Performance-Based Acquisitions (PBA)
E2S2 Conference
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**NAVFAC Environmental Restoration Program Performance-Based Contracting Policy, Perspective, and Implementation**

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Navy PBC Perspective

Agenda:

• What is the Navy’s Approach to PBC?
  – Structure task order scopes that focus on performance and provide contractors with opportunities to innovate
  – Based on the specific site and project realities, manage risks to the contractor and government to control costs

• Why take this approach?
  – Tailor PBC implementation to the specific needs of the site and the project acquisition strategy
  – Maintain internal technical capabilities and governmental oversight
  – Maximize Cost Savings
  – Maximize success towards Defense Management Goals
Navy Approach to PBC
NAVFAC PBC Policy

• NAVFAC Environmental Acquisition Strategy
• NAVFAC issued specific PBC Policy on 26 Oct 04 to address:
  – Directs increased use of PBC
  – PBC eligibility (applies to non-Brooks Bill work only)
  – Explains the elements of PBC
  – Responsibilities and level of approval
  – Train our workforce
  – Establish reporting requirements
Navy Approach to PBC
NAVFAC PBC Implementation

• PBC techniques applied throughout the toolbox

- Less prescriptive statements of work…more performance work statements (PWS) and statement of objectives (SOO)

  • Performance Objectives
  • Performance Standards
  • Acceptable Quality Levels
  • Quality Assurance Surveillance Plan
  • Incentives or Penalties
PBC is integral to the NAVFAC Environmental Acquisition Strategy

- Not a type of contract, but an approach to contracting
- The majority of our contracting vehicles can have PBC components
- Can be implemented at different stages in the cleanup process
- Different degrees of implementation depending on the project situation
Navy Approach to PBC
The Basic Analysis

- Shift risk/uncertainty to Contractor
- Increased cost to assume risk

- Project Uncertainty
  - Level of site data / info
  - Regulators and community

- Innovation Potential
  - Phase of Cleanup
  - Performance Work Statement

- Contractual / Business Arrangement
  - Fixed versus Cost
  - Small versus Large Business
  - Single versus Multiple Award

- Encourages Contractor innovation, flexibility and accountability
- Potential cost savings to the Government
Why the Navy Approach

Diverse Acquisition Strategy

Goals:

– Provide best contractual solutions
– Establish a balanced and diversified contract tool box to meet the broad array of program requirements

Objectives:

– Increase acquisition options and flexibility
– Effectively manage cost and risk
– Maintain an environment of competition
– Meet political and legislative contracting mandates
Why the Navy Approach
Diverse Acquisition Strategy - Metrics

**Fixed-Price Contracts**

<table>
<thead>
<tr>
<th>Year</th>
<th>Cost</th>
<th>Fixed-Price</th>
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<tbody>
<tr>
<td>FY04</td>
<td>64%</td>
<td>37%</td>
</tr>
<tr>
<td>FY05</td>
<td>64%</td>
<td>38%</td>
</tr>
<tr>
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<td>64%</td>
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<tr>
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</tr>
<tr>
<td>FY11</td>
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</tr>
<tr>
<td>FY13</td>
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<td>30%</td>
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60-65% Goal

**Multiple Award**

<table>
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<td>35%</td>
</tr>
<tr>
<td>FY13</td>
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25% Multiple Award Goal

**Small Business FY 11-13**

<table>
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<th>Large Business</th>
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<td>58%</td>
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<tr>
<td>FY05</td>
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<td>45%</td>
<td>55%</td>
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<tr>
<td>FY09</td>
<td>46%</td>
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<td>FY10</td>
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</tr>
<tr>
<td>FY11</td>
<td>50%</td>
<td>50%</td>
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<tr>
<td>FY12</td>
<td>51%</td>
<td>49%</td>
</tr>
<tr>
<td>FY13</td>
<td>40%</td>
<td>51%</td>
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43% Small Business Goal

