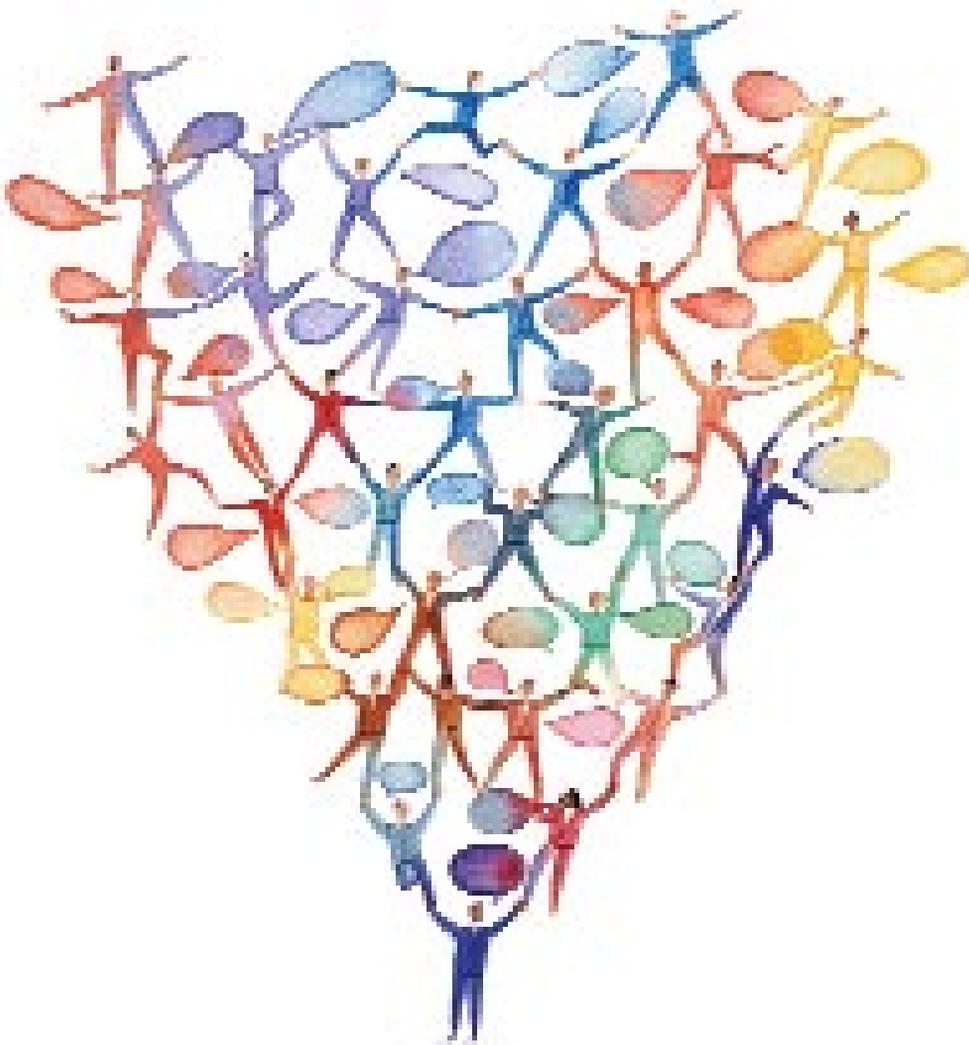


J-Tech and Small Business— A Successful Business Model



Bundling contracts can be a “win-win” situation for the government, while still providing acquisition opportunities for the nation’s small business community.

BY RON DAVINO AND KARLA TIPTON

For the Department of Defense (DOD), the consolidation of similar technical support services from multiple small contracts into much larger “bundled” contracts has become common—and necessary—to improve the military’s combat readiness in a world that has grown increasingly dangerous.

Consolidating workloads under a single enterprise contract with one prime contractor streamlines services and promotes cooperation. Yet, without mitigation, the potential for small business interests to be squeezed out of the federal acquisition process is a real possibility. Requirements of bundled contracts are usually too complex to be taken on by most small businesses, and lawmakers and small business advocates have often leveled such criticisms at the practice.

From a business standpoint, bundling makes sense, allowing the DOD to obtain previously unattainable efficiencies, cost savings, and partnering with industry. But reducing and avoiding costs only partially drives the need for contracts such as the Joint Range Technical Services Program (known as J-Tech).

J-Tech is a range operations and maintenance, engineering, and technical services contract awarded to JT3 LLC in June 2001 and currently in place at four western test and training air ranges to include the U.S. Navy range at China Lake, California.

The warfighter has a life-and-death stake in the effectiveness and interoperability of the ranges. Weapons

systems deficiencies that go undetected—due to incompatible data collection or poor exercise debriefing capabilities—can make the difference between victory and defeat on the battlefield.

Going this route, however, doesn't have to spell disaster for small business participation in large federal acquisition programs. In fact, if a business model addressing small business concerns is followed from the outset, then those small businesses subcontracted through the prime contractor have the potential of reaping great benefits.

The key to ensuring relevant small business involvement is to create a "win-win" situation through constructing acquisition documents that include language pertaining to small business concerns throughout all phases of acquisition planning, source selection, and contract administration.

Background

The impetus for a consolidated contract structure for the four western air ranges under J-Tech originated with studies conducted in the mid-1990s by the Base Realignment and Closure Commission and the Nellis Range Complex. The studies supported the argument that flexibility and efficiency of test and training range support could be advanced by simplifying the contract structure, consolidating similar range support functions, minimizing contract overhead, and eliminating duplicate test and training activities.

