

# Defense Logistics Agency

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SEPRT 14



## Exclusive Distributor Price Documentation Requirements

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Director

Procurement Process Support Directorate

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**Warfighter  
Support**

**Stewardship  
Improvements**

**Business Process  
Refinements**

**Workforce  
Development**



# Agenda

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- DPAP Memorandum
- Potential Overpricing
- SSA Partner Expectation
- Actions To Date
- Future Actions



# DPAP Memorandum

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Subject: Access to Records with Exclusive Distributors/Dealers

Dated: November 7, 2007

Purpose:

- (1) Ensure Contracting Officers are **SUCCESSFUL** in obtaining necessary data for determining fair and reasonable prices for purchases from distributors when TINA does not apply.
- (2) Require contracting activity to notify DPAP when data is not provided and award must be made due to exigent circumstances.

Background:

- OEMs sell sole source products through distributors to the Government in some situations
- In some cases Contracting Officers cannot determine prices to be fair and reasonable because distributors are unable to obtain the required data from OEM to provide to the Government.



# DPAP Memorandum

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(Background continued....)

- Distributors are responsible for supporting ALL proposal costs.
- Distributors do not have direct access to Mfg costs.

Specific DPAP Requirements:

- When TINA applies, the distributor and subcontractor (OEM) are required to provide certified cost or pricing data iaw FAR 15.403-4.
- When TINA does not apply, the distributor and subcontractor (OEM) are required to provide other than certified cost or pricing data iaw FAR 15.402
- When TINA does not apply and distributor does not provide data, the HCA must determine if award is in the best interest of the Government iaw FAR 15.403-3(a)(4)
- DPAP must be notified when an award is made to a distributor w/o the required data to determine price fair & reasonable



# Potential Overpricing Dealer/Mfg Relationships – FY 08

Vendor	Expected Total	Total Paid	Potential Overpricing	% Paid More Than Expected	Lead Time Change % (Dealer/OEM)
Dealer A	\$ 6,826,087	\$ 9,950,800	\$ 3,124,713	45.8%	4.7%
Dealer B	\$ 12,176,679	\$ 17,969,193	\$ 5,792,514	47.6%	29.5%
Dealer C	\$ 10,385,980	\$ 19,856,732	\$ 9,470,752	91.2%	-14.1%
Dealer D	\$ 14,243,849	\$ 20,449,812	\$ 6,205,963	43.6%	-10.4%
Dealer E	\$ 3,036,999	\$ 5,077,813	\$ 2,040,814	67.2%	-15.6%
Dealer F	\$ 6,975,200	\$ 9,919,244	\$ 2,944,044	42.2%	8.8%
Dealer G	\$ 577,339	\$ 1,034,709	\$ 457,370	79.2%	-40.2%
Dealer H	\$ 212,454	\$ 517,157	\$ 304,703	143.4%	17.3%
<b>TOTALS:</b>	<b>\$ 54,434,587</b>	<b>\$ 84,775,460</b>	<b>\$ 30,340,873</b>	<b>55.7%</b>	<b>2.9%</b>

Overall we have experienced a **56%** increase in prices paid – with small lead time reductions when contracting with a distributor versus the actual manufacturer.



# SSA Partner Expectation

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- Value added to War Fighter in distributor arrangement
- Value added
  - Reduction in price
  - Reduction in lead time
  - Improved Service
- Provide cost information when requested by distributors



# Actions To Date

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- Analyzed pricing from distributors where we paid more for OEM Sole Source parts than we expected to pay.
- Provided reports to DLA Acquisition Mgmt and DPAP on those companies
- HCA sent letters to those companies expressing concern over pricing issues



# Future Actions

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- HCA plans to meet with the CEOs of distributors to address pricing issues
- HCA may contact OEMs to obtain pricing data / information
- Refer problematic offenders to DLA Acquisition Management and DPAP

