

# DEFENSE LOGISTICS AGENCY

AMERICA'S COMBAT LOGISTICS SUPPORT AGENCY

## DLA Land and Maritime

The logo features a globe with a bald eagle perched on top. A banner above the eagle reads "LOGISTICS" and a banner below it reads "DEFENSE AGENCY". The globe is overlaid with a stylized American flag pattern of red and white stripes.

# Cost and Pricing Overview



# Agenda



- Better Buying Power**
- Fair and Reasonable Price**
- Price Analysis**
- Cost Analysis**
- Commercial Items**
- What DLA Land and Maritime is Doing**
- DLA Land and Maritime Recommendations**



# Better Buying Power



- **Better Buyer Power is the implementation of best practices to strengthen the Department of Defense's buying power, improve productivity, and provide an affordable, sustainable capability to the Warfighter.**
- **It's main objective is to deliver better value to the taxpayer and Warfighter by improving the way the Department does business.**
- **Each iteration of Better Buying Power has built upon the previous (Currently at 3.0).**
- **<http://bbp.dau.mil/>**



# Better Buying Power



- **The Better Buying Power Ideals and Goals:**
  - *How can we lower costs and deliver greater value to the Warfighter?*
  - *How can we extract additional combat capability from every taxpayer dollar spent?*
  - *Ensuring we get a Fair and Reasonable price for the taxpayer and Warfighter!*



# Buyer and Contracting Officer's Responsibility



- **Conduct procurements in accordance with the applicable policies and procedures.**
- **Purchase supplies and services from responsible sources at fair and reasonable prices. (FAR 15.402(a))**
  - *Obtain the necessary data, when needed; to establish a fair and reasonable price.*
  - *Often Buyers and Contracting Officers will fact find and negotiate to obtain a fair and reasonable price.*



# What is a Fair and Reasonable Price?



- There is not a specific definition for “Fair and Reasonable Price” in the FAR, but it is mentioned a lot!
  - *Generally we view it as:*
    - **Reasonable:** A price that a prudent and competent buyer would be willing to pay, given knowledge of
      - *Market Conditions*
      - *Supply and Demand*
      - *General Economic Conditions*
      - *Competition*
      - *Market Definition*
      - *Relative Pricing*
    - **Fair:** Fair to both the seller and buyer



# What is a Fair and Reasonable Price?



- **As mentioned, a Fair and Reasonable price is a price that is acceptable to both the Buyer and Seller (i.e., win-win outcome).**
  - *DLA Land and Maritime is always interested in getting the best deal for the Warfighter and taxpayer!*
  - *However, “Profit” is not a dirty word and is necessary for companies to operate. We understand... But it should be reasonable.*



# Why is a Fair and Reasonable Price Important?



- **As stewards of the taxpayer's dollars, the Contracting Officer has a responsibility to ensure that it is spent wisely.**
- **FAR 15.406 requires the Contracting Officer to document their fair and reasonable price determination. This includes:**
  - *The analysis performed and their basis;*
  - *Negotiations, if needed; and*
  - *The overall determination*





# Fair and Reasonable Takeaway



- **The Contracting Officer/Buyer is responsible on ALL procurements to determine whether the price is fair and reasonable**
- **The contractor is responsible for justifying their price as being fair and reasonable by providing adequate support or basis for their cost/price position.**



# Fair and Reasonable Takeaway



- **When a Contracting Officer does not have sufficient information they need to make a fair and reasonable price determination:**
  - *The award is often delayed, due to the need to obtain the necessary information or to perform additional analysis.*
- or
- *The award can not be made.*
- **Both impact Warfighter support!**



# Methods to Determine a Price Fair and Reasonable



- For DLA Land and Maritime the most common analysis techniques used are:
  - *Price Analysis (FAR 15.404-1 (a)(2))*
  - *Cost Analysis (FAR 15.404-1 (a) (3) and (4))*
- We will go over this...



