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DOD RAPID ACQUISITION TRENDS IN 2019

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The Department of Defense (DoD) has a great incentive to use new rapid acquisitions methods. After years of technical dominance over the rest of the world, the US has found that our competitive edge is eroding. Technological advances within the military have not kept pace with the advances in the free market. In the second installation of Capture2's series on rapid acquisitions, we will explore the ways in which the drive toward rapid acquisitions and the changes in the rules for Other Transaction Authority (OTA) contracts have impacted military defense contracts.

The U.S. Air Force (USAF) has been at the forefront in using procurement tools that allow for rapid acquisition and prototyping. In turn, USAF can expedite the process for research and development using new technologies and capabilities. The USAF acquisitions team has been very vocal about their goals, with a publicly stated plan to shave 100 years from their acquisitions proposal and build process. They have approached this goal on multiple fronts, and with some humor – a Boston-based USAF lab is named Kessel Run in reference to Han Solo's record-breaking speed as a smuggler in the Star Wars franchise. While the name may be humorous, the mission is serious, and plays out in this lab and on many other fronts in the DoD.[1]

This article delves into case studies from DoD's efforts to embrace the move to rapid acquisitions. Specifically:

- The Navy's Command and Control Systems Program Office (PMW 150) used its first OTA contracts this fall in a test of non-traditional contracting.
- Competitive prototyping was used for the GPS 3 follow-on contract, GPS 3F, to determine if there was a way to speed development, reduce costs, and guarantee a smoother delivery schedule on a traditional contract.
- A new initiative called BlueSHIFT aims to hear pitches and award contracts immediately in a new approach that proactively solicits new technology products and services from startups and small companies who might not otherwise engage in government contracting work.

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[1] See Air Force wants acquisition to take weeks, not years for more information on this and some other AF rapid acquisitions efforts in software.

The Navy's New OTAs

PMW 150's Global Theater Security Cooperation Management Information Systems (G-TSCMIS) program approached their first OTA with multiple goals, including:

- Get non-traditional partners on board
- Increase innovation
- Speed up the typical procurement and development timeline.
- Find commercially-available software and Software-as-a-Service (SaaS) solutions

The last goal here is one with greater implications than one might initially think. The Government has often requested custom-designed products and software that meet their exact specifications. They are increasing their efforts to to see if there is a commercially-available solution that can fulfill their needs. This will lead to significant time and money savings. More importantly, using a Commercial Off-The-Shelf (COTS) or modified COTS solution instead of a custom designed implementation helps get capabilities out when they're needed.

The initial G-TSCMIS OTA contract this fall was for a cloud-based database design that would effectively organize and allow access to Security Cooperation (SC) data. The effort involved a solution to review and evaluate current SC programs and activities as a part of this goal. The request for information released through FBO specifically requested respondents to leverage existing technologies in their response. It was awarded to Modus21 for $1.2M for a one-year contract. The award was made through the System of Systems Consortium (SOSSEC) and administered through the Air Force Research Laboratory (AFRL).

About SOSSEC

The System of Systems Consortium (SOSSEC) was first registered in SAMS in 2008. The total value of all spending reported in FPDS under SOSSEC through August 2018 is $375,250,954. The primary NAICS for this is consortium is 541715, Research and Development in the Physical, Engineering, and Life Sciences (Except Nanotechnology and Biotechnology).

About TReX

The Training and Readiness Accelerator (TReX) was first registered in SAMS in 2014. The total value of all spending reported in FPDS under TReX through August 2018 is $31,891,239. The primary NAICS for this is consortium is 813910, Business Associations.

Based on the success of this venture, CAPT Allan Walters of the PMW 150 stated that they are exploring additional OTAs. A second G-TSCMIS opportunity has already been competed as an OTA. (2)

The Naval Operational Business Logistics Enterprise (NOBLE) is another recent OTA of note. This contract was issued as a "Request for Solutions" for a prototype system for the Naval Operational Supply System (NOSS), with enterprise and field level capability. These capabilities ensure effective and efficient supply and maintenance operations both ashore and afloat that are Cyber Secure and auditable. NOBLE was

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(2) See Innovative Navy Contract Delivers Defense Department-wide Benefits Faster for additional information on this effort.

submitted under the Training and Readiness Accelerator (TReX) and requested demonstrable system(s) as part of the bidding process. The initial synopsis for this opportunity was released on July 16, 2018, and the first awards were made on October 5th --just two and a half months later. Three awards were made under NOBLE, going to Raytheon Intelligence, Information & Services and Palantir on October 5th, and to One Network Enterprise on November 29th.

