

IDENTIFICATION NO.

Subject:

PERSON TO BE CONTACTED ON ATTACHED


FY 2015 Contract Bundling Report and Letters to Congress

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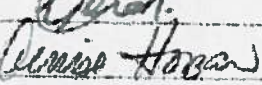
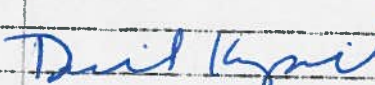
The enclosed report constitutes the U.S. Small Business Administration's Fiscal Year 2015 Contract Bundling Report to Congress as required by § 15(p)(4), 15 U.S.C. § 644(p)(4) of the Small Business Act. The enclosed FY 2015 Contract Bundling Report to Congress and letters to the House and Senate must be cleared for the Administrator's signature prior to submission to Congress.

RELEASED FOR CLEARANCE AND DISTRIBUTION

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TITLE	SIGNATURE	DATE	DEADLINE DATE FOR CLEARANCE
AA/GCBD	 A. John Shoraka	4/20/16	

CONCURRENCE IS ASSUMED IF NOT RETURNED BY THE DEADLINE DATE

OFFICE/OFFICIAL	SIGNATURE	DATE	CONCUR		NON-CONCUR	COMMENT ADOPTED
			No Comment	Comment		
AD/OPR/MMcLaughlin	 Michael J. McLaughlin	4/13/2016	X			
D/OPPL/KDodds		4/14/16		✓		
D/GC/SCrean		4/14/16		✓		
AA/JRobinson-Burnette	 JRB	4/14/16		✓		
D/HUBZone/MPardo		4/14/16		✓		
Operations/Creppent		4/20/16		✓		
OGC						
OCLA		4/28/16	X			

APPROVED (TITLE)

ROOM NO.

The Honorable David Vitter
Chair
Committee on Small Business and Entrepreneurship
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

Enclosed with this letter please find the U.S. Small Business Administration's (SBA) Report to Congress on Contract Bundling for Fiscal Year 2015. The report is prepared pursuant to Section 15 of the Small Business Act, (15 U.S.C. 644(p)(4)).

Thank you for your continued support of SBA's government contracting programs and small businesses nationwide.

Sincerely,

Ali J. Shoraka
Associate Administrator
Office of Government Contracting
and Business Development

Enclosure

The Honorable Jeanne Shaheen
Ranking Member
Committee on Small Business and Entrepreneurship
United States Senate
Washington, DC 20510

Dear Senator Shaheen:

Enclosed with this letter please find the U.S. Small Business Administration's (SBA) Report to Congress on Contract Bundling for Fiscal Year 2015. The report is prepared pursuant to Section 15 of the Small Business Act, (15 U.S.C. 644(p)(4)).

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Ali J. Shoraka
Associate Administrator
Office of Government Contracting
and Business Development

Enclosure

The Honorable Steve Chabot
Chairman
Committee on Small Business
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

Enclosed with this letter please find the U.S. Small Business Administration's (SBA) Report to Congress on Contract Bundling for Fiscal Year 2015. The report is prepared pursuant to Section 15 of the Small Business Act, (15 U.S.C. 644(p)(4)).

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Sincerely,

Ali J. Shoraka
Associate Administrator
Office of Government Contracting
and Business Development

Enclosure

The Honorable Nydia Velazquez
Ranking Member
Committee on Small Business
U.S. House of Representative
Washington, DC 20515

Dear Representative Velazquez:

Enclosed with this letter please find the U.S. Small Business Administration's (SBA) Report to Congress on Contract Bundling for Fiscal Year 2015. The report is prepared pursuant to Section 15 of the Small Business Act, (15 U.S.C. 644(p)(4)).

Thank you for your continued support of SBA's government contracting programs and small businesses nationwide.

Sincerely,

Ali J. Shoraka
Associate Administrator
Office of Government Contracting
and Business Development

Enclosure

Department of Defense
FY 2015 Contract Bundling Report for the
Small Business Administration



Office of Small Business Programs

Office of the Under Secretary of Defense for
Acquisition, Technology, and Logistics

December 14, 2015

**Department of Defense
FY 2015 Contract Bundling Report for the Small Business Administration**

In support of the requirement from Section 15(p)(4) of the Small Business Act for the Small Business Administration (SBA) to prepare an Annual Report on Contract Bundling, the Department of Defense (DoD) Office of Small Business Programs (OSBP) submits this report to the SBA to discuss the extent of the Department’s contract bundling for FY 2015.

Based on an extensive review of the validated data from the *Bundled and Consolidated Contracts Report* in the Federal Procurement Data System-Next Generation (FPDS-NG), as well as communication with all DoD components¹, the Department reports only six bundled contracts* for FY 2015. These contracts include:

- one major Air Force effort for the Launch and Test Range System (LTRS) Integrated Support Contract (LISC), and
- five Washington Headquarters Services (WHS) contracts for Analytic and Technical Support Services, issued under a single solicitation, with an aggregate value of \$300M. This solicitation also included a small business reserve for specific requirements.

As requested, the information below provides details regarding these contracts and any associated justifications and impacts.

1. Data on the number, arranged by industrial classification, of small business concerns displaced as prime contractors as a result of the award of bundled contracts by the DoD

NAICS	Number of SB Contractors
517110	1
541710	1
541712	2

2. Description of the activities with respect to previously bundled contracts of the DoD during the preceding year

(I) Data on the number and total dollar amount of all contract requirements that were bundled*

PIID	Contracting Agency	Total Bundled Dollars
FA880615C0001	DEPT OF THE AIR FORCE (5700)	\$953,624,618.00
HQ003415D0018	WASHINGTON HEADQUARTERS SERVICES (WHS) (97F5)	\$300,000,000.00
HQ003415D0016	WASHINGTON HEADQUARTERS SERVICES (WHS) (97F5)	
HQ003415D0017	WASHINGTON HEADQUARTERS SERVICES (WHS) (97F5)	
HQ003415D0015	WASHINGTON HEADQUARTERS SERVICES (WHS) (97F5)	
HQ003415D0014	WASHINGTON HEADQUARTERS SERVICES (WHS) (97F5)	

