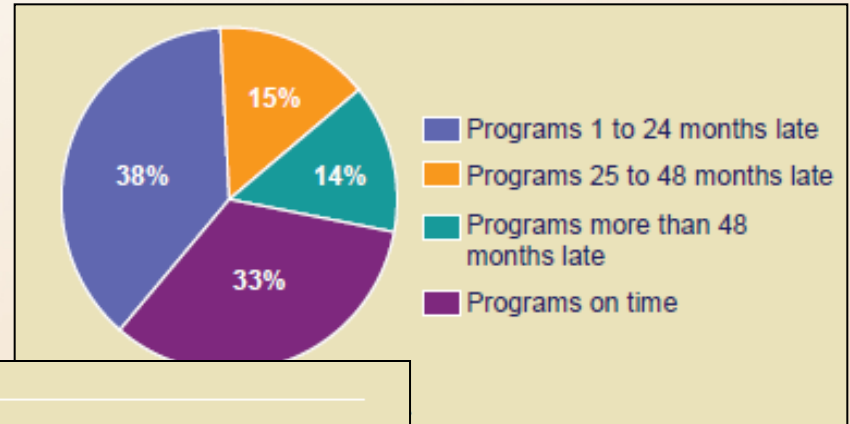




Why are We Here?

- **Schedule Delays**
- **Decline of Economy**
- **Budget Overruns**



**We are Just
Paying Too Much**

Source: Deloitte A&D Study, “Can we afford our own future?”, December 2008



What OSD AT&L Found

- **USD (AT&L), Dr. Aston B. Carter, in his first year noticed limited productivity across DoD**
 - **Production Cost increasing for the same item over time**
 - **Over 51% of the DoD budget is Acquisition of Services**
 - **Examination of programs exposed large sole source activity (vendor lock) and poor examples of real competition**
 - **Small Business was not constructively engaged**
 - **Programs took a long time to get to Milestones and no one could clearly explain the value of many of the reports AT&L was asked to sign**
 - **Requirements were being implemented without consideration of cost or affordability**



The Results

Dr. Carter wanted to implement guidance within his span of control without it being 'reform' but rather the use of Best Practices that would achieve:

- **Delivering the warfighting capability we need for the dollars we have**
- **Getting better buying power for the warfighter and taxpayer**
- **Restoring Affordability to defense goods and services**
- **Improving defense industry productivity**
- **Removing government impediments to leanness**
- **Avoiding program turbulence**
- **Maintaining a vibrant and financially healthy defense industry**
- **Developing our Acquisition Workforce**



Development of BBP Initiatives and Directives

- **Actively sought input from acquisition leaders in the defense industry and Government**
- **130 recommendations were received, analyzed, and vetted**
- **23 specific actions were identified and grouped into five major area contained in the September 14, 2010 Memorandum for Acquisition Professionals**

BBP is implementation of Best Practices to strengthen DOD's buying power, improve industry productivity, and provide an affordable military capability to the Warfighter.



BBP Myth Busters

- **The objective of BBP is NOT to reduce contractor profits to make programs more affordable**
- **FPIF contracts are NOT the only acceptable contracting approach**
- **A new affordability Key Performance Parameter (KPP) will NOT be mandated on all programs at this time, but affordability constraints will be imposed by CAEs and USD (AT&L)**
- **BBP is guidance and NOT a set of ironclad rules**

*Acquisition Professionals are expected to
DO THE RIGHT THING*



Five BBP Groupings

- 1. Target Affordability and Control Cost Growth**
- 2. Incentivize Productivity and Innovation in Industry**
- 3. Promote Real Competition**
- 4. Improve Tradecraft in Services Acquisition**
- 5. Reduce Non-Productive Processes and Bureaucracy**

The real challenge is to incorporate these initiatives into our culture.



Guidance Roadmap

Target Affordability and Control Cost Growth

- Mandate affordability as a requirement
- Implement “should cost” based management
 - * ARA memo 12 Dec 2011 – Should-Cost Templates
 - * AT&L memo 24 Aug 2011 – Should-Cost and Affordability
 - * AT&L memo 22 Apr 2011 – Will Cost/Should Cost
 - * USA SAAL_ZR memo 10 June – Army Implementation of USD (AT&L Affordability Initiatives
 - * USAF memo 15 June 2011 – Implementation of Will-Cost and Should Cost Management
 - * SECNAV ASN-RDA memo 19 July 2011 – Implementation of Should Cost Management
- Eliminate redundancy within warfighter portfolios
- Achieve Stable and economical production rates
- Manage program timelines

