



## ACQUISITION RESEARCH PROGRAM SPONSORED REPORT SERIES

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### **Comparison of Acquisition Efficiency on Subsistence Contract Management between the US and Japan**

June 2019

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## ABSTRACT

The objective of this research is to identify and analyze efficient acquisition process in acquiring subsistence (food) by comparing the U.S. and Japanese militaries. This will be accomplished by reviewing the entire process of subsistence contract management beginning from procurement planning, solicitation planning, solicitation, source selection, contract administration, and contract closeout. Through this analysis, metrics are developed that can measure which country's contracting system is more efficient in terms of process flow in regard to acquiring subsistence. Due to the differences in operational commitments, this thesis will focus on dynamic operational environment in the Pacific theater.



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Disclaimer: The views represented in this report are those of the author and do not reflect the official policy position of the Navy, the Department of Defense, or the federal government.



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## LIST OF ACRONYMS AND ABBREVIATIONS

AOR	Area of Responsibility
ARP	Acquisition Research Program
B2C2WG	Boards, Bureaus, Centers, Cells, and Working Groups
BAA	Buy American Act
BSA	Budgets, the Settlement of Accounts, and Accounting
CFR	Code of Federal Regulations
CGPR	Council of Government Procurement Review
CMMM	Contract Management Maturity Model
CONUS	Continental United States
COTS	Commercial Off-the-Shelf
CRS	Congressional Research Service
DAR	Defense Acquisition Regulations
DAS	Defense Acquisition System
DLA	Defense Logistics Agency
DLAD	Defense Logistics Acquisition Directive
DoD	Department of Defense
DoDD	Department of Defense Directive
EA	Executive Agent
FF&V	Fresh Fruit & Vegetables
FSOS	Food Service Operating Supply
GAO	Government Accountability Office
GPA	Government Procurement Agreement
GPRB	Government Procurement Review Board
HTRO	Highest Technically Rated Offer
JMOD	Japan Ministry of Defense
JSDF	Japanese Self Defense Forces
KO	Contracting Officer
LPTA	Lowest Priced Technically Acceptable
MOJ	Ministry of Justice
NCMA	National Contract Management Agency
OCONUS	Outside the Continental United States
ORD	Operational Requirement Document
OSD	Office of the Secretary of Defense
PACOM	Pacific Command



PALT	Procurement Acquisition Lead Time
PGI	Procedures, Guidance, and Instructions
POL	Petroleum, Oils, Lubricants
RAND	Research and Development Corporation
RMA	Revolution in Military Affairs
ROMO	Range of Military Operations
SECDEF	Secretary of Defense
SDF	Self Defense Force
TQM	Total Quality Management
USD(A&S)	Under Secretary of Defense for Acquisition and Sustainment
USD(R&E)	Under Secretary of Defense for Research and Engineering



## **I. INTRODUCTION**

Acquiring subsistence (or food) through efficient and effective contract management stands as one of the critical factors to achieving operational successes and supporting American troops around the world. The commitment to provide high-quality food contributes to not only boosting the troops' morale, which directly impacts operational success, but also to symbolizing the quality of life for those defending U.S. national interests, both at home and abroad. Therefore, this research reviews and analyzes the subsistence procedures of the United States and Japan in order to identify recommendations that enhance the overall subsistence contract management process and assist in the acquisition and provision of better food.

Japan has continued to emerge as one of the United States' premier military strategic alliances within the Pacific theater. With the continued expansion and growth of the Japanese Self Defense Forces (JSDF), it is forecasted that the contract process for acquiring food will become even more important in carrying out Japanese military missions and operations. Therefore, the development of a comparison framework on the subsistence contract processes between the United States and Japan would likely allow the Department of Defense (DoD) to adapt and improve the acquisition procedures within the U.S. Pacific Command (PACOM). In addition, using the framework would allow the DoD to identify and potentially implement those JSDF best practices for subsistence procurement, especially within the strategically important PACOM area of responsibility (AOR).

### **A. PURPOSE OF RESEARCH**

The purpose of this research is to identify and develop an efficient contract process for managing subsistence contracts by using a comparison framework that can be applied to assess efficiencies of the contract processes of the two countries. As part of the breakdown, this research focuses on the flow of the contract processes by utilizing metrics and evaluation criteria to adequately compare both countries' contracting methods for subsistence. To achieve this, the research identifies the features of the contract process that both positively and negatively affect its efficiency and apply evaluation criteria to assess those attributes, including each country's laws, regulations, and guiding principles. Then, the comparison



framework is applied to both processes to determine which process is more efficient in acquiring the subsistence and to identify a recommended approach.

## **B. RESEARCH QUESTIONS**

For the purpose of the objective of identifying and developing an efficient contract process for acquiring subsistence, this research is focused on the following primary and secondary questions.

### *a. Primary Research Question*

- What are the differences in efficiencies of subsistence contract process between the United States and Japan?

### *b. Secondary Research Questions*

- What are the crucial acquisition processes used by both countries?
- What are the differences in the contract management standard between the two countries?
- What are the differences in the contract life cycle?

## **C. SCOPE AND LIMITATIONS**

The scope of this research is focused on comparing the subsistence contract management processes implemented by the U.S. and Japanese militaries. To meet the purpose and objectives of this research, the comparison framework is developed to adequately assess the efficiencies of the subsistence contract process and workflows. Due to the significant differences in the operational commitments of the two countries, this research excludes the contracting process for supporting deployments or husbanding services for the troops or units heading overseas. Considering comparability and relevance of food requirements on both sides, the scope of this research includes an assessment and analysis of the efficiencies and effectiveness of contract management by comparing the contractual procedures.

There are two limitations to this research. First is the availability of data from JSDF. Required subsistence data was partially published and available within JSDF organizations but only in Japanese. Even though a limited amount of translated subsistence information was provided by JSDF, this research utilized open source publications to gather the required details in addition to individual translation based on a working knowledge of the Japanese language.



Second limitation is the significant differences in the operational commitments. Having different areas of operational responsibilities sets different levels of food requirements, making a normalized comparison between the two countries difficult. Therefore, this research overcomes such limitations by analyzing and comparing the contract management processes as a conceptual perspective in order to measure their effectiveness.

#### **D. METHODOLOGY**

This qualitative research was begun by collecting research from the Defense Logistics Agency (DLA) Troop Support Subsistence website, reviewing current DoD subsistence contracts, and conducting interviews with the Japanese Acquisition, Technology & Logistics Agency (ATLA), in addition to reviewing Japanese publications, Government Accountability Office (GAO) reports, and Congressional Research Services (CRS) reports. A literature review was conducted on articles related to subsistence contracts, comparing how the United States and Japan conduct their subsistence contracts for the military. The literature review was analyzed to determine key factors that compared the U.S. acquisition efficiencies and the Japanese acquisition efficiencies. This framework is then applied to collect data on the United States and Japan to determine the efficiencies of subsistence contract management of each country.

#### **E. ORGANIZATION OF REPORT**

This research is composed of five chapters, as follows. Chapter I provides an introduction, purpose, primary and secondary research questions, scope, limitations, and methodology of the research. Chapter II includes applicable background information on the acquisition systems for both the United States and Japan. Chapter III includes a literature review on measuring efficiency based on related studies, reports, and publications. Chapter IV focuses on an analysis of the subsistence contract process, methodology, and evaluation. Chapter V summarizes findings, recommendations, and conclusions, along with possibilities for further research.



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## II. BACKGROUND

This chapter includes background information and a comparison of the acquisition systems of the United States and Japan as a foundation for further comparative analysis. The chapter begins by highlighting the defense acquisition systems of the United States and Japan as a framework for procurement. The chapter then expands upon the foundational understanding of the two countries' acquisition systems with an overview of the guiding principles, laws, and regulatory documents that govern how each country operates. Finally, the section on regional operational processes presents a discussion of the existence of regional arrangements that the United States and Japan have made for matters relating to subsistence.

In the United States, the Defense Logistics Agency (DLA) is responsible for contracting, purchasing, storing, and distributing most of the consumable, expendable, and repairable items for the DoD. In Fiscal Year (FY) 2017, the DLA provided more than \$34 billion in contract actions for the storage and distribution of food, fuel, uniform apparel, pharmaceuticals, medical and surgical products, and equipment and weapons repair parts for the military services and other customers worldwide. The DLA conducts such a broad mission set by employing a staff of roughly 27,000 employees with a worldwide distribution system divided into nine supply chains that contract across all classes of supply (Defense Logistics Agency [DLA], n.d.).

Although this research centers on subsistence operations, it is important to highlight the operational reach, mission capability, and logistical capacity of the DLA. The DLA has three distinct classes of customers: deployed warfighters; non-deployed warfighters and U.S. military facilities such as installations, depots, and shipyards; and other U.S. government agencies, as well as allied and partner nations. The DLA's major responsibilities are to buy or contract, warehouse when needed, or distribute about five million distinct consumable, expendable, and repairable items. Last, the DLA contracts for high-volume, commercially available items such as food and medical supplies, based on military service requirements, and delivers these items directly to the requesting customer (Defense Logistics Agency [DLA], 2018). The DLA conducts this wide logistical mission



set to enable warfighter readiness and extend its operational reach by synchronizing and integrating contracted capabilities.

This centralized approach to logistical support stems from decades of materiel supply chain efficiency improvements dating back to the 1940s (Defense Logistics Agency [DLA], n.d.-f). Prior to World War II, each branch of military service maintained responsibility for its own subsistence oversight and management. This decentralized approach caused inefficiencies in supply chain management and an aggregate increase in logistical costs across the DoD and resulted in food operation disparities in support of military operations (Grasso, 2010). Today, the DLA director oversees six major subordinate commands (see Figure 1). DLA Troop Support, headquartered in Philadelphia, manages all acquisitions for subsistence, textiles, construction material, industrial hardware and medical supplies (Defense Logistics Agency [DLA], 2018). Solely regarding subsistence, the DLA is the DoD’s executive agent (EA) and provides end-to-end procurement for DoD food subsistence requirements for all operations in support of worldwide U.S. military operations, civilian agencies, and foreign countries (Department of Defense [DoD], 2015).



Figure 1. Subordinate DLA Commands. Source: DLA (2018).



In Japan, the responsibility of contract management is divided based on a type of material procuring and contract value, and there is no single point of contact for procuring food. Rather, according to the applicable public law, the contract management responsibility is granted to the head of each service component or central acquisition office in the Japan Ministry of Defense (JMOD). However, it is important to understand the roles and responsibilities of stakeholders within JSDF regarding contract management, which are far different from the stakeholders' roles and responsibilities in the United States.

At the start of the contract management process, the JMOD's ATLA acts as a primary office in planning and providing policy for contract management for all organizations under the JMOD. Additionally, it is solely responsible for procuring materials categorized under Central Procurement, which includes weapons systems, major equipment, ammunition, oils, military rations, uniforms, and related gear. Next, either the Logistics Depots or each base/camp of JSDF is directly responsible for contracting and procuring those materials falling under the Local Procurement category for their assigned areas. This includes fresh food, office supplies, and all other items that are not being acquired by ATLA (ATLA, personal communication, December 28, 2018).

Based on this unique separation of the contracting responsibility between JMOD headquarters and each service component of JSDF, therefore, each service is directly responsible for developing its own rules, regulations and policy using the Standard of Operations for its own procurement and contract management (ATLA, 2018, slide 5). There are no standardized procurement regulations other than those rules outlined in the public law, which is a significant difference between the United States and Japan. See Figure 2 for ATLA organizational structure.



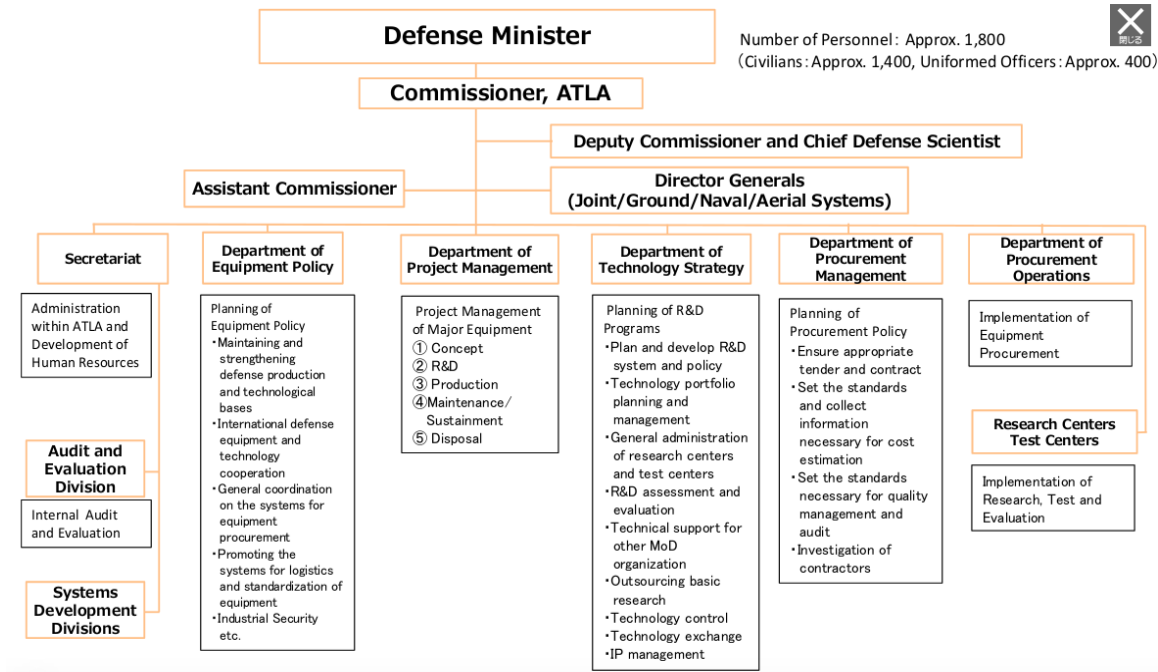


Figure 2. ATLA Organizational Structure. Source: ATLA (n.d.).

## A. COMPARISON OF DEFENSE ACQUISITION SYSTEMS

According to DoD Directive 5000.01, the Defense Acquisition System (DAS) is established as a fundamental management process to effectively deliver requirements to warfighters at reasonable cost in timely manner (DoD, 2018). The same directive states the policy of DAS

exists to manage the nation’s investments in technologies, programs, and product support necessary to achieve the National Security Strategy and support the United States Armed Forces (DoD, 2018, p. 2).

To directly align with the primary objective of defense acquisition, DoD Directive 5000.01 directs acquisition professionals to acquire products with improved quality at best value while meeting user requirements to enhance operational capability and functional support (DoD, 2018, p. 3). Therefore, this directive acts as a fundamental document and driving force for execution of defense procurement policies, management, and strategy.

