

A black and white photograph of the Statue of Liberty, showing the head, crown, and the arm holding the torch. The statue is positioned on the left side of the frame, with its torch pointing towards the top center. The background is a cloudy sky.

What's Old is New Again

*How Prize
Competitions
Work in
Contracting*

How Prizes Enable Innovation



**Innovation is a new way of seeing born
out of necessity.**

They only used coconuts because they couldn't afford horses...and it turned out a lot funnier this way





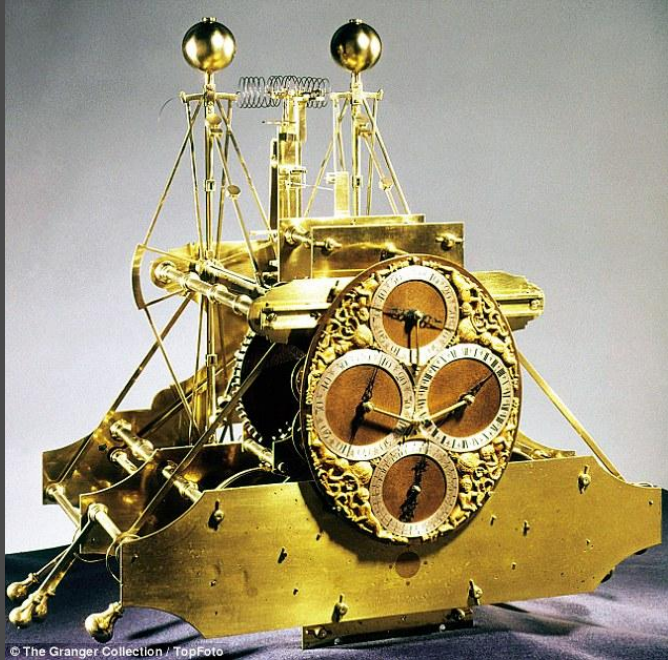
**Innovation is
more than
gadgets
& widgets.**



Does it do anything? It tells the time.

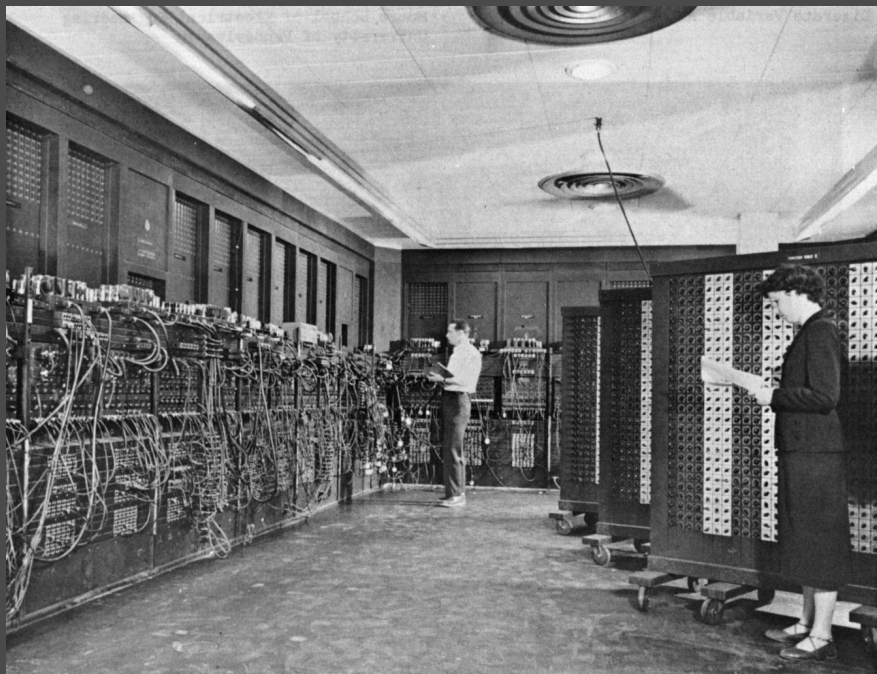
Telling time, brought to you by the...

