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# Multiple

## Award Requirements Contract

A Contract Type  
for the Information  
Age

by Mark Werfel

**The** influx of information technology is hitting like a tidal wave. The Department of Defense (DOD) will consolidate its finance and accounting centers, eliminating half of the current work force of 46,000. The House Armed Services Committee struck a massive blow against the Pentagon's information technology (IT) budget in a message intended to get its IT efforts under control. Government officials expect an integrated federal procurement system by January 1997 based on electronic data interchange where vendors will be able to compete for selling opportunities anywhere in the government by pushing a few keys on their personal computers.

These are excerpts from just a few stories appearing in a trade journal during a given week. They reflect a world of radical change, bearing great importance to our society and to our people. Today organizations rise or fall more than ever before on relationships — how their products are sought by their customers and how they involve and excite their employees as well as their suppliers — and they must do so in a compressed time frame, even though missteps may prove critical. Our national leadership clear-

ly has recognized the need to change in the National Performance Review (NPR); goals have been established and information technology has been identified as a useful tool. Most important, our bureaucratic culture has been identified as perhaps the most difficult obstacle.

### INFORMATION TECHNOLOGY DRIVES CHANGE

IT drives dramatic change throughout the world. Personal computers, word processing, spreadsheets, modems, and databases are the currency of change, allowing field workers to become more productive and to take on roles formerly performed by their supervisors or now obsolete middle managers at smaller regional or national headquarters (if either exists). This reduces cost and increases responsiveness in the context of personal and organizational survival. Commercial information technology (CIT) is being used in ways never before visualized, including military as well as administrative functions by the DOD. CIT now outperforms many products developed for the DOD that are far more costly.

This outcome is simply the result of incredible market growth and free market access. While in the past suppliers were able to maintain wide profit margins by controlling their customers with proprietary, nonstandard products, their customers now are successfully insisting on interoperability (open systems), allowing use of a wide range of competitive products at potentially lower prices.

Today government leaders recognize that employees should be given more discretion, and they demand that more realistic outcomes result; for example, best value is sought more than ever before, and it is not effectively defined as lowest price. Although users expect results, in our fishbowl world everyone uses his own yardstick to measure them — and generally does so after the fact. Furthermore, the contracting community is the largest, tastiest fish swimming, surrounded by sharks of every description, and that does not include those outside the bowl with hooks, nets, and frying pans.

How can our profession respond most effectively? By adapting to our

environment. We have become more credentialed, more professional, and it follows that our capabilities can and must meet today's demands. Accordingly, as we become more empowered, we must deliver concomitant productivity and be willing to exit situations in which we no longer add value. High skills are only rewarded with high compensation when the marketplace values those skills.

Electronic commerce essentially automates the purchase order process, resulting in major potential monetary savings for employers, but at the same time it creates survival issues and other career challenges for purchasing personnel. Major systems contracting is complex, and budget drawdowns as well as industry restructuring not only present many complex contracting issues but also promise continued but reduced levels of employment.

Information products present a unique case. Personal computers and software constantly and dramatically get cheaper and better — so quickly, in fact, that solutions may become outmoded by the time award is made, and certainly will be soon thereafter in the noncompetitive postaward environment.

Bulletin boards and similar electronic tools have been used to advertise multiple small-dollar value purchases, offering rapid access, but because awards are based on price there may be attendant quality and schedule issues (which contract language may not resolve from a practical standpoint). Also, given the multiple small-dollar value approach without a tie between each action, not only are major volume-based savings from single large-dollar value megabuy foregone, the management perspective of each action is limited to that action.

#### THE NEED FOR A NEW CONTRACT TYPE

Are the existing contract types as dynamic as the evolving marketplace? I think not, and I suggest adopting a new vehicle — the multiple award requirements contract (MARC). This approach offers continuing and truly effective competition and more rapid access to and

planning for new technology; most important, it establishes a true partnership with selected industry firms.

As always, the first step is to establish the requirement. Users would be grouped logically into sets such as field investigators (who might need instant suspect identification by transmission of digitized fingerprints at remote sites), logistical personnel (who might require bar code readers), or medical users (who might require data bases or blood inventories). These groupings seem preferable to use of a single "grand design" megacontract, wherein the need to be responsive to everyone could cause inflexibility.

