

Construction Procurement at Speed

How to identify cost savings and agile processes in procurement

WHAT IS JOC?

Job Order Contracting (JOC) establishes a single contract used for multiple projects, removing the need to design and bid each project individually. With a single bid contract and Unit Price Book (UPB), agencies can significantly reduce procurement time because work items are already priced. JOC also provides flexibility for agencies to react to unpredictable, appropriated budgets and requirements. Additionally, JOC offers flexibility for projects that do not have a definite quantity or required time for delivering products or services given its agreed-upon minimum guarantee of products or services purchased.



THE BIG ISSUE:

With construction-related spending accounting for 13% of global GDP, millions of dollars are at stake for organizations looking for cost savings and Sustainment, Restoration, and Modernization (SRM) project agility.¹ Inefficiencies in past public sector construction have resulted in over \$270 billion in costs in just one year, suggesting an opportunity for some government agencies to cut costs and time to increase efficiency.

WHY IT MATTERS:

Federal contract spending witnessed a 6% growth between FY2019 and FY2020, with some of the most contract spending identified in facilities and construction.² Agencies experiencing a growth of investment in SRM projects will want to achieve cost savings and agility in a growing share of their agency spend by leveraging Job Order Contracting (JOC), a form of Indefinite Delivery/Indefinite Quantity (IDIQ) contracting.³

CONSTRUCTION PROCUREMENT PAIN POINTS

Federal agencies have an opportunity to alleviate a handful of challenges to construction procurement:

1 PROCUREMENT PACE:

Government procurement sometimes stretches out from months to years beyond the intended timelines, leading to products and services that are no longer fitting for constituent needs.⁴ For construction procurement, the pre-bidding and bidding periods can last at a minimum a half to a full year in total, which can slow projects that may require urgent attention.⁵ Regulatory controls, such as the Federal Acquisition Regulation (FAR), help ensure compliance, but also create a lag in the process. Furthermore, administrative work, met with labor shortages, can create further delays in construction procurement.



WHERE IS GOVERNMENT WITH IDIQ?

IDIQ use has been steadily increasing over the years. From 2011 to 2015, between \$130 to \$180 billion were allocated to IDIQ obligations.⁶ From 2015 to 2017, that number jumped to nearly \$200 billion each year, according to the Government Accountability Office (GAO).⁷ IDIQ contracts, however, are still less than a majority of all total contract obligations in the Department of Defense (DoD), for example.⁸

WHY IMPROVE CONSTRUCTION PROCUREMENT?

50-60%

boost in construction productivity by improving —in addition to six other areas — construction project procurement.¹⁶

8%

increase in productivity with adopted best practices for procurement.¹⁷



2

PRICING:

The best pricing is not always being secured.

Agencies are required by federal regulations to secure pricing for contracts that is “fair and reasonable,” and competitive contracts and thorough market research can help ensure that agencies are receiving the best deals.⁹ However, 44% of procurement budgets were awarded uncompetitively in 2015,¹⁰ and across agencies in government, the practice of competitive pricing has remained stagnant and not increased over the years.¹¹ Limited market data on pricing for products and services has also limited agency capacity to identify reasonable prices for government contracts.¹²

3

STAFFING GAPS:

Many government agencies are not resourced sufficiently to assist with procurement and acquisition.

Having sufficient resourcing is vital for an agile procurement process. Government agencies need personnel for contract requirements development and all other administrative work associated with construction procurement. While the DoD acquisition workforce grew about 24% from 2008 to 2016, not all career fields growth targets were met. The Army’s requirements development workforce, for example, declined by 22% from 2008 to 2017.¹³ Additionally, the DoD falls short in six major procurement career fields, resulting in a 4,400 shortage of procurement-related personnel.¹⁴ Some agencies are experiencing critical shortages of contracting staff partially due to a lack of a qualified workforce with skills necessary in contracting.¹⁵ These agencies may benefit from skills-training programs and leveraging procurement processes that minimize the amount of low-value administrative work.

TOWARDS IMPROVED CONSTRUCTION PROCUREMENT

What can agencies do to create agile and cost-effective processes?