**One additional contract appears on the standard FPDS-NG Bundled and Consolidated report for DoD, W912D115D0001. However, this is likely a coding error in FPDS-NG and steps are being taken to get that record corrected.*

¹ DoD OSBP contacted small business directors of the following components to confirm that they did not have any other bundled contracts in FY 2014: U.S. Department of the Army, U.S. Department of the Navy, U.S. Department of the Air Force, Defense Advanced Research Projects Agency, Defense Contract Management Agency, Defense Commissary Agency, Defense Finance & Accounting Service, Defense Health Agency, Defense Human Resource Activity, Defense Intelligence Agency, Defense Information Systems Agency, Defense Logistics Agency, Defense Media Activity, Defense Microelectronics Activity, DoD Education Activity, Defense Security Cooperation Agency, Defense Security Service, Defense Threat Reduction Agency, Joint Improvised Explosive Device Defeat Organization, Missile Defense Agency, National Geospatial Agency, National Security Agency, U.S. Special Operations Command, U.S. Transportation Command, Uniformed Services University of the Health Sciences, and Washington Headquarters Services

Department of Defense
FY 2015 Contract Bundling Report for the Small Business Administration

In addition, DoD awarded the following bundled contract in FY 2014:

PIID	Contracting Agency	Total Bundled Dollars
W912BV14C0030 (FY 2014)	DEPT OF THE ARMY (2100)	\$82,959,557.00

Details regarding the above DoD bundled contracts are described in the following attachments:

Attachment 1: Department of the Air Force - FA880615C0001

Attachment 2: Washington Headquarters Services - HQ003415D0014, HQ003415D0015, HQ003415D0016, HQ003415D0017, HQ003415D0018

Attachment 3: Department of the Army – update to W912BV14C0030 (FY 2014)

Summary

The DoD recognizes the importance of minimizing contract bundling to avoid adverse impacts to small businesses in the defense industrial base. The single digit bundling actions conducted by DoD, particularly in light of the high volume of DoD contracts, reflects a deep concern for a healthy small business industrial base. Preliminary data for FY 2015 shows that DoD awarded \$52.4B with small business prime contracts, which represents 24.6% of all DoD procurement and exceeded the SBA-assigned goal of 21.6%. DoD and its components are achieving small business goals, while bundling only when necessary and appropriate. DoD implements bundling when it is the last and best course of action in the interest of the Department and the Federal government, based on analysis and projected cost savings.

The involvement of Small Business Professionals throughout the acquisition process, including training contracting personnel and participating in acquisition strategy reviews, was critical to minimizing the bundling of contracts. As an example, in FY 2015, the Missile Defense Agency took previously bundled multiple award IDIQ professional services contracts under the MiDAESS program and unbundled them, soliciting them as the requirements on 31 separate "C" type single award contracts. Based on market research, this resulted in 21 small business set-asides (including 3 SDVOSB) of the 31 contracts solicited.

DoD remains committed to providing maximum practical opportunities for small business participation in Department acquisitions. DoD Contracting Officers will continue to ensure that if they bundle contracts, they will provide appropriate justification after considering ways to mitigate the loss of opportunities for small businesses in the development of acquisition strategies.

**Department of Defense
FY 2015 Contract Bundling Report for the Small Business Administration**

Attachment 1

Department of the Air Force - FA880615C0001

(aa) the justification for the bundling of the contract requirements

The Government expects to achieve the following benefits from the Launch Test Range System (LTRS) Integrated Support Contract (LISC) operations, maintenance, and sustainment services (OM&S) contract structure: (1) a single contractor accountable for Range operational availability; (2) improved individual Range responsiveness resulting from streamlined processes on each Range; (3) improved enterprise responsiveness resulting from streamlined processes between Ranges; and (4) cost savings resulting from more efficient processes and manpower utilization.

An additional benefit to the Government stemming from the LISC acquisition strategy is the increased utilization of small businesses on the LTRS. As a result of the shift away from the legacy contract structure, the anticipated small business participation across the LTRS is expected to increase from a historical best of approximately 34% in 2008 to approximately 50% of expected average annual LTRS expenditures when combining small business prime and subcontracted effort. In addition to the Small Business Set-Aside contract for LTRS operations support services (LISC OS) (see section (dd) below), the Government has currently set aside the Eastern Range modernization effort (MEN), valued at \$14M annually or 4.9% of the expected average annual LTRS expenditures, for exclusive award to a small business concern. The companion Western Range modernization effort (WMN), estimated at \$44M or 15.3%, is intended to follow suit and be awarded as a total small business set-aside. Additionally, a contract for LTRS Information Assurance Certification and Accreditation (valued at \$8M or 2.8%) is in the early planning stage and is also intended to be a total small business set-aside. Other modernization efforts, such as a Range command destruct update, are also in work, planned for exclusive award to small business where appropriate, and account for another \$8M (2.8%). Together with *LISC OS (\$25M or 8.6%) and a 23% small business subcontracting requirement on LISC OM&S (\$43.5M or 15.1%), these result in an expected 49.5% of the \$288.1M expected average annual LTRS expenditures flowing to the small business community. Furthermore, the quantity of small business opportunities to be utilized as prime contractors for Range effort is expected to increase due to the breaking out of LISC OS and the modernization projects referenced above. Thus, the overall strategy assists in preserving the industrial base by leveraging multiple contract vehicles to meet the LTRS requirements. More dollars are expected to flow to small business concerns and more small business concerns are expected to participate in meaningful capacities on the LTRS.

(bb) the cost savings realized by bundling the contract requirements over the life of the contract

The Government expects to derive measurably substantial benefits – in the form of cost savings – of greater than 5% of the estimated contract value, as compared to contracting to meet the requirements without bundling. The Contract Bundling Analysis, prepared by A.T. Kearney Public Sector and Defense Services, LLC, estimated bundling would produce 8.1– 9.3 percent (\$19.6M – \$22.4M) in incremental contract bundling savings annually or, extrapolated to \$196M - \$224M over the 10-year projected life of the contract.

