



DEPARTMENT OF THE NAVY
OFFICE OF THE ASSISTANT SECRETARY
RESEARCH, DEVELOPMENT AND ACQUISITION
1000 NAVY PENTAGON
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5 Dec 1996

MEMORANDUM FOR DISTRIBUTION

Subj: CONSOLIDATION OF CONTRACT REQUIREMENTS

Encl: (1) DEPSECDEF memo of 28 Oct 1996, subject as above
(2) ASN(RDA) memo of 18 Feb 1994, subject as above

Enclosure (1) reemphasizes the need to consider the impact requirements consolidation can have on the small business community, and outlines steps we must take to maintain our commitment to foster the small business vendor base. Enclosure (2) remains in effect and is provided for ready reference.

Please ensure that the requirements of these memoranda are fully met prior to approval of any consolidation which may adversely affect small and small disadvantaged business participation in Navy acquisition.

Elliott B. Branch

Elliott B. Branch
Executive Director
Acquisition and Business
Management

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DEPUTY SECRETARY OF DEFENSE

1010 DEFENSE PENTAGON
WASHINGTON, DC 20301-1010



28 OCT 1996

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS DIRECTORS OF DEFENSE AGENCIES

SUBJECT: Consolidation of Contract Requirements

The Department of Defense (DoD) recognizes the critical role small, small disadvantaged, and women-owned small businesses play in DoD's ability to accomplish its mission. Thus, DoD is committed to fostering the use of the small business community in every aspect of its vendor base.

When we plan for the consolidation of several contracts or requirements into a single larger contract, we must consider the impact on small, small disadvantaged, and women-owned small businesses. I would like to emphasize the policy considerations that must be taken into account when contracts or requirements of a kind suitable for performance by small business are proposed for consolidation:

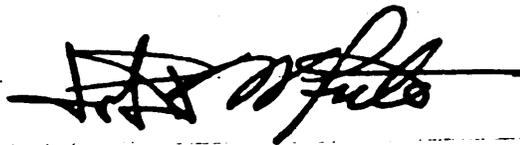
1. Requirements shall be packaged so as not to preclude performance by small, small disadvantaged, and women-owned small business concerns as prime contractors unless the consolidation will result in significant benefits in terms of reduced life cycle costs, improved services, or both. Any such determination shall be supported by market research analysis. The proposed consolidated procurement must be reviewed by the Small Business Administration procurement center representative in accordance with the Federal Acquisition Regulation (FAR) 19.202-1(e) if it is not set aside for small business. Any disagreements between the contracting officer and the procurement center representative should be resolved pursuant to FAR 19.505. Savings solely in the Department's cost of awarding or administering contracts is not sufficient basis for consolidation.
2. Solicitations for goods and services that would have previously been set aside for small or small disadvantaged businesses shall be reviewed for set aside under the order of precedence requiring consideration of award under section 8(a), or set aside under section 15 of the Small Business Act, prior to being included in a consolidated requirement.
3. Prior to contracting for a new requirement or a follow-on to an existing requirement, particularly for professional and technical services, the contracting officer shall conduct an analysis to determine if consolidation provides significant benefits. Prior to the exercise of an option, the contracting officer shall conduct such an analysis if the analysis was not conducted at the time of initial award. For each circumstance, if the analysis indicates consolidation will not provide significant benefits, the contracting officer shall break out tasks for competition. The awards shall be consistent with the order of precedence in the Defense Federal Acquisition Regulation Supplement (DFARS).

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FORM 89-100 (1)

4. If it has been determined that consolidation of tasks will result in significant benefits, small, small disadvantaged, and women-owned small business firms shall be afforded the maximum opportunity to participate as direct awardees (particularly when multiple awards are anticipated) of portions of the proposed consolidated requirement. When establishing subcontract goals for the consolidated contract, the contracting officer shall consider the proportion, type, and level of sophistication of work previously awarded to small, small disadvantaged, and women-owned small business firms. The extent of small, small disadvantaged, and women-owned small business participation in contract performance shall be addressed during source selection, consistent with DFARS 215.605. The contracting officer shall consider using the incentive and award fee provisions in DFARS 219.708 to maximize both the magnitude and level of sophistication of work subcontracted to small, small disadvantaged, and women-owned small businesses.

5. This policy statement supersedes the policy statement signed by the Deputy Secretary of Defense, dated 1 June 1982, subject, "Consolidation and Small Business."

A handwritten signature in black ink, appearing to read "J. A. [unclear]", is written over a horizontal line. The signature is stylized and somewhat illegible.



DEPARTMENT OF THE NAVY
OFFICE OF THE ASSISTANT SECRETARY
(Research, Development and Acquisition)
WASHINGTON, D.C. 20350-1000

FEB 18 1994

MEMORANDUM FOR COMMANDERS OF SYSTEMS COMMANDS
COMMANDER, MILITARY SEALIFT COMMAND
DEPUTY CHIEF OF STAFF FOR INSTALLATIONS AND
LOGISTICS, HEADQUARTERS, U. S. MARINE CORPS
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COMMANDER, NAVAL INFORMATION SYSTEMS
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Subj: CONSOLIDATION OF CONTRACT REQUIREMENTS

Some apprehension continues on the issue of consolidating contract requirements (also termed "bundling") into larger, more extensive contractual arrangements. As resources are reduced, consolidations are often considered as a method to improve management of our procurement requirements. While this is understandable, I am particularly concerned about consolidations that may eliminate or threaten elimination of the historical participation of small and small disadvantaged businesses in repetitive, previously unconsolidated, individual contract requirements. This may occur where consolidations significantly expand the magnitude of the scope of work, or require contracting in broad functional terms beyond the individual disciplines of the small firms. Consolidations, under these circumstances, will likely result in a reduction of our prime contract awards to small and small disadvantaged businesses.

In the interest of maintaining an effective small and disadvantaged business utilization program, consideration must be given to the potential impact on small and small disadvantaged business contracting opportunities when developing strategies that involve the consolidation of contract requirements. Consistent with the provisions of Federal Acquisition Regulation (FAR) 19.202-1, our guiding principle should be to avoid the consolidation of requirements which were previously acquired under small business or small disadvantaged business preference programs. If circumstances dictate consolidation (e.g., consolidation is essential to the successful completion of the attendant program), the procurement action should continue to apply the small/small disadvantaged business preference (e.g., small business set-aside). In addition, written justification supporting the consolidation shall be provided to the contracting officer by the program manager. In the event the procurement action is not suitable for small/small disadvantaged business preference, the consolidation must be approved by the Head of the Contracting Activity prior to release of the solicitation.

Your immediate and continuing attention to this matter will assist the Department of the Navy in maintaining its commitment to provide contracting opportunities for small and small disadvantaged business concerns.

Nora Slatkin

ENCLOSURE (2)

Subj: CONSOLIDATION OF CONTRACT REQUIREMENTS

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