STOC II Market Research
Industry Discussion Summary

1. **Purpose:** This document summarizes PEO STRI discussions with Industry during the STOC II Market Research meetings held 10 April through 9 May 2007.

2. **Background**: PEO STRI conducted 14 small group meetings with Industry over the period 10 April-9 May 2007. Our intent was to provide base information to Industry regarding STOC II and solicit Industry's feedback on the pros/cons of the base information and discuss potential acquisition strategies for STOC II. Base information provided to Industry was as follows:

a. Nothing discussed during the sessions committed the Government to any particular Course of Action.

b. Three "rules" would govern the discussion:

(1) STOC II solution must comply with all applicable laws/regulations.

(2) Beyond Rule 1, the needs of the Government would be paramount.

(3) We would attempt to optimize STOC II for Industry, consistent with Rules 1 & 2, with the understanding there was no "solution" which would satisfy all of Industry.

c. PEO Guidance:

(1) Consider "best of breed" comparable IDIQ contracts in STOC II development.

(2) Establish "separation/differentiation-based" Evaluation Criteria. If you can't do it, minimize the cost and/or "pain" associated with the criteria-to the Government and Industry.

(3) Select "qualified" vendors that have acumen in the Simulation, Training and Instrumentation industry.

(4) Streamline the request for proposal/proposal/proposal evaluation/life-cycle maintenance cost of STOC II-for the Government and Industry.

(5) Provide for the streamlining of Delivery Order (DO) and Task Order (TO) Awards.

(6) Meet or exceed all Small Business Goals.

d. Metrics/Facts/Assumptions:

(1) Solicitation/Evaluation Lead Time (SELT) should be under 60 days. SELT represents the time between final RFP release and award. The shorter the SELT, the better.

(2) The PEO has sufficient resources to evaluate 4-8 proposals for a given DO/TO and still be able to meet the 60 day SELT goal.

(3) The PEO will transition from a primarily Non-System Training Device (NSTD) based to a Customer-based organization during the next 8 years.

(4) To be successful, the PEO must be responsive to Customer expectations (e.g., accessibility to Contractors without exorbitant "pass-through fees;" efficient and effective management (a 60 day SELT is irrelevant if it takes four months to get the final RFP released).

e. Discussion Issues:

(1) # of Primes:

(a) Comparable IDIQ vehicles of other various agencies have 8-12 primes.

(b) 8-12 primes limits the number of potential offers to a DO/TO the PEO would have to evaluate and would facilitate meeting a SELT of less than 60 days.

(c) 8-12 primes limits the potential "competitors" for Customer requirements a prime may refer to the PEO (unless an exception to fair opportunity applies, the FAR requires us to compete all work; however, a constrained number of primes creates a more favorable competitive environment than 40 to 100 potential competitors and would/could be more encouraging to primes in suggesting to Customers they use STOC II)

(d) 8-12 primes are less resource intensive for PEO STRI to manage

(e) Under STOC I, 10 companies have performed the majority of the work (out of 33; several have never received any work).

(f) Limiting the number of primes to 8-12 would/could adversely affect the accessible Industry Base (Central Florida alone has 130 or more companies in the STI business; many could go out of business; the PEO may not have access to the best innovative and creative solutions)

(g) 8-12 primes would/could result in exorbitant "pass-through fees" to reach subcontractors, especially those with niche/unique solutions.

(h) More primes (e.g., 40 or more) would/could increase the PEO life-cycle management costs.

(i) More primes provide greater Customer access to a greater number of contractors without paying a " pass-through fee."

(j) One domain, more primes would/could result in a simpler RFP for the PEO to write, Industry to propose and the PEO to evaluate. Sustainment could potentially be equal to or greater than more constrained options.

(k) More primes would/could provide greater numbers of potential competitors for work a Customer brings to the PEO.

(l) More primes create the potential for a large number of proposals in response to a particular TO, increasing evaluation costs and pushing us outside our SELT goal.

(m)More primes would/could create false/unrealistic expectations with Industry in regard to the amount of work they will actually receive.

(n) IDIQs have a requirement of a guaranteed minimum, which cannot be a nominal amount. The more primes, the greater the challenge to meet the minimum for each and the greater the challenge in setting that minimum at something other than a nominal amount. The mitigating factor is we must meet the minimum over the life of the contract, not at the beginning/first year.

