



Lowest Price Technically Acceptable

Why All the Debate?

Scott R. Calisti

Industry continues to raise concerns about the perceived overuse by the Department of Defense (DoD) of the Lowest Priced Technically Acceptable (LPTA) source-selection process.

In appropriate circumstances, combined with effective competition and proper contract type, LPTA can drive down costs and provide the government with a best-value solution. Using LPTA can also simplify and streamline the selection process and deliver precisely the product or service required by the warfighter. Detractors argue LPTA drives us to only a “low cost, low quality” solution, stifles innovation and squeezes corporate margins due to downward pressure on price. Furthermore, industry contends, overusing LPTA in the long haul will erode the DoD technological edge through low-cost/low-performance solutions; cause performance innovators to depart the market and reduce the quality of goods and services provided.

Industry has a point. However, I would offer that the real issue is the inappropriate use of LPTA, which does adversely affect both industry and DoD. LPTA has a place in the “best value” continuum when applied correctly. This article will discuss the appropriate use of LPTA, how our regulations, policy, guidance and training have driven the appropriate behavior in its use, and the progress made by DoD thus far. I will then discuss some of industry concerns and believe that these concerns can be resolved by applying LPTA correctly.

Used appropriately, LPTA has value to DoD. But improper use of LPTA for complex products and services can rob DoD of innovations needed to maintain our technological advantage and meet the warfighter’s needs. Ultimately, it is in our best interest to make sure we use LPTA for the right requirements and under the right circumstances. We must ensure we continue to promote innovation *and* maintain our technological

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advantage when our requirements dictate the need for a trade-off process, while directly improving our acquisition system efficiencies. The proper application of both the LPTA and the trade-off process can support that end game.

LPTA is a useful source-selection process when we have well-defined requirements, when the risk of unsuccessful contract performance is minimal, when we determine price should play a dominant role in the source selection and when we neither value nor are willing to pay for higher performance. Simply put, its use is most appropriate when best value is expected to result from the selection of the technically acceptable proposal with the lowest evaluated price. In some cases, LPTA makes sense—but it does not if we are willing to pay more for objective performance, resulting in a trade-off between cost or price and non-cost factors. If there is no value to the government in performance beyond well-defined thresholds, an LPTA approach is an appropriate tool for source selections.

We continue to concentrate on LPTA's appropriate use and on how we define and apply "technical acceptability." From my perspective, the key to effective LPTA use is first to determine our needs through robust market research, good acquisition planning and careful development of our requirements. Through this process, we need to be able to firmly define our requirements and the "technically acceptable" criteria within the request for proposals, know the vendor-base products and services available to meet our needs, and be assured no value or benefit will accrue from a proposal exceeding minimum technical and performance requirements. With firm requirements that are clearly understood by both parties, a thorough knowledge of the marketplace and the conviction that the readily available products and services will meet our stated needs, LPTA is the appropriate choice.

Our regulations, policies, guidance—specifically, the *DoD Source Selection Procedures*—and workforce training outline the appropriate use of LPTA in making a "best value" determination. Published in 2011, the *DoD Source Selection Procedures* has a dedicated appendix for LPTA, which currently is being updated. The Defense Acquisition University (DAU) offers five courses for both contracting and noncontracting acquisition personnel that discuss LPTA policy and implementation. Additionally, the military Services, the Defense Logistics Agency and other DoD agencies offer their own training on source selection that includes the appropriate application of LPTA. These efforts are enhancing the contracting workforce skills and contributing to decisions to use LPTA appropriately.

The July 14 Government Accountability Office (GAO) report, "Factors DoD Considers When Choosing Best Value

For the requirements lending themselves to LPTA, we should not apologize for being concerned with price when several sources offer quality commercial and non-complex products and services that meet our stated requirements.

Processes Are Consistent with Guidance for Selected Acquisitions," found our efforts were getting results. After numerous interviews, review of our acquisition training and case studies of randomly selected Fiscal Year 2013 competitive awards of more than \$1 million each, GAO reported: "DoD's reasons for choosing LPTA or trade-off were generally consistent with guidance in the FAR [Federal Acquisition Regulation] and DoD's source selection procedures ... and its decision making regarding which source selection process to use did not appear ill-advised." They further reported that for contracts with higher obligations, the DoD used the LPTA process primarily to acquire commercial products, such as fuel, which is in line with our regulations.

Given this background of our intended application of LPTA and our policies, guidance and training to support the proper use of LPTA, let us examine the industry concerns.