Longitude Prize of 1714.

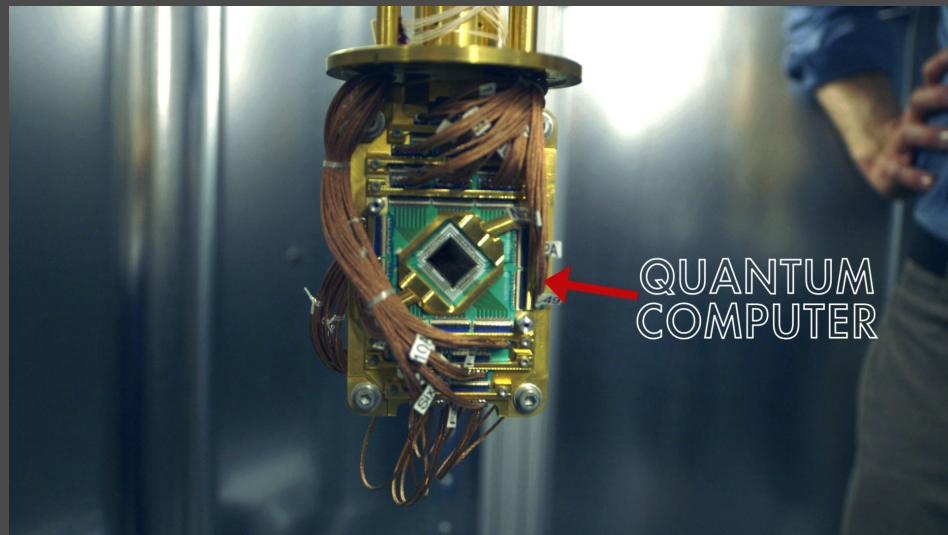


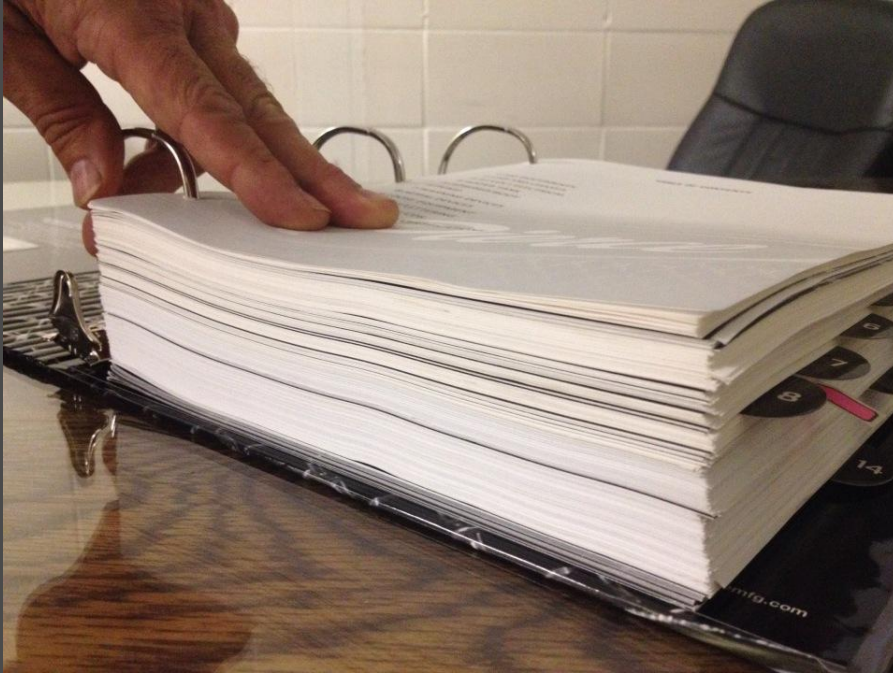
- £20,000 for a solution which could find longitude to within half a degree (equivalent to 2 minutes of time), and a group later known as the Board of Longitude was set up to assess submissions and offer rewards.
- 2 different solutions resulted, one of them being the **Harrison Chronometer**
- Harrison Chronometer basis for all modern clocks and watches.

