U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

APR 27 2017

The Honorable David Vitter
Chairman
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 2016. 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,

Robb N. Wong
Associate Administrator
for Government Contracting and Business Development

Enclosure

U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

APR 27 2017

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 2016. The report is prepared pursuant to Section 15 of the Small Business Act, (15 U.S.C. 644(p)(4)).

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Enclosure

U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

APR 27 2017

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 2016. The report is prepared pursuant to Section 15 of the Small Business Act, (15 U.S.C. 644(p)(4)).

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U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

APR 27 2017

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

Dear Representative Velázquez:

Enclosed with this letter please find the U.S. Small Business Administration's (SBA) Report to Congress on Contract Bundling for Fiscal Year 2016. The report is prepared pursuant to Section 15 of the Small Business Act, (15 U.S.C. 644(p)(4)).

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Robb N. Wong
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Enclosure

Contract Bundling Report to Congress

Fiscal Year 2016

Fiscal Year 2016 Contract 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)(1), defines "bundled contract" as "a contract that is entered into to meet requirements that are consolidated in a bundling of contract requirements" and in 15 U.S.C. § 632(o)(2) the statute 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), requires an annual report that 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 FPDS-NG 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 the FPDS-NG Bundling Report and is supported by agency narrative reports that address the bundling data required by15 U.S.C. § 644(p)(4)(B). Included is supplemental data on previously reported bundled contracts that were active in FY 2016. FPDS-NG does not currently capture estimated savings at the transaction level nor does it capture bundling that occurs overseas as the Federal Acquisition Regulation (FAR), in FAR 2.101, considers bundling to "not apply to a contract that will be awarded and performed entirely outside of the United States" that is at variance with the definition of bundling at 15 U.S.C. § 632(o) (2). FPDS-NG was revised during FY 2017 (V1.4 SP 33.0) to provide an improved capability for all agencies to identify bundled contract actions but it does not yet offer a means to capture savings at the contract action transaction level.

FISCAL YEAR 2016 RESULTS

All of the 24 Executive Branch agencies subject to the Chief Financial Officers Act provided a narrative report to SBA on their contract bundling activity in FY 2016. Of those agencies reporting, 22 reported no bundling activity in FY 2016. Of the 22 agencies reporting no bundling activity, one agency (i.e., Agency for International Development) reported two contract actions in the FPDS-NG Bundling Report as "bundled". USAID acknowledged the two contract actions as among a total of three overseas contract actions that did not meet the definition of a bundled contract in the FAR. The Federal Acquisition Regulation (FAR), in FAR 2.101, states bundling does "not apply to a contract that will be awarded and performed entirely outside of the United

States” so this report does not include these actions as “bundled”. The National Aerospace and Space Administration (NASA) did not report any contract bundling actions in FY2016 but NASA did identify a single long term contract awarded in FY2011 that expires in FY2021. Two federal agencies, the Department of Defense (DOD) and the General Services Administration (GSA), each reported contracts where bundling occurred. The DOD reported two bundled contract awards in FY 2016 representing $175,089,208 in ultimate dollar value and $12,317,927 in obligated funds in FY 2016. DOD also provided updates on four additional bundled contracts, three originally awarded in FY 2015 and a fourth awarded in FY 2014 that were active in FY 2016. Altogether, these awards represented a total of $1,527,123,079 in ultimate dollar value and $164,600,453 in obligated funds in FY 2016. A copy of the DOD FY 2016 Contract Bundling Report for the Small Business Administration is provided as Enclosure 1. The General Services Administration reported two bundled contracts representing $117,497,972 in ultimate dollar value and $13,582,793 in obligated funds in FY 2016. The entirety of the $13,582,793 obligated on one of those two contracts, GSQ1116BJ0026, was DOD funded. A copy of the GSA report for FY 2016 Contracting Bundling and Consolidation Report is provided as Enclosure 2. Table 1 on the following page provides a summary of FY 2016 contract bundling activity for the Department of Defense and the General Services Administration.

	Contracting Agency PIID	Total Bundled Dollars Obligated (FY2016)	Ultimate Contract Value Of Bundled Contract (Over Life of Contract)
W912BV14C0030	DEPT OF THE ARMY (2100)	$8,759,531.00	$82,959,557.00
FA880615C0001	DEPT OF THE AIR FORCE (5700)	$127,671,302.84	$953,624,618.00
HQ003415D0018	WASHINGTON HEADQUARTERS SERVICES (WHS) (97F5)	$3,005,129.31	$300,000,000.00
HQ003415D0016	WASHINGTON HEADQUARTERS SERVICES (WHS) (97F5)	$1,924,008.31	
HQ003415D0017	WASHINGTON HEADQUARTERS SERVICES (WHS) (97F5)	$5,654,324.01	
HQ003415D0015	WASHINGTON HEADQUARTERS SERVICES (WHS) (97F5)	$3,195,594.79	
HQ003415D0014	WASHINGTON HEADQUARTERS SERVICES (WHS) (97F5)	$838,311.68	
W52P1J15F4026	DEPT OF THE ARMY (2100)	$1,234,323.47	$15,449,695.92
W52P1J16C0074	ARMY CONTRACTING COMMAND (2100)	$12,285,999.61	$133,627,704.98
SPE7LX16D0125	DEFENSE LOGISTICS AGENCY (97AS)	$31,927.99	$41,461,502.74
SUBTOTAL:		$164,600,453.01	$1,527,123,078.64
GSQ1116BJ0026	GENERAL SERVICES ADMINISTRATION	$13,582,792.96	$102,967,468.16
GS06Q16GVAM008	GENERAL SERVICES ADMINISTRATION	$0.00	$14,530,504.00
SUBTOTAL:		$13,582,792.96	$117,497,972.16
TOTAL:		$178,183,245.97	$1,644,621,050.80

TABLE 1 – Summary of FY 2016 Bundled Contracts

DEPARTMENT OF DEFENSE

In support of the requirement from 15 U.S.C. § 644(p)(4)(B) 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 2016 (Enclosure 1).

- 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 two new contracts in FY2016 and continued to make awards against four existing bundled contracts previously reported in FY 2015 and FY 2014. The new bundled contracts reported in FY 2016 included:
- A U.S. Army Contracting Command requirement for Army Cybersecurity Enterprise Support (ACES) services in support of Army CIO/G-6;
- A Defense Logistics Agency requirement for Industrial Product-Support Vendor (IPV) for the U.S. Army customer Red River Army Depot (RRAD).

Additionally, DOD provided updates on bundled contract awards previously reported in FY2015 that remained active awards in FY 2016. Based on FPDS-NG data and the additional information DOD provided, the bundling activity for four previously bundled contracts is included in this report. Those active bundled contract actions 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 represents 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.
- An Army requirement for Performance-Based Remediation Services.

The information below and in the attachments to the DOD report 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 19 Small Business Concerns displaced across the 9 NAICS codes represented in the DOD Bundling Actions. Those NAICS are represented in Table 2 below.

NAICS	Number of SB Contractors
332722	2
517110	1
541330	1
541512	2
541519	2
541710	1
541712	3
541990	2
562910	5

TABLE 2 – Summary of Displaced Small Business Concerns as Prime Contractors for DOD FY 2016 Bundled Contracts

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:

Procurement Instrument Identifier (PIID)	Contracting Agency	Estimated Total Value of Bundled Contracts (Ceiling Over Life of Contract)
W912BV14C0030	DEPT OF THE ARMY (2100)	$82,959,557.00
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)	$300,000,000.00
W52P1J15F4026	DEPT OF THE ARMY (2100)	$15,449,695.92
W52P1J16C0074	ARMY CONTRACTING COMMAND (2100)	$133,627,704.98
SPE7LX16D0125	DEFENSE LOGISTICS AGENCY (97AS)	$41,461,502.74
TOTAL		$1,527,123,078.64

TABLE 3 – Summary of Active DOD Bundled Contracts – Ultimate Dollar Value

(II) The attachments to the DOD 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.

(III) The following attachments from the DOD report are incorporated as attachments to this report:

Attachment 1: Army Contracting Command (2100) W52P1J16C0074

Attachment 2: Defense Logistics Agency (97AS) SPE7LX16D0125

Attachment 3: Department of the Air Force - FA880615C0001

Attachment 4: Washington Headquarters Services - HQ003415D0014, HQ003415D0015, HQ003415D0016, HQ003415D0017, HQ003415D0018 (one single requirement satisfied by five multiple-award contracts)

Attachment 5: Department of the Army - W52P1J15F4026

Attachment 6: Department of the Army – W912BV14C0030

GENERAL SERVICES ADMINISTRATION

In support of the requirement from 15 U.S.C. § 644(p)(4)(B) of the Small Business Act for the Small Business Administration (SBA) to prepare an Annual Report on Contract Bundling, the General Services Administration (GSA) Office of Small Business Utilization submitted a report to the SBA that outlined the extent of the GSA's contract bundling for FY 2016 (Enclosure 2).

Based on the narrative report provided by GSA and a review of the data reported in the FPDS-NG, it was determined that GSA bundled two new bundled contracts in FY 2016. The new bundled contracts reported in FY2016 included:

- PIID GSQ1116BJ0026 - JITSPP Information Technology Service Delivery Support Requirement representing $102,967,468.16 in ultimate dollar value (Currently under protest);
- PIID GS06Q16GVAM008 - Maintenance, Repair & Operations (MRO) Government-wide Strategic Sourcing Solution representing $14,530,504.00 in ultimate dollar value.

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 a total of 6 Small Business Concerns displaced by the GSA bundled contract actions as represented in the table below.

NAICS	Number of SB Contractors
325510	1
335122	1
335129	1
518210	1
541512	2

TABLE 4 – Summary of Displaced Small Business Concerns as Prime Contractors for GSA FY 2016 Bundled Contracts

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

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

Procurement Instrument Identifier (PIID)	Contracting Agency	Estimated Total Dollar Value of Bundled Contracts (Ceiling Over Life of Contract)
GSQ1116BJ0026	General Services Administration	$102,967,468.16
GS06Q16GVAM008	General Services Administration	$14,530,504.00
TOTAL		$117,497,972.16

TABLE 5 – Summary of Active GSA Bundled Contracts in FY 2016 – Ultimate Dollar Value

(II) Enclosure 2 to this report provides 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.

SUMMARY

Contract bundling activity, totaling $178,183,245.97 in obligated FY 2016 funds, continued to be a small percentage of total Federal contract actions reported, representing 0.0434% of the $410,670,812,301 obligated in FY 2016. For context, preliminary procurement data for FY 2016 shows that DOD awarded $7.8B in small business prime contracts, which would meet or exceed the DOD procurement prime contracting goal of 21.26%. The DOD contract bundling in FY 2016 represents 0.065% of total DOD prime contract awards. DOD significantly mitigated the impact of bundling through the use of set-asides, reserves and subcontracting plans. Preliminary procurement data for FY 2016 shows that GSA awarded $1.6B in small business prime contracts, which would meet or exceed the GSA procurement prime contracting goal of 36.5%. The GSA contract bundling in FY 2016 represents 0.324% of total GSA prime contract awards. GSA mitigated the impact of bundling on Small Business concerns through the use of set-asides for Small Business concerns. While there is documentation of estimated savings in the pre-award acquisition planning to bundle or mitigate the impact of bundled contracts, currently there is scant documentation of the ability to capture and validate the cost savings realized in the initial award or through continued use of bundled contracts. DOD identified pre-award cost savings estimates and cost-avoidance savings estimates, however DOD components were unable to identify cost savings realized or projected continued cost savings and indicated it was premature to provide a cost savings analysis. Similarly, GSA was unable to provide actual cost savings realized or projected to continue but intends to capture cost savings and continued cost savings through manual data collection. FPDS-NG was revised during FY 2017 (V1.4 SP 33.0) to provide an improved capability for all agencies to identify bundled contract actions but it does not yet offer a means to capture savings at the contract action transaction level.

ATTACHMENT 1

Army Contracting Command – W52P1J-16-C-0074

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

This current action seeks to align, under one contracting umbrella, four separate contracts in support of Army CIO/G-6. As such, the current action constitutes a "consolidation" as defined by DFARS 207.170-2. Furthermore, because two of the requirements (CIAV and Cyber Registration and Authority) were performed by small businesses at the time of the initial contract award, and since market research suggests that the aggregate scope and magnitude of this consolidated contract are likely beyond the reach of any small business' capacity or resources, this current action meets the definition of a "bundled" acquisition in accordance with FAR 2.101.

The Small Business Act directs that an agency shall avoid a bundling of contract requirements that precludes small business participation as prime contractors unless the bundling is necessary and justified. 15 U.S.C. §631 (j)(3) (2013). Measurably substantial benefits may include, individually or in any combination or aggregate, cost savings or price reduction, quality improvements that will save time or improve or enhance performance or efficiency, reduction in acquisition cycle times, better terms and conditions, and, any other benefits. The agency must quantify the identified benefits and explain how their impact would be measurably substantial…the agency may determine bundling to be necessary and justified if, as compared to the benefits that it would derive from contracting to meet those requirements if not bundled, it would derive measurably substantial benefits equivalent to-- 5% of the estimated contract or order value (including options) or $9,400,000, whichever is greater, if the value exceeds $94,000,000.

