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RESHAPING THE PHILOSOPHY OF SPARE PARTS ACQUISITION: PROJECT PACER PRICE

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ABSTRACT

On June 1st, 1983, a new program called PACER PRICE began operation at the Oklahoma City Air Logistics Center. Staffed by an interdirectorate group of engineers, manufacturing planners, price analysts and packaging specialists, the program was designed as a thorough and comprehensive review process to determine optimum purchase method and price for every actively-purchased replenishment spare part managed at the Center.

After three months of program operation, approximately 62 percent of the sole-source items have been recommended for competitive purchase, and the prices recommended for these items average about 35 percent below the latest contract prices adjusted for quantity and inflation. But beyond that, a new "philosophy" of spare parts purchase has been formulated and effected as a procedural caveat: All spares should be both purchased competitively and priced to conform with competitive-market prices. The paper focuses on this philosophy, detailing in particular the mathematical models used to simulate competitive prices, and offers suggestions for further research into the competitive market place.

INTRODUCTION

On June 1st, 1983, a new acquisition review program officially began operations at the Oklahoma City Air Logistics Center. A twelve member, interdirectorate group of personnel had been assembled for the purpose of providing something less than a detailed, comprehensive review of every item in the active spare parts inventory at the Center. Based on the results of their investigations, the group would recommend both the optimum method of acquisition as well as the most cost-efficient production quantity and unit price at which each item ought to be purchased. All recommendations were to be input to the J041 System for automatic print on the Daily Procurement History Record on all future buys; recommended changes in the acquisition method were to be forwarded to the Office of the Competition Advocate (CR) for initiation of the appropriate action; the Directorate of Contracting and Manufacturing (PM) could acquire no item reviewed by the group if the unit price obtained from the supplier varied from the recommended amount by more than 25 percent.

Project PACER PRICE was established to meet an urgent need: response to continuing identification of apparent problems in the prices paid by the Air Force for replenishment spares and, by inference those elements in the acquisition system that had resulted in such prices. Clearly an initiative was needed that would at least equal in scope the amount of attention focused on alleged abuses. Clearly a full-scale investigation of the entire acquisition system was needed to identify and correct those abuses. And equally clearly, this review process needed to move swiftly and decisively to insure that such abuses could not recur. By June 1st the planning for just such a process had been underway for more than a month, a complete manual identifying organizational structure, skill requirements and operating procedures had been drafted and revised three times as the planning process proceeded, and the appropriate initial cadre of personnel had been identified and given office space in an area still being vacated by its previous occupants.

But what could not be clear by June 1st was the potential inherent in the special mission and skills mix of the PACER PRICE staff for the formulation not merely of a sophisticated problem-solving mechanism but of an entirely new operating philosophy that could fundamentally alter the entire acquisition system through a subtle shift in attitude. Yet that is precisely what happened. Through a lengthy process of minutely evaluating every drawing, specification, technical order, material and labor standard, price negotiation memorandum and previous purchase document associated with each item selected for review, in addition to the actual item itself, this group of engineers, manufacturing planners, price analysts and packaging specialists developed a set of operating procedures designed to "fix" the system simply by maximizing the practical mechanisms it already contained to achieve the goals it had always espoused. Very simply, the key was competition. Competitive pricing as well as competitive acquisition. Competition not as the exception to the rule but as the rule itself.

The July 29th revision of the operation plan was the first to set forth the concept in the form of operating "precepts" that were to guide all aspects of the review procedure: "All replenishment acquisition should take place in a competitive market environment," and "All replenishment items should be purchased at competitive market prices." Simple statements on the face of it, statements with which few people could disagree. But when the implications of these statements are examined in detail, when the impact they can have on the total acquisition system is evaluated in terms of the changes they would demand, they are neither simple nor easy precepts to adopt within the framework of the purchasing process as it now exists. The magnitude of the apparent spare
parts acquisition problem, or, more accurately, the magnitude of the PRECEPTION of a problem makes it imperative, however, that at the very least some consideration be given to this new constellation of attitudinal approach and procedural system.