How the Federal Government Should Use Prizes



If technology
continues to
evolve...





Then why does
the
government's
process to buy
technology *aka*
procurement still
look like this?

And feel like
this?



Because people *choose to*
do it this way.

Trying to buy
advanced, bleeding
edge technology
solutions by
**meticulously defining
up front** what that
technology is and how
it will be delivered **is
impossible.**



What can be done to avoid cost overruns?

Cost-plus contracting is essential under the right conditions. As the GAO reports found, overruns often result from the government's failure to understand and define requirements adequately up-front. Moreover, requirements that are still changing can lead to the expansion of cost-plus contracting beyond R&D into production. Finally funding programs at realistic baseline cost estimates also helps. Beyond requirements and cost realism, proper oversight and management and the application of standards will com

GAO reports four cost-plus contract problems with re National Defense strengthen FAR incentive fees to performances will Another improvement and quality of the plus contracts in a most critical step government acquisition and in managing co

- Joachim Hofbauer

Top Ten Defense Programs
Fiscal Year 2007 Outlays



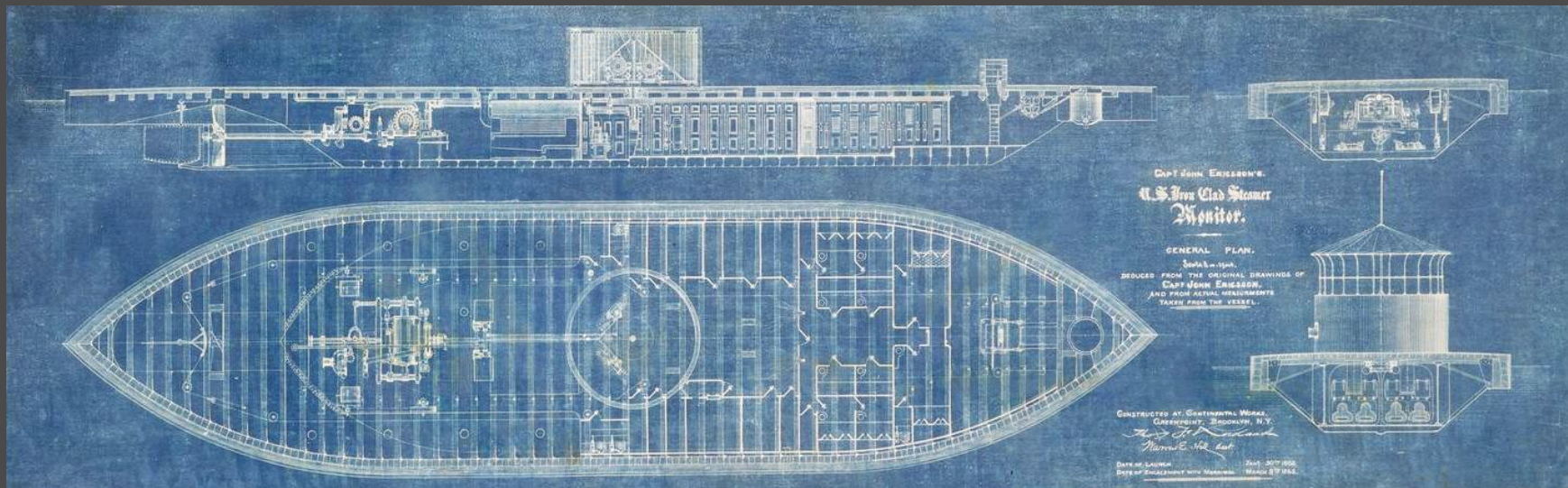
Government Accountability Office

FDCA
Device



GSA

But this is exactly how the government typically uses FAR based contracts... and the government has a long history of trying to do just that.