**Department of Defense
FY 2015 Contract Bundling Report for the Small Business Administration**

(cc) the extent to which maintaining the bundled status of the contract requirements is projected to result in continued cost savings

Beyond incremental savings from contract bundling, additional savings are expected as a result of re-competing existing contracts. These additional savings are not dependent on contract bundling, but result from efficiencies, compelled by competition, that could be realized by individual contractors in three separate contracts. Total annual LISC cost savings as a result of both bundling and re-competing the existing LTRS contracts is estimated to be 17.7-19.3 percent or \$48.0-\$52.3M.

(dd) the extent to which the bundling of contract requirements complied with the contracting agency's small business subcontracting plan, including the total dollar value awarded to small business concerns as subcontractors and the total dollar value previously awarded to small business concerns as prime contractors

Through a collaborative effort that included subject matter experts and industry (both large business and small), Space and Missile Command set aside for exclusive award to small business concerns roughly \$25M annually (12% of the total expected LISC annual expenditures and 8.6% of total LTRS annual expenditures) of downrange base operating support, weather surveillance operations, and administrative communications requirements (LISC OS*). Additional efforts originally included in the LISC scope (e.g., modernization projects and upgrades) were set-aside for exclusive award to small business.

(ee) the impact of the bundling of contract requirements on small business concerns unable to compete as prime contractors for the consolidated requirements and on the industries of such small business concerns, including a description of any changes to the proportion of any such industry that is composed of small business concerns.

The expected dollar value, volume of expected employee headcount, and breadth of tasks included creates significant impediments to participation by small business concerns as prime contractors. LISC involves a wide array of operations, maintenance, and sustainment tasks. Historically, small business concerns have generally focused on niche areas of expertise and were not found to possess the breadth of experience and knowledge required to perform the full scope of the LISC OM&S effort. Additionally, the volume of effort contemplated under LISC necessitates revenue and employee-headcount thresholds that exceed the North American Industry Classification System (NAICS) standards for the types of work comprising this requirement.

The impact on the specific small business concerns impacted cannot be determined yet, but DoD will continue to monitor this in future years. However, in FY 2015 alone, DoD awarded over \$492M to small businesses in NAICS code 517110.

NAICS	DoD FY15 SB awarded	DoD FY15 SB Eligible	NAICS SB Performance FY15
517110	\$492,171,048.91	\$2,301,241,690.46	21.39%

**Department of Defense
FY 2015 Contract Bundling Report for the Small Business Administration**

Attachment 2

**Washington Headquarters Services - HQ003415D0014, HQ003415D0015, HQ003415D0016,
HQ003415D0017, HQ003415D0018**

(aa) the justification for the bundling of the contract requirements

The justification for bundling was based on substantial benefits anticipated from consolidation and bundling that include labor cost savings, reduction in acquisition lead times and government personnel cost savings.

(bb) the cost savings realized by bundling the contract requirements over the life of the contract

The cost savings expected to be realized over the five year period of performance is \$31.2M and is based on a total contract amount of \$300M if all options are exercised. This projected savings of more than 10% of the total contract value exceeds the 5% requirement necessary to justify bundling.

(cc) the extent to which maintaining the bundled status of the contract requirements is projected to result in continued cost savings

The cost savings expected to be realized over the five year period of performance is \$31.2M and is based on a total contract amount of \$300M if all options are exercised.

(dd) the extent to which the bundling of contract requirements complied with the contracting agency's small business subcontracting plan, including the total dollar value awarded to small business concerns as subcontractors and the total dollar value previously awarded to small business concerns as prime contractors.

WHS took steps to mitigate the impact on small business as a result of the consolidation and bundling of the Analytical & Technical Support Services Requirement. WHS reserved a portion of the work under the bundled requirement specifically for small business. In addition to the five bundled contracts listed above, WHS awarded the following three IDIQ contracts with a ceiling amount of \$300M to small business:

HQ0034-15-D-0011, American Technology Solutions International (ATSI)

HQ0034-15-D-0012, Artlin Consulting, LLC

HQ0034-15-D-0013, Interactive Process Technology, LLC (IPT Associates)

In addition to the small business reserve, WHS included small business participation and subcontracting as a significant evaluation criteria in the source selection and determination of contract awards.

(ee) the impact of the bundling of contract requirements on small business concerns unable to compete as prime contractors for the consolidated requirements and on the industries of such small business concerns, including a description of any changes to the proportion of any such industry that is composed of small business concerns.

Department of Defense
FY 2015 Contract Bundling Report for the Small Business Administration

The impact on the specific small business concerns impacted cannot be determined yet, but DoD will continue to monitor this in future years. However, in FY 2015 alone, DoD awarded over \$4.6B and \$74M in NAICS codes 541712 and 541710 respectively.

NAICS	DoD FY15 SB awarded	DoD FY15 SB Eligible	NAICS SB Performance FY15
541712	\$4,676,636,873.09	\$17,351,959,896.25	26.95%
541710	\$74,326,102.39	\$2,551,692,997.97	2.91%

**Department of Defense
FY 2015 Contract Bundling Report for the Small Business Administration**

Attachment 3

Department of the Army – update to W912BV14C0030 (FY 2014)

(aa) the justification for the bundling of the contract requirements

Justification for bundling is that measurable substantial benefits, including cost and time savings, and reduced Government environmental liabilities are realized by the Government as a result of bundling the acquisition. The benefits significantly exceed 5% of the estimated contract value of \$150M to 180M, and the 9.4M noted under FAR 7.107(b)(2).

(bb) the cost savings realized by bundling the contract requirements over the life of the contract

The Government expects to realize measurable substantial benefits by bundling these requirements under a single Performance Based Remediation (PBR) contract. The benefits will include accelerated Site Closeouts, reduced Life Cycle Costs, reduced acquisition costs, and overall better management of the project with the benefit of reduced environmental liability. Cost/time savings: Based on an analysis of the FY 2011 and FY 2012 previous PBR contract awards, the Government expects to realize measurable substantial cost savings of approximately 17% or \$30M over a 10 year period, and overall reduce the Life Cycle Costs by \$50M-\$60M, which significantly exceeds the \$9.4M threshold required by FAR 7.107(b)(2).