Each group of customers would be supported by a set of several (two or more) contractors depending on the size and complexity of the market being established. To illustrate this point, let's consider a scenario using three contractors. Requirements would be satisfied by an ordering process, described later in this article, with the potential for future orders as the award consideration. If a large volume of purchases or a rapidly evolving technology characterizes a given user set, then a larger number of contracts would be awarded for that set to ensure sufficient capacity and product/technology breadth. Users would be required to issue orders to one or more of their group's supporting contractors much like in a traditional requirements contract (but here multiple awards are made to ensure continuous competition).

#### AN ELECTRONIC CATALOGUE

Here's how it would work: each contractor in a customer group would present to the government contracting officer (CO) an electronic catalogue of products and prices for the initial ordering period. The CO, in turn, would act as the group's custodian, ensuring integrity and making the product and pricing information available to users through an electronic bulletin board. Since many catalogues would be provided, no negotiations would take place; instead, the process would rely on each contractor's desire to be competitive. The process also would rely on the infor-

### BID PROTESTS

With the economic conditions in America and the associated reduction in contract opportunities, each solicitation is precious to both buyer and seller. As a result bid protests are becoming more and more common.

The April 1992 issue of *TIPS*, "Bid Protests at the GAO and GSBCA," focuses on the forums for protests in general, specifically examining the General Services Administration Board of Contract Appeals and the General Accounting Office.

See pages 49-52 of this magazine for ordering information on this and the many other topics available. While you're at it, why not subscribe to *TIPS* so that you don't miss the next issue?

mation being placed in government custody, where no auctioning practices or other changes could take place until authorized so as to ensure the competitive pressure is real. Periodically, all three firms (and only those three) would be simultaneously advised when they could offer a new catalogue.

Since all products would be commercial and off the shelf no testing would be required, but the contractor would be responsible for their performance. Commercial warranties would flow to the government.

#### ASSIGNING RESPONSIBILITY

Users would be responsible for the products they select, scrolling between the catalogues to find the best value for the government. Agencies still could exert managerial control over users by establishing product specifications or standards contractually as they desire. Contractors that disappoint customers would not be selected for future orders, which would go to the other two contractors, and this would serve as an effective past performance tool. Traditional contract remedies would apply to current work.

Contractors would be responsible for customer satisfaction. Poor contractors would not get orders, and the government might replace a firm with a low business volume with another after a new competition, while the better firms remain without recompeting. A more cooperative, partnership-like contracting relationship evolves, covering a long-term period because competition becomes more effective on both a price and technology basis and continues due to the successive offering period approach for the electronic catalogue.

As a result, the administrative cost of recompetition on the contract level might not be justified, nor would it serve any useful purpose. If the set of contractors does the job, providing the quality products sought by the government at competitive prices, and if the partnership approach proves successful, there would be no reason to introduce new MARC contractors for the sake of making an appearance of competition, when it is

effective and continuing.

As an outcome, source selection and acquisition sensitivities might not arise, which would otherwise hinder business relationships. The contractors should be aware of future trends and approaches and then might be willing to separately share market knowledge with the government. An award fee could be used to motivate them to do so.

As a final outcome, a long-term partnership evolves similar to those at major commercial aerospace firms, which enter into program life subcontracts covering 10 or more years. These arrangements proceed without recompetition but with high expectations and effective tools to make them work, an effective communications process, and a clear vision of the parties' shared benefit to foster them.

Clearly, the number of government personnel would be reduced; however, the employee's freedom to operate and the ability to make a meaningful contribution to our society offer unquantifiable rewards. Military officers have been pragmatic about strategies and the tools used to implement them, while they have been frustrated by the inflexibility of the contracting process. But this old dictum works: find the best people to do the most important jobs, give them the tools they need, and get out

of the way. Our military doctrine expects that those on the scene can make the best decisions and should be given the ability to maneuver.

#### INCREASED FLEXIBILITY

I am certain this new contract type creates added flexibility and corresponds with the NPR principles: cut red tape, put customers first, empower employees, and return to basics. Interestingly, this approach also accomplishes the objectives identified by the Packard Commission in 1986 (streamline acquisition procedures, use technology to reduce cost, balance cost and performance, use commercial products and compete them), which echoes similar themes by the Commission on Government Procurement in 1972, the Acquisition Law Advisory Panel in 1993, and those advanced by Secretary of Defense William Perry in a June 29, 1994, memorandum on streamlining DOD purchasing practices. □

#### ABOUT THE AUTHOR

*Mark Werfel is acquisition management officer, U.S. Army Information Systems Selection and Acquisition Agency, Alexandria, Virginia. The ideas expressed in the article are the author's personal views and not an official position of the U.S. Army. The contracting approach set forth in the article is currently under consideration by the U.S. Army. ©1994 Mark Werfel.*

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