U.S. Small Business Administration

Fiscal Year 2021
Contract Bundling Report to Congress
May 10, 2023

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Enclosures

Statutory Requirement[1]

15 USC 644(p). Access to data

(1) Bundled contract defined

In this subsection, the term "bundled contract" has the meaning given such term in section 632(o)(1) of this title.

(2) Database

(A) [8] In general

Not later than 180 days after December 21, 2000, the Administrator of the Small Business Administration shall develop and shall thereafter maintain a database containing data and information regarding-

(i) each bundled contract awarded by a Federal agency; and

(ii) each small business concern that has been displaced as a prime contractor as a result of the award of such a contract.

(3) Analysis

For each bundled contract that is to be recompeted as a bundled contract, the Administrator shall determine-

(A) the amount of savings and benefits (in accordance with subsection (e)) achieved under the bundling of contract requirements; and

(B) whether such savings and benefits will continue to be realized if the contract remains bundled, and whether such savings and benefits would be greater if the procurement requirements were divided into separate solicitations suitable for award to small business concerns.

(4) Annual report on contract bundling

(A) In general

Not later than 1 year after December 21, 2000, and annually in March thereafter, the Administration shall transmit a report on contract bundling to the Committees on Small Business of the House of Representatives and the Senate.

(B) Contents

[1] Pub. Law 117-263, section 873, made several revisions to this 15 U.S.C. §644(p) effective for Fiscal Year 2023.

Each report transmitted under subparagraph (A) shall include-

(i) data on the number, arranged by industrial classification, of small business concerns displaced as prime contractors as a result of the award of bundled contracts by Federal agencies; and

(ii) a description of the activities with respect to previously bundled contracts of each Federal agency during the preceding year, including-

(I) data on the number and total dollar amount of all contract requirements that were bundled; and

(II) with respect to each bundled contract, data or information on-

(aa) the justification for the bundling of contract requirements;

(bb) the cost savings realized by bundling the contract requirements over the life of the contract;

(cc) the extent to which maintaining the bundled status of contract requirements is projected to result in continued cost savings;

(dd) the extent to which the bundling of contract requirements complied with the contracting agency's small business subcontracting plan, including the total dollar value awarded to small business concerns as subcontractors and the total dollar value previously awarded to small business concerns as prime contractors; and

(ee) the impact of the bundling of contract requirements on small business concerns unable to compete as prime contractors for the consolidated requirements and on the industries of such small business concerns, including a description of any changes to the proportion of any such industry that is composed of small business concerns.

(5) Access to data

(A) Federal procurement data system

To assist in the implementation of this section, the Administration shall have access to information collected through the Federal Procurement Data System.

(B) Agency procurement data sources

To assist in the implementation of this section, the head of each contracting agency shall provide, upon request of the Administration, procurement information collected through existing agency data collection sources.

Abbreviations

Chief Financial Officer (CFO)
Federal Acquisition Regulation (FAR)
Federal Procurement Data System-Next Generation (FPDS-NG)
North American Industry Classification System (NAICS) code
United States Code (U.S.C.)
Fiscal Year (FY)
Small Business Concern (SBC)
Office of Small and Disadvantaged Business Utilization (OSDBU)

List of the 24 CFO Act Agencies

Department of Commerce (DOC)
Department of Defense (DoD)
Department of Energy (DOE)
Department of Homeland Security (DHS)
Department of Interior (DOI)
Department of Justice (DOJ)
Department of Labor (DOL)
Department of Transportation (DOT)
Department of Education
Environmental Protection Agency (EPA)
General Services Administration (GSA)
Department of Health and Human Services (HHS)
Department of Housing and Urban Development (HUD)
National Aeronautics and Space Administration (NASA)
Nuclear Regulatory Commission (NRC)
National Science Foundation (NSF)
Office of Personnel Management (OPM)
Small Business Administration (SBA)
Social Security Administration (SSA)
Department of State
Department of Treasury
U.S. Agency for International Development (USAID)
Department of Agriculture (USDA)
Department of Veterans Affairs (VA)

1. **Report Summary**

Contracting bundling occurs when agencies consolidate contracts previously performed (or suitable of being performed) by small businesses, and award those contracts as a larger contract not suitable for small businesses. Agencies significantly reduced their contract bundling activity in Fiscal Year (FY) 2021 to $7.9 billion, as compared to the historically high bundling levels in FY 2019 and FY 2020 of $40 billion and $65 billion respectively. However, agencies are required to calculate the saving from bundling, and their calculated savings of $250 million in FY21 is a tiny fraction of the $7.9 billion they shifted from small businesses to bundled contracts.

Section 15(p)(4) of the Small Business Act, 15 USC 644(p)(4) requires the U.S. Small Business Administration (SBA) to annually submit a report on contract bundling to the Committee on Small Business of the United States House of Representatives and the Committee on Small Business and Entrepreneurship of the United States Senate. SBA obtains the information for the report from the System for Award Management (SAM) and by requesting reports from Federal agencies about their bundling. For this report, agencies were only required to report to SBA information "collected through existing agency data collection sources." The National Defense Authorization Act for Fiscal Year 2023, Pub. L. No. 117-263, removed that caveat and required agencies to provide SBA with all the data and information described in section 15(p)(4).

Given the extremely high bundling that occurred in FY19 and FY20, SBA also conducted two studies in FY21 to show the effects of bundling. The two studies are included as appendices to this report, with a summary of their methods and results as follows:

- First, SBA studied the effect that bundling has on socio-economic businesses. The study shows contract bundling is increasingly used to lower the costs associated with federal procurements. As a result, contract bundling may pit public procurement efficiency against programs designed to ensure the inclusion of socio-economic businesses. To assess this tradeoff, the SBA researched how the increased use of contract bundling affects spending with a range of socio-economic firms, including woman-, service-disabled veteran-, disadvantaged businesses, HUBZone, and SBA 8(a) program participants.

Based on an analysis of agency-level contract spending from 2013-2021, results indicate that the use of contract bundling is associated with reduced spending for all types of socio-economic businesses. The SBA analysis reveals that specific socio-economic firms experienced outsized negative effects. From 2017 – 2021, the period of the greatest growth in contract bundling, woman-owned small businesses lost nearly $6 billion because of contract bundling, while service-disabled veteran-owned small firms, SBA 8(a) program participants, and Black-owned businesses also saw reduced revenues of more than $1 billion. HUBZone firms lost about $800 million.

- Second, SBA looked into the question of whether agencies spend more or less in industries in which they bundle contracts over time. This study estimates that, after funding obligations to their first bundled contract in a NAICS code, agencies, on average, obligate more dollars over the course of five years in that NAICS code than they would have had they not bundled.

2. <u>Fiscal Year 2021 Results</u>

A. SAM.gov Reporting

As of April 18, 2023, SAM.gov reports that agencies bundled $7,891,072,300 worth of contracting opportunities in Fiscal Year 2021, which spanned from October 1, 2020 to September 30, 2021. Eleven Executive departments engaged bundling in FY 2021, only 7 of which are from the 24 CFO Act agencies that SBA traditionally works with to encourage small-business procurement participation: Defense, Commerce, Treasury, Social Security Administration, Justice, State, and U.S. Agency for International Development.[2]

SBA reports bundling activity in two ways below: the number of bundled actions and the

[2] Consistent with the SAM.gov bundling report, this report uses the funding department to identify which Executive department engaged in bundling.

total dollar value of the bundled actions, including options. Note that using the total dollar value differs from how SBA and other agencies usually refer to contract values. For most purposes, including the SBA Annual Procurement Scorecard, SBA reports the dollars obligated by an agency for spending with a particular contractor on a specific contract. The total dollar value of a contract is typically larger (and never smaller) than the dollars obligated because the total dollar value includes the potential value of future options and orders not yet exercised. For context, the total dollar value of all small-business-eligible contracts awarded in FY 2021 was $40,921,724,572,919, whereas the small-business-eligible dollars obligated were $566,491,983,404.

1. Funding Department

The table below shows the number of bundled actions and the total dollar value for those bundled actions for FY 2021, by Funding Department:

Table 1: FY21 Bundled Actions and Total Dollar Value of Bundled Actions by Department

Funding Department Name	Total Bundled Actions	Total Dollar Value of Bundled Actions
Dept of Defense	11,178	$5,239,407,945
Agency for International Development	43	$1,475,041,689
Commerce, Department of	5	$1,057,043,972
Treasury, Department of the	2	$44,735,002
Social Security Administration	8	$26,996,677
Export-Import Bank of the U.S.	3	$25,525,130
Justice, Department of	128	$20,565,784
Peace Corps	2	$1,550,000
State, Department of	17	$186,479
Federal Trade Commission	1	$15,000
Administrative Office of the U.S. Courts	1	$4,621
Government-wide Total	**11,388**	**$7,891,072,300**

Source: SAM.gov Bundled and Consolidated Contracts Report (accessed 4/18/23)

As compared to the $41 trillion total dollar value of all contracts awarded in FY 2021, the $7.9 billion in bundled contracts is 0.02% of all contracts awarded.

2. Agencies below a Funding Department

Two of the above Departments—Defense and Justice--had multiple Agencies below the Department level that engaged in bundling. All the other agencies listed above did not report bundling by multiple agencies. For the agencies within Defense and Justice, the bundled actions and bundled total dollar values are as follows:

Table 2: FY21 Bundled Actions and Total Dollar Value of Bundled Actions by Agency within Department of Defense and Department of Justice

Funding Department and Agency	**Total Bundled Actions**	**Total Dollar Value of Bundled Actions**
DEPT OF DEFENSE		
Missile Defense Agency	1	$2,241,762,697
Defense Logistics Agency	10,549	$1,809,188,757
Dept of the Air Force	198	$875,684,025
Dept of the Army	212	$162,440,241
Dept of the Navy	203	$147,660,901
Defense Microelectronics Activity	1	$2,012,463
U.S. Army Corps of Engineers	5	$407,841
Defense Health Agency	5	$195,557
Uniformed Services University of the Health Sciences	1	$28,000
Inspector General, Office of	1	$24,500
Immediate Office of the Secretary of Defense	2	$2,963
JUSTICE, DEPARTMENT OF		
Federal Prison System / Bureau of Prisons	59	$16,523,479
Drug Enforcement Administration	23	$1,689,426
Offices, Boards and Divisions	20	$916,954
Office of the Inspector General	1	$562,289
Federal Bureau of Investigation	5	$484,971
U.S. Marshals Service	9	$196,387
Federal Prison Industries / UNICOR	9	$155,222
ATF Acquisition and Property Mgmt Div	2	$37,055

Source: SAM.gov Bundled and Consolidated Contracts Report (accessed 4/18/23)

3. Size Status

The definition of "bundled contract", 15 U.S.C. §632(o), requires that the contract be "likely to be unsuitable for award to a small business concern." Nevertheless, agencies sometimes report that bundled contracts are awarded to small businesses. Approximately 13% of bundled contract dollars, or $1.1 billion of those dollars, were awarded to small businesses in FY 2021.

Table 3: FY21 Bundled Actions and Total Dollar Value of Bundled Actions by Size Status of the Awardee

Size Status	Total Bundled Actions	Total Dollar Value of Bundled Actions
Other than Small Business	11,050	$6,815,619,450
Small Business	338	$1,075,452,850

Source: SAM.gov Bundled and Consolidated Contracts Report (accessed 4/18/23)

4. NAICS Codes

Agencies awarded bundled contracts in 172 unique NAICS Codes. The NAICS Code that had the most bundling activity by dollar amount was 541715, Research and Development in the Physical, Engineering, and Life Sciences (Except Nanotechnology and Biotechnology). The other top 20 NAICS Codes for bundled contracts in FY21 were as follows

Table 4:Bundled Actions and Total Dollar Value of Bundled Actions by NAICS Code for the Top 20 NAICS Codes with Bundled Actions in FY21

NAICS Code and Description	Total Bundled Actions	Total Dollar Value of Bundled Actions
541715: Research and Development in The Physical, Engineering, and Life Sciences (Except Nanotechnology and Biotechnology)	1	$2,241,762,697
332722: Bolt, Nut, Screw, Rivet, and Washer Manufacturing	10,439	$1,146,860,968
541519: Other Computer Related Services	38	$1,107,274,685
541330: Engineering Services	7	$901,527,488
541990: All Other Professional, Scientific, and Technical Services	16	$873,568,146

336412: Aircraft Engine and Engine Parts Manufacturing	15	$615,936,152
488190: Other Support Activities for Air Transportation	1	$538,216,758
541513: Computer Facilities Management Services	7	$122,040,595
332993: Ammunition (Except Small Arms) Manufacturing	5	$111,861,527
336413: Other Aircraft Parts and Auxiliary Equipment Manufacturing	17	$53,720,598
325920: Explosives Manufacturing	1	$37,500,000
541611: Administrative Management and General Management Consulting Services	13	$27,399,069
541110: Offices of Lawyers	2	$25,001,000
334412: Bare Printed Circuit Board Manufacturing	6	$16,758,550
623990: Other Residential Care Facilities	1	$11,068,184
336411: Aircraft Manufacturing	28	$7,906,770
611310: Colleges, Universities, and Professional Schools	12	$6,862,215
488510: Freight Transportation Arrangement	48	$2,666,502
334220: Radio and Television Broadcasting and Wireless Communications Equipment Manufacturing	47	$2,517,856
333997: Scale and Balance Manufacturing (2007), Scale and Balance (Except Laboratory) Manufacturing (2002)	99	$2,392,635
Total for Top 20 NAICS Codes	**10,803**	**$7,852,842,397**

Source: SAM.gov Bundled and Consolidated Contracts Report (accessed 4/18/23)

B. Agency Reports

Prior to a statutory change that is effective for the FY 2023 report, agencies were only required to report bundling information to SBA upon SBA's request and where the information was collected through existing agency data collection sources. The FY 2023 change will require agencies to report bundling data without exception, but that change was not in effect for this report.

SBA sought the FY2021 bundling data directly from all 24 CFO Act agencies and from the non- CFO Act agencies that had reported bundled contracts as of the end of FY 2021. In response, 20 of the 24 CFO Act Agencies reported no bundling activity. Seven non-CFO Act agencies verified and corrected the FY2021 reported bundling activity in FPDS-NG.

Four CFO Act agencies responded with the enclosed FY2021 contract bundling reports that covered bundling activity in FY 2021: Defense (**Enclosure 1**), Commerce (**Enclosure 2**), Treasury (**Enclosure 3**) and the Social Security Administration (**Enclosure 4**). SBA did not receive responses from any of the non-CFO Act agencies from which SBA requested reports.

1. Bundled Dollars Reported to SBA

The four reporting agencies provided information on bundled contracts totaling $1.3 billion in total dollar value, as shown in the table below:

Table 5: Total Dollar Value of Bundled Actions, as Reported to SBA, by Department

Funding Department Name	**Total Dollar Value of Reported Bundled Actions**
Dept of Defense	$432,382,058
Commerce, Department of	$699,600,000
Treasury, Department of the	$155,321,528
Social Security Administration	$10,099,100
Total Value of Reported Bundled Contracts	**$1,297,402,686**

Source: Responses to SBA Requests for Bundling Information for FY21 to Fulfill 15 U.S.C. § 644(p).

The bundling reported to SBA constitutes 17% of the $7.9 billion in bundling reported into SAM.gov for FY21.

2. Savings from Bundling

In the agencies' reports to SBA, the agencies include information that is not available publicly through SAM.gov. Agencies report the savings realized by bundling. A summary of those figures is provided below, with further detail in the attached individual agency reports.

Table 6: FY21 Savings from Bundling, as Reported to SBA, by Department

Funding Department Name	Total Savings from FY21 Bundling, over the life of the contract
Dept of Defense	$141,600,000
Commerce, Department of	$35,391,301
Treasury, Department of the	$72,000,000
Social Security Administration	$13,543,200
Total Reported Savings from FY21 Bundling	**$262,534,501**

Source: Responses to SBA Requests for Bundling Information for FY21 to Fulfill 15 U.S.C. § 644(p).

The reported savings of $262 million is 3.33% of the total value of FY21 bundled contracts reported in SAM.gov of $7.9 billion.

3. Displaced Small Businesses

In addition to savings, agencies also report the number of small businesses displaced as prime contractors by bundled actions in the fiscal year. This information is not available from SAM.gov. The tables below show the total number of small businesses displaced by Department, and the number of small businesses displaced by NAICS Code, for the top 20 NAICS codes reported.

Table 7: FY21 Small Business Affected by Bundling, as Reported to SBA, by Department

Funding Department Name	Number of Small Businesses Displaced by Bundling
Dept of Defense	794
Commerce, Department of	1
Treasury, Department of the	4
Social Security Administration	351
Total Number of Small Businesses Displaced	**1,150**

Source: Responses to SBA Requests for Bundling Information for FY21 to Fulfill 15 U.S.C. § 644(p).

Compared to the reported savings above, the 1,150 small businesses displaced results in savings to the government of $228,291 over the life of the contract for each small business displaced.

In FY 2021, 65,455 small-business vendors received obligations as prime contractors for the Federal government, based on small-business-eligible data. This vendor count is down significantly from 112,562 small business vendors in FY 2011. The total number of small businesses displaced by bundling is 2% of the total number of FY 2021 small-business vendors. (Agencies did not provide enough information to determine whether the vendors displaced by bundling might have received contracts elsewhere in Federal contracting.)

Table 8: Small Businesses Displaced by NAICS Code for the Top 20 NAICS Codes with Displaced Small Businesses, as Reported to SBA

NAICS Code and Description	**Total Dollar Value of Bundled Actions**
541611: Administrative Management and General Management Consulting Services	351
336412: Aircraft Engine and Engine Parts Manufacturing	243
332722: Bolt, Nut, Screw, Rivet, and Washer Manufacturing	136
336413: Other Aircraft Parts and Auxiliary Equipment Manufacturing	53
332991: Ball and Roller Bearing Manufacturing	51
332510: Hardware Manufacturing	45
332919: Other Metal Valve and Pipe Fitting Manufacturing	31
541513: Computer Facilities Management Services	24
339991: Gasket, Packing, and Sealing Device Manufacturing	23
335311: Power, Distribution, and Specialty Transformer Manufacturing	21
332119: Metal Crown, Closure, and Other Metal Stamping (except Automotive)	17
333613: Mechanical Power Transmission Equipment Manufacturing	17
326220: Rubber and Plastics Hoses and Belting Manufacturing	16
326130: Laminated Plastics Plate, Sheet (except Packaging), and Shape Manufacturing	13
332618: Other Fabricated Wire Product Manufacturing	11
331420: Copper Rolling, Drawing, Extruding, and Alloying	8

334419: Other Electronic Component Manufacturing	7
336411: Aircraft Manufacturing	6
335931: Current-Carrying Wiring Device Manufacturing	6
334417: Electronic Connector Manufacturing	5
Total for Top 20 NAICS Codes	1,084

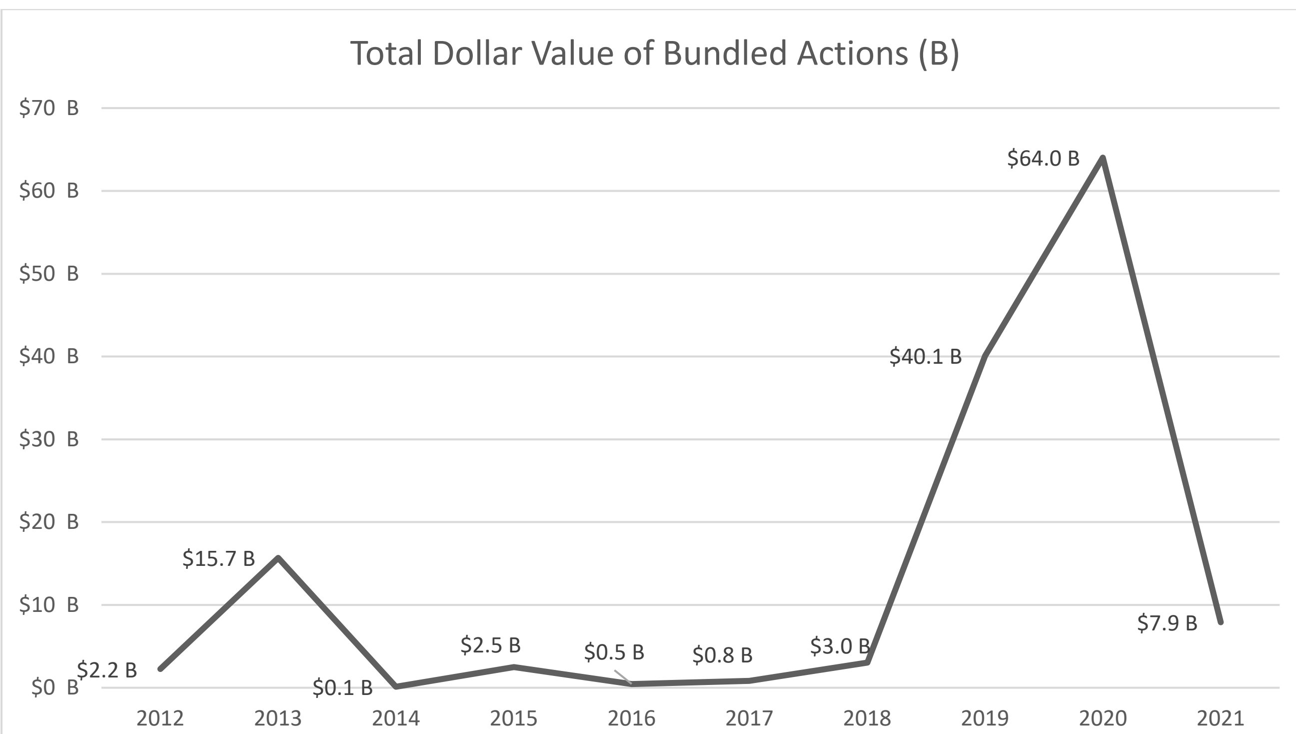
Source: Responses to SBA Requests for Bundling Information for FY21 to Fulfill 15 U.S.C. § 644(p).

As shown above, the industries with displaced small businesses are dominated by manufacturing industries, with the exception of two services industries: Administrative Management and General Management Consulting Services, and Computer Facilities Management Services.

C. Change in Bundling Activity Over Time

As shown in the following graph, FY 2021 saw the lowest dollar-level of bundling in three years. It still was the fourth-highest bundling level over the past 10 years.

Figure 1: Total Dollar Value of Bundled Actions (B)



Source: SAM.gov Bundled and Consolidated Contracts Report (accessed 4/18/23)

The decrease from FY 2020 to FY 2021 is primarily attributable to a decrease in bundling by Defense and no bundling by the Department of Veterans Affairs.

3. Conclusion

In FY 2021, agencies bundled $7.9 billion in total contract value, far less than in either of the prior two years. The bundled contract represents less than 1% of all contracts awarded in FY 2021. Agencies provided supplemental information to SBA, as required by section 15(p) of the Small Business Act. That supplemental information states that agencies expect to save $262 million due to the bundling those contracts in FY21. Agencies also reported that the bundling of contracts displaced 1,150 small businesses. Those small businesses primarily were engaged in administrative management and general management consulting services, various manufacturing industries, and computer facilities management services.

Bundling totaled over $100 billion over Fiscal Year 2019 and 2020. SBA conducted two studies to ascertain the effect of this unprecedentedly high level of bundling. As described in the two studies below, the large level in bundling likely resulted in losses to disadvantaged and women-owned small businesses; and the bundling results in more dollars being obligated in the industries where the bundling takes place.

4. Addenda

1. Federal Contract Bundling: Effects on Small Disadvantaged Businesses

1.1 Background

The U.S. Small Business Administration (SBA) monitors how contract bundling affects federal procurement opportunities for small businesses. Over the past decade, contract bundling has increased dramatically. In 2016, the Federal Government obligated $511.2

million on bundled contracts.[3] By 2019, obligations on bundled contracts increased to more than $5.2 billion, though this decreased to below $2 billion in 2021. This research investigates the effects of this unprecedented increase in contract bundling on small businesses in federal contracting markets.

Bundling has the potential to increase the efficiency of contract spending. Consolidating many contracts into a single overarching contract vehicle can eliminate redundant or similar solicitations, lowering human capital costs for both the government and vendors. Larger contracts also may increase the government's purchasing power and negotiation leverage, as agencies are able to take advantage of economies of scale to lower costs. Indeed, there is initial evidence that contract bundling has been associated with cost benefits.[4] Some have argued that there may also be performance benefits,[5] as government contract managers have fewer contracts to oversee, which can improve coordination and may help build consistency in service quality.

However, the Federal Government also has procurement equity goals, centered on ensuring contracts are allocated to small and disadvantaged firms. Bundling creates one large contract from many smaller solicitations, reducing the number of contracts available for small firms and potentially hindering the attainment of federal procurement equity goals. With fewer employees and limited capacity, small firms may be priced out of or become ineligible for bundled contracts. This in turn may result in a loss of revenues for small firms and could limit the potential of federal procurement to help develop and support small enterprises across a

[3] This figure includes total obligated dollars, not total possible contract value, based on an ad hoc query of SAM.gov. Built-in queries, including the bundling query, use total contract value. Deobligations are excluded.
[4] Jeon and Menicucci, 2010
[5] See Ausink, Castaneda, and Chenoweth, 2011 and Vance-McMullen, 2020

range of industries. Bundling makes it harder for defense agencies to attain procurement equity objectives,[6] suggesting efficiency and equity goals may be opposed.