In 1997, FAR Part 7.107 (Acquisition Planning) stipulated that the head of an agency must conduct market research to justify bundling by showing measurably substantial benefits, such as an improvement in quality, enhanced performance or efficiency, and cost savings or avoidance. The J-Tech acquisition team found that a cost savings of \$156 million could be expected over the potentially 15-year, \$1.7 billion contract, representing 10.95 percent of the total contract value. In addition, the team found that the common practices and business methods resulting from a bundled contract would benefit overall operational readiness and substantially shorten

weapons systems development time.

In 1999, the Small Business Administration Office of Advocacy conducted a study on the impact of contract bundling on small business. The results implied that contract bundling by federal agencies inhibited the ability of small and new contractors to bid for and win federal contracts.

Acquisition Planning

In recognition of this criticism, those of us who were involved early in the J-Tech acquisition process made a commitment that, while bundling the range contracts was necessary and justified, excluding small business was not.

As the contract would be performance-based, incorporating cost-plus-award-fee and term renewal incentives for exceeding standard, we intended to build in language conducive to small and small disadvantaged business participation.

The request for proposal (RFP) stated that the prime contractor must subcontract a minimum of \$25 million per year to small business

concerns, representing an amount at least equal to or exceeding the small business utilization occurring at the ranges at the time. Potential contractors were required to offer in their proposals a subcontracting plan that

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detailed a commitment to meet this threshold by subcontracting to small business, small disadvantaged business, women-owned small businesses, and Historically Underutilized Business Zone (HUBZone) concerns. Nothing short of the \$25 million figure would be acceptable. After source selection, the contractor provided details on how it intended to maintain the percentage of small business participation, scaling it accordingly with the future growth of the contract.

The RFP also stipulated that the contracting officer be notified whenever the prime contractor substituted a small disadvantaged business firm with one that didn't fit the criteria of the subcontracting plan.

Also, during the acquisition planning stage, we inserted language into the core contract documentation, such as the J-Tech technical requirements document (TRD) and the award-fee/term plan, protecting small business interests.

The TRD, while written to promote flexibility by drafting relatively loose, performance-based, mission-oriented

requirements, at the same time encourages the prime contractor to work closely with its subcontracted teammates to foster integration and innovation within the range alliance. The TRD also requires the J-Tech program manager to ensure that established small business goals are met and reported.

The award-fee plan rewards the prime contractor for the amount of "meaningful" work subcontracted to small businesses, referring to the level of sophistication of the work (for example, engineering support rather than janitorial services). Every six months, the contractor is graded on how well subcontracted efforts are managed, with an emphasis on the small business mandatory goals identified in the subcontracting plan.

Source Selection

Because of the size and scope of the J-Tech contract, source selection was made at the U.S. Air Force-level. The offerors' subcontracting plans for small business figured into the

evaluation criteria used to make the selection. After considering all proposals, JT3 LLC was chosen as the prime contractor.

Committing to partnering with small businesses, and small, disadvantaged businesses, and encouraging professional relationships with small, women-owned small businesses, and HUBZone enterprises was a strong point in the JT3 proposal. The goal was to ensure these businesses had maximum opportunity to compete for subcontract awards. JT3 also promised to target and solicit subcontract bids and proposals from local and regional firms.

A strong partnership formed whereby the J-Tech government range managers and the subcontractors were part of the proposal, indicating shared expectations and commitments with the government throughout the contract acquisition process. The J-Tech program, which was built around the concept of successful partnering with industry to achieve interoperability between the ranges, was well suited to this approach and figured significantly

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into the source selection.

In meeting the J-Tech small business subcontracting requirement, JT3 identified small business subcontractors who would bring exceptional technical capabilities to the JT3 team, adding real strength and not just meeting goals. The company also committed to exceeding the \$25 million subcontracting requirement.

Contract Administration

Soon after the contract award, as was planned during the acquisition planning phase, the subcontracting dollars goal of \$25 million was changed to a percentage goal of 25.8 percent of the current contract value.

More than two years after the start of the J-Tech contract, small business interests continue to make great strides. In a report provided for each award-fee/term determination period, JT3 is maintaining its commitment to subcontract a good portion of the workload to small business.

The company achieved a total of 31.3 percent of the contractual

obligation for small business for fiscal year 2003, exceeding the minimum by 5.5 percent. Of this percentage, an “actual cumulative” total of 10.5 percent went to small and small disadvantaged businesses, and 3.4 percent went to women-owned businesses.

Success stories on the contract include Arcata Associates, Inc., a small, disadvantaged business providing range management, test engineering, operations and maintenance, as well as some software and hardware sustainment services at one of the J-Tech-operated ranges. This small business has received numerous accolades for its use of innovative purchasing techniques. JT3 also partners with Avionics Test and Analysis Corp. (known as ATAC), a woman-owned business to provide one of the ranges with test and engineering analysis. Other small businesses that make up the J-Tech team include Spiral Technology, Inc., Modern Technology Services, Inc. (MTSI), and TYBRIN Corp.

In addition, JT3 aggressively sought a mentor/protégé subcontract,

resulting in the selection of Delphi Research, Inc., a certified HUBZone concern, to provide engineering services to one of the ranges. Since selection, Delphi’s business has increased 18 percent.

Conclusion

With foresighted acquisition planning, careful source selection of a contractor dedicated to teaming with small businesses to achieve integration and innovation, and careful administration over the prime contractor’s performance in maintaining these relationships, the consolidation of contract requirements need not always result in negative numbers.

In fact, the J-Tech experience makes it clear that bundling contracts can be a “win-win” for the government, while still providing acquisition opportunities for the nation’s small business community. **CM**