(2) Domains.

(a) Domains (or Lots) offer the opportunity to add breadth to our access to more contractors while keeping the potential offerors on a TO constrained and manageable.

(b) Domains are essentially "discrete" contract actions. Each requires the PEO to write a separate RFP; if Industry desires to "play" in more than one Domain, they must prepare a proposal for each; the PEO must provide evaluation teams for each Domain; and the PEO must provide life-cycle support for each Domain. Domains get to be resource intensive for the PEO and Industry very quickly.

(c) Domains dictate the PEO clearly define and constrain each. These constraints must "foresee" the needs of the evolution of the PEO for the next eight years. Because of the ever changing nature of our business, our ability to do so is dubious (e.g., Live, Virtual, Constructive and Testing). As we evolve and the definitions become restrictive on our ability to support the Warfighter/Customer, we would/could be forced to make changes "on the fly" or provide less than adequate support to the Warfighter.

(d) Domains lend themselves to one of three areas available for protest under IDIQ rules (Out of Scope, Over Ceiling and Beyond Period of Performance). It is often difficult to clearly define the lines between Domains (See LVCT), with Industry potentially experiencing consternation over requirements the Government channels into a specific Domain which primes in other domains believe could have easily have been channeled into theirs.

(3) Teaming Arrangements.

(a) An acquisition strategy predicated on technical capability at the IDIQ level establishes this Evaluation Criteria as a "measure of goodness" and drives Industry to build teams (with as many partners as possible on the team-"more is better.")

(b) Per STOC I, teaming arrangements lasted roughly 12 to 18 months, when many fell apart.

(c) Per STOC I, teaming arrangements only became relevant at the TO level.

(d) Exclusive teaming at the IDIQ level can "lock" niche providers into a single prime. When the PEO wants to reach that vendor, the pass-through fees can make it "cost prohibitive" for that vendor to offer a solution.

(e) Teaming arrangements are expensive for Industry. Exclusive teaming is more so. If they are only relevant at the TO level, the STOC II RFP should not establish an Acquisition Strategy that encourages Industry to team at the IDIQ level.

(f) Our predisposition is to preclude exclusive teaming at the IDIQ level.

(g) Our predisposition is to remain "moot" on teaming at the TO level. It would allow subcontractors with unique/niche capabilities to market their capabilities to various primes in response to a DO/TO and secure the best offer for them, which would hopefully also be the best offer for the Government.

(4) Small Business

(a) Assuming primes at the IDIQ level are the focal point, Subcontracting Plans and Small Business Plans become critical items for Evaluation.

(b) If feasible, STOC II should allow for incentives to contractors for meeting small business subcontracting goals as well as repercussions for companies that fail to meet such goals:

- Awards/incentives to primes who meet Small Business objectives are desirable.

- Repercussions could take the shape of a PEO declination to exercise a company's option; suspension from making an offer for six months; suspension from making an offer on the next "x" number of TOs or some other punitive option.

- If a contractor fails to meet its subcontracting goals, the onus would be on the contractor to present mitigating circumstances as to why adverse action should not be taken.

- A repercussion approach should offer graduated options. It would/could be unrealistic (and perhaps unfair) to deny a company an option based upon a failure to meet a Small Business goal, when a suspension of bidding privileges might be sufficient for corrective action. Further, if we were to decline to exercise the option on a particular vendor to the detriment of a critical customer, our stakeholders might call our "collective judgment" into question. However, "not exercising an option" should be one of the graduated choices.

(5) Protecting/Sustaining the Mid-Size Business Base

(a) Regulations prohibit the Government from establishing a "pool" of preferred vendors (which would include these businesses) and directing the primes to use them as the first choice in sub-contracting.

(b) Creating "unique domains" designed to appeal to specific mid-size providers would inevitably attract large business as well.

(c) The only credible option for protecting/sustaining this business base would be a large pool of primes, either through one large domain or multiple "smaller pooled" domains.

