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The Military Engineer



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Construction on the \$25.1 million Warrior in Transition barracks complex at Fort Stewart, Ga., was completed in 2012. USACE SAVANNAH DISTRICT PHOTO BY TRACY ROBILLARD

Market Research: The Crucial First Step

Before a federal agency releases a Request for Proposals, it issues a Sources Sought announcement, which is an essential component of the government contracting process to ensure that the right makeup of companies is able to bid on a project.

By John Moore

Recently, an agency within the Department of Defense issued a Sources Sought announcement for its five-year \$1.5 billion to \$2 billion military construction program. The information sought will be used to justify numerous multi-year contracts for general construction services. When the opportunity was announced, the agency expected a significant response from the construction industry.

However, only about 55 firms responded. The agency expected to receive more than 100 hundred responses for a program of this size and duration. In the absence of new information from interested firms, the

agency will rely heavily on historic data from previous solicitations to build its plan. The end result may mean limited or no opportunity for firms in one or more small business categories.

This incident brings home the importance of responding to market research in contracting and knowing how this research is used. Better research is important for both the government and private contractors because the information gathered can help each side plan for a more effective and efficient procurement process—saving money and delivering better results.

The information gathered from a Sources Sought announcement for large programs is used to develop a long-term acquisition plan for placement of contracts that will ensure the efficient and effective execution of the program for up to five years.

The information is used to identify those new construction firms interested in doing business with the government; to locate firms with unique capabilities; to make decisions regarding the geographic placement of contracts; to determine the maximum value of each indefinite-delivery/indefinite-quantity (IDIQ) contract; and to set the minimum and maximum ranges for individual task orders that will be placed under each contract.

KNOWING THE PLAYING FIELD

Market research is an often misunderstood aspect of federal contracting. It is the first step in the government's acquisition process prior to issuing a Request for Proposals. The extent and type of market research employed by an agency depends on multiple factors, including a project's dollar value and complexity, the agency's experience and knowledge with that type project, and the types of firms capable of fulfilling project demands.

Agencies engaged in the procurement of construction services, such as the U.S. Army Corps of Engineers (USACE), have extensive historical data they will draw from when conducting market research. However, when procuring large unique projects such as a new hospital or a harbor deepening, USACE will employ additional forms of research such as industry days and outreach to trade organizations.

The government uses a Sources Sought to expand the competitive market—particularly among approved small business socio-economic categories such as service-disabled veteran-owned small businesses. Contractor responses can help ensure that opportunities in these subcategories are not missed, since contracts under these programs typically run three to five years.

Utilizing the Information

While the type of information an agency inquires about through a Sources Sought announcement can vary, there are a few critical items that are consistently requested.

The bonding capability of the firm on an individual contract and aggregate basis.

Individual and aggregate bonding capability of firms is used to determine the overall contract capacity and individual task order limitations for IDIQ contracts used in large programs. Bonding limits are particularly relevant to protecting the government's interest under IDIQ contracts, when a contractor may be required to perform multiple contracts at varied locations simultaneously.



Local and/or regional capability. Given the geographic coverage of the proposed contract(s), the agency will want to know if the firm has the capacity to perform effectively in all or portions of the region. Information regarding a firm's capability to perform in various geographic locations, combined with the size and location of future projects, is used to determine where to place contracts within the region, and the number of contracts necessary for efficient/effective mission execution.



Company experience with projects of similar scope, size, and complexity.

The agency will want to know if the firm has experience with all types of work that may be required. The agency also wants to know if the firm specializes in a particular type of construction service, such as paving or mechanical work. Information on a firm's experience with projects of similar scope, size and complexity is most critical where the agency is considering contracts for specialized types of work, to include schools, major rehabilitations, paving, and roofing.



The firm's size and socio-economic status. The agency will want to know if the firm is a large business or small business, and if it aligns with one or more small business subcategories. Information regarding the small business status of firms is used to determine whether a given contract should be issued unrestricted or set aside for one of the small business categories. This information will assist the agency in planning to meet its small business goals over the period of time covered by the plan.



When planning contracts for large continuing missions like military construction, and sustainment, restoration and modernization programs, agencies often rely on multi-year IDIQ contracts. These will take the form of a single award task order contract awarded to one firm, or a multiple award task order contract awarded to a pool of contractors that will then compete for future projects.

Sources Sought announcements for construction, as well as other services and supplies, are published on the Federal Business Opportunities (FedBizOps) website.

THE NEED TO RESPOND

Given that information gathered from Sources Sought announcements forms the basis for developing long-term acquisition plans and contracts for an agency, it is often surprising how few contractors typically respond to these announcements. A recent announcement by a USACE district for a \$26 million stand-alone project for a major Army Command facility at Fort Gordon, Ga., resulted in only four usable responses. This lack of feedback leaves the district to make its decision based primarily on past actions.

The decisions an agency makes with respect to contract size, task order limits, small business set-asides, and geographic location may result in contracts that will be in effect for multiple years. It is critical that industry provides viable input into what capabilities are out there.

The market research tools that are used may be an agency decision; but the most effective way to assure the success of critical construction programs across the federal government comes from a joint effort with industry partners. Because decisions are only as good as the information they are based on.

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John Moore, previously Head of Contracting, USACE Savannah District, is currently a Senior Advisor at Dawson & Associates; 202-289-2060, or jmoore@dawsonassociates.com.