

Army Acquisition Reform Newsletter



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AMCOM ACQUIRES 263 JAVELIN MISSILES USING UNIQUE PRICING MODEL

The U.S. Army Aviation and Missile Command had a requirement to buy an additional 263 JAVELIN missiles from the Raytheon/ Lockheed Martin JAVELIN Joint Venture using an option line item in the JAVELIN multiyear contract that allowed for the purchase of up to an additional 1,000 units at a NTE price of \$105,360 per unit.

In an attempt to process this action in a smarter and faster way, Ms. Sarah Kerry, Contracting Officer, and Mr. Rodger Pearson, Contract Specialist, approached the contractor's business manager about the possibility of waiving cost or pricing data if the Government and contractor could agree on a way to determine a fair and reasonable price for the additional units.

The solution was to employ the JAVELIN cost reduction plan pricing model (developed by the JAVELIN Project Office) and approved by senior Army officials.

This model is based on parametric estimates, engineering evaluations, statistical analysis, mathematics modeling, cost estimating relationships and inflation indices to establish a linear curve for various missile units. This model had been further validated by the evaluation of cost or pricing data over four production buys.

The instant action required additional price adjustments to the model to consider economic order quantities, the savings the multiyear would have achieved had the additional quantities been bought at time of basic award, and savings due to the contractor not having to provide a proposal supported by cost or pricing data. The end result was that a Cost or Pricing Data Waiver was obtained and the NTE unit price went from \$105,360 to the definitized cost of \$66,753 per unit (the average unit price of the multi-year quantities before this action was \$78,705). In addition, the time taken from receipt of a \$20 million requirement to contract modification definitization was 65 days, much of which was required for contractor management review. The point of contact for this article is Ms. Sarah Kerry at the U.S. Army Aviation and Missile Command DSN 746-1290 or E-mail, skerry@redstone.army.mil