(cc) the extent to which maintaining the bundled status of the contract requirements is projected to result in continued cost savings

By combining this work effort at Joint Base Lewis McGuire Dix (JBMDL) under a single contract, the Contractor will be able to realize efficiencies by managing program and project management costs across multiple sites. Efficiencies can also be realized for the sites utilizing solutions based on scientific data that are accepted by the Regulators and applied to for similar sites. The Contractor will also be engaged with the Regulators for all environmental restoration sites at JBMDL which will ensure regulatory requirements are consistent for all sites. Consolidation allows the Contractor to manage aging project risk between high-risk and low-risk sites, providing incentives for earlier completion, which results in measurable sustainable cost and quality savings to the Government.

(dd) the extent to which the bundling of contract requirements complied with the contracting agency's small business subcontracting plan, including the total dollar value awarded to small business concerns as subcontractors and the total dollar value previously awarded to small business concerns as prime contractors.

Minimum Small Business Participation specified in the solicitation was 10% of total contract value. The winning proposal exceeded requirements at 19.17%. Additionally, all additional Small Business category goals were met or exceeded. The Subcontracting Plan submitted reflected the same dollar values as submitted for Small Business participation. The contract base with options was \$82,959,557 of which \$15,903,347 is programed for Small Business. Previous contracts awarded to Small Businesses as prime contracts totaled \$7,252,491. The new contract thus represents a 219% increase over the previous Small Business awards.

**Department of Defense
FY 2015 Contract Bundling Report for the Small Business Administration**

(ee) the impact of the bundling of contract requirements on small business concerns unable to compete as prime contractors for the consolidated requirements and on the industries of such small business concerns, including a description of any changes to the proportion of any such industry that is composed of small business concerns.

Previous Small Business awards included 11 prime contracts to five Small Businesses. Under the current contract over twice the dollars will be awarded through 6 separate subcontractors.

The impact of bundling this contract on the industries of the impacted small business concerns is expected to be negligible. In FY 2015 alone, DoD awarded over \$4.8B in NAICS 541330 and \$849M for NAICS 562910 to small businesses.

NAICS	DoD FY15 SB awarded	DoD FY15 SB Eligible	NAICS SB Performance FY15
541330	\$4,834,915,116	\$20,894,229,059	23.14%
562910	\$849,528,159	\$1,444,169,396	58.52%



Contract Bundling Report to Congress

Fiscal Year 2015

Fiscal Year 2015 Contracting Bundling Report to Congress

The Small Business Act (the Act) requires the Small Business Administration (SBA) to annually submit a report on bundling to the Committees on Small Business of the House of Representatives and the Senate. Section 3 of the Act, 15 U.S.C. § 632(o)(2), defines bundling as:

Consolidating 2 or more procurement requirements for goods or services previously provided or performed under separate smaller contracts into a solicitation of offers for a single contract that is likely to be unsuitable for award to a small-business concern due to—

- (A) the diversity, size, or specialized nature of the elements of the performance specified;
- (B) the aggregate dollar value of the anticipated award;
- (C) the geographical dispersion of the contract performance sites; or
- (D) any combination of the factors described in subparagraphs (A), (B), and (C).

Section 15 of the Act, 15 U.S.C. § 644(p)(4)(B), states that the report should contain the following information:

- (i) data on the number, arranged by industrial classification, of small business concerns displaced as prime contractors as a result of the award of bundled contracts by Federal agencies; and
- (ii) a description of the activities with respect to previously bundled contracts of each Federal agency during the preceding year, including—
 - (I) data on the number and total dollar amount of all contract requirements that were bundled; and
 - (II) with respect to each bundled contract, data or information on—
 - (aa) the justification for the bundling of contract requirements;
 - (bb) the cost savings realized by bundling the contract requirements over the life of the contract;
 - (cc) the extent to which maintaining the bundled status of contract requirements is projected to result in continued cost savings;
 - (dd) the extent to which the bundling of contract requirements complied with the contracting agency's small business subcontracting plan, including the total dollar value awarded to small business concerns as subcontractors and the total dollar value previously awarded to small business concerns as prime contractors; and
 - (ee) the impact of bundling contract requirements on small business concerns unable to compete as prime contractors and industries of such small business concerns.

Section 15 of the Act (15 U.S.C. § 644(p)(5)) provides that SBA shall have access to information collected in the Federal Procurement Data System-Next Generation (FPDS-NG) and that the head of each contracting agency shall provide SBA with procurement information collected through existing data sources. SBA is able to query FPDS-NG contracting data using the Bundling Report and obtains a written report from each of the 24 CFO agencies that together provides the information required by 15 U.S.C. § 644(p)(4)(B) of the Act.

FPDS-NG and agency data collection sources do not currently contain sufficient information to quantify the extent to which bundling of contract requirements impacts the ability of small businesses to compete as prime contractors or to compare the savings realized under an existing bundled contract with the potential savings that may occur if that bundled contract is re-competed in its current configuration. This report contains a summary of all currently reported data in FPDS-NG and verified by the agency that reported such data. SBA also used the Small Business Goaling Report for FY 2015 as a source of information for this report.

FY 2015 RESULTS

All of the 24 Executive Branch agencies reported on their contract bundling activity in FY 2015. Of those reporting, 23 reported no bundling activity. A peer review of all 24 agencies determined that there was a clearly communicated policy to address and mitigate the adverse effects of bundling on small business with 20 agencies receiving a perfect score and the group as a whole averaging 95%. One Federal activity, the Department of Defense (DoD), reported bundling activity consisting of 7 contract awards that totaled \$1,269,074,313.92 for FY 2015. Additionally, DoD provided an update (Appendix 4) on a bundled contract from FY 2014 that totaled \$82,959,557. A copy of the DoD FY 2015 Contract Bundling Report for the Small Business Administration is provided as Attachment 1. Contract bundling activity continued to be

a small percentage of total Federal contract actions, representing 0.36% of the \$352,291,573,414. obligated in FY 2015. The following is a synopsis of FY 2015 contract bundling activity for the Department of Defense.

