



***Navy's Program Perspectives on  
Performance-Based Contracting***

***Federal Remediation Technologies Roundtable***

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# Presentation Outline



- What is PBC?
- The NAVFAC Environmental Acquisition Strategy
- The NAVFAC Approach on PBC
- Levels of PBC Implementation
- PBC Elements
- NAVFAC PBC Experience
- Summary



# What is PBC?



- Structuring all aspects of an acquisition around **the purpose of the work to be performed**. PBC actions (task order) describe **“what” is required** (expected outcome) and places the **responsibility on the contractor for determining “how”** to deliver or meet the desired outcome on the contractor.
  - Encourage innovation and utilization of contractor expertise
  - Transfer of risk from Government to Contractor



# The Navy's Environmental Acquisition Strategy Transformation



- **Acquisition Strategy prior to 2001**
  - Large Businesses (LB) execute 91% of Environmental Program through contracts
  - Cost Reimbursement contracts with award fees predominantly used
- **Growing External Pressures**
  - Industry pressure from small business
  - Congress limits large IDIQs
  - Financial difficulties of some of the Navy's large contractors
- **Maturing Programs**
- **Need for Change**



# New Acquisition Strategy



- **New Objectives Starting in 2001/ 2002**

- **Continue to match the work requirements with the most cost-effective and efficient type of contractual vehicles**
- **Achieve greater balance and diversification**
  - Increase options and flexibility
  - Minimize our risk exposure
  - Meet our political and legislative contracting mandates

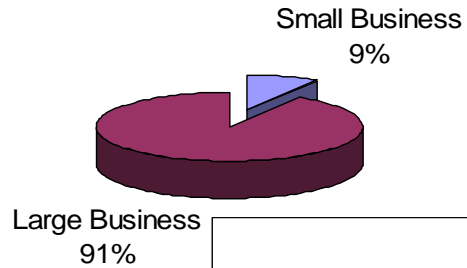
- **New Strategy Goals**

- **Increase Small Business participation (40% goal)**
- **Increase use of Fixed-price contracts**
- **Increase Performance-based contracting**

