

NAVAIR Phase II Proposal Guidelines

Overview

Phase II awards are made to firms based on the results of their Phase I effort; the scientific, technical and commercial merit of the Phase II proposal; and an endorsement from a program manager. A Navair Phase II contract is generally an 18 to 24 month effort to demonstrate the Phase I proof of concept and contract awards are typically \$750,000. If NAVAIR non-SBIR funds initiate a Phase III contract, further work can be added to a Phase II contract with matching SBIR funds.

Cost-plus-fixed-fee contracts are generally used for Phase II contracts. These contracts provide for payment of allowable incurred costs to the extent prescribed in the contract. They require that an approved Government cost-accounting system be in place at the contractor's facility. Payment schedules and vouchers for Phase II contracts should be discussed with the contract specialist and your Defense Contract Audit Agency (DCAA) auditor.

Schedule

Your technical point of contact (TPOC) is the liaison between your needs and plans and Naval Aviation's needs and plans. To protect small companies from expending unnecessary time and energy on a proposal that is not likely to obtain funding, Phase I companies must be invited to submit a proposal for Phase II consideration. The invitation to submit is offered by your TPOC and can be done informally. An invitation to submit does not guarantee that a Phase II contract will be awarded. The following provides a general timeline for the Phase II award process.

Invitation to submit Phase II Proposal	Four months after starting a Phase I to one month after receiving final report
Phase II Proposal due to government	One month after invitation to submit Phase II proposal
Phase I Option funded	Approximately one month after receipt of draft Phase II proposal
Phase II Contract awarded	Approximately four to six months after Phase II proposal received

Selection Process

Your technical point of contact (TPOC) will form a team with technical engineers, and program managers to determine the process for the Phase II invitation. To be considered for Phase II work, you must at a minimum:

- Have been awarded a Phase I contract
- Be invited to submit a Phase II proposal
- Continue to qualify as a small business
- Have the capability to perform 50 percent of the Phase II research
- Have a commercialization achievement index (CAI) above 10 percent

The criteria listed below will then be used to determine which Phase I company should be invited to submit a Phase II proposal:

- High quality of Phase I effort
- High scientific and technical merit
- Naval Aviation Program manager and technical Naval Aviation concurrence
- High potential to satisfy an existing or future Naval Aviation need or problem
- Potential for transition to Phase III

Proposal Development

Before a Phase II proposal is written, the following should be discussed at the Phase II pre-proposal meeting with the technical point of contact and sponsor representative:

- Required deliverables
- Government use of the deliverables after Phase III
- Boundaries and constraints
- Expected return on investment (ROI) and total ownership cost (TOC) reduction
- Expected tests and acceptable threshold test results
- Statement of work review
- Private sector commercialization review
- Required Phase II proposal components
- Phase II contract structure (i.e. base effort and options)

This meeting is a requirement and is designed to insure strong communication on what the Phase II effort should encompass. You are still expected to solve the problem. Information provided by the government representatives during this meeting regarding expected cost savings, test requirements, etc. should be incorporated into the Phase II proposal.

Review the Suggested Phase II Proposal Content and discuss these instructions with your technical point of contact prior to preparing your Phase II proposal.

Proposals must be submitted electronically to the Proposal Submission website (<http://www.dodsbir.com/submission/SignIn.asp>).

Proposal Content

Proposal Cover Sheet – The cover sheet must be submitted electronically using the Proposal Cover Sheet form on the Proposal Submission website.

Technical Proposal – Your technical proposal will become part of your contract and will serve as the legal basis for determining successful performance. The tasks you propose to perform should clearly spell out what outcomes or results the Government can expect. Your proposal should include:

- Clear definition of goals
- Technical and schedule requirements expressed in terms of desired results
- Basis for performance measurement
- Deliverables and reporting clearly defined

Background – Describe the overall project in general terms and introduce the purpose and objectives of the SBIR effort. The problems or deficiencies that the current topic hopes to solve should be summarized, and known problem areas and technical constraints should be identified. A brief statement

of related developments and technology areas may be appropriate. If previous research accomplishments form the basis or the beginning point of the work to be performed, include a description of them here. Finally, a summary of the benefits to be gained, mission importance, and follow-on efforts, if any, should be provided. It is important that the objectives stated are consistent with the tasks proposed in the Requirements section.