As OTAs become more commonly used, contractors must take note. While a main benefit of OTAs is that they involve new companies in the Government marketplace, the contracts are increasingly open to competition from traditional contractors as well. The takeaways from these OTA projects are applicable to future capabilities coming out in traditional contracts as well. Still, the biggest takeaway is that more agencies are using OTAs, and that once they've had a good experience with an OTA, they are more likely to use them again.

The format for most OTA awards starts with a short white paper submission. This may be solicited through FBO, or it may be issued directly to a consortium. If your white paper is accepted, a demonstration will follow, then an award for a specific portion of the design or build. This cycle exemplifies the types of transactions required for rapid acquisitions methodologies to succeed.

Competitive Prototyping in the GPS 3 Follow-On

A prime example of how the USAF is adapting to utilize rapid capabilities techniques in real-world development can be seen in the award of the GPS 3 follow-on contract GPS 3F. GPS 3F is a two-phase contract issued by the USAF to award a contract for up to 22 GPS 3 production space vehicles. Phase 1 of the contract involved competitive prototyping, while Phase 2 awarded the winner with the contract to produce the vehicles.

Could the Air Force improve the deliverable and save time and money by introducing competition for the prototyping phase before awarding the follow-on contract?

While this is not an example of an OTA, the rapid acquisitions methodology was used for both the initial prototyping contract and the follow-on that was recently awarded to Lockheed Martin for up to $7.2B. Lockheed Martin was originally awarded a

GPS 3 Timeline

- The Initial GPS 3 contract for 10 space vehicles was awarded on May 15, 2008 for $3,071,350,192. Capture2's analytics indicate that with mods it is currently worth $3,825,931,225.

- The first space vehicles were expected to be delivered in 2014, but the program was over two years behind schedule at that point.

- The first launch is anticipated in December 2018.

- Phase 1 of GPS 3F for Protype designs was awarded to Boeing, Lockheed Martin, and Northrop Grumman on May 13, 2016.

- Phase 2 of GPS 3F for Production was awarded on Sep. 14, 2018 to Lockheed Martin for $7,200,000,000. No other companies bid on the contract.

contract for the first 10 GPS 3 space vehicles in 2008. This contract was plagued by scope creep, and cost and schedule overruns.(3) In an effort to curb these overruns in the contract for additional vehicles, GPS 3F's two-phase approach became a key strategic test of the goal to implement shorter bid and construction periods and lower procurement costs. In Phase 1 of GPS 3F, Lockheed Martin, Northrop Grumman, and Boeing were each awarded GPS 3 system readiness feasibility study contracts in 2016. Boeing and Northrop Grumman both opted against bidding on Phase 2 and the development portion of the current effort.(4) While participation in Phase 1 was not a requirement to bid on Phase 2, winning without previous participation was highly unlikely. The USAF removed a layer of reviews from the traditional proposal evaluation process and sped up the source selection process. Dr. Will Roper, Assistant Secretary of the Air Force for Acquisition, Technology and Logistics (AT&L), has spoken about the benefits of the process used for these awards. While the award was a single award contract to Lockheed Martin, competition was employed for system components and prototyping. Roper said, "When you can't compete the whole system, you should try to compete as many of the components [as possible]. We're also keeping the industry base sharp, so we need to use competitive prototyping, folks. You're going to see it a lot."

The takeaway is that the process is enhanced by creating separate contracts, separating the prototyping from the building, improving the design, and getting more players involved. Roper added that this is a great way to ensure that there is more than one vendor with the capability to build the final product in the future.

With the award to Lockheed Martin, competitive prototyping may seem like a "rich get richer" setup where the traditional defense giants win the final awards and the large contract dollars.(5) But with a goal to increase speed and efficiency using the best current technologies, there is room for growth. Smaller or newer companies can prove their abilities and innovation during the competitive prototyping portion of the awards. By issuing the Phase 1 Competitive Prototyping contract, the Air Force demonstrated they were looking for companies who could prove their concept before making the final purchase agreement. Going with the incumbent from the initial GPS 3 contract was not a foregone conclusion; however, the short turnaround on both bids and awards favored them. The use of stricter time accounting and firm fixed pricing contracts will benefit the USAF and help prevent further cost and schedule overruns. Moreover, it gives greater incentive to Lockheed Martin to build efficiently. Time will tell how successful the USAF and the entire DoD will be in their efforts to revamp and revitalize Government contracting using rapid acquisitions strategies.

