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## **Capture2 Market Intelligence Report: How Government Agencies are Speeding Up the Procurement Process For Prototyping and Research & Development Efforts**

A major trend in government contracting today is to reduce the time spent in the procurement stage, to leverage new technologies and commercial products to keep our defense at the forefront of technology and innovation.

Several branches of the military have established Rapid Capabilities Offices (RCOs) to help fund pioneering ideas and find solutions quickly. Increasing the speed of contracts – both in awarding the contract and completing the work – is a hot topic within the government. Understanding how this plays out in contracts and award dollars is critical to any company working in the government domain. For example, the Defense Innovation Unit (DIU) was established to provide capital to companies to help solve problems for the DoD through pilot efforts. One main component of this is the ability for companies to proactively submit solutions instead of waiting for an RFP.

This report marks the first in a series of articles that provide the need-to-know information for navigating government contracts within this context. Learn the trends, methodology, and industry discussion on how rapid contracting is evolving and where to look for rapid acquisitions contracts and actions. Some of the questions addressed in this report are:

- What are the key aspects associated with Rapid Acquisitions efforts?
- Are Other Transaction Authority (OTA) contracts still used just for non-traditional defense contractors?
- Who are the key players, and how much money is going into these procurements?
- What do I need to do to compete for these contracts?

### **Background on Rapid Acquisitions Efforts**

Rapid Acquisitions efforts cause a shift from developing large-scale, long-term contracts with very specific requirements, to smaller-scale, shorter-term contracts that research a specific portion of the solution-space. The largest impacts are seen in R&D and prototyping efforts. The goal is to implement a new technology for a single unit or to complete a single phase of research. Failure is expected; failing fast allows the agency to apply the lessons learned, adapt, and move on to the next solution quickly.

There are currently Army, Navy, Air Force and Space RCOs. The Space RCO is run through the Air Force as a distinct unit. The function of an RCO is to foster innovation and improve the speed with which critical capabilities are developed. This is done through a variety of methods including OTAs and competitive prototyping.

- OTAs are not new to government contracting, but their mandate and their use has been growing in recent years. OTAs have fewer requirements for fostering bids and competition than traditional contracts. Some OTA research contracts may be awarded the same day as a presentation is made, and often the awards occur within two to three months of the initial solicitation.
- OTAs focus mainly on R&D and prototyping, and leverage existing technologies, products, and research to move from planning to deployment quickly and efficiently. Currently there are 11 federal agencies that have authorization to use OTAs (some of the agencies are divisions within others, as noted below):
  - The National Aeronautics and Space Administration (NASA)
  - The Department of Defense (DOD)
  - The Department of Energy (DOE)
    - Advanced Research Projects Agency-Energy (ARPA-E)
  - Health and Human Services (HHS)
    - National Institutes of Health (NIH)
  - Homeland Security (DHS)
    - Domestic Nuclear Detection office (DNDO)
    - Transportation Security Administration (TSA)
  - Transportation (DOT)
    - Federal Aviation Authority (FAA)
- With competitive prototyping, the design phase is separated from the build phase, allowing more competition in the prototyping phase. Feedback from this phase, and updates to the initial request, occur between the prototyping and build process. This is more like the agile software process where there is continuous feedback throughout the design and build process. There is also an emphasis on using the knowledge and capabilities that already exist and can be repurposed or evolved to meet the program needs.
- The use of Commercial Off the Shelf (COTS) hardware and software whenever possible is also a major feature of rapid acquisitions.

