

Industry Perspective of Army Acquisition

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Even 5 Star Generals Can Be Wrong

“Home by Christmas”

Statement by General of the Army MacArthur, November 28th 1950

The Associated Press had reported last Friday Gen. MacArthur discussed the campaign with Major General John B. Coulter and remarked with a smile:

***“You tell the boys that when they get to the Yalu (River) they are going home. I want to make Good on my statement that they were going to eat Christmas Dinner at home.*”**

**By this date, there were over 300,000 Chinese “volunteers”
engaging UN Forces**

Is it still a Commercial Product?

Requirements that cause a separate production line

- Fuel & Lubrication Standards
- CARC Paint
- 24 Volt Power
- Fording Depth
- Transportability Standards
- Armor vs Armor Capable
- Air Drop certification
- Configuration Control
- Black Out Lights
- Military Manuals
- New Equipment Training Materials

COTS modified by an OEM, vendor or other party to meet customer requirements become modified off-the-shelf (MOTS).

The Risk (Estimate) of doing business with the Army

Our Congratulations and Condolences you have won an Army contract!

- The ESTIMATE = RISK or Reward
 - ❖ Profit is not a linear curve. ROI is calculated based on “The Estimate”.
 - ❖ All indirect costs (Overhead, G&A, etc) are based on “the Estimate”
 - ❖ Part stockpiling is based on “the Estimate” and can create substantial liability (RISK) for vendor.
- Does “the Estimate” match the P Form?
- The effects of radical changes in procurement quantities:
 - ❖ Crushes small business suppliers
 - ❖ Destroys industry (Prime) relationship with suppliers
 - ❖ Parts are stockpiled to ensure access to provide “the Estimate” when it falls short these parts equal losses.
 - ❖ Need to understand that this is a two way street, either a limited number of suppliers will participate (Whatever happened to Better Buying Power?) or inexperienced suppliers will learn harmful lessons.

Considerations for Future Acquisitions

- **Uncertain quantities and requirements** (APO's) which may or may NOT be shared, damage partnership – we do business together, we are NOT partners.
- **Uncertainty and unpredictability will drive up prices.**
- **Competition for Competition** will be challenging.
 - ❖ “Well you don't have to bid on this” – Government Rep. **AND THEY ARE TOTALLY CORRECT.**
- With open competition and FFP contracts for Indefinite Quantities, the “lowest bidder” will **often be an inexperienced** member of the Defense Industrial Base (DIB) who is taking on more risk than they understand.
 - ❖ Discovery learning with ATEC, ACC, DCMA and DCAA.
 - ❖ Mil Std and Mil Spec
 - ❖ Manual Development and Training Requirements
 - ❖ What's a Continuing Resolution?

Changing the Current Paradigm

- Engage with industry
 - ❖ Not just with Senior Leaders, but AO's, Contracting, Lawyers, Logisticians, Combat Developers, AFC.
 - ❖ On Site Visits, Industry Speakers, Conferences.
- Open communications
 - ❖ Real Estimates of quantities, what is guaranteed, what is “likely” and what is not.
 - ❖ Understand that OEM's aren't where the buck stops – suppliers and small business.
- Contracting prices may need to switch from an amortized cost to one which addresses OEM risk upfront and to lower production prices.

The Cost of Doing (or Thinking About) Business with the Army

- The Cost of the Decision

- Internal cost of the team \$25,000
- Travel and cost of understanding requirement \$50,000
- Cost of development of proposal \$200,000 to \$500,000
- Marketing and Engagement \$100,000 to \$250,000
- Additional Personnel (Contractors
Procurement, Compliance) \$200,000 to \$400,000

- TOTALS

\$575,000 to \$1,225,000

**This money is not reimbursed and could pay
for 27 line workers for a year.**

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Mack Defense wins \$296 million Army contract; trucks to be built in the Lehigh Valley

Mack Defense LLC, Allentown, Pennsylvania, was awarded a \$296,403,688 firm-fixed-price contract for Heavy Dump Truck M917A3. Two bids were solicited with two bids received. Work locations and funding will be determined with each order, with an estimated completion date of May 18, 2025. U.S. Army Contracting Command, Warren, Michigan, is the contracting activity (W56HZV-18-D42).-00

From: U.S. Department of Defense

<https://dod.defense.gov/News/Contracts/Contract-View/Article/1534325/>