Additional research is necessary to understand how bundling affects the way federal contract dollars are allocated. To delve into the impact of bundling, this analysis investigates how the increased use of contract bundling has affected spending with the following types of businesses:

- Small businesses (SB)
- Small disadvantaged businesses (SDB)
- Woman-owned small businesses (WOSB)
- Service-disabled veteran-owned small businesses (SDVOSB)
- Black-owned businesses (BOB)
- AAPI-owned businesses (AAPIOB)
- Hispanic-owned businesses (HOB)
- HUBZone program participants (HUBZone)
- SBA 8(a) program participants (8a)
- Alaska Native Corporation-owned businesses (ANC)

Based on existing evidence,[7] it is likely that increases in spending on bundled contracts will reduce the total spending on contracts with small and small disadvantaged firms. However, it is reasonable to expect differences between types of firms due to variations in market competitiveness, the effectiveness of set aside programs, and the

[6] Kidalov, 2015
[7] See Clark and Moutray, 2004 and GAO, 2013

disparate historical treatment of socio-economic groups in the U.S.[8]

1.2 Data and Methodology

Data were collected from the System for Award Management (SAM), the home of the Federal Procurement Data System (FPDS), by extracting data on agency-level contract spending from 2013-2021. The unit of analysis is the federal department or agency. Over the period of the study, 75 departments and agencies engaged in contract bundling, and all are included in the analysis. This includes the 24 departments and agencies that SBA monitors, as well as 51 other independent agencies.

The variable of interest (dependent variable) for this analysis is the proportion of contract spending allocated to each type of small firm. SBA program contract spending data were gathered from the "SBA Achievements by Organization" standard query in SAM for each fiscal year. Data on socioeconomic firms are from the "Award by Contractor Type" query in SAM, also for each fiscal year. The variables are calculated by dividing the amount of spending with a particular type of firm into the total amount of small business eligible contract spending for that fiscal year. The resulting proportion represents the percentage of overall spending allocated to each type of firm in a given year.

Table 9: Descriptive Statistics – Proportional Spending with Small, Disadvantaged Firms

Type of	Mean	Std. Dev.	Minimum	Maximum
SDB	0.17	0.19	-0.06	1.00
W-OSB	0.12	0.14	-0.08	1.00
SDV-OSB	0.03	0.11	-0.04	1.00
Black-OB	0.06	0.11	-0.29	1.00
AAPI-OB	0.07	0.12	-0.14	1.00
Hisp-OB	0.03	0.06	-0.28	0.61
HUBZone	0.03	0.06	-0.14	0.46

[8] For a more detailed discussion of differences in racial and ethnic group experiences in federal contracting markets, see Rose and Fairchild, 2018 and Brunjes and Kellough, 2018

8(a)	0.07	0.13	-0.02	1.00
ANC	0.01	0.02	-0.00	0.43

Source: Table 9 information comes from "Award by Contractor Type" Query from SAM, covering fiscal years 2013-2021

The explanatory variable for this analysis is the proportion of agency spending on bundled contracts. Bundling data were gathered using an ad hoc query, which returned the total amount of spending on all types of bundled contracts each fiscal year. Bundled contracts are indicated in FPDS Data Element 8N and are classified as bundled if it "consolidated or combined two or more requirements for supplies or services, previously solicited, provided, or performed under separate smaller contracts, into a solicitation for a single contract, a multiple-award contract, a task order or delivery order that is likely to be unsuitable for small business" (FPDS Data Dictionary, 2022, p. 46). A "separate smaller contract" is one "performed by one or more small business concerns or that was suitable for award to one or more small business concerns." These definitions suggest that bundling will reduce contract spending with small firms. For this analysis, bundled contracts are those entered into SAM as A (Mission Critical), B (OMB-Circular A-76), E (Bundled Requirements), C (Other Bundling), F (Substantially Bundled Requirements), and G (Bundled Requirements Under a FAR 7.107-1(b) Exception). The query returned the total spending on these types of contracts. This total of bundled spending was then divided into the total small-business eligible spending for each agency, resulting in the proportion of total contract spending on bundled contracts each year.

Though bundling accounts for less than one percent of spending over the eight years of the study, in recent years, this proportion has been higher. If the data are limited to 2017 – 2019, bundled contracts account for more than three percent of total contract spending, suggesting marked growth.

In addition, the analysis includes the following control variables, to capture variations in regulatory, market, and economic contexts:

1) *SBA-agency*: a dichotomous indicator of whether the agency is a CFO Act agency and therefore is assessed on small-business contracting performance through the SBA Scorecard. Each such agency has an Office of Small, Disadvantaged Business Utilization (OSDBU), which works with the SBA on small business contracting initiatives.
2) *Market competitiveness*: the percentage of agency contracts sourced competitively, from SAM. Calculated as the proportion of spending on contracts with competitive solicitation procedures (full-and open competition, full and open competition after exclusion of sources, follow-ons to competitive contracts, and competitively sourced simplified acquisition and delivery order contracts).
3) *Market indicators*: the proportion of agency spending in the four industries where bundling is most common (manufacturing, information services, professional services, and wholesale trade), from SAM.
4) *Year and agency fixed-effects*: dichotomous indicators for time and unit-of-analysis observations. In this case, panels are constructed using year and agency-fixed effects.[9]

To account for the differences in contracting activity across federal departments and agencies, this analysis weights observations based on total agency contract spending. This approach yields a dataset where defense-related agencies and other large departments are heavily represented in the data, while smaller agencies that spend far less on contracting are

[9] For more information on the use of fixed effects to construct panels, see: Gardiner, Joseph C., Zhehui Luo, and Lee Anne Roman. "Fixed effects, random effects and GEE: What are the differences?." Statistics in *M*edicine 28, no. 2 (2009): 221-239.

weighted according to their spending. This is an appropriate strategy[10] to account for nonconstant variability across recurring observations.

Table 10: Descriptive Statistics, Explanatory Variables

Variable	Mean	Std. Dev.	Minimum	Maximum
Percent Bundled	0.01	0.13	0.00	1.00
OSDBU	0.35	0.47	0	1
Competition	0.72	0.22	-0.25	1.00
Manufacturing	0.10	0.15	-0.01	1.00
Information	0.12	0.18	-0.03	1.00
Professional Services	0.60	0.29	-0.24	1.00
Wholesale	0.08	0.15	-0.05	0.69

Source: Table 10 information comes from "Award by Contractor Type" query from SAM, covering fiscal years 2013-2021

The resulting dataset is comprised of 75 weighted observations that re-occur over a period of nine years. As a result, panel-data analysis is an appropriate method to analyze trends in spending over time.

However, since the variable of interest is a proportion, traditional panel-data analysis techniques using ordinary least squares (OLS) is not appropriate, as this approach can predict values outside of the acceptable range (zero to one). Accordingly, the analysis uses Generalized Estimating Equations (GEE) with using a binomial family and logit link. This is an appropriate approach for analyzing proportional variables of interest, used widely in the social sciences.[11] The equations can generally be expressed as follows:

$$Y_{\%\$} = B_0 + B_{bundling} + B_{complexity} + B_{market} + B_{FE:agency} + B_{FE:time} + \varepsilon$$

Separate statistical models were estimated for each of the ten types of firms, using the same explanatory variables in each model. The result is a consistent set of explanatory

[10] Carroll, Raymond J., and David Ruppert. *Transformation and Weighting in Regression*. Chapman and Hall/CRC, 2017.
[11] For examples, see Brunjes and Kellough, 2018; Papke and Wooldridge, 2008; Trammell, 2020; Whitford, 2002;

variables used to predict the effects of bundling on nine types of firms. Goodness of fit testing procedures from Horton et al.[12] show that extended Hosmer and Leme show[13] statistics never exceed 20, suggesting GEE is appropriate for all models. To correct for heteroskedasticity, the equations use robust standard errors.

1.3 Results

Table 11 shows the results of the analysis. Instead of presenting raw coefficients or odds ratios, marginal effects are displayed. Calculated at means, these marginal effects can be interpreted as the corresponding effect of a 100 percent increase in spending on bundled contracts. The analysis shows that such an increase would be associated with a reduction in spending with small disadvantaged businesses (-3.2 percent), woman-owned small businesses (-3.3 percent), SBA 8a program participants (-1.4 percent), Black-owned businesses (-1.8 percent), AAPI-owned firms (-1.4 percent), ANCs (-1.4 percent), SBA 8(a) program participants (1.4 percent), service-disabled veteran-owned firms (-1.1 percent), HUBZone program participants (-1.1 percent), and Hispanic-owned firms (-0.4 percent). All of these results are statistically different from zero at the p <0.001 level. That is, for all types of disadvantaged firms and set aside program participants included in this analysis, an increase in contract bundling is associated with reduced spending with small firms.

[12] Horton, Nicholas J., Judith D. Bebchuk, Cheryl L. Jones, Stuart R. Lipsitz, Paul J. Catalano, Gwendolyn EP Zahner, and Garrett M. Fitzmaurice. "Goodness-of-fit for GEE: an example with mental health service utilization." Statistics in medicine 18, no. 2 (1999): 213-222.

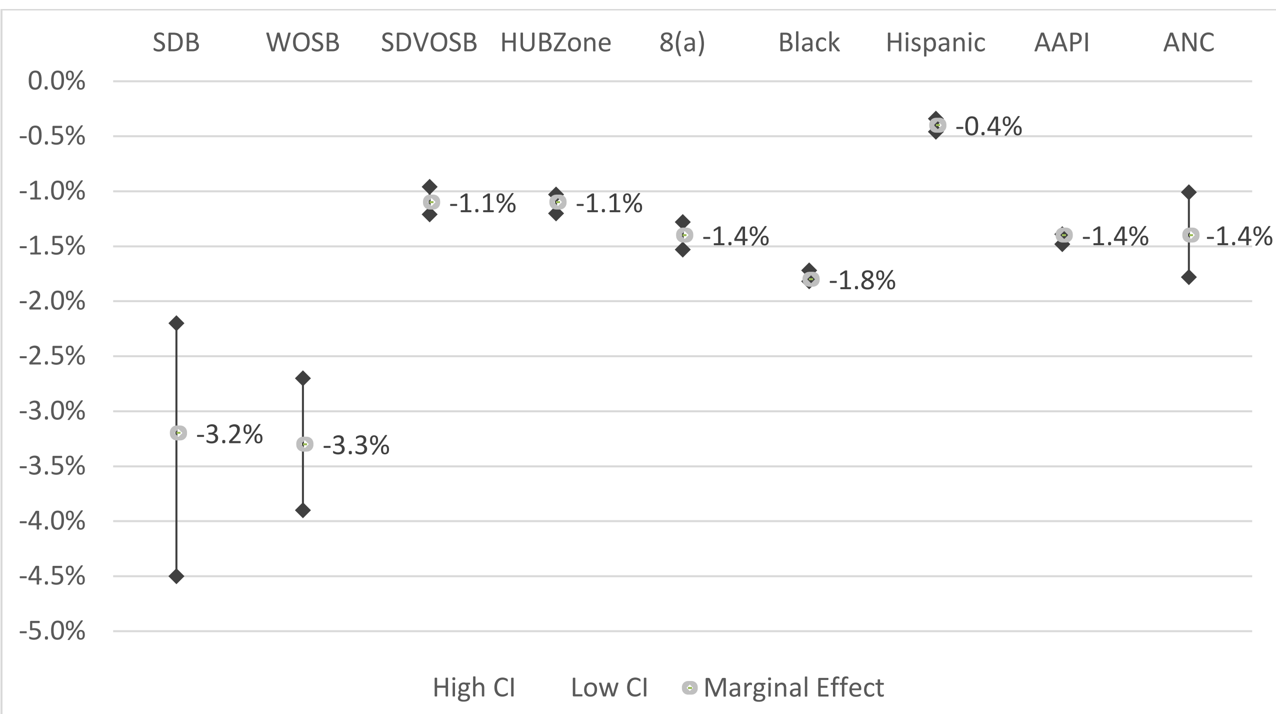
[13] Hosmer, David W., and Stanley Lemesbow. "Goodness of fit tests for the multiple logistic regression model." *Communications in statistics-Theory and Methods* 9, no. 10 (1980): 1043-1069.

Table 11: Results Effect of a 100% Increase in Bundling on Contract Spending with SDBs

Type of Firm	*Marginal Effect*
Small Disadvantaged	-3.2%
Woman-Owned Small	-3.3%
Service-Disabled Veteran-Owned	-1.1%
HUBZone	-1.1%
SBA 8(a)	-1.4%
Black-Owned	-1.8%
AAPI-Owned	-1.4%
Hispanic-Owned	-0.4%
ANC	-1.4%

Figure 2 presents the confidence intervals associated with these findings, showing the potential range of the negative effects on small firms. Though in some cases, the possible ranges of this effect can be wide, in all cases the effects are negative and distinct from zero. For all types of small, disadvantaged businesses, an increase in bundling is associated with a loss in federal contract spending.

Figure 2 Results: Confidence Intervals of Marginal Effects



Though these effects may appear relatively low, they are important to put into context.

The next step of this analysis links these results to actual spending behaviors. Using difference in differences analyses of 24 industries where bundling occurred, an average curve of spending change was calculated for the period from 2017-2021.[14] This curve, representative of the actual change in the use of small, disadvantaged firms, was then multiplied by the marginal effect from the previous models and the annual small business eligible spending to estimate the likely change in spending with small firms associated with bundling.

*Formula: Predicted proportion spent with SDBs * Total spending * Curve = Total revenue lost*

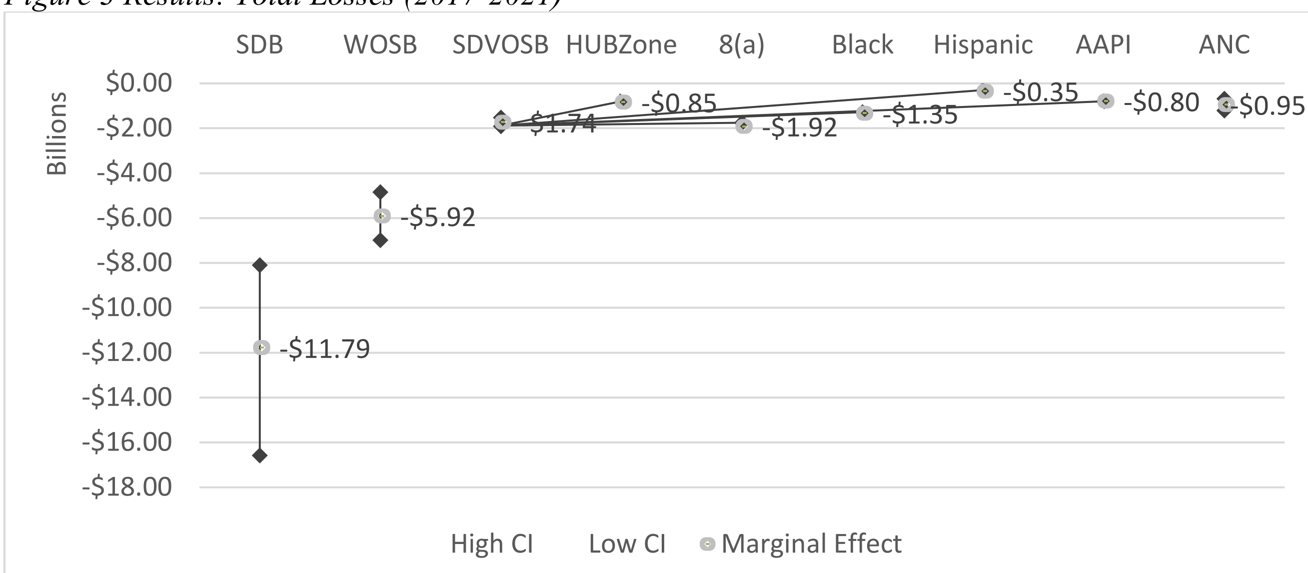
Figure 3 demonstrates how these findings translate into the dollars lost for small firms as a result of contract bundling. These values represent the loss over the five-year period, from 2017-2021. Small, disadvantaged businesses experienced the greatest revenue losses in 2017 and 2018, as bundling increased rapidly during these years. In recent years, as bundling has tapered off, losses are smaller.

However, the total loss over these five years is substantial for all types of small, disadvantaged firms included in this analysis. Overall, as a result of bundling, small, disadvantaged businesses received $11.8 billion less from the Federal Government over the five-year period. The lion's share of these losses was incurred by women-owned firms, which received $5.9 billion less than they might have without bundling, or an average of $1.2 billion per year. Due to bundling, the Federal Government spent $1.4 billion less with Black-owned

[14] The average curve was calculated by plotting spending trends between industries where the federal government bundled contracts and similar industries where it did not. Then, using difference in differences analyses, the magnitude of difference in spending with small, disadvantaged firms was calculated for each industry, for each year. Average slopes were then calculated for each year to determine the mean difference in spending with small, disadvantaged firms. These were then combined into an average slope across all 24 industries for each year from 2017-2021, which was then used to represent the actual marginal change in spending (rather than the estimated 100% increase implied in the models).

businesses over the five-year period, or about $280 million less per year. Alaska Native-owned corporations received $1 billion less in federal contract revenues, while Hispanic- and AAPI-owned firms lost $800 million and $350 million, respectively. The Federal government spent about $1.9 billion less (or $400 million annually) with SBA 8(a) firms, while service-disabled veteran-owned firms and HUBZone participants saw reduced revenues of about $1.7 billion and $900 million, in turn. Taken together, the analysis shows that the recent increase in contract bundling is associated with substantial reductions in federal contract spending for small, disadvantaged businesses, whether they were participants in established set aside programs or owned by members of historically disadvantaged groups.

Figure 3 Results: Total Losses (2017-2021)



1.4 Discussion

Government agencies often bundle contracts to improve efficiency. Combining multiple procurements into a single purchase can reduce administrative costs and take advantage of economies of scale, freeing up resources for other purposes. However, like many other government initiatives, efficiency is just one of many goals in public procurement. Equity, largely through the engagement and development of small, socio-economic businesses, has long been a priority in government contracting. Though there are many rationales for procurement equity programs, the most prominent is to offer ways for historically excluded groups to found and grow firms that can be sustained over time and can be competitive in both public and private marketplaces.[15] However, by its very definition, contract bundling takes procurements previously dedicated to small businesses and transforms them into larger, more complex purchases that either expressly or practically exclude small firms. This analysis shows that, in recent years, federal contract bundling has led to sizable reductions in spending with all small, socio-economic businesses, especially women-, service-disabled veteran-, and Black-owned businesses, as well as SBA 8(a) program participant firms. This suggests that the tradeoff between efficiency and equity goals persists in federal procurement when considering how federal dollars are allocated: an increased focus on efficiency (here, via bundling), leads to a reduction in the allocation of dollars to the intended beneficiaries of equity programs.

An increase in contract bundling may undermine the primary goals of public procurement equity programs: to offset the effects of historical exclusion from marketplaces and to develop and sustain new small and socio-economic firms. Though the predicted reductions in spending may seem small in comparison to the annual federal budget, those contract dollars are likely critical for the thousands of small firms competing for and relying on the Federal Government to gain expertise, build reputations of success, and grow workforces. The Federal Government has charged SBA with promoting the interests of small businesses

[15] Conlan, Timothy J. "Federalism and competing values in the Reagan administration." *Publius: The Journal of Federalism* 16, no. 1 (1986): 29-48, and Fernandez, Sergio, Deanna Malatesta, and Craig R. Smith. "Race, gender, and government contracting: different explanations or new prospects for theory?." *Public Administration Review* 73, no. 1 (2013): 109-120.

both in the broader economy and in federal procurement. SBA's mission is to "aid, counsel, assist and protect the interests of small business concerns" and to "help Americans start, build, and grow businesses." Contract bundling is contrary to federal procurement objectives, and to SBA's mission. It damages efforts to promote fair and open competition in marketplaces by limiting the pool of potential bidders to larger, more established firms at the expense of small, socio-economic firms. And, as this analysis demonstrates, the results of contract bundling are severe: small, socio-economic firms lose substantial federal revenues when contract bundling increases, reducing the likelihood of firm development.

These data also offer evidence that the negative effects of bundling may taper off. The average spending curves across the 24 bundled industries show an average decline in the effect on small, socio-economic s firms from 2017-2021. In the first two years, real bundling losses are more than 200%, but dwindle to 50% in 2021. In part, this is due to an overall reduction in contract bundling (the result of the COVID-19 pandemic and changes in policy preferences), but it is also likely the result of small firms learning how to continue to access federal contracting dollars, either through other, non-bundled, contract opportunities, subcontracting to larger firms, or other means. Additional research is needed to assess whether small socioeconomic firms sustain long-term losses, or if revenue reductions are limited to the years immediately after extensive contract bundling. This analysis suggests substantial effects for at least five years after a change in contract bundling policy.

For policymakers, the challenge is finding the right balance between efficiency and equity objectives. Contract bundling and contract equity goals are likely in opposition: improving efficiency through economies of scale adversely affects smaller firms that will be priced or sized out of marketplaces. Over the past five years, it seems that women-owned small firms have borne the brunt of this effect, losing federal contract revenues in excess of $4 billion. Over the same time, more federal agencies are failing to meet their spending objectives with woman-owned firms.[16] Similar trends can be seen when examining other types of small, disadvantaged firms and in set aside programs: less money is being allocated to small, disadvantaged firms, despite higher levels of contracting activity across the Federal Government. Though there may be other causes, such as the availability of loans and the economic shocks of the COVID-19 pandemic, it is likely that much of the revenue loss is the result of contract bundling. Perhaps these losses are offset by acceptable efficiency gains from bundling and category management, but the negative impact on achieving equity has been substantial.

2. Federal Contract Bundling: Effects on Agency Obligations:

2.1 Summary

SBA estimates that, after funding obligations to their first bundled contract in a NAICS code, agencies, on average, obligate more dollars over the course of five years in that NAICS code then they would have had they not bundled.

2.2 Introduction:

The U. S. Small Business Administration (SBA) has a vested interest in fostering a competitive federal marketplace. This creates opportunities for small businesses, grows the federal supplier base, and creates a more resilient federal supply chain. Bundling contract requirements lowers the number of competed contracts, reducing pathways for small businesses to compete. Lower demand may, in turn, contribute to the decreasing federal supplier base,

[16] SBA, 2021

particularly in the defense industry.

SBA hypothesizes that bundling leads to a decrease in the supplier base and in competition. Further downstream effects of these decreases could include higher acquisition costs. To test this hypothesis, SBA's Office of Policy Planning and Liaison within Government Contracting and Business Development, conducted a longitudinal analysis of Federal Procurement Data System (FPDS) records from FY 2011 to FY 2021. The result suggests that bundling and supplier-based consolidation may be related to increased costs.

2.3 Data and Methodology:

Once per year, in February, SBA receives a data extract from the General Services Administration containing microdata records for all small business goaling eligible transactions from the previous fiscal year. For this analysis, we restrict that data to transactions that were signed between FY 2011 and FY 2021. SBA restricted the analyses to include transactions funded by the 24 CFO Act Agencies.

For each agency[17], SBA calculated the total dollars obligated in each six-digit NAICS code in each fiscal year. The unit of analysis for this investigation is sub agency – NAICS Code combinations. We observe each unit over time for eleven fiscal years (2011 – 2021). We restrict units of analysis to only include those with obligations in all fiscal years. The outcome variable for this analysis is the dollar amount obligated by each agency within each NAICS code.

This is a longitudinal observational study with differential treatment timing. All units

[17] In this analysis, agency refers to the level of institutional organization directly below the 24-CFO Act Agencies, which, for procurement purposes, are referred to as Departments. For example, the Departments of the Army, Navy, and Air Force are all agencies of the Department of Defense, and the Federal Bureau of Investigation is an agency within the Department of Justice. For smaller departments, like the US Agency for International Development, the agency is the department itself. Using agencies helps standardize our analysis by creating more equivalently sized units.

start out in control. Some units stay in control the whole time. Other units enter into treatment at different times in the observation window. For the purposes of this observational study, a unit enters treatment in the first fiscal year that it obligates contract dollars to a bundled contract. Units that have not yet obligated dollars to a bundled contract remain in the control group. In other words, we observe multiple agencies' purchasing habits in specific NAICS codes over time. As soon as an agency makes a purchase in a specific NAICS code through a bundled contract, we consider that agency NAICS combination to be "in treatment" for the remainder of the study period.

This study set-up is a traditional difference in difference design with multiple units and differential treatment times. Relying on recent innovations in the different literature, we use a machine learning method called matrix completion to estimate how many dollars would have been obligated by an agency in a NAICS code if the bundling had never occurred. We include two-way fixed effects to control for unit-level and time-level trends. We also include a covariate for the total number of contract actions to control for changes in contracting volume. Finally, we cluster analyses at the funding agency level to force primary comparisons to be within-agency.

Estimates are made using the gsynth package in R Version 4.1.3. We tune the model using cross-validation, calculate 95% confidence intervals using a bootstrap with 500 resamples, and draw conclusions through non-parametric methods that do not make assumptions about the distribution of the underlying data.

2.4 Results:

Descriptive Statistics

Overall, 10,153 agency-NAICS Code combinations, each with 11 years of observations, contribute to this analysis. Table 12, below, shows the distribution of units in treatment and control at each time point.

Table 12: Distribution of Units in Treatment and Control

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Control	10,153	10,153	10,153	10,153	10,153	10,145	9,584	9,217	9,104	9,015	8,960
Treatment	0	0	0	0	0	8	569	936	1049	1,138	1,193

There is a five-year lead time before the first units enter treatment in 2016. By the end of the study period, 11.75% of the units enter treatment. Table 13 shows the distribution of units across NAICS sectors. Units are clustered in manufacturing, in professional services, and in administrative support, which mirrors spending patterns within the federal contracting portfolio.