DEPARTMENT OF DEFENSE

In support of the requirement from Section 15(p)(4) of the Small Business Act for the Small Business Administration (SBA) to prepare an Annual Report on Contract Bundling, the Department of Defense (DoD) Office of Small Business Programs submitted a report to the SBA that outlined the extent of the Department's contract bundling for FY 2015 (see attachment).

Based on a review of the data reported in the FPDS-NG along with each DoD component that reported such data, it was determined that DoD bundled three requirements across seven total contract actions. These contracts included:

- An Air Force requirement for the Launch and Test Range System (LTRS) Integrated Support Contract (LISC)
- A Washington Headquarters Services (WHS) requirement for Analytic and Technical Support Services (ATSS). This single solicitation resulted in five, multiple-award contracts with an aggregate ceiling value of \$300M. This solicitation also included a small business reserve for specific requirements that was awarded to three Small Business Concerns. (Note: FPDS-NG reports each multiple-award contract as \$300M in bundled requirements, because each contract is subject to a common aggregate ceiling value of \$300M. FPDS-NG incorrectly interprets this single, multiple-award requirement as \$1.5B (\$300M multiplied by five awards). The five contracts represent the same bundled requirement, which has an aggregate ceiling value of

\$300M rather than the \$1.5B reported erroneously in FPDS-NG. Therefore, the total dollar amount of contract requirements that were bundled at WHS is \$300M.)

- An Army requirement for Customer Care Consolidated IT Services

The information below and in the following appendices provides details regarding these contracts and any associated justifications and impacts.

1. Data on the number, arranged by industrial classification, of small business concerns displaced as prime contractors as a result of the award of bundled contracts by the DoD

There were 6 small business concerns displaced across the 5 NAICS codes represented in the DoD Bundling Actions. Those NAICS are represented in the table below.

NAICS	Number of SB Contractors
517110	1
541512	1
541519	1
541710	1
541712	2

2. Description of the activities with respect to previously bundled contracts of the DoD during the preceding year

(I) *Data on the number and total dollar amount of all contract requirements that were bundled*

PIID	Contracting Agency	Total Bundled Dollars
FA880615C0001	DEPT OF THE AIR FORCE (5700)	\$953,624,618.00
HQ003415D0018	WASHINGTON HEADQUARTERS SERVICES (WHS) (97F5)	
HQ003415D0016	WASHINGTON HEADQUARTERS SERVICES (WHS) (97F5)	
HQ003415D0017	WASHINGTON HEADQUARTERS SERVICES (WHS) (97F5)	
HQ003415D0015	WASHINGTON HEADQUARTERS SERVICES (WHS) (97F5)	
HQ003415D0014	WASHINGTON HEADQUARTERS SERVICES (WHS) (97F5)	
W52P1J15F4026	DEPT OF THE ARMY (2100)	*\$300,000,000.00
		\$15,449,695.92
TOTAL		\$1,269,074,313.92

****The five WHS multiple-award contracts for the same bundled requirement have an aggregate ceiling value of \$300M.***

In addition, DoD awarded the following bundled contract in FY 2014:

PIID	Contracting Agency	Total Bundled Dollars
W912BV14C0030 (FY 2014)	DEPT OF THE ARMY (2100)	\$82,959,557.00

(II) The appendices to this report provide detailed information with respect to each bundled contract, data or information on—

- (aa) the justification for the bundling of contract requirements;
- (bb) the cost savings realized by bundling the contract requirements over the life of the contract;
- (cc) the extent to which maintaining the bundled status of contract requirements is projected to result in continued cost savings;
- (dd) the extent to which the bundling of contract requirements complied with the contracting agency’s small business subcontracting plan, including the total dollar value awarded to small business concerns as subcontractors and the total dollar value previously awarded to small business concerns as prime contractors; and

(ee) the impact of bundling contract requirements on small business concerns unable to compete as prime contractors and industries of such small business concerns.

- i. Appendix 1: Department of the Air Force - FA880615C0001
- ii. Appendix 2: Washington Headquarters Services - HQ003415D0014, HQ003415D0015, HQ003415D0016, HQ003415D0017, HQ003415D0018 (one single requirement satisfied by five multiple-award contracts)
- iii. Appendix 3: Department of the Army - W52P1J15F4026
- iv. Attachment 4: Department of the Army – update to W912BV14C0030 (FY 2014)

Summary

The DoD was recognized by their peers as having exceptional policies in place to reduce the incidence of contract bundling and to mitigate the effects of contract bundling on Small Business Concerns. Procurement data for FY 2015 shows that DoD awarded \$52.4B in small business prime contracts, which represents 24.6% of all DoD procurement and exceeded the SBA-assigned goal of 21.6%. The DoD contract bundling in FY 2015 represents 0.6% of the total DoD prime contract awards. DoD significantly mitigated the impact of bundling through the use of set-asides, reserves and subcontracting plans. DoD components also demonstrated that they are able to break out previously bundled requirements. For example, in FY 2015, the Missile Defense Agency took previously bundled multiple award Indefinite Delivery Indefinite Quantity (IDIQ) type professional services contracts under the Missile Defense Agency Engineering and Support Services (**MiDAESS**) program and unbundled them, soliciting them as the requirements on 31 separate single award contracts resulting in 21 small business set-asides (including 3 SDVOSB concerns) of the 31 contracts solicited.

Appendixes

Appendix 1

Department of the Air Force - FA880615C0001

(aa) the justification for the bundling of the contract requirements

The Government expects to achieve the following benefits from the Launch Test Range System (LTRS) Integrated Support Contract (LISC) operations, maintenance, and sustainment services (OM&S) contract structure: (1) a single contractor accountable for Range operational availability; (2) improved individual Range responsiveness resulting from streamlined processes on each Range; (3) improved enterprise responsiveness resulting from streamlined processes between Ranges; and (4) cost savings resulting from more efficient processes and manpower utilization.