Scope - Provide an overall picture of the desired work in concise form. Outline the various phases of the effort, schedule and any special provisions or constraints. Address the desired end product of the particular phase.

Applicable Documents - List all the guides, directives, references, reports and written standards that are necessary to perform the work under the contract. Everyone should have a complete understanding of the "outside" data relevant to the performance of the proposed contract. Every document listed in this section should be referenced in at least one of the tasks.

Requirements - Define the innovative research in clear, understandable terms. If the work encompasses several distinct areas or lends itself to division into tasks, each area/task should be fully and specifically described using simple language. Whenever possible the research should be described in performance-based terms, focusing on the potential results rather than how the work is to be accomplished. Any acronyms, abbreviations, or special use words must be clearly defined.

Reports, Data and Deliverables - Summarize the tangible end products of the work to be performed, which must be compatible with the requirements of the DoD SBIR Program Solicitation. Reports, data and hardware items, if applicable, should be listed. However, detailed requirements for data, reports, or other technical documentation should NOT be defined in this section. The CDRLs (DD Form 1423) and the associated DIDs (DD Form 1664) submitted by the government TPOC are the only proper places for specifying the content, format, and scope of such data items. All delivery schedules should be specified in Section F of the contract document.

Other Considerations - Discuss any non-performance aspects of the contractual relationship between the contractor and Government. Content of this section might include such items as travel requirements, security concerns, or government furnished property. It is appropriate to list any conferences, program reviews, Government tests, etc., to be attended by contractor personnel. Specific security requirements, if any, will be addressed in an attachment to the contract (DD Form 254, Contract Security Classification Specification). However, any security requirements should be generally addressed in this section. GFE is usually not provided under SBIR contracts, but if necessary for the effort, it should be generally addressed in this section. A specific list of property needed and clauses governing the GFE will appear in the body of the award document.

Cost Proposal - Work with the technical point of contact to determine the size and scope of the base effort and whether one or more options should be proposed. The typical Phase II award is for a total of \$750K including the base effort and at least one option. Separate costs must be submitted for the Phase II basic effort and for each Phase II option.

The on-line data entry forms for the cost proposal may only allow details for a single option; consequently, roll up the costs for all of the options for this display, and provide a summary cover sheet of the basic award and each option cost as page 1 to the cost proposal section.

A thoroughly itemized cost proposal can significantly reduce the amount of time required for contract negotiation. Sufficient information should be provided to allow the evaluator to understand planned

use of the funds. The following paragraphs illustrate the level of cost detail that a Contracting Officer requires before beginning negotiations.

- Offeror's direct labor. List all key personnel by name and other personnel by labor category; e.g., senior scientist. Specify the number of hours to be dedicated to the project and hourly costs for each.
- Consultants/Subcontractors. List consultants by name and specify, for each, the number of hours and hourly costs. Detailed quotes from subcontractors should be provided in the same format. Note that a subcontract entered into for performance of research or research and development differs from an arrangement with a vendor to provide a service such as machining, analysis with test equipment, use of computer time, and the like. The costs of such arrangements with vendors should be covered under Special Tooling, Testing, Test Equipment, and Material or under Other Direct Costs. For proprietary reasons, the subcontractor's cost proposals may be sealed or mailed directly for Government eyes only.
- Special tooling, testing, test equipment, and material. The need for these items, if proposed, will be carefully reviewed. The offeror should provide competitive quotes to support the proposed costs or should justify why only one source is available. Competitive quotes may be signed quotes from vendors or copies of catalogue pages. Normally the costs of any equipment should be quoted on a purchase basis, unless the offeror can demonstrate that lease or rent of the equipment is clearly advantageous to the Government. The Contracting Officer will make the final determination.
- Travel costs. Travel (i.e., airfares, car rental and per diem) must be justifiable in terms of the proposed effort. Specify how many people will travel to what places for how many days. Please note that all Phase II award winners must attend a one-day Transition Assistance Program (TAP) meeting in the Washington D.C. area during the second year of the Phase II effort. If you receive a Phase II award, you will be contacted with more information regarding this program. Recommend budgeting at least one trip to Washington, DC.
- General & Administrative (G&A). If applicable, include your G&A rate and its application base consistent with your approved accounting system.
- Facility Capital Cost of Money (FCCM). If applicable, include your FCCM rate(s) and its application base consistent with your approved accounting system.
- Fixed Fee/Profit. If applicable, include the proposed fixed fee/profit.