# Price Analysis



- **Price Analysis is the process of examining and evaluating a proposed price to determine if it is fair and reasonable, without evaluating its separate cost elements and proposed profit.**
  - *It may, when necessary be supplemented by evaluation of cost elements.*
- **Price analysis is always performed on every procurement.**
- **Price analysis is a subjective evaluation. However, it is the Contracting Officer who must be satisfied that the price of an item/service is fair and reasonable.**



# Price Analysis



- **It's a comparison!**
- **A comparison of the proposed price to any of the following:**
  - *Other offered prices for the procurement*
  - *Previous/historic contract prices*
  - *Similar items*
  - *Independent Government Estimate*
  - *Market Research*
  - *Catalog or Price Lists that have been in themselves determined fair and reasonable*



# Price Analysis



- **Two most common types of price analysis used at DLA Land and Maritime:**
  - *Comparison with other quotes/bids received*
  - *Comparison with past procurement(s) that were determined fair and reasonable*
    - We will take into account quantity, inflationary factors, solicitation changes, economic conditions and any other factors that can affect the price.



# Price Analysis



- **Contracting Officers are to use bases and information in price analysis that are recent, reliable and valid.**
- **They must gather the necessary information to make an informed decision in regards to make a fair and reasonable price determination.**



# Cost Analysis

- **Cost Analysis is the review and evaluation of the separate cost elements and proposed profit/fee of:**
  - *An offeror's or contractor's cost or pricing data information*
  - *The judgmental factors applied in projecting from the data to the estimated costs.*
- **This can be in the form of:**
  - *Certified Cost or Pricing data*
    - Procurements where certification is required
    - Generally for values over \$750,000
  - *Other than Certified Cost or Pricing data*
    - Procurements not requiring certification





# Cost Analysis



- **Cost Analysis** refers to review of the individual cost elements. Such as:
  - *Direct costs*
    - Materials
    - Labor
  - *Indirect costs*
    - Overheads
    - General and Administrative (G&A)
  - *Profit*
- **We will review these cost elements to see if it will support a fair and reasonable price determination.**



# Cost Analysis

- **Cost Analysis supplements Price Analysis**
- **It should provide insight into what it will cost a company to complete the contract using the methods proposed.**
- **Contracting Officers will use Cost Analysis in their fair and reasonable price determinations, where necessary.**



# Commerciality



- **If the item/product being offered is Commercial:**
  - *Submit adequate supporting data for the commerciality.*
  - *Demonstrate that the item/product being offered is sold in the commercial market place*
    - Provide non-redacted invoices of sales to non-Government customers for commercial purposes.
    - Similar item(s) that are sold commercially
    - Catalog or published prices – Commercial offerings with actual sales history.



# What DLA Land and Maritime is Doing



- **Market Research Group**
  - *DLA Land and Maritime established this group to aid in the Market Research of items before a Large (>150,000) solicitation is issued.*
  - *The goal of this group is to obtain information concerning the item before the solicitation is issued to assist the Contracting Officer and reduce lead times.*
- **Conducting Preproposal Conferences**
  - *Contractor, DLA Land and Maritime, DCMA and/or DCAA.*
  - *The goal is to obtain timely Certified Cost or Pricing data packages and reduce lead times.*



# Recommendations from DLA Land and Maritime



- **Review the solicitation and the requirements**
- **Review the history listed on the solicitation**
  - *Has anything changed in the market place for the item?*
  - *Is there any extenuating economic factors?*
  - *Time or Quantity variances*
- **Provide your best offer, since you never know what your competition is doing. Providing the best offer upfront, can help reduce lead times**
- **Be responsive to our Market Research Group and Contracting Officers**



# Recommendations from DLA Land and Maritime



- **Be advised that Buyers and Contracting Officers may contact you to obtain additional information concerning your offer or negotiate.**
- **When requested for an informal cost breakdown, we are looking for the key drivers to the cost of the item such as material, labor, overheads, profit, etc.**
- **The quicker you can get the information to the Buyers and Contracting Officers, the quicker they can make their decision concerning the procurement.**



# Recommendations from DLA Land and Maritime



- **DLA Land and Maritime takes contract pricing very seriously.**
- **When our Contracting Officers don't have sufficient information needed to make a fair and reasonable price determination, it can delay or stop an award from being made.**
- **DLA Land and Maritime relies on its vendors in our efforts to be good stewards of the taxpayers' dollars and in support of the Warfighter.**