Pursuant to DFARS 207.170-3, dealing with consolidation, savings in administrative or personnel costs can also be included as benefits if the total amount of cost savings is expected to be substantial to the total cost of the procurement.

The estimated total contract value (including option years and a six month option to extend via Clause 52.217-8) for this procurement is $133,627,704.98; as such, this bundling may be determined to be necessary and justified if the benefits derived from said bundling would equal or exceed $9,400,000.

Market research reveals that the Government is likely to achieve measurably substantial benefits if it consolidates and bundles these services, and that consolidating and bundling is therefore necessary and justified to meet its needs. The anticipated benefits include the operational efficiencies and price/cost reductions explained herein.

Operational Efficiencies & Similar Benefits

Increased Efficiencies from Consolidating four contracts into one:

The only reasonable alternative to consolidation is to maintain four separate stand-alone contracts. While this approach is adequate, it is not in the Government's best interest. To solicit, compete, and award four separate contract actions for the same customer for services that are similar in scope is inefficient. This approach would increase administrative burden (both pre and post award), reduce potential economies of scale, and decrease consistency in the quality of services provided. These inefficiencies could potentially lead to higher contract costs, slippage of critical milestone schedules, and quality control redundancies.

The consolidation of the four requirements will reduce the overlap in functional requirements and will result in efficiencies gained from cross-utilizing or cross-training personnel, as well as additional management and training efficiencies.

As demonstrated above, there are numerous operational efficiencies and other similar benefits (in addition to the savings identified in the Cost Savings Summary) that would be achieved by consolidating the four 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.

Consolidating will allow for a unified process by which any of the full scope of services available under the contract can be requested, and it will provide more streamlined and standardized services, as they will all be managed by one vendor. This uniformity in services will lead to quicker resolution of problems and will decrease delays in services across the board; there will be less variance in resolution meantime and less time wasted following incorrect paths for problem solving and in hand-off between different support groups. Consolidation will lead to more efficiency in providing services in general, as the single vendor will be 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 through cross utilization, resulting in less rescheduling and overtime.

Having the services consolidated and managed by one vendor will also make systematic problems more transparent, allowing for easier identification of service gaps and opportunities for improvement, resulting in increased quality of service and efficiencies across the entire workflow. A single vendor can more easily apply reusable processes that enable organizational maturity, and yet also apply lessons learned on issues that stretch across the entire spectrum of services.

Overall, consolidating the requirements will provide for a more efficient use of resources. It will enable the agency to optimize contractor manpower by prioritizing support to maximize aggregate usage, and will reduce duplication of efforts as well as customer downtime and costs. It will facilitate cross-training among a larger team of support personnel, and provide for a single set of standards.

Efficiencies in contract administration will also be realized. Management of one contract rather than four requires less Government resources and time. A single contract award will provide better contractor accountability as all service is provided by the same contract.

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

If a proposed bundling gives the Government an opportunity to avoid making a future investment, it creates a cost-avoidance savings. The cost avoidance can arise from either an internal or an external source. As stated previously, the acquisition strategy team expects substantial efficiencies to be gained by consolidating all four requirements. As a result of the consolidation, the team also expects decreases in administrative costs and personnel cost reductions. These cost savings are internal to the Government and generally are attributable to reductions in the procurement and contract administration costs of the service.

Eliminating steps in the acquisition process and eliminating paperwork associated with contract administration are examples of administrative cost reduction. A reduction in the number of contracts and vendors would provide for additional savings. For example, consolidating requirements with one vendor would eliminate the need to solicit, negotiate, award and manage four of the current five awards. Additional administrative efficiencies and savings would be achieved under this strategy in terms of reduced procurement-related operating expenses and decreased contract performance monitoring. This would also result in time savings in day-to-day Government contract oversight. Bundling these requirements would also eliminate time spent in multiple IPRs, CPARS inputs, and the coordination of contract gaps and seams. An added benefit is that the Government would spend less time and money overseeing administrative details and more time focused on providing customer support and interaction.

Simplifying the acquisition process by bundling these requirements would also result in a reduction in acquisition cycle time; acquisition cycle time is the amount of time that elapses between the identification of a requirement and the delivery of the service to the end user.

Reducing acquisition cycle time by simplifying the acquisition process is likely to result in measurably substantial benefits. If, for example, an acquisition for these services is consolidated/bundled under an award to one contractor who satisfies requirements more rapidly, a number of advantages may accrue: resolution time may decrease; the amount of time spent in a separate purchase may decline; and, costs associated with these functions may diminish.

Reduced administrative costs and shortened procurement and fulfillment cycles can deliver big savings.

It is projected that bundling would also result in other substantial cost savings stemming from the efficiencies discussed earlier: increased flexibility with maintenance operations, advanced planning and scheduling, learning curve efficiencies gained on repetitive tasks, and leveraging costs over larger work volumes. These savings will be realized in part with the elimination of redundant services, which, as it follows, will result in a decrease in resources expended on the management of the contractor workforce involved in those redundant vendor programs; savings will also be realized through the reduction of contractor staff resulting from personnel economies of scale achieved by moving to a single, consolidated contract.

Cost Savings Summary

There is a substantial cost difference between the consolidated effort and the current four individual contracts, as demonstrated below. The consolidated effort can be procured at a lower cost for the following reasons: lower personnel costs due to increased staff efficiencies, lower contractor administrative costs, and lower procurement costs.

The Independent Government Cost Estimate (IGCE) was derived by utilizing the labor categories and quantities of full time equivalents currently being utilized on the four stand-alone contracts. The IGCE was originally created with a budgetary focus by the technical team at CIO/G-6. However, CIO/G-6 is confident that consolidation of the four stand-alone contracts will result in significant cost savings by creating the opportunity for vendors to propose creative strategies to fulfill contract requirements more efficiently. This will eliminate redundant quantities within the Full Time Equivalents (FTEs) for selected labor categories. Based on this analysis, the government expects to save approximately $10,500,000 over the life of the contract by consolidating these four contracts into one contract.

As illustrated above, bundling will result in substantial cost savings and operational efficiencies. For bundled acquisitions, the litmus test for proceeding with the acquisition is whether the benefits derived from the bundled acquisition are "measurably substantial" as compared with not bundling the requirement. To meet this threshold, the benefits must equal or exceed 5% of the estimated contract value (including options) or $9,400,000, whichever is greater. See FAR 7.107(b). For this acquisition, the estimated bundled contract value including options is $133,627,704.98 for a one-year base period with four, one-year option periods plus a six-month option to extend; 5% of that value is $6,681,385.20, so a realized cost savings of $9,400,000 will need to be utilized in order for the bundling methodology to make good business sense and to be considered measurably substantial.

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

See above in section (bb).

(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* (see memorandum below*)

SUBJECT: Small Business Subcontracting Plan for Booz Allen Hamilton (BAH), Solicitation W52P1J-16-R-0047.

1. The subject subcontracting plan has been reviewed IAW FAR 19.7, FAR Clause 52.219-9, DFARS 219.7, AFARS 5119.7, and AFARS Appendix DD. It is the opinion of this office that the above mentioned plan is in compliance with above regulations.

2. Per BAH Volume II, Factor II Management Approach, Subcontracting Plan, Exhibit A (referred to as Master Subcontracting Plan): does the plan:

   a. Contain a policy statement or evidence of internal guidance to company buyers that commits to complying with the Small Business Act (Public Law 99-661, Section 1207 and Public Law 100-180)?

Yes – Master Subcontracting Plan, page 1, paragraph 1

b. A separate goal for all socioeconomic categories including SB and SDB? (FAR 19.704(a)(1) and FAR 52.219-9(d)(1) and (2))
   Yes – Master Subcontracting Plan, Attachment A, page 2.

c. A statement of the total dollars they are planning to subcontract overall and total dollars they are planning to subcontract to small business programs:
   Total amount to be subcontracted: $56,906,686.73.
   Total amount to be subcontracted to small businesses: $26,550,747.61.
   Total percentage of subcontracting going to small business: 46.7%.

d. A description of the principal types of supplies and services to be subcontracted and identification of the types planned for small business subcontracting:
   Yes – Master Subcontracting Plan, Attachment A, page 3-4.

e. A description of the method used to develop subcontracting goals:
   Yes – Master Subcontracting Plan, Attachment A, page 1.

f. A description of the method used to identify potential sources for solicitation purposes:
   Yes – Master Subcontracting Plan, Attachment B.

g. A statement that indirect costs are either included or excluded from the proposed goals and, if included, how they will be prorated? (FAR 52.219-9(d)(6))
   Yes – Master Subcontracting Plan, Attachment A, page 1

h. The name of the company employee responsible for administration of plan and employee's duties? (FAR 19.704(a)(7) and 52.219-9(d)(7))
   Yes – Master Subcontracting Plan, page 3, paragraph D

i. A description of efforts to ensure that SBs and SDBs have an equitable opportunity to participate in the acquisition? (FAR 52.219-9(d)(8))
   Yes – Master Subcontracting Plan, page 4, paragraph E

j. A statement affirming intent to comply with subcontracting "flowdown" provisions? (FAR 19.704(a)(4) and 52.219-9(d)(10))
   Yes – Master Subcontracting Plan, page 4, paragraph G

k. A statement affirming willingness to cooperate in studies and to provide reports? (FAR 19.704(a)(10)(i) and 52.219-9(d)(10))
   Yes – Master Subcontracting Plan, page 4, paragraph D

l. A recitation of the types of records maintained to demonstrate procedures adopted to comply with the requirements and goal in the plan? (FAR 52.219-9(d)(11))
   Yes – Master Subcontracting Plan, page 4, paragraph H

m. A separate goal for the basic contract and, if applicable, each option? (FAR 19.704(c))
Yes – Master Subcontracting Plan, Attachment A, page 2 (acknowledges base and all option years.

3. The offeror provided their overall small business activity for 5 years including FY09 – FY13.

4. The Sub-Contracting Proposal (Volume IV) outlined the small business and socio-economic participation percentages and dollars.

5. The offeror also provided a Contract Participation Matrix (Attachment 0005 of the RFP), which outlined the proposed approach to meet or exceed the small business participation plan at Volume IV (above). The Contract Participation Matrix outlined the following small business and socio-economic participation percentages and dollars:

SDB - $15,612,070.86, 20.85%;

WOSB - $7,453,841.24, 9.95%;

HUBZone - $8,158,229.62, 10.9%;

VOSB - $19,096,906.37, 25.50%;

SDVOSB - $10,938,676.75, 14.61%.

6. It should be noted that the difference between the two is Volume IV is the contractually binding Small Business Participation Plan. Attachment 0005 is the proposed approach to meet or exceed the Small Business Participation Plan. In other words, the contractor will be held responsible to the contractual baseline requirements identified in Volume IV's Sub-Contracting Plan. Attachment 0005 outlines the vendor's proposed approach to meet the Small Business Participation proposal in the absence of any change to contract requirements.

7. With assistance provided by the Army Sustainment Command – Small Business office, the Small Business Specialist and PCO have concluded that, with the exception of the differences between Volume IV and Attachment 0005 socio-economic dollars and percentages, all aspects of the offeror's Sub-Contracting Plan is acceptable. Thus, the difference between Volume IV and Attachment 0005 socio-economic dollars and percentages is the only aspect still in question. However, Section M.11.1.a of the RFP states, "The Small Business Subcontracting Plan will not be evaluated on an adjectival basis. Rather, this plan will be evaluated to ensure the Offeror's proposed plan is consistent with its Small Business Utilization Plan." It is the determination of the undersigned PCO that the Offeror is consistent in that, regardless whether they perform to the dollars and percentages of Volume IV or Attachment 0005, they are exceeding US Government requirements. IAW FAR 19.705, it is the PCO's responsibility to review, evaluate, and determine if a Sub-Contracting Plan is acceptable. It is the opinion of the undersigned PCO that the plan is in compliance with the regulations and is approved.

8. The POC is the undersigned at CCRC-GC, extension 25300, email: derek.m.schnorrenberg.civ@mail.mil.

Derek M. Schnorrenberg, Procuring Contracting Officer

(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.

Pursuant to FAR 7.107(e), if “substantial bundling” (which, for the Department of Defense, is defined under FAR 7.104(d)(2) as bundling that results in a contract valued at $8,000,000 or more) is involved in the proposed action, the acquisition strategy must also include an assessment of the specific impediments to participation by small business concerns as contractors which could result from the bundling. The Small Business Jobs Act further requires that, for contract requirements with a total value exceeding $2,000,000, the acquisition strategy must also (in addition to identifying any negative impact by the acquisition strategy on contracting with small business concerns) ensure that steps will be taken to include small business concerns in the acquisition strategy. 15 U.S.C. § 657q(c)(1).