This paper is an attempt to "explain" the PACER PRICE program not so much as a nuts-and-bolts review process but as the practical arm of the total philosophical system, to evaluate the results of the review process in terms of their linkage to the system, and to demonstrate how these results reflect the potential for positive systems change inherent in the PACER PRICE initiative. As such, the paper will be divided into two major sections, "Competitive Acquisition" and "Competitive Pricing," each of which will focus on the particular internal logic system within that part of the philosophy, how this logic system shapes operating procedures, and how these operating procedures yield the desired results in terms both of the logic system itself and of the total acquisition system.

It is neither possible, given publication-space constraints, nor essential that PACER PRICE operating procedures be described at any length in this paper. For maximum clarity in the discussion that follows, however, Figure 1 provides a flow chart of the total PACER PRICE review system.

I. COMPETITIVE ACQUISITION

The Defense Acquisition Regulation (DAR—formerly Armed Services Procurement Regulation) is quite clear in describing the importance of competition in Department of Defense acquisition. Consider paragraph 1-300.2, for example: "All procurement, whether by formal advertising or by negotiation, shall be made on a competitive basis to the maximum practicable extent."[1] Given even the fairly significant number of factors that can legitimately limit competition within the purview of the DAR, the fact that only 28 percent of the total number of spare parts managed at Oklahoma City are estimated to be capable of competitive purchase as of this writing (August 31st, 1983) seems reasonable cause for suspicion as to whether the acquisition system is indeed fostering competition "to the maximum practicable extent."

The fundamental question answered by the PACER PRICE engineering staff is therefore, "What is required to enable purchase of this item in a competitive market environment?" The basic assumption is that, by their very nature, the large majority of Air Force spare parts could be produced by more than one manufacturer and thus purchased from more than one manufacturer. It is the responsibility of the engineers to explore all factors contributing to existing source restrictions and to make a detailed recommendation as to how these factors can be

![Figure 1: The PACER PRICE Review Process](image-url)
eliminated. Any factors that cannot be elimi- 
nated must be fully documented before source-
restriction is accepted. The number and scope 
of these factors have been considerably reduced 
and lie primarily in the areas of stringent 
quality and manufacturing control requireme-
nts and of production technologies that are not 
commonly available. The result: as of this 
writing, with nearly one percent of the total 
estimated item population having been 
reviewed, approximately 62 percent of all items 
previously restricted to sole-source acquisi-
tion have now been recommended for competitive 
procurement. Comparing this statistic with 
the current status of the spare parts inven-
tory as mentioned above, it is safe to say 
that competition has indeed become the rule 
rather than the exception in PACER PRICE 
review.

To explore the practical mandate of the philos-
ophy in more detail, the internal logic of 
competitive acquisition dictates a chain of 
decision-making processes that will ultimately 
result in an item being capable of production 
by more than one manufacturer. Perhaps the 
most important factor in this constellation is 
the availability of a complete set of manu-
facturing drawings and requisite support data. 
In order for an item to be made by more than 
one manufacturer, the "instructions" for its 
manufacture must be available to more than 
one manufacturer. And for this condition to pre-
vail the Government must not only have in its 
possessions a complete set of the instructions, 
but the legal rights to their use as well.

Thus, the first part of the PACER PRICE 
engineering worksheet is dedicated to describ-
ing the state of the current data package and 
a precise delineation of any information that 
might be missing. Due to the complexity of 
the matter, the question of rights to data 
usage has not yet been fully explored. Part 
of the problem is simply determining which of 
the drawings now in possession of the Logis-
tics Center are actually of a proprietary 
nature. Many of the drawings reviewed by 
PACER PRICE engineers that are stamped with 
the proprietary legend are in fact not pro-
prietary (the drawings associated with the B-52 
aircraft being a case in point). The Office of 
the Competition Advocate has begun communica-
tion on a total-inventory basis with the major 
suppliers of replenishment spares regarding 
the rights to usage of the data the Government 
now possesses, but it is too early in the life 
of the program to offer any tangible results.
With regard to acquisition of additional data, 
the Engineering Data Section (MMEDD) at 
Oklahoma City routinely orders those drawings 
which it does not now possess for items coming 
under PACER PRICE review. But here again this 
policy has not yet proven a success.

