

Subcontract
Competition
Is It Real?

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Overview

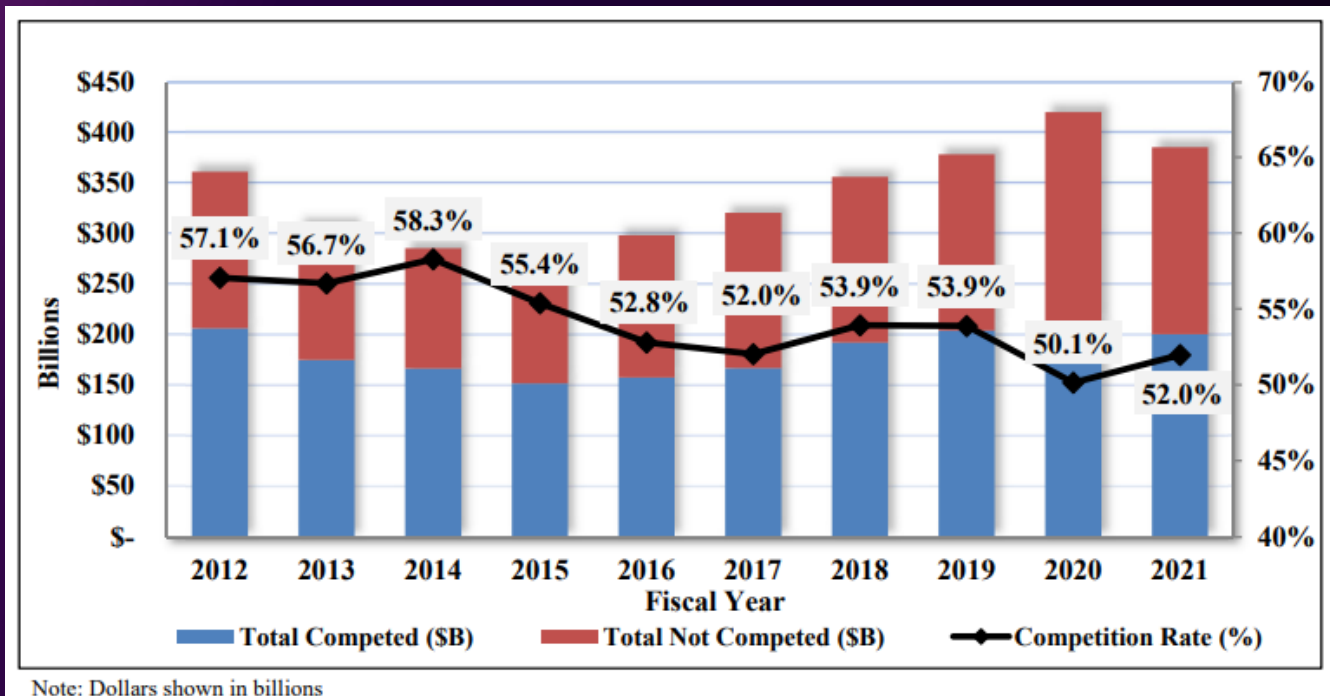
This study explored vendor management as it relates to the use of direct competition as a component of vendor management. This study assesses differences in the rate of competitive sourcing in commercial and defense markets below the prime level.

CICA vs Japanese
Way

DoD vs
Commercial
Exploration

Future Research
Agenda

Defense Competition



CICA enacted in 1984

Markets have been consolidated for years

Sub-tier visibility is next to zero

FSRS is only for Tier one's over \$30k and reporting has been poor

Inflation is high

Source: Office of the Under Secretary of Defense for Acquisition and Sustainment (2022). State of Competition within the Defense Industrial Base.

Is Competition Best? The Japanese Way



Keiretsu

-

Strategic relationships with smaller pools of contractors

Partnering with Suppliers

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Close collaboration and long-term incentive alignment

Indirect Competition

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Single Sourcing as a Strategy to encourage vendor innovation/investment

The Data

DoD

- - 11 Defense Program Efforts
 - Limited Industry Verticals and Various Lifecycle Stages
 - Over 1.3M Parts
 - Over 29k line items
 - \$3.6 Billion
 - Time frame: 2017 - 2022
 - Competition observed as price basis code or text description of each line item in Bill of Material (BOM)