Incentivize Productivity & Innovation in Industry

- Reward contractors for successful supply chain and indirect expense management
- Increase Use of FPIF contract type
- Capitalize on progress payment structures
 - * DPAP memo 27 April 2011 – Cash Flow Models
- Institute a superior supplier incentive program
- Reinvalidate industry’s independent research and development

Reduce Non-Productive Processes and Bureaucracy

- * PDUSD AT&L memo 14 Sept 2011 – Document Streamlining-Life-cycle Sustainment Plan
- * PDUSD AT&L memo 18 July 2011 – Document Streamlining-Program Protection Plan
- * PDUSD AT&L memo 23 June 2011 – Improving Milestone Process Effectiveness
- * PDUSD AT&L memo 20 April 2011 – Document Streamlining-Program Strategies and SEP
- Reduce frequency of OSD level reviews
 - * AT&L memo 11 May 2011 – Improving Technology Readiness Assessment Effectiveness
- Work with Congress to eliminate low value added statutory requirements
- Reduce the volume and cost of Congressional Reports
- Reduce non-value added requirements imposed on industry
- Align DCMA and DCAA processes to ensure work is complementary
 - * DPAP memo 4 Jan 2010 – Align DCMA and DCAA
- Increase use of Forward Pricing Rate Recommendations (FPRRs) to reduce administrative costs
 - * DPAP memo 4 Jan 2010 – Align DCMA and DCAA

Promote Real Competition

- Emphasize competitive strategy at each program milestone
- Remove obstacles to competition
 - Allow reasonable time to bid
- *DPAP memo 27 April 2011/24 Nov 2010 –Improving Competition
 - Require non-certified cost and pricing data on single offers
 - Enforce open system architectures and set rules for acquisition of technical data rights
- Increase small business role and opportunities
 - *DPAP memo 14 Jul y 2011 Use Government –wide Acquisition Contracts Set Aside Exclusively for Small Business
 - *DPAP memo 27 June 2011 Increase Dynamic Business Roles in the Defense Marketplace

Improve Tradecraft in Acquisition of Services

- Assign senior managers for acquisition of services
 - *Senior Manager’s appointed similar to AF PEO (Army Nov 2010/Navy Jun 2011)
- Adopt uniform services market segmentation (taxonomy)
 - * DPAP memo 23 Nov 2010 – Taxonomy for Acquisition of Services
- Address causes of poor tradecraft
 - Define requirements and prevent creep
 - Conduct market research
- Increase small business participation
 - * DPAP memo 14 Jul y 2011 Use Government –wide Acquisition Contracts Set Aside Exclusively for Small Business

Related Memos/DTMs:

- * AT&L memo 6 Dec 2011– Value Engineering (VE) and Obtaining greater Efficiency & Productivity in Defense Spending
- * PDUSD AT&L memo 19 July 2011– Roles & Responsibilities of the OSD OIPT Leaders, Teams and Team members
- * AT&L memo 23 June 2011– DTM 11-009 – Acquisition Policy for Defense Business Systems
- * AT&L memo 21 March 2011– DTM 11-003 – Reliability Analysis, Planning, Tracking and Reporting
- * PDUSD AT&L memo 24 Feb 2011– Expected Business Practice: Post Critical Design Review Reports and Assessments
- * OMB memo 2 Feb 2011 – “Myth Busting”; Addressing Misconceptions to Improve Communications with Industry during the Acquisition Process



#1. Targeting Affordability and Controlling Cost Growth

- ✓ **Mandate Affordability as a Requirement**
- ✓ **Implement “Should Cost” Based Management**
- ✓ **Eliminate Redundancy within Warfighter Portfolios**
- ✓ **Achieve Stable and Economical Production Rates**
- ✓ **Manage Program Timelines**



Affordability and Will/Should Cost

- **Affordability asks the question early in the development process, “can we afford this weapon system?”**
- **Affordability looks at production and sustainment costs over the life of the system.**
- **Will-cost reflects affordability requirements and is considered for independent cost estimates.**
- **Should-cost challenges assumptions and seeks lower costs where it makes sense over the life of the system.**