(6) General Thoughts

(a) Keep the page count as small as possible. The "proposal" will expand to meet the time and space allotted. A small page count would/could force the offeror to answer a direct question in a direct manner. A generous page count allows the offeror to answer a direct question in multiple ways in the hope that one will be the "right" one.

(b) Chose Primes (who have a "make or buy" decision ability) vice LSIs (who essentially have a "buy" decision ability).

(c) Must be sufficiently flexible to allow the PEO to respond to the "unknown" requirements of the next 8-10 years.

(d) Provide an alternative for the Customer Support services currently provided by OPS; allow for the commitment of OMA customer money outside the WCLS funds provided for Warfighter Focus.

(e) Senior leadership does not favor the current domains (L-V-C-Testing), as they are too restrictive, the defined lines between each are too blurred in regard to what the PEO needs to do. However, the final STOC II solution must provide Products and Services across the Modeling & Simulation environments in support of Live, Virtual and Constructive Training and Testing.

(f) The STOC II solution should address the revised PEO STRI Charter (e.g., potential to emphasize support to the Joint Warfighter)

(g) STOC II will not go outside the historical precedent set by STOC I. The PEO will not broaden its scope to include non-core missions, such as Quality of Life.

3. Industry Observations. Discussion issues raised by Industry over the course of the 14 sessions are as follows:

a. Clearly define the metrics, not the processes, you are trying to meet (e.g., SELT less than 60 days, no more than an average of four to eight responses to a given TO).

b. The target range for the number of primes we intend to select is critical to business. If 8-12, mega-large businesses will commit $2M or more to win then many mid-/non-Mega large businesses will not bother to compete. If we select a large pool of primes, the mega-large businesses will likely allocate no more than $500K for the proposal and many mid-/non-Mega large businesses will elect to compete.

c. Small Business objectives are a challenge. Assuming the PEO is a $2B/year business and the Small Business objective is 25%, the PEO's "dollar" goal for Small Business is $500M, annually. The PEO anticipates the STOC II vehicle will be a significant contributor towards meeting this goal If so, the PEO would likely need to include a substantial pool of small business Primes on STOC II to be credible in its ability to meet its small business goals.

d. A small number of primes drives these primes to establish offices in Orlando, making their focus "Orlando-centric."

e. A large number of primes would/could result in fewer companies with an Orlando footprint and more companies co-located in the vicinity of critical customers. This would/could be a crucial decision if we are to become a "customer-based" organization.

f. NAICS code selection for small businesses are an item of continuing interest. We could use a products-based code (employees) of 500-1500. 1500 would include many of the mid-/non-Mega large businesses (some with multi-billion dollar gross annual revenues). This could severely damage true small business and not be in keeping with the spirit of promoting small business. However, it might be the only way to create opportunities for mid-/non-Mega large businesses should we elect a constrained pool of primes.

g. If we have small business set-asides and these small businesses exceed their size limitation (at the five year recertification), they would automatically transition to the full and open category. The same logic would apply for small businesses purchased by companies outside the established NAICS, following novation.

h. We should not have an "open season" in the Full & Open category, as the lower subsequent B&P costs for the late entries would/could create a competitive advantage.

i. We should have an "open season" for Small Business set-asides, metric-based. When the number of small businesses falls below a certain number (e.g., 9 of 15 or 60%), we should conduct an "open season." The B&P for this open season would/should be relatively small and comparable to the initial competition. The additional thought was the graduation of/purchase of small business would suffice to replenish the Full & Open category.

j. The oft-expressed belief is we would only get 4-8 proposals per TO, regardless of the number of vendors. Many cited the number of offers we get from the current 33 vendors on STOC I as proof. The counter is the current vendors are already constrained, in general terms, towards one facet within LVCT. It is possible but not probable they will make an offer outside their current "lane," so it is not necessarily a valid benchmark. If we accept this premise as probable, we should, nonetheless, take steps to mitigate against receiving an overwhelming number of proposals relative to a discrete TO.

k. Industry raised the issue of possibly creating an IDIQ based on a tiered-approach (one for the Mega-large businesses, one for the mid-/non-Mega large businesses and one from small business) during the meetings. Industry representatives cited contracts they believed used such a strategy and offered to submit a white paper addressing its tenets.