An additional benefit to the Government stemming from the LISC acquisition strategy is the increased utilization of small businesses on the LTRS. As a result of the shift away from the legacy contract structure, the anticipated small business participation across the LTRS is expected to increase from a historical best of approximately 34% in 2008 to approximately 50% of expected average annual LTRS expenditures when combining small business prime and subcontracted effort. In addition to the Small Business Set-Aside contract for LTRS operations support services (LISC OS) (see section (dd) below), the USAF set aside the Eastern Range modernization effort (MEN), valued at \$14M annually or 4.9% of the expected average annual LTRS expenditures, for exclusive award to a small business concern. The companion Western Range modernization effort (WMN), estimated at \$44M or 15.3%, is intended to follow suit and be awarded as a total small business set-aside. Additionally, a contract for LTRS Information

Assurance Certification and Accreditation (valued at \$8M or 2.8% of the contract value) is in the early planning stage and is also intended to be a total small business set-aside. Other modernization efforts, such as a Range command destruct update, are also in work, planned for exclusive award to small business where appropriate, and account for another \$8M (2.8%). Together with LISC OS (\$25M or 8.6%) and a 23% small business subcontracting requirement on LISC OM&S (\$43.5M or 15.1%), these result in an expected 49.5% of the \$288.1M expected average annual LTRS expenditures flowing to the small business community. Furthermore, the quantity of small business opportunities to be utilized as prime contractors for Range effort is expected to increase due to the breaking out of LISC OS and the modernization projects referenced above. Thus, the overall strategy assists in preserving the industrial base by leveraging multiple contract vehicles to meet the LTRS requirements. More dollars are expected to flow to small business concerns and more small business concerns are expected to participate in meaningful capacities on the LTRS.

(bb) the cost savings realized by bundling the contract requirements over the life of the contract

The Government expects to derive measurably substantial benefits – in the form of cost savings – of greater than 5% of the estimated contract value, as compared to contracting to meet the requirements without bundling. The Contract Bundling Analysis, prepared by A.T. Kearney Public Sector and Defense Services, LLC, estimated bundling would produce 8.1– 9.3 percent (\$19.6M – \$22.4M) in incremental contract bundling savings annually or, extrapolated to \$196M - \$224M over the 10-year projected life of the contract.

(cc) the extent to which maintaining the bundled status of the contract requirements is projected to result in continued cost savings

Beyond incremental savings from contract bundling, additional savings are expected as a result of re-competing existing contracts. These additional savings are not dependent on contract bundling, but result from efficiencies, compelled by competition, that could be realized by individual contractors in three separate contracts. Total annual LISC cost savings as a result of both bundling and re-competing the existing LTRS contracts is estimated to be 17.7-19.3 percent or \$48.0-\$52.3M.

(dd) the extent to which the bundling of contract requirements complied with the contracting agency's small business subcontracting plan, including the total dollar value awarded to small business concerns as subcontractors and the total dollar value previously awarded to small business concerns as prime contractors

Through a collaborative effort that included subject matter experts and industry (both large business and small), Space and Missile Command set aside for exclusive award to small business concerns roughly \$25M annually (12% of the total expected LISC annual expenditures and 8.6% of total LTRS annual expenditures) of downrange base operating support, weather surveillance operations, and administrative communications requirements (LISC OS). Additional efforts originally included in the LISC scope (e.g., modernization projects and upgrades) were set-aside for exclusive award to small business.

(ee) the impact of the bundling of contract requirements on small business concerns unable to compete as prime contractors for the consolidated requirements and on the industries of such

small business concerns, including a description of any changes to the proportion of any such industry that is composed of small business concerns.

The expected dollar value, volume of expected employee headcount, and breadth of tasks included creates significant impediments to participation by small business concerns as prime contractors. LISC involves a wide array of operations, maintenance, and sustainment tasks. In the USAF analysis, small business concerns have historically, focused on niche areas of expertise and were not found to possess the breadth of experience and knowledge required to perform the full scope of the LISC OM&S effort. Additionally, the volume of effort contemplated under LISC necessitates revenue and employee-headcount thresholds that exceed the North American Industry Classification System (NAICS) standards for the types of work comprising this requirement.

The impact on the specific small business concerns impacted cannot be determined yet, but DoD will continue to monitor this in future years. The impact is mitigated through the use of set-asides and reserves for Small Business Concerns. Projections are for an overall increase in Small Business participation at the prime and subcontract level of approximately 50% of the dollar value. For context, in FY 2015, DoD awarded over \$492M to small businesses in NAICS code 517110, the NAICS associated with the small business-held contract impacted by this bundling effort.

NAICS	DoD FY15 SB awarded	DoD FY15 SB Eligible	NAICS SB Performance FY15
517110	\$492,171,048.91	\$2,301,241,690.46	21.39%

Appendix 2

Washington Headquarters Services - HQ003415D0014, HQ003415D0015, HQ003415D0016,
HQ003415D0017, HQ003415D0018

(aa) the justification for the bundling of the contract requirements

The justification for bundling was based on substantial benefits anticipated from consolidation and bundling that include labor cost savings, reduction in acquisition lead times and government personnel cost savings.

(bb) the cost savings realized by bundling the contract requirements over the life of the contract

The cost savings expected to be realized over the five-year period of performance is \$31.2M and is based on a total contract amount of \$300M if all options are exercised. Projected savings of more than 10% of the total contract value exceeds the 5% requirement necessary to justify bundling.

(cc) the extent to which maintaining the bundled status of the contract requirements is projected to result in continued cost savings

The cost savings expected to be realized over the five year period of performance is \$31.2M and is based on a total contract amount of \$300M if all options are exercised.

(dd) the extent to which the bundling of contract requirements complied with the contracting agency's small business subcontracting plan, including the total dollar value awarded to small business concerns as subcontractors and the total dollar value previously awarded to small business concerns as prime contractors.