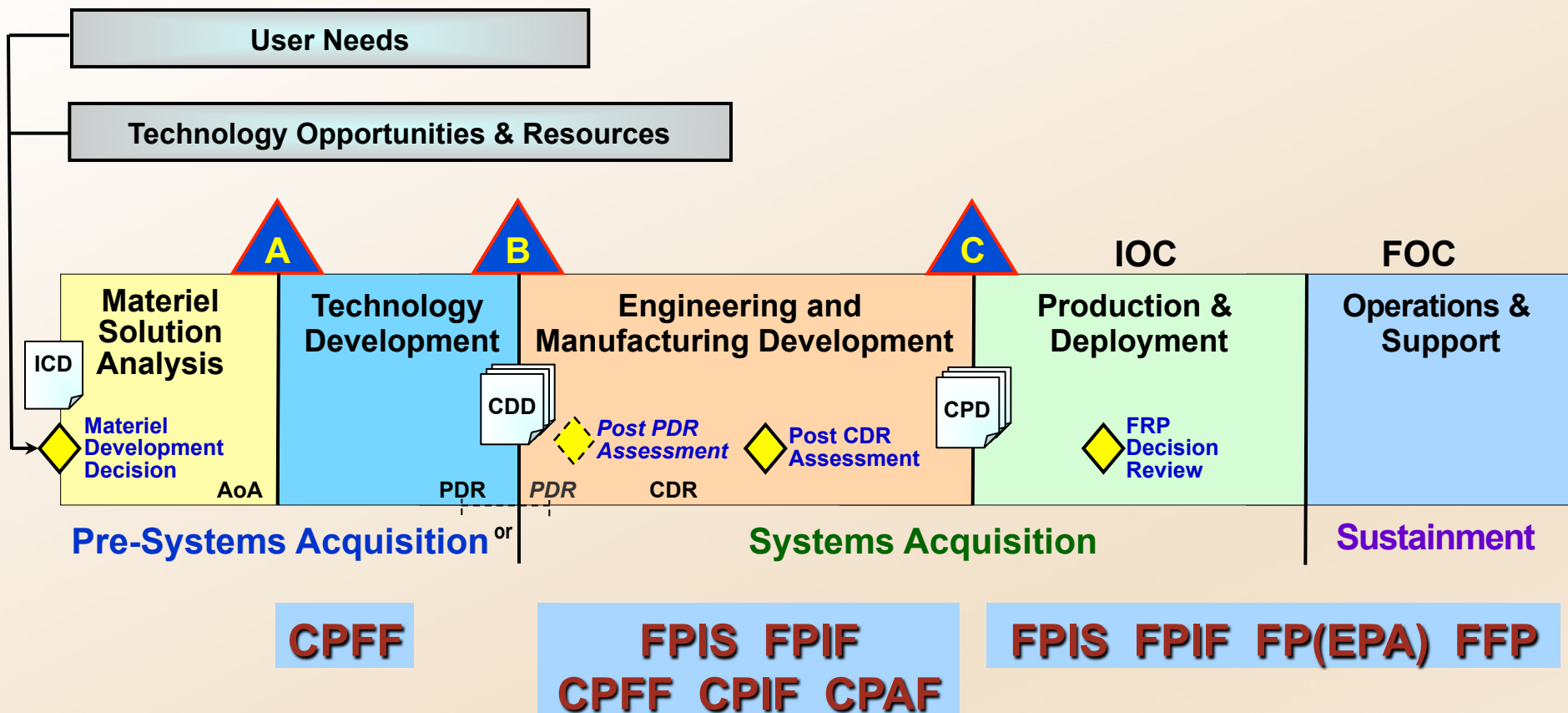


#2. Incentivize Productivity & Innovation in Industry

- ✓ **Reward contractors for successful supply chain and indirect expense management**
- ✓ **Increase use of FPIF contract type when appropriate**
- ✓ **Capitalize on progress payment structures**
- ✓ **Institute a superior supplier incentive program**
- ✓ **Reinvigorate industry's independent research and development**



Increase Use of FPIF Contract Type When Appropriate



- Tools:**
- DoD/NASA Incentive Training Guide: <https://acc.dau.mil/CommunityBrowser.aspx?id=189615>
 - FPIF Tools link on OSD website, to include the “FPI(F) Grapher Tool : <https://acc.dau.mil/CommunityBrowser.aspx?id=432897>



Increase Use of FPIF Contract Type When Appropriate

Examples:

“The Navy, for example, recently concluded negotiations for a multi-year procurement of 124 F/A-18 strike fighter and E/A-18 electronic attack aircraft, which will yield over \$600 million (greater than 10 percent) savings to the Department and the taxpayer. The F-18 program was able to drive down cost for each lot of aircraft procured in the framework of a fixed-price incentive contract that meets the Department’s objectives for realistic costs, reasonable profit, a 50/50 shareline, and a 120 percent ceiling.”