LEVERAGE COST-SAVING PRACTICES

Some government agencies in contracting have an opportunity to reduce costs in construction procurement. First, agencies can target cost savings at the onset of a project by utilizing competitive pricing to secure reasonable pricing for a construction product or service. When time is particularly pressed, agencies resorting to market research for pricing data may benefit from leveraging the General Services Administration's (GSA) Acquisition Gateway, which provides resources for anything procurement related. GSA also documents prices paid in the past by agencies for work items in their Prices Paid Portal, enabling staff to compare prices historically.

Agencies may also benefit from achieving cost savings that can be identified throughout the procurement process by reducing administrative work and transaction costs and improving schedule performance. A report sponsored by the United States Army Corps of Engineers (USACE) found that JOC helps improve partnerships with contractors, contractor performance, and streamlined development of the scope of work, which can all contribute to more cost-effective project outcomes.¹⁸

JOC IN ACTION

The Army awarded a JOC contact for a task order at the Kuwait Naval Base when nine buildings needed renovation after harsh environmental conditions. Because of the rapid nature of JOC, USACE was able to complete the project in much less time than what it would take with a traditional contracting method.¹⁹ In fact, JOC can reduce procurement time by 3-9 months.²⁰

Other agencies have also begun to leverage IDIQ, including the Federal Highway Administration, which last year made IDIQ, including JOC, a standard operational practice for all recipients of Federal-aid highway funding. In a prior request for comment, commentators argued IDIQ helps "reduce[] time necessary to prepare, advertise, and procure highway construction projects...and reduce[] the administrative burden in working with fewer contractors and on fewer contracts."²¹





MINIMIZE ADMINISTRATIVE WORK

Because of JOC's design, agencies can minimize administrative work by using one long-standing contract instead of circling back to the beginning of the procurement process each time a new construction project is needed. As some agencies are already experiencing contractor labor shortages, creating efficiencies in the procurement process can help alleviate the stress on employees and department capacity. Additionally, reducing administrative work can help speed up procurement for agencies looking to meet urgent construction needs or realize additional cost savings. JOC can help shorten procurement to as low as 45 to 60 days.²²



Evaluation reports indicate that IDIQ and JOC contracts allow for cost effective contracting for small value contracts and preventive maintenance programs.”

— Federal Register²³



INDUSTRY PERSPECTIVE

Job Order Contracting: A Proven Construction Execution Method Poised for Renaissance

Job Order Contracting (JOC) isn't a new construction procurement method, but it is evolving into an industry-supported key to success for federal construction and renovation projects. An increasing focus on sustainment project execution, combined with reduced staff and the potential of more sophisticated data deployment, have laid the groundwork for an expansion and revitalization of JOC and related delivery methods like SABER and SATOC. This proven delivery methodology operates on the most accurate and up-to-date cost data, innovative technology enablement, and expert support that drives program implementation and embeds established JOC Best Practices.

Gordian has been providing a performance-based, turnkey JOC solution since 1990 and has evolved the delivery method into a holistic system more likely to drive success and results. Cost data is tailored to every owner's specific needs, using local cost research, Davis-Bacon wages, and owner building standards and requirements.

Technology is an efficiency enabler, automating the Independent Government Estimate process and ensuring cost validation and auditability of the costs. Secure, cloud-based software also allows for enterprise-level enablement and analytics, providing insights into program success and benchmarking for agency leadership. Finally, expertise in JOC program planning, implementation, training, and ongoing support sets up programs for successful construction project execution, supplementing government staff that are sometimes under-resourced or lacking in JOC- or construction-specific skillsets.

Gordian has supported dozens of DOD and Federal customers in best-in-class JOC execution, including Army, Air Force, and Intelligence Community customers.

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Citations

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From construction planning and building to facility operations, Gordian empowers its customers to overcome their business challenges by delivering critical data, innovative technology and extraordinary services. Gordian provides North America's leading construction cost database and offers a streamlined construction procurement process to fast-track projects, facilities benchmarking data to secure funding, and guidance for long-term capital plans. Everything we do, we do to help our clients build better.

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