It is recognized that statutory and regulatory provisions relating to contract bundling emanated from a Congressional concern about the impact of these types of acquisitions on small business participation in federal procurement. With that being said; however, the agency believes that consolidating and bundling these particular requirements will not actually have a negative impact on small business, but rather will actually lead to an increase in overall small business participation. The agency has given careful consideration to increasing small business concerns’ ability to participate in this solicitation and specifically chooses to solicit this as a full and open competition to gain the widest small business participation possible.

Given that the definition of bundling leads to those requirements that specifically will displace small businesses or will make small business participation unlikely, the regulations provide additional requirements for those bundled acquisitions that involve substantial bundling (over $8,000,000). Specifically, because the cumulative maximum potential value, including options, of the contract is greater than $8,000,000, additional documentation—a small business plan—must be provided prior to proceeding with the solicitation. The intent of the action plan is to mitigate the effects of the bundling upon small business and to enhance and encourage small business participation at both the prime contractor and subcontractor levels.

In coordination with the Small Business Office, the procurement strategy was structured, as much as practical, to facilitate competition by, and provide for maximum participation by, small businesses. The solicitation for these services includes evaluation criteria that encourages teaming and joint ventures among small businesses, as well as teaming between large and small businesses and aggressive small business subcontracting. This is in the form of language contained in the solicitation and the small business participation plan requirement which is also part of the solicitation.

In market research discussions with small businesses, the Government has consistently heard from small businesses that they are relieved this acquisition is not being set aside for small business due to the size and complexity of the requirement and the resources needed to adequately maintain this requirement. Small businesses become experts in their specific niche of the business arena, and can efficiently provide the services within this niche as a subcontractor to the prime under this requirement.

The prime vendor is solely responsible for the services provided under this consolidated contract, therefore relieving small businesses from that burden.

The solicitation has a significant preference for small businesses, and utilizes mandatory minimum small business subcontracting provisions and incentives to encourage the successful contract recipient to, as a minimum, retain the current level of participation by small business providers. The agency promotes subcontracting to small businesses by including a separate evaluation factor in the solicitation to encourage such behavior.

It is noted that FAR 15.304(c)(3)(ii) and (c)(5) state that for solicitations involving bundling that offer a significant opportunity for subcontracting, the solicitation must designate the following factors as significant factors in evaluating offers: a factor that is based on the rate of participation provided under the subcontracting plan for small business in the performance of the contract; and, for the evaluation of past performance of an offeror, a factor that is based on the extent to which the offeror attained applicable goals for small business participation in the performance of contracts.

The Government evaluated the extent (percentage based on total contract value) to which a Offeror identifies and commits to utilizing Small Business (SB) in the performance of the proposed contract as it relates to the following goals, which were coordinated and agreed to by both the Army requiring activity and the local Office of Small Business Programs: SB – 35%; Small Disadvantaged Business –5%; Women Owned Small Business – 5%; HUBZone – 3%; Veteran Owned Small Business – 5%; and, Service- Disabled Veteran-Owned Small Business – 3%. An aggressive subcontracting plan with the prime contractor was negotiated. The accepted subcontracting plan was incorporated into, and made a material part of the contract, and the contract provides for liquidated damages when the contractor fails to make a good-faith effort to comply with its subcontracting plan. Additionally, the Government 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 Specialist. Recommendation will be for meeting attendance by not only the prime contractor's small business representative, but also a senior member of its project management organization. This should signal the importance of meeting subcontracting goals to the large business prime contractor. In the early stages of the contract, meetings with the prime contract will occur frequently (e.g., no less than monthly) to ensure that the prime contractor gets off to a good start toward meeting subcontracting goals. A checklist from the subcontracting plan will be created as a road map for the meetings to monitor compliance. Dialogue early on in the process will provide the prime contractor with an opportunity to improve performance, if necessary, before final assessments are given. Progress (or lack thereof) will be reported to the contractor's senior management. This strategy helps ensure that the prime contractor starts off on the right footing.

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 2016, DOD awarded over $5 billion to small businesses in NAICS codes 541512, 541519, and 541990—the NAICS codes associated with the small business-held contracts impacted by this bundling effort. The small business participation rate for these NAICS codes ranged from 15.75 to 54.03 percent in FY 2016.

NAICS	**DOD FY16 SB Awarded**	**DOD FY16 SB Eligible**	**NAICS SB Performance FY16**
541512	$2,072,422,657	$6,898,044,704	30.04%
541519	$2,434,029,245	$4,505,356,758	54.03%
541990	$512,106,744	$3,251,151,558	15.75%

ATTACHMENT 2

Defense Logistics Agency – SPE7LX-16-D-0125

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

Market research did not reflect that at least two small businesses possess the capability of performing the requirements for an acquisition for Industrial Product-Support Vendor (IPV) for the Army customer Red River Army Depot (RRAD), Texarkana, Texas or optional industrial sites. The mission requirement to support the repair line for this IPV contract would likely overburden a small business, and thus have an adverse impact on line maintenance and/or customer support.

This bundled contract provides total supply chain management for parts/bench stock to support an Army maintenance depot. The current demands for these items has remained high and manual purchase requests will be reduced by the automation of this contract, thus reducing the lead time and workload. This bundled contract provides the opportunity to participate in a supplier partnership for broader based customer support in accordance with DLA's strategic plan. DLA will be proactive in meeting customer delivery requirements by establishing a corporate contract instead of relying on spot buys. The potential cost avoidance is estimated at $10.3 million.

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

DLA's total cost savings analysis shows the potential for $10.3 million dollars over the life of the contract. The required analysis of bundling benefits is covered by Small Business Administration (SBA) regulation and the Federal Acquisition Regulation (FAR) 7.107. The savings required is 10% of the contract value at $94 million or less and the greater of 5% or $9.4 million savings for contract value over $94 million. Therefore, for this contract, DLA's cost savings of $10.3 million exceeds the required cost savings of $9.4 million. The following is an excerpt from DLA's approved business case analysis which details the cost savings estimate:

VSRM Cost Analysis

The expected costs for the scenario were analyzed and are presented using the Vendor Stock Retention Model (VSRM) maintained by DLA Office of Operations Research and Resource Analysis (DORRA). To determine the anticipated cost avoidance of this proposed contract, the VSRM scenario was run comparing spot buys for stock vs. long-term contract (LTC) for Customer Direct delivery to Red River Army Depot (RRAD) (split support).

Costs are estimated for the list of 741 Contract Line Item Number (CLIN) 1 parts based on historical data. Although the VSRM analysis began with 741 NIINs, 41 items were excluded during model pre-processing because there was no DLA historical data. This resulted in 700 items as input to the VSRM. Exhibit 4 shows the VSRM Total Report that compares DLA support with a long term contract for Customer Direct (CD) delivery with the alternative, DLA support with spot buys for stock.

VSRM Cost Analysis—Spot Buy vs. LTC for RRAD CD

Scenario:	RESULTS	**Duration (Years):**	5
Discount Rate:	0.60%	**Perspective:**	ICP - variable costs only
Holding (Obsolescence) Rate:	5.02%	**Project:**	SAIC
Treasury Rate:	2.40%	**Comparison:**	Spot buy for stock vs. split support
Major Contract Threshold:	$150,000	**Stock Receipt Frequency Adjustment Factor:**	1.00
Delivery Order Setup Cost:	$20.84	**Stock Issue Frequency Adjustment Factor:**	1.024
Small Purchase Setup Cost:	$441.55		
Large Purchase Setup Cost:	$2,084.80		

			FIXED	VARIABLE
Inventory Frequency: M		**DFAS Invoice Cost (EBS):**	$0.00	$0.52
Individual or Group Invoice: G		**DFAS Invoice Cost (DCMA/MOCAS):**	$0.00	$17.80
FOB Origin: N				
		Net Landed Cost Throughput:	63%	37%
		Net Landed Cost Transportation:	0%	100%

===

#NSNs: **700 (out of 700 original NSNs)**

Annual Sales at Cost: **$1,527,699**

Beginning Assets: **$399,841**

	Cost Avoidances			Costs	
	Forward	**Reverse**		**Base**	**Alternate**
Material Cost:	$2,141,388	$(2,141,388)		$8,136,357	$5,994,969
Depot Throughput:	$348,166	$(348,166)		$1,226,713	$878,547
Transportation:	$154,322	$(154,322)		$702,697	$548,374
DFAS Cost:	$(8,505)	$8,505		$2,866	$11,371
Setup Cost:	$2,062,093	$(2,062,093)		$2,433,544	$371,451
Asset Finance:	$22,012	$(60,012)	F	$109,170	$87,158
			R	$92,178	$32,166
Holding (Obsolescence) Cost:	$46,041	$(125,525)	F	$228,347	$182,306
			R	$192,806	$67,281
Storage Cost:	$2,491	$(2,491)		$20,605	$18,114
	==============	==============		==============	==============
Totals:	$4,768,008	$(4,885,493)	F	$12,860,298	$8,092,290
			R	$12,807,766	$7,922,274

Break Even Percentage:	**32.3%**	**-45.8%**
Initial cost to reconstitute stock (If no initial assets, Safety Level + 1/2 EOQ):		**$955,826**

Using default parameter values and a five-year life, the VSRM estimates $4.8 million in cost avoidance over five years if DLA uses the proposed LTC versus spot buy contracts.

Other Vendor Fees

The VSRM involves the following vendor fees:

CLIN 0006 - Start-up/Transition Cost for Implementing in 30 days $18,202.

CLIN 0007 - There are approximately 600 inactive National Stock Numbers (NSNs) at the Contractor's Warehouse. The five-year fee is $362,520.

Post Award Management

Exhibit 5A identifies the resources dedicated to RRAD for the post award activities under the current contract which are expected to be similar for the proposed contract.

Exhibit 5A DLA Post Award Resources Current and Proposed

Existing IPV - Post Award Labor Costs (Government)

Position	Grade	Number of personnel per position	Annual Salary at Step 5 no benefits	Annual salary including benefits per person	Number of months per year working on IPV	Total Annual Labor Costs	Total Five Year Labor Cost
Divison Chief	GS -14	1	$ 114,722	$ 144,435	1.5	$ 18,054	$ 90,272
Contracting Branch Chief	GS-13	1	$ 97,092	$ 122,239	3	$ 30,560	$ 152,799
Industrial Branch Chief	GS-13	1	$ 97,092	$ 122,239	3	$ 30,560	$ 152,799
Senior Contracting Chief	GS-13	1	$ 97,092	$ 122,239	3	$ 30,560	$ 152,799
Basic Contracting Administrator	GS-12	1	$ 81,644	$ 102,790	12	$ 102,790	$ 513,949
Program Manager	GS-12	1	$ 81,644	$ 102,790	6	$ 51,395	$ 256,974
Supply Planner	GS-12	1	$ 81,644	$ 102,790	12	$ 102,790	$ 513,949
Product Assurance Specialist	GS-12	1	$ 81,644	$ 102,790	6	$ 51,395	$ 256,974
Buyer	GS-11	1	$ 68,114	$ 85,756	3	$ 21,439	$ 107,194
DLA Finance Employee	GS-12	1	$ 81,644	$ 102,790	0.5	$ 4,283	$ 21,415
Order Fulfillment	GS-12	1	$ 81,644	$ 102,790	0.5	$ 4,283	$ 21,415
Analyst	GS-12	1	$ 81,644	$ 102,790	1.5	$ 12,849	$ 64,244
Legal/Lawyer	GS-13	1	$ 97,092	$ 122,239	0.5	$ 5,093	$ 25,466
Legal/Lawyer	GS-12	1	$ 81,644	$ 102,790	0.25	$ 2,141	$ 10,707
						$ 468,191	$ 2,340,955

If the current contract is not awarded and support returns entirely to DLA spot buys, the required personnel are estimated in Exhibit 5B.

Exhibit 5B. DLA Post Award Resources Spot Buy Support

		DLA Post Award if return to Spot Buy					
Position	**Grade**	**Number of personnel per position**	**Annual Salary at Step 5 no benefits**	**Annual salary including benefits per person**	**Number of months per year working on IPV**	**Total Annual Labor Costs**	**Total Five Year Value Per Position**
Basic Contracting Administrator	GS-12	1	$ 81,644	$ 102,790	8	$ 68,527	$ 342,633
Buyer	GS-11	1	$ 68,114	$ 85,756	1	$ 7,146	$ 35,731
Supply Planner	GS-11	1	$ 68,114	$ 85,756	2	$ 14,293	$ 71,463
						$ 89,965	$ 449,827
					Net IPV Post Award:		$ 1,891,128

The difference in post award resources for the administration of the IPV contract vs. spot buys is $1,891,128.