Table 13: Distribution of Units by Sector

Sector	Units	Percent
11 - Agriculture, Forestry, Fishing & Hunting	100	0.98%
21 - Mining, Quarrying, & Oil & Gas Extraction	51	0.50%
22 - Utilities	108	1.06%
23 - Construction	579	5.70%
31-33 - Manufacturing	3222	31.73%
42 - Wholesale Trade	499	4.91%
44-45 - Retail Trade	258	2.54%
48-49 - Transportation & Warehousing	453	4.46%
51 - Information	742	7.31%
52 - Finance & Insurance	75	0.74%
53 - Real Estate & Rental/Leasing	267	2.63%
54 - Professional, Scientific, & Technical Services	1496	14.73%
56 - Administrative Support & Waste Management & Remediation Services	969	9.54%
61 - Education Services	298	2.94%
62 - Health Care & Social Assistance	225	2.22%
71 - Arts, Entertainment, & Recreation	81	0.80%
72 - Accommodation & Food Services	87	0.86%
81 - Other Services	497	4.90%
92 - Public Administration	146	1.44%

Table 14 reports the distribution of units across funding departments. Higher numbers of units in DoD and DHS also comport with general trends within government contract spend.

Table 14: Distribution of Units by Funding Agency

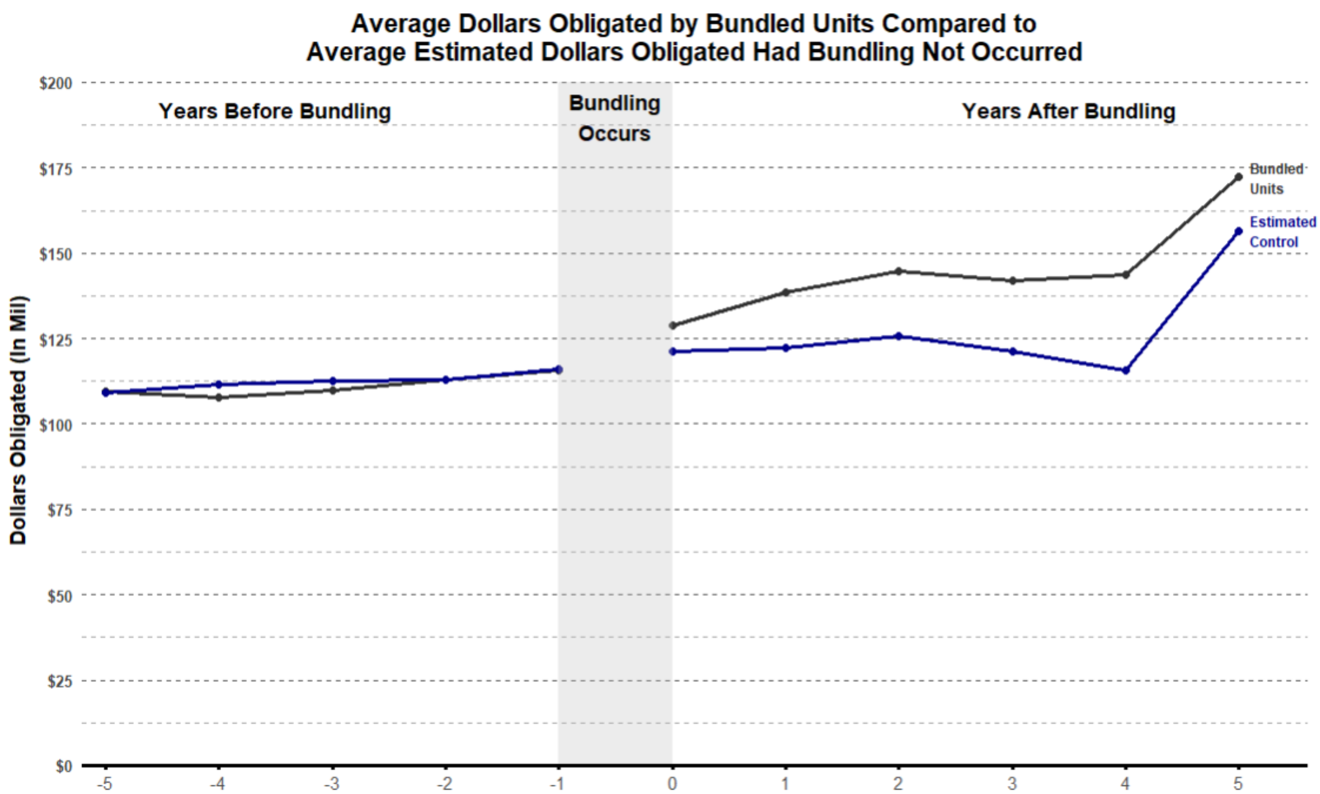
Funding Agency	Units	Percent
Agency For International Development	87	0.86%
Department of Agriculture	954	9.40%
Department of Commerce	371	3.65%
Department of Defense	2685	26.45%
Department of Education	49	0.48%
Department of Energy	180	1.77%
Environmental Protection Agency	129	1.27%
General Services Administration	476	4.69%
Department of Health and Human Services	644	6.34%
Department of Homeland Security	1141	11.24%
Department of Housing and Urban Development	79	0.78%
Department of the Interior	871	8.58%
Department of Justice	618	6.09%
Department of Labor	143	1.41%
National Aeronautics and Space Administration	198	1.95%
National Science Foundation	31	0.31%
Nuclear Regulatory Commission	65	0.64%
Office of Personnel Management	42	0.41%
Small Business Administration	41	0.40%
Social Security Administration	86	0.85%
Department of State	400	3.94%
Department of Transportation	184	1.81%
Department of the Treasury	213	2.10%
Department of Veterans Affairs	466	4.59%

Model Results:

Cumulatively across all pre-treatment stages, SBA estimates that the average predicted outcomes vary from the average observed outcomes by between -3.06% and 0.63%. Because this interval crosses zero and is not extreme on either end, statistically, we do not believe there is a meaningful difference between the observed pre-treatment outcomes and our estimate of the treatment trend line. This is an important diagnostic to evaluate our model. It suggests that, in the pre-treatment phase, we have accurately modeled the trajectory of unbundled units. While this does not guarantee the model's reliability in the post-treatment stage, it boosts our confidence that our modelling procedure accurately describes the phenomenon we hope to measure.

Figure 4, below, graphs the actual average obligations made by each agency in each NAICS code before and after bundling and the average obligations that are predicted had the bundling not occurred. The overlap between observed and estimated trends in the pre-treatment phase illustrates the above discussion. In pre-treatment, our estimated control successfully mirrors the behavior of the pre-treated bundled units.

Figure 4 Average Dollars Obligated by Bundled Units Compared to Average Estimated Dollars Had Bundled Not Occurred



On the right side of the dotted line (the post treatment), Figure 4 shows the gap between bundled units and their estimated trajectory had they not been bundled. Based on this analysis, we see that, agency by agency, more is spent in bundled industries than we predict would have been spent had the industries not been bundled. We predict that, across five years, the non-bundled obligations would be, on average, 12.3% lower than obligations made by bundled units. Because this analysis involves predicting unknown outcomes, this exact numeric estimate is subject to a degree of imprecision. That said, we are confident that the average predicted obligations from non-bundled units are lower than the average obligations from the bundled units. To assess variation in our estimate, we re-sample the data and re-calculate the model 500 times. From this process, we find that our data is compatible with a range of effect estimates between 0% and 24.9%, with the reported 12.3% representing the average estimated effect.

Table 15, below, records the average obligations by bundled units and predicted average obligations by non-bundled units, stratified by year since first bundling. It also includes 95% confidence interval estimates for the predicted average obligations made by non-bundled units.

Table 15: Post-Treatment Outcomes

Years After First Bundling	Average Bundled Unit	Predicted Average Control	Control Lower Bound	Control Upper Bound	Predicted Average Difference	Predicted Average Percent Difference
0	$128,952,725	$121,209,852	$116,748,415	$125,671,288	$7,742,873	6.00%
1	$138,539,115	$122,136,096	$110,040,002	$134,232,190	$16,403,019	11.84%
2	$144,829,407	$125,876,675	$110,949,679	$140,803,672	$18,952,732	13.09%
3	$142,041,508	$121,365,852	$93,263,848	$149,467,856	$20,675,656	14.56%
4	$143,592,774	$115,860,348	$79,887,542	$151,833,154	$27,732,426	19.31%
5	$172,288,858	$156,539,800	$142,694,307	$170,385,293	$15,749,058	9.14%

2.5 Discussion

When bundling, agencies are required to determine in writing that the bundling is necessary and justified. Bundling is considered necessary and justified if the agency would obtain measurably substantial benefits from the bundling, and agency must quantify the specific benefits to explain how their impact would be measurably substantial. *See* FAR 7.107-3(a).

Applying an econometric model to estimate what obligations would have occurred if agencies had not used bundled contracts in specific NAICS codes suggests that, on average, bundling is associated with higher obligations. This result contributes evidence towards the hypothesis that bundling, and the resultant consolidation of the supplier base, may, in the long term, be related to increased obligations and therefore increased costs. There are some limitations to this analysis. This analysis uses aggregate level data on obligations at the agency-NAICS code level. We do not have data on unit pricing, which would be the gold standard of evidence to evaluate whether or not there is an increase in price per service associated with bundling. What we can say from this analysis is that sub agencies obligated more dollars to NAICS codes after they bundled than they would have if they did not bundle. While this analysis does account for trends due to inflation and trends due to government wide and agency wide increases in spending, we cannot completely rule out the possibility that agencies tend to increase purchasing in a NAICS code when they use bundled contracts more than they would have if they had not bundled. Our most precise and conservative conclusion is the following: after funding obligations to their first bundled contract in a NAICS code, agencies, on average, spend more dollars over the course of five years in that NAICS code then they would have if they had not bundled.

ENCLOSURES

ENCLOSURE 1

Department of Defense
(DoD)

Department of Defense

FY 2021 Contract Bundling Report for the Small Business Administration

Office of Small Business Programs

Office of the Under Secretary of Defense for Acquisition and Sustainment

December 2021

In support of the requirement from Section 15(p)(4) of the Small Business Act for the Small Business Administration (SBA) to prepare an Annual Report on Contract Bundling, the Department of Defense (DoD) Office of Small Business Programs (OSBP) submits this report to SBA to discuss the extent of the Department's contract bundling for fiscal year (FY) 2021.

Based on an extensive review of the validated data from the *Bundled and Consolidated Contracts Report* in the SAM.gov Data Bank, as well as communication with all DoD components, the Department reports 10 bundled contracts for FY 2021, from the Army, Navy, Air Force, and DLA. As requested, for FY 2021 the information below provides details regarding these contracts and any associated justifications and impacts.

1. Data on the number, arranged by industrial classification, of small business concerns displaced as prime contractors as a result of the award of bundled contracts by the DoD

Agency	PIID (Referenced IDV PIID)	NAICS	# of Displaced SBs
Army	W52P1J21F0104 (W52P1J19D0015)	332993	1
Navy	N6134021F0145 (N6134016D1003)	541330	1
Navy	N0038321F0WB0 (N0038320DWB01)	334412	1
Air Force	FA701421F0044 (FA701419DA005)	541513	12
Air Force	FA701421F0120 (FA701419DA005)	541513	12
DLA	SPRPA121F0025 (SPRPA120D9401)	336413	37
DLA	SPE4A521F3331 (SPE4AX19D9400)	336412	126
DLA	SPE4A521F1012 (SPE4AX19D9400)	336412	126
DLA	SPE4A521F128S (SPE4AX20D9002)	336412	126
DLA	SPRPA121F0022 (SPRPA120D9402)	336412	152

** - Multiple Delivery Orders*
*** - Additional NAICS please see Attachments*

2. Description of the activities with respect to bundled contracts of the DoD

(I) Data on the number and total dollar amount of all contract requirements that were bundled

Agency	PIID (Referenced IDV PIID)	NAICS	Contract Value
Army	W52P1J21F0104 (W52P1J19D0015)	332993	$111,853,284
Navy	N6134021F0145 (N6134016D1003)	541330	$96,316,081
Navy	N0038321F0WB0 (N0038320DWB01)	334412	$16,355,628
Air Force	FA701421F0044 (FA701419DA005)	541513	$113,429,588
Air Force	FA701421F0120 (FA701419DA005)	541513	$2,420,398
DLA	SPRPA121F0025 (SPRPA120D9401)	336413	$39,744,900
DLA	SPE4A521F3331 (SPE4AX19D9400)	336412	$37,204,479
DLA	SPE4A521F1012 (SPE4AX19D9400)	336412	$3,068,928
DLA	SPE4A521F128S (SPE4AX20D9002)	336412	$7,930,006
DLA	SPRPA121F0022 (SPRPA120D9402)	336412	$4,058,766

Details regarding the above DoD bundled contract is described in the following attachments:

1. Army - W52P1J19D0015
2. Navy – N6134016D1003

3. Navy – N0038320DWB01
4. Air Force – FA701419DA005 (x2)
5. DLA – SPRPA120D9401
6. DLA – SPE4AX19D9400 (x2)
7. DLA – SPE4AX19D9400
8. DLA – SPE4AX20D9002

Summary

The DoD recognizes the importance of minimizing contract bundling to avoid adverse impacts to small businesses in the defense industrial base. DoD's ability to mitigate most bundling in FY 2021 reflects the Department's dedication to fostering a healthy small business industrial base. Preliminary data for FY 2021 shows that DoD awarded $83.0 billion in small business prime contracts, which represents over 25% of all small business eligible DoD procurement dollars. This exceeded the SBA-assigned goal for DoD of 21.95%. Based on this preliminary data, DoD expects to surpass its small business goal while mitigating most bundling. DoD implements bundling only when it is the best option in the interest of the Department and the Federal government, based on objective analysis and projected cost savings.

The involvement of Small Business Professionals throughout the acquisition process, including training of contracting personnel and participation in acquisition strategy reviews, was critical to mitigating the bundling of contracts.

DoD remains committed to providing maximum practical opportunities for small business participation in Department acquisitions. DoD Contracting Officers will continue to ensure that if they bundle contracts, they will provide appropriate justification after considering ways to mitigate the loss of opportunities for small businesses in the development of acquisition strategies. One effective strategy for the mitigation of bundling's adverse impacts to small business is a continuing commitment to maximizing subcontract opportunities for small business. In FY 2020, the Department reported $62 billion in subcontract awards representing 33.40% of the subcontracted dollars surpassing the 32% goal. Preliminary performance data for FY 2021 indicates that the Department is on track to achieve similar performance.

Attachment 1

Army - W52P1J19D0015

DEPARTMENT OF THE ARMY
DETERMINATION AND FINDINGS
BUNDLING OF CONTRACT REQUIREMENTS FOR TRITONAL BOMB KITS

FINDINGS

1. Headquarters, U.S. Army Contracting Command (ACC), through ACC-Rock Island (ACC-RI), on behalf of the Program Executive Officer Ammunition, plans to solicit offers as a bundled procurement under Federal Acquisition Regulation (FAR) 7.107 for Tritonal Bomb Kits. Market research has been conducted that demonstrates bundling of this procurement to be both necessary, justified and critical to the agency's mission success. The United States Air Force (USAF) will obtain measurably substantial benefits in being able to meet its warfighting readiness requirements for inventory of the MK80 Series and BLU-109 Tritonal bomb kits through bundling that it cannot meet through separate smaller contracts or orders. The Tritonal bomb kits requirement is considered both consolidated and bundled, and this Determination and Findings therefore follows FAR 7.107-1 guidance regarding bundling. IAW FAR 7.107-3(f)(1)(i) and (ii), "the expected benefits do not meet the threshold for a substantial benefit but are critical to the agency's success and the acquisition strategy provides for maximum practicable participation by small business concerns," which are supported by this document. Further, FAR 7.107-4(b)(1) through (6) have been fully considered and fully addressed in Sections 2 through 7.

2. Description of the Procurement Action:

Procurement of the Tritonal Bomb Kits include the following:

Item	NSN
MK 81 MOD 5 Empty Case Assembly	1325-00-580-1799
MK 82 MOD 1 Empty Case Assembly	1325-00-585-3841
MK 83 MOD 4 Empty Case Assembly	1325-00-104-7268
MK 84 MOD 4 Empty Case Assembly	1325-01-008-1335
MS3314 Suspension Lug	1325-00-116-4452
MK3 MOD 0 Suspension Lug	1325-00-684-1364
BLU-109/B Empty Case Assembly	1325-01-335-8828
CNU-417/E Container	8140-01-252-7060
Trinitrotoluene (TNT)	1376-00-628-3333
Aluminum Powder	6810-00-628-3382

The proposed procurement action will procure the Tritonal Bomb Kits used for tactical defense by the United States Air Force and Allied Nations. This acquisition will be for the new production of the MK80 Series General Purpose (GP) Bombs and BLU-109/B Bomb Case Assemblies, which will be filled with an explosive fill of 80% TNT and 20% aluminum powder. This acquisition includes all of the components for a complete end item as detailed above. The MK80 Series and BLU-109/B bombs are used as building blocks for numerous variants of non-guided and precision-guided air delivered munitions. To ensure strategic readiness, a systems approach is vital for the USAF and Allied Nations as they operationalize their essential functions at the tactical, operational, and strategic levels to assure sustainable readiness to defeat any adversary.

Bundling the Tritonal Bomb Kit components will optimize quality improvements, increase efficiency, improve delivery and reduce risk to the Government. These improvements will be recognized through opportunities for lean manufacturing control practices, such as the ability for all producing contractors to collaborate their efforts, skills, and knowledge to provide a quality product at a just-in-time delivery rate from suppliers to support the production line at McAlester Army Ammunition Plant (MCAAP). The small business participation opportunities required within this action will complement each contractor's capabilities and provide a mentor protégé experience for the small businesses to further develop their capabilities of performing successfully on future contracts and subcontracts.

This bundling action is critical to the USAF and Allied Nations mission success, as it is imperative that the Tritonal Bomb Kits are readily available to support the ongoing effort globally for contingency operations. The Insensitive Munition (IM) versions of the MK80 Series and BLU-109 Bomb bodies cannot be produced at a fast enough rate to support the significant increased expenditures, which have rapidly depleted the USAF and Allied Nations inventory. The current inventory/readiness level poses an unacceptable risk to the Combatant Commanders and the supported Warfighter. Without this procurement, the USAF and Allied Nations inventory will continue to decrease to a level that jeopardizes mission performance and degrades the ability to conduct global contingency operations.

A single Firm Fixed Price, Indefinite Delivery Indefinite Quantity contract will be awarded sole source to General Dynamics – Ordnance and Tactical Systems (GD-OTS). The contract will cover Fiscal Year (FY) 2019-2023 requirements. Award is projected for October 2018. The anticipated guaranteed minimum quantity is 10,000 each, which can be comprised of any combination of the Tritonal Bomb Kits. The estimated total dollar value for this procurement is $989,600,000.00. The total maximum contract value includes all configurations of the Tritonal Bomb Kit.

MK80 Series

BLU-109

a) The USAF and supporting Allied Nations have experienced significant increases in MK80 Series GP and BLU-109 Bomb expenditures due to overseas contingency operations and expect the higher expenditure rate to continue into the future in response to the war on terror. Procurement lead times prevent sudden increases in production rates to match these fluctuations (upon order, nearly three years to deliver a bomb). The USAF led coalition has dropped more precision guided munitions and conducted increasing strafing attacks since 2014 in support of ground troops. As the war on terror intensifies, there will be an exponential depletion of inventory for the MK80 Series GP and BLU-109 Bombs, as they are the preferred munitions for area attack. Failure to replenish and maintain the inventory will place warfighters at a severe disadvantage in theatre tactically, as well as operations will be impacted and critical missions will not be carried out due to the danger ground troops would be put in.

b) This surge in expenditures has driven an increase in USAF and Allied Nations requirements for FY 2019-2023, which are above the current industrial base capacity for IM bombs. An IM explosive filled bomb is the preferred explosive fill for the MK80 Series GP Bombs and BLU-109 Bombs, as it is less volatile than TNT; however, the industrial base maximum IM bomb production will not keep pace with expected expenditures over the next several years. Therefore, the USAF and Allied Nations must rely on the use of Tritonal filled bombs to make up the shortfall. The cure time for the Tritonal filled bomb is half the time it takes for an IM filled bomb, thus resulting in a quicker production and delivery schedule to support the current USAF and Allied Nation's requirements.

c) Utilizing the proposed Tritonal Bomb Kit systems approach will deliver the required MK80 Series GP and BLU-109 bombs that the USAF and Allied Nations desperately need to conduct their missions to maintain peace and security in less than half the time associated with utilizing a component breakout strategy.

Based on historical requirements, the Procurement Acquisition Lead Time (PALT) for individual contracting actions for all of these components, from acquisition planning through contract award and contractual requirements, such as First Article Test, would take approximately three years, with product deliveries not beginning until FY 2020. Combining all of the components will allow for an October 2018 award, resulting in the earliest possible deliveries to the USAF and supporting Allied Nations which will enable the Government to retain the existing skill base and production capability for bomb bodies. The USAF and Allied Nations require first deliveries to begin in 2019. Therefore, the component breakout strategy is not feasible and would endanger national security. GD-OTS is currently delivering all of the Tritonal Bomb Kit components and would be able to deliver immediately to support the USAF and Allied Nations requirements.

d) The procurement of all of these items are critical to the agency's success. The Authorization for Use of Military Force, Pub. L. 107-40, codified at 115 Stat. 224 and passed as S.J. Res. 23 by the United States Congress on September 14, 2001, authorizes the President to use all necessary and appropriate force against those nations, organizations, or persons he determines planned, authorized, committed, or aided the terrorist attacks that occurred on September 11, 2001, or harbored such organizations or persons, in order to prevent any future acts of international terrorism against the United States by such nations, organizations, or persons. From October 2001 to December 2014, under Operation Enduring Freedom, the USAF and Allied Nations executed airstrikes on Taliban, al Qaeda, and ISIS targets in Afghanistan in order to prevent any future acts of terrorism. The USAF continues to play a significant role in the campaign, as the U.S. relies on coordinated airstrikes with Special Forces and USAF forward air controllers, or Joint Terminal Attack Controllers, to assist the Northern Alliance in their fight against the Taliban and al-Qaeda.

e) In October 2014, the Department of Defense formally established Combined Joint Task Force - Operation Inherent Resolve in order to formalize ongoing military actions against the rising threat posed by ISIS in Iraq and Syria. As the war on terror intensifies today with Iran, North Korea, and states that sponsor terrorism, there will be an exponential depletion of inventory for the MK80 Series GP and BLU-109 Bombs. Failure to replenish and maintain the inventory, will place our warfighters at a severe disadvantage in theatre. It is critical for the warfighter to be adequately armed for protection in combat situations. Inadequately arming the warfighter will drastically reduce the combat capability and survivability of the armed forces in current world situations. Inadequately arming the warfighter will also result in a decreased capability and capacity to conduct counter insurgency operations against organizations who threaten the security of the U.S.

f) Existing contracts cannot be used to meet the increased requirements. Therefore, this acquisition proposes to consolidate the empty case assemblies, suspension lugs, TNT and Aluminum Powder. The existing contracts for MK80 Series GP Bomb Bodies, BLU-109 Bomb Assembly and MS3314 and MK3-0 Suspension Lugs do not contain sufficient headspace to execute the quantity of additional bomb bodies needed for this procurement. The MK80 Series GP Bomb Body contract maximum quantity is 25,000 units per year. The projected bomb body requirements for each year, considering the MK80 Series Bomb Bodies needed for these increased requirements, are at least 30,000 to 40,000 per year. The existing contract for suspension lugs also does not contain sufficient headspace to execute the quantity needed for this procurement; in addition, the current contractor does not have the facility capacity to fulfill these suspension lug requirements. GD-OTS Garland is currently and will continue to maintain two small business sources to fulfill the MS3314 and MK3-0 Suspension Lug requirements for the MK80 Series GP Tritonal Bomb Kits.

g) In order to ensure an adequate bomb inventory to support USAF contingency operations and to support Allied Nations, deliveries must begin in October 2019. Consolidating these requirements is the only executable approach to support required deliveries. Any other acquisition strategy could not support the required delivery time. This is confirmed by the current and historical contractual PALT actions for the required components of the Tritonal Bomb Kit. Individual acquisition strategies would not deliver product until FY 2021.

h) The U.S. and its Allied Nations must be prepared to engage rogue regimes such as Iran, North Korea, and states that sponsor terrorism. These regimes have and continue to threaten our nation and the peace and security of our Allied Nations. The expenditure rate of these munitions is expected to increase even further should the U.S. be faced with additional conflicts. Without this systems approach procurement, the USAF and supporting Allied Nations readiness posture will fall to a level that jeopardizes mission performance and degrades the ability to conduct global contingency operations.

i) The MK80 Series GP and BLU-109 Bombs expenditures have increased significantly since the start of the current overseas contingency operations. The FY 2016 and FY 2017 Presidential Budgets increased from an average of $135,000,000.00 per year to $560,000,000.00 to accommodate the increase in expenditures. This trend will continue through the foreseeable future as the war on terror intensifies. This significantly higher expenditure rate has negatively impacted inventories for MK80 Series GP and BLU-109 Bombs. The current readiness level poses an unacceptable risk to the Combatant Commanders and the supported Warfighter. Failure to consolidate these requirements will result in the inability of the warfighters to properly engage enemy targets in theatre. This will cause catastrophic long term effects to the United States of America and Allied Nations.

3. Applicable Statues/Regulations: Title 15 United States Code, Section 644(e) and FAR 7.107, Additional Requirements for Acquisitions Involving Consolidation, Bundling or Substantial Bundling.