BlueSHIFT Set to Redefine "Rapid"

If OTAs are the hot new trend in the DoD, and the Air Force is promoting their competitive prototyping methodology in traditional defense contracts, what will be the next move?

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(3) The Selected Acquisition Report (SAR) is one report where cost and time overruns are reported.

(4) See Air Force to award $7.2 billion contract to Lockheed Martin for 22 GPS satellites for more detailed information on the GPS III program.

(5) For an interesting perspective on why the incumbent is the most cost-effective option, see GPS IIIF: The Air Force Decides to Stick With Lockheed

While the Defense Innovation Unit has been the gold standard for soliciting innovative solutions and turning out speedy awards, BlueSHIFT may soon take over that role. BlueSHIFT is a revolutionary new method of contracting designed to attract startups and other small businesses. In an Air Force Memorandum dated 13 Nov. 2018, Dr. Roper introduced the initiative to acquisition personnel. He stated "Many mind-blowing ideas are being birthday in U.S. startup companies, but the Pentagon largely misses out on them… The Air Force must do business at the speed of ideas: inspiring and accelerating startup creativity toward national security challenges."

Similar to the television show Shark Tank, entrepreneurs submit a five-page paper on their innovations and solutions to the USAF, then give a 15-minute pitch at the event while a panel listens and judges their applicability. Companies with winning solutions leave with cash that same day.[6]

One main goal of BlueSHIFT is to attract new companies to Government work, especially those who are too new or too small to have demonstrated past performance. The USAF realizes that these companies either cannot compete in traditional Government acquisition methods, or cannot afford to wait months to be paid. BlueSHIFT is not an event for traditional government contractors; however, it is a venue to watch. Look to BlueSHIFT to find new, innovative teaming partners who are looking for an "in" to the world of government contracting.

The first BlueSHIFT event is planned for March 6-7, 2019 in New York, with a funding goal of $40M. Problems that the host organization(s) would like solved are expected to be posted on LinkedIn. Papers should be submitted before the event and will be used to determine which companies receive invitations to pitch their products and services. Expect a response within two weeks letting you know if you're in or you're out. Companies that are in will get 10-15 minutes at the event for a pitch or a demo. Money will be paid for winning ideas that same day.

Creating Your Roadmap Through the Rapid Acquisitions Landscape

The trend to faster, more agile contracts is gaining traction in the DoD, so do not expect it to end soon. The Marine Corps Forces Cyberspace Command (MARFORCYBER) recently announced its first OTA as well.[7] The case studies highlighted above are just a few examples of this trend, and how it is playing out in the DoD contract space today. Keeping informed and prepared to work in this evolving marketspace is crucial. Susan Thornton of the office of the Air Force Assistant Secretary for AT&L nicely stated the goals at an Armed Forces Communications and Electronics Association (AFCEA) conference: "It's speed with rigor, and structuring our efforts to fail small, fail fast. Cultural change is difficult, and it's probably the single hardest thing we'll do, but the times and the conditions are right." These goals affect the way contracts are being released, and how they expect the work to be done – smaller initial efforts, continuous feedback loops, and knowing when to stop or adapt are all part of the process. Now it is up to contractors to see the shift and adapt to new business practices and the new culture of acquisitions as well.

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(6) Payments made via government debit cards. See With BlueSHIFT, Air Force Aims to Speed Acquisition, Allow Startups into Procurement

(7) See The Marine Corps Forces Cyberspace Command's executive director said the command expects to sign its first OT contract in the coming days.

- **Think about ways to make your processes more agile**

There are many ways companies interpret the rules for agile development processes; it is likely you don't need to include all of them. Demonstrate your agile know-how by understanding the feedback loop. The ability to listen, interpret, and adapt, is a crucial part of the agile business cycle. Recognize that future proposals are more likely to be broken into steps, where each proposal covers a portion of the research, prototype, and implementation process. Going forward, a single long-term contract is unlikely for most R&D contracts.[8] Be comfortable with an agile process. This will be critical to winning bids and forming relationships with agency partners.

- **Know what commercial products exist in your domain of expertise**

Speed up the process and decrease costs by showing that there are existing products that can be used or modified to fulfill a Government need. Supply the product, the customization, and the training needed. Suggest a custom solution only when there is no other means available to meet the agency's needs.