Cost Analysis Summary

As shown in Exhibit 4, the VSRM estimates $4.8 million in cost avoidance over five years if DLA uses the proposed LTC versus spot buy contracts with an LTC for the initial group of IPV CLIN 0001 items. However, the model does not include the following costs so the cost avoidance is understated:

- line side delivery to the mechanic or artisan
- bin management
- forecasting
- obsolescence management
- dedicated program customer service representatives
- kitting

The model also does not include post award costs to administer this contract which are estimated to be $1.9M higher than if spot buys alone were used to support these demands.

There is uncertainty in the number of demands forecast for these items. Per the COR Supervisor at RRAD, the production lines changes on a continual basis, therefore, future funding and bin fill requirements are unknown. If demand is different than that experienced over the last three years, the expected cost avoidance from the VSRM simulation would vary accordingly.

It is expected that the Army will experience an avoidance of costs by the award of this contract. RRAD representatives have stated that Army personnel who were performing the tasks as required by this contract prior to the current IPV contract award have been reassigned and so are no longer available to perform this work. Army representatives have determined that approximately 23 personnel at GS-09, GS-11, WL-7 and WG-7 (Federal employee grade/rank classifications) would be needed to assume IPV-like duties at RRAD were this contract not in place. This would include a program manager, maintenance management specialists, inventory management specialists, and material expediters. Using average salaries and benefit rates, the estimated annual cost avoidance is $1.2 million. Additionally, vehicles required to transport product around the depot amount to a first year cost of $92,000.These costs amount to approximately $6.2 million over the five-year life of the proposed contract. Additionally, from the Army's perspective, the DLA cost recovery rate that they currently pay under the IPV contract would increase approximately 20% if support were to be entirely through spot buys instead. The DLA cost recovery rate cost avoidance to the Army results in a $1.6M cost avoidance over five years. The total five-year cost savings is summarized in the table below.

Total Five-Year Cost Avoidance

Five-Year Cost Avoidance	
DLA Supply Chain	$ 4,768,008
Depot Supply Chain	$ 6,211,208
DLA Cost Recovery	$ 1,627,271
Start-up/Transition Cost	$ (18,202)
Inactive Army NSNs at the Contractor's Warehouse	$ (362,520)
DLA Post Award personnel	$ (1,891,128)
Total	$ 10,334,637

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

"Milestone C" is at the end of year three of the contract. At that time, DLA will conduct a retrospective audit and reconcile the actual cost savings with the projected 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.

The agency's small business subcontracting plan requires maximizing small business participation as subcontractors based on the total value of the contract. The total dollar value that was awarded on this contract was $14,847,561.25 dollars. Per the Subcontracting Plan, small businesses will be awarded 60% of the contract at a value of $8,893,753 over the life of the contract. For comparison, for the past three years the small business dollars associated with the previous contract were $1.8 million dollars or 58% of the total contract value of $3.9 million dollars.

(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.

One of the small businesses that indicated they would likely submit an offer had successfully performed supply chain management tasks, but they later clarified they were not interested in submitting an offer.

The other small business vendor had performed total supply chain management tasks, however they had financial concerns, forecasting troubles, and a lack of experience with bin management which called into question their capability to perform the requirements of this contract.

While there were two small businesses that were interested in this acquisition, two or more small businesses have not demonstrated the capability to successfully perform the subject requirement.

Based on the information set forth above, it was the Contracting Officer's recommendation that these procurements be unrestricted because there is not a reasonable expectation that offers will be obtained from at least two responsible small business concerns at fair market prices.

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 2016, DOD awarded over $142 million to small businesses in NAICS code 332722—the NAICS codes associated with the small business-held contracts impacted by this bundling effort. The small business participation rate in this NAICS code was 43.82 percent for FY 2016.

NAICS	DOD FY16 SB Awarded	DOD FY16 SB Eligible	NAICS SB Performance FY16
332722	$142,502,241	$325,163,928	43.82%

ATTACHMENT 3

Amended to December 2016 Report Bundled Requirement from 2015

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.

(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.

Through the end of FY16, a total of $230,089,837 has been obligated against FA880615C0001 ($101,507,812 in FY15 and $128,582,025 in FY16). Therefore, an analysis of cost savings over the life of the contract would be premature.

(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. Through FY 2016, there has been zero dollars in subcontracting reported for this contract.

(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, DOD awarded over $476M in FY 2015, and over $569M in FY 2016, in NAICS code 517110, which is associated with the small business-held contract impacted by this bundling effort.

NAICS	FY	SB Awarded	DOD SB Eligible	SB
517110	2015	$476,792,851	$2,306,390,659	20.67%
	2016	$569,714,380	$2,393,892,855	23.80%

ATTACHMENT 4

Amended to December 2016 Report

Bundled Requirement from FY15

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. Through the end of FY16, a total of $3,010,129 has been obligated against HQ003415D0018 ($5,000 in FY15 and $3,005,129 in FY16). Therefore, an analysis of cost savings over the life of the contract would be premature.

(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. Through FY 2016, the total small business subcontracting dollars reported per submitted FY 2016 Individual Subcontract Reports are as follows:

Small Business	$634,793.
Small Disadvantaged Business	$0.00
Women Owned Small Business	$0.00
HubZone Small Business	$0.00
Veteran-Owned Small Business	$0.00
Service-Disabled Veteran-Owned Small Business	$0.00

(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 impact on the specific small business concerns impacted cannot be determined yet, but DOD will continue to monitor this in future years. DOD awarded over $4.6B and $5.7B to small businesses in FY 2015 and FY 2016 respectively, in NAICS code 541712. DOD awarded$79M and $52M to small businesses in NAICS code 541710 in FY 2015 and FY 2016, respectively. These are the NAICS codes associated with the small business-held contracts impacted by this bundling effort.

NAICS	FY	SB Awarded	DOD SB	SB Performance
541712	2015	$4,667,293,557	$17,432,011,846	26.77%
	2016	$5,746,961,471	$20,824,435,879	27.60%
541710	2015	$79,030,420	$2,562,127,021	3.08%
	2016	$52,284,001	$1,465,823,910	3.57%

ATTACHMENT 5

Amended to December 2016 Report Bundled
Requirement from FY15
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. Consolidating will allow for a unified process by which any of the full scope of services available under the contract can be requested, and it will provide more streamlined and standardized services, as they will all be managed by one vendor. This uniformity in services will lead to quicker resolution of problems and will decrease delays in services across the board; there will be less variance in resolution meantime and less time wasted following incorrect paths for problem solving and in hand-off between different support groups. Consolidation will lead to more efficiency in providing services in general, as the single vendor will be 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 NCR 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, it can be said that the consolidation and bundling is 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. Through the end of FY16, a total of $17,600,206 has been obligated against W52P1J15F4026 ($16,365,882 in FY15 and $1,234,323 in FY16). Therefore, an analysis of cost savings over the life of the contract would be premature.

(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.

Subcontracting under this Alliant Government-wide Acquisition Contract (GWAC) is generally monitored at the IDIQ task order level. However, subcontract reporting in the Federal Subcontracting Reporting System (eSRS) is done at the GWAC base contract level which is issued by GSA. The DOD cannot access the Individual Subcontract Report (ISR) submitted in eSRS by the contractor, as this contract was awarded under GWAC, a GSA schedule contract.

However, the contractor briefs subcontracting small business/socioeconomic percentages at monthly IPRs for the IDIQ task order and reports subcontracting via a Contract Data

Requirements List (CDRL). 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 include representatives from the prime contractor, including the senior member of the project management organization, along with the Contracting Officer and local Small Business Technical Advisor. This signals the importance of meeting subcontracting goals to the large business prime contractor.

(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.

Based on analysis done, the contracting team determined that bundling this requirement provides the Government with significant leverage over industry, allowing more enforcement of their very aggressive subcontracting goals identified above. When considering alternative strategies that provide for more small business participation, the acquisition strategy team could not find a comparable small business-friendly strategy. The team has identified mitigation strategies to advance small business participation and will provide them in the new requirement, as demonstrated in the previous section. Additional consultation with the Small Business Administration is continuous and ongoing. 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 code 541512, and over $2.0B in FY 2016. In NAICS code 514519, DOD awarded over $2.3B and over $2.4B to small businesses in FY 2015 and FY 2016, respectively. These are the NAICS codes associated with the small business-held contracts impacted by this bundling effort.

NAICS	FY	SB Awarded	DOD SB Eligible	SB
541512	2015	$1,653,762,202	$5,647,619,756	29.28%
	2016	$2,076,684,269	$6,912,496,857	30.04%
541519	2015	$2,321,122,111	$4,392,142,199	52.85%
	2016	$2,443,253,672	$4,517,633,142	54.08%

ATTACHMENT 6

Amended to December 2016 Report

Bundled Requirement from FY14

Department of the Army – W912BV14C0030

(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.

Through the end of FY16, a total of $27,453,626 has been obligated against W912BV14C0030 ($16,018,360 in FY14, $2,675,735 in FY15, $8,759,531 in FY16).

Therefore, an analysis of cost savings over the life of the contract would be premature.

(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. Through FY 2016, the total small business subcontracting dollars reported per submitted FY 2016 Individual Subcontract Reports are as follows:

Small Business	$834,301
Small Disadvantaged Business	$217,291
Women Owned Small Business	$238,738
HUBZone Small Business	$0.00
Veteran-Owned Small Business	$49,573
Service-Disabled Veteran-Owned Small Business	$19,820

(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 2014 the DoD awarded $4.3B to small businesses in NAICS code 541330. In FY 2015 and FY 2016 the DoD awarded over $4.9B and $5.5B, respectively, in NAICS code 541330. For NAICS code 562910 the DoD awarded $1.1B, $856M, and $806M to small businesses in FY 2014, FY 2015, and FY 2016, respectively. These are the NAICS codes associated with the small business-held contracts impacted by this bundling effort:

NAICS	FY	SB Awarded	DoD SB Eligible	SB Performance
541330	2014	$4,270,684,650	$22,159,347,662	19.27%
	2015	$4,949,945,410	$21,741,164,277	22.77%
	2016	$5,513,349,597	$24,363,516,755	22.63%
562910	2014	$1,085,761,510	$1,897,598,412	57.22%
	2015	$856,340,494	$1,639,431,433	52.23%
	2016	$806,153,225	$1,508,749,892	53.43%

Department of Defense

FY 2016 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 2016 (**as amended March 31, 2017)**

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 SBA to discuss the extent of the Department's contract bundling for FY 2016.

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 components, the Department reports only two bundled contracts for FY 2016, one from Army Contracting Command and one from Defense Logistics Agency. As requested, the information below provides details regarding these contracts (as well as activity from FY 2014 and FY 2015 bundled 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
541990	2
541519	1
541512	1
332722	2

2. Description of the activities with respect to bundled contracts of the DoD

(NOTE: Section 2 (II) amends the December 2016 DoD Bundling Report)

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

PIID	Contracting Agency	Total Bundled Dollars
W52P1J16C0074	ARMY CONTRACTING COMMAND (2100)	$133,627,704.98
SPE7LX16D0125	DEFENSE LOGISTICS AGENCY (97AS)	$41,461,502.74

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

Attachment 1: Army Contracting Command – W52P1J-16-C-0074

Attachment 2: Defense Logistics Agency – SPE7LX-16-D-0125

(II) (This section amends the December 2016 DoD Bundling Report) ***A description of the activities with respect to previously bundled contracts of each Federal agency during the preceding year, data on the number and total dollar amount of all contract requirements that were bundled***

PIID	Contracting Agency	Total Bundled Dollars
FA880615C0001	Air Force	$953,624,618.00
HQ003415D0018	Washington Headquarters Services	$300,000,000.00
W52P1J15F4026	Army	$ 15,449,695.92
W912BV14C0030	Army	$ 82,959,557.00

Details regarding the above DoD bundled contracts from FY 2014 and FY 2015 which had activity during FY 2016 are described in the following attachments:

Attachment 3: Department of the Air Force - FA880615C0001

Attachment 4: Washington Headquarters Services - HQ003415D0018

Attachment 5: Department of the Army – W52P1J15F4026

Attachment 6: Department of the Army -- W912BV14C0030

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 the Department's dedication to fostering a healthy small business industrial base. Preliminary data for FY 2016 shows that DoD awarded $56.6B in small business prime contracts, which represents 22.9% of all small business eligible DoD procurement dollars ($251.6B). This exceeded the SBA-assigned goal for DoD of 21.26%. Based on this preliminary data, DoD expects to surpass its small business goals while bundling only when necessary and appropriate. DoD implements bundling only when it is the best option in the interest of the Department and the Federal government, based on objective analysis and projected cost savings. The total dollar value of FY 2016 bundled contracts is $175,089,207.72. This amount represents merely 0.0696% (less than one-tenth of one percent) of the small business eligible DoD procurement dollars of $251.6 billion.

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.

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.

Attachment 1

Army Contracting Command – W52P1J-16-C-0074

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

This current action seeks to align, under one contracting umbrella, four separate contracts in support of Army CIO/G-6. As such, the current action constitutes a "consolidation" as defined by DFARS 207.170-2. Furthermore, because two of the requirements (CIAV and Cyber Registration and Authority) were performed by small businesses at the time of the initial contract award, and since market research suggests that the aggregate scope and magnitude of this consolidated contract are likely beyond the reach of any small business' capacity or resources, this current action meets the definition of a "bundled" acquisition in accordance with FAR 2.101.