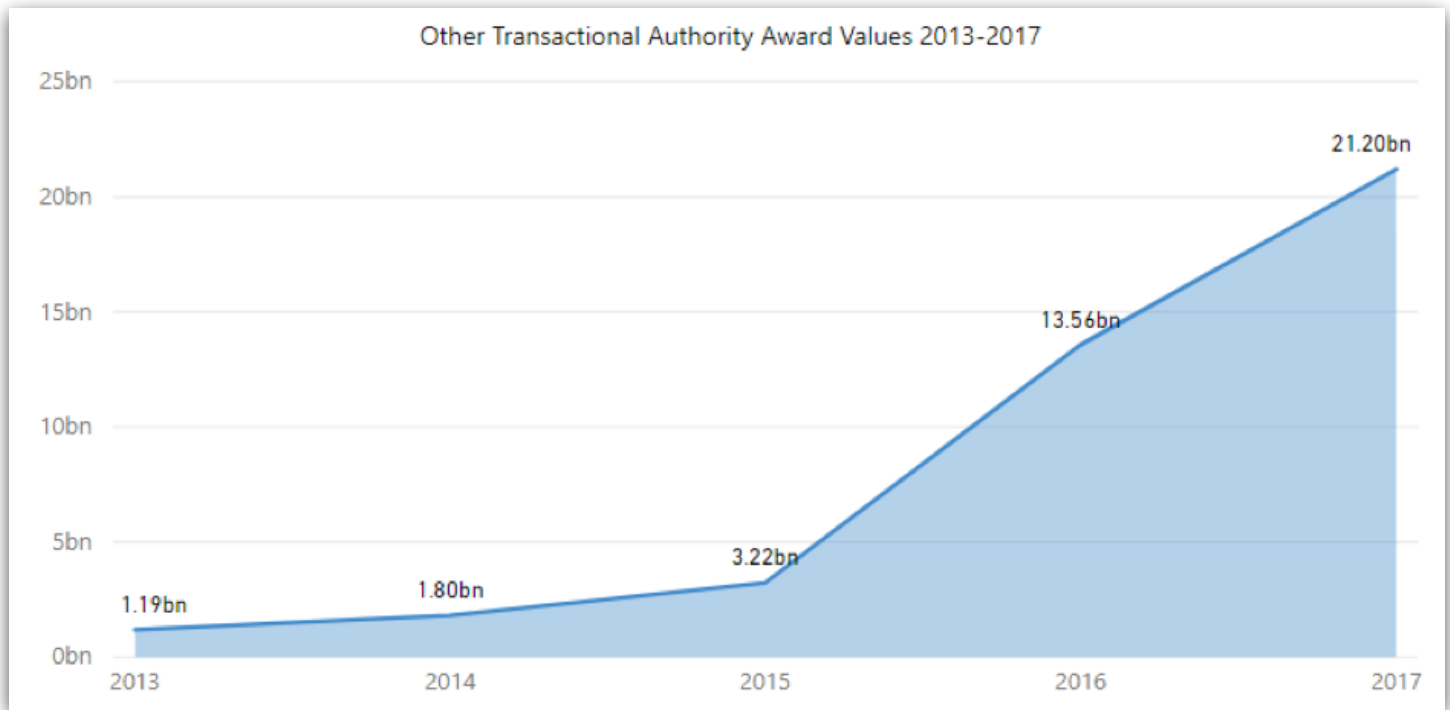
While OTAs were originally designed to be given to “nontraditional” companies, many of the companies who win large OTA contracts have both commercial and government components that have a solid work history with the government. A nontraditional contractor is defined as a contractor who has not performed work under a traditional government contract as either a prime or subcontractor for at least one year. As such, a company may move between being a traditional or nontraditional contractor, depending on the timing of their most recent government award. However, even traditional contracts may be authorized to win an OTA award. The DoD is authorized to use OTAs where one of the following conditions is met: 1. The awardee is a nontraditional defense contractor or a small business, or 2. (a) The awardee is a traditional defense contractor who is teaming with a nontraditional contractor to a significant extent, (b) a cost share agreement is in place, or (c) an exceptional circumstances justification can be applied.

FPDS reports Other Transaction (OT) data with the definition of “A transaction other than a procurement contract, grant, or cooperative agreement... [The] two major types of OT’s: OT’s for Research and OT’s for Prototype Projects.” Capture2 has analyzed the FPDS other transaction data to understand some of the trends in this data.

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[10 U.S. Code § 2371b undersection 2302\(9\)](#)

Based on FPDS reporting, the base and all options value of OT awards grew from \$1.19 billion in 2013 to \$21.20 billion in 2017, an increase of 1663% in just five years. A main contributor to this increase is the 2016 National Defense Authorization Act, which expanded the scope for these awards and allowed follow-ons.



See the table below for the companies who have more than \$100 million in OT contracted dollars in FPDS data from 2010-present. The majority of these names will be familiar defense contractors or OTA Consortia.