KC-X tanker contract had characteristics that made FPIF appropriate for development

- Requirements were not going to change
- Low technical risk
- Industry Counterparts know how to do the work

Goal: Create a robust industrial base where contractors can earn a return on investment



Increase Use of FPIF Contract Type When Appropriate

- **If there is insufficient actual cost information and enough technical risk, then FPI is better than FFP.**
- **If the program is stable and has good cost estimates, then FFP is more appropriate.**
- **It may be best to consider FPI early in production and in single-source production where year to year improvement can be rewarded**
- **Points of departure:**
 - **Share Ratio: 50/50**
 - **Ceiling Price: 120%**
 - **DFARS Implementation: Case #2011-D010**



Capitalize on Progress Payment Structures

- **Ensure that improved cash flow opportunities provide benefit to both industry at the prime and subcontractor level and the government**
- **Use discounted cash flow analysis to determine cost to government and benefit to contractor**
- **Analysis tool developed to compare cost/benefit of using Performance Based Payments versus customary progress payments**
- **PBP Tool location:**
 - http://www.acq.osd.mil/dpap/cpf/Performance_based_payments.html
- **CLC 057-Understanding Performance Based Payments and the Value of Cash Flow**



#3. Incentivize Productivity & Innovation in Industry

- ✓ **Emphasize Competition at Each Program Milestone**
- ✓ **Remove Obstacles to Competition**
 - **Allow Reasonable Time to Bid**
 - **Require Non-certified Cost and Pricing Data on Single Offers**
 - **Enforce Open System Architectures and Set Rules for Acquisition of Technical Data Rights**
- ✓ **Increase Small Business Role and Opportunities**



Promote Real Competition

Per statute, with limited written exceptions, the Government shall compete all contracts > simplified acquisition threshold (SAT) and all orders > \$3,000 under multiple award contracts. Per policy, the Govt. shall promote competition to maximum extent practicable for purchases < SAT. Yet, in each FY10 and FY11, less than 50% of DoD contract spending was competitive.

DoD Competition Data (% of obligated \$)	FY10	FY11*
Noncompetitive: Written exception (e.g., J&A)	38.4%	43.3%
Noncompetitive: Only one offer received via competitive procedure. DoD calls this "Ineffective Competition".	13.1%	9.6%
Competitive: More than one offer received via competitive procedure. DoD calls this "Effective Competition".	48.5%	47.1%

Competition in Contracting Act (CICA) requires agencies to separately track competitive procedures where only one offer was received and record the data as "noncompetitive procurements using competitive procedures".

Before BBP, DoD used a single annual "Competition" goal combining data of competitive procedures resulting in either only one offer or more than one offer.

Lack of Open Systems Architecture & Data Rights often leads to J&As.

Lack of proposal preparation time a key factor in receiving only one offer. If only one offer, no direct competitive market pricing exists and Govt. presumes "Expectation of Competition" to justify price.

Less than half of DoD dollars are considered competitive per CICA & effectively competed per DoD.

DoD not meeting its Small Business (SB) Prime & Subcontracting Goals.

How Better Buying Power Impacts DoD Competition

BBP Term: "Overall Competition" Rate
[new name for "Competition"]
 FY 10 Result -- 61.6% [13.1% + 48.5%]
BBP Goal: Increase by factor of 2% per FY
 FY11 Goal -- 62.8% [61.6% X 102%]
 FY11 Result -- 56.7%* [9.6% + 47.1%]
Overall Competition Rate Worsened in FY11

BBP Term: "Effective Competition" Rate
[Competitive with > 1 offer / Overall Competition]
 FY10 Result -- 78.6% [48.5% / (13.1% + 48.5%)]
BBP Goal: Increase by factor of 10% per FY
 FY11 Goal -- 85.9% [78.6% X 110%]
 FY11 Result -- 83.1%* [47.1% / (9.6% + 47.1%)]
Effective Competition Rate Improved in FY11

Real Competition = Effective Competition

BBP Real Competition Initiatives

- Competitive strategy @ each program MS
- Remove Obstacles to Competition
 - "Only One Offer" Policy
 - Ensure Open Systems Architecture
 - Acquire data rights needed to compete later
- Increase role of SBs in competition



