



PRICE INCLUDES VARIATION OVER TIME (PIVOT)

SOURCE SELECTION AND PRICING METHODOLOGY TO HEDGE MARKET PRICING RISK



WHO: Southwestern Division

WHAT: Developed an innovative pricing and source selection methodology

WHY: To counter high inflation effects on USACE critical projects

WHERE: Primarily Southwestern Division

WHEN: 2022 / 2023

WHAT'S NEXT: Execute limited number of pilot projects to develop concept with industry and internal/external partners.

Current Approach

ACME Proposal	
CLIN 0001	\$ 1,000
CLIN 0002	\$ 5,000
CLIN 0003	\$ 4,000
TOTAL	\$10,000

New Approach

ACME Proposal			
	Period 1 0-90 days	Period 2 91-180 days	Period 3 181-365 days
CLIN 0001 ...	\$ 1,000	\$ 1,100	\$ 1,500
CLIN 0002 ...	\$ 5,000	\$ 5,500	\$ 7,100
CLIN 0003 ...	\$ 4,000	\$ 4,400	\$ 6,400
TOTALS	\$10,000	\$11,000	\$15,000

Summary:

With the highest inflation in 40 years, contractors are feeling the squeeze. Industry research and anecdotal data indicates contractors are growing reluctant to hold or extend proposal pricing. U.S. Army Corps of Engineers contractors who once held prices for six to 12 months are now only willing or able to hold prices for 60-90 days. With COVID restrictions easing, many contractors are simply walking away from Federal work. We're increasingly forced to compete for suppliers, as many shift focus to state, municipal and commercial work, where vaccinations aren't at issue and budgets include a bow wave of funding after more than two years of COVID delays. Combine the inflation effects with the lengthy Congressional budget process and, often, our customers or programs have insufficient funds to execute the work. This leads to time-consuming Above Threshold Reprogramming requests and difficult conversations with customers for additional funds. These funding delays exacerbate an already untenable situation, negatively impacting schedules and damaging USACE's ability to keep commitments. Unfortunately, the Federal Acquisition Regulation, Department of Defense Federal Acquisition Regulation Supplement and Army Federal Acquisition Regulation Supplement have no mechanism to address inflationary price risk PRE-AWARD. POST-AWARD we can take advantage of the Economic Price Adjustment clause, but we have nothing on the books to hedge market pricing risk during the proposal phase. **PIVOT fills the gap.** Before PIVOT, we'd request one Firm Fixed Price to remain valid for one period. In contrast, PIVOT asks for multiple prices over time, providing contractors a way to hedge risk. Response from industry, to include AGC and SAME, is consistently positive, with a common theme: PIVOT is a welcomed demonstration of USACE's stated desire to improve industry partnership. PIVOT is not a one size fits all approach and PIVOT will not hedge all risk. PIVOT is a transparent, surgical solution that is coordinated with Office of Counsel and Head of the Contracting Agency, fully authorized by regulation, responsive to the threat, tailored to each acquisition, and a force multiplier for USACE program delivery.