- **Research Consortia, and think carefully about which to join**

While a consortium may be associated with a specific Defense agency, the examples from the Navy demonstrate that the use of a consortium may span agencies. Look for the consortia that fit your skill sets, not your current customer base. Review the entrance requirements carefully. There are fees to join most Consortia; spend your money wisely in the places you expect to see the greatest return. Many consortia are run by Consortium Management Firms. These firms may manage multiple consortia, and offer members benefits in more than one consortium under their umbrella. Do your due diligence to ensure you're getting the most value by carefully reviewing all of the benefits associated with the membership.

There are six major consortium management firms for whom data is reported in FPDS at the management firm level, and not by the awarded contractor nor the individual consortium:
- Advanced Technology International (ATI),
- National Center for Manufacturing Sciences,
- National Security Technology Accelerator (NSTXL),
- Consortium Management Group (CMG), SAE International, and
- SOSSEC Inc.

Each of these groups manages between 1-18 unique consortia.

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[8] The product could be a physical product, a service, or a solution set in practice

To see the impact of OTAs and the value of consortium membership, review the trends in FPDS spending records for the 6 management firms identified above. Contracting dollars flowing to consortia show a fairly steady increase, with significant growth over the last three years.

FPDS Payment Records For 6 Major Consortium Management Firms
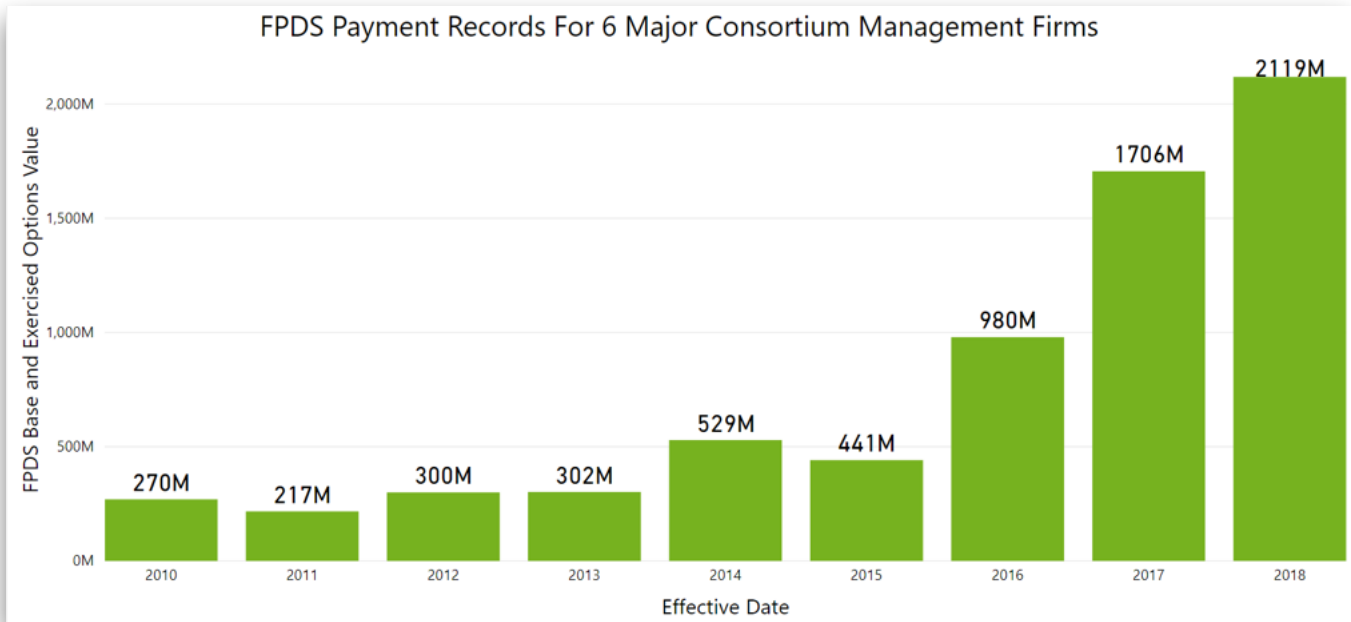
Capture2 has also identified three major consortia that are run by DoD agencies, and report their awards by the contractor and not the management firm. Capture2 has compiled a list of all of the major consortia with their management groups and descriptions. Access this from our website, where it will be updated with any new consortia.

Whether you compete on the OTAs or not, joining an appropriate consortium, forging relationships with the members and tracking trends in R&D and prototyping efforts will help you understand the longer-term trends in government contracting to positively affect your future pipeline.

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