In order to facilitate the Government's evaluation of your cost proposal, you should provide the following information.

- If you have an approved accounting system, and your indirect costs have been reviewed by a Government auditor, provide the name, address, and telephone number, of that auditor.
- If your accounting system has not been approved by the Government auditor, please provide:
 - a description of your accounting system, and
 - the method you used to compute your indirect costs. (Include the details of indirect cost pools and the base against which they are applied as summarized above.)

Commercialization Strategy – A two page commercialization strategy is required by DoD as part of the technical proposal. The Commercialization Strategy should address the following questions:

- What is the first product that this technology will go into?
- Who will be your customers, and what is your estimate of the market size?
- How much money will you need to bring the technology to market, and how will you raise that money?
- Does your company contain marketing expertise and, if not, how do you intend to bring that expertise into the company?
- Who are your competitors, and what is your price and/or quality advantage over your competitors?

The commercialization strategy must also include a schedule showing the quantitative commercialization results from the Phase II project that your company expects to report in its Company Commercialization Report Updates one year after the start of Phase II, at the completion of Phase II, and after the completion of Phase II.

Transition Plan – A 5 – 10 page Transition Plan is required for all Navy Phase II proposals. The transition plan provides qualitative and quantitative details of the proposed technology and a better understanding of how the technology will be transitioned to the fleet. The plan should address technology development activities, potential sponsors or interested parties, and how you plan to engage these parties during your Phase II project.

Company Commercialization Report – The CCR database (accessed through the proposal submission website) should be updated periodically during and after any Phase II award and before any new proposal is submitted.

Proposal Evaluation

Phase II proposals are evaluated using the criteria listed below:

- Soundness, technical merit, and innovation of the proposed approach and its incremental progress toward topic or subtopic solution.
- Qualifications of the proposed principal/key investigators, supporting staff, and consultants. Qualifications include not only the ability to perform the R&D, but also the ability to commercialize the results.
- Potential for commercial (Government or private sector) application and the benefits expected to be gained from this commercialization.

Final decisions are made based on scientific and technical evaluations and other factors, which may include:

- Sponsor need
- A commitment for Phase III follow-on funding
- Possible duplication with other research or R&D
- Program balance
- Budget limitations
- Potential of a successful Phase II effort leading to a product of continuing interest to Naval Aviation
- Commercialization Achievement Index (CAI)

Summary Reports

The Navy SBIR Program Office requires companies to provide information on the status and benefits of their technology developments at the end of the first year of Phase II and after completion of the Phase II. The goal is to create an easy mechanism for technology consumers or those with technological challenges to access and identify SBIR companies that can provide them with solutions. The information should be nonproprietary, yet detailed enough to provide the interested transition partner with enough information to understand the potential use and benefit to its program. Project status summary reports must be submitted electronically via the NAVY SBIR/STTR Web site

<https://www.navysbirprogram.com/navysummary/login/>

Enhancements

In a memorandum dated 2 February 1999, J. S. Gansler, Under Secretary of Defense for Acquisition and Technology, outlined a plan to facilitate the transition of SBIR technologies into DoD acquisition programs. Item D of the plan directs DoD components to enable acquisition programs and the private sector to leverage their investment in technologies by providing a Phase II company with additional Phase II SBIR funding (in excess of the base Phase II amount) if an acquisition program or the private sector provides matching funds.

To encourage the transition of SBIR technologies into Phase III contracts that benefit Naval Aviation programs, SBIR funds can be used to match a program manager's or prime contractor's funds that initiate Phase III contracts. The eligibility criteria for the Enhanced Phase II are:

- Phase III contract is funded with NAVAIR Acquisition funds
- Funding is in dollars: i.e., it cannot be "in kind"
- Phase II contract is open or within one year after period of performance has ended
- SBIR funds are available

For every \$100K placed on a Phase III contract, \$25K of SBIR funds may be placed on the Phase II contract (up to \$250K).