4. Results of Market Research:

Market research for the Tritonal Bomb Kits was coordinated with the local Small Business Office and publicized in Federal Business Opportunities on 22 December 2016 for 30 days in order to assess contractor capabilities. The source sought notice asked industry to provide economical production rates, alternative approaches for quicker production deliveries to commence, annual quantities of each variant of bomb body and suspension lug, as well as identifying manufacturing constraints. A summary of the responses including the Government's analysis is contained below.

	List of Respondents	Small Business	Capable	Risk
1	General Dynamics Ordnance and Tactical Systems (GD-OTS) Garland, TX	No	Yes	Low
2	Simtech, Inc. East Granby, CT	Yes	No	High

a) The Industrial Capabilities Facilities Investments Division (AMSJM-ICF), at the Joint Munitions Command, completed an industrial base assessment of these responses. Each respondent was assigned a risk rating that took into consideration the contractor's technical and manufacturing capabilities, equipment, facilities, quality system, personnel experience, past manufacturing experience, potential key subcontractors, and any other known history. Based on the analysis performed, there is one large contractor within the domestic industrial base that is capable of supplying all configurations of the Tritonal Bomb Kits and has a supplier chain that can provide the critical components and the vital facilities to achieve industrial mobilization as system contractor.

b) As the current producer of the MK84-4 Tritonal Bomb Kit, GD-OTS Garland has experience in manufacturing MK80 Series Bomb Bodies, as well as the assembly of Tritonal Kits. GD-OTS possess the skills, expertise, and equipment for the production of the MK80 bomb bodies and will utilize proven subcontractors to produce loaded MK80 bombs. Since 2007, GD-OTS Garland has teamed with its subcontractors to produce over 47,000 MK84-4 Bomb Bodies with over 17,000 provided to the International market as MK84-4 bombs loaded with Tritonal. GD-OTS Garland has utilized and maintained critical manufacturing equipment/processes integral to the production of bomb cases, warheads and metal parts production, such as, forging, induction heating, nosing, machining, welding, heat treating, phosphating, testing, and painting. The critical skills (forging and heat-treating setup personnel; inspection and testing technicians; maintenance, tooling, manufacturing, and quality control engineers; and machinists) are in place for the production of MK80 Series GP Bomb Bodies. GD-OTS has complete laboratory facilities for the mechanical properties testing, as well as the physical testing. GD-OTS possesses an extensive Destructive and Nondestructive Testing Program including, Hydrostatic, Salt Spray Testing, and X-Ray. GD-OTS also identified five subcontractors which they would utilize to provide the BLU-109/B, Suspension Lugs, TNT, and Aluminum Powder. Although GD-OTS has a contract for the BLU-109 Empty Case Assemblies, they have indicated they will utilize Ellwood National Forge as a subcontractor for the production of this item for this requirement. Based upon the information provided in the sources sought response, GD-OTS' identified subcontractors have adequate capability and capacity to meet the requirements for this procurement. Given their skills and expertise, GD-OTS Garland was given a low risk rating.

c) Simtech has no experience in the production of any bomb component for the Department of Defense, since they act as an exporter and distributor of spare parts, rather than a manufacturer. They have proven the ability to package, ship, and deliver MK81 and MK82 bomb bodies in the past. They did not give any information on who their subcontractors could or would be. Simtech did not fully describe their personnel or facility capabilities to manufacture all components. Simtech is not considered a viable domestic source. Simtech is considered not capable and would be consider a high risk producer.

d) Ellwood National Forge (ENF), the current prime contractor for the BLU-109 Empty Warhead Case Assemblies, did not respond to the sources sought announcement. On 10 August 2017, ACC-RI contacted ENF to see if they had any interest in becoming the prime contractor for the Tritonal Bomb Kits. ENF responded they were not interested in this procurement; however, they were fully capable and willing to supply Empty BLU-109 Warhead Cases in a subcontractor role as required.

e) A representative from Orbital ATK Incorporated, Armament Systems Division, submitted a Freedom of Information Act Request in June 2017, requesting information in regards to the current Tritonal Bomb Kit contract. Based on this request, ACC-RI contacted Orbital ATK Incorporated, on 10 August 2017, to see if they still had any interest in becoming the prime contractor for the Tritonal

Bomb Kits. Orbital ATK responded that their facilities were not set up to support any of the requirements and they were no longer interested in this requirement.

f) Four capable small businesses responded to a previous announcement for the MK3-0 and MS3314 Suspension Lugs; however, all four are unable to produce or supply the entire Tritonal Bomb Kit to support the Army's readiness ability to fight and win by delivering the right materiel, equipment and capabilities on time at point of need. Based upon the recent market research results, there is no current capable small business that can meet the Tritonal Bomb Kit requirement; therefore, any resultant contract for the Tritonal Bomb Kits would be from a large business. In addition, should Simtech prove to be a capable small business producer of the Tritonal Bomb Kits, the 'rule of two' would not be met; therefore, any new procurement would be open to large businesses.

5. Alternative Contracting Approaches and Rationale for Rejection:

a) Option 1: Consolidate and bundle only the MK80 Bomb Body Series with the MK3-0 and MS3314 Suspension Lugs, Aluminum Powder and TNT. (This would exclude consolidating the BLU-109 Tritonal Bomb Kit)

This action was partially consolidated in FY 2016 to support the USAF depleted MK84-4 GP Bomb supply. At the time the USAF current inventory was at 67 percent supportable and the industrial base maximum IM bomb production could not keep pace with expected expenditures over the next several years. The Government has witnessed an improved quality of items associated with the previous consolidation of Tritonal Bomb Kit components. This was achieved by GD-OTS ability to increase inspections at the supplier's sites and tighten rejection criteria to correlate with the fluxes in quality issues, as well as share supply chain management expertise and lessons learned across component production overall. Furthermore, by transferring the risk to the Contractor, the Government was able to eliminate the liability for any cost associated with expediting schedules and transportation to preclude a MCAAP production line shutdown due to shortage of Tritonal Bomb Kit components.

The consolidation of only the MK80 Bomb Body Series Tritonal Bomb Kit realizes considerable benefits; however, including only the MK80 Bomb Body Series is not the preferred path as the benefits could be increased substantially in the same areas identified above by consolidating the BLU-109 Bomb Body Tritonal Bomb Kit. Accordingly, consolidation of both the MK80 and BLU-109 Bomb Body Kits substantially outweighs this option (Option1) of consolidating the MK80 Series Tritonal Kit exclusively.

b) Option 2: Consolidate only the BLU-109 Bomb Body Assembly with Aluminum Powder and TNT. (This would exclude consolidating the MK80 Bomb Body Series Tritonal Bomb Kits)

The benefits of consolidation the BLU-109 Tritonal Bomb Kit are similar to the aforementioned in Option1. This option would avoid an impact to small businesses should the MK80 Series be excluded from consolidation, as there are no producers of any of the BLU-109 Tritonal Bomb Kit components supported by a prime small business contractor. However, by segregating this requirement into smaller contracts, it creates an unnecessary requirement of administration and quality management and precludes gaining the benefits that would be achieved through optimizing processes and quality improvements gained by the prime contractor. GD-OTS is the current producer of the MK80 Series Bombs and the BLU-109 Bombs. Separating these items into two actions would only duplicate the use of resources and require additional administrative work (e.g. requiring the same documentation to be sent out twice for the same guidance and/or findings). The benefit of one contractor would create an infrastructure that would allow for guidance and requirement updates to be deployed quickly amongst all subcontractors. Furthermore, ENF, another producer of the BLU-109 Bomb requirement has stated that they are not interested in supporting a Tritonal Bomb Kit requirement and are only interested in supporting this requirement as a subcontractor. Accordingly, consolidation of both the MK80 Series GP and BLU-109 Bomb Body Kits substantially outweighs this option (Option 2) of consolidating the BLU-109 Tritonal Bomb Kit exclusively.

c) Option 3: Consolidate none of the components.

The exclusive benefit of this option would only be experienced by the prime contractor inasmuch as it reduces its risk and liability should any of the Tritonal Bomb Kit components of suppliers experience quality issues and/or not be able to meet the necessary delivery schedule. However, if both Tritonal Bomb Kits are included in the consolidation systems approach, the prime contractor would have the flexibility to pursue additional suppliers or alternatives quicker than the Government. The existing peace-time acquisition framework with associated extensive procurement timelines could not support the increased demand. In addition, the Army does not have existing contracts for TNT or aluminum powder. The timeline associated with awarding a contract for each separate component will approximately take over three years for delivery of an end item. The additional bomb requirements exceeded the headspace on the existing bomb body contract and the capacity of the current lugs contract(s). The USAF and Allied Nations require first deliveries to begin in 2019. There is not an existing contract that could support immediate deliveries in 2019. Therefore, the component breakout strategy is not feasible and would endanger our national security. GD-OTS Garland is currently delivering all of the Tritonal Bomb Kit components and would be able to deliver immediately to support the USAF and Allied Nations requirements.

If all components were not delivered on time to support the Tritonal Bomb Kit requirement, the Tritonal bomb production line at MCAAP would be shut down and repurposed to support a different bomb production line that has all of the components available. It takes approximately three days to start up and take down a bomb production line.

With today's environment of a declining budget, it is our responsibility to use resources prudently, and any savings is of merit. The use of separate contracts to fulfill this requirement, all of which would use normal contracting lead-times, would not allow for contract awards until FY 2020, and resulting bomb deliveries until at least FY 2021 which is two years after the Warfighter requirement. The use of separate solicitations using the same resources (personnel) and requiring separate acquisition planning documents and normal contracting lead-times, would significantly delay the delivery of these critical assets to the USAF and Allied Nations. It would also place an unacceptable risk on the USAF and Allied Nations inventory and detract from its ability to conduct effective air-to-ground missions.

Utilizing the proposed systems approach strategy will deliver the required MK80 Series GP and BLU-109 bombs that the USAF and Allied Nations desperately need to conduct their missions to maintain peace and security. This approach will deliver these munitions in less than half the time associated with utilizing a component breakout strategy. Accordingly, the tremendous benefit that could be achieved by the bundling of components for both Tritonal Kits into one procurement substantially outweighs not consolidating.

In summary, this option of not consolidating the MK80 Series GP and BLU-109 Tritonal Bomb Kits achieves only one benefit for the prime contractor to reduce their liability/risk and would be disadvantageous to the Government.

d) Bundling the critical bomb components of the Tritonal Bomb Kits allows for quality improvements and increased efficiencies that will be achieved through a single contractor's use of its supply chain management resources. A single contractor will be able to do the following: address nonconformance issues directly with the suppliers, give timely notification and performance feedback, provide direct communication of quality issues with the supplier, provide additional resources to identify the root cause and reduce the probability of manufacturing additional nonconforming materials due to lack of resources and cognizance of a problem. A multi-contractor environment would hinder the production process and have a negative impact on delivery schedule due to utilizing numerous Government resources. Conversion to having one contractor procure all of the components of the Tritonal Bomb Kits reduces the number of parties involved in the transaction, thus decreasing the time and personnel engaged in the disposition and handling of the components. Further consolidating these components would allow for improved production processes, shared efficiencies and improved quality amongst all suppliers.

6. The consolidation of the MK80 Series GP and BLU-109 Bomb Bodies, MK3-0 and MS3314 Suspension Lugs, CNU-417/E Container, TNT and Aluminum Powder will have no effect on Small Business. The current MK3-0 and MS3314 Suspension Lug contractor, which is a small business, does not have the ability to produce the quantities of lugs that are required to support this procurement. The current contract has been maximized and final delivery of all orders is not expected until June 2020. All existing orders on this contract are committed to other programs, such as the MK80 Series GP Bombs and the BDU-50 Cast Ductile Iron (CDI) Practice Bombs. Future MK3-0 and MS3314 Suspension Lug requirements for the MK80 Series GP Bombs and BDU-50 CDI Practice Bombs will continue to utilize a small business set aside acquisition strategy.

A follow on suspension lug requirement was solicited on August 2017, to support the MK80 Series GP Bombs and BDU-50 CDI Practice Bombs programs, with anticipated award in February 2018. For the anticipated contract(s), first delivery will be approximately 365 days after award. However, based on recent suspension lug production under the MK-84 Tritonal Bomb Kit requirement, deliveries are not anticipated to start until 455 days after award. Due to the growing global conflict situation, the Government cannot accept the risk of a protest on the new procurement or any type of delay in production of suspension lugs. A protest can take anywhere from 90 days to 365+ days. In order to support our nation, as the war on terror intensifies today, the use of a systems contractor as integrator is deemed more effective and efficient than a component breakout strategy with the Government as systems integrator.

A systems contracting approach is now successfully underway for MK84-4 Tritonal Bomb Kits awarded in July 2016 to GD-OTS Garland. Under a component breakout, the Government obtains all of the components from various sources, and performs systems integration which includes Load, Assemble and Pack. Government resources are not available to assume the component acquisition and integration efforts. The current systems contractor, GD-OTS Garland, has more than two decades of experience providing the U.S. Government with quality MK80 Series GP Bombs. GD-OTS is the only contractor currently in production of MK80 Series GP bombs and possesses a substantial surge capability. GD-OTS has proven its capability to be a systems integrator to the U.S. Allied Nations through its Direct Commercial Sales contracts for MK80 Series GP Bombs.

Further, as indicated through Market Research for the Tritonal Bomb Kits, small business subcontractors will be utilized to produce the suspension lugs for this requirement; thus, no small businesses will be displaced by the proposed systems approach. The contract will contain FAR clause 52.244-5, Competition in Subcontracting, which states that the contractor shall select subcontractors on a competitive basis to the maximum practicable extent. The contract will also contain FAR clause 52.219-9, Small Business Subcontracting Plan, which requires that the contractor develop and abide by a Government approved Small Business Subcontracting Plan, and 52.219-16, Liquidated Damages – Subcontracting Plan. The approved Subcontracting Plan will be incorporated into the contract.

Failure to replenish and maintain the USAF and Allied Nations inventory will jeopardize our national security and place our warfighters at a severe disadvantage in theatre. Bundling all of the Tritonal Bomb Kit components will optimize quality improvements, increase efficiency, improve delivery and reduce risk to the Government. It is imperative the Army adopts a strategy to quickly respond to the immediate needs of the war-fighter and procure these items as a consolidated systems approach.

7. Circumstances, Facts, and Reasoning Supporting the Determination:

As illustrated in paragraph 4, the Market Research results support the consolidation effort of the MK80 Series GP and BLU-109 Bomb Bodies, MK3-0 and MS3314 Suspension Lugs, CNU-417/E Container, TNT and Aluminum Powder. Furthermore, as explained in paragraph 5, issuing separate procurements for each of the required items is not in the best interest of the Government. To ensure strategic readiness, a systems approach is vital for the USAF and Allied Nations as they operationalize their essential functions at the tactical, operational, and strategic levels to assure sustainable readiness to defeat any adversary. Additionally the risk and responsibility associated with procurement, storage and use of all required components would be at the risk of the prime contractor and not the Government. As outlined above, having the prime contractor procure all of the components will drive quality improvements in real time, reduce efficiency issues caused by defects or nonconforming materials, streamline the process and allow the operating contractor to handle quality problems in an efficient and effective manner. Furthermore, the prime contractor management of the components supply will provide opportunities for improved inventory control via lean manufacturing practices, such as just-in-time delivery, to support production quantities produced and alleviate storage costs.

In addition to the Government continued utilization of small businesses to support the Suspension Lug requirement for all future contractual requirements of the MK80 Series

GP Bombs and BDU-50 CDI Practice Bombs, GD-OTS indicated through Market Research they will continue to utilize the two small business subcontractors to produce the suspension lugs for this requirement. Thus, small businesses will continue to produce the suspension lugs as a prime on existing contracts and as subcontractors on the Tritonal Bomb Kits. As a result, no small businesses will be displaced by the proposed bundling of the items. GD-OTS's proposal will include an acceptable small business subcontracting plan in accordance with FAR 19.704, will be implemented at the time of award and become a material part of the contract. The contractor's failure to comply in good faith with the small business subcontracting plan could result in the assessment of liquid damages in accordance with FAR 19.705-7, in addition to any other remedies available to the Government.

8. Summary:

This bundling action is critical to the USAF and Allied Nations mission success as it is imperative that MK80 Series and BLU-109 Tritonal Bomb Kits are readily available to support the ongoing effort globally for contingency operations. The IM versions of the MK80 Series and BLU-109 Bomb bodies cannot be produced at a fast enough rate to support the significant increased expenditures, which have rapidly depleted the USAF and Allied Nations inventory. The current inventory/readiness level poses an unacceptable risk to the Combatant Commanders and the supported Warfighter. Without this procurement, the USAF and Allied Nations inventory will continue to decrease to a level that jeopardizes mission performance and degrades the ability to conduct global contingency operations. GD-OTS Garland is the only contractor within the domestic industrial base that possesses the interest, the required capabilities to provide the Tritonal Bomb Kits, and has successfully delivered the same/similar components on time with no known quality issues. Bundling these requirements is necessary and justified since existing contracts and normal procurement acquisition lead-times cannot meet this critical USAF requirement. An October 2018 award will result in the earliest possible deliveries to the USAF and Allied Nations which will enable the Government to retain the existing skill base and production capability for Tritonal Bomb Kit components.

DETERMINATION

Based on the foregoing findings, I hereby determine, pursuant to the authority of Title 15, United States Code, Section 644(e), as implemented by Federal Acquisition Regulation 7.107, that the proposed bundling of the requirements for the MK80 Series and BLU-109 Tritonal Bomb Kits, which includes five variants of empty case assemblies, two variants of suspension lugs, TNT, and Aluminum Powder for the Tritonal fill, is both necessary and justified.

28 Feb 2018
Date

Bruce D. Jette
Bruce D. Jette
Senior Procurement Executive

Attachment 2

Navy – N6134021F0145

DEPARTMENT OF THE NAVY
NAVAL AIR WARFARE CENTER TRAINING SYSTEMS DIVISION
12211 SCIENCE DRIVE
ORLANDO, FLORIDA 32826-3224

D&F#20-336

DETERMINATION AND FINDINGS FOR AUTHORITY TO BUNDLE CONTRACT REQUIREMENTS

In accordance with Title 15 United States Code (U.S.C.), Section 644(e), Federal Acquisition Regulation (FAR) 7.107-1(a), 7.107-3, 7.107-4 and the Navy Marine Corps Acquisition Regulation Supplement (NMCARS) 5207.107-3, I hereby make the following findings and determination concerning the consolidation and bundling of requirements for the F/A-18/EA-18G CONUS and OCONUS Contractor Operation and Maintenance Services (COMS) and Contractor Instructional Services (CIS), which supports ground-based F/A-18/EA-18G training for fleet and replacement aircrew.

FINDINGS

1. Identification of Agency and Contracting Activity

This Determination and Findings has been prepared by the Naval Air Warfare Center, Training Systems Division (NAWCTSD), Orlando, Florida, a lower echelon command of the Naval Air Systems Command (NAVAIR).

2. Nature/Description of Action

The prospective contract action being approved involves the consolidation and bundling of requirements for F/A-18/EA-18G COMS and CIS training systems. The individual requirements were previously performed under two separate task orders, competed and awarded under the NAVAIR Fielded Training System Support IV (FTSS IV) Indefinite Delivery Indefinite Quantity (IDIQ) multiple award contract (MAC), Lot I. The FTSS IV Lot I (henceforth referred to as Lot I) was awarded to nine companies (8 large and 1 small business) after a full and open competition on an unrestricted basis. The subject requirement will be solicited as a single performance-based COMS/CIS task order on a fair opportunity basis under Lot I for a base and option periods totaling five years. In accordance with FAR 7.107-1(a), if the requirement is considered both consolidated and bundled, the agency shall follow the guidance regarding bundling in FAR 7.107-3 and 7.107-4.

3. Authority

15 U.S.C. Section 644(e), as implemented by FAR 7.107-3(f)(2)(i), allows the senior procurement executive to enter into the F/A-18/EA-18G COMS/CIS procurement on a bundling basis.

4. **Procurement Strategy**

Commander, Naval Air Forces, U.S. Pacific Fleet has a requirement to provide operation and maintenance for F/A-18/EA-18G CONUS and OCONUS training devices (simulators) to maintain the equipment in Full Operational Capability (FOC) and provide instruction for aircrew (both fleet and replacement personnel). All CONUS requirements are currently awarded under a single F/A-18/EA-18G weapons-platform specific task order under Lot I. The OCONUS F/A-18/EA-18G requirements exist at a single site (MCAS Iwakuni, Japan) and are currently being met under the broader Western Pacific (WESTPAC) COMS/CIS Lot I task order that was awarded on an unrestricted basis to a small business. In addition to MCAS Iwakuni, WESTPAC COMS/CIS supports requirements at three other OCONUS sites, however, only MCAS Iwakuni involves the F/A-18/EA-18G weapons platform.

NAWCTSD intends to bundle the F/A-18/EA-18G requirements at MCAS Iwakuni into a future single F/A-18/EA-18G COMS/CIS task order. The estimated value of MCAS Iwakuni work that is being transitioned from the WESTPAC COMS/CIS task order is $1,500,000 annually, or $7.5M, over five-years. The work at the other three OCONUS sites under the task order will be unaffected by this bundling action. The estimated value of the single new F/A-18/EA-18G COMS/CIS task order competition is $23M annually or $115M over five years (one base year and four 1-year option periods). This task order will be competitively awarded using the FAR 16.505 fair opportunity procedures under Lot I, providing the incumbent contractor of the current WESTPAC COMS/CIS task order the opportunity to compete for the bundled acquisition. As a result of the total estimated task order value of $115M, the proposed F/A-18/EA-18G COMS/CIS task order meets the definition of substantial bundling in accordance with FAR 7.107-4.

Therefore, approval for this procurement action is required from Assistant Secretary of the Navy, Research, Development, and Acquisition (ASN (RDA)) in accordance with FAR 7.107-3(f)(2)(i).

5. **Current Contracts**

Table 1 is a summary of the current task orders to be bundled with additional details in the subsequent paragraphs describing the type of work to be performed.

Table 1 - Contracts to be Bundled under F/A-18/EA-18G COMS/CIS task order

Current Contract	Current Contractor	Type of Work Performed	Dollar Value	POP	Business Size	Award Type
a. WESTPAC COMS/CIS	Engineering Support Personnel (ESP) Inc.	WESTPAC COMS/CIS	$12M[1]	1 APR 2018 to 31 MAR 2023	Small	Lot I, competitive
b. F/A-18/EA-18G COMS/CIS	Valiant Global Defense Services, Inc.[2]	F/A-18/EA-18G COMS/CIS	$79M	1 AUG 2016 to 30 APR 2021	Large	Lot I, competitive

a. WESTPAC COMS/CIS (ESP Inc.): NAWCTSD awarded this task order to ESP Inc., for COMS and CIS in support of Navy/ United States Marine Corps (USMC) aircrews at MCAS Futenma, Kadena AB, MCAS Iwakuni, NAF Atsugi, and Marine Corps Base Hawaii (MCBH) Kaneohe Bay, Hawaii. This includes providing all labor, supervision and other services necessary for instruction and simulator maintenance for the following platforms: CH-53E, MV-22B, P-3C, F/A-18C/D, F/A-18E/F, EA-18G, KC-130J, MH-60R/S, UH-1Y, and AH-1Z devices. MCAS Iwakuni is primarily comprised of seven F/A-18 devices, with one ancillary KC-130J Weapon Systems Trainer (WST). The $12M is the five-year awarded value of the entire current Task Order.

b. F/A-18/EA-18G COMS/CIS (Valiant Global Defense Services, Inc.): NAWCTSD awarded this task order to Valiant for COMS and CIS in support of Navy and USMC at NAS Whidbey Island WA, NAS Oceana VA, NAS Lemoore CA, MCAS Beaufort SC, and MCAS Miramar, CA. This includes providing all labor, supervision and other services necessary for instruction and simulator maintenance for the F/A-18/EA-18G platforms. The $79M is the five-year awarded value of the current Task Order.

6. Market Research

a. Prior to award of the current requirements, NAWCTSD performed F/A-18/EA-18G COMS/CIS market research to facilitate the maximum participation of small business concerns as potential prime contractors, subcontractors, and suppliers for the task order requirements. The purpose of the market research was to identify qualified and experienced industry providers capable of providing F/A-18/EA-18G COMS/CIS.

[1] This dollar value represents current total contract value of the WESTPAC COMS/CIS task order. Of that, Iwakuni currently represents a total of $1.2M per year, but the Iwakuni portion is expected to grow to $1.5M per year under the bundled competitive requirement.

[2] Valiant Global Defense Services, Inc. is the current F/A-18/EA-18G COMS/CIS contractor; however, the bundled requirement will be established under a future competitive task order under the FTSS IV MAC, with an increased estimated 5-year value of $115M due to future device deliveries, Service Contract Act wage adjustments, and the addition of the Iwakuni site.

The Government broadly surveyed firms listed under the North American Industrial Classification System (NAICS) code within the Federal Procurement Data System (FPDS) and identified that many of the firms listed are FTSS IV MAC holders. In addition, all of the companies which expressed interest were confirmed through their FTSS III and IV performance to be capable and in good standing.

Under FTSS IV, both the combined Management and Oversight Process for the Acquisition of Services (MOPAS)/Acquisition Plan (AP) (signed on 29 April 2015 by RDML Althea H. Coetzee, SC, USN Deputy Director, Contingency Contracting Defense Procurement and Acquisition Policy) that supports this acquisition, and the FTSS IV Basic Contract FTSS IV Scope, identify F/A-18/EA-18G COMS/CIS and WESTPAC COMS/CIS as Lot I requirements not suitable for small business set-asides.

b. Current Market Research: To update the market research, NAWCTSD posted an announcement on the beta.SAM.gov website on 29 May 2020 informing industry of its intent to compete the MCAS Iwakuni site on the forthcoming F/A-18/EA-18G COMS/CIS task order competition. The notice also listed all of the MAC holders and encouraged interested companies to contact the MAC holders for subcontracting opportunities. The Government received no responses indicating that subcontractors (including suppliers) intend to reach out to FTSS IV MAC holders. Additionally, the Government notified ESP of its intent to bundle the MCAS Iwakuni site into the F/A-18/EA-18G COMS/CIS task order, to which it responded that it understood and looked forward to bidding on the future competition.