Commercial

- Resilinc Commercial Supply Chain Data
- Multiple Industry Verticals and All Lifecycle Stages
- Over 2.3M Parts
- \$ N/A
- Time Frame: Real-Time
- Competition observed by counts of “multi-sourced” parts within the system vs. “sole” or “single-sourced” parts ○

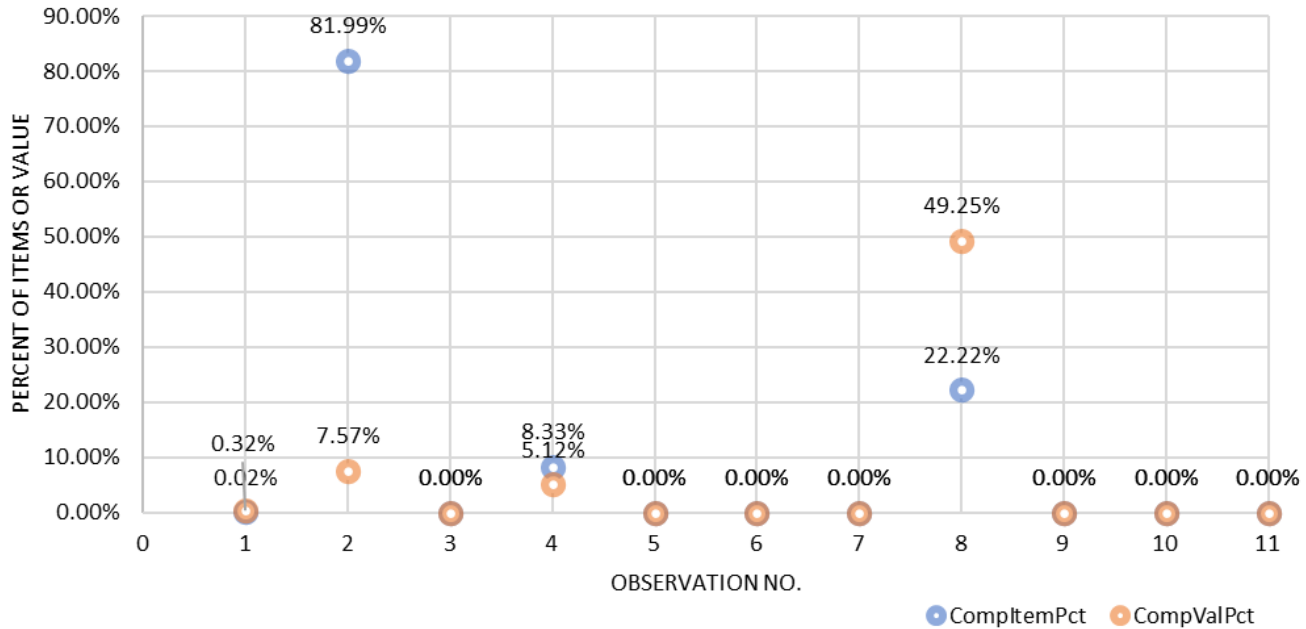
The Data

Prgm Effort	Suppliers	Parts	Line Items	Competitive	CompPct	TotalVal	CompVal	CompValPct
1	407	652781	12780	2	0.02%	\$ 486,708,547.00	\$ 1,560,695.00	0.32%
2	212	19360	3703	3036	81.99%	\$ 47,434,562.21	\$ 3,591,030.45	7.57%
3	135	48064	1215	0	0.00%	\$ 357,927,004.70	\$ -	0.00%
4	12		12	1	8.33%	\$ 15,971,026.00	\$ 817,655.00	5.12%
5	124	19697	4267	0	0.00%	\$ 156,155,972.00	\$ -	0.00%
6	7		8	0	0.00%	\$ 36,351,733.00	\$ -	0.00%
7	113	8587	1195	0	0.00%	\$ 186,930,689.00	\$ -	0.00%
8	26		54	12	22.22%	\$ 782,950,000.00	\$ 385,610,000.00	49.25%
9	160	472722	3435	0	0.00%	\$ 829,173,269.00	\$ -	0.00%
10	123	90506	2384	0	0.00%	\$ 392,424,764.04	\$ -	0.00%
11	25		48	0	0.00%	\$ 353,623,000.00	\$ -	0.00%
Total (Avg for Pct)	1344	1311717	29101	3051	10.23%	\$ 3,645,650,566.95	\$ 391,579,380.45	5.66%