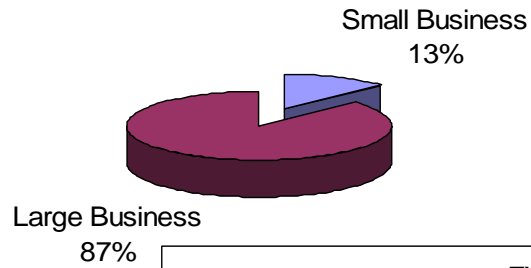
# Small Business History



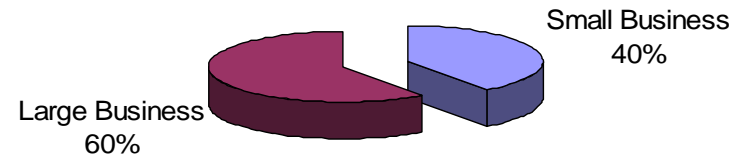
FY 01 SMALL BUSINESS



FY 02 SMALL BUSINESS



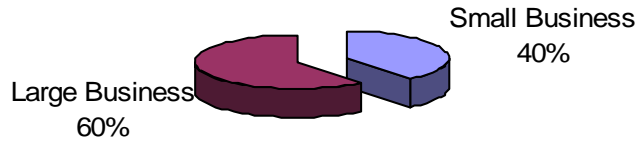
FY 03 SMALL BUSINESS



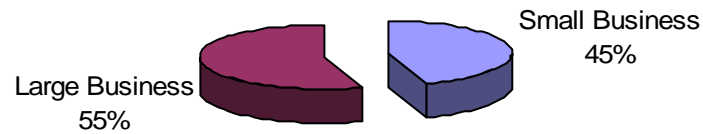
# Small Business FY 04 - FY 06



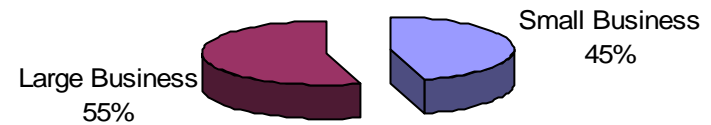
**FY04 SMALL BUSINESS**



**FY05 SMALL BUSINESS**



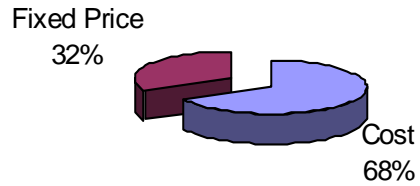
**FY06 SMALL BUSINESS**



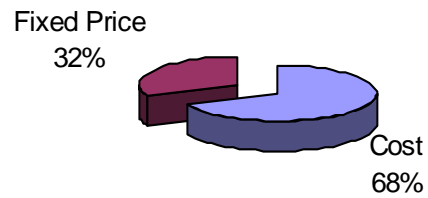
# Fixed-Price History



**FY01 FIXED-PRICE**



**FY02 FIXED-PRICE**



**FY03 FIXED-PRICE**

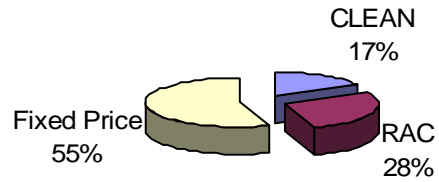




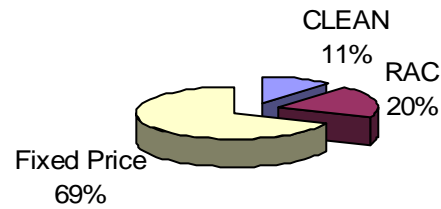
# Fixed-Price FY 04 - FY 06



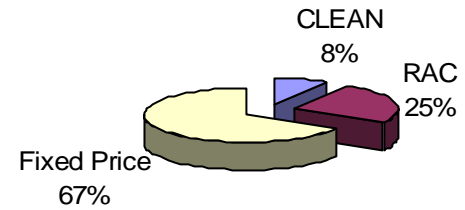
**FY04 FIXED-PRICE**



**FY05 FIXED-PRICE**



**FY06 FIXED-PRICE**



# The Navy Approach to PBC



- **The Navy's PBC approach:**

- **Integrate and utilize PBC throughout entire acquisition strategy, as PBC techniques can be applied within all contract mechanisms to varying degrees**

- PBC is incorporated in our Acquisition Strategy.
    - Not a questions of whether to use PBC or not, but rather to what degree
    - Perception that PBC equates to only Guaranteed Fixed Price Remediation (GFPR)
    - Can implemented at any stage in the process
    - Different levels of implementation
    - The majority of our contract tools can have PBC components

# Level of PBC implementation



- **Decision comes down to situational analysis of risk versus reward**

- Risk:**

- PBC shifts risk/uncertainty from Government to Contractor
    - Increased cost to assume risk

- Reward:**

- PBC encourages Contractor innovation, flexibility and accountability
    - Encourages speed and efficiency
    - Potential cost reduction with savings to the Government

- **Situational Factors**

- Contractual mechanism
  - Level of environmental uncertainty
  - Level of regulator and community uncertainty
  - Potential for innovation and greater efficiency

# NAVFAC PBC Implementation



- **NAVFAC Acquisition Strategy**
- **NAVFAC issued specific PBC guidelines on 26 Oct 04 to address:**
  - **PBC eligibility (applies to non-Brooks Bill work only)**
  - **Responsibilities and level of approval**
  - **Directs increased use of PBC**
  - **Train our workforce**
  - **Explains the elements of PBC**
  - **Establish reporting requirements**

- **Performance Objectives (task):** Define the work in measurable outcome, mission related terms.
- **Performance Standards:** Define what is acceptable (quality, quantity and timeliness) tied to performance objectives
- **Performance Assessment Plan or Quality Assurance Plan:** Identifies acceptable quality levels for the objectives. Describe how performance will be measured.
- **Incentives:** Address how to manage performance that does not meet or exceed objectives.
- **Performance Requirements Matrix:** Documents in a summary table all the performance objectives, standards, assessments and incentives developed for a proposed contract action.

- **NAVFAC has been using PBC techniques since 1999; however, not all the elements were present in our contract actions, some PBC examples include:**
  - **Charleston Naval Base.** Combination of real estate transfer and environmental cleanup.
  - **Kings Bay.** Chemical Oxidation in landfill hot spots, we established performance based on reduction of contaminant levels.
  - **Whiting Field.** Milestones established for achieving certain contaminants reductions with a one year funding hold back to insure desired outcome.
  - **Stockton and Mare Island, CA:** Environmental Service Cooperative Agreement which is a combination of Guaranteed Fixed Price with Performance Base Contracting. The contractor assumes all responsibility for the action
  - **Cost Plus Remediation Contracts Navy wide.** We move select remediation efforts from a completed EECA, or less than 35% drawings and specs and move forward with a remedial action.

# Major Future Initiatives



- **Looking at innovative contract mechanisms that provide quality service at a lower cost.**
  - **Performance Environmental Restoration Multiple Award Contract (PERMAC): combine design and construction under a fixed price contract.**
  - **Looking at emphasizing incentives within the performance base framework with our fixed price and cost plus contracts.**

# Summary



- **PBC is not a type of contract, but a way of contracting**
- **Integrated throughout our strategy**
- **Various degrees of implementation depending on situation**
- **Valuable tool that should be used appropriately**