Continued market research maintains that the subject requirement is not suitable for small business set-asides as there are not two or more qualified and competitive small businesses that could perform given the breadth and complexity of the requirements. Market research was conducted for supplier and subcontractor opportunities, utilizing beta.SAM.gov, known and projected requirements, electronic subcontract reporting system (eSRS), and Subject Matter Expertise. Through this research, it was determined that subcontractor and supplier opportunities exist and there is the potential of subcontracting to small business 8% of the requirements. This was agreed to by the NAWCTSD OSBP in the DD2579 Small Business Coordination Record.

7. Benefits of Planned Bundling

In accordance with FAR 7.107-3, a bundled requirement is necessary and justified if the agency can show measurably substantial benefits that may include quality improvements that will save time or improve or enhance performance or efficiency. The bundling of MCAS Iwakuni, Japan COMS and CIS requirements into the CONUS F/A-18/EA-18G COMS/CIS task order is necessary and justified based on the following benefits:

Background and Historical Trends:
The OCONUS F/A-18 site at MCAS Iwakuni is currently operating and/or functioning in isolation. A review of historical data, correspondence with key stakeholders, and direct user feedback has revealed significant gaps in key areas as compared to CONUS sites with similar

equipment and training requirements. Increased maintenance cycle times, lack of core operational/maintenance skills, increased personnel turnover rates and lower device availability have hampered forward-deployed USN/USMC aviators in their mission training. Over the course of the current WESTPAC Task Order at Iwakuni (April 2018 to March 2020) the average device availability for Iwakuni F/A-18 devices has been 97%, with multiple (eight) instances of device availability of less than 95%, which was documented in performance deductions and CPARS evaluations. These low availability occurrences resulted in multiple missed training events, affecting Forward Deployed Naval Forces (FDNF) fleet readiness. This lower availability is in contrast to the CONUS F/A-18 device average availability of 99.4%, where five CONUS sites managed by the same COMS contractor can share platform knowledge and repair/trouble-shooting processes.

The solution is to integrate the OCONUS F/A-18/EA-18G site with its CONUS counterparts. This integrated approach will allow access to the most effective processes, leveraging of subject matter expertise, and sharing of assets. Problems with training device operational and maintenance data could be shared between all F/A-18 sites proactively, potentially avoiding lost device availability at those sites. Sites could assist each other in the troubleshooting of complex training device problems in order to get back to a Full-Mission-Capable (FMC) condition in a shorter time.

As a result, bundling these services is expected to improve the readiness of the FDNF F/A-18/EA-18G squadrons via provision of more reliable, robust, and effective training systems as compared to the historical trends noted above. This increased capacity will improve the ability of Navy and Marine Corps aircrews to support on-going operational requirements. The expected benefits, noted below, are critical to the agency's mission success. The quality improvements that will enhance performance and efficiency are:

a. Increased technical support/material availability – CONUS F/A-18/EA-18G sites have a larger pool of professionals with a broad base of technical, tactical, logistics and management knowledge. By integrating all F/A-18/EA-18G sites under one contractual arrangement, corporate barriers and restrictions to transferring real-time lessons learned are removed. This will result in standardization of cost effective and efficient maintenance practices across the program, shorter maintenance cycle times, and quicker Ready for Training (RFT) times, ultimately improving performance and availability of the simulators. Additionally, once integrated, Material Support Package (MSP) data (parts usage levels and availability) for a specific F/A-18/EA-18G site could be made available to other sites. This would reduce the risk associated with long lead-time items, which should result in reduced acquisition cycle time. Additionally, the COMS Contractor may be able to leverage bulk purchases of consumable materials, thereby lowering supply support costs.

b. Improvements in the standardization of contractor instructional and simulator operational capability to enable tactical aircrew training – The optimal and most effective way to ensure warfighter readiness within the F/A-18 C/D/E/F and EA-18G FDNF community is to re-establish contractor continuity with the CONUS F/A-18 C/D/E/F and EA-18G training community. The standardization of contractor capability between

CONUS and OCONUS sites will be accomplished by integrating the Iwakuni site into existing CONUS contractor personnel training and development. Standardization of the contractor's simulator instructional, operational and maintenance capabilities across all F/A-18/EA-18G sites ensures the fleet a training system capability continuum, transportability of aircrew training expectations, and enables aircrew training to focus on increasingly higher tactical capability development. Under the bundled requirement, the Iwakuni site will be ensured participation and engagement in the evolving needs of FDNF. This will enhance performance of aircrews due to capitalizing on the synergy and training capability that the overall F/A-18/EA-18G COMS/CIS program can offer to the forward deployed naval aviation forces.

c. <u>Logistics unification</u> – Bundling CONUS and OCONUS F/A-18/EA-18G site integration as described herein will directly and indirectly increase the quality of contractor support, significantly increase performance and efficiency, and ensure FDNF aircrew the ability to achieve all simulator training requirements. The following Integrated Logistics Support (ILS) elements accrue from this action:

i. <u>Increase inventory access and reduce probability of catastrophic training device downtime</u>. Currently sites such as MCAS Iwakuni do not have a large inventory of parts and are limited by the spares kits the Government procures during initial device delivery or upgrades. Currently, if there are insufficient spares to return to FOC, there may be an extended period of down or degraded training for the fleet. Through bundling, the COMS contractor with real-time knowledge of spares inventory they maintain at other sites would likely be able to obtain temporary parts from other CONUS F/A-18 sites via international counter-to-counter parts transfer within 24 hours, reducing the probability of catastrophic training device downtime. This reduces the need and cost of a larger spares inventory at Iwakuni.

ii. <u>Provide greater Intermediate- and Depot-Level maintenance scope and capability, improving bench stock and simulator sustainment despite obsolescence and diminishing manufacturing sources</u>. End-of-Life determinations by parts manufacturers for the F/A-18/EA-18G simulators have been a persistent issue, often occurring between technical refresh events which forces the contractor to find or create alternative solutions to maintain FOC training devices. As a result of the requirements, the CONUS sites have well established I- and D-Level maintenance capability that increase autonomy and better ensure FOC simulator performance as compared to the stand alone capability of the MCAS Iwakuni site. Integrating the capabilities will reduce the need for the Government to accelerate expensive technical refresh events, indirectly reducing the Government's sustainment cost.

iii. <u>Provide back-up technical, operations and instructional personnel as needed for surge operations in Japan</u>. FDNF operations are unique from CONUS sites in a higher optempo and can experience dramatic surge and sag cycles of training demand. Under the current multiple contracts approach, there is no natural economical source of F/A-18/EA-18G talent outside of Original Equipment Manufacturers (OEMs) resources and it is not economically viable to staff at the surge level. Bundling the CONUS and OCONUS sites provides a deep bench of highly qualified personnel that can be called upon in support of a surge, or exceptionally complex simulator failures, ensuring lower manpower costs for the overall program.

iv. Provide a rigorous technician training capability to offset Japan personnel attrition. Historical attrition approaches 50% per year in the MCAS Iwakuni F/A-18 site, requiring a robust contractor personnel-training capability that is not sustainable within the on-site staff. Within a bundled program, the five CONUS sites can regularly train and source replacements within a mature and stable environment. Bundling ensures that even through periods of high attrition there is an abundance of talent within the CONUS workforce to backstop the Iwakuni site needs and ensure the FDNF aircrews can achieve their training requirements with minimal disruption.

v. FDNF tactical training must continually evolve to maintain superiority in a highly contested environment against capable and sophisticated adversaries. The contractor instructor and simulator operator workforce interact with the aircrew to maximize simulator training effectiveness. Providing direct feedback from FDNF aviation tactical training to the CONUS contractor teams helps propagate training development through CONUS instructor, operator, and aircrew interaction.

vi. Enable future training development including Live-Virtual-Constructive (LVC) capability involving more and dispersed training participants, ensuring seamless integration of Japan-based, CONUS and other remote participants. These future capabilities demand highly reliable and fully operational distributed training devices and a highly capable workforce to ensure timely and effective linkages. Integrating the CONUS and OCONUS sites via a bundled contract ensures the highest probability of success in that environment.

8. Substantial Bundling Additional Requirements

In accordance with 15 USC § 644(e)(3) and FAR 7.107-4, this effort is considered substantial bundling due to the estimated five-year task order value of $115M. Accordingly, the following additional details are provided:

a. As discussed above, the benefits of substantial bundling include improved mission and fleet readiness as the result of quality improvement and enhanced performance.

b. An assessment of the specific impediments to participation by small business concerns for Lot I requirements was completed. As addressed in Section 6 above, neither WESTPAC COMS/CIS nor F/A-18/EA-18G COMS/CIS are appropriate for small business set-asides due to the fact that there are not two or more qualified and competitive small businesses that could perform this requirement. There is no negative impact to small business concerns as the result of bundling the MCAS Iwakuni COMS/CIS into its logical place with the remainder of the F/A-18/EA-18G COMS/CIS sites. There is no reduction in the amount of efforts for which small businesses can compete if bundled and no reduction to work available to small business within Lot I. Based on this overall assessment, the bundling of the Iwakuni site into the CONUS F/A-18/EA-18G COMS/CIS task order does not result in an impediment to small business participation.

c. Actions to maximize small business participation as contractors have been considered. F/A-18/EA-18G COMS/CIS and WESTPAC COMS/CIS are both task orders under Lot I. As previously noted, Lot I consists of nine MAC holders, one of which is a small business. All nine MAC holders will have the opportunity to participate in the competition for the bundled task order. Accordingly, there is no loss of participation opportunities from a prime contractor potential, as the single small business (ESP, Inc.) in Lot I is, and remains, competitive for all Lot I task orders.

d. Actions to maximize small business participation as subcontractors (including suppliers) have been considered. NAWCTSD has posted via beta.SAM.gov a list of FTSS IV MAC holders and encouraged both subcontractors and suppliers to reach out to those vendors. The small business participation goal for the current F/A-18/EA-18G COMS/CIS task order is 5%. According to the most current eSRS, dated 31 March 2020, the actual participation realized on the current F/A-18/EA-18G COMS/CIS task order is currently at 5.1% of the total task order value. As part of the overall F/A-18/EA-18G COMS/CIS task order, there will be a minimum small business participation goal of 8% of the total task order value, as discussed in Section 6, above. Small business participation will be included as an element within the source selection evaluation criteria. NAWCTSD OSBP and the integrated product team (IPT) developed this goal to ensure the procurement strategy provided maximum practicable participation by small business. Lastly, the Government will evaluate each Contractor's submitted small business utilization strategy and the Government, through contract performance, will monitor the prime Contractor compliance by documenting within the eSRS.

e. Alternative contracting approaches that would involve a lesser degree of bundling have been considered. As previously discussed, the two subject efforts were both listed as Lot I programs, "fair opportunity" within the AP/AS for the FTSS IV MAC contract vehicle. This D&F relates to the bundling of one site from WESTPAC COMS/CIS with the F/A-18/EA-18G COMS/CIS task order and leaves the remainder of the WESTPAC COMS/CIS sites untouched. As described herein, bundling has been minimized to the greatest extent practicable short of leaving both task orders unchanged. Further alternatives would be to compete the MCAS Iwakuni site via FAR Part 15 procedures, issue a sole source award to the F/A-18 OEMs, or issue a sole source task order in accordance with FAR 16.505(b)(2)(i)(D). These alternative approaches would involve no bundling, but would also not result in the improved standardization, technical support, logistics unification, or configuration management as there would be no opportunity to leverage best practices, knowledge, or processes as addressed above, and therefore are not found to be viable alternatives.

f. For the reasons stated above, it is determined that the anticipated mission and fleet readiness benefits of the proposed bundled task order, combined with the subcontracting opportunities available to small business, justify its use.

DETERMINATION

Based upon the above findings, it is hereby determined that consolidation and bundling is necessary and justified under the authority of 10 U.S.C. 644(e). The benefits expected to be achieved through bundling are substantial and this action is critical to the agency's mission success. The acquisition strategy provides for maximum practical participation by small business concerns.

REVIEWED AND CONCURRED BY:

WIECKHORST.ROBIN.A.1232249338 Digitally signed by WIECKHORST.ROBIN.A.1232249338 Date: 2020.07.01 10:47:37 -04'00'

ROBIN WIECKHORST — Date
Director of Cross Warfare Programs, NAWCTSD

FAHERTY.STEPHEN.JOSEPH.JR.1048712998 Digitally signed by FAHERTY.STEPHEN.JOSEPH.JR.1048712998 Date: 2020.07.01 08:20:34 -04'00'

STEPHEN FAHERTY — Date
Associate Counsel, GT9000

MCENTEGART.JANA.RUTH.1370162359 Digitally signed by MCENTEGART.JANA.RUTH.1370162359 Date: 2020.07.01 10:51:23 -04'00'

JANA MCENTEGART — Date
Procuring Contracting Officer, GT22100

Digitally signed by BUTLER.GEORGE.SHELBY.1391063792 Date: 2020.07.15 15:34:22 -04'00'

SHELBY BUTLER — Date

Director, NAVAIR Office of Small Business Programs

MOBLEY.LINDA.1230449127 Digitally signed by MOBLEY.LINDA.1230449127 Date: 2020.09.21 17:17:05 -04'00'

LINDA MOBLEY — Date
Director, Procurement Group
Naval Air System Command

APPROVED BY:

JAMES F. GEURTS — Date
Assistant Secretary of the Navy, Research, Development, and Acquisition (ASN (RDA))

Attachment 3

Navy – N0038321F0WB0

THE ASSISTANT SECRETARY OF THE NAVY
(RESEARCH, DEVELOPMENT AND ACQUISITION)
1000 NAVY PENTAGON
WASHINGTON DC 20350-1000

DETERMINATION AND FINDINGS FOR AUTHORITY TO BUNDLE CONTRACT REQUIREMENTS

Upon the basis of the following findings and determination, which are hereby made pursuant to the authority of 15 U.S.C Section 644(e), Federal Acquisition Regulation (FAR) 7.107-3 and the Navy Marine Corps Acquisition Regulation Supplement (NMCARS) 5207.107-3, the proposed contract described below may be entered into on a bundling basis to provide for a five-year base, no options. The prospective contract is a Requirements contract for support of the MK-41 Vertical Launch System (VLS) via a Performance Based Logistic (PBL) contract.

FINDINGS

1. Identification of Agency and Contracting Activity

   This Determination and Findings has been prepared in the Contracting Directorate of Naval Supply Systems Command Weapon Systems Support (NAVSUP-WSS), a contracting activity that falls under Naval Supply Systems Command.

2. Nature/Description of Action

   This Determination and Findings describes the proposed award of a sole-source Requirements Performance Based Logistics (PBL) contract to Lockheed Martin Corporation (Cage Code 38597) for supply support of the MK-41 Vertical Launch System (VLS). This requirement is for NAVSUP Weapon Systems Support - Mechanicsburg, PA. This proposed contractual action will satisfy a five-year requirement (5 base years, no options) employing a Firm-Fixed Price Contract. The base period (22 November 2019 through 21 November 2024) estimate is approximately $68,994,681.25 in support of 282 components. This contract will bundle the following requirements, representing 1.6% of the total estimated value of the proposed contract:

   a. Cable and Conduit Assembly, National Stock Number 6150-01-466-6258
   b. Cable and Conduit Assembly, National Stock Number 6150-01-466-6259
   c. Cable and Conduit Assembly, National Stock Number 6150-01-466-6260
   d. Cable and Conduit Assembly, National Stock Number 6150-01-466-6261
   e. Cable and Conduit Assembly, National Stock Number 6150-01-486-4193
   f. Cable and Conduit Assembly, National Stock Number 6150-01-502-2634

   These cables represent a family of cables with similar construction and characteristics IAW Naval Sea Systems Command (NAVSEA) engineering drawing 6912309, which differ primarily in length and connector keying. They electrically connect the Launch Sequencer to the Ordnance (missiles), therefore they have critical performance requirements, such as shielding effectiveness, thermal and mechanical shock, flexibility, and bend radius. When the cables are found to be defective during visual inspection and/or electrical test during a simulated launch, the MK-41 VLS becomes degraded as it is not cable of firing a full missile load. The MK-41 VLS becomes combat ineffective if it cannot fire the quantity of missiles required to conduct the mission successfully, or fails to fire during a live missile launch attempt.

3. Results of Market Research

The following actions were taken in attempt to ascertain whether there are sources capable of fulfilling the contract requirements:

a. These cables currently have a procurement Acquisition Method Code = 2C, allowing them to be procured competitively. Currently there are two companies source approved for manufacture, Lockheed Martin (Cage Code 38597) and small business DCX-Chol Enterprises (Cage Code 63127). Market research has not identified any new sources attempting to become qualified for any of the items covered by this proposed contract. No source approval requests, including any from a small business, are currently pending.
b. A sources sought notice was released in the Navy Electronic Commerce Online (NECO) and FedBizOpps (FBO), the website for the government-wide point of entry on 23 March 2018. MC2 Sabtech Holdings, Inc., DBA IXI Technology, expressed interest in the repair of NIINs 016617326 & 016073303. IXI Technology is a small business and an approved source to repair NIINs 016617326 & 016073303. IXI Technology previously supported NAVSUP WSS requirements through individual purchase orders and has successfully demonstrated their ability to adhere to the contractual requirements. Due to the non-critical nature of these components and in efforts to foster participation of small businesses, NAVSUP WSS removed NIINs 016617326 & 016073303 from the requirement and will contract directly with IXI Technology for future requirements. Lockheed Martin was the only company to express interest in the full requirement of the proposed contract.
c. The proposed acquisition strategy was reviewed by the NAVSUP WSS Office of Small Business Programs and conditionally approved via DD2579, Small Business Coordination Record, on 10 September 2018. Conditional approval is contingent on:

i. Lockheed Martin qualifying DCX-Chol as a subcontractor within their subcontracting base giving DCX-Chol the opportunity to compete for the business, and
ii. Lockheed Martin must subcontract to small business(es) the total estimated value of that would be available to small business through traditional contracting support in addition to their traditional small business subcontracting goals.

A synopsis was issued to NECO and FedBizOpps on 07 August 2018. No sources expressed an interest in this proposed acquisition, except for Lockheed Martin, in response to this synopsis. In efforts to promote the participation of small business concerns, the solicitation and resultant contract will incorporate FAR clause 52.219-8, Utilization of Small Business Concerns, FAR 52.219-9 with Alt II, small business Subcontracting Plan (DoD Contracts), and FAR 52.242-5, Payments to Small Business Subcontractors. Lockheed Martin will be required to submit an acceptable small business subcontracting plan with their offer in accordance with FAR 19.705-4. The PCO will review the subcontracting plan in accordance with FAR 19.705-4 and ensure that Lockheed Martin submits timely reports into Electronic Subcontracting Reporting System (eSRS) as required.

d. Below reflects the most recent contract history awarded in FY18 to DCX-Chol Enterprises for the six NSNs:

NSN	Purchase Order
6150-01-466-6258	SPRMM118PWH69
6150-01-466-6259	SPRMM118PWF70
6150-01-466-6260	SPRMM118PWE95
6150-01-466-6261	SPRMM118PWF55
6150-01-486-4193	SPRMM118PWH84
6150-01-502-2634	SPRMM118PWF84

The above purchase orders include an average Production Lead Time (PLT) of 5-6 months. However, historically DCX-Chol has been late on delivery. In FY16 & FY17, DCX-Chol was awarded individual purchase orders for the NIINs identified above which included First Article Testing (FAT). The FY16-17 purchase orders included a 270 day PLT pending the approval of FAT. Currently the average supply response time for these items is 1318 days. The average response time of 1318 days is attributed to long administrative lead times during the pre-award source selection process and long production lead times during post award for the vendor to produce the items. Additionally, time has been added for the government to complete validation and testing of the vendor's products.

4. Substantial Benefits

The criteria for determining that the benefits are measurably substantial is if individually, in combination, or in the aggregate the anticipated financial benefits are equivalent to ten percent of the estimated contract or order value (including options) if the value is $94 million or less. While NAVSUP WSS understands that a full analysis is necessary prior to contract award, performing the analysis early in the initiative would not produce an accurate assessment. NAVSUP WSS's decision is to conduct a preliminary analysis at this time and perform a full analysis after negotiations are complete. This allows the most accurate analysis of savings by comparing today's "as-is" cost to actual negotiated prices of the potential arrangement.

As mentioned above, the only two sources approved for manufacture are Lockheed Martin and small business DCX-Chol Enterprises (DCX-Chol). Preceding the contracts awarded to DCX-Chol, these items were acquired through purchase orders awarded to Lockheed Martin. Lockheed Martin did not submit a quote for current (FY18) requirements. A price analysis was conducted, utilizing historical unit pricing. After historical unit pricing was pulled for each contractor, these unit prices were adjusted to account for differences in inflation since time of procurement using the Producer Price Index for Ship Building and Repair (PPI 336611). These inflation-adjusted prices were further escalated to the mid-point of performance unit price under the proposed contract using PPI 336611. The mid-point of performance of the proposed contract is year three of the performance period and reflects the average unit price for these cables over the five-year performance period. Once mid-point of performance unit price was developed it was multiplied against the five year forecasted demand to compute the extended value. The tables below delineate the price analysis. The analysis reflects a 25.9% savings on price alone for the subject six NIINs when under the management of Lockheed Martin vice procurement under DCX-Chol.

Lockheed Martin

NIIN	Mid-Point of Performance U/P	Five Year BEQ	Extended Value
014666258	$ 14,235.09	11	$156,585.99
014666259	$ 21,750.63	11	$239,256.93
014666260	$ 13,919.17	16	$222,706.72
014666261	$ 21,158.30	11	$232,741.30
014864193	$ 13,917.00	12	$167,004.00
015022634	$ 19,587.99	11	$215,467.89
Total			$ 1,200,780.54

DCX-Chol

NIIN	Mid-Point of Performance U/P	Five Year BEQ	Extended Value
014666258	$ 21,190.22	11	$ 233,092.42
014666259	$ 19,560.20	11	$ 215,162.20
014666260	$ 19,560.20	16	$ 312,963.20
014666261	$ 27,166.95	11	$ 298,836.45
014864193	$ 21,733.56	12	$ 260,802.72
015022634	$ 27,166.95	11	$ 298,836.45
Total			$ 1,619,693.44

The proposed acquisition is also expected to result in the following benefits which are presently unquantified:

a. The benefit of bundling is the targeted use of qualified sources with certified production lines and processes. Since Lockheed Martin is the Original Equipment Manufacturer (OEM) and system integrator of the MK-41 VLS, they have qualified sources of product that meets NAVSEA requirements for every component in the system, to include the bundled items. In many instances Lockheed-Martin provides technical assistance and process oversight to validate and improve the production process of their sources. In order for the Government to ascertain whether their competitive sources meet NAVSEA requirements, it must conduct continual first article and production lot testing which adds a significant amount of delay in delivery of a product. When these tests fail, no delivery of product occurs, so the Government is forced to restart the procurement process.

b. This contract will contain performance metrics for supply response time which will establish time definite delivery dates that meet the Program's readiness goals. Using this contract will reduce average supply response time from 1318 days to the proposed desired SRT metric of less than 30 days. The contractor will achieve this through material requirements planning (forecasting). Failure to achieve the delivery requirements within each performance period will result in a total contract price reduction.

c. These cables as a group are constantly impacted by Engineering Change Proposals (ECPs) and many have known obsolescence issues. Under the PBL contract, both obsolescence and configuration management risk is assumed by Lockheed Martin. Lockheed Martin will be required to engage in Program Management Reviews (PMRs) which will allow NAVSUP WSS to monitor Lockheed Martin's performance in this area. Lockheed Martin may not request relief from contract metrics due to diminished sources of supply or the need to qualify new sources of supply for alternate material. Failure to meet delivery requirements may result in a total contract price reduction.

Furthermore, the average cost of the cables is $20.6K each under a traditional logistics support strategy. It is unknown at this time what the average cost of the cables will be under this new PBL approach, so it is not feasible at this time to calculate a tangible cost savings. However, as Casualty Reports increase and fleet readiness degrades, Type Commanders (TYCOM) will require On Board Repair Part allowances to establish these cables as Store Room Inventory items for all of the vessels and shore sites to increase readiness. This will realize an additional cost for the Navy to procure them. With six (6) cables per vessel, the approximate cost per vessel is $123.6K ($20.6K x 6). With 94 vessel locations, the total cost for Cable Allowances will be approximately $11.6M. Currently that cost is $0 based on current readiness based sparing requirements, so the cost avoidance realized by this action is $11.6M.

Based on the above, the anticipated cost savings for this effort will be a minimum of ten percent. If the savings after negotiations is not at least ten percent, NAVSUP WSS will re-engage Small Business Administration (SBA) and the NAVSUP WSS Small Business Office to determine the additional impact to small business and a path forward.