The Small Business Act directs that an agency shall avoid a bundling of contract requirements that precludes small business participation as prime contractors unless the bundling is necessary and justified. 15 U.S.C. §631 (j)(3) (2013). Measurably substantial benefits may include, individually or in any combination or aggregate, cost savings or price reduction, quality improvements that will save time or improve or enhance performance or efficiency, reduction in acquisition cycle times, better terms and conditions, and, any other benefits. The agency must quantify the identified benefits and explain how their impact would be measurably substantial…the agency may determine bundling to be necessary and justified if, as compared to the benefits that it would derive from contracting to meet those requirements if not bundled, it would derive measurably substantial benefits equivalent to-- 5% of the estimated contract or order value (including options) or $9,400,000, whichever is greater, if the value exceeds $94,000,000.

Pursuant to DFARS 207.170-3, dealing with consolidation, savings in administrative or personnel costs can also be included as benefits if the total amount of cost savings is expected to be substantial to the total cost of the procurement.

The estimated total contract value (including option years and a six month option to extend via Clause 52.217-8) for this procurement is $133,627,704.98; as such, this bundling may be determined to be necessary and justified if the benefits derived from said bundling would equal or exceed $9,400,000.00.

Market research reveals that the Government is likely to achieve measurably substantial benefits if it consolidates and bundles these services, and that consolidating and bundling is therefore necessary and justified to meet its needs. The anticipated benefits include the operational efficiencies and price/cost reductions explained herein.

Operational Efficiencies & Similar Benefits

Increased Efficiencies from Consolidating four contracts into one:

The only reasonable alternative to consolidation is to maintain four separate stand-alone contracts. While this approach is adequate, it is not in the Government's best interest. To solicit, compete, and award four separate contract actions for the same customer for services that are similar in scope is inefficient. This approach would increase administrative burden (both pre and post award), reduce potential economies of scale, and decrease consistency in the quality of services provided. These inefficiencies could potentially lead to higher contract costs, slippage of critical milestone schedules, and quality control redundancies.

The consolidation of the four requirements will reduce the overlap in functional requirements and will result in efficiencies gained from cross-utilizing or cross-training personnel, as well as additional management and training efficiencies.

As demonstrated above, there are numerous operational efficiencies and other similar benefits (in addition to the savings identified in the Cost Savings Summary) that would be achieved by consolidating the four 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.

Consolidating will allow for a unified process by which any of the full scope of services available under the contract can be requested, and it will provide more streamlined and standardized services, as they will all be managed by one vendor. This uniformity in services will lead to quicker resolution of problems and will decrease delays in services across the board; there will be less variance in resolution meantime and less time wasted following incorrect paths for problem solving and in hand-off between different support groups. Consolidation will lead to more efficiency in providing services in general, as the single vendor will be 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 through cross utilization, resulting in less rescheduling and overtime.

Having the services consolidated and managed by one vendor will also make systematic problems more transparent, allowing for easier identification of service gaps and opportunities for improvement, resulting in increased quality of service and efficiencies across the entire workflow. A single vendor can more easily apply reusable processes that enable organizational maturity, and yet also apply lessons learned on issues that stretch across the entire spectrum of services.

Overall, consolidating the requirements will provide for a more efficient use of resources. It will enable the agency to optimize contractor manpower by prioritizing support to maximize aggregate usage, and will reduce duplication of efforts as well as customer downtime and costs. It will facilitate cross-training among a larger team of support personnel, and provide for a single set of standards.

Efficiencies in contract administration will also be realized. Management of one contract rather than four requires less Government resources and time. A single contract award will provide better contractor accountability as all service is provided by the same contract.

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

If a proposed bundling gives the Government an opportunity to avoid making a future investment, it creates a cost-avoidance savings. The cost avoidance can arise from either an internal or an external source. As stated previously, the acquisition strategy team expects substantial efficiencies to be gained by consolidating all four requirements. As a result of the consolidation, the team also expects decreases in administrative costs and personnel cost reductions. These cost savings are internal to the Government and generally are attributable to reductions in the procurement and contract administration costs of the service.

Eliminating steps in the acquisition process and eliminating paperwork associated with contract administration are examples of administrative cost reduction. A reduction in the number of contracts and vendors would provide for additional savings. For example, consolidating requirements with one vendor would eliminate the need to solicit, negotiate, award and manage four of the current five awards. Additional administrative efficiencies and savings would be achieved under this strategy in terms of reduced procurement-related operating expenses and decreased contract performance monitoring. This would also result in time savings in day-to-day Government contract oversight. Bundling these requirements would also eliminate time spent in multiple IPRs, CPARS inputs, and the coordination of contract gaps and seams. An added benefit is that the Government would spend less time and money overseeing administrative details and more time focused on providing customer support and interaction.

Simplifying the acquisition process by bundling these requirements would also result in a reduction in acquisition cycle time; acquisition cycle time is the amount of time that elapses between the identification of a requirement and the delivery of the service to the end user. Reducing acquisition cycle time by simplifying the acquisition process is likely to result in measurably substantial benefits. If, for example, an acquisition for these services is consolidated/bundled under an award to one contractor who satisfies requirements more rapidly, a number of advantages may accrue: resolution time may decrease; the amount of time spent in a separate purchase may decline; and, costs associated with these functions may diminish. Reduced administrative costs and shortened procurement and fulfillment cycles can deliver big savings.

It is projected that bundling would also result in other substantial cost savings stemming from the efficiencies discussed earlier: increased flexibility with maintenance operations, advanced planning and scheduling, learning curve efficiencies gained on repetitive tasks, and leveraging costs over larger work volumes. These savings will be realized in part with the elimination of redundant services, which, as it follows, will result in a decrease in resources expended on the management of the contractor workforce involved in those redundant vendor programs; savings will also be realized through the reduction of contractor staff resulting from personnel economies of scale achieved by moving to a single, consolidated contract.

Cost Savings Summary

There is a substantial cost difference between the consolidated effort and the current four individual contracts, as demonstrated below. The consolidated effort can be procured at a lower cost for the following reasons: lower personnel costs due to increased staff efficiencies, lower contractor administrative costs, and lower procurement costs.

The Independent Government Cost Estimate (IGCE) was derived by utilizing the labor categories and quantities of full time equivalents currently being utilized on the four stand-alone contracts. The IGCE was originally created with a budgetary focus by the technical team at CIO/G-6. However, CIO/G-6 is confident that consolidation of the four stand-alone contracts will result in significant cost savings by creating the opportunity for vendors to propose creative strategies to fulfill contract requirements more efficiently. This will eliminate redundant quantities within the Full Time Equivalents (FTEs) for selected labor categories. Based on this analysis, the government expects to save approximately $10,500,000 over the life of the contract by consolidating these four contracts into one contract.

As illustrated above, bundling will result in substantial cost savings and operational efficiencies. For bundled acquisitions, the litmus test for proceeding with the acquisition is whether the benefits derived from the bundled acquisition are "measurably substantial" as compared with not bundling the requirement. To meet this threshold, the benefits must equal or exceed 5% of the estimated contract value (including options) or $9,400,000, whichever is greater. See FAR 7.107(b). For this acquisition, the estimated bundled contract value including options is $133,627,704.98 for a one-year base period with four, one-year option periods plus a six-month option to extend; 5% of that value is $6,681,385.20, so a realized cost savings of $9,400,000 will need to be utilized in order for the bundling methodology to make good business sense and to be considered measurably substantial.

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

See above in section (bb).

(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

SUBJECT: Small Business Subcontracting Plan for Booz Allen Hamilton (BAH), Solicitation W52P1J-16-R-0047.

1. The subject subcontracting plan has been reviewed IAW FAR 19.7, FAR Clause 52.219-9, DFARS 219.7, AFARS 5119.7, and AFARS Appendix DD. It is the opinion of this office that the above mentioned plan is in compliance with above regulations.

2. Per BAH Volume II, Factor II Management Approach, Subcontracting Plan, Exhibit A (referred to as Master Subcontracting Plan): does the plan:

a. Contain a policy statement or evidence of internal guidance to company buyers that commits to complying with the Small Business Act (Public Law 99-661, Section 1207 and Public Law 100-180)?

Yes – Master Subcontracting Plan, page 1, paragraph 1

b. A separate goal for all socioeconomic categories including SB and SDB? (FAR 19.704(a)(1) and FAR 52.219-9(d)(1) and (2))

Yes – Master Subcontracting Plan, Attachment A, page 2.

c. A statement of the total dollars they are planning to subcontract overall and total dollars they are planning to subcontract to small business programs:

Total amount to be subcontracted: $56,906,686.73. Total amount to be subcontracted to small businesses: $26,550,747.61. Total percentage of subcontracting going to small business: 46.7%.

d. A description of the principal types of supplies and services to be subcontracted and identification of the types planned for small business subcontracting:

Yes – Master Subcontracting Plan, Attachment A, page 3-4.

e. A description of the method used to develop subcontracting goals:

Yes – Master Subcontracting Plan, Attachment A, page 1.

f. A description of the method used to identify potential sources for solicitation purposes:

Yes – Master Subcontracting Plan, Attachment B.

g. A statement that indirect costs are either included or excluded from the proposed goals and, if included, how they will be prorated? (FAR 52.219-9(d)(6))

Yes – Master Subcontracting Plan, Attachment A, page 1

h. The name of the company employee responsible for administration of plan and employee's duties? (FAR 19.704(a)(7) and 52.219-9(d)(7))

Yes – Master Subcontracting Plan, page 3, paragraph D

i. A description of efforts to ensure that SBs and SDBs have an equitable opportunity to participate in the acquisition? (FAR 52.219-9(d)(8))

Yes – Master Subcontracting Plan, page 4, paragraph E

j. A statement affirming intent to comply with subcontracting "flowdown" provisions? (FAR 19.704(a)(4) and 52.219-9(d)(10))

Yes – Master Subcontracting Plan, page 4, paragraph G

k. A statement affirming willingness to cooperate in studies and to provide reports? (FAR 19.704(a)(10)(i) and 52.219-9(d)(10))

Yes – Master Subcontracting Plan, page 4, paragraph D

l.   A recitation of the types of records maintained to demonstrate procedures adopted to comply with the requirements and goal in the plan? (FAR 52.219-9(d)(11))

Yes – Master Subcontracting Plan, page 4, paragraph H

m. A separate goal for the basic contract and, if applicable, each option? (FAR 19.704(c))

Yes – Master Subcontracting Plan, Attachment A, page 2 (acknowledges base and all option years.

3.   The offeror provided their overall small business activity for 5 years including FY09 – FY13.

4. The Sub-Contracting Proposal (Volume IV) outlined the small business and socio-economic participation percentages and dollars.

5.   The offeror also provided a Contract Participation Matrix (Attachment 0005 of the RFP), which outlined the proposed approach to meet or exceed the small business participation plan at Volume IV (above). The Contract Participation Matrix outlined the following small business and socio-economic participation percentages and dollars:

SDB - $15,612,070.86, 20.85%; WOSB - $7,453,841.24, 9.95%,; HUBZone - $8,158,229.62, 10.9%; VOSB - $19,096,906.37, 25.50%; SDVOSB - $10,938,676.75, 14.61%.

6.   It should be noted that the difference between the two is Volume IV is the contractually binding Small Business Participation Plan. Attachment 0005 is the proposed approach to meet or exceed the Small Business Participation Plan. In other words, the contractor will be held responsible to the contractual baseline requirements identified in Volume IV’s Sub-Contracting Plan. Attachment 0005 outlines the vendor’s proposed approach to meet the Small Business Participation proposal in the absence of any change to contract requirements.

7. With assistance provided by the Army Sustainment Command – Small Business office, the Small Business Specialist and PCO have concluded that, with the exception of the differences between Volume IV and Attachment 0005 socio-economic dollars and percentages, all aspects of the offeror’s Sub-Contracting Plan is acceptable. Thus, the difference between Volume IV and Attachment 0005 socio-economic dollars and percentages is the only aspect still in question. However, Section M.11.1.a of the RFP states, “The Small Business Subcontracting Plan will not be evaluated on an adjectival basis. Rather, this plan will be evaluated to ensure the Offeror’s proposed plan is consistent with its Small Business Utilization Plan.” It is the determination of the undersigned PCO that the Offeror is consistent in that, regardless whether they perform to the dollars and percentages of Volume IV or Attachment 0005, they are exceeding US Government requirements. IAW FAR 19.705, it is the PCO’s responsibility to review, evaluate, and determine if a Sub-Contracting Plan is acceptable. It is the opinion of the undersigned PCO that the plan is in compliance with the regulations and is approved.

8. The POC is the undersigned at CCRC-GC, extension 25300, email: derek.m.schnorrenberg.civ@mail.mil.

Derek M. Schnorrenberg, Procuring Contracting Officer

(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.