WHS took steps to mitigate the impact on small business as a result of the consolidation and bundling of the Analytical & Technical Support Services requirement. WHS reserved a portion of

the work under the bundled requirement specifically for small business. In addition to the five bundled contracts listed above, WHS awarded the following three IDIQ contracts with a ceiling amount of \$300M to small business:HQ0034-15-D-0011, American Technology Solutions International (ATSI)

HQ0034-15-D-0012, Artlin Consulting, LLC

HQ0034-15-D-0013, Interactive Process Technology, LLC (IPT Associates)

In addition to the small business reserve, WHS included small business participation and subcontracting as a significant evaluation criteria in the source selection and determination of contract awards.

(ee) the impact of the bundling of contract requirements on small business concerns unable to compete as prime contractors for the consolidated requirements and on the industries of such small business concerns, including a description of any changes to the proportion of any such industry that is compose of small business concerns.

The impact on the specific small business concerns impacted cannot be determined yet, but DoD will continue to monitor this in future years. The ATSS Program mitigated the impact by reserving requirements for Small Business Concerns and resulted in three contract awards. In FY 2015, DoD awarded over \$4.6B and \$74M in NAICS codes 541712 and 541710 respectively which are the NAICS associated with the small business-held contracts impacted by this bundling effort.

NAICS	DoD FY15 SB awarded	DoD FY15 SB Eligible	NAICS SB Performance FY15
541712	\$4,676,636,873.09	\$17,351,959,896.25	26.95%
541710	\$74,326,102.39	\$2,551,692,997.97	2.91%

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Appendix 3

Department of the Army – W52P1J15F4026

(aa) the justification for the bundling of the contract requirements

The consolidated and bundled contract will facilitate more efficient task coordination by putting into place one prime vendor responsible for establishing common performance planning and execution of services, without cross contractor interdependencies. Combining the efforts will reduce the operational boundaries inherent with multiple contract awards, will eliminate competing priorities between vendors, will eliminate the condition of one contractor being reliant upon another, and will alleviate any potential issues with a lack of cooperation amongst the vendors, leading to an overall improvement of the delivery of services. Consolidation allows a unified process by which any of the full scope of services available under the contract can be requested and provides more streamlined and standardized services managed by one vendor. This uniformity in services enables quicker resolution of problems and reduction of delays in services across the board through less variance in resolution meantime and more efficient problem solving and in hand-off between different support groups. Consolidation increases efficiency in providing services in general, as the single vendor is able to prioritize tasks, provide an increased collaboration and knowledge management for support staff, and initiate a more cohesive incident management program (which will allow for easier execution of services, tracking of end-to-end resolution of customer issues, and escalation of issues beyond the vendor's capabilities).

Combining the services will increase staff efficiency, enabling each staff member to be more productive. It will allow labor resources to be more efficiently applied, resulting in less

rescheduling and overtime. It will also broaden the pool of personnel available to assist customers in disparate locations such as within the National Capital Region and Ft. Detrick. Overall, consolidating the requirements will provide for a more efficient use of resources.

The existing contracts impacted by this bundled effort are as follows:

- W52P1J-13-F-3003 (Tier I);
- HC1028-12-F-0211 (Tier II);
- HC1047-13-F-4014 (IT Support for Joint Staff);
- W91QUZ-11-D-0015-BA90 (Army Senior Leadership VTC Support Services);
- W91QUZ-07-D-0009-BAD8 (Polycom Branded Premier Services)

The Tier I and Tier II contracts were respectively awarded to L-3 National Security Solutions, Inc. and L-3 Services, Inc., both large businesses and subsidiaries of the same parent company (L-3 Communications Corporation). The IT Support for Joint Staff contract was awarded to Advanced Systems Development, a small business. The Army Senior Leadership VTC Support Services contract was awarded to T4 LLC, which was a small business at the time of award, however, it has since graduated from the small business program. The Polycom Branded Premier Services was awarded to CDW Government LLC, a large business. Contract history reveals the agency is paying a total of \$49.4 million annually for the services provided in these contracts.

(bb) the cost savings realized by bundling the contract requirements over the life of the contract

For this acquisition, the estimated bundled contract value including options is \$203,592,901.75 for a one-year base period with four, one year option periods; five (5) percent of that value is \$10,179,645.09. In total, the benefits outlined above are expected to cut expenses by at least \$46,131,736.50, or \$9,226,347.30 annually, a reduction of 18.47% over the actual expenditure data analyzed. Furthermore, in strictly looking at the contract components currently being performed by small business, the benefits outlined above are expected to cut expenses on those requirements by at least \$17,594,051.98, or \$3,518,810.40 annually. This results in a reduction of 14.84% on the current small business components. Accordingly, the anticipated benefits for this acquisition exceed the “measurably substantial benefits” standard for bundling (as well as the lesser included standard of “substantial benefits” required for consolidations of this size). Given the estimated savings, the consolidation and bundling is considered necessary and justified.

(cc) the extent to which maintaining the bundled status of the contract requirements is projected to result in continued cost savings

In total, the benefits outlined above are expected to cut expenses by at least \$46,131,736.50, or \$9,226,347.30 annually, a reduction of 18.47% over the actual expenditure data analyzed. Furthermore, in strictly looking at the contract components currently being performed by small business, the benefits outlined above are expected to cut expenses on those requirements by at least \$17,594,051.98, or \$3,518,810.40 annually. This results in a reduction of 14.84% on the current small business components.

(dd) the extent to which the bundling of contract requirements complied with the contracting agency’s small business subcontracting plan, including the total dollar value awarded to small

business concerns as subcontractors and the total dollar value previously awarded to small business concerns as prime contractors.

The U.S. Army is currently unable to measure this, as the contract was recently awarded, but an aggressive subcontracting plan with the prime contractor will be negotiated. In addition, subcontracting goals will be established in relation to the contract's total dollar value rather than in relation to the prime contractor's planned subcontract dollars to enhance small business subcontracting opportunities. The accepted subcontracting plan will be incorporated into, and made a material part of, the contract and the solicitation, and the contract will provide for liquidated damages when the contractor fails to make a good-faith effort to comply with its subcontracting plan. As subcontracting under Alliant task orders is generally monitored at the IDIQ level, contractors will submit a suggested method for monitoring adherence to subcontracting goals as part of their quality control plan.