5. Alternative Strategies

The alternative strategy is to continue to manage these cables through traditional logistics support strategy that provides increased opportunities for competition, while increasing risk to fleet readiness. Contracting separately has failed to deliver the high level of readiness that the fleet requires due in large part for DCX-Chol late deliveries on previous contracts. The use of performance based contracting will allow the contractor to directly impact the supply chain, aligning the goals of sustainment, readiness and material availability, with the requirements of this contract while affording the contractor the flexibility and opportunity for innovation necessary to achieve them. Additionally, maintaining the approach of separate contracts duplicates contracting and administrative efforts, increasing administrative costs, and eliminates the potential for supplier efficiencies and readiness improvements that would benefit the MK-41 VLS performance. Transactional support does not provide the single point of accountability over the entire supply chain for the MK-41 VKS which will be obtained under the proposed contract. The accountability and management responsibility inherent in a PBL contract, compels the contractor to identify and resolve common concerns of the sustainment phase including obsolescence and maintainability, ultimately leading to an anticipated reduction in sustainment costs of those components covered. As such, there was no alternative strategy involving a lesser degree of consolidation that would provide the desired readiness support, while obtaining a lower cost solution.

DETERMINATION

Based upon the above findings, it is hereby determined that bundling is necessary and justified. The benefits that are expected to be achieved through bundling are significant but not expected to meet the threshold established in FAR 7.107-3(d)(1). This action is critical to the agency's mission success, and the acquisition strategy provides for maximum practicable participation by small business concerns.

James F. Geurts

18 Dec 18
Date

Attachment 4

Air Force – FA701419DA005

1 NOV 2018

DETERMINATION AND FINDINGS

BUNDLING

Air Force National Capital Region Information Technology Services (Solicitation Notice FA7014-19-R-0002)

Pursuant to FAR 7.107-3(a) the agency shall make a written determination that the bundling is necessary and justified in accordance with 15 U.S.C. 657q. In accordance with FAR 7.107-3(f)(2), the approving authority, without power of delegation, is the Senior Procurement Executive. As the Senior Procurement Executive, after careful consideration of the facts and circumstances, to include consideration of the Contracting Officer's bundling analysis (signed on 26 October 2018) incorporated herein by reference, I make the following determination and findings.

FINDINGS

1. The proposed acquisition strategy Air Force National Capital Region Information Technology Services (AFNCR ITS) includes combining two or more requirements for services, previously performed under separate smaller contracts, into a solicitation for a single contract that is likely to be unsuitable for award to a small business concern due to

    a. The variety of expertise and knowledge required for successful performance of asset management, cybersecurity, helpdesk support, technical support, configuration management of highly specialized military systems is so diverse and specialized that no small business is capable of performing the full requirement.

    b. The anticipated contract award value is $566M for a five year ordering period. The North American Industry Classification System (NAICS) code for this acquisition is 541513, Computer Facilities Management Services, with a small business revenue standard of $27.5 Million.

2. Successful performance of the AFNCR-ITS requirement is vital to national security. If AFNCR-IT systems were to fail or be disrupted, multiple critical military mission that cannot fail would lack the necessary support.

3. The acquisition team conducted market research. While conducting market research the Government exchanged information with 12 small and 24 large businesses. Only seven large business vendors were deemed capable of meeting AFNCR ITS requirements. Although no small businesses were assessed as capable of fulfilling the complete requirement, several were interested in performing as subcontractors or under a teaming arrangement with a large business.

4. Bundling AFNCR ITS into a single contract is critical to the agency's mission success and vital to our national security. Specifically, end-to-end management of the AFNCR ITS enterprise will enable unity of effort for cybersecurity and sustainment measures, establish

clear lines of responsibility and accountability, allow a standard approach to quality control, eliminate the need for the Government to serve as an integrator between two contractors, and align performance metrics and incentives across the entire effort resulting in streamlined problem identification and resolution. Alternatives were considered, including the status quo of performance under two contracts, awarding a single contract to a small business, breaking out different aspects of the overall bundle into several more contracts, and the use of a multiple-award task order contract with partial small business set-aside or reserves for small businesses. Bundling all functions supporting the computer and cybersecurity needs of AFNCR customers and the protection of their communication is necessary to mitigate risks to national security.

5. The acquisition strategy provides for maximum practicable participation by small business concerns by incorporating a 35% small business subcontracting requirement of the total contract.

DETERMINATION

Based upon the findings above and those in the Contracting Officer's bundling analysis, I hereby determine the expected benefits do not meet the thresholds for a substantial benefit but are critical to the agency's mission success and the acquisition strategy provides for maximum practicable participation by small business concerns. Therefore, substantial bundling is necessary and justified.

William B. Roper, Jr.
Assistant Secretary of the Air Force
(Acquisition, Technology & Logistics)

Attachment 5

DLA – SPRPA120D9401

1) <u>Contract value and small businesses impacted</u>.

PIID	Contracting Agency	Total Bundled Dollars (5-Year Estimated Value)
SPRPA120D9401	Defense Logistics Agency (97AS)	$192,247,511.23

There were 170 small business concerns displaced across the 36 NAICS codes represented in the bundled contract. The table below shows the individual NAICS codes and the number of small businesses that may have been impacted.

NAICS	# of SB Contractors		NAICS	# of SB Contractors
336413	47		334417	5
336411	6		332996	4
332912	1		334419	7
488190	2		314910	1
332722	32		326220	3
316210	4		332919	2
332911	2		332322	3
336412	5		335313	1
444190	2		331420	1
334513	1		334418	1
332999	4		332618	1
339991	2		327999	1
332991	2		334413	1
332510	11		323117	1
333613	2		332611	2
334416	2		335925	1
336311	2		332439	1
335931	6		229991	1

2) <u>Justification</u>.

This requirement represents a comprehensive and holistic performance-based supply chain and engineering management program to support the Bell H-1 platform. This contract covers the acquisition of performance-based support, as follows – logistics management, which includes wholesale/retail supply support, depot-level consumable support, integrated logistics support, engineering support, packaging, storage, transportation, and reliability improvements. Performance-based support will decrease overhead and administrative burdens by consolidating the supply chain, facilitate the use of economic ordering quantities from suppliers and reduce redundancy.

Measurably substantial benefits justify bundling, including cost savings, reduction in acquisition lead times and government personnel cost. Quantifiable benefits exceed the threshold in Federal Acquisition Regulations (FAR) 7.107-3(d)(2). Although difficult to quantify in dollars, additional benefits will result from a single contractor (Bell) accountable for the full scope of the bundled requirements. The consolidated and bundled contract will facilitate more efficient task coordination by putting in place one prime vendor responsible for establishing common performance planning. Furthermore, by having only one contractor responsible for the preponderance of H-1 supply chain support, the Government has a single focal point with management accountability and contractual responsibility for the sustainment of the H-1. Improved responsiveness and improved material availability will also result from a streamlined procurement process.

3) Savings realized or estimated.

The Government expects to derive measurably substantial benefits in the form of cost savings of greater than 5% of the estimated contract value, as compared to contracting to fulfill requirements without bundling. The threshold at FAR 7.107-3(d)(2) was used because the action was part of one negotiation that resulted in two separate contracts, SPRPA1-20-D-9401(non-commercial items) and SPRPA1-20-D-9402 (commercial items) with a combined value estimated to exceed $94 million. The overall estimated savings for the two resultant contracts combined is 8.35%.

4) Continued savings.

This contract was awarded on September 29, 2020. There is no actual savings to report at this time since Year 1 just concluded.

5) Small business subcontracting.

To ensure DLA's small business community retains or grows its share of H-1 consumable material support, this contract-specific small business (SB) metric and associated incentives and disincentives were developed for this market basket (MB) which is for the non-commercial items covered under this effort. The Small Business metric will be reconciled at the end of the five-year period of performance to determine if additional incentives are earned or disincentive decrements are made.

The SB metric will be measured and incentivized or disincentivized in accordance with the following table:

	SB Disincentive				SB INCENTIVE	
SB % Subcontracting Spend	< 19%	< 22%	< 25%	25%-35%	> 35%	> 40%
Incentive or Disincetive	-0.12%	-0.06%	-0.02%	No Incentive/No Disincentive to Base Period Performance Incentive	0.10%	0.20%

If the SB % spend falls between 25% and 35% for non-commercial items, no additional incentive over the base target incentive fee will be earned, nor any disincentives applied.

The incentive pool for the SB non-commercial metric will be between .10% and .20% of the reconciled contract costs (before profit). If SB % spend achieved is higher than 35%, the percentages in the table will be multiplied by the reconciled contract cost and the incentive amount paid to the Contractor within 120 days of the end of the 5-year performance period reconciled.

The disincentive pool for the SB non-commercial metric will be -0.02%, -0.06% and -0.12% of reconciled contract costs (before profit). If SB % spend achieved is lower than 25%, the percentages in the table will be multiplied by the reconciled contract cost and the disincentive amount will be credited back to the Government within 120 days of the end of the 5-year performance period reconciled.

6) Small business impact.

The expected dollar value, volume of responsibilities, and breadth of tasks included creates significant impediments to participation by small business concerns as prime contractors. Work involves a wide array of operations, maintenance, and sustainment tasks. Small business concerns generally do not possess the breadth of experience and knowledge required to perform the full scope of this requirement. However, DLA has taken the actions described in 5, above, to promote small business participation as subcontractors and suppliers.

From 2018 to 2020, DLA contracts with small businesses impacted by the bundling effort were worth $3,506,858.50.

Based on analysis of this effort, it is expected to have only a marginal impact on the total dollars awarded by DLA to small businesses as prime contractors and is not expected to dramatically change overall small business participation in these industries.

Attachment 6

DLA – SPE4AX19D9400

1) Contract value and small businesses impacted.

PIID	Contracting Agency	Total Bundled Dollars (10.5-Year Estimated Value)
SPE4AX19D9400	Defense Logistics Agency	$390M

The requirement impacts 126 small business concerns across 17 North American Industry Classification System (NAICS) codes. Some of the affected small businesses have provided items under multiple NAICS codes and are reflected in the table below more than once, which is why the sum is more than 126. The table below shows the individual NAICS codes and the number of small businesses that may be impacted.

NAICS	Number of SB Contractors
326130	5
326220	5
331420	2
332119	7
332510	13
332613	1
332618	3
332722	37
332919	7
332991	10
333613	7
335311	2
336310	1
336320	2
336412	64
336413	1
339991	8

2) Justification.

Measurably substantial benefits justify the bundling, as well as improved material availability, reduction in acquisition lead times, and improved T64 engine readiness. Quantifiable benefits are expected to exceed the threshold in FAR 7.107-3(d)(2). Benefits include anticipated lower overall material prices associated with aligning the entire Department of Defense (DoD) supply chain requirements under the engine's original equipment manufacturer (OEM) to leverage the OEM's supply chain, expertise, and manufacturing economies of scale. Additionally, it is anticipated that the bundling will lower administrative costs as DLA transitions from multiple contracts to a single, long-term contract.

A comprehensive market research effort to identify potential sources was performed including a Sources Sought notice published to the Government-Wide Point of Entry. Alternative strategies to bundling were considered including maintaining the status quo, but the alternatives were determined ineffective to satisfy the requirement and would not improve overall material availability.

The expected benefits from the bundling of this requirement are measurably substantial.

3) Savings realized or estimated.

DLA expects to derive measurably substantial benefits, in the form of cost savings, of greater than 5% of the estimated contract value, as compared to contracting to fulfill requirements without bundling. The estimated savings for the base contract period is $20.5 million and $74 million over the life of the contract. The data for the first full performance period will not be available until the conclusion of the 5.5-year base period, which ends on May 30, 2025.

4) Continued savings.

Maintaining the bundled status of this contract requirement is projected to reduce costs by at least $20.5 million over the base period and $74 million over the life of the award. Contract performance began on June 1, 2019 and the first full performance period will end at the end of the base period, which will be May 30, 2025. Prior to exercising the option, actual savings will be calculated for the first performance period.

5) Small business subcontracting.

To ensure the small business community retains or grows its share of T64 consumable material support, contract-specific small business subcontracting incentives and disincentives were developed. The contractor is disincentivized if the contract small business metric drops below 32% and incentivized if the metric is above 44%. Additionally, the contractor has a DoD comprehensive small business subcontracting plan, which includes a 34% goal. At the end of the first full year of the contract (Dec 2019), the contractor reported a small business metric of 61.2%. At the end of the second full year of the contract (Dec 2020), the contractor reported a small business metric of 56.6%.

6) Small business impact.

There is marginal impact on small business concerns unable to compete as prime contractors for the bundled requirements. Prior small business history over the previous 3 years resulted in a total spend of $10.8M, or $3.6 annually. As a result, the estimated small business impact over a total 10.5-year contract period would be $36M. Due to the complexity of the bundled requirements, small business contractors did not have the expertise or capability to perform as prime contractors. However, through a collaborative effort that included subject matter experts and industry, DLA has taken the actions described in 5), above, to promote small business participation as subcontractors and suppliers. The current contract estimates that small business spend will be at least $125M ($390M x 32%) based on the small business subcontracting metric in place for this contract.

General Electric (GE), the prime contractor, has an existing supply chain, including small businesses for many of the items in the bundled requirement. DLA anticipates that many of the previous small business prime contractors are or will become supply partners to GE. Twenty-seven of DLA’s prior small business suppliers for the requirement are already active and approved in GE’s Business System.

Attachment 7
DLA – SPE4AX20D9002

1) Contract value and small businesses impacted.

PIID	Contracting Agency	Total Bundled Dollars (10.5-Year Estimated Value)
SPE4AX19D9400	Defense Logistics Agency	$390M

The requirement impacts 126 small business concerns across 17 North American Industry Classification System (NAICS) codes. Some of the affected small businesses have provided items under multiple NAICS codes and are reflected in the table below more than once, which is why the sum is more than 126. The table below shows the individual NAICS codes and the number of small businesses that may be impacted.

NAICS	Number of SB Contractors
326130	5
326220	5
331420	2
332119	7
332510	13
332613	1
332618	3
332722	37
332919	7
332991	10
333613	7
335311	2
336310	1
336320	2
336412	64
336413	1
339991	8

2) Justification.

Measurably substantial benefits justify the bundling, as well as improved material availability, reduction in acquisition lead times, and improved T64 engine readiness. Quantifiable benefits are expected to exceed the threshold in FAR 7.107-3(d)(2). Benefits include anticipated lower overall material prices associated with aligning the entire Department of Defense (DoD) supply chain requirements under the engine's original equipment manufacturer (OEM) to leverage the OEM's supply chain, expertise, and manufacturing economies of scale. Additionally, it is anticipated that the bundling will lower administrative costs as DLA transitions from multiple contracts to a single, long-term contract.

A comprehensive market research effort to identify potential sources was performed including a Sources Sought notice published to the Government-Wide Point of Entry. Alternative strategies to bundling were considered including maintaining the status quo, but the alternatives were determined ineffective to satisfy the requirement and would not improve overall material availability.

The expected benefits from the bundling of this requirement are measurably substantial.

3) Savings realized or estimated.

DLA expects to derive measurably substantial benefits, in the form of cost savings, of greater than 5% of the estimated contract value, as compared to contracting to fulfill requirements without bundling. The estimated savings for the base contract period is $20.5 million and $74 million over the life of the contract. The data for the first full performance period will not be available until the conclusion of the 5.5-year base period, which ends on May 30, 2025.

4) Continued savings.

Maintaining the bundled status of this contract requirement is projected to reduce costs by at least $20.5 million over the base period and $74 million over the life of the award. Contract performance began on June 1, 2019 and the first full performance period will end at the end of the base period, which will be May 30, 2025. Prior to exercising the option, actual savings will be calculated for the first performance period.

5) Small business subcontracting.

To ensure the small business community retains or grows its share of T64 consumable material support, contract-specific small business subcontracting incentives and disincentives were developed. The contractor is disincentivized if the contract small business metric drops below 32% and incentivized if the metric is above 44%. Additionally, the contractor has a DoD comprehensive small business subcontracting plan, which includes a 34% goal. At the end of the first full year of the contract (Dec 2019), the contractor reported a small business metric of 61.2%. At the end of the second full year of the contract (Dec 2020), the contractor reported a small business metric of 56.6%.

6) Small business impact.

There is marginal impact on small business concerns unable to compete as prime contractors for the bundled requirements. Prior small business history over the previous 3 years resulted in a total spend of $10.8M, or $3.6 annually. As a result, the estimated small business impact over a total 10.5-year contract period would be $36M. Due to the complexity of the bundled requirements, small business contractors did not have the expertise or capability to perform as prime contractors. However, through a collaborative effort that included subject matter experts and industry, DLA has taken the actions described in 5), above, to promote small business participation as subcontractors and suppliers. The current contract estimates that small business spend will be at least $125M ($390M x 32%) based on the small business subcontracting metric in place for this contract.

General Electric (GE), the prime contractor, has an existing supply chain, including small businesses for many of the items in the bundled requirement. DLA anticipates that many of the previous small business prime contractors are or will become supply partners to GE. Twenty-seven of DLA’s prior small business suppliers for the requirement are already active and approved in GE’s Business System.

Attachment 8
DLA – SPEAX120D9402

1) Contract value and small businesses impacted.

PIID	Contracting Agency	Total Bundled Dollars (10.5-Year Estimated Value)
SPE4AX20D9002	Defense Logistics Agency	$330M

The requirement impacts 152 small business concerns across 21 North American Industry Classification System (NAICS) codes. Those NAICS are shown in the table below. Some of the affected small businesses have provided items under multiple NAICS codes and are reflected in the table below more than once, which is why the sum is more than 152. The table below shows the individual NAICS codes and the number of small businesses that may be impacted.

NAICS	# of SBs
326130	3
326220	4
331420	3
332119	3
332510	8
332613	2
332618	4
332722	30
332919	15
332991	29
333613	1
333618	4
333911	2
334412	1
335110	1
335311	17
335313	1
336310	1
336412	110
336413	5
339991	5

2) Justification.

Measurably substantial benefits justify the bundling, as well as improved material availability, reduction in acquisition lead times, and improved TF34 engine readiness. Quantifiable benefits are expected to exceed the threshold in FAR 7.107-3(d)(2). Benefits include anticipated lower overall material prices associated with aligning the entire Department of Defense (DoD) supply chain requirements under the engine's original equipment manufacturer (OEM) to leverage the OEM's supply chain, expertise, and manufacturing economies of scale. Additionally, it is anticipated that the bundling of this requirement will lower administrative costs as DLA transitions from multiple contracts to a single, long-term contract.

A comprehensive market research effort to identify potential sources was performed including a Sources Sought notice published to the Government-Wide Point of Entry. Alternative strategies to bundling were considered including maintaining the status quo, but the alternatives were determined ineffective to satisfy the requirement and would not improve overall material availability.

The expected benefits from the bundling of this requirement are measurably substantial.

3) <u>Savings realized or estimated.</u>

DLA expects to derive measurably substantial benefits, in the form of cost savings, of greater than 5% of the estimated contract value, as compared to contracting to fulfill requirements without bundling. The estimated savings for the base contract period is $12.25 million and $56 million for the total contract period. The data for the first full performance period will not be available until the conclusion of the 5.5-year base period, which ends on September 30, 2025.

4) <u>Continued savings.</u>

Maintaining the bundled status of this contract requirement is projected to reduce costs by at least $12.25 million over the base period and $56 million over the life of the award. The first performance period began on April 13, 2020 and will end on September 30, 2025. Prior to exercising the option, actual savings will be calculated for the first performance period.

5) <u>Small business subcontracting.</u>

To ensure the small business community retains or grows its share of TF34 consumable material support, contract-specific small business subcontracting incentives and disincentives were developed. The contractor is disincentivized if the contract small business metric drops below 36% and incentivized if the metric is above 66%. In accordance with the terms of the contract, the contractor's small business metric will be calculated at the end of the first performance period. Additionally, the contractor has a DoD comprehensive small business subcontracting plan, which includes a 34% goal.

6) <u>Small business subcontracting.</u>

There is marginal impact on small business concerns unable to compete as prime contractors for the bundled requirements. Prior small business history over the previous 3 years resulted in a total spend of $13M, or $4.3M annually. As a result, the estimated small business impact over a total 10.5-year contract period is $43.3M. The current contract estimates that small business spend will be at least $119M ($330M x 36%) due to the small business subcontracting metric in place for this contract.

Due to the complexity of the bundled requirements, small businesses do not have the expertise or capability to perform as prime contractors for this effort. However, through a collaborative effort that included subject matter experts and industry, DLA has taken the actions described in 5), above, to promote small business participation as subcontractors and suppliers. While DLA has previously partnered with several small businesses, General Electric (GE) has an existing supply chain, including small businesses for most of the items in the bundled requirement. DLA anticipates that many previous small business prime contractors are already or will become supply partners to GE.

ENCLOSURE 2

Department of Commerce
(DOC)

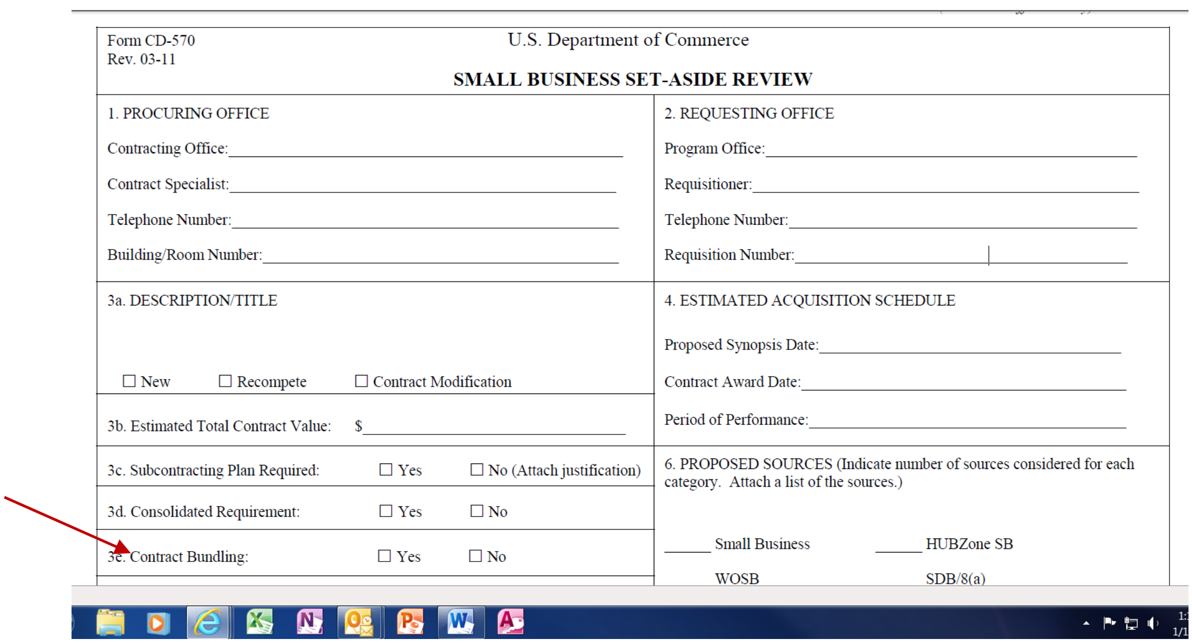
U.S. Department of Commerce

Contract Bundling Report for FY 2021

The Department implemented contract bundling guidance in its Commerce Acquisition Manual (CAM) and the Commerce Small Business Program Manual (CSBPM) to ensure compliance with FAR part 7 and SBA regulations (13 CFR) and to ensure required actions are fully documented. The Department's policies on contract bundling require contracting officers and acquisition planning teams to include the small business specialists (SBS) and the SBA procurement center representative (PCR) early in the acquisition process. This has proven instrumental in devising strategies that avoid unnecessary and unjustified contract bundling.

In addition, the Department's policies require all planned acquisitions valued over the simplified acquisition threshold to go through a hierarchical review process. The contracting officer (CO) initiates the review process by completing and submitting a Departmental form, CD-570 Small Business Set-Aside Review, to the SBS. The CO indicates on this form if the action involves contract bundling or requirements consolidation. The CD-570 package must be approved by the SBS, OSDBU Director, Senior Procurement Executive (SPE), and PCR.

For any action coded as bundled, the CD-570 package must include market research results, bundling analysis, and a signed Determination and Findings (D&F). If approved by the OSDBU Director, the package is forwarded to the SPE for review and approval.


Form CD-570
Rev. 03-11

U.S. Department of Commerce

SMALL BUSINESS SET-ASIDE REVIEW

1. PROCURING OFFICE
Contracting Office:______
Contract Specialist:______
Telephone Number:______
Building/Room Number:______

2. REQUESTING OFFICE
Program Office:______
Requisitioner:______
Telephone Number:______
Requisition Number:______

3a. DESCRIPTION/TITLE
☐ New ☐ Recompete ☐ Contract Modification

3b. Estimated Total Contract Value: $______

3c. Subcontracting Plan Required: ☐ Yes ☐ No (Attach justification)

3d. Consolidated Requirement: ☐ Yes ☐ No

3e. Contract Bundling: ☐ Yes ☐ No

4. ESTIMATED ACQUISITION SCHEDULE
Proposed Synopsis Date:______
Contract Award Date:______
Period of Performance:______

6. PROPOSED SOURCES (Indicate number of sources considered for each category. Attach a list of the sources.)
_____ Small Business _____ HUBZone SB
WOSB SDB/8(a)

For FY 2021, the Department's National Oceanic and Atmospheric Administration (NOAA) awarded one bundled contract to Earth Resources Technology. The single award ten-year indefinite delivery contract has a contract value of $699.5 million. The procurement strategy for the bundled contract was approved by the PCR.