The defense acquisition system provides the planning, guidelines and funding to acquire or procure the defense requirements as an outcome of bureaucratic and complex governmental procedures. Due to differences between the countries, in many respects, it

can be challenging to determine which system adequately satisfies user requirements when cultural, social, and political factors are taken into account; yet defense practitioners can always learn from one other. As illustrated in Figure 3, both the United States and Japan notably structured their defense acquisition system based on its purpose; the differences are closely silhouetted against one another. As shown in Figure 3, despite the distinctions of each system, both systems share the fundamental basics, including the functions of planning, budgeting, and procurement, named differently but laid out as similar concepts. To understand the fundamental differences in the defense acquisition systems, it is necessary to compare and analyze the acquisition systems, which influence the overall contract management process.

## The Acquisition System

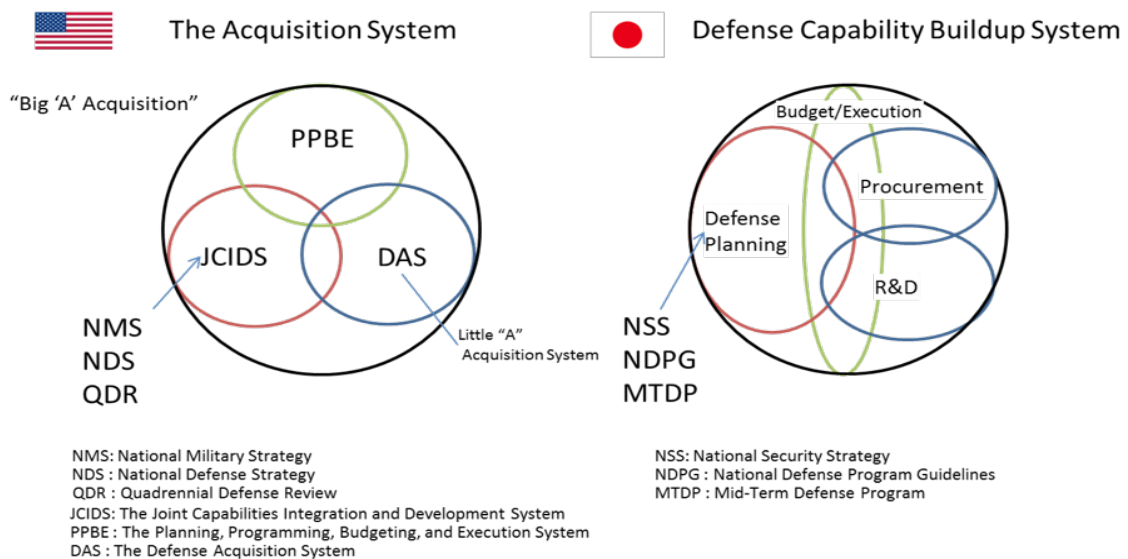


Figure 3. Acquisition System Structure of the United States and Japan.  
 Source: Sugai (2016).

For the United States, Big “A” Acquisition is a well-known nickname for the defense acquisition system, which is an integrated process comprised of three parts: the Joint Capabilities Integration and Development System (JCIDS); the Planning, Programming, Budgeting, and Execution System (PPBE); and the Defense Acquisition System (DAS). To further break down those elements, JCIDS addresses joint warfighting

shortfalls and identifies necessary military capability to support the National Defense Strategy (NDS) and the National Military Strategy (NMS) (Manning, 2018c). PPBE focuses on financial management and resource allocation, which is established by the Secretary of Defense (SECDEF) (Manning, 2018c). Lastly, DAS, also known as the little “A” acquisition system, acts as the management foundation to implement the policies in executing all DoD related programs (Manning, 2018b).

As outlined in Figure 4, the Japanese SDF defense acquisition system is broken into four areas: Defense Planning, Budget/Execution, Procurement, and Research and Development (R&D). Unlike the United States’ integrated framework, Japan treats each acquisition system as a sequential action and relies on an event-driven process throughout the acquisition process. Japan’s defense acquisition system begins with methodical order of the Defense Planning, a systematized procedure beginning at the top national level based on the National Security Strategy, which is followed by the National Defense Program Guidelines and the Mid-Term Defense Program (Kausal & Markowski, 2000, p. 2-21). As a result, the Defense Planning stage sets a guideline to build a defense capability and directly influences the writing of an Operational Requirement Document (ORD), which contains proposed defense requirements or changes to an existing defense system (Kausal & Markowski, 2000, p. 2-25). Once the ORD is approved, the processes are used to further determine whether the acquisition should be developed through research and development or procured from a commercial source. Then the SDF submits its defense requirements to the Diet, which is the Japanese equivalent to the U.S. Congress, for budget request and appropriation approval (Kausal & Markowski, 2000, p. 2-22).



# The Acquisition Process

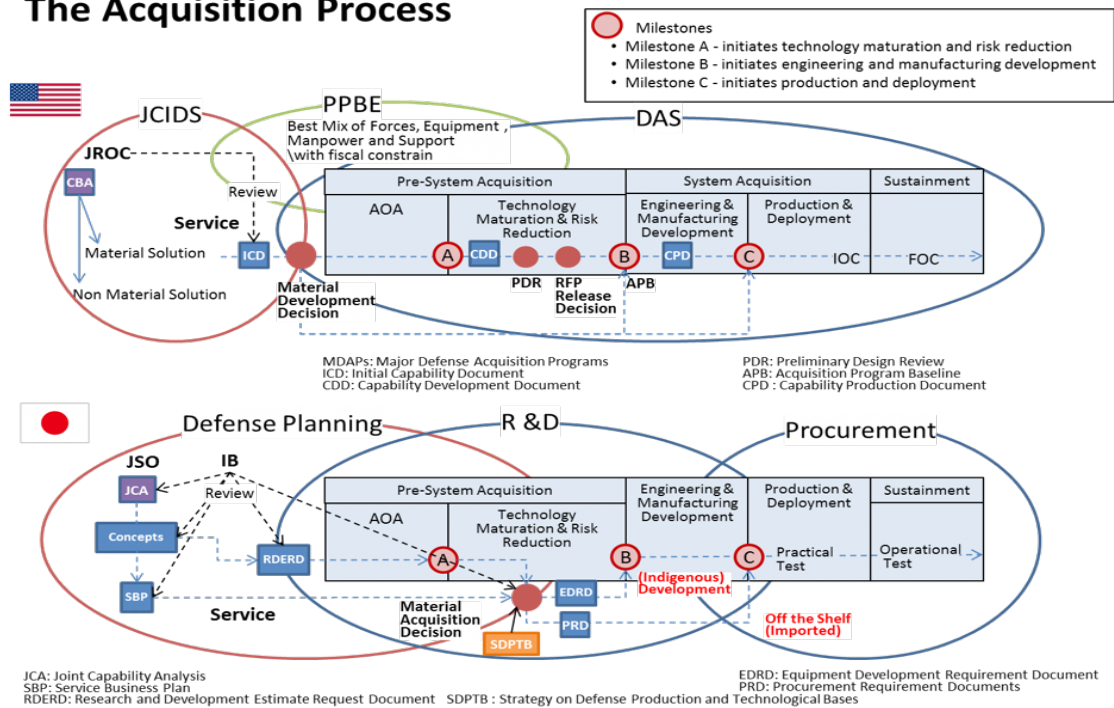


Figure 4. Acquisition Processes of the United States and Japan.  
Source: Sugai (2016).

## B. ACQUISITION GUIDING PRINCIPLES

The principles that guide the acquisition procedures of the United States and Japan are vastly different from one another. However, each system exhibits the ability to adapt to change given the necessities of the operational and business environments. The sustainment principles for both countries are derived from published laws and regulations and act as the blueprint to guide long-term success in providing mission-oriented support for the warfighter.

### 1. Japan

The procurement processes of the JSDF are governed by a complex set of laws, regulations, and official directives stipulated independently by the JMOD. Particularly, upon establishment of ATLA in October 2015 under JMOD, various rules and regulations related to a process of government acquisition were updated (Masuda, Nozaki, Suzuki, & Nihonmatsu, 2018). The following laws directly govern the JSDF procurement process: the Accounts Law (Act No. 35 of 1947), Cabinet Order concerning the Budget, Auditing,

and Accounting (Imperial Ordinance No.165 of 1947), and the Local Autonomy Law (Law No. 67 of 1947) (Ministry of Foreign Affairs of Japan [MOFA], 2019).

As the principal guidance in Japan, the basic provisions pertaining to the government procurement are found in the Accounts Law (also known as the Public Accounting Act). Specifically, Article 29 of the Public Accounting Act, No. 35 of 1947, directs heads of ministries and agencies to manage administration in connection with contracts under their jurisdiction (MOJ, 2012). Because the Japanese government does not have specialized procurement bodies, each agency, including JSDF, administers its own procurement agreement and develops its own contract administrative rules, regulations, and directives governing to the Accounts Law (Umeda, 2010).

In the lack of a central procurement agency, JSDF established the ATLA to increase the efficiency of the defense production and acquisition system. To align with its purpose, JSDF divides procurement into two types: central and local. Central procurement is directly managed and executed by the ATLA in procuring major equipment, ammunition, fuels, military rations, uniforms, gear, and so forth. On the other hand, local procurement pertains to all procurement conducted outside of the ATLA including tools, parts, outsourced maintenance, materials for daily drill, office supplies, and so on (ATLA, 2018, slide 5). Fresh food or subsistence is categorized under local procurement, and the contracting office at each JSDF base is directly responsible for procuring and contracting management of the food. Therefore, the guiding principles for the JSDF in procuring food are included in the responsibilities of the head of each service component and its own local Standard Operating Procedures (SOP) developed upon the basis of the Accounts Law (ATLA, personal communication, December 28, 2018). A further comparison of several major defense acquisition reform initiatives in the United States and in Japan are listed in Table 1.



Table 1. Comparison of Defense Acquisition Reforms in the United States and in Japan. Source: Sugai (2016)

Years	United States		Japan	
	Initiative	Description	Initiative	Description
1960–1970s	DoD Directive 5000 series (1971)	Program management guidelines	The Guideline for Domestic Development/ Production (1970)	To enhance Japan’s defense industry and technical bases through indigenous development or licensed production
1980s	The Packard commission (1986)	Efforts targeting perceived waste, fraud, and abuse The creation of USD(A) Aimed to increase Commercial Off-The-Shelf (COTS)		
	Goldwater–Nichols Act (1986)	Defense Acquisition Board (DAB), three-tiered acquisition management chain of command		
1990s	Streamlining and Move to Commercial Contracts	Focus on streamlining overly rigid military specifications and process Education and effectiveness of the acquisition workforce	Defense Procurement Reform Initiative (1999) Defense Procurement System Study Group (1999)	To enhance audit system to defense industries Aimed to increase COTS Reorganization of procurement agency
2000s	Rumsfeld Doctrine: Revolution in Military Affairs (RMA) and DoD Transformation	Focus on transformational technologies	The Comprehensive Acquisition Reform Committee (2007)	To reform the import process To enhance life cycle cost management To increase the outsourcing.
	Weapon Systems Acquisition Reform Act (WSARA) (2009)	To limit cost overruns before they spiral out of control	Budget Screening Process (2009)	Reevaluation of ongoing government projects.
2010s	Better Buying Power (2010)	Do more without more To improve cost and productivity	Ministry of Defense Reform Initiative (2010–2015)	Establishment of ATLA Reorganization of the Internal Bureau
	Better Buying Power 2.0 (2012)	Controlling costs through the product lifetime Greater efficiency and productivity in defense spending	Defense Production and Technological Base Strategy (2014)	Improvement of the contract system Establishment of a vision for research and development Maintain robust supply chain
	Better Buying Power 3.0 (2015)	Shift toward innovation and technical excellence		





## 2. United States

The origin of the U.S. government's authority to enter into contracts comes from the Constitution and is subject to various statutes and regulations. Although the Constitution does not specifically refer to U.S. government contracts, the government has the implied power to use contracts to fulfill its responsibilities (National Contract Management Association [NCMA], 2017). This expressed authority is vested from the Constitution down to governmental agencies and eventually to select personnel within the DoD by way of a contracting officer's warrant.

Within the DoD, the standard ability to procure goods and services with appropriated funds is governed by the Federal Acquisition Regulation (FAR) and the Defense Federal Acquisition Regulation Supplement (DFARS). The FAR is codified by statutory law set forth at Chapter 1 of Title 48 of the Code of Federal Regulations (Federal Acquisition Regulation, 2018).

The DLA, like many government agencies, sets forth its own subset of directives, policies, and procedures. The principal document responsible for vesting the DLA with the authority to procure subsistence is Department of Defense Directive (DoDD) 5101.10E, which designates the director of the DLA as the DoD Executive Agent (EA) for subsistence pursuant to Section 113 of Title 10, United States Code (U.S.C.). This directive is reviewed, updated, and signed periodically by the deputy secretary of defense. The significance of the directive is that the DLA is charged with managing subsistence across the entire range of military operations (ROMO). Moreover, the directive is applicable across all DoD components including the Office of the Secretary of Defense (OSD), each military department, combatant commands, and all defense agencies (DoD, 2015).

The Buy American Act (BAA) and the Berry Amendment provide the statutory authority for the military to procure food. The Congressional Research Service (CRS) drafted a report to summarize the background and key authorities within each public law. The report outlines that "the Berry Amendment is codified within Title 10, U.S.C. § 2533a and requires the DoD to give preference to the procurement of domestically produced, manufactured, or homegrown products, notably food, clothing, and fabrics" (Grasso, 2010). A complementary CRS report goes on to state that the Berry Amendment was





“originally enacted in 1941 to protect the U.S. industrial base, and was [subsequently] implemented in DFARS Subpart 225.70 as part of the FY2002 National Defense Authorization Act (NDAA)” (Grasso, 2014). However, as Nash and associates point out, “the Berry Amendment differs from the Buy American Act (BAA), another domestic preference statute, in that the BAA governs most procurement by the federal government, while the Berry Amendment governs DoD procurement only. Further, the BAA requires that substantially all the costs of foreign components not exceed 50% of the cost of all components, while the Berry Amendment requires, with limited exceptions, that items be 100% domestic in origin” (Nash, O’Brien-Debaquey & Schooner, 2013).

In response to a requirement leveraged within the FY2017 NDAA, the DoD drafted a report to Congress in August 2017, outlining its restructuring efforts to become a more agile and responsive acquisition community. The report begins by stating that the Under Secretary of Defense for Acquisition, Technology, and Logistics (USD[AT&L]) was restructured in February 2018 in order to provide a “competitive advantage and ensure warfighting superiority of U.S. forces around the globe” (DoD, 2017b). The report goes on to state that “this DoD restructure established the Under Secretary of Defense (Research and Engineering) (USD[R&E]), as well as Under Secretary of Defense (Acquisitions and Sustainment) (USD[A&S]).” Specific to sustainment, USD(A&S) is overall responsible for overseeing and managing the delivery of high-quality food items to warfighters, both at home and abroad (DoD, 2017b).

As the EA for subsistence, the DLA director reports directly to the Assistant Secretary of Defense for Sustainment (ASD[Sustainment]) and organizationally falls under the umbrella of the USD(A&S). The ASD for Sustainment, with promulgated acquisition policy from USD(A&S), will “focus the DLA on joint and cross-service materiel readiness issues, support the services’ up-front sustainment and subsistence requirements, and identify best practices across the force to drive down costs of major procurements” (DoD, 2017b). Figure 5 depicts the reorganized USD(A&S).