Industry contends that quality solutions and LPTA are mutually exclusive and we cannot buy quality goods and services. LPTA will result in only the "low cost, low quality" solution, stifling innovation and eroding our technological advantage. I believe industry concerns are more about promoting the importance of price under LPTA than our ability to attain quality goods and services for the right requirements and under the right circumstances. After all, as individuals we use virtually the same process every day to buy the products and services we need: We decide what we need, compare the price among



the various firms offering that specific solution and pick the low-cost product that meets our stated needs.

We also understand that industry, especially vendors that rely on offering technical performance and service-level enhancements at higher pricing for products and services readily available in the market, are concerned about the use of LPTA and the importance placed on price. Their value proposition and the ability to offer their technical or performance solutions depend on the DoD's use of the trade-off process. Therefore, we expect our industry partners to advocate against the use of LPTA when they believe the government would benefit from the higher performance levels they offer. Moreover, the emphasis on price, after meeting minimum technical requirements, drives industry to reduce costs in order to remain competitive for the classes of goods and services using LPTA, and this puts pressure on profit margins. Again, for the requirements lending themselves to LPTA, we should not apologize for being concerned with price when several sources offer quality commercial and non-complex products and services that meet our stated requirements.

Industry also is concerned that DoD selects LPTA, not when the requirements and situation clearly dictate, but for reasons of acquisition efficiency and convenience. When our acquisition team selects LPTA based on market research, careful requirements development, thorough knowledge of the vendor base and its products and services, and when DoD will receive no benefit from performance above the threshold or minimum technical needs, we are on solid ground. If our DoD team selects LPTA for convenience, expediency or because of schedule pressures, we do a disservice to both the warfighter that required a trade-off process to secure the higher performance and to the industry partner that had the innovation needed to maintain our technological edge. Leadership at all levels within our acquisition system must prevent use of LPTA under these circumstances.

We recognize that despite our best efforts, in some cases LPTA will be used inappropriately and will fail to deliver the desired results and outcomes. As discussed, the incorrect application of LPTA has adverse impacts for both parties and we have a common interest to see LPTA used correctly.

This is exactly why we should only use LPTA when our requirements are clear, our knowledge of the vendor base is thorough and the risk of unsuccessful performance is low. In these cases, LPTA and effective competition will deliver the low-cost solution that meets the technical and performance needs. When these conditions are not present, we need to use a trade-off process because we should be concerned about securing innovative solutions for the warfighter that would maintain our technological edge, support the industrial base to

deliver these needs and provide industry a reasonable profit to support a lean, competitive and productive defense industry.

Under Better Buying Power 3.0's initiative to incentivize innovation in industry and government when the acquisition situation dictates a trade-off approach, we are driving our people to share clear "best value" definitions that outline the value, in monetary terms, for that higher performance. We want to provide access to draft technical requirements early so industry can plan for and offer innovative solutions. This will enable industry to propose higher levels of performance, within cost and affordability caps, because industry now is keenly aware of the value we place on performance above minimum or threshold requirements. In this case, our efforts are intended to deliver a "best value" selection that includes our need for innovative solutions that maintain our technological edge and at affordable and sustainable cost and requires a trade-off source-selection process.

In my opinion, the discussion on LPTA should not be about the mechanics of the process or whether LPTA inhibits innovation, results in a "low-cost, low-quality" solution or reduces corporate margins, but about the proper use of LPTA. If LPTA is used correctly, the DoD will acquire the specific class of commercial and non-complex products and services at the best available commercial price, and faster and more efficiently for the warfighter. Conversely, when our product and service requirements demand innovative solutions that we are willing to pay for, a trade-off process must be used. In those situations, we should share technical requirements in advance, communicate the monetary value of performance above the threshold or minimum performance standards so industry can understand the value proposition and can offer us a proposal to meet our needs with cost-effective, innovation solutions.

In the final analysis, both DoD and industry have a joint interest in the appropriate use of LPTA. For DoD, there is real value in using LPTA when the circumstances support a quick procurement of well-defined goods and services at the best pricing. This improves the efficiency of the acquisition process, thereby cutting costs and speeding solutions to the warfighter. Unjustified use, however, can prevent the warfighter from taking advantage of the higher performance level and innovation needed to maintain our technological edge and can deter industry from offering its most creative work in support of national security. The correct selection and application of the LPTA or trade-off source-selection process based on carefully developed requirements, thorough market research and solid acquisition planning will support our collective goal to ensure that the DoD provides effective incentives to industry promoting innovation and acquires what it needs without paying more than is necessary or required. 

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