FY 2021 Contract and Task Orders	Obligation
1332KP21DNEEB0011 (contract)	$699,600,000.00
1332KP21FNEEB0011 (TO)	$194,344,404.04
1332KP21FNEEB0010 (TO)	$97,383,984.12
1332KP21FNEEB0013 (TO)	$52,918,499.88
1332KP21FNEEB0008 (TO)	$12,797,134.12
Total	$1,057,043,972.16

Section 15(p)(4)(B) Report Requirements:

(i) Data on the number, arranged by industrial classification, of small business concerns displaced as prime contractors as a result of the award of bundled contracts by Federal agencies;

Number of Small Businesses Displaced	1
Displaced Small Business Contractor	Solers Research Group, Inc.
Contract Number	IAA w/GSA: NA17AANEG0037
NAICS code	541512
Contract Dollar Value	$67.4 million
Period of Performance	Base: 12 months and three 12 month option periods; 07/01/2016-06/30/2020
Description of Contract Performance	This was primarily a development contract for the Environmental Satellite Processing and Distribution System (ESPDS). After the ESPDS contract ended, the majority of the devices developed under the ESPDS contract transitioned to the Office of Satellite and Product Operations (OSPO). Operations, maintenance and sustainment continued under the bundled (OMS) contract. Sustainment activities under OMS included migration of legacy functions from heritage systems into NDE and PDA along with any necessary improvements in capacity or capability to support the migration. These activities did not include new requirements, only changes to implementation. Development activities under OMS sustainment is limited to those necessary for obsolescence prevention and growth to meet data volume changes.

(ii) A description of the activities with respect to previously bundled contracts of each Federal agency during the preceding year, including- DOC reported no previously bundled contracts prior to FY 2021.
(I) data on the number and total dollar amount of all contract requirements that were bundled; The NOAA OMS contract is the first bundled contract reported by the Commerce Department. The NOAA OMS contract was awarded nine months ago on 03/25/2021.
(II) with respect to each bundled contract, data or information on- **(aa) the justification for the bundling of contract requirements;** For the NOAA OMS contract, please refer to— • Attachment 1, Bundling Analysis • Attachment 2, Determination and Findings
(bb) the cost savings realized by bundling the contract requirements over the life of the contract; The NOAA OMS contract was recently awarded nine months ago on 03/25/2021 and is still operating within its first year of a 10-year period of performance; therefore, an in-depth analysis of realized savings cannot be accurately assessed at this time.However, the cost savings over the life of the ten-year contract is ~$35,931,301. Please refer to Attachment 1, Bundling Analysis, pages 10 – 13 for complete list of anticipated benefits.
(cc) the extent to which maintaining the bundled status of contract requirements is projected to result in continued cost savings; Prior to any recompete or follow-on acquisition, the NOAA procurement office and the program office, in cooperation with the SBS, OSDBU, and PCR, will conduct the required in-depth analysis to determine the actual cost savings and quality improvements gained from bundling, as well as to determine if any savings or benefits will continue to be realized.

(dd) the extent to which the bundling of contract requirements complied with the contracting agency's small business subcontracting plan, including the total dollar value awarded to small business concerns as subcontractors and the total dollar value previously awarded to small business concerns as prime contractors; and

The total amount of the original contracts that were bundled to create the OMS contract was $185.3 million. At the time of bundling approval, 2 of the 3 businesses with contracts approved to be bundled were large businesses. The one small business contract was valued at $67.4 million. With the evaluation factor that we placed in the solicitation, NOAA anticipates at least $209 million to be subcontracted to small businesses over the course of contract performance, thereby increasing total small business spend under this effort. Based on its first subcontracting report submitted by Earth Resources Technology, the prime contractor, for the second half of FY 2021, $1.7 million has been subcontracted to small businesses so far. Additionally, a large proportion of small business subcontracting dollars is anticipated to come from Other Direct Costs (ODC) which previously had not been a source for small business subcontracting opportunities under other contracts with large businesses.

(ee) the impact of the bundling of contract requirements on small business concerns unable to compete as prime contractors for the consolidated requirements and on the industries of such small business concerns, including a description of any changes to the proportion of any such industry that is composed of small business concerns.

As discussed in the prior responses, more money and subcontracting opportunities are anticipated to be available for small businesses under this bundled contract. Also, we refer you to attachment 1, bundling analysis, for additional information on the impact of bundling on small business concerns.

Attachment 1

Bundling Analysis

Operations, Maintenance, and Sustainment (OMS)

The Small Business Administration (SBA) regulations at 13 C.F.R §125.2 implement the Small Business Jobs Act of 2010 and define the documentation necessary to justify bundling of contract requirements. Specifically, 13 C.F.R §125.2(d)(2) provides that (i) When the procuring activity intends to proceed with an acquisition involving bundled or substantially bundled procurement requirements, it must document the acquisition strategy to include a determination that the bundling is necessary and justified, when compared to the benefits that could be derived from meeting the agency's requirements through separate smaller contracts. (ii) A bundled requirement is necessary and justified if, as compared to the benefits that the procuring activity would derive from contracting to meet those requirements if not bundled, it would derive measurably substantial benefits. The procuring activity must quantify the identified benefits and explain how their impact would be measurably substantial. The benefits may include cost savings and/or price reduction, quality improvements that will save time or improve or enhance performance or efficiency, reduction in acquisition cycle times, better terms and conditions, and any other benefits that individually, in combination, or in the aggregate would lead to: (A) Benefits equivalent to 10 percent of the contract or order value (including options), where the contract or order value is $94 million or less; or (B) Benefits equivalent to 5 percent of the contract or order value (including options) or $9.4 million, whichever is greater, where the contract or order value exceeds $94 million." As defined in 15 U.S.C. § 657(q)(a)(2) consolidation of contract requirements is the "use of a solicitation to obtain offers for a single contract or a multiple award contract (A) to satisfy two or more requirements of the Federal agency for goods or services that have been provided to or performed for the Federal agency under two or more separate contracts lower in cost than the total cost of the contract for which the offers are solicited; or (B) to satisfy the requirements of the Federal agency for construction projects to be performed at two or more discrete sites." This Justification documents the completion of each of the requirements of The Small Business Jobs Act of 2010, 15 U.S.C. § 657(q) as implemented in Federal Acquisition Regulation (FAR) Part 7.107-2, and FAR Part 7.107-3, and concludes that bundling and consolidation are necessary and justified.

A. Background

The National Oceanic and Atmospheric Administration's (NOAA) Satellite and Information Acquisition Division (SIAD) intends to solicit and award a new single-award Indefinite-Delivery Indefinite Quantity (IDIQ) contract vehicle valued at approximately $699.5 million. The IDIQ will be a multi-year contract of 10 years. The IDIQ will allow for firm fixed price, time and material, and cost-reimbursement task orders. Four task orders are anticipated at time of award. The anticipated North American Industry Classification System (NAICS) Code is 541519, Other Computer Related Services. This requirement seeks to combine requirements that were previously procured under separate contracts and awarded to small business.

NOAA's National Environmental Satellite, Data, and Information Service (NESDIS) provides satellite products, services, environmental information, and official assessments of the environment in support of societal and economic decisions. NESDIS satellite ground systems are the infrastructure for generating and distributing these satellite products and services. The ground systems are entering a new era with the launch of the next-generation geostationary and polar-orbiting satellites. Both the Geostationary Operational Environmental Satellite "R" Series (GOES-R) Program and Joint Polar-orbiting Operational Satellite System (JPSS) Program include new ground systems for NESDIS. NESDIS requires services to operate, maintain, sustain, and dispose of existing NESDIS legacy satellite ground systems until these new ground systems and their associated observatory constellations fully transition to operations.

NESDIS intends to sustain legacy ground systems only through preventative maintenance, sparing, and failed component replacement (corrective maintenance) while actively managing performance risk and cost risk as the legacy systems approach retirement and disposal.

The Office of Satellite and Product Operations (OSPO) operates, and the Office of Satellite Ground Services (OSGS) maintains and sustains the NESDIS ground systems. Both offices previously supported the same missions through multiple contracts; one for operations, maintenance, and IT security and several for sustainment. This led to conflicts of scheduling efforts and resources to perform work. Because of the NESDIS reorganization, NESDIS is consolidating the Operations, Maintenance and Sustainment (OMS) of legacy systems into a single contract. Migrating services for these systems under a single consolidated contract will support strategic objectives for an enterprise level approach for mission support services to NSOF users, shared services, alignment with objectives of NESDIS' Strategic Plan and Portfolio Management Goals, and the Mission Support Services Concepts of Operations (CONOPS) Revision D. The Mission Support Services CONOPS include key objectives to provide an enterprise level approach to numerous secular, stove piped, vulnerable systems. The enterprise level approaches include (for example): common remote access, tools for standardization of risk management, analysis suites, requirements databases file sharing systems, firewall, trusted internet connections, and defense in-depth security control between interfacing Federal Information Security Management Act (FISMA) systems.

NOAA/NESDIS is taking an active role to increase efficiency and lower the total costs of ownership for its systems across its Ground Enterprise with cost effective solutions that standardize applications and increase productivity. NESDIS calls out the value of enterprise services in the Ground Enterprise Architecture Services (GEARS) CONOPS: "The vision for GEARS is to provide through focused development, adaptation, and transition in future years a suite of common ground services enabling (1) reduction of mission ground systems costs and (2) accelerated deployment of capabilities." One of the three itemized expected reductions of costs is the streamlining of ground operations by eliminating redundant operations and embracing automation to require fewer support staff.

The broad scope of this requirement includes support for:

- Operations, maintenance, and sustainment of NESDIS-deployed hardware, firmware, and software ground systems;
- Satellite-to-Ground communications, including radio frequency and terrestrial communications networks, telemetry over Internet Protocol, and radio frequency antenna systems;
- Systems that support mission scheduling, ground system software/subsystem functions, and satellite command and control;
- Secure data ingest from both NOAA-operated satellite missions and external sources;
- Data Collection System satellite services;
- Product generation, storage, monitoring, and distribution systems supporting new and improved satellite products, services, and algorithms;
- Provision of information to the National Centers for Environmental Information for archive and stewardship of these products.
- Program execution and delivery of services using National Institute of Standards and Technology security control guidelines.
- Technical Baseline evolution, both Hardware and Software that changes components or adopts new technology.

B. Justification of Substantially Bundled Acquisition

B.1 Bundled Analysis and Documentation:

The following analysis was conducted to determine if bundling is necessary and justified.

a. Inventory of Incumbent Small Business Contractors

Table 1 contains an inventory of all current contracts awarded to socio-economic and small business concerns that may be impacted by the planned bundled acquisition, in part or in whole.

Table 1 - Acquisition History

Contract Number (or Order Number)	Name of Contractor	Current Business Size	Business Size at Time of Award	NAICS Code	Current Contract Dollar Value	Period of Performance	Contract Description of Product or Service Slated for Bundling
DG-133W-10-CQ-0041 T-0016	Maximus	LB	SB	541519	$111.9 million	7/27/14-7/26/19	OSPO Satellite Mission Operations and Maintenance Support (SMOMS)
GS-06F-0682Z ST-1330-16-NC-0143	ActioNet	LB	SB	541512	$6 million	3/1/16-2/28/21	Operations Support under NIIS Admin LAN Contract - CITS Unique Services CLIN
IAA NA17AANEG0037	Solers Research Group Inc	SB	SB	541512	$67.4 million	7/1/16-6/30/20	M&S for NDE/PDA

A detailed description of each contract is below:

- DG-133W-10-CQ-0041 T-0016 is a NOAALink task order competed among NOAALink's small business pool of vendors and awarded on July 27, 2014 to 2020 Company, LLC (which was subsequently acquired by Maximus, a large company)s. The task order consists of a 12 month base period and four additional 12 month option periods. The Satellite Mission Operations and Maintenance Support (SMOMS) task order provides for continuous satellite product and services operations to support GOES, Polar-Orbiting Operational Environmental Satellites (POES), the NOAA Jason Ground System, the Environmental Satellite Processing Center, and the Defense Meteorological Satellite Program. The services in this task order are divided into three categories: Program Management, Systems Engineering, and Operations and Maintenance (O&M). Currently IT services, including IT Security, are being performed as part of O&M. OSPO is removing the ISSO and IT Security compliance support, valued at approximately $11 million, and procuring those services through a separate small business set-aside IT Security Services BPA. Therefore, OMS will only provide IT Security Operations support, not Plan of Action and Milestones (POAM) management or IT Security Documentation support.

- ST-1330-16-NC-0143 is a competitive task order awarded to ActioNet under the GSA 8(a) STARS II IDIQ contract on March, 1, 2016 and includes a 12 month base period and four additional 12 month option periods. The NESDIS Integrated Information Services (NIIS) task order provides support to the NOAA5006 system (NESDIS HQ ITS Local Area Network (LAN)). The contract includes Common IT Services (CITS) support to the NOAA5044 system (NSOF Admin LAN) under a unique services Contract Line Item Number (CLIN). In May of 2018, the NSOF Admin LAN transitioned to the Mission Support LAN, which provides common control IT Services for OSPO operations. According to 13 CFR 124.503 (h)(1) (ii) an agency is not required to offer or receive acceptance of individual orders into the 8(a) BD program if the task or delivery order contract or Multiple Award Contract was set-aside exclusively for 8(a) Program Participants, partially set-aside for 8(a) Program Participants or reserved solely for 8(a) Program Participants, and the individual order is to be competed among all 8(a) contract holders. Therefore, this order has not been offered or accepted into the 8(a) program and no release is required.

- A17AANEG0037 is an Interagency Agreement (IAA) with GSA. This sole source assisted acquisition was awarded on July 1, 2016 to Solers Research Group Inc. and has a period of performance of a 12 month base period and three additional 12 month option periods. This is primarily a development contract for the Environmental Satellite Processing and Distribution System (ESPDS). Maintenance and Sustainment support (M&S) is provided to the NOAA Data Exploration (NDE) and Product Distribution and Access (PDA) subsystems. After the ESPDS contract ends a majority of the devices developed under the ESPDS contract will transition to OSPO operations. Operations, Maintenance and Sustainment will continue under the OMS contract. Sustainment activities under OMS will include migration of legacy functions from heritage systems into NDE and PDA along with any necessary improvements in capacity or capability to support the migration. These activities will not include new requirements, only changes to implementation. Development activities under OMS sustainment will be limited to those necessary for obsolescence prevention and growth to meet data volume changes.

b. Feasibility of Bundled Acquisition

Based on extensive market research, an adequate number of potential responsible contractors are likely to submit offers.

A Request for Information (RFI) was issued on FedBizOpps (FBO) on December 1, 2017 to assess the marketplace and gather feedback from industry on the requirement. The draft overall IDIQ Performance Work Statement (PWS) was also provided with the release of the RFI. Responses were due December 15, 2017. In addition to providing company information, business type, and recommended NAICS code, the RFI specifically requested responses to include:

- Summary of the specific business capabilities to perform the requirements of OMS specifically with regards to project management, cost and schedule methodologies, and delivery and service processes.
- Objectives the offeror can and cannot fulfill as well as any significant subcontracting or teaming anticipated
- Recommendation on transition time with supporting rationale
- Recent past experience relevant to the OMS requirement in providing the same or similar services.

The key PWS requirements (in summary) of the draft OMS IDIQ PWS posted with the RFI (which are still the key requirements) include:

- Provide a company project /program management organization with robust processes to successfully manage and execute the transition of contracts of deployed ground systems (that will end) from incumbent contractor(s) to itself, and provide all products, services, and deliverables of the operations, maintenance, and sustainment contract within the planned cost and schedule.

- Provide subject matter expertise, personnel, material, equipment, training, services, and facilities necessary to perform and deliver operations, maintenance, and sustainment products and services in order to execute the contract with no interruption of services.
- Provide robust, repeatable processes for the contract requirement for these functions:
    - Technical, financial, and schedule management of all PWS task orders
    - Provide contractor support to assist the government in the use of its enterprise tools and formal processes
    - Systems Engineering activities related to the contract
    - Risk management and mitigation activities
    - Configuration control/management, documentation management, and asset/inventory management of Government Furnished Equipment and property
    - Management and implementation of hardware/software maintenance and license agreements
    - Satellite operations support 24 hour, 7 days a week, 365 days a year for launch activities, spacecraft health, mission- related configurations, data center infrastructure and network management, help desk support, and security of operational environments
    - Maintenance (planned, unplanned, preventative, and corrective) support for all required systems for uninterrupted technical performance, reliability, security compliance, network and systems administration support, capacity planning, telecommunications support, hardware support, and website support
    - Sustainment support regarding technology refresh plan and implementations, test and integration activities, user website services, and training
    - Information and cyber security support for scans, patching, hardening, technical security controls, artifacts for security controls assessments, and POAMs.

Responses to the OMS RFI were assessed on the perceived risk level to the satellite operation and mission systems per the definitions below:

- Capable - There is little to no risk of having a negative impact supporting the requirements of the OMS IDIQ PWS. The responder provided sufficient justification that they have the ability to adequately respond to the OMS IDIQ PWS and future task orders Request for Proposals (RFP).

- Partially Capable - There is moderate risk of having a negative impact supporting the requirements of the OMS IDIQ PWS. The responder only provided responses to portions of the requirement. The experience cited was only partially relevant to the full scope of the OMS PWS. Based on the content of the RFI response, additional government resources will be required to determine if the vendor could adequately respond to the OMS IDIQ PWS and future task order RFP's.

- Not Capable - There is high risk of having a negative impact supporting the requirements of the OMS IDIQ PWS. The responder only provided responses to portions of the PWS requirements. The experience cited was not relevant to the full scope of the OMS PWS. Based on the RFI response alone, the vendor does not adequately respond to the OMS IDIQ PWS and future task order RFP's.

Each specific item requested within the RFI response was evaluated and assigned one of the ratings above. For a response that did not address an item specifically requested, or was absent in content, no assessment of capability could be made for that item and was noted as ‘not addressed’. For responses that did not address capability gaps, or indicate an approach for teaming or subcontracting, the market research team could not make an assessment regarding capability. These portions of the response were assessed as not capable. Each response was then taken as a whole and assigned an overall rating of either capable, partially capable, or not capable. This process was used for all 18 RFI responses.

Of the 18 RFI responses received, 13 were large business and five were small business. Applying the approach above, the results of the RFI evaluation are as follows:

- Nine of the large business responses were assessed to be fully capable, two were assessed to be partially capable, and one was assessed to be not capable of performing the full OMS requirement.
- Based on the RFI response assessment, an adequate number of potential capable large businesses appear likely to submit proposals.
- Five small businesses provided RFI responses. The market research team could not find sufficient data in the RFI responses to assess an approach to fully perform the OMS requirement. Based on the information provided, none of the small business RFI responses were fully or partially capable of performing the full OMS requirement and were determined to have a high risk of negative impact supporting the requirements.
    - One small business was lacking capability and did not address key areas of the RFI, including subcontracting.
    - The other four responses did not contain sufficient data to assess capabilities to perform the full OMS requirement nor did they describe an approach to address any capability gaps.
    - For recent past experience in providing the same or similar services, the five responses had relevant experience to only perform a portion (<50%) of the OMS requirement, or a lack of relevant experience to the OMS requirement.

To gain additional insights on how many vendor participants are interested in the opportunity, and to encourage industry collaboration between vendors, the government hosted an industry day on March 15, 2018. The industry day was made available via webinar for those that could not attend in person. In addition to the previously posted draft IDIQ PWS, the draft task order PWS's were posted on FBO one week prior to industry day to allow interested vendors time to review. There were 58 companies in attendance at industry day, and another 27 companies that participated via webinar. Information shared at the vendor engagement event included the NESDIS vision of, and overview for, the OMS requirement and the anticipated acquisition strategy.

In an effort to perform more comprehensive market research regarding the responsibility of potential contractors, one on one sessions were conducted with Industry over the four days following the industry day. Twenty-four one-on-one sessions were held; 13 with large businesses and 11 with small businesses. Based on the interactions of these sessions, there was no change to the initial market research results. An adequate number of potential capable large businesses appear likely to submit proposals; however, the acquisition is unsuitable for small business due to: (1) the diversity, size, and specialized nature of the requirement, and (2) the aggregate dollar value of the anticipated award.

c. Market Research and Small Business Participation

Many strategies were used to garner interest and participation from small business concerns. Key activities performed include:

i. Release of an OMS RFI - The RFI was posted on FBO to allow interested vendors to respond to the government on how they will approach delivery and performance of the OMS contract. Five small businesses provided a response to the RFI.

ii. Industry Day - The OMS industry day was conducted on March 15, 2018 to serve several purposes: 1) provide the opportunity for the government to communicate to industry regarding the acquisition plan and strategy, 2) engage industry directly with key NESDIS stakeholders, 3) provide vendors the opportunity to ask questions about the requirement, 4) encourage networking and interaction among vendors for potential teaming opportunities, and 5) gather industry feedback. Of the 85 companies who participated in industry day either in person or through webinar, 33 or 38.82% were small business. The Small Business Officer presented at the event and encouraged small businesses that are interested in priming to make themselves heard. The attendee list and copy of the presentation was posted to FBO after the event to encourage teaming arrangements. All interested vendors that did not already register for a one-on-one session were given an opportunity to register after the event.

iii. Mentor Protégé Communications - Firms with an active Mentor Protégé agreement approved by the SBA under the OMS NAICS code were personally invited by NOAA's Small Business Officer to review the FBO post as well as attend industry day if they think their partnership has capability to perform. None of the Mentor Protégé companies expressed interest in the requirement.

iv. Incumbent Small Business Communications - All incumbent small businesses will be notified of the bundling acquisition at least 30 days prior to solicitation.

v. Vendor Networking Sessions - provided before and after the industry day presentation to encourage industry discussions and teaming opportunities.

vi. One-on-one Meetings. The government hosted four days of one-on-one sessions at 20 minutes each with 24 vendors. Significant insights provided by those sessions include:
   1) A total of 25 small businesses registered to attend a one-on-one session. Thirteen of those small businesses cancelled their session prior to their scheduled date and time. Five of the 13 small businesses that cancelled cited their preference to subcontract as the reason for the cancellation. The government informed those five small businesses of its interest in still meeting with them, but none followed through with the offer. There were an additional three small businesses out of the 25 registered that did not show up to their scheduled session and did not provide the government any notification. A total of 11 small businesses attended a one-on-one session.
   2) During the one-on-one meetings, 9 of the 13 large businesses that attended stated that teaming with small businesses will be essential for the successful execution of this requirement regardless of who serves as the prime contractor. None of the large businesses explicitly said they will be able to execute this requirement without the inclusion of a teaming approach with small businesses.
   3) Other than one company's suggestion to have the program management portion of the requirement removed and awarded as a separate contract and one other company's inability to understand the government's approach of awarding a single-award IDIQ, none of the other 22 businesses conveyed any dissenting opinions or offered any alternative approaches than the one presented in the RFI.

d. Set-Aside Determination

Based on the market research discussed above and attached, the determination has been made that this requirement cannot be met by small business concerns because no small businesses have been identified as capable. An assessment of alternative acquisition approaches to mitigate the effects of the contemplated bundled acquisition and maximize socio-economic small business and small business participation as prime contractors was conducted. No alternative contracting approaches were identified that will involve a lesser degree of bundling. The analysis of alternative acquisition approaches considered the following:

i. Maintain Status Quo: The status quo is to keep the three individual contracts that are currently in place as listed in Table 1 as separate contracts. While maintaining the number of contracts will eliminate bundling, awarding and administering all of these contracts is inefficient and costly. Maintaining the current structure will not align an enterprise level approach with NSOF mission services, shared services, objectives of NESDIS' Strategic Plan and Portfolio Management Goals, the Mission Support Services CONOPS, or be consistent with the GEARS architecture approach. Maintaining the status quo will prevent NESDIS from promoting efficient spending in accordance with Executive Order 13589 and improving acquisition through strategic sourcing in accordance with OMB Memo M-13-02. It will also not eliminate the inherent risk in having multiple vendors responsible for multiple systems and possible overlapping responsibilities. Maintaining three separate contracts will not be in the government's best interest.

ii. Strategies for set-aside:

1) Total set-aside:

A total set-aside or sole source award under FAR Part 19 is not appropriate for this acquisition, as the market research does not support it. The OMS RFI market research indicates that although small businesses may submit a proposal response, a small business prime does not appear to support the most critical portions of the requirement. OMS requires dynamic program management, finance, and schedule processes with a large bench of resources with various technical skills. It will also require a contractor that can acquire a large sum of licenses annually that range over \$10 - 20M. In the event of a system emergency, other direct costs (ODC) could exceed this amount for a single purchase. Two or more small businesses were not found to possess the breadth of resources, skills, and capital required for this effort. The acquisition team also hosted an OMS industry day event and one-on-one meetings with numerous participating businesses. The insights gathered from that event support the initial conclusion that there is not a sufficient competitive landscape to support a small business total set-aside. Based on these results as discussed above, there is not a reasonable expectation that at least two capable small businesses will submit offers to address the full OMS requirement.

2) Socio-economic Sole Source:

Due to the anticipated dollar amount of the OMS procurement, a socio-economic sole source is not feasible. The volume of effort contemplated under OMS necessitates revenue that exceed the NAICS standards for the types of work comprising this requirement.

3) Partial set-aside or set-aside at the order level:

NESDIS is trying to address a partial set aside breakout of the bundled acquisition for prime contracting by removing a substantial amount of Information Technology Security Compliance tasks from the OMS requirement, and making that scope of work available to small business under a separate competitive contract. This work is currently performed under the SMOMS contract as shown in Table 1. The value of the IT Security work that will be removed from SMOMS and included in the separate small business set-aside IT Security Services BPA is estimated at $11,247,298.03 over the next five (5) years.

iii. <u>Strategies for Small Business Participation Under Full and Open Competition</u>

In coordination with the Small Business Officer, the procurement strategy is structured, as much as practical, to provide for maximum participation by small businesses.

1) Small Business Teaming

Small business teaming arrangements, including joint ventures and mentor-protégé joint ventures have been encouraged.

NOAA actively tried to leverage the SBA All Small Mentor Protégé Program for this requirement. Firms that have an active Mentor Protégé agreement approved by SBA for NAICS code 541519 were invited directly via email to review the information posted on FBO as well as attend the industry day if they have interest and the capability to perform. None of these firms attended the event.

