



DEFENSE LOGISTICS AGENCY
HEADQUARTERS
8725 JOHN J. KINGMAN ROAD, SUITE 2533
FORT BELVOIR, VIRGINIA 22060-6221

JUL 15 2004

IN REPLY J-33
REFER TO PROCLTR 04- 08

MEMORANDUM FOR PROCLTR DISTRIBUTION LIST

SUBJECT: Customer Value Contracting (CVC) Defense Logistics Acquisition Directive
(DLAD) 4105.1, Section 17.9400

The purpose of this PROCLTR is to establish DLAD policy regarding the use of CVC. CVC is a multiple award, customer best value approach that empowers the customer to select the product that best meets their mission needs. The Defense Logistics Agency has utilized CVC procedures for over a decade. However, until this PROCLTR, policy has been implemented at field level.

Recent Department of Defense (DOD) Inspector General findings on use of CVC contracting coupled with significant interest from the Director, Defense Procurement and Acquisition Policy on correct DOD use of the closely related Federal Supply Schedules has highlighted the need to establish formal policy regarding both the establishment and ordering requirements associated with CVC contracting. The attached policy represents baseline standardization across the Agency, ensuring correct interpretation and adherence to governing statutes and higher-level guidance.

If you have any questions regarding this matter, please contact Mr. Frank Pane, J-3311, at either (703) 767-1461 (DSN 427) or francis.pane@dla.mil.

CLAUDIA S. KNOTT
Senior Procurement Executive

Attachment



SUBPART 17.94 CUSTOMER VALUE CONTRACTING

17.9400 Scope of subpart.

This subpart prescribes policies and procedures for soliciting offers, awarding contracts, and placing orders under DLA's Customer Value Contracting (CVC) initiative. The Administrator of General Services and DLA have agreed that DLA is responsible for developing and maintaining Federal Supply Schedule type contracts for assigned items in furtherance of the National Supply System concept (see DoD 4140.1-R, Appendix 7). Authority for this is also found in FAR 8.401(a) and FAR 38.000.

17.9401 Definitions.

"Customer Value Contracting" is a Multiple Award Schedule (MAS) method of providing logistics support that empowers the customer to select the product that best meets their mission needs. This multiple award, customer best value approach is similar to GSA Federal Supply Schedules. CVC is similar to the multiple award delivery order contracts covered by FAR Subpart 16.5 in that it uses either an indefinite delivery/indefinite quantity contract with a minimum ordering amount or an indefinite delivery requirements contract. It differs from the multiple award delivery order contracts covered by FAR Subpart 16.5 with regard to the solicitation and award process. In FAR Subpart 16.5 acquisitions, CICA and the FAR require a statement of definite requirements allowing direct competition in the award of contracts, but this degree of requirements definition is not required for CVC, thus allowing CVC contracts to include entire product lines and catalogs of products.

17.9402 General.

(a) The CVC contract approach provides DLA customers access to multiple indefinite delivery contracts involving the same or similar commercial items/product lines, enabling them to select the item (s)/product lines they determine meet their requirements using the lowest overall cost alternative, utilizing best value ordering procedures to satisfy mission requirements.

(b) Activities shall adhere to all applicable FAR, DFARS, and DLAD requirements in establishing CVC contracts. These include, but are not limited to:

- (i) FAR Part 5, Publicizing Acquisitions;
- (ii) FAR Part 6, Competition Requirements;
- (iii) FAR Part 7, Acquisition Planning
- (iv) FAR Part 8, Required Sources of Supplies and Services
- (v) FAR Part 9, Contractor Qualification;
- (vi) FAR Part 10, Market Research;
- (vii) FAR Part 11, Describing Agency Needs;
- (viii) FAR Part 12, Acquisition of Commercial Items;
- (ix) FAR Part 16, Types of Contracts
- (x) FAR Part 19, Small Business Programs; and,
- (xi) FAR Part 25, Foreign Acquisition

(c)(i) CVC contracts are awarded pursuant to "competitive procedures" within the meaning of the Competition in Contracting Act (CICA) (10 U.S.C. § 2302(2)) since 1) participation in the program is, open to all responsible, responsive sources whose prices have been determined fair and reasonable, and 2) orders and contracts under the program result in the lowest overall cost/best value alternative to meet the needs of the United States.