Contractor will also brief subcontracting small business/socioeconomic percentages at monthly IPRs. This will be included in the Contract Data Requirements List. Additionally, the U.S. Army intends to consider the contractor's achievement of its identified aggressive small business subcontracting goals when considering decisions to exercise an option to extend the term of the contract. The Contractor Performance Assessment Reporting System (CPARS) will be used to document the contractor's performance in small business subcontracting. The CPARS offers a consistent means for tracking a contractor's performance in meeting small business subcontracting plans and makes this information easily accessible to other Contracting Officers.

Regular monitoring of the prime contractor's subcontracting performance will be adhered to as provided in the contract. This strategy ensures there are no surprises at the end of the period of performance. Post-award, periodic face-to-face meetings will be established with

representatives from the prime contractor, along with the Contracting Officer and local Small Business Technical Advisor. To signal the importance of meeting subcontracting goals to the large business prime contractor, it is intended to require meeting attendance by both the prime contractor’s small business representative and a senior member of its project management organization.

(ee) the impact of the bundling of contract requirements on small business concerns unable to compete as prime contractors for the consolidated requirements and on the industries of such small business concerns, including a description of any changes to the proportion of any such industry that is composed of small business concerns.

The U.S. Army determined that bundling this requirement provides significant leverage over industry that favors the very aggressive subcontracting goals. When considering alternative strategies that provide for more small business participation, the acquisition strategy team did not initially identify a comparable small business-friendly strategy. The team subsequently identified mitigation strategies in consultation with the Small Business Administration to advance Small Business participation. The impact of bundling this contract on the industries of the impacted small business concerns is expected to be negligible. In FY 2015, DoD awarded over \$1.6B in NAICS 541512 and \$2.3B for NAICS 541519 to small businesses.

NAICS	DoD FY15 SB awarded	DoD FY15 SB Eligible	NAICS SB Performance FY15
541512	\$1,610,628,127.31	5769641678.79	27.92%
541519	\$2,315,597,254.84	4374768681.81	52.93%

Appendix 4

Department of the Army – update to W912BV14C0030 (FY 2014)

(aa) the justification for the bundling of the contract requirements

Justification for bundling is that measurable substantial benefits, including cost and time savings, and reduced Government environmental liabilities are realized by the Government as a result of bundling the acquisition. The benefits significantly exceed 5% of the estimated contract value of \$150M to \$180M, and the \$9.4M threshold noted in FAR 7.107(b)(2).

(bb) the cost savings realized by bundling the contract requirements over the life of the contract

The Government expects to realize measurable substantial benefits by bundling these requirements under a single Performance Based Remediation (PBR) contract. The benefits will include accelerated Site Closeouts, reduced Life Cycle Costs, reduced acquisition costs, and overall better management of the project with the benefit of reduced environmental liability. Cost/time savings: Based on an analysis of the FY 2011 and FY 2012 previous PBR contract awards, the Government expects to realize measurable substantial cost savings of approximately 17% or \$30M over a 10 year period, and overall reduce the Life Cycle Costs by \$50M-\$60M, which significantly exceeds the \$9.4M threshold required by FAR 7.107(b)(2).

(cc) the extent to which maintaining the bundled status of the contract requirements is projected to result in continued cost savings

By combining this work effort at Joint Base Lewis McGuire Dix (JBMDL) under a single contract, the Contractor is able to realize efficiencies by managing program and project

management costs across multiple sites. Efficiencies are also realized for the sites utilizing solutions based on scientific data that are accepted by the Regulators and applied to similar sites. The Contractor will also be engaged with the Regulators for all environmental restoration sites at JBMDL which will ensure regulatory requirements are consistent for all sites. Consolidation allows the Contractor to manage aging project risk between high-risk and low-risk sites, providing incentives for earlier completion, which results in measurable sustainable cost and quality savings to the Government. Cost/time savings: Based on an analysis of the FY 2011 and FY 2012 previous PBR contract awards, the Government expects to realize measurable substantial cost savings of approximately 17% or \$30M over a 10 year period, and overall reduce the Life Cycle Costs by \$50M-\$60M, which significantly exceeds the \$9.4M threshold required by FAR 7.107(b)(2).

(dd) the extent to which the bundling of contract requirements complied with the contracting agency's small business subcontracting plan, including the total dollar value awarded to small business concerns as subcontractors and the total dollar value previously awarded to small business concerns as prime contractors.

Minimum Small Business Participation specified in the solicitation was 10% of total contract value. The winning proposal exceeded requirements at 19.17%. Additionally, all additional Small Business category goals were met or exceeded. The Subcontracting Plan submitted reflected the same dollar values as submitted for Small Business participation. The contract base with options was \$82,959,557 of which \$15,903,347 is programmed for Small Business. Previous contracts awarded to Small Businesses as prime contracts totaled \$7,252,491. The new contract thus represents a 219% increase over the previous Small Business awards.

(ee) the impact of the bundling of contract requirements on small business concerns unable to compete as prime contractors for the consolidated requirements and on the industries of such small business concerns, including a description of any changes to the proportion of any such industry that is composed of small business concerns.

Previous Small Business awards included 11 prime contracts to five Small Business Concerns. Under the current contract over twice the dollars will be awarded through 6 separate subcontractors.

The impact of bundling this contract on the industries of the impacted small business concerns is expected to be negligible. In FY 2015 alone, DoD awarded over \$4.8B in NAICS 541330 and \$849M for NAICS 562910 to small businesses. These are the NAICS associated with the small business-held contracts impacted by this bundling effort.

NAICS	DoD FY15 SB awarded	DoD FY15 SB Eligible	NAICS SB Performance FY15
541330	\$4,834,915,116	\$20,894,229,059	23.14%
562910	\$849,528,159	\$1,444,169,396	58.52%