Pursuant to FAR 7.107(e), if “substantial bundling” (which, for the Department of Defense, is defined under FAR 7.104(d)(2) as bundling that results in a contract valued at $8 million or more) is involved in the proposed action, the acquisition strategy must also include an assessment of the specific impediments to participation by small business concerns as contractors which could result from the bundling. The Small Business Jobs Act further requires that, for contract requirements with a total value exceeding $2,000,000, the acquisition strategy must also (in addition to identifying any negative impact by the acquisition strategy on contracting with small business concerns) ensure that steps will be taken to include small business concerns in the acquisition strategy. 15 U.S.C. § 657q(c)(1).

It is recognized that statutory and regulatory provisions relating to contract bundling emanated from a Congressional concern about the impact of these types of acquisitions on small business participation in federal procurement. With that being said; however, the agency believes that consolidating and bundling these particular requirements will not actually have a negative impact on small business, but rather will actually lead to an increase in overall small business participation. The agency has given careful consideration to increasing small business concerns’ ability to participate in this solicitation and specifically chooses to solicit this as a full and open competition to gain the widest small business participation possible.

Given that the definition of bundling leads to those requirements that specifically will displace small businesses or will make small business participation unlikely, the regulations provide additional requirements for those bundled acquisitions that involve substantial bundling (over $8,000,000). Specifically, because the cumulative maximum potential value, including options, of the contract is greater than $8,000,000, additional documentation—a small business plan—must be provided prior to proceeding with the solicitation. The intent of the action plan is to mitigate the effects of the bundling upon small business and to enhance and encourage small business participation at both the prime contractor and subcontractor levels.

In coordination with the Small Business Office, the procurement strategy was structured, as much as practical, to facilitate competition by, and provide for maximum participation by, small businesses. The solicitation for these services includes evaluation criteria that encourages teaming and joint ventures among small businesses, as well as teaming between large and small businesses and aggressive small business subcontracting. This is in the form of language contained in the solicitation and the small business participation plan requirement which is also part of the solicitation.

In market research discussions with small businesses, the Government has consistently heard from small businesses that they are relieved this acquisition is not being set aside for small business due to the size and complexity of the requirement and the resources needed to adequately maintain this requirement. Small businesses become experts in their specific niche of the business arena, and can efficiently provide the services within this niche as a subcontractor to the prime under this requirement. The prime vendor is solely responsible for the services provided under this consolidated contract, therefore relieving small businesses from that burden.

The solicitation has a significant preference for small businesses, and utilizes mandatory minimum small business subcontracting provisions and incentives to encourage the successful contract recipient to, as a minimum, retain the current level of participation by small business providers. The agency promotes subcontracting to small businesses by including a separate evaluation factor in the solicitation to encourage such behavior.

It is noted that FAR 15.304(c)(3)(ii) and (c)(5) state that for solicitations involving bundling that offer a significant opportunity for subcontracting, the solicitation must designate the following factors as significant factors in evaluating offers: a factor that is based on the rate of participation provided under the subcontracting plan for small business in the performance of the contract; and, for the evaluation of past performance of an offeror, a factor that is based on the extent to which the offeror attained applicable goals for small business participation in the performance of contracts.

The Government evaluated the extent (percentage based on total contract value) to which a Offeror identifies and commits to utilizing Small Business (SB) in the performance of the proposed contract as it relates to the following goals, which were coordinated and agreed to by both the Army requiring activity and the local Office of Small Business Programs: SB – 35%; Small Disadvantaged Business –5%; Women Owned Small Business – 5%; HUBZone – 3%; Veteran Owned Small Business – 5%; and, Service- Disabled Veteran-Owned Small Business – 3%. An aggressive subcontracting plan with the prime contractor was negotiated. The accepted subcontracting plan was incorporated into, and made a material part of the contract, and the contract provides for liquidated damages when the contractor fails to make a good-faith effort to comply with its subcontracting plan. Additionally, the Government 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 Specialist. Recommendation will be for meeting attendance by not only the prime contractor's small business representative, but also a senior member of its project management organization. This should signal the importance of meeting subcontracting goals to the large business prime contractor. In the early stages of the contract, meetings with the prime contract will occur frequently (e.g., no less than monthly) to ensure that the prime contractor gets off to a good start toward meeting subcontracting goals. A checklist from the subcontracting plan will be created as a road map for the meetings to monitor compliance. Dialogue early on in the process will provide the prime contractor with an opportunity to improve performance, if necessary, before final assessments are given. Progress (or lack thereof) will be reported to the contractor's senior management. This strategy helps ensure that the prime contractor starts off on the right footing.

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 2016, DoD awarded over $5 billion to small businesses in NAICS codes 541512, 541519, and 541990—the NAICS codes associated with the small business-held contracts impacted by this bundling effort. The small business participation rate for these NAICS codes ranged from 15.75 to 54.03 percent in FY 2016.

NAICS	DoD FY16 SB awarded	DoD FY16 SB Eligible	NAICS SB Performance FY16
541512	$2,072,422,657	$6,898,044,704	30.04%
541519	$2,434,029,245	$4,505,356,758	54.03%
541990	$512,106,744	$3,251,151,558	15.75%

Attachment 2

Defense Logistics Agency – SPE7LX-16-D-0125

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

Market research did not reflect that at least two small businesses possess the capability of performing the requirements for an acquisition for Industrial Product-Support Vendor (IPV) for the U.S. Army customer Red River Army Depot (RRAD), Texarkana, Texas or optional industrial sites. The mission requirement to support the repair line for this IPV contract would likely overburden a small business, and thus have an adverse impact on line maintenance and/or customer support.

This bundled contract provides total supply chain management for parts/bench stock to support an Army maintenance depot. The current demands for these items has remained high and manual purchase requests will be reduced by the automation of this contract, thus reducing the lead time and workload. This bundled contract provides the opportunity to participate in a supplier partnership for broader based customer support in accordance with DLA's strategic plan. DLA will be proactive in meeting customer delivery requirements by establishing a corporate contract instead of relying on spot buys. The potential cost avoidance is estimated at $10.3 million.

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

DLA's total cost savings analysis shows the potential for $10.3 million dollars over the life of the contract. The required analysis of bundling benefits is covered by Small Business Administration (SBA) regulation and the Federal Acquisition Regulation (FAR) 7.107. The savings required is 10% of the contract value at $94 million or less and the greater of 5% or $9.4 million savings for contract value over $94 million. Therefore, for this contract, DLA's cost savings of $10.3 million exceeds the required cost savings of $9.4 million. The following is an excerpt from DLA's approved business case analysis which details the cost savings estimate:

VSRM Cost Analysis

The expected costs for the scenario were analyzed and are presented using the Vendor Stock Retention Model (VSRM) maintained by DLA Office of Operations Research and Resource Analysis (DORRA). To determine the anticipated cost avoidance of this proposed contract, the VSRM scenario was run comparing spot buys for stock vs. long-term contract (LTC) for Customer Direct delivery to Red River Army Depot (RRAD) (split support).

Costs are estimated for the list of 741 Contract Line Item Number (CLIN) 1 parts based on historical data. Although the VSRM analysis began with 741 NIINs, 41 items were excluded during model pre-processing because there was no DLA historical data. This resulted in 700 items as input to the VSRM. Exhibit 4 shows the VSRM Total Report that compares DLA support with a long term contract for Customer Direct (CD) delivery with the alternative, DLA support with spot buys for stock.

VSRM Cost Analysis—Spot Buy vs. LTC for RRAD CD

Scenario:	RESULTS	**Duration (Years):**	5
Discount Rate:	0.60%	**Perspective:**	ICP - variable costs only
Holding (Obsolescence) Rate:	5.02%	**Project:**	SAIC
Treasury Rate:	2.40%	**Comparison:**	Spot buy for stock vs. split support
Major Contract Threshold:	$150,000	**Stock Receipt Frequency Adjustment Factor:**	1.00
Delivery Order Setup Cost:	$20.84	**Stock Issue Frequency Adjustment Factor:**	1.024
Small Purchase Setup Cost:	$441.55		
Large Purchase Setup Cost:	$2,084.80		

			FIXED	**VARIABLE**
Inventory Frequency:	M	**DFAS Invoice Cost (EBS):**	$0.00	$0.52
Individual or Group Invoice:	G	**DFAS Invoice Cost (DCMA/MOCAS):**	$0.00	$17.80
FOB Origin:	N			
		Net Landed Cost Throughput:	63%	37%
		Net Landed Cost Transportation:	0%	100%

===

#NSNs: **700 (out of 700 original NSNs)**

Annual Sales at Cost: **$1,527,699**

Beginning Assets: **$399,841**

	Cost Avoidances			**Costs**	
	Forward	**Reverse**		**Base**	**Alternate**
Material Cost:	**$2,141,388**	**$(2,141,388)**		**$8,136,357**	**$5,994,969**
Depot Throughput:	**$348,166**	**$(348,166)**		**$1,226,713**	**$878,547**
Transportation:	**$154,322**	**$(154,322)**		**$702,697**	**$548,374**
DFAS Cost:	**$(8,505)**	**$8,505**		**$2,866**	**$11,371**
Setup Cost:	**$2,062,093**	**$(2,062,093)**		**$2,433,544**	**$371,451**
Asset Finance:	**$22,012**	**$(60,012)**	F	**$109,170**	**$87,158**
			R	**$92,178**	**$32,166**
Holding (Obsolescence) Cost:	**$46,041**	**$(125,525)**	F	**$228,347**	**$182,306**
			R	**$192,806**	**$67,281**
Storage Cost:	**$2,491**	**$(2,491)**		**$20,605**	**$18,114**
	===============	===============		===============	===============
Totals:	**$4,768,008**	**$(4,885,493)**	F	**$12,860,298**	**$8,092,290**
			R	**$12,807,766**	**$7,922,274**
Break Even Percentage:	**32.3%**	**-45.8%**			

Initial cost to reconstitute stock (If no initial assets, Safety Level + 1/2 EOQ): **$955,826**

Using default parameter values and a five-year life, the VSRM estimates $4.8 million in cost avoidance over five years if DLA uses the proposed LTC versus spot buy contracts.

Other Vendor Fees

The VSRM involves the following vendor fees:

CLIN 0006 - Start-up/Transition Cost for Implementing in 30 days $18,202.
CLIN 0007 - There are approximately 600 inactive National Stock Numbers (NSNs) at the Contractor's Warehouse. The five-year fee is $362,520.

Post Award Management

Exhibit 5A identifies the resources dedicated to RRAD for the post award activities under the current contract which are expected to be similar for the proposed contract.

DLA Post Award Resources Current and Proposed

Existing IPV - Post Award Labor Costs (Government)							
Position	Grade	Number of personnel per position	Annual Salary at Step 5 no benefits	Annual salary including benefits per person	Number of months per year working on IPV	Total Annual Labor Costs	Total Five Yeard Labor Cost
Divison Chief	GS -14	1	$ 114,722	$ 144,435	1.5	$ 18,054	$ 90,272
Contracting Branch Chief	GS-13	1	$ 97,092	$ 122,239	3	$ 30,560	$ 152,799
Industrial Branch Chief	GS-13	1	$ 97,092	$ 122,239	3	$ 30,560	$ 152,799
Senior Contracting Chief	GS-13	1	$ 97,092	$ 122,239	3	$ 30,560	$ 152,799
Basic Contracting Administrator	GS-12	1	$ 81,644	$ 102,790	12	$ 102,790	$ 513,949
Program Manager	GS-12	1	$ 81,644	$ 102,790	6	$ 51,395	$ 256,974
Supply Planner	GS-12	1	$ 81,644	$ 102,790	12	$ 102,790	$ 513,949
Product Assurance Specialist	GS-12	1	$ 81,644	$ 102,790	6	$ 51,395	$ 256,974
Buyer	GS-11	1	$ 68,114	$ 85,756	3	$ 21,439	$ 107,194
DLA Finance Employee	GS-12	1	$ 81,644	$ 102,790	0.5	$ 4,283	$ 21,415
Order Fulfillment	GS-12	1	$ 81,644	$ 102,790	0.5	$ 4,283	$ 21,415
Analyst	GS-12	1	$ 81,644	$ 102,790	1.5	$ 12,849	$ 64,244
Legal/Lawyer	GS-13	1	$ 97,092	$ 122,239	0.5	$ 5,093	$ 25,466
Legal/Lawyer	GS-12	1	$ 81,644	$ 102,790	0.25	$ 2,141	$ 10,707
						$ 468,191	$ 2,340,955

If the current contract is not awarded and support returns entirely to DLA spot buys, the required personnel are estimated in Exhibit 5B.