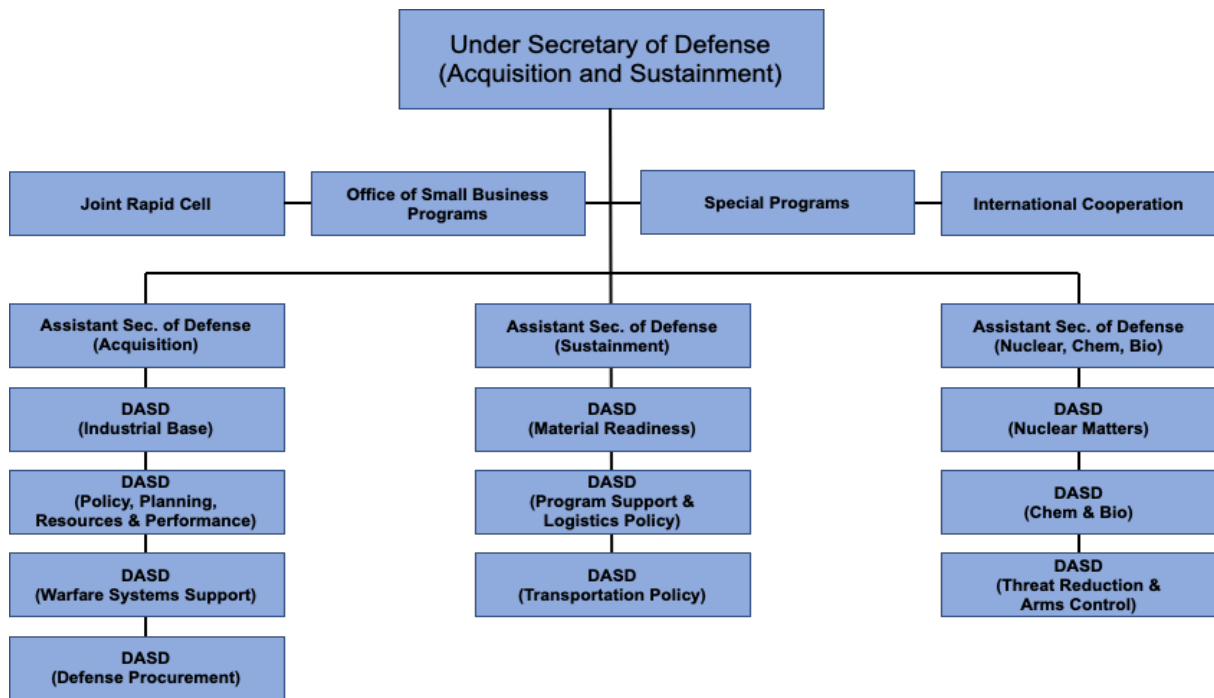


Figure 5. The Restructured USD(A&S). Source: DoD (2017b).

### C. REGIONAL OPERATIONAL PROCESS

The regional operational processes for the United States and Japan are very similar, and in some places, they are the same. Both countries have food delivered to their bases, and both have food delivered to their bases outside their countries. Both countries use a prime vendor to make sure the subsistence is delivered to the troops home and abroad. According to the DLA Troop Support Pacific website, the “subsistence supply chain provides total dining hall and galley support worldwide to military and other authorized federal customers. Through the subsistence Prime Vendor program and direct vendor delivery, customers can receive their food 48 hours after placing an order. Account managers are assigned to ensure customers get good service and high-quality items” (DLA, n.d.-e).

According to the Defense Logistics Agency (DLA), “the prime vendor model uses commercial practices for material distribution. The prime vendor process starts with a contractual agreement between the government and a commercial vendor. The single vendor (the prime vendor) buys inventory from a variety of suppliers, and the inventory is stored in commercial warehouses. The customer orders food supplies from the prime

vendor, largely through electronic ordering systems. The supplier then ships directly to the customer, as needed, within a specific geographic area. This process reduces delivery time to the customer and by using the private sector's storage and distribution system, reduces the DoD's inventories and associated warehousing and redistribution costs. This, in turn, reduces the costs borne by the U.S. taxpayer" (DAU Prime Vendor Program, n.d.). The prime vendor model was designed to do the following:

- Use "just-in-time" business practices that shift responsibilities for storing and managing inventory to commercial suppliers,
- Shift responsibility for managing items to suppliers through the use of long-term agreements with only a few key suppliers,
- Use direct delivery practices that bypass the need for intermediate handling and storage, and
- Eliminate paperwork and speed up ordering by using electronic ordering systems and bar coding. (DAU Prime Vendor Program, n.d.)

#### **1. U.S. Regional Operating Process**

The DLA uses two categories of subsistence contracts: Prime Vendor and Market Fresh. Prime Vendor items are usually items that can be kept frozen or canned. Market Fresh includes bakery items, dairy, and produce. The DLA has divided the world into two food service regions: Continental United States (CONUS) and Outside the Continental United States (OCONUS). DLA subsistence contracts are handled the same way for CONUS and OCONUS. The DLA further divides these two regions into eight sub-regions. Six regions use both a Prime Vendor and Market Fresh, and two regions use Prime Vendor (see Figures 6 and 7).

CONUS—The United States uses four locational categories in CONUS; all of these use both Prime Vendor and Market Fresh. The three locations are West Prime Vendor, East Prime Vendor, and South Prime Vendor. Another category is specifically for CONUS Navy ships. Table 2 lists the vendors that handle the specialized locations.



Table 2. CONUS Prime Vendors/Market Fresh Suppliers.  
Source: DLA (2018).

<b>DLA Owner</b>	<b>Area of Responsibility</b>
West Prime Vendor	Nebraska, South Dakota, North Dakota, Nevada, California, Utah, Arizona, Texas, New Mexico, Colorado, Wyoming, Washington, Montana, Alaska, Idaho, Oregon
East Prime Vendor	South Carolina, North Carolina, Virginia, New Jersey, Pennsylvania, New York, Connecticut, Massachusetts, Rhode Island, Maine, New Hampshire, Vermont, Wisconsin, Ohio, Kentucky, West Virginia, Kentucky, Tennessee, Maryland, Washington, DC.
South Prime Vendor	Alabama, Georgia, Florida, Louisiana, Mississippi, Texas, Oklahoma, Arkansas, Missouri, Kansas, GTMO/ Bahamas, Ecuador, Honduras, Puerto Rico,
Navy Ships Prime Vendor and Fresh Markets	Norfolk, San Diego, and Puget Sound (WA)



Figure 6. CONUS Prime Vendors / Market Fresh Locations.  
Source: DLA, (2018).

OCONUS—The United States uses four locational categories in OCONUS as well, they are geographically determined. The sustainment is categorized as Prime Vendor and Market Fresh. Unlike CONUS, OCONUS has two areas that do both Prime Vendor and Market fresh, and the other two only have Prime Vendor. Even though DLA does not

procure subsistence through the Market Fresh program in Europe or the Middle East, they utilize local procurement procedures for fresh food items.

Table 3. OCONUS Prime Vendors/Market Fresh Suppliers.  
Source: DLA (2018).

DLA Owner	Area of Responsibility
Latin America Prime Vendor and Market Fresh	Panama
Middle East Prime Vendor	Kuwait, Iraq, Syria and Jordan, Iraq, Kuwait and Jordan Zone 2-UAE, Oman, Djibouti and Kenya, Afghanistan Zone 1- Bahrain, Qatar, Saudi Arabia
Europe Prime Vendor	Northern Europe and Western Africa Southern Europe
Pacific Prime Vendor and Market Fresh	Hawaii, Guam Land-base, home-Base and Visiting Ships Japan, Singapore and Diego Garcia, U.S. and USNS Ships Hawaii, Okinawa, S. Korea



Figure 7. OCONUS Prime Vendors / Market Fresh Locations.  
Source: DLA (2018).

## 2. Japanese Regional Operating Process

Japan uses one type of contract for all subsistence and relies on a prime vendor that takes care of all its food needs. All procurement is done locally by local military contracting officers. Each location orders its own food and does its own contracts for subsistence (see Figure 8). Japan’s primary military focus is in the Pacific area, so it does not have

worldwide operational commitments that require it to have prime vendors all over the world. The Japanese order their food on the lowest level and contract it out.

Japan's procurement process selection is based solely on the cost of the contract for subsistence. The Japanese contract their subsistence from local companies, and as long as a company is prequalified, it can submit a proposal. Japan can procure subsistence from any company and any country if it is prequalified to participate in bidding process. Since there is no law or regulation restricting procurement to domestically produced food, Japan does not have to contract out only to Japanese companies. The law does require a contracting officer to look at small and medium-sized companies in consideration of the socio-economic implications, while also allowing for the selection of a non-local or foreign company when necessary. Contracting officers are recommended to buy local, but there is no law enforcing this recommendation. If a qualified outside company comes into the area and puts in a qualifying bid with the lowest price, then they will win the contract (Kausal & Markowski, 2000). Japan has tried to increase opportunities for foreign companies to be more involved in the Japanese market and has set up a voluntary measure for non-discriminatory, fair, and transparent procedures for foreign companies (MOFA, 2019).

Japan does not execute long-term contracts with its prime vendors. Japan does all its subsistence contracts for three months at a time. They believe that doing short-term contracts gives them the best opportunity for current pricing. This also gives them the opportunity to work with many vendors. Since they decide the contracts solely on cost, they get a lot of competition. Each branch and each military base location pursue its contracts independent of each other. The commands all do three-month contracts and do their own contracts for each.

Since Japan concentrates its military close to the Pacific, it does have limited contract authority with those that go to other parts of the world not in the Pacific. The contracts may be limited in scope, but JMOD still orders their subsistence from the local area wherever they are.





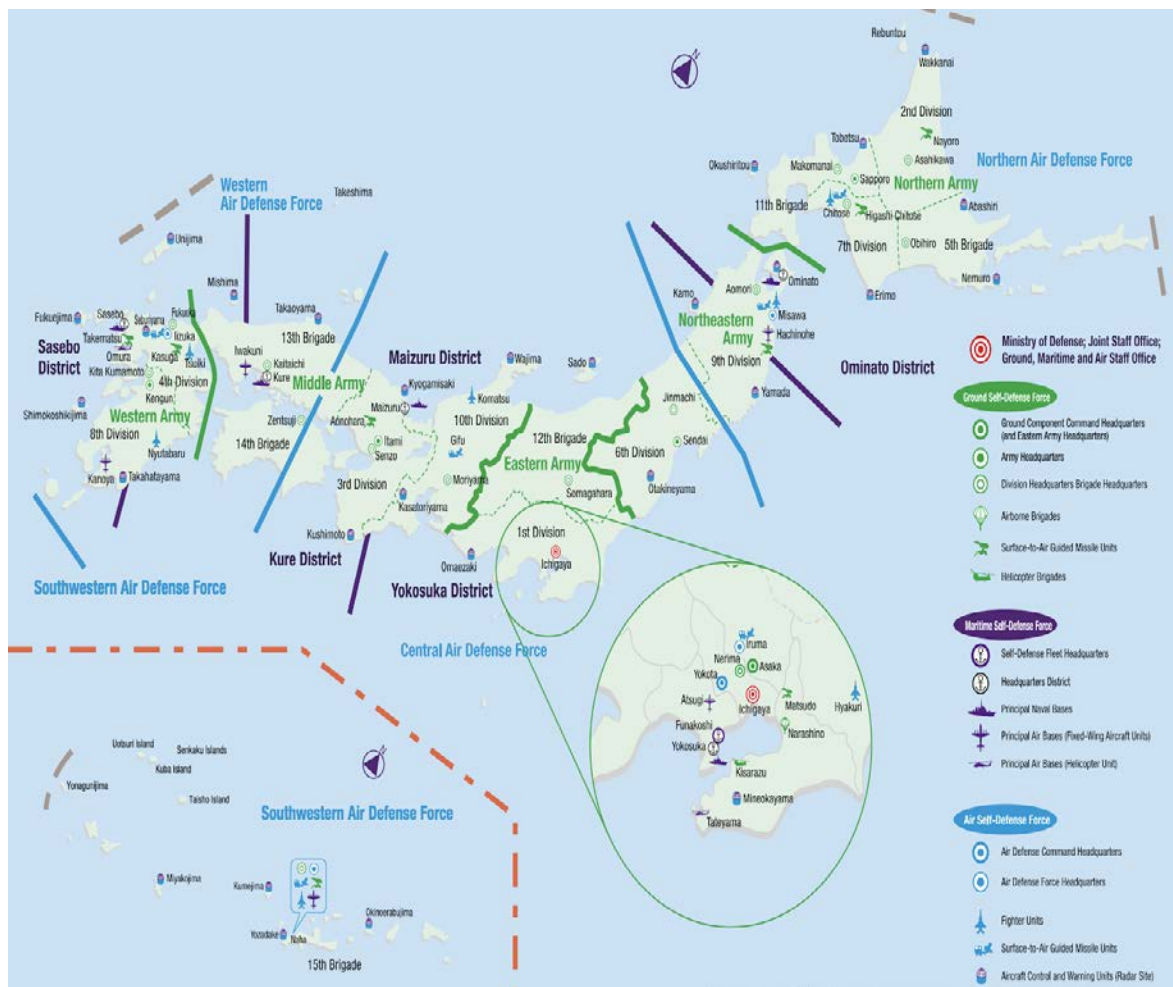


Figure 8. Location of Japan’s Self Defense Force Units. Source: MOD (2018).



## **D. CONCLUSION**

This chapter presented background information, highlighted differences between the U.S. and Japanese acquisition systems, and discussed guiding principles, policy directives, and the subsistence regional procedures for each nation. Chapter III contains a review of the literature on the U.S. and Japanese subsistence procedures, issues regarding utilization of the current subsistence systems, and previous studies and publications regarding subsistence management between the two nations.





### III. GUIDING PRINCIPLE REVIEW

A search for related literature comparing subsistence contracts in the United States and Japan yielded no results on the topic of this research. The review efforts were expanded to various resources including the public library, Government Accountability Office (GAO) reports, the Library of Congress, DoD reports, academic research, commercial media, and non-profit public policy organizations. Even though various resources present findings about defense acquisition in both countries, the literature mainly focuses on the contract process of weapon system development or procurement. Therefore, this literature review focuses on legal frameworks and fundamental guiding principles followed in both countries as they directly influence the contracting process for food procurement.

For that reason, this chapter presents a review of fundamental legal framework and applicable laws that guide the government contracting process. It also includes a discussion of contracting leadership, regulations on contract authority flows within the contracting organizations, and the steps of the contract award process as the basis of the comparison of the contract processes. In conclusion, the focus of this analysis is to identify effectiveness and efficiency of the contracting process for food procurement in both the United States and Japan.

#### A. LEGAL FRAMEWORK

This literature review section discusses the applicable laws, regulations, and directives that structure the legal framework for government procurement contracts in the United States and Japan. It begins with a review of each legal factor and how those influence the decision-making process for government contracts.