Whatever the outcome of these efforts, one 
thing is certain: the size of the data repos-
sitory is bound to increase. And with increased 
size must come a more readily accessible system 
of data usage to both the PACER PRICE staff and 
aquisition personnel in general. Current 
problems associated with effective acquisition 
and management of Air Force data have been 
detailed in a recent report to the Air Force 
Management Analysis Group (AFMAG) by a research 
group working under contract with the Air Force 
Business Research Management Center. [2] The 
situation is a cause of some concern. The pro-
posed realignment of the Office of the Competi-
tion Advocate to include the PACER PRICE pro-
gram, MMEDD, and the Replenishment Parts 
Breakout Program is expected to give impetus 
to a positive change in this area. And another 
promising factor is the recent development of 
computer hardware and software that allows for 
the electronic digitization, storage and trans-
mission of drawings and data, a development 
which appears to be the answer to the most 
immediate problem of data file space require-
ments as well as the longer-range question of 
data indexing and retrieval systems.

A second factor affecting competitive capabil-
ity is the very design and manufacturing 
requirements of the item itself. Obviously, 
given even the most complete and readily avail-
able set of drawings and data, an item may 
still not lend itself to competitive acquisi-
tion if the requirements are so narrowly 
defined as to limit production to only one 
source. Yet equally obvious, the form, fit 
and function requirements of some parts must 
be so defined--sometimes even source-directed-- 
owing to the criticality of the item. It is 
thus the task of the PACER PRICE engineers to 
determine the optimum set of design specifica-
tions and manufacturing requirements that will 
secure proper item functioning at the same 
time as it assures production by the largest 
number of manufacturers possible.

Some practical considerations aiding achieve-
ment of the later objective: it is safe to say 
that only a very few components of any new 
weapons system are truly "new." Most items are 
simply refinements of earlier items serving a 
like function. Even the greatest technological 
advancements never affect every component part 
in a new weapons system. In all likelihood, a 
certain number of parts not undergoing tech-
ological improvement or significant system 
design changes could be "borrowed" from exist-
ing systems. This is particularly true for the 
simpler "nuts-and-bolts" type items--the items, 
it will be remembered, that have received the 
brunt of media attention. For this reason, 
PACER PRICE engineers are tasked with investi-
gation of the potential use of substitute or 
interchangeable parts for every item they 
review.

The PACER PRICE staff has been in a continual 
process of identifying and obtaining all 
resources that will aid the engineer in making 
this determination. Perhaps the most fortuit-
tous circumstance is the existence of the 
AFLC's Cataloguing and Standardization Office
engineer then give special attention to the
What is new about the PACER PRICE philosophy
presentation between those functions determining com-
less than a simple, effective means of communi-
reaffirm the importance of this need. And the
since time immemorial; the recent creation of
philosophy. The need for maximum competition has
operational approach to the status of a philos-
oundary determination through use of
mating resources, and planning is underway
terminal linkage with the CASO computer as
means of facilitating the substitute/inter-

loring identification of a substitute or
interchangeable part, logic dictates that the
engineer then give special attention to the
potential use of alternative (less expensive or
more readily available) materials and manu-
ufacturing processes. Must a bolt be made of
titanium when high-grade stainless steel would
serve just as well? Must an item undergo six
heat-treats when three would suffice? These
are just some of the examples of the questions
that are raised in the course of engineering
review. They must be answered with any eye to
both the realities of current production
technologies, as well as to the functional
requirements to the item. But the determina-
tion to use alternative materials or manufac-
turing processes can be a factor positively
affecting both the competitive position and the
price of an item.