#4. Improve Tradecraft in Services Acquisition

- ✓ **Assign Senior Manager for Acquisition of Services**
- ✓ **Adopt Uniform Services Market Segmentation (Taxonomy)**
- ✓ **Address Causes of Poor Tradecraft**
 - **Define Requirements and Prevent Creep**
 - **Conduct Market Research**
- ✓ **Increase Small Business Participation**



#5. Reduce Non-Productive Processes and Bureaucracy

- ✓ Reduce Frequency of OSD level Reviews**
- ✓ Work with Congress to Eliminate Low Value Added Statutory Requirements**
- ✓ Reduce the Volume and Cost of Congressional Reports**
- ✓ Reduce Non-value Added Requirements Imposed on Industry**
- ✓ Align DCMA and DCAA Processes to Ensure Work is Complementary**
- ✓ Increase use of Forward Pricing Rate Recommendations (FPRRs) to Reduce Administrative Costs**



DCMA/DCAA Alignment

Actions ongoing by OSD :

DCAA will no longer perform field pricing audits on cost proposals less than \$100M and fixed-type proposals less than \$10M – PGI 215.404-2, effective 17 September 2010

Increase use of Forward Pricing Rate Recommendations (FPRRs) to reduce administrative costs

- **DCMA will be the single Agency for issuing all Forward Pricing Rate Agreements and Forward Pricing Rate Recommendations – where they have the cognizant contract administration office**
- **DCAA plans to withdraw from performing Financial Capability Reviews and Audits as well as Purchasing System Audits**
- **A Contractor Business Systems Rule has been issued**
 - **Determines the responsibility regarding the contractor's Accounting, Estimating, Earned Value Management, Material Management and Accounting, Purchasing and Property systems**

**Improved DCMA and DCAA alignment and reduced overlap
“DCMA and DCAA Process Alignment” – Assad (4 Jan 11)**



Defense Acquisition Portal



← Portals

Functional Gateways

Special Topics

Better Buying Power

Home > AT&L Special Topic Gateways >

Better Buying Power (BBP) Gateway

Better Buying Power (BBP) Links

- Overview
- BBP Policies, Memos, and Guides
- Ask-A-Professor (AAP) Program
- BBP Recommended Practices
- BBP (Public Site)
- Rapid Deployment Training (RDT)
- DAP Blog Directory

Defense AT&L Magazine

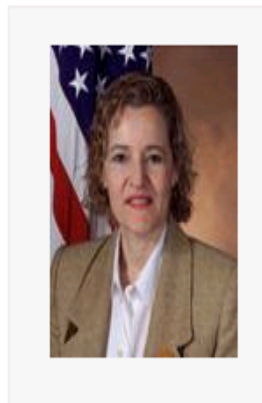


Better Buying Power News

Implementation of International Data Collection and Reporting for Major Defense Acquisition Programs (MDAP) and Major Automated Information System (MAIS) Programs

<https://dap.dau.mil> - 10/20/2011

This memorandum provides direction and procedures for collecting and reporting the international aspects of MDAP and MAIS programs for Office of the Under Secretary of Defense for Acquisition, Technology & Logistics (OUSD(AT&L)) management and oversight. This information will inform analyses and analytics to ensure the programs' international cooperative strategy is sufficient to satisfy the statutory requirement for a....



Dr. Nancy Spirill

Better Buying Power (Public Site)



1. Target Affordability
2. Incentivize Productivity
3. Promote Competition
4. Improve Tradecraft
5. Reduce Bureaucracy

Click to open the BBP (Public Site)

Better Buying Power Gateway:

<https://dap.dau.mil/bbp>

Question

Guides



Help Search

ACC Practice Center > Special Interest Areas > Better Buying Power...

View History

BECOME A MEMBER

BENEFITS OF ACC MEMBERSHIP

Sign In

Login with your CAC

Insert your CAC now, and click this button.

Login with your CAC

Login with your Password

Better Buying Power (Public Site)
Community

Main View All Contributions What's New

Welcome

Welcome to the *Better Buying Power* community. This site provides a forum for the defense acquisition workforce to collaborate on the 23 efficiency initiatives, which were outlined in Dr. Carter's memo (dated 14 Sep 10) to acquisition professionals. To browse this community, select one of the topics in the left column, or select one of the following links to view specific initiatives.

Better Buying Power Community of Practice:
<https://acc.dau.mil/bbp>



Sources of Information and Assistance

Defense Acquisition Portal: Source for latest memos, guidance and news

– **Better Buying Power Gateway:**

<https://dap.dau.mil/bbp>

– **Better Buying Power Community of Practice:**

<https://acc.dau.mil/bbp>