Exhibit 5B. DLA Post Award Resources Spot Buy Support

		DLA Post Award if return to Spot Buy support					
Position	**Grade**	**Number of personnel per position**	**Annual Salary at Step 5 no benefits**	**Annual salary including benefits per person**	**Number of months per year working on IPV**	**Total Annual Labor Costs**	**Total Five Year Value Per Position**
Basic Contracting Administrator	GS-12	1	$ 81,644	$ 102,790	8	$ 68,527	$ 342,633
Buyer	GS-11	1	$ 68,114	$ 85,756	1	$ 7,146	$ 35,731
Supply Planner	GS-11	1	$ 68,114	$ 85,756	2	$ 14,293	$ 71,463
						$ 89,965	$ 449,827
					Net IPV Post Award:		$ 1,891,128

The difference in post award resources for the administration of the IPV contract vs. spot buys is $1,891,128.

Cost Analysis Summary

As shown in Exhibit 4, the VSRM estimates $4.8 million in cost avoidance over five years if DLA uses the proposed LTC versus spot buy contracts with an LTC for the initial group of IPV CLIN 0001 items. However, the model does not include the following costs so the cost avoidance is understated:

- line side delivery to the mechanic or artisan
- bin management
- forecasting
- obsolescence management
- dedicated program customer service representatives
- kitting

The model also does not include post award costs to administer this contract which are estimated to be $1.9M higher than if spot buys alone were used to support these demands.

There is uncertainty in the number of demands forecast for these items. Per the COR Supervisor at RRAD, the production lines changes on a continual basis, therefore, future funding and bin fill requirements are unknown. If demand is different than that experienced over the last three years, the expected cost avoidance from the VSRM simulation would vary accordingly.

It is expected that the Army will experience an avoidance of costs by the award of this contract. RRAD representatives have stated that Army personnel who were performing the tasks as required by this contract prior to the current IPV contract award have been reassigned and so are no longer available to perform this work. Army representatives have determined that approximately 23 personnel at GS-09, GS-11, WL-7 and WG-7 (Federal employee grade/rank classifications) would be needed to assume IPV-like duties at RRAD were this contract not in place. This would include a program manager, maintenance management specialists, inventory management specialists, and material expediters. Using average salaries and benefit rates, the estimated annual cost avoidance is $1.2 million. Additionally, vehicles required to transport product around the depot amount to a first year cost of $92,000. These costs amount to approximately $6.2 million over the five-year life of the proposed contract. Additionally, from the Army's perspective, the DLA cost recovery rate that they currently pay under the IPV contract would increase approximately 20% if support were to be entirely through spot buys instead. The DLA cost recovery rate cost avoidance to the Army results in a $1.6M cost avoidance over five years. The total five-year cost savings is summarized in the table below.

Total Five-Year Cost Avoidance

Five-Year Cost Avoidance	
DLA Supply Chain	$ 4,768,008
Depot Supply Chain	$ 6,211,208
DLA Cost Recovery	$ 1,627,271
Start-up/Transition Cost	$ (18,202)
Inactive Army NSNs at the Contractor's Warehouse	$ (362,520)
DLA Post Award personnel	$ (1,891,128)
Total	$ 10,334,637

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

"Milestone C" is at the end of year three of the contract. At that time, DLA will conduct a retrospective audit and reconcile the actual cost savings with the projected 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.

The agency's small business subcontracting plan requires maximizing small business participation as subcontractors based on the total value of the contract.

The total dollar value that was awarded on this contract was $14,847,561.25 million dollars. Per the Subcontracting Plan, small businesses will be awarded 60% of the contract at a value of $8,893,753.00 million dollars over the life of the contract.

For comparison, for the past three years the small business dollars associated with the previous contract were $1.8 million dollars or 58% of the total contract value of $3.9 million dollars.

(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.

One of the small businesses that indicated they would likely submit an offer had successfully performed supply chain management tasks, but they later clarified they were not interested in submitting an offer.

The other small business vendor had performed total supply chain management tasks, however they had financial concerns, forecasting troubles, and a lack of experience with bin management which called into question their capability to perform the requirements of this contract.

While there were two small businesses that were interested in this acquisition, two or more small businesses have not demonstrated the capability to successfully perform the subject requirement.

Based on the information set forth above, it was the Contracting Officer's recommendation that these procurements be unrestricted because there is not a reasonable expectation that offers will be obtained from at least two responsible small business concerns at fair market prices.

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 2016, DoD awarded over $142 million to small businesses in NAICS code 332722—the NAICS codes associated with the small business-held contracts impacted by this bundling effort. The small business participation rate in this NAICS code was 43.82 percent for FY 2016.

NAICS	DoD FY16 SB awarded	DoD FY16 SB Eligible	NAICS SB Performance FY16
332722	$142,502,241	$325,163,928	43.82%

Attachment 3: Amended to December 2016 Report

Bundled Requirement from FY15

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.

(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.

Through the end of FY16, a total of $230,089,837 has been obligated against FA880615C0001 ($101,507,812 in FY15 and $128,582,025 in FY16). Therefore, an analysis of cost savings over the life of the contract would be premature.

(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. Through FY 2016, there has been zero dollars in subcontracting reported for this contract.

(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, DoD awarded over $476M in FY 2015, and over $569M in FY 2016, in NAICS code 517110, which is associated with the small business-held contract impacted by this bundling effort.

NAICS	FY	SB Awarded	DOD SB Eligible	SB Performance
517110	2015	$476,792,851	$2,306,390,659	20.67%

	2016	$569,714,380	$2,393,892,855	23.80%

Attachment 4: Amended to December 2016 Report

Bundled Requirement from FY15

Washington Headquarters Services - 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.

Through the end of FY16, a total of $3,010,129 has been obligated against HQ003415D0018 ($5,000 in FY15 and $3,005,129 in FY16). Therefore, an analysis of cost savings over the life of the contract would be premature.

(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.

Through FY 2016, the total small business subcontracting dollars reported per submitted FY 2016 Individual Subcontract Reports are as follows:

Small Business	$634,793
Small Disadvantaged Business	$0.00
Women Owned Small Business	$0.00

HubZone Small Business	$0.00
Veteran-Owned Small Business	$0.00
Service-Disabled Veteran-Owned Small Business	$0.00

(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 impact on the specific small business concerns impacted cannot be determined yet, but DoD will continue to monitor this in future years. DoD awarded over $4.6B and $5.7B to small businesses in FY 2015 and FY 2016 respectively, in NAICS code 541712. DoD awarded $79M and $52M to small businesses in NAICS code 541710 in FY 2015 and FY 2016, respectively. These are the NAICS codes associated with the small business-held contracts impacted by this bundling effort.

NAICS	FY	SB Awarded	DOD SB Eligible	SB Performance
541712	2015	$4,667,293,557	$17,432,011,846	26.77%
	2016	$5,746,961,471	$20,824,435,879	27.60%
541710	2015	$79,030,420	$2,562,127,021	3.08%
	2016	$52,284,001	$1,465,823,910	3.57%

Attachment 5: Amended to December 2016 Report

Bundled Requirement from FY15

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. Consolidating will allow for a unified process by which any of the full scope of services available under the contract can be requested, and it will provide more streamlined and standardized services, as they will all be managed by one vendor. This uniformity in services will lead to quicker resolution of problems and will decrease delays in services across the board; there will be less variance in resolution meantime and less time wasted following incorrect paths for problem solving and in hand-off between different support groups. Consolidation will lead to more efficiency in providing services in general, as the single vendor will be 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 NCR 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, it can be said that the consolidation and bundling is 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.

Through the end of FY16, a total of $17,600,206 has been obligated against W52P1J15F4026 ($16,365,882 in FY15 and $1,234,323 in FY16). Therefore, an analysis of cost savings over the life of the contract would be premature.

(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.

Subcontracting under this Alliant Government-wide Acquisition Contract (GWAC) is generally monitored at the IDIQ task order level. However, subcontract reporting in the Federal Subcontracting Reporting System (eSRS) is done at the GWAC base contract level which is issued by GSA. The DoD cannot access the Individual Subcontract Report (ISR) submitted in eSRS by the contractor, as this contract was awarded under GWAC, a GSA schedule contract.

However, the contractor briefs subcontracting small business/socioeconomic percentages at monthly IPRs for the IDIQ task order and reports subcontracting via a Contract Data Requirements List (CDRL). 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 include representatives from the prime contractor, including the senior member of the project management organization, along with the Contracting Officer and local Small Business Technical Advisor. This signals the importance of meeting subcontracting goals to the large business prime contractor.

(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.

Based on analysis done, the contracting team determined that bundling this requirement provides the Government with significant leverage over industry, allowing more enforcement of their very aggressive subcontracting goals identified above. When considering alternative strategies that provide for more small business participation, the acquisition strategy team could not find a comparable small business-friendly strategy. The team has identified mitigation strategies to advance small business participation and will provide them in the new requirement, as demonstrated in the previous section. Additional consultation with the Small Business Administration is continuous and ongoing.

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 code 541512, and over $2.0B in FY 2016. In NAICS code 514519, DoD awarded over $2.3B and over $2.4B to small businesses in FY 2015 and FY 2016, respectively. These are the NAICS codes associated with the small business-held contracts impacted by this bundling effort.

NAICS	FY	SB Awarded	DOD SB Eligible	SB Performance
541512	2015	$1,653,762,202	$5,647,619,756	29.28%
	2016	$2,076,684,269	$6,912,496,857	30.04%
541519	2015	$2,321,122,111	$4,392,142,199	52.85%
	2016	$2,443,253,672	$4,517,633,142	54.08%

Attachment 6: Amended to December 2016 Report

Bundled Requirement from FY14

Department of the Army – W912BV14C0030

(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.

Through the end of FY16, a total of $27,453,626.00 has been obligated against W912BV14C0030 ($16,018,360.00 in FY14, $2,675,735.00 in FY15, $8,759,531.00 in FY16). Therefore, an analysis of cost savings over the life of the contract would be premature.

(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.

Through FY 2016, the total small business subcontracting dollars reported per submitted FY 2016 Individual Subcontract Reports are as follows:

Small Business	$834,301
Small Disadvantaged Business	$217,291
Women Owned Small Business	$238,738
HUBZone Small Business	$0.00
Veteran-Owned Small Business	$49,573
Service-Disabled Veteran-Owned Small Business	$19,820

(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 2014 the DoD awarded $4.3B to small businesses in NAICS code 541330. In FY 2015 and FY 2016 the DoD awarded over $4.9B and $5.5B, respectively, in NAICS code 541330. For NAICS code 562910 the DoD awarded $1.1B, $856M, and $806M to small businesses in FY 2014, FY 2015, and FY 2016, respectively. These are the NAICS codes associated with the small business-held contracts impacted by this bundling effort:

NAICS	FY	SB Awarded	DoD SB Eligible	SB Performance
541330	2014	$4,270,684,650	$22,159,347,662	19.27%
	2015	$4,949,945,410	$21,741,164,277	22.77%
	2016	$5,513,349,597	$24,363,516,755	22.63%
562910	2014	$1,085,761,510	$1,897,598,412	57.22%
	2015	$856,340,494	$1,639,431,433	52.23%
	2016	$806,153,225	$1,508,749,892	53.43%

U.S. General Services Administration
FY16 Contracting Bundling and Consolidation Report

In accordance with Section 15(p)(4) of the Small Business Act – Annual Report on Contract Bundling, the General Services Administration (GSA) provides the following summary of information for FY 2016:

BUNDLED CONTRACTS

1. **PIID GSQ1116BJ0026** - JITSPP Information Technology Service Delivery Support Requirement totaling $102,967,468.16 (Currently under protest)
2. **PIID GS06Q16GVAM008** - Maintenance, Repair & Operations (MRO) Government-wide Strategic Sourcing Solution totaling $14,530,504.00

CONSOLIDATED CONTRACTS

1. **PIID GSQ0016AJ0017** - Research and Development (R&D)/Science and Technology (S&T) Task Order for the Joint Improvised-Threat Defeat Agency (JIDA) totaling $165,272,923.00
2. **PIID GSQ0016AJ0035** - Logistics, Maintenance, and Sustainment Support for Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance (C4ISR) Systems totaling $744,978,802.00 (Currently under protest)
3. **PIID GSQ0316DS0043** - Edgewood Chemical Biological Center (ECBC) totaling $48,310,322.28

(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

PIID GSQ1116BJ0026

Three small businesses displaced as prime contractors as a result of the award. (Currently under protest.)

PIID GS06Q16GVAM008

Multiple Award Schedule (MAS) 51 V (Hardware Superstore)

- **Region 1** - 4 Small Business Total (Maine 1, Massachusetts 3)
- **Region 2** - 9 Small Business Total (New York)
- **Region 3** - 16 Small Business Total (Maryland 3, Pennsylvania 6, Virginia 7)
- **Region 4** - 20 Small Business Total (Tennessee 2, North Carolina 3, Georgia 9, Florida 5, Alabama 1)
- **Region 5** - 12 Small Business Total (Minnesota 2, Wisconsin 1, Illinois 3, Indiana 1, Michigan 2, Ohio 3)

- **Region 6** - 3 Small Business Total (Nebraska 1, Missouri 2) 25
- **Region 7** - 18 Small Business Total (New Mexico 1, Texas 14, Arkansas 1, Louisiana 1, Oklahoma 1)
- **Region 8** - 2 Small Business Total (Utah)
- **Region 9** - 16 Small Business Total (California 14, Arizona 2)
- **Region 10** -1 Small Business Total (Washington) Region 11 - 2 Small Business Total (District of Columbia)

However, the NSNs being worked on the MRO Req. Channel do not displace all of these contractors.