The summary consideration in the total constel-
lation of factors affecting competitive acqui-
sition is, of course, determination of the
proper Acquisition Method/Suffix Codes (AMC/
AMSC). This consideration is integrally linked
with data availability and item design con-
siderations. The AMC/AMSC is, in terms of the
new philosophy, both the connecting link and
focal point in determining the practical suc-
cess of the dual concepts of competitive acqui-
sition and competitive pricing. It at once
summarizes the potential for multiple-source
pricing. Very simply put: the larger the
number of suppliers, the greater the number of
price and delivery proposals to choose from,
hence the greater likelihood that the market
place will yield the optimum price and purchase
opportunity. But this is not what makes the
PACER PRICE initiative new or elevates its
operational approach to the status of a philos-
ophy. The need for maximum competition has
been the cornerstone of purchasing philosophy
since time immemorial; the recent creation of the
Office of the Competition Advocate and
issuance of a new DAR Supplement on the Replen-
ishment Parts Breakout Program [3] merely
reaffirm the importance of this need. And the
use of AMC/AMSC represents nothing more nor
less than a simple, effective means of communi-
cation between those functions determining competi-
tive status and those actually making the
buy.

What is new about the PACER PRICE philosophy
is rather the attitude toward the AMC/AMSC and
its use. An AMC/AMSC assigned when a new
system was taken into the inventory is not
necessarily valid three or five or ten or
sometimes twenty years later. Manufacturing
technologies constantly change; new manufac-
turers set up shop and open their doors to
Government business. The presence of a restric-
tive AMC/AMSC is regarded not as an indication
that the item cannot be competitively pur-
chased but rather as a challenge to the
engineer to explore more fully and correct if
necessary an obsolete obstacle to multiple-
source purchasing wherever possible. A restric-
tive AMC/AMSC is not the last word in the
argument but the first step in resuming the
argument with increased thoroughness and vigor.

To resumee this approach in terms of the inter-

logic of the competitive philosophy and
thus broaden discussion to its impact on the
acquisition system in general: if it is the
goal of the PACER PRICE program, the Air Force
Logistics Command, and the Air Force in general
to purchase ALL replenishment spares competi-
tively where possible, then a restrictive AMC/
AMSC must be an indication that for whatever
reason this goal is not being met, and the
appropriateness of that AMC/AMSC must
de rigueur be questioned by all personnel
involved in the acquisition system. It is the
obligation of any functional unit responsible
for AMC/AMSC assignment that source restric-
tions be applied only when absolutely neces-
sary. It is the obligation of the contracting
officer, buyer, and item manager to challenge
and investigate all restrictive AMC/AMSCs. It
is the obligation of all personnel to forward
any information affecting the status of an AMC/
AMSC to the appropriate unit of responsibility.
In order to meet this objective, some training
of cognizant personnel will in all likelihood
be needed. This training must include a
thorough description of the AMC/AMSC system
and what each of the various codes mean. The
expansion of CR, carrying with it a realignment
of both authority and procedures concerning
AMC/AMSC assignment is a significant step
toward implementing the new philosophy.

Before discussion of the competitive-purchase
philosophy closes, however, and by way of
summarizing the factors impinging on its prac-
tical implementation, some consideration must
be given to the causal starting point for many
of the obstacles impeding such implementation:
the provisioning process. For it is precisely
during the spare-parts provisioning stage of
new-systems acquisition that the crucial
decisions are made regarding source restriction,
competitive potential, and the acquisition of
manufacturing data and the rights to its use--
decisions that will affect the acquisition of
each item in the system from the time of the
provisioning conference, through all successive
buys, until the item is selected for PACER PRICE
review.

It is, hopefully, self-evident that the same
sort of attitude toward source restriction as
described above must be maintained by all Government participants in a provisioning conference. It is self-evident that the addition of each new component part to the inventory creates an entire series of conditions that automatically increases the administrative burden of managing and purchasing that part. if the item is inter-
changeable with some other item or can be bor-
rowed from another system inventory. And it is also self-evident that decisions as to pur-
chase of data will effect the acquisition posture throughout the life of the item. Precisely for this complex of reasons, the PACER PRICE operating plan calls for program involve-
ment in the acquisition process beginning with provisioning. Just exactly how this is to be done continues to be an area of study. But the facts remain: decisions made at provision-
ing conferences have a direct and lasting impact on the competitive posture of the spare parts inventory; the nature of those decisions will determine the scope of all future PACER PRICE review efforts; the successful implementa-
tion of the competitive-purchase philosophy will be greatly furthered or severely hampered through these same decisions.

