

DECISION



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

FILE: B-205209 DATE: August 10, 1932
MATTER OF: J. J. Broderick Company

DIGEST:

1. A contracting agency may purchase equipment from Federal Supply Schedule that meets its requirements, even if designated stock category of equipment indicates use other than for what agency will utilize equipment, since designations are for the convenience and benefit of the Government, and are not intended to limit users of multiple-purpose items to that designated use.
2. Where agency compares capacity, cost and productivity of equipment available on Federal Supply Schedule with alternative item not available on Schedule to determine the lowest cost item that satisfies its minimum needs, agency need only show that its analysis was made in good faith and was otherwise reasonable.
3. When Federal Supply Schedule contract contains different maximum ordering limitations for (1) equipment and (2) accessories, agency's ordering of both equipment and accessories, each within its applicable limitation, does not violate regulations even though total order for equipment and accessories exceeds either limitation. Moreover, order of additional accessories from following year's contract is not objectionable since prior contract did not encompass those accessories.

J. J. Broderick Company protests the Defense Logistics Agency's purchase of an automated storage and retrieval system for small electronic parts from White Machine Company, Inc. Broderick contends that DLA's economic analysis justifying the purchase of carousel units under White's Federal Supply Schedule (FSS) contract, rather than mini-stackers manufactured by Lyon Metal Products, Incorporated and marketed

by Broderick, was erroneous. Broderick also argues that the purchase violated the maximum ordering limitation of White's FSS contract. We deny the protest.

On September 28, 1981, DLA placed a delivery order for four carousels and related accessories under White's 1981 FSS contract, No. GS-005-23041; on October 2, DLA placed another delivery order for computerized carousel controls under White's 1982 FSS contract, No. GS-005-23686. Broderick protested issuance of the first of these orders to DLA. The protest was denied by letter of September 29, and Broderick then filed a timely protest with this Office.

Broderick first questions the propriety of DLA's ordering carousels on the ground that DLA's need was for materials handling, while the carousels are listed in the Federal Stock Class. (FSC) 74, which covers visible records storage. (FSC 39, which includes mini-stackers, covers materials handling equipment.)

We see no legal basis for objecting to DLA's acquisition of the carousels for materials handling. DLA determined that its needs could be satisfied by the carousel system as well as by others intended for materials handling. The fact that the General Services Administration categorizes certain equipment in a certain way does not preclude an agency from acquiring it to satisfy its needs in other areas. The designations of stock categories are, as DLA points out, for the administrative convenience and benefit of the Government and we do not believe they are intended to limit users of multi-purpose items to particular schedules. Further, Broderick points to no rule or regulation that would suggest that an item's FSC designation restricts the use of that item in any manner. Consequently, we have no basis to object to DLA's ordering an item designated as visible records storage equipment for storage and retrieval of electronic spare parts.

The major question raised by Broderick is whether DLA's determination that the carousel units are the lowest cost equipment meeting its needs was reasonable. The protester challenges DLA's conclusion that four carousels costing a total of approximately \$100,000 will meet its needs equally as well as one mini-stacker costing approximately \$200,000. Broderick contends that the carousels' storage capacity is not adequate for the agency's estimated workload and that items cannot be retrieved at a rate anywhere near that calculated by DLA.

DLA reports that it requires a system capable of storing 12,000 to 14,000 high popularity electronic parts with an estimated workload (materials request orders) of 560 items a day. DLA determined that either the carousels or the mini-stacker would satisfy its minimum needs for such a storage system and that, considering both capital costs and the costs of operation, carousels would be more cost effective in terms of the time required to recover the purchase price.

Broderick first challenges the capacity of the carousels, based on the size and weight of the "bin boxes" in which the small parts are to be stored and on the number of boxes that can be placed on a carousel shelf. All of these affect accessibility of the stored parts, which in turn affects the rate at which stock can be stored or retrieved. Broderick also alleges that DLA's analysis was faulty because the agency now is using the boxes in a configuration different than that on which its decision to purchase the carousels was based.

DLA, however, points out that Broderick was only speculating as to the possible arrangement of bin boxes on adjustable carousel shelves. While its initial estimates were based on a proposed configuration of nine boxes per shelf, DLA states, it subsequently determined that each of four shelves would accommodate 14 boxes, with a top shelf holding an additional eight for a total of 64 boxes per bin. Since each carousel has 64 bins, this resulted in 4,096 "locations" per carousel, or 16,384 locations for four carousels. DLA estimated the cost of these at \$6.10 a location.

