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COMPTRROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

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Dear Mr. Chairman:

1 We are responding to your letter of August 4, 1972, regarding the award of an Army advanced development contract in 1971 to The Boeing Company calling for the design fabrication and testing of certain critical advanced technology components. The components provide the Department of Defense with improved technology and reduced risk in program definition for the heavy-lift helicopter.

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You referred to your Subcommittee's interest in having the background information bearing on the decision to award this contract to only one source after earlier consideration was given to making awards to two or more competing companies. Also, you requested that we verify that the procedures followed by the Army in awarding the contract were in compliance with the Armed Services Procurement Regulation.

We found that, before it solicited proposals, the Army knew of at least three basic helicopter configuration concepts, any one of which might be adapted to the heavy-lift function. Because these configurations were so different from one another, most critical components developed for one configuration were not expected to be usable in either of the other two. The Army also anticipated that developing these components represented a high-risk venture.

With these considerations in mind, the Army believed that the award of parallel advanced development contracts for these components would provide added assurance that at least one feasible approach would be in hand when it came time to initiate engineering development. Subsequently, in evaluating the proposals received from various contractors, the Army found that two offerors had proposed component development programs which posed only medium technical risk, although each was postulated on a different basic configuration. Of the two proposals, Boeing's was judged by the Army to be the better one. It was given the highest evaluation score of all proposals received.

The decision to award only one contract came out of Defense Systems Acquisition Review Council meetings held in April and May of 1971. The

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expense associated with the award of multiple-development contracts was considered unwarranted since evaluation had revealed that component development would be a lower risk venture than originally believed.

You stated that the sole-source award to Boeing gave that company a decided advantage in obtaining future development and production contracts for the heavy-lift helicopter program.

We agree with your view. An Army official we spoke to did not anticipate effective competition developing either during engineering development or in the program's initial production phase. The Boeing components are designed for a particular configuration in which Boeing alone has specialized experience. This, he said, would make it difficult for a competitor to enter the field.

Your letter alluded to previous work we have done in contrasting competitive and sole-source types of awards, and you requested that, on the basis of that work, we provide an opinion as to the potential savings through competition that might inure to the Government on a program of this size.

In some of our reports we have cited a number of examples which indicated that savings, through competitive procurement, could be substantial. In one report, for example, covering the procurement in fiscal year 1968 of a number of items purchased from various suppliers on a sole-source basis, we estimated that the Government might have saved about \$3 million had the items been procured competitively.

We have not made any evaluations, however, which would provide a reliable basis for estimating the saving which could be realized through opening up a specific system or component to competition.

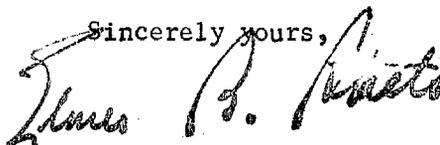
Sometimes competition in a development effort can produce savings of a different kind. In the case of the heavy-lift helicopter, this potential might have been enhanced by parallel component development in the advanced technology phase. Participation in a parallel development program might have provided the competing contractors with the incentive to develop reliable components less costly to produce than those which would evolve from the current advanced technology contract. Whether savings of this nature could have been anticipated would be speculative, and, in our opinion, the amount would be difficult to estimate. So far as we could determine, there is no historical data available from which to project this type of saving.

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To determine whether the Army's actions were in compliance with the Armed Services Procurement Regulation, we reviewed documentation and interviewed officials who participated in, or had knowledge of, the procedures followed. We found two instances in which certain formalities were not observed, neither of which could have affected the selection of Boeing for the award or influenced the negotiations. Actions taken in the solicitation and evaluation of proposals, the selection of Boeing as the awardee, and the notification to the unsuccessful offerors of the results of the source selection evaluation were otherwise in compliance with the regulation.

We do not plan to distribute this report further unless copies are specifically requested and then only after you agree or publicly announce its contents. If we can be of further assistance, please let us know.

Sincerely yours,



Comptroller General
of the United States

The Honorable Thomas J. McIntyre, Chairman
Subcommittee on Research and Development
c) Committee on Armed Services
United States Senate

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