DEPARTMENT OF THE NAVY
OFFICE OF THE ASSISTANT SECRETARY
RESEARCH, DEVELOPMENT AND ACQUISITION
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WASHINGTON DC 20350-1000

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MEMORANDUM FOR DISTRIBUTION

Subj: INNOVATIVE COMMERCIAL CONTRACTING STRATEGIES

Encl: (1) A Naval Strategy for Commercial Contracting

In order for the Department of the Navy (DoN) Research, Development and Acquisition team to continue to meet warfighter needs, it is imperative that we identify new and innovative ways to acquire better products and services faster and at lower costs. Toward this end, we have devised an innovative strategy for identifying and acquiring commercial solutions to meet DoN requirements. This strategy uses a blend of the Broad Agency Announcement concept, industry commercial best practices and FAR Part 12 contracting methods. As you are all probably aware, the use of innovative strategies to make the best use of available commercial products and services is continuing to receive much high-level attention. I encourage you to incorporate the strategy described in enclosure (1) in appropriate acquisitions under your cognizance.

My Deputy for Acquisition and Business Management, RADM Bill Jenkins, will be contacting each HCA in the near future to discuss initiatives in implementing this strategy. I am interested in ensuring open and timely communications between our offices, and in establishing feedback channels for communicating successes and lessons learned. Finally, please let me know of any additional concepts or approaches you think would contribute to our mutual effort to increase the use of commercial items to best meet our warfighters' needs. RADM Jenkins can be reached at telephone number 703-602-2338 or e-mail: jenkins.gwilym@hq.navy.mil.

H. LEE BUCHANAN

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A NAVAL STRATEGY FOR COMMERCIAL CONTRACTING

"A Reengineering Tool"

Purpose: We have identified a new and innovative approach to acquire goods and services. The strategy uses a blend of the Broad Agency Announcement concept with industry commercial practices and FAR Part 12 commercial guidelines. This strategy will allow us to contract for the "commercial idea/strategy" vice the traditional end user's "pre-defined product or service". Industry participates at the onset by defining the state of what is possible. This approach allows us to continuously receive state-of-the-art commercial ideas that could be used or modified to satisfy specific requirements.

The new strategy uses a two-phase acquisition approach: Commercial Area Announcement and Request for Commercial Offering.

Phase I: Commercial Area Announcement (CAA). The primary objective of the CAA is to provide us with a comprehensive picture of "*the state of what is possible*" in the commercial world with respect to satisfying our requirements. We will use the CAA as a form of market research within business sectors. We will publish a CAA in numerous public journals (e.g. Wall Street Journal and USA Today), as well as the Commerce Business Daily (CBD), detailing the overarching concept. We will also conduct a "Business Opportunities Day" to disseminate our requirement and to clarify our objectives with industry. Through the CAA, we will encourage industry to submit their diverse and innovative approaches for satisfying a generic requirement within a business sector.

In the CAA phase there is no commitment to contract. From a commercial standpoint, the CAA is a tool for industry to inform us, in broad terms, what possibilities they foresee for satisfying our requirement. Industry will provide their commercial "solution" to a performance based Statement of Objectives.

Phase II: Request for Commercial Offering (RCO). (CBD notice reaffirmed) We will review and integrate industry's input from Phase I, and issue a 2-3 page RCO that provides our Statement of Objectives. Industry will review the RCO and if interested they will respond to the

RCO with complete detail as to how their concepts/ideas will meet and potentially exceed the performance based objectives. Industry's commercial offerings are to identify their break-through strategies, proprietary aspects, and detailed processes for achieving their specific unique ideas. These pioneering strategies from industry are expected to specifically identify small business alliances/partnering arrangements and by their commercial nature they will be fixed price or fixed price incentive agreements. All of Phase II will be conducted in an environment of full and open competition.

Conclusion: This revolutionary strategy is a hybrid of existing public and commercial practices. This approach shifts the fulcrum of competition from that of the end item to that of an idea. It is designed to take maximum advantage of the acquisition of commercial items, and is underwritten by FAR Part 12. An advance Navy Acquisition Procedures Supplement (NAPS) notice will be issued with detailed guidance to contracting officers.