Vendor	FPDS Base and All Options Value
ADVANCED TECHNOLOGY INTERNATIONAL	38,141,158,802.92
CONSORTIUM MANAGEMENT GROUP, INC.	4,232,103,159.86
REAN CLOUD LLC	2,866,432,881.54
NATIONAL CENTER FOR MANUFACTURING SCIENCES, INC.	2,825,764,674.84
WORLD WIDE TECHNOLOGY, INC.	762,859,369.00
NORTHROP GRUMMAN SYSTEMS CORPORATION	719,260,801.04
DEFENSE AUTOMOTIVE TECHNOLOGIES CONSORTIUM	700,000,000.00
BOEING COMPANY, THE	447,635,496.00
LOCKHEED MARTIN CORPORATION	385,771,053.00
SOSSEC, INC.	375,250,953.98
ATK LAUNCH SYSTEMS INC.	336,014,340.00
AEROJET ROCKETDYNE OF DE, INC	211,172,093.00
CONSORTIUM FOR ENERGY, ENVIRONMENT AND DEMILITARIZATION	203,364,593.07
GLAXOSMITHKLINE LLC	170,022,531.98
DEFENSE ENERGY CENTER OF EXCELLENCE	130,246,844.19
CONSORTIUM FOR COMMAND, CONTROL, COMMUNICATIONS AND COMPUTER TECHNOLOGIES	130,000,000.00
UNITED LAUNCH SERVICES, LLC	128,629,267.00
<b>Total</b>	<b>52,765,686,861.42</b>

\*Note that REAN Cloud LLC initially received a follow-on production contract for an existing OTA. The follow-on was protested, and the value of the OTA was reduced from \$950 million to \$65 million. The value of their OT contracts is thus likely to drop as FPDS updates the award. This is also an example of how OTAs still face regulations despite operating outside the parameters of traditional government contracts.

On the opposite end of the spectrum, just ten of the 238 companies with OT contracts reported in FPDS from 2010-present had positive award amounts totaling less than \$100,000. The average value for these contracts was \$53,488. The companies are Yubico, Gamesim, Applied Research Associates, Bugeye Technologies, Calytrix Technologies, Dignitas Technologies, Tenosar Corporation, Uninsured United Parachute Technologies, Career Technical Education Foundation, and PCMG.

The average OTA total award amount by contractor/consortium during this period is \$236,927,572. For Consortium-level FPDS data, the average OT contract per consortia is \$4,256,949,430. The average when Consortia are removed is \$34,082,432. Reporting by consortium and not the individual companies within the Consortium has a huge effect on the value per “winner.”

### **What is the Role of a Consortium?**

OTA Consortia are like the Contract Vehicles of the OTA world. They are formed around specific areas of focus, and opportunities bid to the OTA may not ever be advertised outside that OTA. However, companies pay to join instead of bidding for place in them. The rules for joining a Consortium do not always prohibit established defense contractors from joining; SPAWAR established the Information Warfare Research Project (IWRP) OTA with a consortium through Advanced Technology International (ATI). In [their description of eligible companies](#), they include “Companies that are part of the US Defense Industrial base as well as new and emerging non-traditional defense contractors are encouraged to join IWRP and participate in Federally-funded R&D projects.”

### **Conclusion**

Agile processes are finding their way into more and more requirements and proposal efforts. Capture2’s recent report on [Flashy Eagle](#) discussed some of the ways this shift to rapid acquisitions is affecting traditional contracts and procurement efforts to make them more agile. TSA has just announced another IT contract vehicle in the same vein called Flexible Agile Scalable Teams (FAST). With the development of RCOs, and the expanded use of OTAs, the Department of Defense is making major efforts to move toward faster solutions, particularly in the areas of prototyping and research and development. Aligning with these changes is critical to maintaining work in these areas. While some OTA contracts are still visible in Fed Biz Opps, joining consortia that align with your business capabilities is the most efficient way to ensure that you will have the opportunity to go after OTA business.

In this article, we have given an overview of some of the distinct trends within the DOD. As this series continues, Capture2 will provide case studies from some of the rapid acquisitions efforts that are currently occurring in the DOD to give specific examples of how this plays out. We will also provide some more in-depth fact sheets on the RCOs and OTA consortia to help you identify where to focus your attention in this new and evolving landscape.

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[See GAO Overturns OTA Award to REAN Cloud, among other sources, to learn more about the protest and the final ruling.](#)