**Performance of Eligible Work**

<table>
<thead>
<tr>
<th>Year</th>
<th>Non-PBC</th>
<th>PBC</th>
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<tbody>
<tr>
<td>FY06</td>
<td>55%</td>
<td>45%</td>
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<tr>
<td>FY07</td>
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<td>42%</td>
</tr>
<tr>
<td>FY08</td>
<td>40%</td>
<td>49%</td>
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<tr>
<td>FY09</td>
<td>20%</td>
<td>80%</td>
</tr>
<tr>
<td>FY10</td>
<td>21%</td>
<td>79%</td>
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<tr>
<td>FY11</td>
<td>24%</td>
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<tr>
<td>FY12</td>
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<td>74%</td>
</tr>
<tr>
<td>FY13</td>
<td>26%</td>
<td>74%</td>
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</table>
Why the Navy Approach

*Maintain Technical Capabilities and Oversight*

- Internal technical capability is a NAVFAC core competency
  - Expanding in-house work in certain areas to maintain expertise
    - Examples: EE/CAs, Action Memos, LTM Plans, 5-Year Reviews, Community Relations Plans, ESS, Optimization Studies, etc.

- NAVFAC promotes a PBC approach that ensures RPM’s are central to the decision-making process
  - Commitment of funding obligation and assignment of risk is an inherently Governmental function
  - Primary interface with regulators and the public
**Why the Navy Approach**

**Maximize Cost Savings**

<table>
<thead>
<tr>
<th>Optimization Study/Review Costs</th>
<th>Costs to Implement Optimization Recommendations</th>
<th>Actual Cost Avoidance</th>
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</thead>
<tbody>
<tr>
<td>$12,145,264 (441 sites)</td>
<td>$8,114,241</td>
<td>$129,401,224</td>
</tr>
</tbody>
</table>

- For FY 2010
  - 55 additional sites reported optimization
  - $20.7 million actual cost avoidance

- Implementation Costs include: pilot studies and remedy modification
- Cost avoidance is calculated after all study and implementation investments are completed (ROI)

- Return on Investment: 6.4
Why the Navy Approach
Maximize DMGs and Program Performance

Snapshot Of The ER,N IR Program
Baseline Start of FY 96
- 2,353 ACTIVE
- 903 RIP/RC (28%)
EOY FY 10
- 617 ACTIVE
$1.33B
- 244 RIP
$560M
EOY FY 10
- 272 RC
$252M
- 1,525 SC (Documentation Pending)
EOY FY 10
- 1,283 SC

3,256 Sites
3,941 Sites (FALL09 3,734 sites)

RIP/RC
3,324 (86%)

IRP – Goals

<table>
<thead>
<tr>
<th>PROJECTION</th>
<th>FY10 STATUS</th>
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</thead>
<tbody>
<tr>
<td>&gt; EOY2002 - 50% of High RR sites reduced or RIP/RC</td>
<td>59%</td>
</tr>
<tr>
<td>&gt; EOY07 - 100% of High RR sites RIP/RC</td>
<td>86%</td>
</tr>
<tr>
<td>&gt; EOY11 - 100% of medium (and high) RR sites RIP/RC</td>
<td>60%</td>
</tr>
<tr>
<td>&gt; EOY14 - 100% of low RR sites RIP/RC</td>
<td>98%</td>
</tr>
<tr>
<td>- 36 Sites will not RIPRC by FY14</td>
<td>85%</td>
</tr>
</tbody>
</table>

MRP – Goals

<table>
<thead>
<tr>
<th>PROJECTION</th>
<th>FY10 STATUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt; EOY2007 – 100% of Sites Completed Preliminary Assessments</td>
<td>100% (100%)</td>
</tr>
<tr>
<td>&gt; EOY10 - 100% of Sites completed Site Investigations</td>
<td>97%</td>
</tr>
<tr>
<td>&gt; EOY20 - 100% of all Sites RIP/RC</td>
<td>99.7%</td>
</tr>
<tr>
<td>-9 sites not meeting FY10</td>
<td>37%</td>
</tr>
<tr>
<td>-1 site not meeting FY20</td>
<td>37%</td>
</tr>
</tbody>
</table>
• Summary
  – PBC is not a type of contract, but a way of contracting
    • Provides valuable tools and concepts to contracting
  – Focus to provide opportunities for innovation/flexibility while managing risks and costs
    • Encourages innovation and utilization of Contractor’s expertise (saves money)
    • Transfers risk from Government to Contractor (costs money)
  – Surgical approach to implementation tailored to the situation
  – Not a panacea…Navy focus considers other opportunities for achieving program efficiencies and effectives.
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