During development of the protest, DLA states, it experimented with this arrangement and determined that it could achieve even greater efficiency by arranging 19 boxes on each of three carousel shelves, with two larger boxes on a top shelf for a total of 59 boxes per bin. This reduced the number of locations to 3,776 per carousel, or 15,104 for four carousels; estimated cost was increased to \$6.62 a location. DLA states that in this new configuration, items will be more accessible and the pick rate, i.e., the number of parts that can be retrieved from a carousel in an hour, will be augmented, offsetting the increased cost per location. In any event, DLA states, the cost of the carousels still compares favorably with that of a mini-stacker, which provides only 8,040 locations at \$12.44 each.

Given the flexibility of the carousel shelves and the varying arrangements possible for placing boxes on the shelves, we see no problem with the fact that DLA is not using them in the exact configuration originally contemplated, that it modified its proposed arrangement more than once, or that it freely admits that it may modify the configuration again to reflect changing needs. We do not believe that DLA must show that its original arrangement was the best possible; rather, it need only show that its analysis of the carousels' capacity was reasonable and made in good faith, a burden that we believe DLA has met.

Broderick also questions DLA's assessment of the productivity possible with the carousels, which is related to DLA's original assessment that it needed a system that can handle 580 orders a day. In DLA's analysis, productivity is expressed in terms of the pick rate. DLA's original analysis assumed a pick rate of 100 an hour for four carousels, compared with 60 an hour for a mini-stacker. Broderick argues that the military installations DLA relied upon to establish the rate for carousels actually experience much lower rates, 30-to-45 an hour, and that DLA's assumed rate is therefore unreasonable.

DLA reports that while it still believes a rate of 100 an hour may be possible after the operators are fully trained, a pick rate of 65 an hour certainly is achievable. DLA points out that unlike some other installations, it intends to store only high-use items on the carousels. Further, DLA is using computerized controls while the other installations use manual controls. DLA concludes that these differences should permit its operators to achieve pick rates that only the most efficient operators can achieve at other installations. Again, we think this explanation is a reasonable one.

We also believe DLA has effectively refuted Broderick's other bases for challenging its decision to purchase the carousels. For example, the protester points out that the mini-stacker occupies considerably less floor space than the carousels; DLA acknowledges this but points out that

this is not critical, since ample warehouse space is available. Broderick also challenges DLA's statement that, unlike the mini-stacker, the carousels can be operated even during power outages; DLA, however, states that it provides its employees with flashlights and does continue manual picking under these circumstances.

Based upon the foregoing, we believe DLA reasonably concluded that four carousels will adequately meet its minimum needs. This being so, and taking into account the fact the four carousels cost appreciably less than the mini-stacker Broderick proposes, we fail to see any basis to object to DLA's decision to order the carousels. The protestor simply has failed to show that DLA's decision involved bad faith or otherwise was unreasonable. See Quest Electronics, B-193541, March 27, 1979, 79-1 CPD 205; National Office Systems, Inc., B-201133, March 18, 1981, 81-1 CPD 210.

Broderick also maintains that DLA failed to comply with the \$75,000 maximum ordering limitation of White's Schedule contract. DLA, however, states that it ordered four White model HP-50s at \$18,640 each for a total of \$74,560, and that it also acquired 14 extra bins for each carousel. DLA argues that the extra bins, which cost \$18,480, were properly ordered with other equipment totaling \$36,120 under a separate \$40,000 limitation applicable to accessories. DLA explains that unused, removable shelves from the HP-50s will be used in these bins.

Broderick further argues that DLA evaded the \$40,000 limitation on accessories when it ordered an additional \$15,500 worth of computerized controls for the carousels under White's 1982 contract. DLA responds that it ordered the controls separately because it wished to obtain state-of-art equipment which was not available under White's 1981 contract.

Under applicable regulations, Federal agencies may not submit orders and FSS contractors may not accept orders in excess of stated maximum dollar limitations. 41 C.F.R. § 101-26.401-4(c) (1981). We have held that

an agency may not evade such limitations by splitting requirements into several small orders. We also have stated that the maximum order limitation applies to both a single purchase order or a series of purchase orders placed within a short period of time. Quest Electronics, supra.

Here, however, our review indicates that DLA ordered the HP-50 carousels under one limitation in White's FSS contract and the extra bins as accessories under another. Therefore, DLA did not violate any limitation or the regulations. As for the 1982 order, White's price list for 1982 does offer automated controls for carousels that were not available under its 1981 contract. Therefore, it appears that DLA did not act improperly in ordering additional accessories under the 1982 contract. That new contract, of course, had its own ordering limitation, which was not exceeded by the \$15,500 order.

The protest is denied.

for *Milton J. Fowler*
Comptroller General
of the United States