



DEFENSE LOGISTICS AGENCY
HEADQUARTERS
8725 JOHN J. KINGMAN ROAD
FORT BELVOIR, VIRGINIA 22060-6221

IN REPLY
REFER TO

J-7

JAN 22 2010

MEMORANDUM FOR COMMANDER, DEFENSE DISTRIBUTION CENTER (DDC)

SUBJECT: Compelling Reasons Determination, Contract SP3100-05-C-0020

Public Warehousing Company, Inc., (PWC) is the contractor for distribution support services and facilities within the U.S. Central Command Area of Responsibility under contract SP3100-05-C-0020. On November 16, 2009, PWC was suspended from Government contracting and placed on the Excluded Parties List System. Pursuant to Federal Acquisition Regulation 9.405-1(b)(3), the DDC Contracting Officer requests permission to modify the existing contract to add additional workload in support of the Army serviceable excess materiel in Iraq (A12).

For the reasons specified by the Contracting Officer, I find compelling reasons for DDC to modify contract SP3100-05-C-0020 to increase funding by \$3 million.

[REDACTED]
A. S. I [REDACTED]
Vice Admiral, SC, USN



STAFF SUMMARY SHEET

TO	DATE	TO	ACTION	SIGNATURE, GRADE AND DATE
[REDACTED]		XO	Coord	
ADN	1/20/10	D	Sig	[Signature] 1/22
DXA	Coord @ 1/22			
AXO	Coord			22 Jan
CS	Coord			

ACTION OFFICER (Name and Grade)	OFC SYMBOL	PHONE	TRACKING #	SUSPENSE DATE
[REDACTED]	J-7	[REDACTED]	2010-55	Jan 26 10

SUBJECT	DATE
Defense Distribution Center (DDC) Compelling Reasons Determination	Jan 19 10

SUMMARY

- The proposed memorandum at Tab 1 requests approval to modify Contract SP3100-05-C-0020 to increase funding by \$3 million. Pursuant to FAR 9.405-1(b), the DDC contracting officer submitted a request for permission for DDC to add additional work to contract SP3100-05-C-0020, under which Public Warehousing Company, Inc., (PWC), provides the contractor-owned, contracted-operated facility and distribution support services for the Defense Distribution Depot Kuwait-Southwest Asia (DDKS) operations.
- BACKGROUND.** On November 16, 2009, PWC and its affiliates were suspended from Government contracting and placed on the Excluded Parties List System. According to FAR 9.405, the Director can approve modification of the contract with compelling reasons at Tab 2.
- This request is only for additional workload, estimated at \$3 million, expected to begin February 1, 2010, to process return of excess serviceable Army materiel (AJ2) from Iraq through the end of the contract period in August 2010. The request needs to be approved at this time to allow modification of the contract in time for the February 1, 2010, start date for the new work. DDKS support is critical to the success of the Army drawdown effort in the AOR. If the contract is not modified to provide for this increase in funding, there is a high probability of drawdown mission failure. We also anticipate an additional request from DDC will be submitted at a later date to approve additional funding for normal contract operations through the end of the contract period.
- RECOMMENDATION.** Director sign the proposed memorandum at Tab 1.

[REDACTED]

Director, Acquisition Management
Ext.7-1645

- 2 Tabs
- Proposed Memorandum
 - Justification

Request for Determination that Compelling Reasons Exist to Modify
Contract SP3100-05-C-0020 to Increase the Contract Amount to Support Receipt of
Responsible Army Drawdown Material (AJ2)