But this hasn't always been true
for the government.

U.S.S. Monitor

1861

- News that the Confederates in the South were constructing the ironclad *Virginia* from the *Merrimac* reaches the North in the spring.
- Congress appropriates \$1.5 million to construct rival “iron-clad” vessels.
- Contracting authority publicly announces on August 7.
- 17 designs submitted on September 15 with 3 selected before September 21.
- Contract signed on October 4.

Announcement to Award

45 days

Announcement to Award in 45 days...

**Without modern
telecommunication
technology in 1861**

U.S.S. Monitor

1862

- *Monitor* launched from drydock on **January 30**.
- Sea trials conducted in New York harbor during February.
- Almost immediately ordered to Hampton Roads, Virginia at the beginning of March at reports of the *Virginia* heading there.
- Saved many many lives and the eventual Union victory three years later.

Meanwhile at the War Department...

Secretary Stanton had to close the doors to the building at 3 p.m. to all but government officials because there were so many contractors pounding on the doors for payment that it was “like a cloud of locusts” and they needed a few hours to do actual work. **So they could have use a traditional contract, but chose differently.**

Award to Deployment of U.S.S Monitor

101 days

Award to Deployment in 101 days...

**Of something that had never
existed before in naval history**

U.S.S. Monitor Cost

\$250,000

in 146 days

U.S.S. Monitor *Would Cost Today*

\$6.4 million

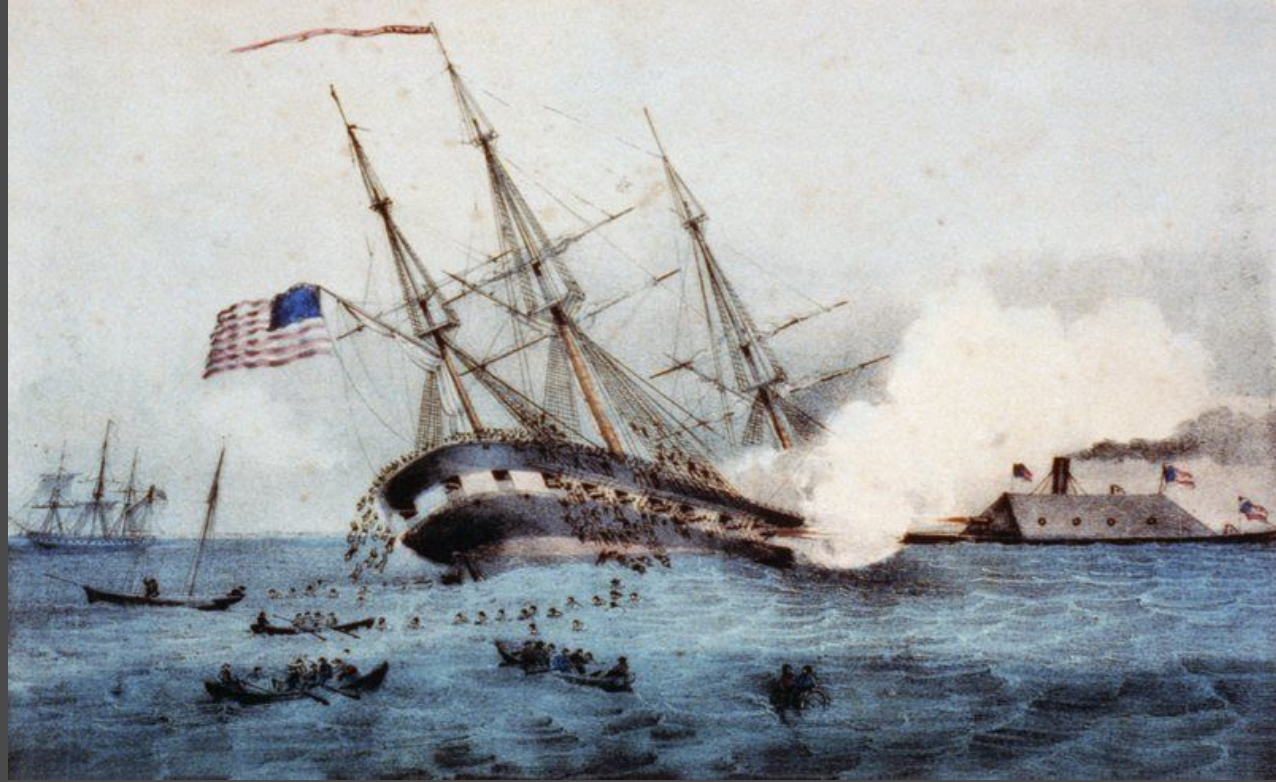
Average Time from Announcement to Award (For same \$ amount of commercial IT hardware, software, or services)

