

STOC II ACQUISITION STRATEGY OVERVIEW

14 June 2007

STOC II Acquisition Strategy Overview

“Ground Rules”

- Hold questions until completion of the briefing
- Cards available; write questions, associate with slide number (if applicable)
- Acquisition Plan in development; strategy “close” but not final

STOC II Acquisition Strategy Overview

Agenda

➤ Baseline

Pete Marion

➤ Market Research

Jim Godwin

➤ Acquisition Strategy

Melissa Cossentino

➤ Projected STOC II Schedule

Todd Pesicek

Break

➤ Q&A

STOC II ACQUISITION STRATEGY OVERVIEW

**Baseline
14 June 2007**

Pete Marion

STOC II Acquisition Strategy Overview

WHAT IS STOC ?

- **Designed to meet PEO STRI's need for a streamlined process, quick response contractual vehicle for long-term simulation, training and instrumentation products and services**
- **Multiple award indefinite delivery/indefinite quantity contract**
- **Permits the issuance of delivery/task orders at any phase within the acquisition life cycle**
- **Provide fair opportunity to all awardees**

STOC II Acquisition Strategy Overview

STOC I

- **Four domains (Live, Virtual, Constructive, Test-Instrumentation)**
- **10-12 companies/domain**
- **Required/allowed extensive/redundant teaming**
- **Teaming arrangements fell apart (in the main) in 12-18 months as non-applicable at the DO/TO level**
- **LVCT domains – non-functional after five years of implementation**
- **First domain of STOC I expires in Sep 08**

STOC II Acquisition Strategy Overview

STOC II

- Continue improvement over its predecessors, ADST II and STOC I
- First major acquisition under new HCA - expect “growing pains,” internally and externally
- There is no perfect IDIQ solution
- Still working the Acquisition Plan - Presentation reflects our intent, subject to approval of applicable acquisition authorities

STOC II Acquisition Strategy Overview

PEO Guidance

- **Examine “best of breed” contracts issued elsewhere**
- **Establish only “need-to-know” evaluation criteria**
- **Select qualified contractors**
- **Source selection process – streamlined for reduced evaluation time and low B&P prep/cost**
- **Streamlined process for DO/TO awards, and**
- **Exceed all Small Business goals**

STOC II Acquisition Strategy Overview

Facts & Assumptions

- **The PEO will move from a predominantly Non-System Training Device (NSTD)-based to a predominantly Customer-based organization over the life of the STOC II contract**
- **Our Acquisition Strategy at the IDIQ level should emphasize Primes (and their flexibility and agility in forming innovative and creative teams at the DO/TO level)**
- **Teaming is critical at the DO/TO level, not significant at the IDIQ level**

STOC II Acquisition Strategy Overview

Facts & Assumptions (cont)

- **Cost/price is critical at the DO/TO Level, not significant at the IDIQ level**
- **Technical capability can be “Compliant/Non-Compliant” at the IDIQ level, thus supporting an Acquisition Strategy emphasizing the Prime**
 - **If technical capability is other than “Compliant/Non-Compliant,” it becomes a measure of “goodness;” many will team under the belief “more is better”**
 - **If technical capability is not constrained, the strategy could force Industry to team to establish broad technical capability**

STOC II Acquisition Strategy Overview

Metrics

- **Objective: Solicitation/Evaluation Lead Time (SELT or final RFP release to DO/TO award) must be less than 60 days; less is better**
- **Assumption: the PEO can evaluate 4-8 offers per DO/TO and still meet SELT**
- **Need to define our Pre-SELT Administrative Metric (Final RFP development to Solicitation Release)**
- **Need to define our metric for “Solicitation Responsiveness” (Initiation of contact through RFP finalization)**

STOC II ACQUISITION STRATEGY OVERVIEW

Market Research

14 June 2007

Jim Godwin

STOC II Acquisition Strategy Overview

Discussions w/Industry- Approach

➤ Goal:

- Supplement One-on-One's
- Provide for meaningful dialogue outside of Industry Day

STOC II Acquisition Strategy Overview

Discussions w/Industry- approach

➤ Process:

- 14 sessions, 4-4.5 hours each**
- Over 110 Companies attended**
- NMT 10 companies/per session; NMT 2 reps/company**
- Agenda-moderated, not lecture-driven**
- Opportunity to “brain storm” and express opinions**

STOC II Acquisition Strategy Overview

Common issues discussed w/Industry

- **Number of Primes (target range)**
- **Number of/definitions for domains**
- **Teaming arrangements**
- **Small Business goals & objectives**
- **Sustainment of the Industry base**
- **Evaluation Criteria**