l. Some discussion on the "guaranteeing work" to the primes that bring the work to the PEO. AMCOM Express was cited as an example IDIQ that allowed such action. Our subsequent investigation revealed this not to be the case. We must compete all DO/TOs unless one of the exceptions to fair opportunity listed in FAR 16.505 applies. This will remain the case under STOC II.

m. Some companies expressed frustration in regard to their ability to pursue RFPs because it was not cost-effective for or attractive to the Prime. Their concern was a STOC II strategy which limited the number of Primes would/could constrain the PEO's access to the full range of innovative and creative solutions.

n. Industry inquired about a "business forecast" and the focus/core of the potential Customer work that would help shape the needs for STOC II.

o. Periodic discussion on Orals. Belief was it would be too over-whelming, especially if we had a large number of primes/offers. The second issue is, at the IDIQ level, main focus of the Orals would be to establish whether or not the Government believed it could establish a positive working relationship/partnership with this company as a prime. Unfortunately, a "Comfort level/Confidence" Go/No Go is a very subjective evaluation criterion. Past Performance may be of more effective and efficient use in determining the adequacy of working relationships.

p. If we went with multiple domains, Industry wants to know the %/dollar values that would go into each domain.

q. Queries were asked about Terms & Conditions and our receptiveness to suggestions. Tom Bunch, Contract Specialist, will meet with companies on a case-by-case basis to address these issues.

r. Much discussion on having a broad number of primes and how to quickly/methodically narrow the field of competitive vendors to 4-8 final proposals, especially in field of large numbers of primes. The FAR allows for the establishment of ordering procedures at the IDIQ level, which the PEO may tailor to the TO. For example, a desktop audit of past performance, an RFI, followed by written white papers/orals/quad charts. This adds to the pre-SELT administrative time, requires a paradigm shift and discipline in the way we conduct business. Further, we would have to establish metrics and track/improve our pre-SELT administrative time (we should consider this, regardless of the COA).

This approach would put a premium on the use of templates, outlines and electronic media in facilitating the rapid adjudication of narrowing competitive ranges, solicitations and evaluations.

Further, this approach would/could encourage primes to suggest Customers consider the STOC II vehicle. We should include Customers on the Evaluation Teams for TOs, accordingly.

s. There were some expressions of lack of confidence in the reporting of Small Business use. We plan to visit the sites of one or more business to examine the process and its credibility.

t. There was some skepticism the PEO would be able/willing to enforce a harsh repercussion (such as not exercising an option) against a Mega-large business if it failed to meet small business goals. The adverse reaction from a Customer if they could no longer "reach" a Mega-large is a consideration. This thought would drive us towards a tiered approach to punitive actions.

u. Some discussion on cost/pricing. Most felt labor rates and sample tasks were too easily gamed. "Real" tasks would/could play in favor of particular companies at too early a juncture in the IDIQ selection process and might force premature teaming, adding to costs. Best option is to go with labor rates as the least painful approach to all parties concerned.

v. Emphasis on primes at the IDIQ level implies those that are successful will establish "preferred vendor" lists and have pre-negotiated labor rates in order to be agile and responsive.

w. Pass-through fees remain an issue. Given their risk and fees, primes charge as much as 20%-25%. Although some IDIQs (e.g., Seaport-e) limit fees, our predisposition is to let market forces determine the fees. However, high pass-through fees (or the perception thereof) cause potential customers to go elsewhere. This perspective pushes our potential Acquisition Strategy into the "large number of primes" approach.

4. Tentative Schedule.

a. 10 May-14 June 2007: Coordination with Stakeholders, other IDIQ Contract Holders, PEO Senior Leadership to reach consensus on Acquisition Strategy.

b. 1 August 2007: Release Draft RFP.

c. Mid-September 2007: Close comment window on Draft RFP. Initiate Evaluation Team Training.

d. NLT Mid-October or Mid-January 2008: Release Final RFP.

e. Mid-November 2007 or Mid-February 2008: Proposals due.

f. Mid-November 2007-Mid-April/Mid-May 2008: Evaluation of Proposals (Earlier is better).

g. Mid-May 2008-September 2008: Administrative Processing/Approval Processing (Earlier is better).

h. September 2008: Award of STOC II (first lot of STOC I expires in late September 2008).