

Top Ten Benefits of OTAs

1. *OTAs can be made very quickly – similar to commercial procurement timeframes*
2. *An OTA is not a contract, grant, or cooperative agreement – therefore not subject to the FAR, DFAR, or their supplements*
3. *OTAs are not subject to protest*
4. *Projects awarded under OTAs are not subject to DCAA audits; Cost Accounting Standards compliance is not required*
5. *OTAs are not subject to Termination for Default or Convenience*
6. *Government rights to intellectual property are negotiable*
7. *Contract ceilings within an OTA can be adjusted to add scope and increase funding as necessary*
8. *Collaboration between the vendor and government end-customer to define the SOW is encouraged*
9. *OTA competition is required only to the maximum extent practicable*
10. *Use of OTAs is increasing faster than industry understanding of them, creating pockets of outsized opportunity*

OTAs – From Sputnik to SVIP

- Some of the most cutting edge technical talent will never be accessible to the Federal Government through traditional means
- OTAs provide agencies with a procurement tool to enlist contractors who may be unavailable due to restrictive regulations
- OTAs are a quick way for any contractor to bring new R&D and prototype ideas to the Federal Government, unburdened by the FAR
- NASA, DoD, DOE, HHS, DHS, and DOT can leverage OTAs in order to acquire the latest innovations within a matter of days
- R&D, prototypes, feasibility studies, pre-production units, and innovative business models are well within the broad OTA interpretations
- Traditional procurements deliver yesterday's solution tomorrow; streamlined OTAs help keep pace with evolving technologies

Space Race Synthesis

After the Soviet Union's launch of Sputnik in 1957, the U.S. found itself technologically outpaced in the new era of the Space Age. President Eisenhower countered by creating NASA in 1958, however the FAR discouraged commercial companies from providing the R&D and prototype development NASA needed. Congress responded by providing NASA with authority to enter into "Other Transaction" Agreements (OTAs) with commercial companies to procure innovative technology in a nearly unrestricted manner. NASA continues to be the dominant user of OTAs, including a recent high profile partnership with SpaceX to support human missions to Mars, but other agencies are catching on and increasingly using OTAs to access the innovations they require.

Old-Fashioned FAR

Today, the U.S. is competing with foreign countries on a new frontier with a constantly evolving set of weapons and capabilities. Unfortunately, procurements can take months, if not years, to obtain critical solutions, during which time approaches can devolve from cutting edge to archaic. Perhaps a less obvious risk from current procurement practices is that they stifle competition by including only traditional contractors. If the best solutions could come from non-traditional contractors who elect not to bid (fearing increased regulatory oversight, the high cost of sales, and the relatively lower profit margins), then even if the government receives multiple bids, there isn't much "competition." While some industry associations deride OTAs as "anti-competitive," OTAs actually increase competition by introducing new market entrants that might not be available to government buyers who limit themselves to the FAR.

Better, Faster, Cheaper

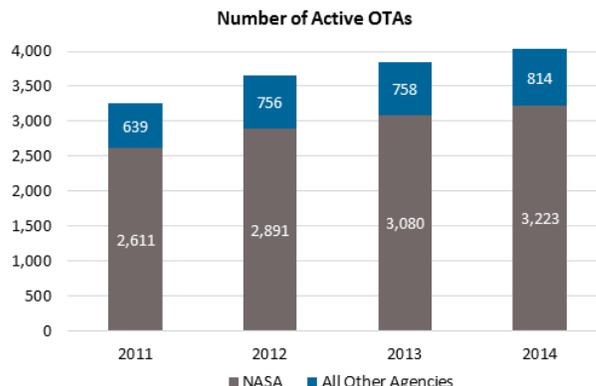
OTAs are used primarily for R&D, rapid prototyping, and introducing innovative business models to government. Non-traditional contractors – those that meet certain past performance limitations – are the target vendors for OTAs. Traditional contractors can also access OTAs if a non-traditional contractor is participating to a "significant" extent, if they share in at least one-third of the total cost with the government, or if the procurement officials determine that "exceptional circumstances" exist. A popular OTA variant is the OT consortium – a group of companies interested in working with a government

customer around a common subject. Once formed, government buyers can quickly and efficiently solicit from and make awards to consortium members.

Bridging the Gap

The U.S. once again finds itself in a crucial, time-sensitive race to keep pace with technological developments of other countries and organizations. OTAs are critical to

closing the gap between innovative commercial technology and current government approaches. Earlier this year, under the Silicon Valley Innovation Program (SVIP), the DHS used OTAs to fund several Silicon Valley companies with Internet of Things (IoT) capabilities. More recently, the Army hosted an Industry Day at the Defense Innovation Unit Experimental (DIUX) facility in Mountain View, CA, inviting Silicon Valley's best and brightest companies to solve four Cyber Challenges. Through OTAs, select companies will be awarded contracts. While there remain significant cultural and economic barriers between innovative non-traditional contractors and government buyers, OTAs can span the procurement gap and hasten the pace of innovation adoption.



The number of active OTAs increased 24% from 2011 to 2014. While NASA remains the dominant user, the use of OTAs at other agencies is increasing at a faster pace.

Source: GAO analysis of agencies' data and documentation—GAO-16-209