##### 1. United States

When DoD acquisitions are discussed, it is important to remember that the processes and procedures are heavily regulated within public policy. As used in this research, the word *policy* refers to plans or courses of action that guide organizational decisions and actions, which are usually stated in some authoritative document or pronouncement. Public policy denotes those plans or courses of action developed by



instruments and agencies of government (Rendon & Snider, 2008, p. 17). With these policy definitions as contextual background, this research explores how acquisition policies and regulations fit within the larger study of subsistence research.

Policies regarding acquisition reform are introduced frequently by federal policy-makers with the intent of improving the federal acquisitions system, increasing procurement and management efficiencies, and overall improving “on target” acquisition results for the warfighter. The key takeaway from these improvement observations is that defense acquisitions has a significant political undertone, with high ranking members from the executive and legislative branches keenly interested in the policies that promote efficiency and effectiveness. Because defense acquisition entails such large amounts of money and other resources, national leaders use it as a tool to further other-than-military goals, such as social and economic goals. According to Rendon and Snider, a few examples of policies that reflect such diverse goals include the following:

- Preferences for domestic products in the 1933 Buy American Act and then again in the 1941 precursor to the Berry Amendment; both legislative measures created a significant foundation for U.S. government and DoD subsistence procurements.
- Congressional legislation known as the Defense Workforce Improvement Act (DAWIA), which directed and made provisions for the establishment of a professional acquisition workforce within the DoD.
- Preferences in awarding contracts to protect the interests of small business concerns such as set-aside contracts to small businesses, women-owned small businesses, disabled veterans-owned businesses, and small businesses in historically underutilized business zones (Rendon & Snider, 2018, pp. 18–19).

The previous list provides a brief overview of the complex policy environment for any agency that obligates appropriated funds via government contract. Moreover, defense acquisition officials must remain cognizant about a procurement’s cost effectiveness but are also obligated to serve a variety of policy objectives, in addition to maintaining the trust of the American people (Rendon & Snider, 2018, pp. 18–19).

Regarding regulations, the primary acquisition documents are the Federal Acquisition Regulation (FAR) and the DoD FAR Supplement (DFARS). As noted, the



FAR is the document that governs the acquisition process for executive agencies of the United States, while the DFARS adds supplemental information for DoD agencies.

## **2. Japan**

The procurement procedures of the Japanese government are governed by the following three key fundamentals: as a law, the Accounts Law (Law No. 35 of 1947); as governmental ordinances, the Cabinet Order Concerning the Budget, Auditing, and Accounting (Imperial Ordinance No. 165 of 1947), and the Special Provisions for the Cabinet Order Concerning the Budget, Auditing, and Accounting (Imperial Ordinance No. 558 of 1946); and as a ministerial ordinance, the Regulations on the Management of Contract Administration (Ministry of Finance Ordinance No. 52 of 1962; Cabinet Public Relations Office, 2015, Ch. 1).

As briefly introduced in the previous chapter, the procurement process conducted within the JMOD is governed by various laws, regulations, and official directives. These applicable legal factors are being constantly reviewed as necessary in response to changes in public and political environment affecting defense procurement. Especially, within the JMOD, many of various rules and regulations were amended as a result of the ATLA establishment and some of main laws and regulations related to the government procurement are as followed (Masuda et al., 2018):

### ***a. Applicable Laws and Regulations for Government Procurements***

- Public Accounting Act (the Accounts Law)
- Act on Prevention of Delay in Payment under Government Contracts
- Act on the Responsibility of Government Employees Who Execute the Budget
- Cabinet Order on Budgets, the Settlement of Accounts, and Accounting
- Temporary Special Provisions of Cabinet Order on Budgets, the Settlement of Accounts, and Accounting
- Rules on Administrative Handling of Contracts



***b. Official Government Directives***

- Official Directive regarding the Implementation of Procurement of Equipment and Services
- Official Directive regarding Supervision and Inspection of Procurement Items
- Official Directive regarding Calculating Basis for Target Price of Procurement Items
- Detailed Regulations on Administrative Handling of Contracts under Jurisdiction of the Ministry of Defense

***c. Official ATLA Directives***

- Official Directives regarding Contract Administration at the ATLA
- Official Directive regarding Supervision and Inspections of Procurement Items Procured by Central Procurement
- Official Directive regarding the Administration of Target Price Calculation by the ATLA
- Official Directive regarding Cost Audit Administration by the ATLA

***d. ATLA Notices and Circulars***

- Outline of Contract Administration Handling
- Administration Outline for Administration of Target Price Calculation by the ATLA
- Administration Outline for Official Directive regarding Cost Audit
- Administration by ATLA
- Implementation Outline of System Investigation and Import Investigations, etc., for Central Procurement (p. 28)

Unlike the United States, the basic provisions pertaining to the government procurement are expressly embodied in the Accounts Law, and there is no exemption from application of this law (Umeda, 2010). The Accounts law clearly outlines the contracting authority, responsibilities, and process while functioning as the fundamental basis for the government contract guidance.



The Japanese government procurement is also influenced by the Agreement on Government Procurement, which allows foreign suppliers to be treated as domestic suppliers when competing within a government contracting (JETRO, n.d.). This agreement requires the Japanese government to ensure that transparent, fair, and competitive procedures are followed in government procurement by allowing market entry opportunities for competitive domestic and foreign suppliers. In a sequence of the Japanese government's efforts in increasing the efficiency of contracting management, it further establishes the Operational Guideline on Procedures for Government Procurement, which is mandatory for all government ministries and agencies (Cabinet Public Relations Office, 2015, Attachment 1).

To that effect, the JMOD develops detailed rules of contract regulations based upon those regulations listed above. For example, the Guidance for Bid and Contract of ATLA Public Notice No. 1 of October 1, 2015, outlines an eligibility of foreign suppliers in participating in tendering process without any discrimination (Masuda et al., p. 31).

Lastly, the Small and Medium-Sized Enterprises Basic Law mandates increased government contract awarding to small and medium-sized businesses. By the guidelines provided by the Ministry of Economy, Trade, and Industry, each ministry and agency must provide an annual report on a number of contracts awarded to small and medium-sized businesses (Umeda, 2010).

## **B. CONTRACTING AUTHORITY**

This section describes how contracting authority flows from each nation's principal authority to the warranted contracting officer. Although the research identified that express authority exists within the United States and Japan to empower their respective contracting officers to enter into and administer government contracts, a wide disparity existed within each nation's contracting profession. How each nation determines both the authority and the roles of the contracting officer have significant impacts to their business practices when contracting for subsistence items.



## 1. United States' Authority to Contract

In general, the DLA's authority to contract for subsistence is no different from other DoD organizations. The contracting officer's authority to enter into a contract is a power delegated to the United States by way of Article 1 of the U.S. Constitution. As described within Article 1 § 8, Clause 18, the Constitution gives Congress the power

to make all laws which shall be necessary and proper for carrying into execution the foregoing powers and all other powers vested by this Constitution of the government of the United States, or in any department or offeror thereof.

As the above passage illustrates, the United States government has the right to contract as an essential element of its sovereign powers. Although this right is not expressed verbatim from the Constitution, it is "implied from the theory that a government is charged with the performance of public duties. Therefore, in order to fulfill these obligations, contract formation is not only proper but also necessary" (The Contracting Education Academy of Georgia Tech, n.d.).

Subordinate to the Constitution by way of the Executive branch of government, the Federal Acquisition Regulation sets forth "basic policies and general information about the U.S. government's acquisition system including purpose, authority, implementation, deviation, and administrative matters" (Federal Acquisition Regulation [FAR], 2018, Part 1.101). Within government contracting, the FAR is the primary document for all policies and procedures by executive agencies. However, the FAR allows subordinate executive agencies to implement or supplement the FAR for its unique mission and purposes. These internal supplements act to bridge the FAR's regulatory guidance in order to "deliver the best value product or service to the customer, while maintaining the public's trust and fulfilling public policy objectives" (FAR, 2018, Part 1.102).

Various DoD directives are renewed annually within the OSD, including the aptly titled *Defense Logistics Agency (DLA)*, DoDD 5105.22. Within this directive, the DLA director is "delegated authority as required in the management and operation of the DLA" to

meet the needs of the Military Departments (MilDeps) and other authorized customers by managing and controlling all acquisition activities assigned to DLA from USD(A&S); communicate directly with other DoD component



heads, [other federal agencies, state and local officials, and members of the public to carry out assigned responsibilities]; seek improved effectiveness and economy, where assigned by law, and make such recommendation to the ASD for Sustainment; provide membership on the Defense Acquisition Regulations (DAR) Council [in order to develop and publish the FAR]; enter into interdepartmental and intragovernmental support agreements, as the receiver or the supplier, with the other DoD components [and/or associated agencies]; and enter into and administer contracts, directly or through a MilDep, a DoD contract administration services component, or other federal agencies for supplies, equipment, and service required to accomplish DLA's mission (Department of Defense Directive [DoDD] 5105.22).

This listing is not comprehensive; however, the last sentence provides the DLA director the latitude to plan, organize, direct and control those functions associated with subsistence contracts. The DLA director, vested as the EA for subsistence, can appoint qualified heads of contracting agencies (HCAs) to manage their respective contract activities (DoD, 2017).

As this research noted, the DLA director is the EA for all DoD subsistence requirements and is vested this authority within DoDD 5101.10E. The DLA contracting officer “authority flows from the DLA acquisition director to the five HCAs for the DLA contracting activities designated within the DFARS.” The five HCAs represent DLA Acquisition (J-7), DLA Aviation, DLA Energy, DLA Land and Maritime, and DLA Troop Support (DFARS PGI 202.101).

DLA contracting officers are authorized, within the limits of their warrant, to “enter into and administer contracts with appropriated funds” for designated DLA mission requirements. Lastly, DLA has an established KO Warrant Program for the “selection, appointment, termination, and reinstatement of contracting officers to ensure that only those individuals who fully meet selection criteria are appointed and retained as contracting officers” (DLA, 2019).

## **2. Japan's Authority to Contract**

Fundamentally, the contracting authority in the Japanese government, including the JMOD, is established by the Accounts Law (Law No. 35 of 1947) and the Cabinet Order Concerning the Budget, Auditing and Accounting (Imperial Ordinance No. 165 of 1947).



Article 29, Chapter IV of the Accounts Law, specifically appoints head of ministries and agencies with the contracting authority under their jurisdiction. Furthermore, Article 29–2 under the Accounts law authorizes the heads of ministries and agencies to delegate contracting authority to a designated contract officer within their ministries and agencies. Under the same article, the law further sets the authorization of a partial contracting delegation, pursuant to the provisions of Cabinet Order, and this individual is identified as a partially delegated contract officer (MOJ, 2012). Article 68, Chapter VII of the Cabinet Order Concerning the Budget, Auditing, and Accounting, reaffirms the contracting authorities and its delegation as outlined in the Accounts law.

The head of the JMOD delegates the contracting authority based on types of procurement to the extra-ministerial organization and local defense offices within the JMOD. ATLA represents the extra-ministerial organization, which integrates and consolidates the departments within the JMOD related to procurement. Each branch of SDF embodies the local defense offices and independently procures its own requirements, which are not directly supported by ATLA. This separation of the contracting authority exists due to designated types of procurement within the JMOD, and it is broken into two categories: Central Procurement and Local Procurement (ATLA, 2018).

The ATLA, as the heart of JMOD procurements, is solely designated and exercises the contracting authority to procure all products and services categorized as Central Procurement. It includes major equipment, weapon systems, ammunition, petroleum, oils, and lubricants (POL), military rations (Meals Ready to Eat), uniforms, gear, and so on. On the other hand, all other procurements that are not being procured by ATLA are called Local Procurements, and each branch of SDF exercises its contracting authority to acquire their requirements of products and services under the Local Procurement. This includes fresh food, office supplies, tools, parts, transportation, material, maintenance of facilities and equipment, services in each base, and so on (ATLA, 2018).

Both contract officer and partially delegated contract officer at the JMOD are not expressly warranted but rather appointed to be assigned as the contracting authority as a part of the job description. This means their contracting threshold is not categorized into various levels and only set by the job description of the position, not by the law or the





contract warrant issued by the head of the branch of SDF. Under all circumstances, however, the maximum contract threshold is limited up to \$200 million per each contract (ATLA, personal communication, December 28, 2018).

Therefore, upon taking a position of contract officer or partially delegated contract officer, each individual is responsible for actions authorizing expenditure, issuing a public notice, and entering into a contract on behalf of the JMOD. Article 29–3, Chapter IV of the Accounts law outlines the provisions of the contract officer’s roles and responsibilities.

### **C. AWARD PROCESS**

This section describes how the life cycle of the award process flows from each country and how each country issues contracts. It begins with a review of each step in the cycle for both the United States and Japan, and what each step does.

#### **1. United States**

The Federal Acquisition Regulation System is used by the United States to establish policies and procedures for acquisition by all government agencies to include the DLA. (FAR 1.1). DLA uses the Defense Logistics Acquisition Directive (DLAD), which is a subset of the FAR. The guiding principles for the award process for the United States are broken down into three sections; pre-award, award, and post award. The DLA follows these three stages as well.

##### ***a. Pre-Award***

Pre-award is the first phase of the contract of the life cycle. The first part of this process is to develop a solicitation. The government must determine, describe, and explain the requirements that it wants to purchase. In order to accomplish this, the government must do acquisition planning, which is getting all the stakeholders involved to develop a successful detailed solicitation (NCMA, 2017). There are many different contracts that the government can add to the solicitation.

There are several contract types that are available for the DLA to use for its contracts. For subsistence, the DLA uses two different types of contracts: indefinite delivery indefinite quantity and fixed price with economic price adjustment. Contracting



officers for the DLA have the authority to appoint qualified DLA personnel as ordering officers for the purpose of placing orders under fixed-price indefinite delivery contracts (IDCs) or blanket purchase agreements (BPAs) awarded by DLA contracting officers for supplies or services (DLAD, 2019).

Requesting offers is the process of implementing the acquisition plan by soliciting responses from contractors in order to fulfill a customer need. This is a very important role of the contracting officer and the team. They need to be very exact, clear, and concise in what they want so the contractor can give them a proper proposal of the requirements and enable the sellers to provide comprehensive, responsive proposals (DLAD, 2019). After the government requests an offer, the contractor will develop an offer. The contractor will submit an offer in the hopes of winning the contracts while meeting performance requirements. As the DLAD states, the government “will evaluate proposals in accordance with its evaluation criteria to determine which proposals represent the best value to the government” (DLAD, 2019).

***b. Award***

The second phase of the contract life cycle is the award phase. The award phase is the process of determining reasonable cost and pricing, conducting negotiations, selecting the source, and managing protest and appeals. According to the NCMA’s *Contract Management Body of Knowledge*, the award phase has four categories:

- Cost and price analysis are based on fair and reasonable prices for both sides. This is the stage where the team will do a cost analysis to where the seller provides a detailed breakdown of the contract price. The price analysis is where the comparative data is provided to ensure the fair and reasonable price is being reached. The certified cost or pricing data are facts that can be verified by DLA.
- Conducting negotiations is key to success and knowing the requirement is very important to a successful contract. The team that will help know the requirements will usually consists of the following people: contract manager, financial analyst, cost analyst, legal counsel, design engineer, production specialist, and a note taker. Negotiations can take a long time. It can take months or years to conduct negotiations
- Source selection is the part of the cycle where the government selects a winning bid. This is the part where the team has all the



information it needs and will evaluate the proposals by the following criteria: price, technical consideration, management considerations, past performance, and relative significance of evaluation factors. The basis of award that the government uses is lowest price technically acceptable or a trade-off. DLA uses the Lowest Price Technically Acceptable.

