



DLA Supply Chain Alliance Conference & Exhibition



COST & PRICE

Pricing Government Requirements
A Joint Perspective

Julia Roquemore

*Deputy Director, Supplier
Operations, DLA Aviation*

Caroline Watson

*Division Chief, Cost & Price,
DLA Land & Maritime*

Tiarra Barton

*Founder and CEO,
Aaceses Ihmire Industries*

Joann Hoder

*Division Chief, Cost & Pricing Div.,
DLA Aviation*

Hoa Ta

*Sr. Cost and Price Analyst, Cost &
Pricing Div., DLA Land & Maritime*



DLA Supply Chain Alliance Conference & Exhibition

TOPICS OF DISCUSSION

- Panel Introductions
- Warfighter Support
- Recent Events
- Challenges
- Mitigation Efforts
- Communication Channels
- Recommendations
- Questions / Remarks





DLA Supply Chain Alliance Conference & Exhibition

WARFIGHTER SUPPORT

- Warfighter Support is a Team Sport
 - It takes effort and support from all parties
 - The Government and Industry are on the same team
 - Granted, we each have different responsibility chains
- Improving Warfighter Readiness by Improving Industry Alliances and Reforming Business Process
 - The procurement world is constantly faced with new challenges, needs, and changes
 - Working together to get the mission done of Warfighter Support





DLA Supply Chain Alliance Conference & Exhibition

WARFIGHTER SUPPORT

- We need to work together as partners to:
 - Lower costs and deliver value to the Warfighter
 - Ensure that with every dollar we spend, that dollar is increasing the capability of the Warfighter
 - Ensure that a Fair and Reasonable price is made on procurements on behalf of the taxpayer and Warfighter





DLA Supply Chain Alliance Conference & Exhibition

RECENT EVENTS





DLA Supply Chain Alliance Conference & Exhibition

CHALLENGES

- Limited options to change Firm Fixed Price contracts
- Difficulty in completing pricing evaluations
- Limited resources
- Regulatory restrictions
- Communication Channels
- Unstable supply chains



DLA Supply Chain Alliance Conference & Exhibition

MITIGATION STRATEGIES

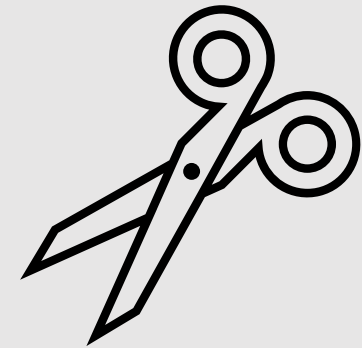
- Improved communication channels
- Understanding the requirement
- Information that supports pricing
- Understanding the question and getting to 'Why?'
- Bureau of Labor Statistics (BLS) data
- What helps Industry?
 - *Let's discuss it*
- What helps the Government?
 - *More to talk about.*



DLA Supply Chain Alliance Conference & Exhibition

RECOMMENDATIONS

- Review the solicitation and the requirements
- Review the history listed on the solicitation
- Has anything changed in the marketplace for the item
- Are there any extenuating economic factors
- Time or Quantity variances
- Provide your best offer, since you never know what your competition is doing
- Providing the best offer upfront, can help reduce lead times





DLA Supply Chain Alliance Conference & Exhibition

RECOMMENDATIONS

- DLA Material Supply Chain's (MSC) takes contract pricing very seriously
- When our Contracting Officers don't have sufficient information needed to make a fair and reasonable price determination, it can delay or stop an award from being made
- DLA MSC's rely on its vendors in our efforts to be good stewards of the Taxpayers' dollars and in support of the Warfighter





DLA Supply Chain Alliance Conference & Exhibition

RECOMMENDATIONS

- Be advised that Buyers and Contracting Officers may contact you to obtain additional information concerning your offer or negotiate
- When requested for an informal cost breakdown, we are looking for the key drivers to the cost of the item such as material, labor, overheads, profit, etc.
- The quicker you can get the information to the Buyers and Contracting Officers, the quicker they can make their decision concerning the procurement





Bureau of Labor Statistics (BLS)

- BLS is used by industry to develop price analysis
- Information used by BLS is based on voluntary disclosures from vendors.
- If BLS could get more suppliers to respond, the BLS indices could be more of a market driven response
- This leads to better understanding of current price trends



Producer Price Index (PPI) Pamphlet

Your company is being asked to provide a small amount of pricing information to one of the principal statistical agencies of the Federal Government. Your data will be used to construct the **Producer Price Index**.

What is the Producer Price Index (PPI)?

The **PPI**, one of the Nation's principal Federal economic indicators, measures the average change in selling prices received by domestic producers of goods and services in over 600 industries. More than 8,000 indexes for individual products and services are released each month. Indexes are available for the products of virtually every industry in the mining and manufacturing sectors, as well as many industries in the service and construction sectors of the U.S. economy.

How does the PPI impact and benefit you?