1. The Defense Logistics Agency (DLA), Defense Distribution Center (DDC), Acquisition Operations is the contracting activity.
2. For the reasons that follow, the undersigned Contracting Officer requests that the Agency Head make a determination that compelling reasons exist to modify contract SP3100-05-C-0020 to increase the contract amount to support the receipt of Army Serviceable Excess Material (AJ2). This request is to allow an increase in contract funding of \$3 million for anticipated additional work relating to AJ2 from approximately February 1, 2010, through the end of the contract period in August 2010. The contractor is Public Warehousing Company (PWC). PWC is the current contractor providing both the Contractor Owned, Contractor Operated (COCO) facility and distribution support services for operation of the Defense Distribution Depot Kuwait-Southwest Asia (DDKS). DLA's Suspension and Debarment Official suspended PWC pursuant to FAR Subpart 9.407 on November 16, 2009, and that suspension remains in effect. This request is being made pursuant to FAR 9.405-1(b)(3).
3. DDKS provides a strategic receive, storage, and issue mission in addition to operating the Theater Consolidation and Shipping Point that supports all US units in the CENTCOM AOR, primarily Iraq, Afghanistan, Kuwait, Bahrain, and Qatar. Since 2005, DDKS has grown to become a key national security asset because of its support of CENTCOM's Theater Distribution system. DDKS currently supports Operation Iraqi Freedom (OIF) and Operation Enduring Freedom (OEF) operational units with ALOC, dedicated truck, and surface container shipments.
4. AJ2 material consists of items returning from Iraq and surrounding areas that are being transported to DDKS for either storage or redistribution to other depots. Workload has increased due to Army drawdown in Iraq. This increase in workload is estimated at an additional 9,000 twenty-foot containers equating to approximately 450,000 receipts beginning in February 2010 and continuing through August 2010. Currently, there are insufficient funds obligated on the contract to cover this additional workload. The current contract's pricing arrangement consists of a Cost Plus Fixed Fee (CPFF) CLIN for Labor, a Cost Reimbursable CLIN (no fee) for Other Direct Costs, and a Firm Fixed Price CLIN for use of contractor owned facilities. The contractor will incur additional labor costs (CPFF CLIN) and other direct costs (Cost Reimbursable CLIN) due to the required increase in the level of effort. The government estimate for this added work is approximately 108 additional Full Time Equivalents (FTEs) at an estimated cost of \$3 million.
5. Based on the operational requirements discussed below, if the contract is not modified to increase funding to support the receipt of Army AJ2, there is a high probability of drawdown mission failure in the CENTCOM AOR.

SOURCE SELECTION INFORMATION - See FAR 2.101 and 3.104

6. The Army AJ2 requirement is an essential component of its overall plan for efficient and effective logistics support in the CENTCOM AOR. The Army G4 memorandum dated 21 July 2008 (attached), established the process to send AJ2 material to DLA OCONUS Distribution Centers (Kuwait, Korea, Germany and Pearl Harbor). The Army's intent was to position serviceable items at DLA OCONUS Distribution Centers for re-issue to operational units in the supported theater and avoid increased transportation and handling costs associated with returning this materiel to CONUS for re-issue. The Army plan has already resulted in small increments of Army AJ2 workload at DDKS. Due to the planned drawdown of troops in Iraq, this workload will significantly increase. The capability to support this requirement at DDKS is critical to Army's plan to shift serviceable materiel from Iraq to support units in Afghanistan. This plan also supports the Army's "Theater First" sourcing strategy of using DDC's OCONUS distribution centers to source materiel to theater customers before referring requisitions back to CONUS for a fill. Successful implementation of the Army AJ2 plan and Theater First program is critical to prevent a requirement for increased strategic airlift from CONUS, higher transportation costs, and greater lead time in providing materiel to the warfighter.
7. DDKS is the only distribution center within the CENTCOM AOR, and the only distribution facility with the capacity and capability to provide the required support for the Army AJ2 plan and Theater First program. DDC does not have another distribution center in the CENTCOM AOR with the capability and capacity to process Army AJ2. DDC's Bahrain detachment is only a small cross-dock facility and does not have the storage space to accommodate this mission.
8. There are no realistic alternatives to use of the current PWC DDKS contract in support of these requirements. Experience gained from responses to solicitations for warehouse and distribution services at DDKS demonstrates that there are very few sources with even the potential to have the necessary capability to provide these services, primarily because of the requirement that the contractor possess and provide sufficient warehouse space for the requirement. In addition, there is insufficient time to compete for contract support of the Army AJ2 requirement due to the very short time remaining (less than one month) before the requirement must be supported. Finally, DDC has insufficient personnel and no facilities available to provide this support organically within the required timeframe. Because there is no realistic alternative to provide AJ2 support, it is critical that these services be performed at the current DDKS site under the existing contract with PWC.
9. DDC J7 is currently conducting market research to compete the DDKS requirement so that a replacement contract can be executed at the end of the current contract in August 2010.
10. The Commander, DDC, has been briefed and endorses this request, and it has been reviewed and concurred in by the DDC Office of Counsel.

11. As the Contracting Officer, I hereby certify that the facts supporting this request are accurate and complete to the best of my knowledge and belief.

7 Jan 2010
DATE



Contracting Officer

I hereby certify that the requirements which form the basis of this request are accurate, that these supplies meet the Government's minimum needs in accordance with applicable specifications, and this request is accurate and complete to the best of my knowledge and belief.

7 Jan 10
Date



Deputy Commander

