



DEFENSE LOGISTICS AGENCY
DEFENSE CONTRACT MANAGEMENT COMMAND WICHITA
US COURTHOUSE, SUITE B-34
401 NORTH MARKET STREET
WICHITA, KS 67202-2095

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PKP			
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PKPB			✓
PKPC			
PKPF	✓		
RFPSO			✓

*SKILA
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August 28, 1996

Comments:

IN REPLY
REFER TO

DCMDW-GKT

*BB
41.96e*

Sam Carocher
WR-ALC/PK
215 Byron St
Robins AFB, GA 31098-1611

Dear Sam Carocher:

In an effort to assist in expediting contract award and modification execution, DCMC has replaced the traditional pricing and negotiation process with a concurrent team approach called Integrated Product Team (IPT) Pricing. This new price/cost analysis concept has its origin in the best practices of, and prior initiatives led by the Military Services. It is designed to eliminate those redundant and duplicated activities which have historically created unnecessary delays in contract award. Enclosed, please find a 25 Oct 95 letter from Major General Drewes, Commander of DCMC, implementing this new approach.

On July 19, 1996, the DCMC-Wichita office was established as an IPT Pricing site and was granted a waiver from the FAR requirement for preparation of the traditional field pricing reports for all contracting actions. The purpose of this letter is to ensure our customers are aware of this new pricing method and the impact it will have on the services and products we will be providing on all future pricing cases. The following summarizes the most significant differences you will notice from the old traditional approach:

- a. Teaming with DCAA, the contractor and the buying activities early in the acquisition process.
- b. Opening channels of communication between the contracting parties during solicitation and proposal development to resolve issues early and up-front.
- c. Performing concurrent evaluation, analysis, fact-finding and reaching consensus on cost elements with the contractor prior to publication and submittal of the contractor's proposal.
- d. Helping our customers prepare one comprehensive report: the Prenegotiation Objectives Memorandum by participating in IPT pricing or by responding to special requests.
- e. Negotiating any contractual action our customers delegate to us, in which case we would write the Prenegotiation Memo and the PNM.

atch 96-13D (FAR 15) Post to FAR 15.8, DFARS 215.8 and AFFARS 5315.8 by circling the references and noting in the margins: "See 70-41, atch 96-13D for info on IPT Pricing." Then file this atch behind the sups to FAR 15.

~~4.~~ Still offering at a customer's request - special rates and factors reports, contractor business systems evaluations or other specific cost element reports.

While IPT Pricing will be employed in all future pricing cases, like any pricing and negotiation method, it will remain flexible to accommodate factors which may be unique to any particular contract actions you may have. Therefore, when anticipating an RFP release on a non-competitive or sole source negotiated procurement action, please contact this office for discussions on formation of an IPT and or negotiations of your procurement. As stated in the enclosed letter, it is our goal to employ the IPT methodology on all cases regardless of whether negotiations are delegated to the contract administration office (CAO) or retained by the buying activity. However, during this initial period of transition to this new standard pricing method, there will be some proposals submitted to the Government that were in-work prior to the implementation date of July 19, 1996. Even though we will no longer be issuing traditional field pricing reports, we will continue to provide, at your request, technical analysis reports and any other specific cost element report(s) you desire. Rate and factor recommendations/agreements and contractor system status will still be provided on an ongoing basis as in the past. In addition, we will also coordinate DCAA audits for you if you do not elect to directly request those from DCAA yourself.

By adopting IPT Pricing as a standard pricing and negotiation methodology, we are in a much better position to assist you in reducing the acquisition and procurement cycle by resolving differences and issues up-front, during proposal development - thereby allowing negotiations to begin days, instead of weeks, after proposal receipt.

Should you have any questions concerning the IPT Pricing process and the services or product provided as a result of it being instituted throughout DCMC, please contact Mr. Richard Storie at (316)269-7110 or Ms. Mary Belton at (316)269-7129.

Sincerely,



RONALD J. YOUNGS, JR.
Chief, Technical & Assessment Group

Enclosures:
AQOD Letter dated 25 Oct 95
IPT Pricing Overview



DEFENSE LOGISTICS AGENCY
 THE DEFENSE CONTRACT MANAGEMENT COMMAND
 8725 JOHN J. KINGMAN ROAD, SUITE 2533
 FT. BELVOIR, VIRGINIA 22060-6221



OCT 25 1995

AQOD

MEMORANDUM FOR COMMANDERS, DEFENSE CONTRACT MANAGEMENT
 DISTRICTS
 COMMANDER, DEFENSE CONTRACT MANAGEMENT
 COMMAND INTERNATIONAL

SUBJECT: Integrated Product Team (IPT) Pricing

The current pricing and negotiation process consists of sequential, redundant activities that cause considerable duplication of effort by DCMC and its customer buying activities and unnecessarily delay contract award. This letter introduces a methodology, termed IPT Pricing, designed to expedite contract award and modification execution by replacing the traditional pricing and negotiation process with a concurrent, team approach.