STOC II Acquisition Strategy Overview

Common issues discussed w/Industry (cont)

- **Shift from NSTD- to Customer-based Work**
- **Open to all “colors of money ” & all types of contract actions**
- **Domains not structured along L-V-C-T**
- **Prime vice LSI**
- **Address STRI Charter**
- **Address Simulation/Training/Instrumentation-stay in core “scope”**

STOC II Acquisition Strategy Overview

of Primes

- Industry recommended “Best of Breed” IDIQs typically have 8-12 providers
- 10 primes have performed 85.7% of efforts under STOC I, SEP 00-Present
- Smaller numbers of primes may make the vehicle more attractive for Industry to bring work to STOC II (e.g., will I have to compete with 10 other vendors or 45?)
- Fewer primes at the IDIQ level reduces the complexity and resources required during the “execution phase” of the IDIQ

STOC II Acquisition Strategy Overview

of Primes (cont)

- **Smaller numbers of primes would/could adversely affect the viability of our “industrial base”**
- **Smaller numbers of primes increases the probability of “pass-through fees” in reaching subcontractors**
- **Smaller number of primes increases the probability of an “LSI” role**
- **Smaller number of primes = less minimum guaranteed dollars for the PEO**

STOC II Acquisition Strategy Overview

of Primes (cont)

➤ Large Prime base:

- Provides greater access for Customers to Industry (possible access w/o pass-through fees)
- Increases likelihood of prime and potential customer co-location (less Orlando-centric, may better support a customer-based orientation)

STOC II Acquisition Strategy Overview

of Primes (cont)

➤ Large Prime base:

- Is resource intensive in “post award” execution phase of the IDIQ
- Requires a paradigm shift in acquisition processes (a fair opportunity while determining the best qualified vendors to participate in an efficient competition (4-8 proposals))
- Is a more challenging IDIQ minimum guarantee for the PEO

STOC II Acquisition Strategy Overview

Domains:

- Increase the size of the available Industrial Base while narrowing the competitive range of potential offerors to a particular solicitation
- Increase access to the Industrial Base (as primes), mitigating against large “pass-through” fees
- Equate to more “contracts”- more expensive to write, more expensive for Industry to respond, more expensive for the PEO to evaluate and sustain over its life-cycle

STOC II Acquisition Strategy Overview

Domains (cont):

- Allow for addressing issues in regard to Small Business and NAICS (e.g., one domain with a gross revenue-based NAICS, one with an employee-based NAICS)
- Are constraining
- Create an opportunity for protests (IDIQ-Out of Scope)

STOC II Acquisition Strategy Overview

Teaming arrangements

- **STOC II Acquisition Strategy identifies successful offerors based upon Prime capabilities (at the IDIQ level)**
- **Acquisition Strategy should clearly de-emphasize the importance of teaming at the IDIQ level and emphasize the importance of teaming at the DO/TO level**
- **The larger the “number” of Primes, the less incentive to form teams**

STOC II Acquisition Strategy Overview

Teaming arrangements (cont)

- De-emphasis on teaming at the IDIQ level allows subcontractors to pursue a Prime who affords them the best opportunity (at the DO/TO level), which should also benefit the Government
- Primes may also subcontract at the DO/TO level

STOC II Acquisition Strategy Overview

Small Business-Primes & Subcontractors

- **STOC II must assist the PEO in meeting or exceeding its Small Business goals (Primes)**
- **STOC II Strategy will require Small Business “set-asides” (Primes)**
- **Subcontracting and Small Business Participation Plans will likely be a key Evaluation Criteria**

STOC II Acquisition Strategy Overview

Small Business-Primes & Subcontractors (cont)

- **Current strategy is to offer a “carrot and stick” approach to Primes and their Small Business subcontracting/ participation goals**
 - **Desire is to provide incentives for those meeting or exceeding their goals – % Awards and/or Past Performance consideration regarding future DO/TOs**
 - **Intent is to provide for penalties (with discretion for scaling) for Primes which fail to meet their stated goals, exclusive of mitigating circumstances, e.g., PEO decision not to exercise an option**

STOC II Acquisition Strategy Overview

Sustainment of the industry base

- Without multiple domains and/or a large number of Primes, there is no Acquisition Strategy which assures direct access to “Large” Business vice “Mega-Large” and Small Business
- Diversity is critical to our industrial base and our access to innovative and creative solutions
 - Customer desire to reach these companies w/o a “pass-through” fee
 - Co-location with and influence of these companies with Customers