II. COMPETITIVE PRICING

The second concept in the dual PACER PRICE approach, the idea that all spare parts, REGARDLESS OF WHETHER OR NOT THEY ARE PUR-
CHASED COMPETITIVELY, should be purchased at competitive market prices, is at once a more dramatic shift in philosophical outlook, a more complete reversal of previous methodol-
gies, and hence a far more difficult concept to accept and adopt than is the notion of com-
petitive acquisition. To this writer's knowledge, the current system of cost-based pricing has never been challenged, whereas the goal of competitive acquisition has been a part of the conceptual framework since Govern-
ment purchasing began. Yet the philosophy of competitive pricing must be an equal partner with competitive acquisition in the total-

to-system philosophy; it is just as important in effecting positive change in the current acquisi-
tion system; it is just as viable an operat-

To consider the internal logic of the concept first, it is agreed that the optimum method of purchase is in a competitive market environ-
ment then the price for an item purchased in such an environment must be the optimum price. (Hence the current acceptance of competitively-
set prices in the current acquisition system without the need for further justification.) And if the cost-based system of pricing items yields prices that appear to be unrepresenta-
tive of the actual worth of an item, then some other system must be used to arrive at a price, and the most logical alternative appears to be the one system that is by definition regarded as producing optimum results: competitive market pricing. If it is not possible to pur-
chase all items competitively, however, then some method must be found to estimate the price that the competitive market place would generate.

The problem with all of this, of course, is how to devise a system that will provide such an estimate in the absence of actual competitive purchase. The solution proved to be monetiza-
tion on the basis of those factors conditioning manufacture of an item that are either quantifi-
ably definable owing to the design of the item or common to all manufacturers at a relatively consistent magnitude. In other words, to estimate competitive prices, use industry-wide average costs and rates. This is being done in a systematic, consistent and comparatively reliable fashion by the PACER PRICE staf through the use of mathematical "Rate Application Models" (RAMs). To date two RAMs have been created and implemented, and a third is still in the planning stage. Choice of appro-

RAM 1, the original and most basic of the models, takes as its starting point the esti-
mate of material type, material cost at current market prices, type of labor required, and the number of labor hours required of each type, as provided by the PACER PRICE Material Cost/Labor Hour Estimators. This estimate is the result of an examination of the data package and actual item, and the application of appropriate material and labor standards. To the labor-

The remainder of the total price estimate con-

The U.S. Department of Labor, Bureau of Labor Statistics summations of employment and earn-
ings data by Standard Industrial Classification (SIC) grouping[4], thus completing the direct cost portion of the estimate.

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production of an item. In other words, the indirect-expense portion of the PACER PRICE model is generalized as opposed to one-manufacturer-specific, linked to manufacturing process, not corporate structure.

To achieve this end, the PACER PRICE estimating and price analysis staff identified twenty clearly distinct manufacturing processes that, as of this writing, appear to be the total constellation of elements required in the manufacture of spare parts managed at Oklahoma City. These processes are listed in Figure 2 below under one of four categories of relative balance between machine and labor intensive nature of the process. To date, every item reviewed by PACER PRICE at this Center requires one or more of these processes in its production, and no other processes have been identified as factors.

It was further reasoned that the relative mix of machine/labor weighting associated with each manufacturing process type would have some effect on the indirect costs associated with that type, and that the indirect-expense portion of the model could therefore be derived on this basis. This assumption proved true. Through an ongoing process of directed sampling of pricing cases and continual testing of the model against actual market place prices, the PACER PRICE staff in fact did find that the greater the machine-intensiveness of a process, the higher the number of dollars required for overhead-allocation. Figure 3 lists the percentages of indirect dollars so allotted by manufacturing process type.