The PPI is widely used by the government and businesses to make better-informed business decisions. Some valuable uses are:

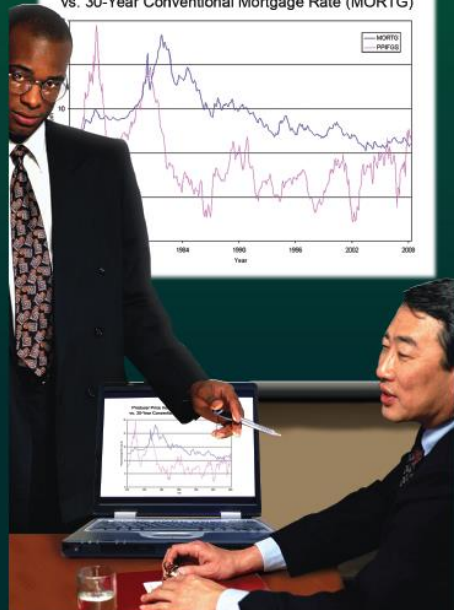
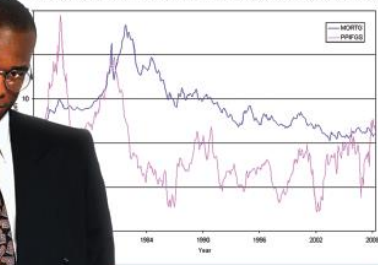
As an economic indicator- The Federal Reserve, Congress, and Federal agencies

regularly monitor the PPI when formulating fiscal and monetary policies, such as setting interest rates for consumers and businesses.

Contract escalation- The PPI can be used in purchase and sales contracts; for instance, a builder may use the index for steel in their construction contract to effectively hedge against input price changes.

Measuring inflation- Indexes can be used to measure price changes in inputs incurred by producers of goods and services. This information is useful for businesses in determining pricing strategy.

Producer Price Index: Finished Goods (PPIFGS) vs. 30-Year Conventional Mortgage Rate (MORTG)



Inventory valuation- The Internal Revenue Service (IRS) has mandated that the PPI be used for "Last In, First Out" (LIFO) inventory valuation purposes.

Why should you participate?

You count! The quality of data produced by the U.S. Bureau of Labor Statistics (BLS) is a direct reflection of the number of businesses included.



The PPI carefully constructs survey samples to keep the number of contacts to a minimum, making every business, large and small, critical to the accuracy of the data.

The Nation depends upon BLS for accurate statistics, and BLS relies upon people like you to provide us with data.

How do you provide data for the PPI?

A BLS economist will meet with you to determine which products or services will be included in our indexes. You will then be asked to provide periodic updates for the selected products or services. BLS uses these

updates as the basis for our PPI indexes. The update process is straightforward and will normally only take a few minutes to complete.

Will your information be kept confidential?

Yes. Your company's participation, including sampled products and prices, will be held in confidence to the full extent permitted by law.

BLS will use the information you provide for statistical purposes only, in accordance with the **Confidential Information Protection and Statistical Efficiency Act of 2002** (Title 5 of Public Law 107-347).



How can BLS data help you?

In addition to the PPI, BLS produces a wealth of useful information that is free of charge. These include:

Contract negotiation tools
During contract negotiations, BLS data may be used to ensure that prices reflect market costs over the term of the



Producer Price Index (PPI) Pamphlet

contract. Contract escalation guides are available on the BLS Web site.

Evaluating wage/benefits packages

Data from the BLS compensation programs show the average salaries for selected occupations, industries, and localities. Information on the types and costs of employee benefit packages is also available.

Provide information on workplace injuries, illnesses, and fatalities

Worker compensation rates are partly determined by workplace injury rates. BLS data from the Occupational Safety and Health program report the number of accidents and fatalities by specific occupation and industry.

Assessing growth industries, occupations, and career counseling tools

The BLS *Occupational Outlook Handbook* is a nationally recognized source of career information. This book is used by high school and college guidance counselors across the country. This publication provides information on the training and education needed for specific career fields and earnings and job prospects for a variety of careers. It also provides job search tips and specific information about the job market in each State.

Additionally, BLS has a Web site designed for young people to explore career opportunities and choices.



A BLS economist can assist you in understanding how to use our products. To find out more, visit our Web site at www.bls.gov.



Or, contact your regional BLS Economic Analysis and Information Office.

For general information and analysis on the PPI, contact:

Producer Price Index

2 Massachusetts Avenue, NE.
Washington, DC 20212

Phone: (202) 691-7705
E-mail: ppi-info@bls.gov
Web site: <http://www.bls.gov/ppi>



BLS Regional Economic Analysis and Information Offices

Atlanta

Phone: (404) 893-4222
E-mail: BLSinfoAtlanta@bls.gov

Boston

Phone: (617) 565-2327
E-mail: BLSinfoBoston@bls.gov

Chicago

Phone: (312) 353-1880
E-mail: BLSinfoChicago@bls.gov

Dallas

Phone: (214) 767-6970
E-mail: BLSinfoDallas@bls.gov

Kansas City

Phone: (816) 285-7000
E-mail: BLSinfoKansasCity@bls.gov

New York

Phone: (646) 264-3600
E-mail: BLSinfoNY@bls.gov

Philadelphia

Phone: (215) 597-DATA
E-mail: BLSinfoPhiladelphia@bls.gov

San Francisco

Phone: (415) 625-2270
E-mail: BLSinfoSF@bls.gov

The U.S. Bureau of Labor Statistics needs your help



Producer Price Index (PPI)

