

Is DOD moving away from LPTA?

By Bob Lohfeld

Industry has long objected to the use of lowest priced, technically acceptable (LPTA) procurement strategies for technical/professional services and complex solution procurements, and it now appears that DOD is moving away from this practice.

Narrowing the use of LPTA

Under Secretary of Defense for Acquisition, Technology and Logistics, Frank Kendall, issued a memorandum on March 4 to clear up confusion about when LPTA is appropriate as a source selection process. His memo states LPTA “has a clear, but limited place in the source selection best value continuum” and narrowly defines when LPTA is appropriate for DOD procurements. This memo signals a shift away from the LPTA source selection process.

[Download a copy of Kendall’s memo titled, “Appropriate Use of Lowest Priced, Technically Acceptable Source Selection Process and Contract Type.”](#)

According to Kendall, LPTA should only be used when procurements meet four specific conditions:

1. The requirements are well defined;
2. The risk of unsuccessful contract performance is minimal;
3. Price is a significant factor in the source selection; and
4. There is neither value, need, nor willingness to pay for higher performance.

For technical service and solution bids, I would argue that none of these four conditions can be met. In most technical bids, requirements cannot be defined to a standard of acceptability that is understood by government and industry and that can be expressed in terms of performance measures that can be evaluated on an acceptable/unacceptable basis. It is hard enough to define the work, let alone a pass/fail standard that can be applied in proposals. Generally, the risk of failure in technical bids is other than minimal, and the consequences of failure can be hugely detrimental to DOD and the warfighter. This is especially true in IT service and solution bids.

Finally, in every technical services or solution bid, increased performance generally provides additional value to the government, and the government should strive to achieve an innovative, cost-effective solution to meet mission needs and maintain our technological advantage.

When LPTA is appropriate

LPTA procurements are appropriate for non-technical services or commodity bids and are an effective way of driving down these costs. In these instances, the LPTA source selection process can provide best value when combined with effective competition and proper contract type.

In his presentation at a Bloomberg Government event on March 12, Kendall gave an example of a service bid that in his opinion met the four tests. Lawn mowing services are a good example, he said, of the type of services where LPTA would be appropriate. In lawn mowing, the requirements are well defined, the risk of unsuccessful performance is minimal, additional value is not gained from higher performance than specified, and price is appropriately a significant factor in the selection.

This kind of procurement is the antithesis of where we have seen DOD use LPTA as its source selection process. Hopefully, this example will make it unambiguously clear that LPTA and technical service and solution bids don't mix.

Why LPTA became popular

LPTA as a source selection process became popular with procurement officials for all the wrong reasons. First, it was an overreaction to budget reductions brought about by sequestration and budget caps. In austere times, procurement officials overemphasized the importance of cost in the source selection process—often to the detriment of technical performance. What we have learned is that overemphasizing cost causes bidders to be much more aggressive at risk taking, and bidders will understate their cost of performance in an effort to be the lowest priced, technically acceptable bidder. In the long run, expected cost savings are erased by cost overruns, contract modifications, show cause letters, and even contract terminations.

LPTA also proved to be an easier and quicker process for evaluating proposals, making source selections more streamlined, and avoiding protests. When proposals are evaluated on a pass/fail basis, there is a tendency to give every bidder a passing grade. After all, in technical services bids, it is very difficult to define standards of acceptability, and consequently, technical acceptability has no floor. With all bidders receiving a passing grade, the LPTA process mandates an award to the lowest priced offer—assuming there is no adverse responsibility determination.

With all bidders passing and award going to the lowest priced offer, there is nothing for disgruntled bidders to protest. It seems like the perfect approach to procurement if you ignore for a moment that it puts bidders in a death spiral, stripping away every performance advantage as they race to the bottom to be the lowest priced offeror.

LPTA looking forward

With higher budgets for DOD being debated in the congress, I hope that LPTA procurements will be relegated to commodity and non-technical buys and that the urgency to build the cheapest solutions or provide minimalist services to DOD will give way to the idea that military superiority goes to the country that provides the best solutions, not the cheapest.

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