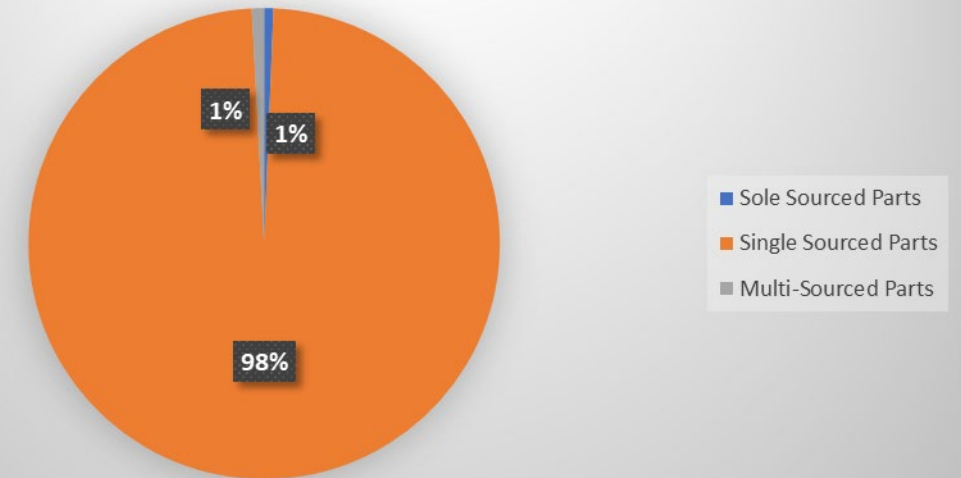
Sole Sourced Parts	14,513	0.63%
Single Sourced Parts	2,274,801	98.53%
Multi-Sourced Parts	19,467	0.84%
Total Parts	2,308,781	
Total Non-Competitive	2,289,314	99.16%
Multi-Sourced Parts	19,467	0.84%
Total Parts	2,308,781	

Results

Subcontract Competitive Item and Value
(n = 11 efforts; line items = 29,101; \$3.6B)



Commercial Competition Rate Sample
(Resilinc parts data, n=2.3M)



General Findings

We see low competition in commercial markets

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Broad Adoption of "The Japanese Way" of managing the vendor base

DoD sub-tier visibility is absolutely lacking within spend data

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Public sources of data and proposal data lacks detail

Current DoD BOM formats are inconsistent and insufficient for continued sub-tier (even tier-1) competition analysis on Defense Program Efforts