STOC II Acquisition Strategy Overview

Evaluation Criteria

- **Avoid those criteria which don't allow STOC II to discriminate among offerors or permit offerors to differentiate themselves from their competitors**
- **There are Army Source Selection Manual (ASSM) mandated EC areas: Quality, Past Performance and Cost/Pricing; the PEO has "broad discretion" in assessing "quality"**

STOC II Acquisition Strategy Overview

Evaluation Criteria (cont)

- **If the Acquisition Strategy cannot determine how to ask for data that allows for discrimination/separation, it should minimize the importance and the resourcing requirements for these mandated Evaluation Criteria**
 - **Lesson Learned: Cost/Pricing was a non-critical EC on STOC I, yet the manner in which STRICOM structured the requirement significantly added to Industry's cost of proposing**
 - **Lesson Learned: The STOC I Acquisition Strategy drove Primes to team at the IDIQ level, when it was critical only at the DO/TO level; unnecessarily expensive for the Government and Industry**

STOC II Acquisition Strategy Overview

NSTD vice customer based organization

- **STOC II PoP should see the PEO transition from “mega-NSTD projects” (e.g., CCTT/WARSIM) towards customer-based projects**
- **Significantly influences the shape of STOC II**
- **Customer access must be broad-based and inclusive of the Joint Warfighter community, e.g., USAF TSPG**

Promote openness to all “colors” of money

- **Though allowed, OMA has traditionally not gone to STOC I**
- **Most customer OMA has gone to OPS and their existing contracts**
- **Some customers with OMA prefer to have alternative contractor solutions**
- **OPS desires to have options w/i STOC II for their use in regard to their requirements (non-Warfighter Focus/WCLS)**

STOC II Acquisition Strategy Overview

L-V-C-T will not be the domains in STOC II (if there are domains)

- LVCT has too many “blurred” edges to serve as a domain “separator”
- If we use domains, need something which will be viable for the STOC II PoP

Prime vice LSI

- LSI’s are out of favor within the Government; we may/expect to see legislation which significantly constrains their use
- Intent is to select Primes (having a “Make” or “Buy” decision capability) vice a LSI (having a “Buy” charter)
- Will not preclude using a Prime in a fundamentally LSI role, if the DO/TO so requires

STOC II Acquisition Strategy Overview

STOC II should address the new/revised charter

- **The Acquisition Strategy should address the need for STOC II to provide access to primes which have acumen/capabilities in the Joint Warfighter environment**

STOC II will stay in the same scope as STOC I

- **STOC II will not be all encompassing, e.g., will not provide for QOL, etc.**
- **IDIQs are under constant scrutiny; STOC II must follow the precedent set under STOC I, e.g., must address the core business of Simulation, Training & Testing Systems, and Instrumentation**
- **An overly broad STOC II will result in redundancies w/other contractual vehicles and could result in challenges/explanations/defense w/ASAALT**

STOC II Acquisition Strategy Overview

Industry Comments

- Define desired metrics, not processes
- Target range for primes, domains is critical to Industry
- Small Business Challenge
 - NAICS Code (s)
 - Annual PEO target is roughly \$500M (of \$2B/annual revenues)
 - STOC II will be a major component of PEO plan to meet objectives
 - Credible solution may dictate many SBs (and SB subcategories, e.g., 8a, Hub-zone, SDVOB) on STOC II
 - “Open Season” – SB only

STOC II Acquisition Strategy Overview

Industry Comments (cont)

- **Business forecast/breakout of dollars/Customer “Slice”**
- **Orals-Potentially too many offerors to be “doable”**
- **Small Business Reporting/Ability to enforce compliance**
- **“Pass-through Fees”**
- **Opportunity to compete: Small number of Primes curtails access to innovation & creativity**

STOC II Acquisition Strategy Overview

Fundamental Choice

Narrow or Broad Range of Primes at the IDIQ-level?

STOC II ACQUISITION STRATEGY OVERVIEW

Acquisition Strategy
14 June 2007

Melissa Cossentino

STOC II Acquisition Strategy Overview

PEO STRI Acquisition Strategy

- Inclusive at the IDIQ Level, establish ordering procedures to provide “fair opportunity” in an efficient manner at the DO/TO Level
- IDIQ will focus on capabilities of the Prime; PEO will not evaluate teaming at the IDIQ Level nor will the PEO consider it a strength/weakness
- Evaluation approach will emphasize teaming and cost/pricing at the DO/TO level (when applicable)
- Domains-Preference is a single domain

STOC II Acquisition Strategy Overview

PEO STRI Acquisition Strategy (cont)