- Manage legal conformity is the part of the contract where the team resolves and irons out all the conflicts related to the solicitation or source selection process through formal or informal means. This part of the cycle makes the parties discuss contract interpretations and possible disputes. (NCMA, 2017)

**c. *Post-Award***

Post-award starts once the award phase is complete. Post-award is mainly centered around contract administration. The two parts of the post-award phase are the perform phase and the close contract phase.

As stated in the NCMA's *Contract Management Body of Knowledge* the perform contract part has four categories:

- Administer contract—The oversight of the contract performance of the contracting term, conditions, and specifications.
- Ensuring quality—The contractor must make sure that the services and products are to the specifications of the contract.
- Subcontract management—The prime contractor, who was hired by the government is responsible for the work of the subcontractor. There should be an awareness by the government of what work the subcontractor is doing.
- Manage changes—Two types of changes that can be made to a contract, a bilateral and a unilateral change. A bilateral change is a contract change or modification agreed upon by both parties. A unilateral change is a change that is directed by one party (the government) and made without the agreement of the other party. (NCMA, 2017)

The final step of a contract is to close the contract. Both the contractor and the government must verify that all the contract requirements are satisfied, settle all unresolved disputes, and make final payment. Once these actions are complete, then the contract is closed (NCMA, 2017).



## 2. Japan

As directed by Chapter VII of the Cabinet Order on Budgets, the Settlement of Accounts, and Accounting (BSA), the contract awarding process varies based on three types of contract awarding methods: Open Tender, Selective Tender, and Discretionary Contracts (MOJ, n.d.).

### a. *Open Tender*

The Open Tender is the standard method of government procurement under the Accounts law (Umeda, 2010). Using this basis, the contract process undergoes five phases. This section outlines the provisions of those processes, and further details are covered in the following chapter for contract process analysis and comparison with the United States. According to the BSA, it states the Open Tender requirements as followed:

- **Prequalification (Eligibility as an Open Tender Participant):** As per Article 70 of the BSA, prequalification is generally required to participate in the Open Tender. Article 72 of the same order directs ministries and agencies to set the requirements for prequalification based on types of procurement. When prequalified participants are determined, each agency publishes the finalized list. Under any circumstance, agencies are allowed to request additional prequalification when determined to be necessary.
- **Set the target price:** Articles 79 and 80 of the BSA mandate that a contract officer must set a target/expected price before the tender or bidding and the target/expected price must be recorded in a document or paper as to set decision criteria for tendering result.
- **Public Notices:** Article 74 of the BSA mandates the contract officer to issue a public notice via the government gazette (Kanpo), newspaper, posting on a designated location, agency website, or in other ways at least 10 days prior to the open tendering or bidding date. The 10-day posting requirement can be reduced to five days for any urgent cases. Article 77 of the BSA allows the ministries or agencies the exemption of the security deposit requirement from tendering participants if the participant obtains the Bid Deposit Insurance that provides the government agency as an insured party when the participant fails to enter into the contract or to perform the agreement. (MOJ, n.d.)

Furthermore, the Accounts law directs two other requirements for Open Tender procedure as followed:



- **Determination of Successful Bidder:** Article 29–6 of the Accounts law governs the decision criteria for tendering. When acquiring service or goods, the lowest price bidder below the government’s expected target price typically wins the tendering process under the Open Tender procedure.
- **Contract Execution:** Article 29–8 of the same law describes the requirements of the contract format upon a successful bidder. According to this, a contract officer shall generate a written contract with details such as price, performance period, and responsibilities as well as other applicable information mandated by the BSA. (MOJ, 2012)

***b. Selective Tender***

This method is used when there is a small number of participating tenders as a result of the nature or purpose of the contract, or when a contract is determined to be disadvantageous to the government by offering to the Open Tender method (MOJ, 2012). Article 102–4 of the BSA lists the determination of Open Tender being disadvantageous to the government when it meets one of the following conditions:

- collusion of tendering participants to prevent fair execution of an Open Tender
- extremely difficult to inspect the quality of product or services
- too high risk when a breach of the contract occurs to the government undertaking. (MOJ, n.d.)

Similar to the prequalification process of an Open Tender, Article 95 of the BSA directs that each agency is responsible to establish guidelines and instructions applicable to a restricted tendering and must publish in writing specifying required information to the tendering participants for each type of contract. Unlike the Open Tender, agencies must identify qualified suppliers in writing for restricted tendering, yet it is not required if one of the following conditions is met:

- if the conditions for the participants in an open tender and restricted tender are the same,
- if only a small amount of procurement occurs for the type of procurement needed for the agency, or
- if there is any other special reason. (Umeda, 2010)



Agencies must establish the standards of the selection criteria in tenders and report them to the minister of finance according to Article 96 of the BSA. In addition, Article 97 of the BSA requires that agencies must strive to identify a minimum of 10 or more participants for restricted tendering (MOJ, n.d.).

*c. Discretionary Contracts*

As outlined in Article 29–3 of the Accounts law, a Discretionary Contract must be the form of the government contract when one of following conditions are met:

- a nature or purpose of contract does not permit tender;
- time constraint due to urgent requirements; or
- there is a disadvantage to having an open tendering. (MOJ, 2012)

Additionally, Article 99–2 of the BSA allows a Discretionary Contract when no successful bidder is identified after two public notice attempts. Subsequently, as per Article 99–3 of the BSA, a contract officer is also authorized to use a Discretionary Contract by a direct negotiation with potential suppliers when the successful bidder does not enter into the contract. In this case, the contract officer may not change the conditions and expected price in the same way of the original tendering except the performance period (MOJ, n.d.).

**D. CONCLUSION**

This chapter explored the legal framework, contracting authority, and the award process of both Japan and the United States in absence of existing literature. The legal framework discussed the applicable laws, regulations, and directives that structure the legal environment for government procurement in the United States and Japan. The contract authority section described how contracting authority flows from each country’s principal authority to the warranted contracting officer. Finally, this chapter covered the overview of the award process for both countries in order to understand the differences in food procurement and measure the efficiency of the contract process for further analysis in the following chapter.



## **IV. CONTRACTING PROCESS COMPARISON AND ANALYSIS**

This chapter presents a comparison and analysis of the differences in contracting procedures between the United States and Japan in acquiring subsistence or fresh food. It opens with the methodology that is used to build the analysis framework based on contributing factors in determining the efficiency of the contracting process. The remainder of the chapter compares the flow of the contracting process and source selection procedures by comparing available data in order to identify the contract management efficiency and maturity.

### **A. METHODOLOGY**

This section introduces the qualitative methodology being used in developing the comparison framework for further data review and analysis of contracting efficiency and process flow. As the first step, the efficiency factors, which are fundamental to the comparison criteria, are determined. Then those factors are assigned to different levels of metrics to identify the contracting efficiency or maturity level. Finally, the comparison of the contracting process is reviewed in detail using the available data.

#### **1. Contract Efficiency Factors**

The efficiency factors are the key in determining the comparison framework in order to draw the outlines of this chapter. Table 4 indicates a total of 10 factors identified in the previous chapter during literature review that might affect the contracting efficiency. Along with those factors, for this research, some other factors should be considered for accurately comparing the efficiency of both countries' contracting processes. Besides, the comparison includes a breakdown of the phases of the contracting cycle including the steps of pre-award, award, and post-award procedures.

This research focuses on six factors—adapted from the Contract Management Maturity Model (CMMM)—to analyze the efficiency of the contracting process. Using the CMMM assessment can result in supporting contract management process improvement and can contribute to developing a road map for implementing contracting management



process improvement (Garrett & Rendon, 2005, p. 328). See table 4 regarding the applicable contracting efficiency factors in both nations.

Table 4. Contracting Efficiency Factors Identified in the Guiding Principal Review. Adapted from Lorge (2018).

Contracting Efficiency Factors	Existence of the Factor	
	U.S.	Japan
Legal Framework	Yes	Yes
Bureaucracy	Yes	Yes
Contracting Processes	Yes	Yes
Contracting Methods	Yes	Yes
Contracting Types	Yes	Yes
Regulations	Yes	Yes
Competition	Yes	Yes
Contract Pricing	Yes	Yes
Contracting Authority	Yes	Yes
Risk Managements	Yes	Yes

## 2. Metric Determination

To build the metric in analyzing the contract process efficiency, this research decides six efficiency factors of the contracting process, which mirrors up with six phases of the contracting cycle. In comparing each factor in the contracting process for each country, the metric is used to identify a level of efficiency and maturity of the process for appropriately evaluating and analyzing the contracting process (NCMA, 2017, p. 326). With that, the overall efficiency of the contracting process can be determined based on the comparison of each efficiency factor in order to suggest the area of improvement as a conclusion of this research.





Therefore, the metric criteria is developed based on three features: applicability, relevancy, and manageability. In order to broadly standardize the metric criteria, applicability should be appropriate to facilitate fundamental differences between the two countries in the contracting process. Relevancy should be directly related to the contracting process occurring in both countries. If a certain step of the factors is not applicable to either country, relevancy does not exist and thus cannot be applicable to the comparison criteria. Lastly, manageability is the key to understanding the overall contracting process and the result of findings from this research can be utilized in developing the conclusions.

### **3. Contracting Process Analysis**

Once the contracting efficiency factors and metric are determined, the contracting comparison framework is revealed by each country's contracting process data regarding acquiring food. At every phase of the contracting cycle, each phase will be evaluated and scored according to the metric selection and that score is only applicable to one country at a time.

## **B. COMPARISON FRAMEWORK**

As identified previously, the factors listed in Table 4 contribute to the overall efficiency of the contracting process and management in the United States and Japan. For both countries, the same factors can be applied to identifying the efficiency improvement as well. However, due to the fundamental differences in the political and economic environment, culture, and military operational requirements, those factors might be limited to being used for analyzing the efficiency of the government contracting process when comparing one process to another. For that reason, this research adapted the CMMM assessment to develop the comparison factors that can be mutually used to standardize the analysis criteria. Therefore, the CMMM assessment is structured with six factors in comparing and evaluating the contracting process based upon four levels of the metric criteria.



## **1. Factor Selection**

In comparing the contracting process, this research uses the six phases of the contracting cycle as the basis of the factor selection to minimize existing differences between the United States and Japan while focusing on the efficiency of the contracting process. As revealed from the literature review, the contracting process in both countries is governed by a complicated set of laws, rules, and regulations, which are profoundly influenced by political and economic environments. Although each country follows its own contracting procedure to acquire food, this methodology reveals that there are methodologies common to both countries. For that reason, the factor selection focuses on the contracting cycle as the decision point of the process analysis and narrows down into the following six factors as adapted from Garrett and Rendon:

- Procurement Planning
- Solicitation Planning
- Solicitation
- Source Selection
- Contract Administration
- Contract Closeout (Garrett & Rendon, 2005)

## **2. Metric Selection**

In order to assess each factor mentioned in the previous paragraph, the metric needs to be developed for proper analysis and comparison of the contracting process. As mentioned previously, this research follows through five levels of the CMMM assessment model as the metric criteria, and each metric symbolizes the process maturity as follows (NCMA, 2017, pp. 326–327):

The first level of process maturity is Level 1, Ad Hoc. This is the lowest level of the metric criteria indicating no basic contracting management processes. At this level, an organization has established no disciplined approach and a lack of guidance in documentation of contract processes. It also indicates a gap of proper internal controls and personal accountability (Garrett & Rendon, 2005).



Next is Level 2, Basic. It recognizes immature structure of contract management and standards. Some formal documentation, certain dollar threshold, and/or certain level of the governance of the contracting process are established and institutionalized throughout the entire organization (Garrett & Rendon, 2005).

Then, Level 3, Structured indicates that an organization obtains a developed contracting management. A contracting process follows a formalized procedure and sometimes further evolved in an automated system. Besides, the organization establishes a tailored process in handling specific or exceptional cases. At the top management, the leadership consistently provides contracting strategy, guidance, and policy in improving contract management. There are internal controls within the organization to ensure the adherence to and compliance with these contract management process (NCMA, 2017).

At Level 4, Integrated signifies an organizational capability to fully integrate with critical stakeholders in contract management. A requirement requester takes a vital role throughout the process (NCMA, 2017).

Lastly, Level 5, Optimized symbolizes full optimization in a contract management by utilizing systematic performance throughout the contract process. This involves an organization to establish metrics in determining the quality of performance and evaluating the contract process for continuously improving efficiency. In addition, this level institutes the knowledge management to share applicable information within an organization in order to enhance overall contract management process (NCMA, 2017).

### **C. PROCESS ANALYSIS**

This section compares and analyzes the process flow of the contracting management between both countries based on the category of six factors. The analysis begins with procurement planning, solicitation planning, solicitation, source selection, contract administration, and contract closeout.

Based on this research, Table 5 outlines all key procurement elements of contracting processes between the two nations identified in previous chapters. Based on the elements within Table 5, general timelines and contract standards are described for



qualitative comparison that will be the basis for process analysis within the six factors of contract procedural flow in this chapter.

Table 5. Comparison of Elements of Influence to the Subsistence Contracting Procedures between the United States and Japan.

<b>Elements of Influence to the Contracting Process</b>	<b>United States</b>	<b>Japan</b>
Market Research	Within U.S. registered companies (Buy American Act)	Focus on vendors available in local market capability
Vendor Qualification	Confirm the company is responsible (FAR 9.104-1)	Publicly invite qualified vendors for upcoming subsistence contract prior to the official solicitation
Contract Type	Fixed Price with economic price adjustment	Firm Fixed Price
Contract Method	Trade-off, price by negotiations	Open Tender (Sealed Bidding)
Period of Performance	Five years	Three months
Solicitation	Ongoing communication; minimum 30-day response time for receipt of proposals	10 to 50 days posting in the government gazette; 5% deposit required by a tender participant
Source Selection	Best value (trade-off)	Lowest Price Technically Acceptable
Contract Admin	Contract surveillance and Quality Assurance conducted by COR and overseen by KO	Contract is legally binding when signatures and official seals are obtained by the KO and the vendor
Contract Closeout	Completed upon submission of all required documents and invoices	Upon submission of the invoice and payment is complete



## 1. Procurement Planning

As the first phase of the six factors, the procurement planning for subsistence acquisition begins with developing requirements by thorough coordination of all personnel responsible for fulfilling the food requirement at a reasonable, allocable, and allowable cost. The planning outlines a course of action plan considering cost, schedule, and performance while ensuring a high-quality food supply. As an element of the procurement planning, this step carefully considers various aspects of the contract phases such as market research, contract type, contracting method, required performance, period of the performance, contract management plan, trade-off, and target cost (NCMA, 2017, pp. 118–120).