IPT Pricing is characterized by communication between the contracting parties during solicitation and proposal development to resolve issues up-front and facilitate proposal analysis and negotiation. It is generally defined, and differentiated from the traditional approach, by the following elements:

- a. The Government leader of the proposal analysis team will normally be the individual responsible for negotiation and drafting the contract or modification.
- b. Agreement with the contractor on proposal format, depth and scope of cost or pricing information required, and a negotiation schedule (to include closing or cutoff dates for contractor cost or pricing data submission) prior to proposal development. Also, as appropriate, agreement on technical aspects (SOW, specs, schedule, etc.) prior to proposal preparation or solicitation issuance.
- c. Review and discussion of the proposals in sections as completed (e.g., material costs) prior to formal submission of the complete proposal.
- d. Preparation of a comprehensive team Prenegotiation Objectives Memorandum rather than multiple independent formal advisory reports such as field pricing reports and technical analyses. The Prenegotiation Objectives Memorandum, developed concurrently with contractor proposal preparation, should suffice as a basis for immediately commencing negotiation, thereby allowing negotiation to begin days, vice the current weeks, after proposal receipt.

Athc 96-13D (FAR 15)

The IPT Pricing approach, like any pricing and negotiation method, must be flexible to accommodate the particular contract action at hand; factors such as the degree of competition, contract type, dollar value, cost mix, etc. must be considered. Conversely, IPT Pricing, albeit modified as necessary, should be employed in all cases, e.g., regardless of whether negotiation is delegated to the contract administration office (CAO) or retained by the buying office, the contractor decides to participate, the acquisition is routine or of relatively low dollar value, etc.

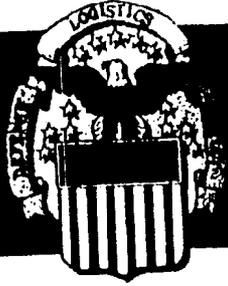
We have briefed many of the top Department of Defense acquisition decision-makers, including the Director, Defense Procurement on our intent to adopt this approach as our standard pricing and negotiation methodology. Their response has been extremely (and unanimously) positive and enthusiastic. We will begin a phased implementation with about ten CAOS in February 1996 and plan to have IPT Pricing instituted throughout DCMC by October 1996.

The IPT Pricing concept has its origin in the best practices of, and prior initiatives led by, the Military Services. Therefore, it is likely that many CAOS have participated in efforts akin to IPT Pricing; these offices are invited to share their experiences. Briefing charts are attached and more information on IPT Pricing will follow in the near future. If interested in being considered for inclusion in the initial group of CAOs, please contact Mr. David Ricci at (703) 767-3376.



ROBERT W. DREWES
Major General, USAF
Commander

Attachment



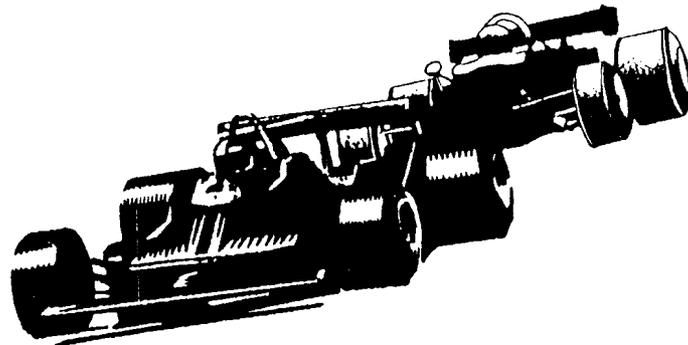
IPT Pricing

DCMC's New Price/Cost Analysis Method

Better



Faster



Cheaper





IPT Pricing

**Supports SECDEF's
10 May 95 policy
memorandum on IPTs**

**Natural followon and
complement to "Early CAS/IPT
Participation"**

**Supports DCAA's
IPT Approach**

- **Continuous communication with contractor
during proposal development**

- Address concerns "real time"

- **Concurrent evaluation, analysis, and fact
finding during proposal development**

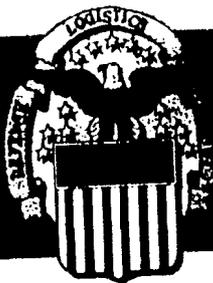
**Speeds up preparation for
negotiation**

- **Teaming of DCMC, DCAA, and buying activity**

Synergy!

