

Rough Draft Introduction to Supply Source Procurement of Defence Equipment Determination

06/19/2015

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Single-source procurement of equipment & support occurs where DoD is unable to source its requirements through open competition. This is most common where only a single supplier has the ability or rights to perform the work & single supplier is chosen for DoD action & operational advantage. In these cases, DoD uses single-source procurement.

The absence of an alternative supplier risk includes scenarios in which Suppliers can price without fear of being undercut by their competitors, so they are not subject to normal market pricing pressures. Furthermore, because DoD requires the defence capability they provide, suppliers can be confident of follow-on work even if costs are high or there exists suboptimal performance. The volume of single-source procurement, together with the risk inherent in this approach, means assuring value in single source procurement is of great importance to DoD.

Defence equipment often requires advanced & specialist tech specs, often limited to a single supplier to ensure required capability, while preserving tech capacity & spec capability for strategic reasons. In a competitive market, DoD suppliers must price risk and continuously seek efficiency improvements in order to survive. In the absence of competition, value is at risk because suppliers can price without fear of being under-cut by competitors & because DoD needs the equipment & support services they provide suppliers can be confident of follow-on work even if costs are high.

New frameworks based on greater transparency & standardised reporting, with stronger supplier efficiency incentives; has underpinned stronger arrangements after extensive consultations with its major single source suppliers & promoted new frameworks to provide DoD with far greater transparency, facilitating investigation into whether suppliers are being as efficient as possible. Standardised reports will allow better monitoring of single source projects and identify areas where suppliers can reduce cost. Stronger protections will ensure suppliers use the most reasonable & appropriate pricing assumptions they can.

Single-source procurement examples:

-Supplier contract for a Fleet Component, where only the original Supplier has the design rights & experience to service the Fleet Components

-Supplier contract for an additional Fleet Component, where it would be impractical to either have a different type of Fleet Component or to pay for another supplier to replicate the same design.

-Supplier contract to test the operational limits of a Fleet Component, where only one supplier has the right tech specs, and DoD does not want outside suppliers to know what the limits are.

RECOMMENDATIONS & CONCLUSIONS TO FOLLOW.....