### *a. United States*

Procurement planning within DLA incorporates a collaborative effort with all necessary stakeholders. If subsistence planning is allowed to fail, a vulnerable pattern is created as pre-award weaknesses in items such as proposals will increase the risk of unsuccessful contract performance, contract administration, and contract closeouts.

In general, the procurement planning process starts with an acquisition plan or a contract strategy. Within the DLA, “written acquisition plans are required for all procurements expected to exceed the Simplified Acquisition Threshold (SAT), including those accomplished by means of direct or assisted acquisitions using non-DoD contract vehicles such as Federal Supply Schedules (FSS)” (DLAD, 2016). This showcases that DLA, vested as the EA for procurement of DoD food items, places appropriate emphasis on their future contract efforts by planning early in the acquisition process. Additionally, the “level of detail” required within “the acquisition plan should be commensurate with the complexity and dollar value of the procurement” (DLAD, 2016). As a large number of DLA contact actions are above the SAT, the Agency routinely drafts a written acquisition plan for new food procurement.

DLA’s procurement planning falls within a DoD concept called the Prime Vendor Program. A 2006 GAO report positively covered oversight efforts of the DLA prime vendor program. The report defines that under the prime vendor concept, “DLA relies on



a distributor of commercial subsistence product lines who provides that product line and incidental services to customers in an assigned region” (GAO, 2006). The DLA’s subsistence contracts within the prime vendor program is covered by regulatory guidelines found within the FAR and DFAR and, as the report describes, “accounts for a substantial portion of DLA’s annual operating costs.” Lastly, the GAO report goes on to highlight an example found in FY 2005, when “prime vendor sales accounted for approximately \$9 billion of DLA’s total sales and service of \$32 billion” (GAO, 2006). Moreover, in communicating with DLA representatives from the PACOM office, the “prime vendor provides the product either at the cost paid to obtain it or at a price agreed upon in advance with DLA, plus a handling fee” (G. S. Ellazar, personal communication, February 12, 2019). Therefore, the prime vendor program provides benefits to the DLA for large subsistence contract actions similar to the cost-effective concept, economies of scale.

Regionally, the DLA Troop Support Pacific oversees and manages all subsistence for military and DoD customers throughout the Pacific AOR. Quality assurance is ensured by arranging and coordinating government inspection of origin contractor food establishments while also monitoring U.S. food recalls, foreign country food recalls, and vendor recalls (DLA Troop Support Pacific, n.d.). Within the Pacific AOR, the prime vendor contracts are competed; however, only one contractor is awarded a contract per region, often referred to as zones. For example, one contractor is ultimately awarded the subsistence prime vendor contract for Zone 1, which includes Japan, Diego Garcia, Singapore, and the Philippines, even though multiple contractors competed for the contract (G. S. Ellazar, personal communication, February 12, 2019).

***b. Japan***

The subsistence procurement planning begins with a description of food requirement based on the serving menu by the end users at each base. Because there is no preset mandated menu at each JSDF service component, each base determines its own food requirement based upon an independently developed menu, which considers seasonal changes, local specialties, and availability of food supplies in local market. Even though there is no restriction on imported food, JSDF considers socio-economic impact as a part of the market research in determining food supplies and emphasizes protecting small



businesses in food industries or suppliers (ATLA, personal communication, December 28, 2018).

The budget development for food procurement is a simple calculation of food allowance per person times a total number of personnel assigned at each base. For example, the daily food allowance is about \$9 to \$10 per person on average and depends on the location of the base and seasonal changes. Then the food budget is calculated by multiplying a total number of assigned personnel. The contracting officer at each JSDF base sets a reasonable cost target based on market research and availability of food in the local market (ATLA, personal communication, December 5, 2018).

Then the contracting officer collects the result of market research to determine a period of performance, contract type, and contracting method. Since Japan's food market fluctuates based on changes in weather, economic variation, and demands from the commercial market, the period of contract performance is limited to three months considering the frequent change in prices. For that reason, the efforts in procurement planning are continuous and repeat every quarter to ensure the price is fair and reasonable (ATLA, personal communication, December 28, 2018).

As a part of the risk management plan, the contracting officer decides a firm fixed-price contract type via the Open Tender contracting method, which is the standard government procurement. The Open Tender is similar to the Sealed Bidding process in the United States, and the selection criteria is solely based on the lowest price technically accepted (ATLA, personal communication, December 28, 2018).

## **2. Solicitation Planning**

Solicitation planning relies on the outputs of procurement planning and is the process of preparing to solicit sellers to procure the needs (Phillips, 2009). It begins with the analysis of market research, documentation of cost objectives, risk management, constraints, and assumptions. The Statement of Work (SOW) provides detailed information on what an end user requires from contract performance and is defined in this phase to determine the methodology of procurement for the solicitation phase.



*a. United States*

The objective of solicitation planning is to ensure that follow-on DLA source selection procedures deliver quality and timely subsistence to the warfighter at the best value to the government. Although discussed further within the source selection portion of this research, DLA utilizes the best value continuum during negotiated acquisitions by allowing monetized trade-offs between Lowest Priced Technically Acceptable (LPTA) and the Highest Technical Rated Offer (HTRO).

Based on the dollar value of the procurement, solicitation planning, specifically source selection, can receive strategic oversight within the DoD. For this reason, the DoD drafted source selection direction in a 2016 procedural guide. According to this guide, the DLA contracting officer, working in conjunction with the requiring activity, shall clearly define all aspects of the procurement in performance-based and measurable terms. The practice of translating user requirements into contract-related documents and contract-related verbiage is a labor-intensive portion of the procurement, but, if done correctly, will save the acquisition team vast amounts of time, energy, and likely money later in the contract life cycle. Additionally, the contracting officer will develop solicitation criteria by relative importance, as well as the appropriate solicitation methods such as invitations for bids under FAR Part 14, requests for proposals under FAR Part 15, or requests for quotations (or offers) under FAR Part 13. Lastly the guide clear lists that, “solicitation planning be tailored as appropriate to the particular procurement in order to maximize marketplace competition while ensuring the solicitation can withstand offeror scrutiny” (DoD, 2016).

DLA conducts extensive solicitation planning and strategy in order to meet customer needs in the most effective, economical, and timely manner. However, on contracts valued between \$230 and \$630 million, this process can take roughly two years from requirement development and refinement, to a fully synopsised solicitation and, ultimately, contract award (G. S. Ellazar, personal communication, February 12, 2019). According to a 2010 CRS report, the various stages of the [food acquisition] process are as follows:

From the [DLA customer’s perspective], the acquisition process begins with the generation of a product need or requirement. The customer [then]





identifies their organization's ongoing, new, or anticipated requirements. [DLA] gathers the data and develops a formal solicitation package to meet the requirement. [Shortly after receipt of the customer's requirement], a DLA specialist prepares a formal solicitation that incorporates federal laws, regulations, and guidelines for the acquisition of subsistence items. The solicitation is prepared based on what represents the best value to the government and is amended and modified as more information is received. [During solicitation planning], a broad range of potential vendors are invited to participate in an industry forum to learn more about requirements and resolve or clarify questions about the anticipated solicitation (Grasso, 2010).

Lastly, DLA validates this requirement against their existing contract actions within the Pacific AOR. As stated previously within this research, one prime vendor is awarded a contract per region and these regional awards act as a master umbrella agreement for a specific list of countries. For example, Zone 1 constitutes Japan, Singapore, Diego Garcia, and the Philippines. DLA has a current Fixed Price Indefinite Delivery Indefinite Quantity (IDIQ) contract with Economic Price Adjustment (EPA) for a commercial end-to-end food distributor to fulfill Zone 1 subsistence requirements. According to a recent contract solicitation for Zone 1, this distributor "will act as the prime vendor responsible for the supply and delivery of semi-perishable and perishable food items, as well as Food Service Operating Supply (FSOS) items" (Solicitation SPE300-16-R-0003, p. 11). If the requirement falls within the scope of an existing IDIQ, DLA simply awards a Delivery Order (DO) for supplies or a Task Order (TO) for services. In this manner, DLA is able to quickly tailor and translate customer requirement into contract action and foregoes the roughly two-year Procurement Acquisition Lead Time (PALT).

***b. Japan***

The solicitation planning begins with analysis of market research and identification of available qualified vendors through the prequalification process as required by the law. It is important to understand the prequalification of vendor because it indicates the vendor's eligibility as a tender participant and determines vendors' assigned region for tendering procedure (MOJ, n.d.; Umeda, 2010).

Unlike the United States, JSDF does not have a centralized organization for subsistence contract management because fresh food is categorized as a Local



Procurement, which authorizes contracting officers from each JSDF base to manage their own food requirements from locally available food suppliers. Based on the prequalification, potential food suppliers available around each JSDF base could lead to a development of price estimate, which contributes to a cost objective in solicitation.

As the prequalification criteria, the contracting officer at each JSDF base determines the contract performance capabilities of tender participants using numeric figures to set an objective selection criteria. These figures are calculated based on the key aspects of business performance such as revenues, assets, financial status, and length of business in the market. Once the figures are determined, it reflects a tender participant's capability in handling certain size of contract and usually the participants are categorized into groups as a result of their figures. Qualification criteria is clearly outlined and distributed in the *Kanpo*, the official gazette, or any other means of making a public announcement. Once the qualification is approved, it generally valid for two or three years based on assigned group category (MOFA, 2019).

As the primary contracting method, the Open Tender procedure requires to set a target price and must be documented during solicitation planning (MOJ, n.d.). To support the renewal of the subsistence contract at every three months, overall solicitation planning takes about a month on average and could vary depending on the season and food supply market condition (ATLA, personal communication, December 28, 2018).

### **3. Solicitation**

A solicitation is “any request to submit offers or quotations to the government” (DAU, n.d.). For food procurement, just like any other government procurement procedure, a solicitation is the first step in communicating with the public as an official announcement.

#### **a. United States**

Published within a 2010 CRS report, the DLA's solicitations for subsistence are “structured and conducted to communicate the government's requirements and objectives in clear, meaningful ways to encourage industry to propose the most economical and efficient solution to meet mission requirements” (Grasso, 2010). In turn, the contracting



officer will ensure that the contract award represents the best value to the government. The CRS report goes on to describe the various stages of the solicitation process as follows:

[If the contract will be awarded utilizing FAR Part 15], the solicitation is announced and remains open for proposals for approximately 50 days. Prospective vendors may contact [DLA] to raise questions [or seek clarification]. Further changes to the solicitation are permitted if conditions warrant minor and in-scope changes to the requirement. [Any solicitation amendments must be issued to all prospective vendors. Discussions may be held after DLA establishes the competitive range of offers. These discussions ensure the offeror has a clear understanding of the contract requirements in the event they become the winning vendor.] Once the solicitation window closes, the source selection phase begins. (Grasso, 2010)

Regardless of the place of performance, the subsistence solicitations must address vendor sourcing. DLA's preference for subsistence within the Pacific AOR remains for domestically produced goods. Adapted from a recent contract solicitation, the PACOM prime vendor "must certify at the time of contract performance all non-domestic end products, and this certification must be made in the Buy American Act-Balance of Payments Program Certificate" (DFARS 252.225-7035). Additionally, the source restrictions of the Berry Amendment are applicable to the procurement of food items. As stated within this research, the Berry Amendment requires that food items procured and delivered under the Prime Vendor program be grown, manufactured, produced, or reproduced within the United States. Several exceptions, such as the "perishable food" exception, can be found at DFARS 225.7002-2(e). The exception "permits delivery of perishable foods (i.e., fresh fruits and vegetables, fresh milk, fresh bread, etc.) that are not sourced from the United States and applies to PACOM's Zone 1, Japan, Singapore, Diego Garcia, and the Philippines." Therefore, solicitations within Zone 1 will include "vendor requirements for local market ready (LMR) items" (Solicitation SPE300-16-R-0003, p. 19). This showcases the value of the prime vendor program in allowing tailored approaches to the procurement of food items based on availability and latent quality standards.

Food sanitation is another unique contract requirement that is identified within the contract solicitation. According to the previously mentioned contract solicitation, "the Prime Vendor will select LMR vendors from the PACOM listing of Sanitarily Approved Establishments and/or the Worldwide Directory of Sanitarily Approved Establishments for



Armed Forces Procurement listing for approved local Japan, Singapore, Diego Garcia, and the Philippines contractors.” The report goes on to describe that, “if no vendor is identified for a particular requirement, the vendor will source and request United States Army Public Health Command (USAPHC) inspection for the designated local source” (Solicitation SPE300-16-R-0003). This showcases another dynamic feature of the prime vendor program. The program allows selection of approved LMR vendors who will then be inspected for food quality standards in accordance with USAPHC procedures. Additionally, this LMR approval is the responsibility of the prime vendor, meaning that a DLA representative must inspect the prime vendor’s quality assurance program but does not necessarily need to conduct the inspection in-person for each LMR vendor.

***b. Japan***

By the law, the contracting officer must issue the public notice via the Kanpo, newspaper, posting it on a designated location, agency website, or in other ways at least 10 days prior to the open tendering or bidding date. The 10-day posting requirement can be reduced to five days for any urgent cases (MOJ, 2012).

If the expected value of the food contract is over 16,000,000 in Japanese yen (or about \$145,000 in U.S. dollars), an acquiring activity must use the Open Tendering Procedure and publish in the Kanpo or any means of making a public announcement (MOFA, 2019). Under this threshold value, the minimum posting requirement of 10 days can be expanded up to 40 days at the contracting officer’s discretion and it could be further extended to 50 days in order to facilitate the participation of foreign suppliers in food procurement tendering when applied (MOFA, 2019).

A notice of invitation to tender via the official gazette typically includes the following information, and a procuring activity may hold a meeting to explain proposed food procurements as a part of solicitation process:

- nature and quantity of food to be acquired;
- place and deadlines set for the submission of tenders;
- the name and department of the official in charge of the contract;
- qualifications required to participate in the tendering procedures;



- place for indicating contract provision;
- place and procedure for the delivery of tender documentation;
- place, date and time of opening tenders;
- language and currency to be used for the contract;
- information on tender guarantee fee and contract guarantee fee;
- obligations of tenderers;
- whether a written contract is required or not; and
- method for determining the successful tenderer. (MOFA, 2019)

In response to the solicitation, as required by the law, the participants in a tender shall deposit 5% or more of the quoted contract price as a security deposit in case the participant fails to enter into the contract or to perform the agreement. The 5% deposit requirement can be waived if a participant obtains the Bid Deposit Insurance (MOJ, n.d.).

#### **4. Source Selection**

Source selection is the decision process of selecting a contractor through competitive competition and negotiation. The primary purpose is to choose the most beneficial and valuable source, whose performance is responsible and reliable, while delivering a high quality product or service. Therefore, the government is required to undergo a fair and extensive evaluation process of proposals and/or bids (Nash et al., 2013).