(c)(ii) CVC contracts involve a variety of equipment, parts, inserts, and/or number of catalogs for same or similar product lines. If new CVC contracts are being awarded for same or similar product lines already available under existing CVC contracts, they may be awarded sequentially. If new CVC contracts are being awarded for products or product lines not already available under existing CVC contracts, the DLA customer must be advised that independent competition to satisfy the customer's need(s) will be required, unless a non-competitive acquisition can be properly justified.

(d) CVC solicitations will appropriately advise prospective offerors that all offerors that submit technically acceptable offers at fair and reasonable prices are eligible for award on the MAS; if award will be made to less than all qualified offerors, the solicitation must state the basis for award, including evaluation factors and their relative weights. The solicitation shall also indicate that individual orders will be placed based on the DLA customer's determination as to the best value/lowest overall cost alternative.

(e) Activities shall ensure CVC solicitations contain small business plan provisions/clauses if required.

17.9403 Acquisition Planning.

Based on market research an analysis should be conducted to determine and identify those items/product lines that demonstrate a reasonable probability of being requisitioned in a CVC environment. Use of CVC shall be annotated in acquisition planning documents.

17.9404 Ordering Procedures. The following requirements shall be followed regarding placement of orders against CVC contracts--

(a) CVC contract awarding activities shall ensure ordering activities are aware of proper ordering procedures, to include the best value and ordering requirements specified in paragraphs (d) and (e) below. If the CVC contracts are available for ordering through an online ordering system, then the online ordering system must inform ordering activities of the ordering requirements of this section.

(b) Ordering activities must be made aware of all available CVC sources of supply. This can be done via a number of methods, to include use of web-based resources.

(c) Orders valued at or below the micro-purchase threshold may be placed with any CVC contractor, without regard to the requirements of this section.

(d) Orders exceeding the micro-purchase threshold shall be placed with the CVC contractor that can supply the item that represents the

best value to the Government. Ordering activities are required to maintain their best value determination documentation as part of their order file in accordance with (i) below. Areas that should be considered to determine best value include:

- (1) Price;
- (2) Item features required for effective mission performance, e.g., quality, customer/user considerations, reliability, transportability including airlift capability;
- (3) Warranty considerations;
- (4) Delivery requirements;
- (5) Past performance;
- (6) Interchangeability
- (7) Environmental and energy efficiency considerations;
- (8) Small business considerations;
- (9) Special features of the supply or service required for effective program performance;
- (10) Trade-in considerations;
- (11) Probable life of the item selected compared to that of a comparable item; and
- (12) Maintenance and repair availability and uniformity with current equipment.

(e) Orders exceeding the micro-purchase threshold shall be placed using the following ordering procedures:

- (1) Review available vendors on online electronic ordering systems or at least three CVC pricelists; and

- (2) Select the best value based on (d) above

(f) Ordering offices need not seek further competition, synopsise the requirement, make a separate determination of fair and reasonable pricing, or consider small business programs.

(g) Contracting officers awarding CVC contracts have already determined the prices of items under those contracts to be fair and reasonable. By placing an order against a CVC contract using the procedures in this section, the ordering office has concluded that the order represents the best value and results in the lowest overall cost alternative (considering price, special features, administrative costs, etc.) to meet the Government's needs.

(h) Orders placed under a CVC contract—

(1) Are not exempt from development of an acquisition plan (see FAR Subpart 7.1) and an information technology acquisition strategy (see FAR Part 39);

(2) Are not exempt from the mandatory sourcing requirements of FAR Part 8; and

(3) Must comply with all FAR requirements for a bundled contract when the order meets the definition of "bundled contract" (for the purposes of this section the definition of "single contract" used in the definition of "bundling" in FAR 2.101(b) is expanded to include an order placed against a CVC contract).

(i) Documentation:

(1) Minimum documentation is generally all that is required. Orders should be documented, at a minimum, by identifying the contractor the item was purchased from, the item purchased, and the amount paid. If an Activity requirement in excess of the micro-purchase threshold is defined so as to require a particular brand name, product, or a feature of a product peculiar to one manufacturer, thereby precluding consideration of a product manufactured by another company, the ordering office shall include an explanation in the file as to why the particular brand name, product, or feature is essential to satisfy the agency's needs. Ordering activities shall maintain appropriate documentation for each order in their files.

(2) Orders must be reviewed on a periodic basis to determine which products represent the best value at the lowest overall cost alternative to the Government and give each CVC contractor a fair opportunity to have its products considered.