- **Supports key objective of broad access to Industry while minimizing the impact of “pass-through” fees (PEO and Stakeholder)**
- **Should result in primes being more Customer-centric vice Orlando-centric, supporting the PEO transition to a more Customer-based organization**
- **Provides a credible number of small businesses to enable achievement of our Small Business goals**
- **Provides greater access to innovative/creative solutions (potential providers relegated to subcontractor role under STOC I; no ability to bid)**

STOC II Acquisition Strategy Overview

PEO STRI Acquisition Strategy (cont)

➤ Evaluation Criteria

- Simulation/Training or Testing Systems/ Instrumentation acumen as “Compliant/Non-Compliant” criteria minimizes/eliminates the need to team
- “Quality” focus of the evaluation will be on Management Plans (processes), Subcontracting Plans and Small Business Participation Plans and a prime’s ability to substantiate them
- Cost/Pricing will likely be the least important EC

STOC II Acquisition Strategy Overview

PEO STRI Acquisition Strategy (cont)

- Strengths/weaknesses may include process certifications (e.g., ISO 9000), Information Assurance processes and Joint Warfighter acumen
- PEO will reserve the right to conduct an “open season” in both the Full & Open category as well as the Small Business category
- No intent to have Orals

STOC II Acquisition Strategy Overview

PEO STRI Acquisition Strategy (cont)

- **Capability Evaluation – “Compliant/Non-Compliant”**
- **Qualify in one at the IDIQ-level, eligible for all at the DO/TO level**

	Products		Services	
	Training	Testing	Training	Testing
Simulation				
Systems				
Instrumentation		<input checked="" type="checkbox"/>		

STOC II Acquisition Strategy Overview

PEO STRI Acquisition Strategy (cont)

➤ Full and Open

- All PMs/Customers have a need for access to the “Mega-large” companies; estimate 10-14 to be successful
- PMs/Customers also have large business technologies they desire to access
- Large business technologies are both unique to some PMs and cut across others; estimate 20 to 30 to be successful

NOTE: All “numbers” are an estimated range, not a guarantee!

STOC II Acquisition Strategy Overview

PEO STRI Acquisition Strategy (cont)

➤ Small Business

➤ NAICS code determination not made yet. Possibilities include:

- 333319- Other Commercial and Service Industry Machinery Manufacturing (500 employees)
- 334111- Electronic Computer Manufacturing (1,000 employees)
- 541330- Engineering Services; Military and Aerospace Equipment and Military Weapons Exception (\$25M)
- PMs desire to access small business technologies
- Small business technologies tend to be PM unique
- Target range for Small Business is estimated as 40-60 companies (inclusive of all types, e.g., Hub-zone, 8a, SDVOB)

Note: All “numbers” are an estimated range, not a guarantee!

STOC II Acquisition Strategy Overview

PEO STRI Acquisition Strategy Challenges

- **Will be more resource intensive in its life-cycle management**
- **Will require robust, well-defined ordering procedures for providing fair opportunity (at the DO/TO level)**
- **Will require internal discipline to “make the process work”**

STOC II Acquisition Strategy Overview

Organizational Conflict of Interest (OCI)

- Intend to eliminate conflicts of interest that exist between STOC II providers and SETA providers
 - STOC II provides for simulation & training products & services in support of PEO and customers
 - Systems Engineering & Technical Assistance (SETA) primarily provides for augmentation of PEO STRI staff capabilities with access to sensitive programmatic information
- Expect to see strict OCI language in STOC II solicitation
 - Risk associated with actual, potential or appearance of OCI between SETA and STOC II providers may not be able to be mitigated
 - Proposals will need to address conflicts of interest and may be deemed unacceptable if not able to adequately propose a solution to avoid/mitigate OCIs

STOC II ACQUISITION STRATEGY OVERVIEW

Projected Schedule
14 June 2007

Todd Pesicek

STOC II Acquisition Strategy Overview

Tentative Schedule

Market Research 10 Apr-9 May 07

**Coordination/staffing
w/PEO leadership/stakeholders 30 Apr-Ongoing**

**Visits/reviews with
“Best of Breed” contracting offices 10 May-10 Jun 07**

**Industry Day/Acquisition
Strategy Brief 14 Jun 07**

STOC II Acquisition Strategy Overview

Tentative Schedule (cont)

Draft RFP	1 Sep 07
Final RFP	Early-Mid Jan 08
Proposals due/evaluation tm trg	Mid Feb 08
Evaluation/selection complete	Late Jun 08
Administrative processing	Jun - Jul 08
Awards	Aug/Sep 08

STOC II ACQUISITION STRATEGY OVERVIEW

BREAK

14 June 2007

STOC II ACQUISITION STRATEGY OVERVIEW

Q&A

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