##### ***a. United States***

For source selection to be successful, there must be appropriate acquisition planning. Market research is extremely important and its stated in the DoD Source Selection Procedures that “identifying capabilities within the market to satisfy the agency’s needs is key in developing source selection criteria that will ultimately determine whether commercial items or services, small businesses, or other public/private sectors of Industry can meet the Government’s needs.” The Source Selection Procedures also states that “an in-depth review of each proposal must be conducted against the factors and subfactors established in the solicitation and assign evaluation ratings” (DoD, 2016). DLA looks at many factors in deciding who gets the contract. According to the DoD Source Selection Procedures the following evaluation factors should be followed:



- Cost or Price —Every solicitation will provide an adequate description of the cost or price evaluation. The goal is to find the price that is fair and reasonable.
- Technical performance— The technical rating reflects the degree to which the proposed approach meets or does not meet the threshold performance or capability requirements.
- Management considerations—Small business participation objectives or requirements shall be clearly stated in the solicitation when possible.
- Past performance—The past performance evaluation considers each offeror’s demonstrated recent and relevant record of performance in supplying products and services that meet the contract’s requirements.
- Best value decision—The decision regarding which proposal is most advantageous to the government shall be based on a comparative assessment of proposals against all source selection criteria in the solicitation. (DoD, 2016)

The contract solicitation will state what factors are evaluated on and the significance of them (NCMA, 2017, pp. 176–180). DLA uses fixed price with economic price adjustment, which gives room for upward and downward revision of the contract. DLA uses fixed price with economic price adjustment because the price of food fluctuates.

***b. Japan***

In the tendering procedures, generally speaking, the source selection is determined on the basis of the lowest price that meets the government’s target price. However, each ministries and agencies are allowed to consider suppliers’ capability and quality of food they provide in making a fair decision when necessary. It is important to award a contract to a source that is responsible and reliable in carrying out a contractual performance while promoting efficient and fair tendering process (MOFA, 2019).

Even though the principle of lowest price technically accepted (LPTA) is the general rule on source selection criteria, the lowest tendered price is not necessarily winning the contract when it exceeds the government’s estimated price. When no tender is lower than the government’s estimated price, a procuring activity cancels the tendering procedure and follows either of the following procedures in accordance with MOFA guidance:



- to negotiate with the tenderers concerned individually without modifying the tender conditions and to award the contract to a tenderer offering a price lower than the ceiling price; or
- to repeat the whole tendering procedure with modifying the tender conditions by reissuance of a public notice on tender. (MOFA, 2019)

When a contracting officer determines a source selection, each procuring activity notifies the awarding decision to all tender participants in writing. In addition, the activity publishes a notice in the Kanpo or any means of making a public announcement to inform the public of the final source selection result. The announcement includes details of the contract information such as final contract price, award date, and contact information of winning tenderer in order to promote opportunities for other qualified suppliers to participate in future government requirements (MOFA, 2019).

## **5. Contract Administration**

Contract Administration is the first part in the final step of the award process. This is a very important part of the process, and both the contractor and the government must be heavily involved for this part to go smooth. The government must have an organized contract management plan (CMP). The CMP describes how the contracting officer shall monitor performance over the life of the contract.

### ***a. United States***

A contract can take up to two years before it can get to the contract administration phase (G. S. Ellazar, personal communication, February 12, 2019). The primary purpose of the CMP is to ensure sufficient resources for contract administration and for proper management and oversight of the contracting officer's representatives. The contract administration phase is the contractor's part to accomplish the requirement, and DLA's job to manage the contracts. DLA must make sure that the contractor is fulfilling the requirements and monitor performance (NCMA, 2017, pp. 190–193). In accordance with various guidance, there are other responsibilities that the contracting officer must accomplish during the contract administration phase:

- Manage all the contract changes—Contract changes happen when the existing contract does not reflect what needs to be





accomplished. Usually this is due to unforeseen circumstances. These changes must be managed, or the budget could be affected. The contracting officer must also ensure that the changes are implemented. (NCMA, 2017, p. 207)

- Contract administration functions—The contracting officer must either inspect or delegate inspections of performance. They shall monitor contractor performance to ensure compliance with terms and conditions of the contract. They must make sure the contractor’s work is acceptable and within the contract. The contracting officer is responsible for quality assurance, and they must make sure that the cost-type, labor-hour, or time-and-material are as agreed upon. They also must manage progress payment or performance-based payments as agreed upon. (Rendon & Snider, 2008, pp. 176–179)
- Contractor Performance Information—Contracting officers are responsible for coordination with the technical office, quality assurance, and other end users of the product or service as necessary to complete their assessment and input past performance information into CPARS. The DLA Acquisition Procurement Process and Systems Division will track compliance on a monthly basis and report to the DLA acquisition director. (Rendon & Snider, 2008, p. 177)
- Bilateral and Unilateral Contract Modifications. A bilateral change is a contract change or modification agreed upon by both parties. A unilateral change is a change that is directed by one party (the government) and made without the agreement of the other party. (NCMA, 2017)
- Quality Assurance— DLA performs a strict quality assurance when subsistence is delivered at final destination. The supplier is responsible for the replacement of any damaged food items when requested. In absence of same food item, the government is entitled to equitable price adjustment. (DLA, n.d.-b)

***b. Japan***

Subsistence contract management within JMOD follows the guidance outlined in the Accounting Act and Cabinet Order. According to Article 29–8 of the Public Accounting Act, Act No. 35 of 1947, it stated, “the contract officer shall prepare a written contract that includes the particulars of the purpose of the contract, the contract price, performance period, and contract guarantee, and other necessary particulars pursuant to the provisions of the Cabinet Order.” In the same article of the Accounting Act, it further governs that, “when a written contract is prepared pursuant to the provisions of the preceding paragraph,





the contract does not become final and binding until the names and seals of both the contract officer and the selected tenderer have been affixed to the written contract” (MOJ, 2012).

However, the omission of a written contract pursuant to Article 29–8 of the Public Accounting Act is permitted in the following cases:

- when entering into a contract under open tender with a person who is eligible pursuant to Article 72, paragraph (1) of Cabinet Order on Budgets, the Settlement of Accounts, and Accounting, Chapter VII for an amount not exceeding 1.5 million yen or 2 million yen if entered into a foreign country;
- when putting the contract up for auction;
- when food supply is sold off and the purchaser immediately pays the price and receives the food supplies; and
- when the heads of ministries and agencies determine that it is not necessary to draw up a written contract for a discretionary contract other than open tender process. (MOJ, n.d.)

Article 29–9 of Public Accounting Act mandates that the contract officer shall collect a contract guarantee of 10% or more of the contract price from the selected tenderer who enters into a contract with the national government. If the selected tenderer fails to perform a contractual obligation, the contract guarantee must be vested in the national treasury according to Article 29–10 of the Public Accounting Law (MOJ, 2012). The guarantee requirement can be waived if the selected tenderer obtains a guarantee insurance naming the national government as the insured party (MOJ, n.d.).

As outlined in Article 29-11 of the same law, once the contract is established, the contract officer shall either personally or by assigning an assistant undertake necessary supervision in order to ensure appropriate performance of the contract, pursuant to the provisions of Cabinet Order. The contract officer also is required to undertake necessary inspections in order to verify the completion of delivery. At the contract officer’s discretion, the responsibilities of supervision and inspection can be delegated to a person other than a national government official (MOJ, 2012).

To maintain a separation of duties, the law prohibits concurrent involvement in supervisory duties and inspection duties. Whether the contract officer or his or her delegate



performs the inspection, then the same official cannot perform the supervision duties of the contract performance according to Article 101–7 of Cabinet Order on Budgets, the Settlement of Accounts, and Accounting, Chapter VII (MOJ, n.d.).

When an official is assigned for the inspection duty, a preparation of inspection reports shall be documented upon completion of each inspection event. The inspection report will be used later to determine a payment decision whether a contractor meets and performs the government expectation. If the inspection report is evaluated negatively, a payment may not be made unless it is addressed according to a local policy (MOJ, n.d.).

Guided by Article 101–10 of Cabinet Order on Budgets, the Settlement of Accounts, and Accounting, Chapter VII, in case of a need of partial payment for a contractor, it is allowed to provide a partial payment not to exceed nine-tenths of the price of the partially performed portion of the contract (MOJ, n.d.).

In addition to litigation procedures, the Cabinet Office established the Office for Government Procurement Challenge System (CHANS) to handle complaints in relating to all matters of government procurement. In Japan, a dispute resolution procedure is not specifically available in resolving conflicts and claims arising between the government and contractors. Therefore, litigation substitutes a dispute resolution procedure to resolve conflicts, yet there is no record of litigation cases filed with CHANS against the MOD since 1996 (Masuda et al., 2018, p. 29).

## **6. Contract Closeout**

The final stage is the contract closeout. This is the part of the contract that the government ensures that all the requirements in the contract have been accomplished.

### ***a. United States***

Three tasks must be accomplished during the contract closeout. First, the government must make sure that all of the requirements have been accomplished. The contracting officer must make sure that the final payment has been made, and finally, it must make sure that the contract has been reconciled. Contract closeout is a large amount of administration work. The contracting officer must make sure that that the documentation is thorough and that records are filed consistently. Most of all, the contracting officer



cannot close out a contract if there are any unresolved issues. There can be no claims against the contract once it is closed (NCMA, 2017, p. 212).

If there is a dispute, then the contract cannot be closed out. Both parties must reconcile before the contract is closed out. The time it takes to close out a contract can vary due to the size of the contract. (NCMA, 2017, p. 190–193). DLA contracts that have unresolved claims can range from one to two years to close (J. Slotnick, personal communication, February 26, 2019). The standard closeout time for DLA subsistence contracts are within six months, which is usually followed by successful submission of proof for contract completion (FAR 4.804-1, 2018).

***b. Japan***

The contract closeout begins with the review of the final inspection report on the contractor performance when the final invoice is submitted by the contractor upon completion of the contract performance. Regardless whether there is an open dispute, claims, or litigation between the JMOD and the contractor in resolving conflicts, the contract officer takes a necessary process to close out a contract. This administrative process is not directly linked to any legal actions between the contractor and the government and the complaint process is not considered as a part of either contract admin or closeout process. Once the final invoice is processed and approved by the contract officer, the payment is made via an electronic transfer. There is no law governing the timeframe for payment process, but it typically takes a day to 10 days until a contractor receives a final payment. The contract officer shall maintain and keep all contract-related documents and records up to five years locally (ATLA, personal communication, December 28, 2018).

**D. CONCLUSION**

This chapter discusses the methodology to properly compare the subsistence contract management process between the United States and Japan. The fundamental approach of this research is to analyze three aspects of contract efficiency factors, metric determination, and contract process analysis. Proceeding from that, it further determines the contract comparison framework by developing six factors, which are adapted from the



CMMM assessment in order to develop the comparison factors that can be mutually used and standardized the analysis criteria. As a result, this chapter identifies and compares differences in the process of subsistence contract management by reviewing at each step of procurement planning, solicitation planning, solicitation, source selection, contract admin, and contract closeout. It further develops four levels of the metric criteria to reflect the evaluation result, which is the basis for the findings and recommendations presented in Chapter V. In summary, Table 6 captures the average timelines for each of the six factors of the contract management process as identified within this research. Within the next chapter, the findings from this chapter and Table 6 are further evaluated and depicted using the CMMM assessment framework.

Table 6. Timeline of the Subsistence Contract Flow

<b>Six Factors of Contract Management Process</b>	<b>Average Timeline</b>	
	<b>United States</b>	<b>Japan</b>
Procurement Planning	12 months	2 months
Solicitation Planning	2 months	1 month
Solicitation	50 days	10 days
Source Selection	30 days	1 day
Contract Admin	5 years	3 months
Contract Closeout	6 months	10 days



## V. CONCLUSION AND RECOMMENDATIONS

This research focuses on developing a framework that can be used to compare the efficiency of contract management processes in acquiring subsistence in the United States and Japan. In this concluding chapter, findings and recommendations for possible ways to increase contract management efficiency are presented. This chapter also suggests areas of further research on continuously improving contract management processes.

### A. FINDINGS

The conclusion presents findings for the primary and secondary research questions listed in Chapter I.

#### a. *Primary Research Question*

- How can you identify, measure, and determine the differences between the United States and Japan in terms of the efficiencies in acquisition management for subsistence contracts?

The efficiency of subsistence contract management can be analyzed and identified by applying the comparison framework developed in the previous chapter. The framework outlines a total of six factors, which indicates the phase of contract management and which were to be common processes in subsistence contract management for both the United States and Japan. These factors include Procurement Planning, Solicitation Planning, Solicitation, Source Selection, Contract Administration, and Contract Closeout as a stage of the contract management process.

To use the framework in analyzing and assessing the efficiency of the contract management process, the metric criteria are used to assign a score to each efficiency factor in order to compare both countries. The criteria are composed of five levels starting from 1 as the lowest score and up to 5 as the highest score, and each level indicates a maturity of the contract management process based on qualitative data identified throughout this research.



**b. Secondary Research Questions**

- What are the key acquisition processes used by the United States and Japan?

The United States and Japan utilize many of the same concepts in formulating their separate acquisition processes. For example, defense contracting within the United States generally includes the life-cycle phases of Pre-Award, Award, and Post-Award to assist program managers and contracting professionals with proper workflow outcomes. Within Japan, the contract award process is based on three types of contracting award methods: Open Tender, Selective Tender, and Discretionary Contracts.

Both countries have a foundational document that provides authority to enter into government contracts. The origin of the U.S. government's authority to enter into a contract comes from the U.S. Constitution. The origin of Japan's authority to enter into a contract comes from the Accounts Law and the Cabinet Order Concerning the Budget, Auditing, and Accounting.

- How are the total life-cycle costs (development, procurement, and management costs) managed?

The United States and Japan have different cost practices when it comes to subsistence. Japan budgets about \$9 to \$10 per person on average depending on the location of the base and seasonal changes. Then, it multiplies the total number of assigned personnel to calculate the food budget. Then the contracting officer at each JSDF base sets a reasonable cost target based on market research and the availability of food in the local market (ATLA, personal communication, December 28, 2018).

DLA does not break its food prices down to a per-person dollar value. A GAO report in 2006 stated that DLA "relies on a distributor of a commercial subsistence product lines which provide that product line and incidental services to customers in an assigned region or AOR." The report goes on to state, "the prime vendor provides the product either at the cost paid to obtain it or at a price agreed upon in advance with DLA, plus a handling fee" (GAO, 2006a). Each service orders from the prime vendor, and it is upon the service to worry about the budget for their service.



- What are the differences in acquisition performance between the United States and Japan?

The United States and Japan judge performance in almost the same way. The United States uses past performance as a tool to decide source selection, and it also monitors performance during the contract admin phase. If a business does not perform well, it will be documented, and it will reflect poorly for that company in the future. Past performance evaluation determines whether each offeror has “demonstrated a recent and relevant record of performance in supplying products and services that meet the contract’s requirements” (DoD, 2016).

As stated in the previous chapter, Japan promotes fairness of competition while allowing each activity to consider suppliers’ capability and quality of food they provide in making a fair decision when necessary. It is important to award a contract to a source that is responsible and reliable in carrying out a contractual performance while promoting efficient and fair tendering process (MOFA, 2019). The significant difference is that Japan uses three-month contracts and that timeframe in doing a proper performance evaluation. Japan will not cancel a subsistence contract due to poor performance but rather will let the contract run out. Since contracts are only three months, the time frame is not as impactful as it would be for a U.S. contract that could be up to five years long.