158 days

How long would it likely take to buy the
Monitor today?

Over 300 days

What would have happened if they chose to use a contract **instead of a prize competition?**



We can *choose*
to do better

**How can you successfully
use a challenge instead of
a FAR based contract?**

Rethink what you can do

Challenge.gov is not just
“crowdsourcing” or something to
generate agency publicity.

*Congress wants you to innovate
your agency’s mission.*

Challenge.gov

15 U.S. Code § 3719 - Prize competitions

“carry out a program to *award prizes* competitively to stimulate innovation that has the potential *to advance the mission of the respective agency*” Sec (b) of § 3719

41 U.S. Code § 106 - FAR

Acquisition means the acquiring *by contract* with appropriated funds of supplies or services (including construction) by and for the use of the Federal Government through purchase or lease, whether the supplies or services are already in existence or must be created, developed, demonstrated, and evaluated. *FAR 1.104 & 2.101*

15 U.S. Code § 3719

Prizes  **Contracts**

41 U.S. Code § 106

**Involve Your CO's, Attorneys, and
Agencies Early to Reach Consensus
On This Point!!!**

For some agency needs prizes better enable innovative solutions compared to traditional contracting methods that were intended for already available commercially products and solutions.

Traditional FAR Approach Elements

Cost

Time

Audience

Cost

- **Really high transaction costs**
 - **FTE time (Far more people doing more activities means less value add)**
 - **Contract access fees & associated costs increase prices on government contracts**
 - **Bid & proposal costs to solution providers also increase total price paid**