That percentage allotted to profit increases slightly as manufacturing processes become more labor-intensive, while all the other indirect cost factors decrease, as Figure 3 shows, is directly attributable to the fact that the PACER PRICE staff has incorporated the Weighted Guidelines Profit/Fee Objective (DD Form 1547, 1 January 1980) methodology for establishing profit as part of the model. The increase in direct labor costs associated with labor-intensive processes has the effect of increasing the relative monetary size of the Weighted Guidelines manufacturing labor cost element, while increasing the risk factor as well, people presumably being more difficult to control and therefore representing a higher risk than machines. The relative magnitude of the cost of capital rate similarly reflects the greater capital investment associated with machine-intensive processes.

Unfortunately, either a complete data package or an example of the item or both are not always available to the PACER PRICE review team, and detailed estimates of material cost and labor hour type and hours cannot be made. Yet in many cases, owing to the urgency of the situation surrounding particular items, an estimate needs to be made before copies of the data or the item can be obtained from sources outside the normal feed mechanisms. A second Rate Application Model (RAM 2) was therefore created to fill this need. It can be used in any situation in which the previous contract price, quantity and date of award are known, and when the PACER PRICE estimator can provide information as to the probable types of manufacturing process required and the relative mix.

RAM 2 relies on a little-recognized but extremely useful peculiarity inherent in both cost-based systems of price estimation and mathematical models used to estimate price in general. That is, due to the requirement for consistency in estimating costs required by the Government's Cost Accounting Standards.
(CAS), the relative magnitude of the cost elements used to generate price will remain fairly stable from one estimate to the next. It can be statistically demonstrated, for example, that one particular contractor's estimating system will consistently yield total direct costs that remain at an approximately 69/31 percent mix of material and labor in price estimates for certain of the aircraft replenishment spare parts they sell to the Air Force. The various indirect cost components will likewise account for a relatively consistent percentage of total price. The internal dynamics of the PACER PRICE model conform to this same consistency in magnitude for the component cost elements they generate. Total direct costs remain consistently at about 19 percent of the total price, for example, with the remaining 81 percent indirect cost component subdividing into relatively fixed percentage plateaux.

RAM 2 serves, therefore, as a kind of translation model, enabling the price analyst to ascertain the magnitude of direct costs associated with any contract price, depending on supplier, then provide a market-price estimate based on adjusting these direct costs to industry-wide experience and completing the total package in accordance with the PACER PRICE overhead structure as related to the manufacturing-process labor mix provided by the estimators. Adjustments of any differences between the cost-based and market-based prices in the area of appropriate manufacturing-process category are made first. Then adjustments required by differences in quantity or length of time between contract award and PACER PRICE review are effected by means of Production Quantity Adjustment Factors (PQAFs) and Economic Change Adjustment Factors (ECAFs) tied directly to manufacturing-process category as shown in Figure 4.

<table>
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<th>IV</th>
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<td>11.48</td>
<td>13.35</td>
<td>15.02</td>
</tr>
</tbody>
</table>

Figure 4

RAM 2 Adjustment Factors

Development of the final Rate Application Model (RAM 3) is expected both to aid in a more precise determination of direct costs without full-scale review by the PACER PRICE estimators and to move market-price estimating capabilities to the stage of development in which items not yet in the inventory but still in the design or provisioning phase can be assigned a realistic market place price. RAM 3 will take as its basis for estimating direct costs three factors that are even now in current use or readily identifiable: total physical dimensions of the item (the "cube" in packaging-requirement estimations); type of material required; and the end-use or function of the item. The cube will determine amount of material which, together with material type and access to material standards will establish direct material cost. Item function will derive determination of correct manufacturing process, as well as number of hours required by category, also based on standards. The remaining market-price build-up will transpire simply on the basis of the indirect cost factors listed in Figure 3 for RAM 1.