Limits and Future Research

Expand number
of Defense
Program Effort
sample sets
within DoD

Explore single vs.
sole sourcing in
DoD

Explore causality
in DoD and
Commercial
Subcontract
Competition rates



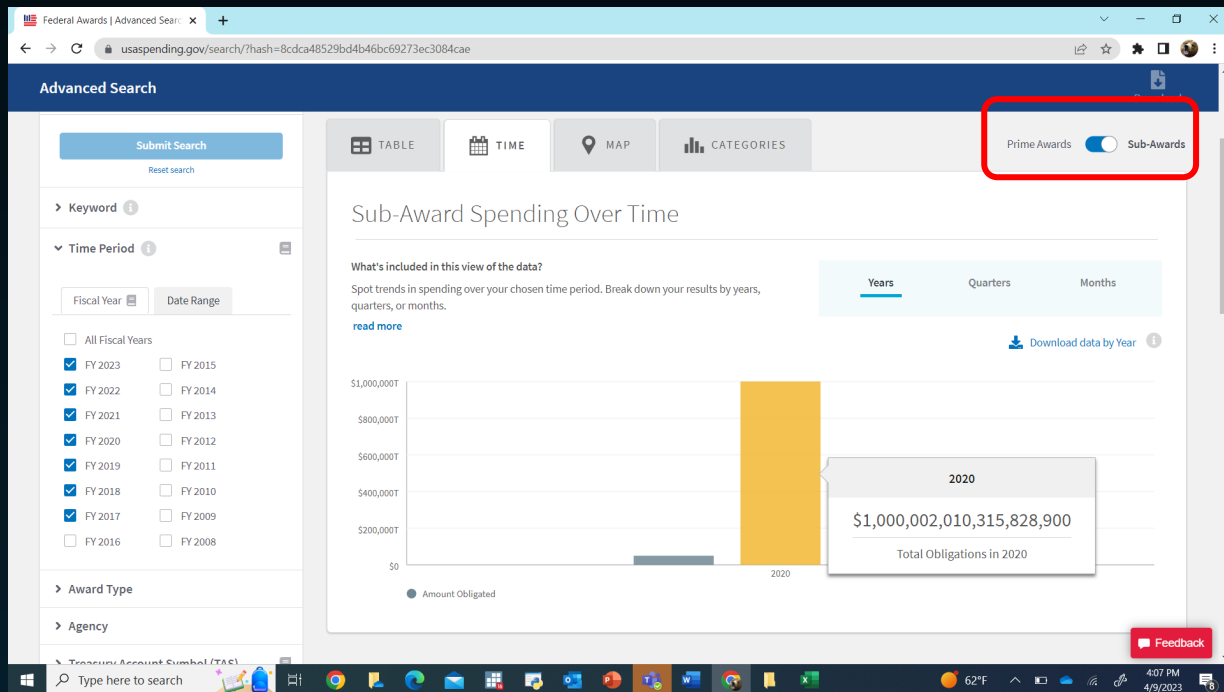
Thank you

Pete Guinto

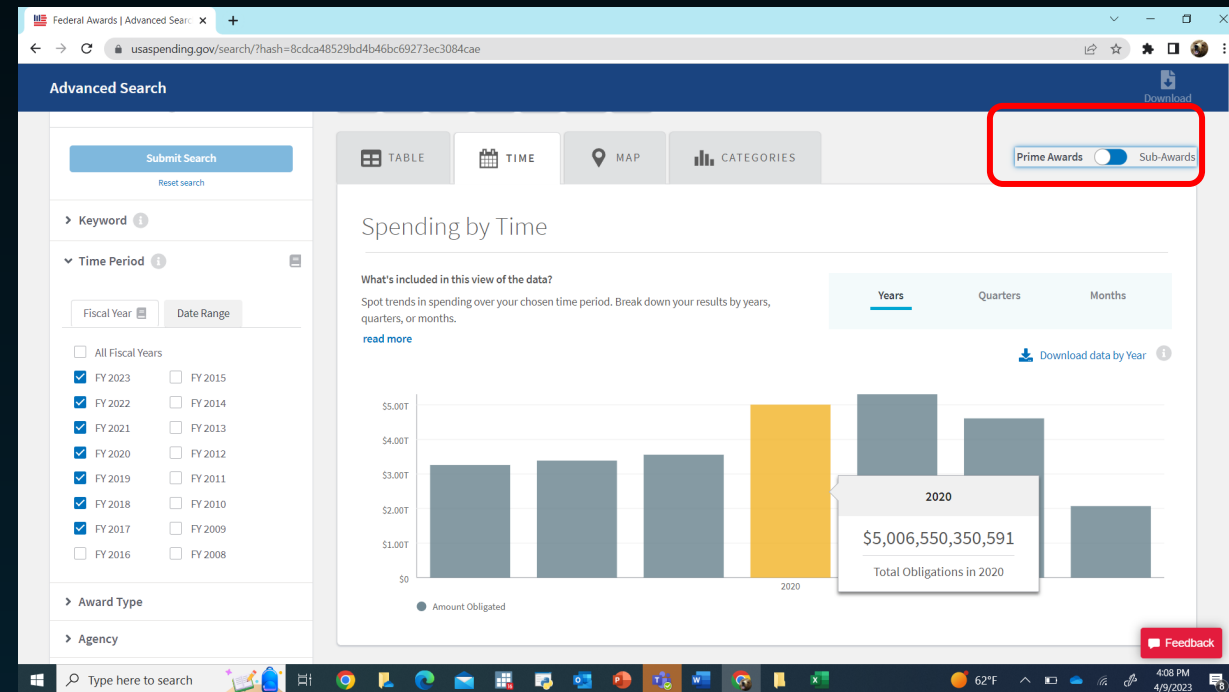
Contact Info:

Sub-contract vs. Prime in USASpending

Subcontracts



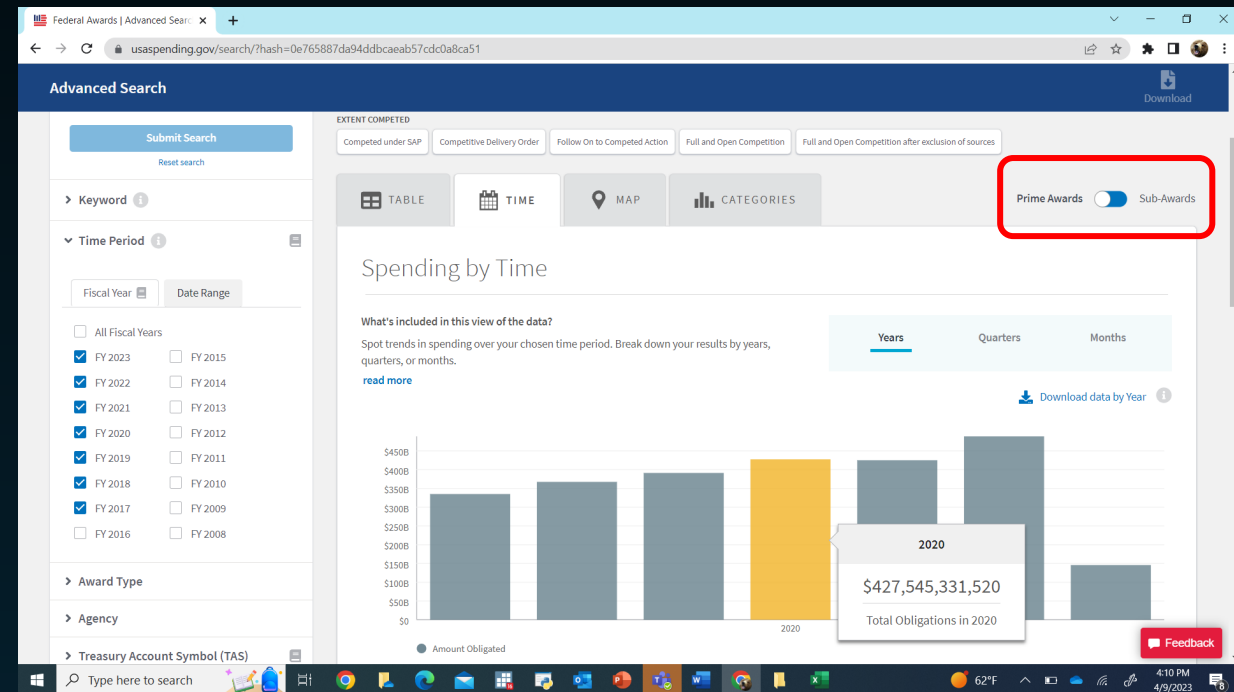
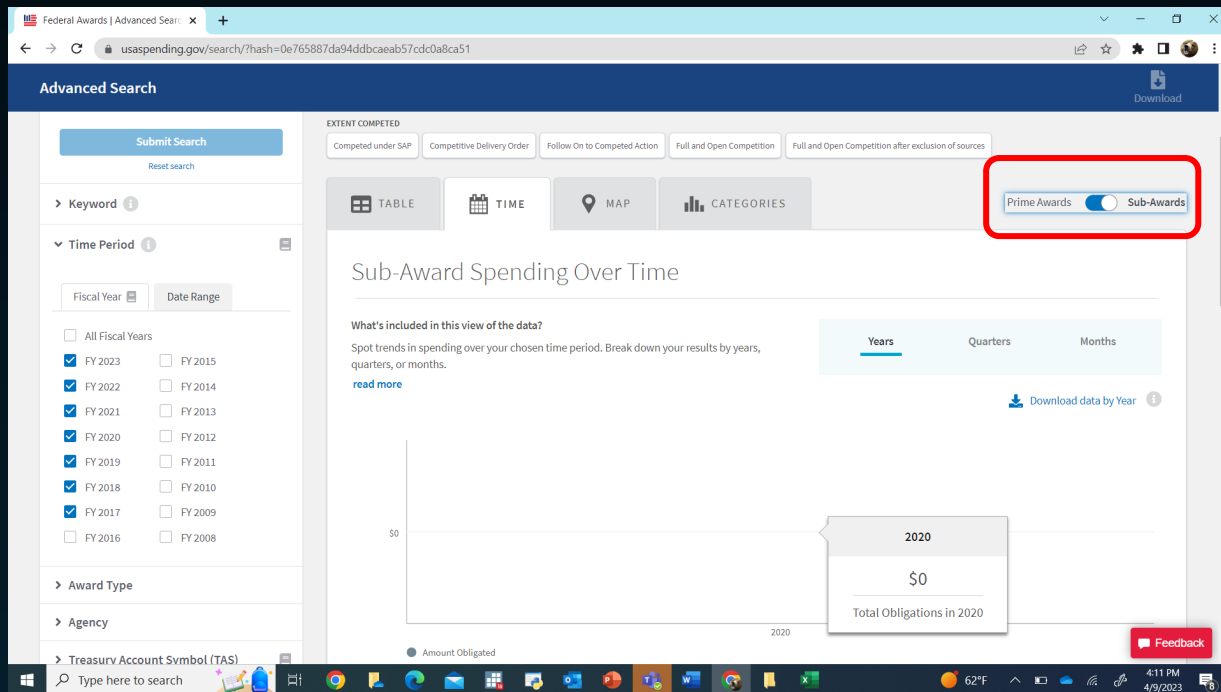
Prime Awards