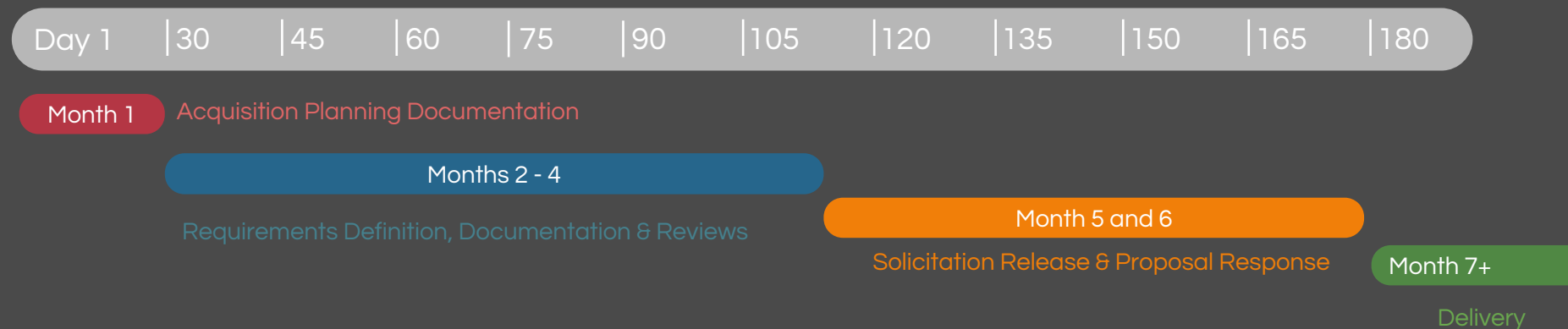
Time

260 days

**2015 World Bank's Government Procurement
Benchmark for the Average US Government
Procurement action is**

FAR Contract

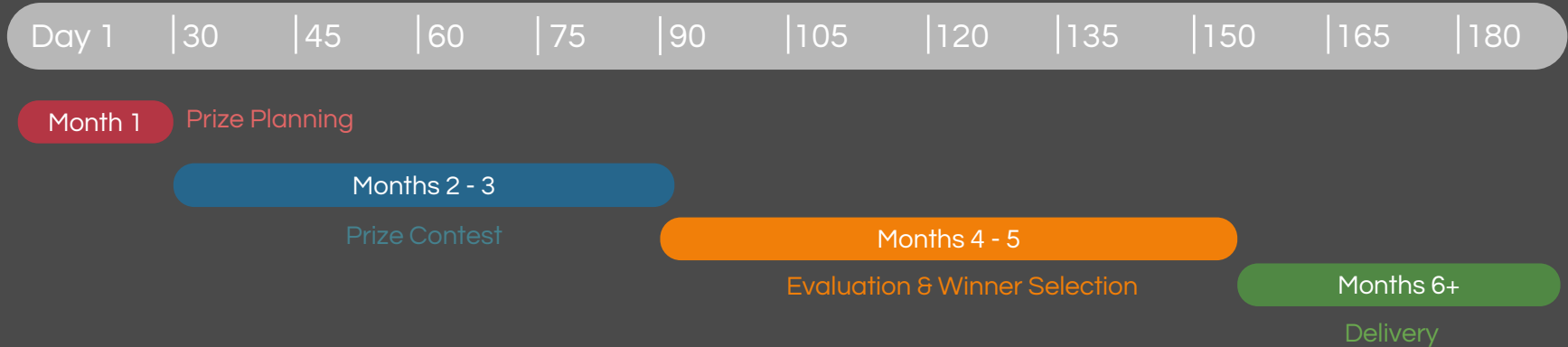
Procurement Administrative Lead Time



**This is an average PALT time for \$1 million dollar value based on public data.*

***I have never seen a contract only require 1-4 months of pre-solicitation requirements definition and planning. Typically the pre-solicitation phase takes 6+ months if you include market research activities like an Request for Information (RFI). So by the time you actually get delivery of what you wanted, you could have had a baby instead.*

Challenge.gov Prize Timeline



**Additional guidance can be provided by OPP on challenge.gov - this is an educated guess based on challenge.gov wide data for the same dollar value as the FAR based contract action from previous slide.*

Audience

FAR based contracts have a much high barrier of entry to even compete compared to prizes

- Contracts requires SAM.gov registration (allowing for full field of platform candidates to compete).
- Even with SAM.gov there are usually additional hurdles even for vehicles like GSA Schedule or using FedBizOpps.gov
- Has a compliance first model for good reason, but not aligned to pilots (FAR administration of terms and conditions, qualifications, approved systems, invoicing, etc.)
- Looking for new solutions from the same people/companies makes government contracting into a walled garden of isolation

Types of Prizes

The Act authorizes agencies to conduct:

- a point solution prize,
- exposition prize,
- participation prize, or
- “[s]uch other type[s] of prizes as each head of an agency considers appropriate to stimulate innovation that has the potential to advance the mission of the respective agency”

Match the Prize to the Problem

point solution prize = U.S.S. Monitor

exposition prize = World's Fair (were called Expositions)

participation prize = Crowdsourcing

other = Only limited by your agency's imagination

Thanks!

Mark Hopson

**General Services Administration
Federal Acquisition Service
Technology Transformation Service
Office of Acquisition**

The logo for the General Services Administration (GSA), featuring the letters "GSA" in white on a blue square background.