As of the writing of this paper, both RAM 1 and RAM 2 were in regular use by the PACER PRICE staff at Oklahoma City, with RAM 3 still in the planning stages. All three RAMs, it should be emphasized, are designed to produce the same result: an estimate of competitive market price. Regular, routine testing of RAMs 1 and 2 have verified that they are indeed producing this result: comparison of prices generated by either of the models with actual prices paid for competitively purchased items indicates that the estimated prices fall about at mid-point in the competitive range. Comparison of the prices paid in actual sole-source situations with those estimated by PACER PRICE, on the other hand, provide a clear indication of the importance of competitive purchasing to obtain the best possible price: to date, sole-source prices are running on the average 35 percent higher than the estimated market prices, for the same quantity of units. If all sole-source items reviewed thus far by PACER PRICE could be purchased at the competitive market-prices generated by the estimating models, substantial savings could be realized.

Beyond the obvious result of identifying potential savings, the practical procedural aspects of the philosophy of competitive market-pricing also hold promise of positively affecting the acquisition system in at least two other areas. For one thing, the data generated in PACER PRICE review could give a buyer or contracting officer detailed information on the manufacture of an item that could be of considerable value in the negotiation of a sole-source item, assuming that all available avenues for purchasing the item in a competitive market had been exhausted. Although the concept of the competitive-market price, that it must be treated as a total entity, must be kept in mind in using detailed component elements of that price, comparison of PACER PRICE estimates of these elements with those actually proposed by small or medium-sized manufacturers has demonstrated the accuracy of these estimates. They would at least provide contracting personnel with tools not now available, particularly in small-dollar procurements falling below the threshold for Certified Cost and Pricing data.
The second important implication lies in the area of automated access to the data. Current plans for the PACER PRICE program call for complete automation of all mathematical models and the data bases required to support them, and include on-line access to several different data systems. The objective is the complete automation of the PACER PRICE review mechanism, an objective that is within easy reach, given the current state-of-the-art in computer hardware and software design, and the existing data bases. Remote linkage would allow a buyer or contracting office to obtain a detailed market-price analysis simply by inputting a National Stock Number (NSN) or part number. The present manpower-intensive nature of the program would thus be alleviated, with the PACER PRICE staff scaled down to a small staff dedicated to routine systems testing and maintenance and to further research in market trends. All of this is not to suggest that the current cost-based price analysis system either could or should be completely replaced by the market-based system. Such a suggestion is simply not possible, given the imperative to continue purchasing certain items on a sole-source basis. The importance of the competitive pricing philosophy does need to be investigated more fully, however, as a means of cross-checking the cost-based system and providing additional negotiating leverage.

CONCLUSION

This paper has been an attempt to explore the practical implications of what has been termed a "new philosophy" of "competitive acquisition" and "competitive pricing." We might just as well have spoken about a more "business-like" approach to acquisition in the sense of studying current buying practices in private industry to learn how they might be adopted to Government use. Among the PACER PRICE staff at Oklahoma City, as the review process began, there were questions that deserve further investigation. The entire subject of current market conditions and trends that impact market pricing deserves thorough study, if the results of the PACER PRICE initiative are to be understood clearly, and the philosophy implemented to maximum benefit in the acquisition system. The recommended establishment of a Business Management Strategy Council at each of the Air Logistics Centers, with the function of further market research and investigation of acquisitions in which the PACER PRICE recommended price cannot be met, must be viewed as a positive step toward this end. With an AFMAG-projected minimum return of 10 to 1 on investment expected to be realized as a result of the PACER PRICE initiative in its later stages of implementation along, the prospect for even further perfecting the system through comprehensive market research must be viewed as extremely attractive. The "new philosophy" is a practical reality, well-planned implementation, a functional imperative.

REFERENCES


NOTE:

THE VIEWS EXPRESSED IN THIS PAPER, TOGETHER WITH MUCH OF THE INFORMATION IT CONTAINS, ARE THE RESULT OF THE AUTHOR'S PERSONAL EXPERIENCE IN HELPING TO ESTABLISH THE PACER PRICE PROGRAM AT THE OKLAHOMA CITY AIR LOGISTICS CENTER AND SHOULD NOT BE CONSIDERED A STATEMENT OF AIR FORCE POLICY.