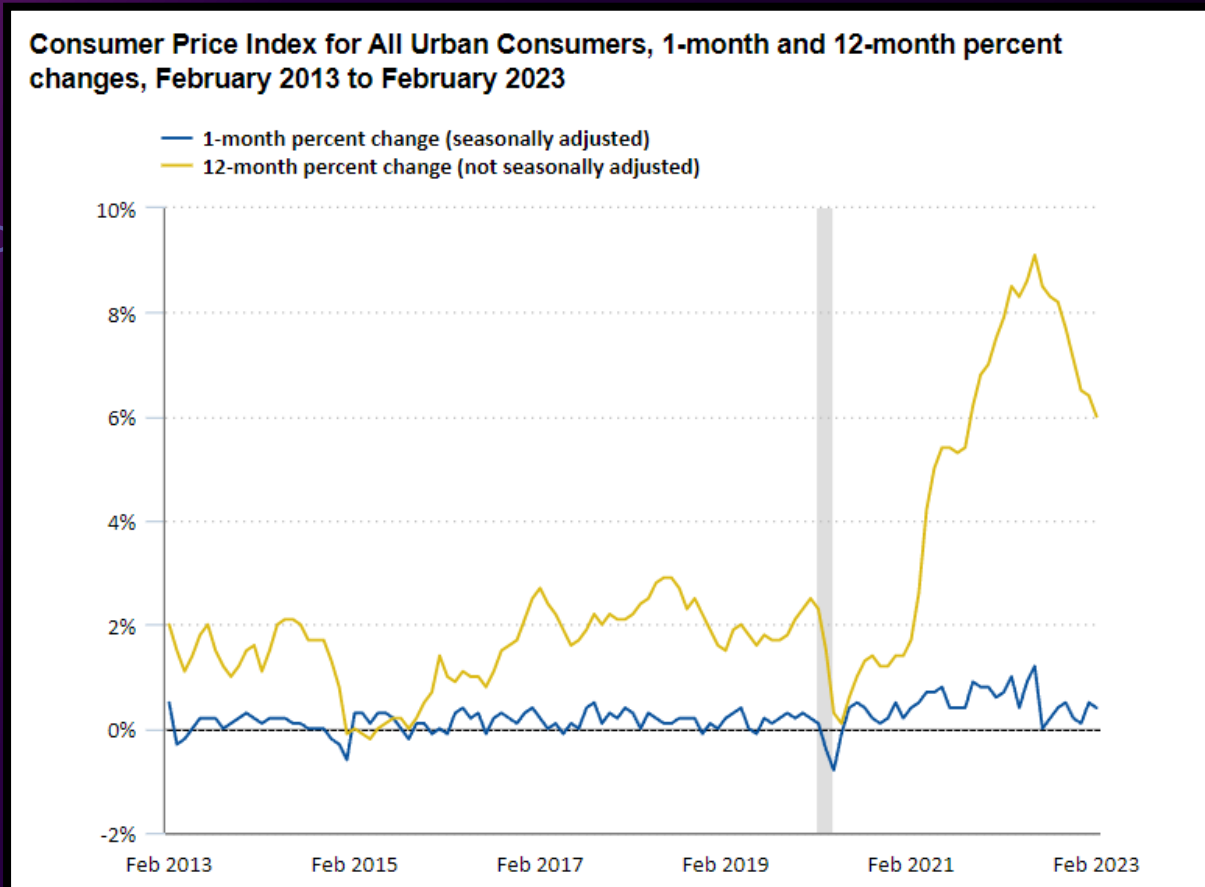
Competed actions FY17 to today

Subcontracts

Prime Awards



Commercial Markets



Markets are consolidating

Wages are suppressed

Inflation is high

Sources: BLS Website, April 2023, Boushey and Knudsen, 2021; Autor et al., 2020