- **Fast negotiations!**

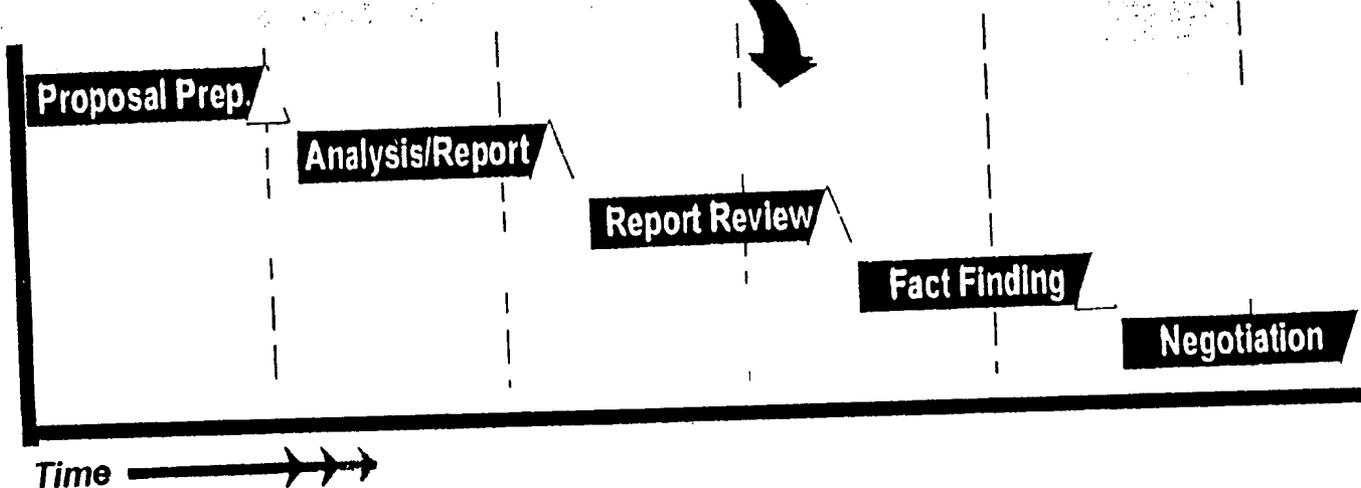
Issues already resolved!



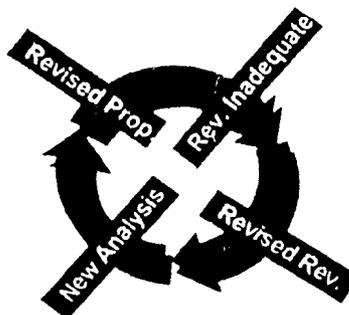
IPT Pricing

Not this!

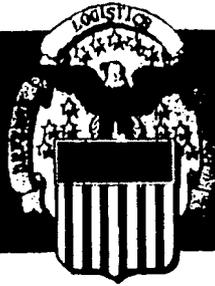
Sequential, at every step



... participants always at arms length



... and process always susceptible to "re-do loop"

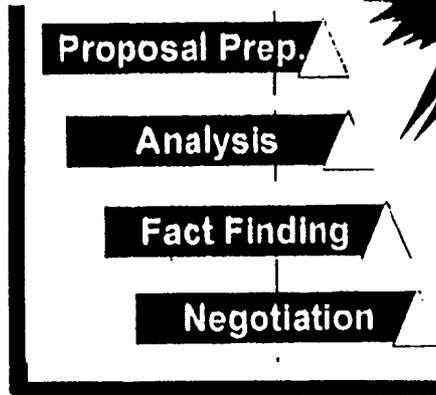


IPT Pricing

This!

*Follows the
course charted by
Alpha Contracting*

Concurrent ...



***Eliminates
extra step!***

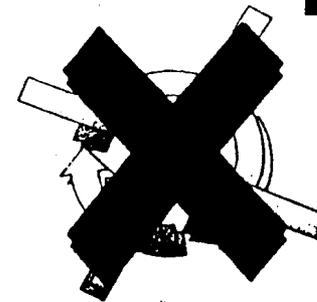
***Reduces
PALT and ALT!***

Time Saved!

Time →



... enhanced consultation and teamwork ...