One of the vendor questions asked during industry day was whether NOAA will consider small business, joint ventures, contractor team arrangements, or a Mentor Protégé. The government answered the question in the affirmative and stated that all FAR and SBA regulations will be followed throughout the process.

The solicitation for these services will include evaluation criteria that encourage teaming and joint ventures among small businesses, as well as teaming between large and small businesses and aggressive small business subcontracting.

2) Subcontracting Plan with Small Business Participation

Offerors will be required to submit a Small Business Participation Plan. Small business participation goals based on total contract value have been established for this procurement, based on feedback obtained from industry during the one-on-one sessions, and will be utilized as an evaluation factor. Small business offerors will receive the highest possible rating for this evaluation factor. Large business offerors will receive a higher rating for greater small business participation in accordance with the criteria below:

Small business participation at least 15% - Marginal
Small business participation at least 20% - Acceptable
Small business participation at least 25% - Good
Small business participation at least 30% - Outstanding

Additionally, in accordance with FAR 15.304(c)(3)(ii) offerors' recent and relevant past performance in meeting previous small business participation goals under prior contracts will be evaluated for realism; offerors will be deemed unacceptable if goals proposed are unrealistic.

The Offeror will be required to provide a small business participation plan that articulates at a minimum:

- Functions that will be subcontracted as small business
- The overall percentage of effort (relative to the total contract value) to be subcontracted to small business and socioeconomic categories
- Any small business teaming partners identified at the outset of contract award

3) Multiple Award Contract – Full and Open Competition with Small Business Reserve or Order Level

The OMS requirement is for a single-award IDIQ. A single contract is required to provide transparent, centralized oversight so that efficiencies, reduced cost, and reduced risk can be achieved. Combining operations, maintenance, and sustainment helps ensure the system baselines remain intact through system and product refresh cycles as it's transitioned into operations. This reduces the amount of government oversight required to maintain these complex satellite ground and product processing systems. Additionally, multiple small contracts in the past has resulted in more complication (conflicts and lack of visibility) of the technical and management reporting, resulting in duplication of functions in multiple areas. Based on the continued financial constraints of budgets, and requirements for increased detail and transparency in reporting, a simpler structure will benefit the government. This approach will better align with the overall agency objectives previously mentioned.

iv. Other Strategies - The Performance Work Statements do not include barriers precluding participation of small business concerns.

e. Measurable Benefits

i. NESDIS used a variety of methods to gather data to identify specific benefits that will be derived from the bundled acquisition. Each benefit is explained below:

1) Cost Savings/Avoidance - The government will avoid the costs of duplicate work with setting up a single contract instead of many similar contracts – easing the pressures on labor resources used in writing, reviewing and approving contracts. Further, the government will avoid the costs of duplicate work with the ongoing administrative contract activities throughout the life of the contract. Not only will the government see a reduction with the time spent by its own resources, but the government will expect lower costs from the vendor in supplying its side of these activities.

Contract savings will also be realized in Program Management and other overhead because of a reduced level of contractor program managers and support staff required by bundling the aforementioned contracts. Bundling will lower contract management and financial management activities and associated overhead for the contractor, and thus the government.

There will also be efficiency gained by having a more streamlined management and communications path from the government to the vendor (one to few instead of one to many). The remaining gain of efficiency is the use of a pool of shared resources to better account for surge needs, cooperative work arrangements and reducing potential gaps of critical skills.

A recent NOAA market survey for a comparable consolidated requirement reported efficiency gains from four companies ranging from 15%-40% when consolidating three or more contracts due to fewer duplicative resources and better standardization and shared roles. The government assumes a minimum of 15% cost savings for these expected gains.

An analysis of labor productivity data indicates that 5-25% of the dollar value of a labor maintenance contract is dedicated for the surge needs for corrective actions of maintenance. The government assumes that 5% of the dollar value of a labor contract will be avoided by consolidating that work into a larger pool of shared resources via a bundled contract.

An analysis of labor productivity data also indicates that 3-10% of the dollar value of a labor maintenance contract captures the effective cost to the program office to guide specific labor tasks. The government assumes that 3% of the dollar value of a labor contract will be avoided by simplifying tasking due to a larger pool of shared resources via a bundled contract.

2) Quality Improvements - A single contractor will offer unified standards and processes which will provide oversight, consolidated reporting, and minimize transition risk. A unified management structure will facilitate efficient task coordination, as a single prime contractor will be accountable for establishing common performance planning and execution of services without the issues of de-conflicting cross-contractor interdependencies. Cross-contractor interdependencies increase schedule and delivery risks to already aggressive execution schedules. Combining program requirements reduces the operational boundaries inherent with multiple contracts, eliminates competing priorities between vendors, eliminates one contractor possibly being reliant upon another, and alleviates potential issues with lack of cooperation amongst the vendors. There will also be a reduction in functional requirements overlap. A single provider managing all services will render systematic problems more transparent, allowing faster identification of service gaps, and provide opportunities for improvement. The culmination of all these results in increased productivity and efficiency, and higher levels of quality.

   One contract will provide more efficient use of resources. Having workforce under a single structure of wide breadth will decrease situations of work stoppage due to a contract-specific lack of scope for a particular employee. This structure will allow the skilled workforce to continue providing value in other areas rather than being idle due to narrow task completion (on a separate contract). Program management functions will be eased and simplified.

   There is a risk that having multiple vendors with potentially overlapping responsibilities regarding multiple systems and equipment will lead to conflicts of service, as historical experience has shown. These conflicts could lead to some redundancy of activities and associated increased costs as well as gaps of service if a vendor fails to provide a service because they expect another vendor to be responsible. These gaps of service will also lead to extra costs and delays in performance as well as schedule delays to address these problems.

Further, if all contracts anticipated to merge under the OMS requirement are independent contracts, there will be increased transition risk for each. A single contract structure allows for increased visibility to the planning window in advance of transition vs. onboarding a new contractor much closer to the transition event and negotiating the new contract's transition, integration, and deliverables.

3) Reduction in Acquisition Cycle Times - The single-award IDIQ resulting from bundling these requirements will allow task orders to be awarded more quickly, reducing the acquisition cycle time.

4) Administrative Burden - The OMS contract will reduce the agency administrative burden. Each contract requires preparing a procurement package (a PWS, Independent government Cost Estimate (IGCE), IT Checklist, Acquisition Plan, technical evaluations, other documentation, as well as management and approval efforts). All necessary actions to award the IDIQ contract and first four task orders, including acquisition planning, solicitation release, proposal evaluation, negotiations, and award will be combined, so they will require one preparation cycle vs. multiple, distinct efforts. There will also be consolidated reporting which will simplify and greatly reduce the amount of time for government review. The program office will also be required to provide only one level III COR to manage the IDIQ and all task orders instead of multiple CORs. Given the current environment of agency offices constrained by resources, these efficiencies are critical to NOAA.

5) Proposal Preparation Efficiencies - There are efficiencies for offerors in submitting one proposal for the IDIQ contract and the initial four task orders as opposed to several proposals for separate contracts. Proposal preparation is both time consuming and costly.

ii. The acquisition planning team compared the price that has been charged by small business contractors for the work that they performed and slated to be included in the bundled acquisition and the price that could have been charged by small businesses for the work not previously performed by small businesses to determine if the bundled acquisition dollar value represents the most effective cost savings. Table 2 provides a breakdown of the savings achieved by the bundled acquisition. Additional detail can be found in the last tab of Attachment 1 - OMS Quantitative Analysis.

Table 2 - Cost Savings

	Each	Number	Total
New Cost Savings (Cost Avoidance)	Combined Contracts		
AGO Effort	$441,349	2	$882,698
Program Office Effort	$642,301	2	$1,284,602
Improved Vendor Efficiency	$11,010,000	2	$22,020,000
Surge Labor (Vendor Effort)	$3,670,000	2	$7,340,000
Labor Tasking (Program Office Effort)	$2,202,000	2	$4,404,000
Total Value for 10 years			$35,931,301

f. Quantitative Analysis

The government calculated the measurable benefits anticipated to be derived from bundling. The benefits derived from the bundling action must meet or exceed 5% of the IDIQ value or $35 million in accordance with FAR 7.107-3(d)(2). Table 3 summarizes the internal (administrative) and external (contractual) savings over the life of the IDIQ which total $35.9 million, or 5.14% of the IDIQ value.

Table 3 - Summary of Quantitative Analysis

Total Costs (Internal and External)	1 Bundled Contract	3 Separate Contracts
Total Costs (Internal and External)	**$440,078,711**	**$476,010,011**
Total Variance (Bundled vs Separate):	$35,931,301	
% Savings Achieved	**7.61%**	

Total Costs	IDIQ
Total Costs (IDIQ)	**$699,548,390**
Total Variance (Bundled):	$35,931,301
% Savings Achieved	**5.14%**

A more detailed breakdown of the quantitative analysis is in Attachment 1 - OMS Quantitative Analysis.

2.2 Substantially Bundled Analysis and Determination

a. Impact Analysis

The contracting officer and acquisition planning team conducted an analysis to assess specific impediments to participation by socio-economic small business and small business concerns as prime contractors because of the substantially bundled acquisition strategy. Impediments include:

i. Inability to participate as prime contractors due to the increased order of magnitude and dollar value of the contract;

The expected dollar value, volume of expected employee headcount, and breadth of tasks included creates significant impediments to participation by small business concerns as prime contractors. OMS involves a wide array of operations, maintenance, and sustainment tasks. Historically, small business concerns have generally focused on niche areas of expertise and were not found to possess the breadth of experience and knowledge required to perform the full scope of the OMS effort. Additionally, the volume of effort contemplated under OMS necessitates revenue that exceeds the NAICS standards for the types of work comprising this requirement.

OSPO is however removing the ISSO and IT Security compliance support in the existing SMOMS requirement, valued at approximately $11 million, and procuring those services through a separate small business set-aside BPA.

ii. Displacement of current and recent small business contractors;

All small businesses are eligible to submit a proposal in response to this requirement. This includes the incumbent contractors who will be notified of the bundling acquisition at least 30 days prior to solicitation. The solicitation will also require a small business participation plan to maximize the level of small business participation.

iii. Long-range effect of sustaining a competitive pool of qualified small businesses;

Based on the analysis done, the contracting team determined that bundling this requirement provides the government with significant leverage over industry, allowing more enforcement of the subcontracting goals proposed. The team has identified mitigation strategies to advance small business participation and will provide them in the new requirement, as demonstrated in the previous sections of this justification.

During the one-on-one meetings with industry following the RFI, several large businesses discussed their plan to build a team of small businesses to supplement those tasks which fall outside of their company's core capabilities. It is anticipated that an acquisition of this size, scope and complexity will necessitate teaming arrangements and/or joint ventures with small businesses, assisting the sustainment of the existing pool of qualified small businesses. If a vendor submits a proposal meeting or exceeding the government's established small business participation percentage of 30%, it will mean that at least $150 million will go to small business.

iv. Loss of federal contract funding to develop solutions and technology, and therefore stay competitive within the industry.

Overall funding provided for this effort will remain the same, with the exception of cost savings realized through a more efficient contract administration approach, as detailed in the justification above.

C. Conclusion

To best align with an agency enterprise approach to consolidated mission services for NSOF users, shared services, realize the objectives of the: 1) NESDIS Strategic Plan and Portfolio Management Goals and 2) Mission Support Services CONOPS, as well as maximize efficiencies to the greatest extent under increasing budget challenges, a single OMS contract requirement in needed.

In consideration of the foregoing and in accordance with 13 C.F.R §125.2, FAR 7.107, and CAM 1307.1 it is determined that the substantial bundling of this requirement is necessary and justified. Although bundling eliminates small business participation at the prime contractor level, the agency will obtain measurably substantial benefits as compared to meeting its agency's requirements through separate smaller contracts or orders.

DETERMINATION AND FINDINGS
Substantially Bundled Acquisition

Operations, Maintenance, and Sustainment (OMS)

This D&F is prepared by the Satellite and Information Acquisition Division in support of the National Environmental Satellite, Data, and Information Service (NESDIS) for the Operations, Maintenance and Sustainment (OMS) of its legacy satellite ground systems. The total estimated value of this single-award Indefinite-Delivery Indefinite Quantity (IDIQ) procurement is $699.5 million. The period of performance is 10 years from date of award.

This determination is prepared in accordance with the SBA regulations at 13 C.F.R §125.2, FAR 7.107, and CAM 1307.1.

Findings

1. The Office of Satellite and Product Operations (OSPO) operates, and the Office of Satellite Ground Services (OSGS) maintains and sustains, the NESDIS ground systems. Both offices previously supported the same missions through multiple contracts; one for operations, maintenance, and IT security and several for sustainment. This led to conflicts of scheduling efforts and resources to perform work. A single contract will provide centralized oversight, scheduling and use of resources that will in turn lead to efficiencies, reduced risk, and lower the total costs of ownership for its systems across the NESDIS Ground Enterprise.

2. OSGS and OSPO anticipate several benefits the government will achieve as a result of this bundling. Section B.1.e.i (Measurable Benefits) of the attached bundling analysis goes into further detail as to how the government expects to realize measurably substantial benefits through cost savings/avoidance, quality improvements, reduction in acquisition cycle times, easing of administrative burden, and proposal preparation efficiencies. The benefits derived from the bundling action must meet or exceed 5% of the IDIQ value or $35 million in accordance with FAR 7.107-3(d)(2). Table 3 in the bundling analysis attachment summarizes the internal (administrative) and external (contractual) savings over the life of the IDIQ which total $35.9 million, or 5.14% of the IDIQ value.

3. Extensive market research was conducted in order to garner interest and participation from small business concerns, assess the feasibility of a bundled contract, and receive industry feedback on the draft PWSs. The methods utilized in market research include posting a Request for Information (RFI), hosting an industry day, one-on-one meetings, and Mentor Protégé communications. The results of the research revealed there are not two or more qualified small businesses capable of fulfilling this requirement and consideration of a small business as a prime contractor would present an unacceptable degree of technical, schedule and cost risk to the government. Section B.1.c (Market Research and Small Business Participation) of the bundling analysis provides additional detail regarding the market research conducted and the subsequent results.

4. Careful consideration was given to the effect this bundling will have on small businesses. Section 2.2 (Substantially Bundled Analysis and Determination) of the bundling analysis

assesses the specific impediments to participation as prime contractors by small business which include the estimated dollar value, volume of expected employee headcount, and breadth of tasks involved. Additionally, the volume of effort contemplated under OMS necessitates revenue that exceed the North American Industry Classification System standards for the types of work comprising this requirement.

5. In order to counteract potential impediments to small businesses participation as prime contractors and maximize their participation as subcontractors, the government has been actively encouraging small business teaming arrangements through an industry day, the SBA Mentor/Protege program, and one-on-one sessions. Offerors will also be required to submit a Small Business Participation Plan with their proposal. The greater the small business participation, the higher the rating each offeror receives.

6. An assessment of alternative acquisition approaches to mitigate the effects of the contemplated bundled acquisition and maximize socio-economic small business and small business participation as prime contractors was conducted. No alternative contracting approaches were identified that will involve a lesser degree of bundling.

Determination

In consideration of the foregoing and in accordance with 13 C.F.R §125.2, FAR 7.107, and CAM 1307.1 it is determined that the substantial bundling of this requirement is necessary and justified. Although bundling eliminates small business participation at the prime contractor level, the agency will still be able to support small business by providing ample subcontracting opportunities. By bundling this requirement, the agency will obtain measurably substantial benefits as compared to meeting its requirements through separate smaller contracts.

________________________________ ___________________

Barry E. Berkowitz
Senior Procurement Executive and
Director of Acquisition Management

Date

Attachment 1 - Bundling Analysis

Attachment 2

DETERMINATION AND FINDINGS
Substantially Bundled Acquisition

Operations, Maintenance, and Sustainment (OMS)

This D&F is prepared by the Satellite and Information Acquisition Division in support of the National Environmental Satellite, Data, and Information Service (NESDIS) for the Operations, Maintenance and Sustainment (OMS) of its legacy satellite ground systems. The total estimated value of this single-award Indefinite-Delivery Indefinite Quantity (IDIQ) procurement is $699.5 million. The period of performance is 10 years from date of award.

This determination is prepared in accordance with the SBA regulations at 13 C.F.R §125.2, FAR 7.107, and CAM 1307.1.

Findings

1. The Office of Satellite and Product Operations (OSPO) operates, and the Office of Satellite Ground Services (OSGS) maintains and sustains, the NESDIS ground systems. Both offices previously supported the same missions through multiple contracts; one for operations, maintenance, and IT security and several for sustainment. This led to conflicts of scheduling efforts and resources to perform work. A single contract will provide centralized oversight, scheduling and use of resources that will in turn lead to efficiencies, reduced risk, and lower the total costs of ownership for its systems across the NESDIS Ground Enterprise.

2. OSGS and OSPO anticipate several benefits the government will achieve as a result of this bundling. Section B.1.e.i (Measurable Benefits) of the attached bundling analysis goes into further detail as to how the government expects to realize measurably substantial benefits through cost savings/avoidance, quality improvements, reduction in acquisition cycle times, easing of administrative burden, and proposal preparation efficiencies. The benefits derived from the bundling action must meet or exceed 5% of the IDIQ value or $35 million in accordance with FAR 7.107-3(d)(2). Table 3 in the bundling analysis attachment summarizes the internal (administrative) and external (contractual) savings over the life of the IDIQ which total $35.9 million, or 5.14% of the IDIQ value.

3. Extensive market research was conducted in order to garner interest and participation from small business concerns, assess the feasibility of a bundled contract, and receive industry feedback on the draft PWS. The methods utilized in market research include posting a Request for Information (RFI), hosting an industry day, one-on-one meetings, and Mentor Protégé communication. The results of the research revealed there are not two or more qualified small businesses capable of fulfilling this requirement and consideration of a small business as a prime contractor would present an unacceptable degree of technical, schedule and cost risk to the government. Section B.1.c (Market Research and Small Business Participation) of the bundling analysis provides additional detail regarding the market research conducted and the subsequent results.

4. Careful consideration was given to the effect this bundling will have on small businesses. Section 2.2 (Substantially Bundled Analysis and Determination) of the bundling analysis assesses the specific impediments to participation as prime contractors by small business which include the estimated dollar value, volume of expected employee headcount, and breadth of tasks involved. Additionally, the volume of effort contemplated under OMS necessitates revenue that exceed the North American Industry Classification System standards for the types of work comprising this requirement.

5. In order to counteract potential impediments to small business participation as prime contractors and maximize their participation as subcontractors, the government has been actively encouraging small business teaming arrangements through an industry day, the SBA Mentor/Protégé program, and one-on-one sessions. Offerors will also be required to submit a Small Business Participation Plan with their proposal. The greater the small business participation, the higher the rating each offeror receives.

6. An assessment of alternative acquisition approaches to mitigate the effects of the contemplated bundled acquisition and maximize socio-economic small business and small business participation as prime contractors was conducted. No alternative contracting approaches were identified that will involve a lesser degree of bundling.

Determination

In consideration of the foregoing and in accordance with 13 C.F.R §125.2, FAR 7.107, and CAM 1307.1 it is determined that the substantial bundling of this requirement is necessary and justified. Although bundling limits small business participation at the prime contractor level, the agency will still be able to support small business by providing ample subcontracting opportunities. By bundling this requirement, the agency will obtain measurably substantial benefits as compared to meeting its requirements through separate smaller contracts.

for

Barry E. Berkowitz
Senior Procurement Executive and
Director of Acquisition Management

3/7/19
Date

Attachment 1 - Bundling Analysis

ENCLOSURE 3

Department of the Treasury (Treasury)

MEMORANDUM FOR THE SMALL BUSINESS ADMINISTRATION, ASSISTANT ADMINISTRATOR FOR GOVERNMENT CONTRACTING AND BUSINESS DEVELOPMENT

SUBJECT: U.S. Department of Treasury's Consolidation and Bundling Fiscal Year 2021 Annual Report

The Department of the Treasury is committed to reviewing any consolidation and bundling actions where these actions do not create negative impacts to small business participation.

The U.S. Department of the Treasury had three contract bundling actions for Fiscal Year 2021.

(i) data on the number, arranged by industrial classification, of small business concerns displaced as prime contractors as a result of the award of bundled contracts by Federal agencies; and

Contract actions:	1 SB	541512	2052H521F00374	$74,946,092
	1 SB	541519	20341221F00050	$30,664,472
	1 SB	541519	20341221F00052	$14,070,529
	1 SB	541512	2032H521F00535	$35,640,434

(ii) a description of the activities with respect to previously bundled contracts of each Federal agency during the preceding year, including-

NAICS:	541519, Other Computer Related Services	2 SB Displaced
	541512, Computer Systems Design Services	2 SB Displaced

(I) data on the number and total dollar amount of all contract requirements that were bundled; and

Total Bundled actions = 4 Total Dollar Value = $155,321,528

(11) with respect to each bundled contract, data or information on –
(aa) the justification for the bundling of contract requirements;

Justification:	Bundled E – 1 action	$74,946,092
	Bundled F – 2 actions	$44,735,002
	Bundled G – 1 action	$35,640,434

(bb) the cost savings realized by bundling the contract requirements over the life of the contract;

Cost savings over the life of the contracts: over $72 million

(cc) the extent to which maintaining the bundled status of contract requirements is projected to result in continued cost savings;

100% of bundled contract requirements is projected to result in continued cost savings

(dd) the extent to which the bundling of contract requirements complied with the contracting agency's small business subcontracting plan, including the total dollar value awarded to small business concerns as subcontractors and the total dollar value previously awarded to small business concerns as prime contractors; and

100% of the bundled contract actions complied with Treasury's small business subcontracting plans in the total amount of approximately $1,728,000. The total dollar value previously awarded to small business concerns as prime contractors is approximately $163 million.

(ee) the impact of the bundling of contract requirements on small business concerns unable to compete as prime contractors for the consolidated requirements and on the industries of such small business concerns, including a description of any changes to the proportion of any such industry that is composed of small business concerns.

NA

DONNA M. RAGUCCI, SES
Director, OSDBU
Department of the Treasury

ENCLOSURE 4

Social Security Administration (SSA)

Social Security Administration
Annual Report on Contract Bundling

The Social Security Administration (SSA) is reporting that we awarded two bundled contracts in fiscal year 2021. SSA supports the Small Business Program and does not typically bundle contracts.

We respectfully submit the following response in accordance with Section 15(p)(4) of the Small Business Act.

Contract Bundling Report Statutory Requirement

(B) Contents: Each report transmitted under subparagraph (A) shall include-

(i) data on the number, arranged by industrial classification, of small business concerns displaced as prime contractors as a result of the award of bundled contracts by Federal agencies; and

Approximately 351 small business were displaced as a result of the two bundled awards in the industrial classification code of 541611.

(ii) a description of the activities with respect to previously bundled contracts of each Federal agency during the preceding year, including-

The Social Security Administration (SSA), Office of Hearings Operations (OHO) requires the services of a Contractor to provide medical expert (ME) witnesses to provide testimony in hearings before an Administrative Law Judge (ALJ) at which claimants are appealing denial of certain benefits administered by SSA. These hearings involve claims for benefits authorized under the following titles of the Social Security Act, as amended: Title II, Disability and Title XVI, Supplemental Security Income. SSA conducts hearings at Hearing Offices (HOs) throughout the United States, including the United States territories, such as Guam, Puerto Rico, U.S. Virgin Islands and American Samoa. The ME shall participate in the hearings via telephone or on rare occasion, via video or in person, at the discretion of SSA. These hearings are administrative proceedings and do not take place in a court of law.

(I) data on the number and total dollar amount of all contract requirements that were bundled; and

The total FY2020 amount for this requirement was $10,099,100.

(II) with respect to each bundled contract, data or information on-

(aa) the justification for the bundling of contract requirements;

The same bundling justification was written for both awards.

(bb) the cost savings realized by bundling the contract requirements over the life of the contract;

We estimate that the cost savings over the life of the contract will be $13,543,200 (total for both contracts).

(cc) the extent to which maintaining the bundled status of contract requirements is projected to result in continued cost savings;

The cost savings throughout the contract is estimated to be $873,260 (total for both contracts).

(dd) the extent to which the bundling of contract requirements complied with the contracting agency's small business subcontracting plan, including the total dollar value awarded to small business concerns as subcontractors and the total dollar value previously awarded to small business concerns as prime contractors; and

One of the bundled awards (Western Region) went to a small business, so a small business subcontracting plan was not required.

Here are the approved goals for the other award (Eastern Region) –

Small Business Category	Dollar Goal	% Goal
Small Business	$598,727	55%
SDB	$108,859	10%
Women-Owned	$54,430	5%
HUBZone Small Business	$32,658	3%
Veteran-Owned	$54,430	5%
Service-Disabled	$54,430	5%

(ee) the impact of the bundling of contract requirements on small business concerns unable to compete as prime contractors for the consolidated requirements and on the industries of such small business concerns, including a description of any changes to the proportion of any such industry that is composed of small business concerns.

Many of the current BPA holders have been picked up by the two new contractors. We feel that there is a minimal effect on the specific small business concerns and the Medical Expert industry.

Annual Contract Bundling Report

Social Security Administration awarded two bundled contracts in fiscal year 2021. The estimated five-year value of the two contracts is $25,018,835.

Our agency is able to identify all bundled contracts and have provided documentation of both cost savings and continued cost savings data for all bundled requirements. We will document this information in accordance with Federal Acquisition Regulation 7.107, *Additional Requirements for Acquisitions*

Involving Bundling, and include in the agency's electronic contracting system as part of the contract's permanent record.