## **B. IMPLICATIONS AND RECOMMENDATIONS**

This section introduces the CMMM table used to illustrate the implications and recommendations of this research. Then, the research summarizes the analysis of the contracting management process and identifies a comparative advantage at each stage of the contracting process flow. A detailed description of each of the six factors is conducted to define and describe the qualitative analysis against the CMMM categories.

### **1. Introduction of the CMMM table**

As the comparison framework of the contract management process, this research adapted the CMMM assessment table to measure the level of maturity for those six factors influencing the efficiency of the contract process. Table 7, Contract Management Maturity Model, identifies areas for improvement and summarizes the findings from this research.



Table 7. Contract Management Maturity Model (United States in blue and Japan in red). Source: Garrett & Rendon (2005).

Level	Six Factors of Contract Management Process					
	Procurement Planning	Solicitation Planning	Solicitation	Source Selection	Contract Administration	Contract Closeout
Level 5 (Optimized)						
Level 4 (Integrated)	● ●	●			● ●	●
Level 3 (Structured)		●	● ●	● ●		●
Level 2 (Basic)						
Level 1 (Ad Hoc)						

## 2. Analysis of the Comparison Framework

Throughout this research, a qualitative comparative analysis was utilized to contrast subsistence procurement procedures between the United States and Japan. This section distills all prior data and applies it against the CMMM framework in order to analyze a possible improvement for contract management process and organizational knowledge management. This method is a systematic and flexible approach to analyzing qualitative data from textual sources, where it is important to be able to compare data against the six-category contract management framework of the CMMM.

### a. Procurement Planning

As outlined in the Contract Management Body of Knowledge, procurement planning involves “an established process for planning acquisitions and effectively determining the scope of work or description of the product to be procured” (NCMA, 2017, p. 327). As identified within this research, procurement planning is a mission-critical task that assists contracting offices by refining a customer’s requirements and outlining a procurement course of action that ultimately provides best value to the government.





Procurement planning should ideally begin as early as possible when the requirement is identified by the requiring activity. Early procurement planning with regard to subsistence will help identify such topics as subsistence type required, the duration of the requirement, the quantity, and delivery requirements. Failure of a requiring activity to plan and submit timely subsistence requirements to a government contracting office is not preferred, as this will likely lead to decreased competition and high overall contract pricing.

DLA conducts procurement planning across the DoD and routinely collaborates with stakeholders in boards, bureaus, centers, cells, and working groups (B2C2WGs). The DLA's preferred method regarding procurement planning is to build competition within the pre-award phase and provide sound reasoning within the acquisition strategy. The acquisition strategy will assist the procurement planning process by developing the overall strategy for managing the acquisition. Ideally, DLA seeks to ensure that full and open competition is obtained to the maximum extent practical. This entire process happens within the broad concept of market research, a process of researching all available factors of a given market with the ultimate goal of overcoming information asymmetries in order to ensure a best value approach for the DLA.

The JSDF conducts localized market research based on a bottoms-up refinement from their end users at each base. Because of a lack of centralized oversight, JSDF contracting officers conduct market research and procurement planning based on local food requirements largely driven by seasonal changes and market availability factors. This research did not conduct an analysis of the potential cost increases or decreases due to localized subsistence procurement; however, this is a stark difference between the United States and Japan. JSDF, similar to the DLA, plans for the open tender contracting method, which invites the maximum market competition and thus allows a best value approach for JSDF.

Based on the information gathered, it is assessed that neither the United States nor Japan holds a comparative advantage over the other with regard to procurement planning. Both countries use their respective versions of maximum competition in order to allow all responsible sources to compete in an effort to obtain best value subsistence procurements. Both countries also complete a continuous and purposeful market research process in order



to collect and analyze data about their respective marketplaces. Although the DLA maintains an advantage with regard to scale and span of responsibility, their contract-related decisions parallel Japan's processes such as financial, performance, and schedule management. Both countries are therefore rated at an integrated level of maturity with regard to procurement planning.

***b. Solicitation Planning***

As outlined in the Contract Management Body of Knowledge, the “successful result of the solicitation planning process is a solicitation document structured to facilitate accurate and complete responses from prospective offers” (NCMA, 2017, p. 327). Solicitation planning assists the government and the prospective contractor, especially within the competitive bidding process, by ensuring that only responsible offerors are awarded government contracts. Although procedural differences exist, the United States and Japan conduct solicitation planning in order to ensure their respective military forces receive the highest quality and best value subsistence support.

As noted within this research, DLA's subsistence procurement planning leads to a selection of contractors within the DoD's Prime Vendor Program. The Prime Vendor Program acts as a partnership model to enable a more distinct and direct connection within DLA's overall strategic sourcing procedures. What this means is that DLA, based on the results of solicitation planning, will design contracts that are purpose-built to drive productivity improvements and innovation based on the capabilities of their contractors within the Prime Vendor Program. Moreover, as DLA manages the solicitation process and develops a solicitation plan, it will determine the most appropriate contract solicitation process to use (Vitasek, 2019). DLA is capable of managing this process across the globe in various levels of complexity. For example, DLA's market research, which is required for solicitation planning, determines market maturity, contractor sourcing models, health and welfare requirements, and contractor responsibility considerations.

Japan conducts deliberate solicitation planning; however, the key difference is span of influence and a decentralized execution approach. As JSDF does not have a centralized government organization for subsistence procurement, it relies on subordinate contracting officers at outlying installations to plan, procure, and manage military subsistence



requirements. These contracting officers retain control within an assigned AOR on Japan and ensure competition requirements are answered by conducting prequalification of potential food suppliers during the solicitation planning phase. Additionally, JSDF renews these localized subsistence contracts every three months in order to renew pricing agreements with local vendors in an effort to obtain best value for the government of Japan.

Based on the information gathered, it is assessed that the United States holds a comparative advantage regarding solicitation planning factors. DLA routinely handles complex subsistence situations in multiple AORs around the world and is therefore able to provide broader mobilization support capabilities for military operations that span a continuum of engagements. DLA also reduces overhead charges by conducting strategic sourcing and by leveraging the Prime Vendor Program in order to procure a menu of subsistence options for their regionally aligned military customers. Lastly, DLA's use of the Prime Vendor Program was identified by GAO as a commercial best practice for subsistence, thus showcasing an optimized level of maturity for contract management (GAO-06-0739R, 2006). DLA is therefore rated at an integrated level of maturity for solicitation planning whereas Japan is rated at a structured level of maturity.

*c. Solicitation*

With fundamental differences in the government contract management, this research identified similarities and dissimilarities in the solicitation process for both countries. First, as similarities, both countries follow a clear solicitation process in making a public announcement for acquiring food. Based on the given governance, both the DoD and MOD use a centralized government-owned website as a primary source for solicitation in providing details of food contract requirements, including all applicable related information as required by laws, instructions, or directions. As a common practice, both countries set a number of days in making a solicitation in the public for a fair opportunity of business. All participants must be registered in advance for obtaining an access to the designated government website to review and verify a solicitation information. In addition, both countries mandate that a participant must possess certain qualifications to be able to participate in the subsistence solicitation. For instance, the DoD requires a vendor to possess or to pass a food sanitation inspection to ensure a high quality of food, whereas



MOD places a higher emphasis on a contractor's performance capabilities as a prequalification criteria.

As dissimilarities, a contract officer in MOD often informs prospective vendors prior to a commencement of official solicitation to maximize high competition and to address any concerns or issues in advance. As a result, the actual solicitation process is only 10 days. On the other hand, the DoD does communicate with vendors along the commencement of solicitation and address issues and concerns relating to the solicitation throughout the process. Therefore, the DoD spends about 50 days, which is five times longer than Japan's process. One more important dissimilarity is that there is no restriction on domestic food procurement requirement in Japan, while the DoD has to follow the Buy American Act and the source restrictions of the Berry Amendment. This places MOD with wider open market competition at lower cost, yet the DoD protects domestic food businesses in support of military operations.

Based on the information gathered, it is assessed that MOD holds a comparative advantage in the solicitation factor. The MOD solicitation process allows more participation by anyone interested in competing for a government contract because of fewer restrictions on the vendor qualification process and selection of food source. Besides, a MOD contract officer communicates with vendors early enough prior to posting a solicitation in the public, which reduces vendors' misunderstanding of the government food requirements. A low number of dispute cases relating to the Japanese government contract might be the direct reflection of early communication with vendors. In addition, the MOD limits the solicitation to 10 days or less, which results in a prompt decision of source selection. Efficiency is a critical factor in a government contract process and a shorter timeframe allows the process to be completed quicker. Therefore, even though both the DoD and MOD are rated at a structured level of maturity for solicitation, MOD holds a comparative advantage for more market competition and faster solicitation process.

#### *d. Source Selection*

As identified in the previous chapter, both countries fundamentally seek out a source selection decision based on best value, which is most advantageous to each government. For that reason, each country chooses a distinctly different contracting



strategy for source selection in order to achieve the best value objectives. The DoD applies contracting by negotiation with a contracting type of firm fixed-price with economic price adjustment and chooses a trade-off as a source selection technique (DLA Troop Support Pacific, personal communication, February 12, 2019). This strategy seems suitable to support a longer term contract like the DoD's two-year term contract when the DoD is allowed to purchase food supplies only from domestic market to support the DoD operations around the globe. Yet this approach could lead to a dispute due to the rationale for trade-off technique being subjective.

MOD strictly considers the lowest price technically accepted as the source selection technique using the Open Tender procedure at a firm fixed price. Its approach ensures that vendors consistently manage the price to remain competitive in the source selection process. This is ideal when there are enough numbers of qualified solicitation participants available to establish a short-term contract, which requires a frequent contract renewal in order to consider an economic price adjustment in food supplies.

Based on the information gathered, MOD possesses a comparative advantage over the DoD for source selection factor. MOD sets decision criteria for source selection to be the lowest price and applies this straightforward rule in the open tender method, which is equivalent to the sealed bidding process in the DoD. This offers a transparency of the decision process and possibly leaves minimal conflict between contract officer and vendors when decision criteria are clearly determined. Both countries are rated at a structured level of maturity in the source selection process, but MOD may possess a comparative advantage in the source selection process for offering a better transparency.

*e. Contract Administration*

The two countries' Contract Administration phase is very similar. In both phases, the focus is on the contractor performing the duties and the government holding them accountable to what was agreed upon in the contract. The United States manages all the contract changes, performs all the contract administration functions, performs the contractor performance information, manages all contract modifications, and makes sure quality assurance is happening (Rendon & Snider, 2008, pp. 176–179). Japan maintains its contracts during this phase by supervising the appropriate performance of the contract and



making inspections to verify the completion of delivery. At the contract officer's discretion, the responsibilities of supervision and inspection can be delegated to a person other than a national government official (MOJ, 2012).

Based on the information gathered, it is assessed that neither the United States nor Japan hold a comparative advantage over the other with regard to contract administration. Both countries' contracting officers perform the same duties during the evolution of the contract such as contract changes, management of contractor performance, and contract modifications that may occur. Therefore, both nations are rated at an integrated level of maturity for contract administration.

*f. Contract Closeout*

The final stage for both countries has one significant difference. The United States has three responsibilities. First, the government must make sure that all the requirements have been accomplished, they must make sure that the final payment has been made, and finally they must make sure that the contract has been reconciled. The contract cannot be reconciled if there are any unresolved issues. There can be no claims against the contract once it is closed. If there is a dispute, then the contract cannot be closed out. Both parties must reconcile before the contract is closed out. This can cause the contract to not close out for up to two years. In Japan, the contract closeout begins with a review of the final inspection report on contractor performance. When the contractor submits the final invoice upon completion of the contract performance. Regardless of whether there are open disputes, claims, or litigation between the MOD and the contractor in resolving conflicts, the contract officer undertakes a necessary process to close out a contract. The major difference is that this administrative process is not directly linked to any legal actions between the contractor and the government, and the complaint process is not considered as a part of either the contract administration or the closeout process, unlike in the United States.

Based on the information gathered, it is assessed that Japan holds a comparative advantage regarding contract closeout over the United States. Japan has the advantage over the United States due to the fact that they can close out a contract even though there may be a claim going on. So, Japan can close contracts much faster because of this. Closing a



contract can take 10 days for Japan. DLA has six months to close out a contract, and if there is a claim it can add an extra 18 months to the length of the contract. Therefore, Japan is rated at an integrated level of maturity whereas the United States is rated at a structured level of maturity for contract closeout.

### **C. FUTURE RESEARCH**

The purpose of this research was to identify comparisons in the subsistence contracting processes between the United States and Japan. Additional research would be valuable to identify alternate areas of comparison in order to promote interoperability between the two countries. Some suggestions for future research related to the primary topic include the following.

#### **1. Disputes**

This research focuses on a contract management process through six factors in the comparison framework. It thoroughly outlines differences and similarities of all aspects of the contracting process yet casually discussed a dispute process. Dispute of a government contract would require following a given procedure in handling all conflicts or complaints between a government and contractor. Efficiency of the dispute process can be as important as the contracting management process, as it impacts the administrative burdens for both parties.

#### **2. Supply Chain**

This research focused heavily on the pre-award and award functions for DLA's subsistence program. However, contract administration and supply chain management are critical components for the success of DLA's overall acquisition strategy. DLA's role as the executive agent for DoD subsistence also includes coordinating, resourcing, and effective worldwide support for the acquisitions and logistics of food items. This means DLA is overall responsible for monitoring food sourcing, storage, and maintaining authorized war reserve stocks. Analyzing this information could provide process efficiencies for post-award and contract administration-related activities.



### **3. Efficiency of Subsistence Prime Vendor**

This research discussed DLA's utilization of the subsistence Prime Vendor program but did not elaborate on the scope of the program nor the program's importance to DLA's operating procedures within PACOM. The GAO identified the Prime Vendor program as a commercial best practice as contract risk is appropriately shifted from DLA onto the winning contractor after the contract award is distributed. Data could be collected to determine, among others, the cost savings of this program, performance metrics, or overall process efficiencies.

### **4. Comparison of "Big A" Acquisitions between the U.S. and Japan**

This research was specifically about the subsistence contracts for the United States and Japan; more research that would be interesting is the difference between the two countries' contract process in major weapons systems. Our research for the United States was particular to DLA, and a contract with a major weapon system would not use DLA for the procurement. It would be interesting to see how this process would be for "Big A" contracts in regards to using different types of contracts. In our thesis, we only used two types of contracts, and Japan just uses the lowest price technically acceptable. It would be interesting to see how both countries would be different in terms of different contract types (e.g., fixed price, cost reimbursement, incentive).

### **5. Measurement of End-User's Satisfaction as a Result of Contract Process**

This research focused on the overall subsistence contract management process flow between the two nations but did not identify the measurement of Warfighter satisfaction as a result of the process efficiency. Additional analysis could be conducted to identify customer preferences for food choices and to analyze food quality at the end user level. Customer satisfaction, then, would be another assessment tool to directly identify an efficiency metric of contract management. The satisfaction metric would directly correlate to both nations' military morale.





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