(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;
In FY 2016 GSA had two bundled contract actions totaling $117,497,972.16. One award was protested and service has not started yet.
PIID GSQ1116BJ0026 - JITSPP Information Technology Service Delivery Support Requirement totaling $102,967,468.16 (Currently under protest.)
PIID GS06Q16GVAM008 - Maintenance, Repair & Operations (MRO) Government-wide Strategic Sourcing Solution totaling $14,530,504.00

and

(II) with respect to each bundled contract, data or information on-
(aa) the justification for the bundling of contract requirements;

PIID GSQ1116BJ0026 - Through qualitative analysis, the cost reductions will result in estimated savings equal or greater than 5% of the total new contract's value. This meets the "measurably substantial benefits" test for bundling and the "substantial" benefits test for consolidation, as prescribed by FAR. The standard provided by FAR 7.107(b)(2) states that in order for bundling to be approved, the monetary benefits must equal or exceed 5% of the estimated contract value (including options). For this requirement, the estimated contract value is $407M and the anticipated savings of $26.9M or 6.6% which exceeds the required amount. In conclusion, the benefits of using a single award task order with anticipated savings of over $26.9M and expected organization improvements that will be realized from this bundling of requirements substantially exceed the benefits from other possible alternative approaches. (Currently under protest.)

PIID GS06Q16GVAM008 - GSA examined benefits which included cost, quality, acquisition cycle, terms and conditions, and other benefits. Substantial benefits were found to justify the decision to bundle/consolidate in areas of savings, better terms and conditions, reduced cycle time, and enablement of smart shopping. MRO's acquisition team identified the following quantifiable benefits of a bundled acquisition:

- Price Reductions: Based on the savings realized under the FSSI MRO Purchase Channel BPAs, an 8% savings rate can be used as a baseline for potential MRO Requisition savings as a direct result of competitive prices and leveraged spend.
- Reduced Administrative Costs: Based on the Mercator Group study, the team estimates savings of 12.4% due to a reduction in administrative costs.

Additional information is available at:
https://interact.gsa.gov/sites/default/files/Bundling-Consolidation%20Analysis.MROREQ.v11.09.09.2015%20-final.pdf

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

PIID GSQ1116BJ0026 - Estimated savings pre-award was determined to be: Government Personnel savings of 0.9% ($3.5M); Service Action Efficiency Quotient savings of 2.5% ($10.2M); Effective Utilization Model savings of 2.0% ($8.2M); Transition savings of 1.2% ($5.0M); Total savings of 6.6% ($26.9M). Please see attached detailed Bundling Analysis. Cost savings realized by bundling is over $200 million. (Currently under protest.)

PIID GS06Q16GVAM008 - Reduced Cost was the one of the substantial benefits to bundling. Greater discounts were offered than those generally offered under Multiple Award Schedule (MAS) contracts and BPAs due to the larger volume and the longevity of the contracts. Administrative Savings included distribution center savings, technology savings, etc. Personnel Cost Savings included the reduction in acquisition and depot staff. Additional information is available at:

https://interact.gsa.gov/sites/default/files/Bundling-Consolidation%20Analysis.MROREQ.v11.09.09.2015%20-final.pdf

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

PIID GSQ1116BJ0026 There will be significant cost savings as it uses a single contractor to perform its requirements while also finding ways that will eliminate redundancies by centralizing certain functions and reducing unnecessary duplication. This will lead to significant cost savings on both economies of scale, scope of work and more efficient and effective staff utilization. (Currently under protest.)

PIID GSQ0016AJ0017 Prior to award, GSA anticipated continued cost savings of $55M over the life of the Task Order.

(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

PIID GSQ1116BJ0026 - To date, the awarded contractor has complied with agency's small business subcontracting plan (subcontracting goals) and awarded 30%, $31.2 million, to small business as subcontractors. The total dollar value from previous award to small business concerns as prime contractors was $280 million. (Currently under protest.)

PIID GS06Q16GVAM008 - The acquisition team recommends the following: Maximize use of small businesses during base and option years by strict enforcement of subcontracting goals, as well as targeting items that are manufactured or sold by small businesses for additions (so long as in category scope) to the catalog and/or NSN offerings.

(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.

PIID GSQ0016AJ0017 - This requirement was set-aside for small business. This consolidation is necessary and justified, as the benefits of consolidation substantially exceed both the relative benefits of any potential alternative approaches and any negative impact on small businesses. Although it does not include bundling, this consolidated Task Order will result in some negative impact to small business. This acquisition will combine eleven existing contracts, two of which are currently supported by small business concerns. Consolidating these orders will result in significantly more contract value being awarded, but only to one small business concern. Therefore, there is some negative impact to small business, as the number of small business prime contractors will reduce from two to one. Additionally, neither of the incumbent small business concerns is currently a contractor on OASIS SB, Pool 4. Considering this, these incumbent small businesses will not be afforded the opportunity to compete as prime contractors for this consolidated Task Order. Finally, use of OASIS SB Pool 4 means competing this Task Order within a pool of 40 small business vendors. Any small business concern not currently holding an OASIS SB Pool 4 contract will be ineligible from competing as a prime contractor. However, this approach will include benefits to small businesses and to the government that offset these negative impacts.

Small Business will benefit from nine existing OTSB requirements being consolidated into this small business set aside procurement, providing a large increase of $41,092,780 to small business (see Table below).

Contract Number	Contract Type	Company	Company Size	Total Contract Value
HQ0682-13-A-0003/0001	FFP	Exelis	OTSB	$1,748,269
HQ0682-12-A-0001/0008	FFP	Deloitte	OTSB	$4,017,779
HQ00682-13-A-0002 / 0006	FFP	CACI. Inc.	OTSB	$874,701
GST0012AJ0091/ GST0012AJ0054 (1/2 on R&D/S&T 1/2 on MSS)	CPAF	Truestone	SB	$16,456,852
HQ0682-13-A-0002/	T&M	CACI, INC	OTSB	$812,440

0008		FEDERAL		
HQ0682-14-C-0004	T&M	DEFTEC	SB	$6,068,602
HQ0682-14-F-0010	T&M	Lanmark Tec	OTSB	$4,151,416
HQ0682-13-A-0003/0002	FFP	Exelis	OTSB	$730,234
HQ0682-13-A-0003	FFP	Exelis	OTSB	$25,000,000
HQ0682-12-A-0001/0009	FFP	Deloitte	OTSB	$2,682,941
HQ0682-13-A-0002/0007	FFP	CACI.Inc.	OTSB	$1,075,000
Existing SB Total Contract Value				$22,525,454
Existing OTSB Total Contract Value				$41,092,780
Existing Total Contract Value				$63,618,234

The government will benefit because:

- OASIS SB has a pool of competent SBs that can perform this work and provide adequate competition, which will ultimately result in lower prices and better solutions for the government.
- Using an established Multiple Award Contract will provide for significant pre-award savings. The time and cost investment to award a Task Order under an existing contract is approximately half that to award an open market contract.

Summary of Impact

Although there is some negative impact to small business by impacting those small business incumbents that are not approved under OASIS SB, the benefits to this approach outweigh the positive impacts of the alternative. The approach selected includes numerous cost and non-costs benefits to be realized. Furthermore, as compared to the alternatives, the approach selected includes minimal negative impacts. These impacts are limited to negative effects on small business, and are discussed in greater detail in the following section.

PIID GSQ0016AJ0035 - This Task Order is currently under protest. There has been no post award activity. The cost savings and efficiency benefits that will be realized as a result of this consolidated Task Order far outweigh any negative impacts to small business. The government's determination to compete this consolidated requirement under the OASIS Pool 3 IDIQ will affect small business, as small businesses will not have an opportunity to compete for this Task Order as a prime contractor.

PIID GSQ0316DS0043 - As noted in the approved Consolidation Analysis for this task order, there is little to no impact on the small business community since this was a total small business set aside awarded against the GSA ALLIANT Small Business GWAC. The awardee was 3Vesta, Inc. a woman-owned small business concern.

PIID GSQ1116BJ0026 - The impact to the small business concerns is that it was determined that while not one small business could fulfill the requirement, several small businesses could perform individual aspects of the requirement. Although this contract's performance has not yet started, there was a contract requirement to have 30% participation of small businesses for the prime contractor. Small businesses were awarded 30% as subcontractors. (Currently under protest).

PIID GS06Q16GVAM008 - Some potential impact on small business may have occurred, however this is more than offset by the cost savings anticipated and beginning to be realized. It should be noted that this BPA number GS06Q16GVAM008, is a very small portion of the overall MRO Requisition solution. MSC has seen $45,000 in spend to date (May - Nov 2016) against an overall $4,000,000 on the MRO Requisition solution, to date (May - Nov 2016). We, however, met with the one large contractor on this requirement - contractor MSC, on 12/7/2016 - and reminded them that they must meet or exceed their small business spend (source from small manufacturers) goal of 28% (their subcontracting goal on the Schedule), for this BPA, as per the RFQ terms. They are required to submit a report prior to the next quarterly meeting, on their spend with small business for this BPA.

Cost Savings

PIID GSQ1116BJ0026 (Currently under protest.)

1. **Is the buying activity currently capturing cost savings and continued cost savings information?** No, the award was protested and service has not started yet.
2. **What mechanisms are currently in place to capture this (e.g., contract writing system, manual data collection)?** Manual data collection will be used.

3. **If cost savings and continued cost savings are not currently being captured, please provide reasons why and identify what corrective actions will be taken to captures information in the future.** The award was protested and service has not started yet. In the future, manual data collection will be used.

PIID GS06Q16GVAM008

1. **Is the buying activity currently capturing cost savings and continued cost savings information?** Yes.
2. **What mechanisms are currently in place to capture this (e.g., contract writing system, manual data collection)?** Ordering processing system OMS and Excel analysis, combined with tracking of overall program savings outlined in the bundling/consolidation analysis, ongoing analysis of prices/savings against schedule, and continued price reductions when providing demand information to vendors or adding new items.
3. **If cost savings and continued cost savings are not currently being captured, please provide reasons why and identify what corrective actions will be taken to captures information in the future.** N/A

PIID GSQ0016AJ0017

1. **Is the buying activity currently capturing cost savings and continued cost savings information?** These two Task Orders were recently awarded, and at this point it is too early in their periods of performance to gauge cost savings.
2. **What mechanisms are currently in place to capture this (e.g., contract writing system, manual data collection)?** A Consolidation Analysis cost savings tracking system is being developed to accurately measure results and savings information against the benchmarks established in the approved Consolidation Analyses.
3. **If cost savings and continued cost savings are not currently being captured, please provide reasons why and identify what corrective actions will be taken to captures information in the future**. Not applicable at this time.

PIID GSQ0016AJ0035

1. **Is the buying activity currently capturing cost savings and continued cost savings information?**
   No, the award was protested and service has not started yet.
2. **What mechanisms are currently in place to capture this (e.g., contract writing system, manual data collection)?**
   A Consolidation Analysis cost savings tracking system is being developed to accurately measure results and savings information against the benchmarks established in the approved Consolidation Analyses.

3. **If cost savings and continued cost savings are not currently being captured, please provide reasons why and identify what corrective actions will be taken to captures information in the future.**
   Not applicable at this time.

   The award of this contract was protested at GAO and GAO has not yet ruled on it. Thus, performance under the contract has yet to begin so it is not possible to answer the questions regarding cost savings.

PIID GSQ0316DS0043

1. **Is the buying activity currently capturing cost savings and continued cost savings information?** Yes.
2. **What mechanisms are currently in place to capture this (e.g., contract writing system, manual data collection)?** All cost data is tracked through the ITSS contract writing system and available for comparison to the savings projected in the consolidation analysis document.
3. **If cost savings and continued cost savings are not currently being captured, please provide reasons why and identify what corrective actions will be taken to captures information in the future.** N/A

GSA Update on 2/27/2017:

1. **PIID GSQ1116BJ0026**

   - **NAICS:** 541512 and 518210
   - **Number of small businesses displaced:** 3 small businesses displaced (currently under protest)

2. **PIID GS06Q16GVAM008**

   - **NAICS**: 335311; 335122; 335129
   - **Number of small businesses displaced:** 3 small businesses displaced

GSA Update 0n 3/21/2017:

1. **PIID GS06Q16GVAM008**

   - **NAICS 335311 - 0 (zero) SB displaced**
   - **NAICS 335122 - 1 (one) SB displaced**
   - **NAICS 335129 - 1 (one) SB displaced**
   - **NAICS 325510 - 1 (one) SB displaced**