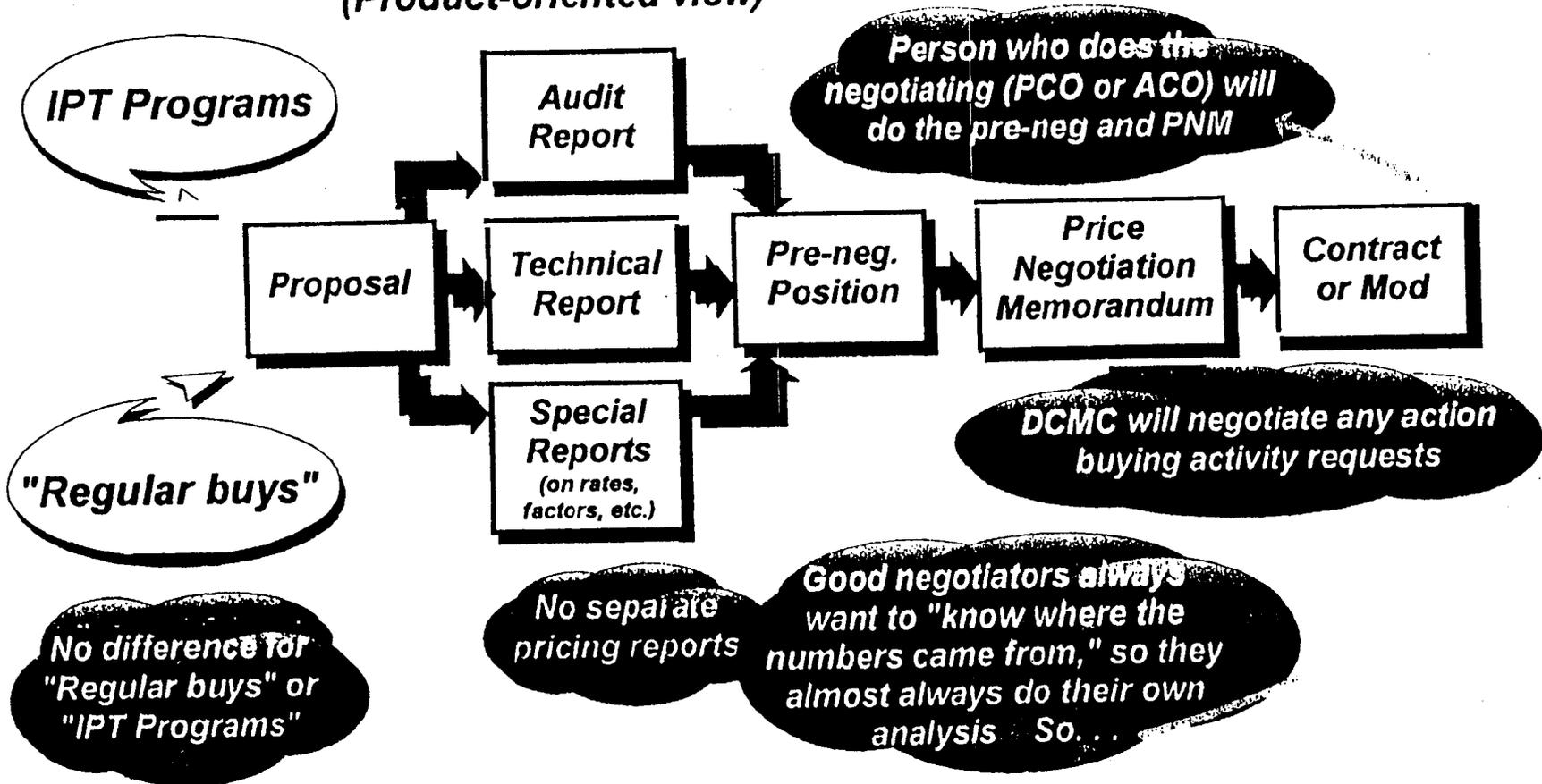
... "re-do loops" eliminated!



IPT Pricing

Will be Our Standard Method for All Pricing Actions

(Product-oriented view)





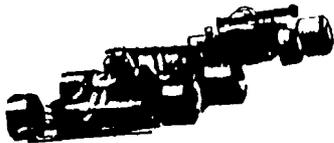
IPT Pricing

Better



Increased communication between buyers and sellers results in greater understanding and fewer mistakes and conflicts

Faster



Concurrency, teaming of Government participants, and extensive communication with contractors leads to rapid resolution of issues

Cheaper



Less time equals fewer labor hours, equals lower costs for both Government and contractors, equals lower contract prices and Government operating expenses