



The Comptroller General
of the United States

Washington, D.C. 20548

Decision

Matter of: Howmet Corporation
File: B-232421
Date: November 28, 1988

DIGEST

General Accounting Office will not object to agency's decision to limit procurement for flight-critical turbine blade sets to approved sources where the agency reasonably determines that unapproved sources cannot timely meet its urgent requirements.

DECISION

Howmet Corporation, Whitehall Machining Division, protests the award of a contract to Chromalloy Turbine Airfoils Division under request for proposals (RFP) No. N00383-88-R-2530, issued by the Navy for turbine blade sets.

We deny the protest.

The RFP was issued by the Navy's Aviation Supply Office (ASO) for turbine blade sets in various stepladder quantities ranging from 18,000 to 28,500. The solicitation required delivery of a minimum of 1,000 blade sets per month beginning 430 days after award. The blade sets, which are used to support the J52 engine that powers the A4/A6 aircraft, are flight critical items and may be purchased only from sources qualified by the Navy. Consequently, the solicitation was issued only to the three qualified sources, including Chromalloy. Howmet, an unqualified source, submitted an unsolicited offer which was the lowest priced offer ASO received. ASO reviewed Howmet's offer, requested additional data from Howmet and informed the firm that when the complete data package was submitted, it would be forwarded for source approval.

ASO determined that it would take 675 days from the time Howmet's data package was submitted for approval until the time Howmet began delivering blade sets under the contract. This 675 days included time for source approval (120 days), first article production, inspection and approval

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(345 days), manufacture of the blade sets (120 days), and production lot sample testing (90 days). ASO then determined that because its requirements were urgent, it could not postpone the award until Howmet received source approval and could begin delivery. Accordingly, the Navy awarded a contract under the RFP to Chromalloy, the approved source which had submitted the lowest priced offer.

Subsequently, in reviewing Howmet's protest, the Navy found that its initial estimate that Howmet could begin delivery in 675 days was erroneous and that, in fact, it would be 1,045 days after its data package was submitted for approval until Howmet could deliver blade sets. The Navy states that this error of 370 days resulted because it failed to include administrative lead time, which it estimates at 60 days, and because it included only 120 days as the time after award that Howmet could begin delivery, while the solicitation, based on historical data, estimated the production lead time at 430 days. Considering the 1,045-day production lead time estimate for Howmet, the Navy's normal monthly usage of the blade sets, and backorders, the Navy concluded that the quantity ordered from Chromalloy under the current contract (23,305 blade sets) represents the number of sets the Navy will require before delivery could begin under any contract awarded to Howmet. The Navy also decided to procure an additional 8,224 blade sets in a future competitive procurement under which Howmet, if it is approved, could compete.

Under the Competition in Contracting Act of 1984, 10 U.S.C. § 2304(c)(2) (Supp. IV 1986), a contracting agency may use noncompetitive procedures to procure goods or services where the agency's needs are of such an unusual and compelling urgency that the government would be seriously injured if the agency is not permitted to limit the number of sources from which it solicits bids or proposals. This authority is limited by 10 U.S.C. § 2304(e), which requires agencies to request offers from as many sources as practicable. An agency using the urgency exception may restrict competition to the firms it reasonably believes can perform the work promptly and properly. Factech Corp., B-225989, Mar. 26, 1987, 87-1 CPD ¶ 350. Accordingly, an agency properly may limit competition to approved sources where the agency reasonably determines that only an approved source can meet its urgent requirements. Id.

Here, Howmet does not question the Navy's decision that the blade sets must be procured from a qualified source or that they are urgently needed. Rather, Howmet complains that the Navy erroneously determined that Howmet could not meet the

required delivery schedule of 430 days. We find Howmet's argument to be without merit.

As explained above, the Navy's estimate of Howmet's total lead time from date of award to delivery consisted of six factors: 120 days for source approval; 60 days administrative lead time; 345 days for first article production, inspection and acceptance; 430 days production lead time; and 90 days for production lot sample testing. Howmet principally challenges the Navy's estimates for first article testing and production lead time, totaling 775 days, arguing that in fact a reasonable estimate is 332 days. Howmet asserts that under prior contracts it has received for similar blade sets which included first article test requirements, Howmet's total lead time ranged from 154 to 549 days, or an average of 332 days after award. (The actual lead times for the six contracts are 154, 210, 281, 288, 508 and 549 days after award.) Howmet argues that in calculating its lead time estimate, the Navy incorrectly assumed that Howmet would not begin production until it received first article approval. Howmet states that, in fact, it will begin production while its first article sample undergoes evaluation and thus will be able to begin delivery much sooner than 430 days after award.^{1/}

Although Howmet maintains that it will reduce its total lead time by beginning production while its blade set is undergoing first article evaluation, the Navy is not obligated to take the risk that Howmet will fail the first article test and thus that the procurement of urgently needed blade sets will be further delayed. See Brunswick Corp., B-231996, Oct. 13, 1988, 88-2 CPD ¶ _____. Moreover, even assuming that Howmet begins production while first article evaluation is under way, we see no reason to assume, as Howmet suggests, that its lead time under a current

^{1/} Even accepting Howmet's estimate of 332 days for first article testing and production lead time, Howmet nevertheless would exceed the 430-day delivery schedule when the Navy's estimated time for source approval (120 days) is added. While in its own calculations Howmet reduced the time for source approval to 90 days, thus keeping its total lead time within the required 430 days, Howmet has not explained why the Navy's 120-day estimate is unreasonable. We need not rely on this aspect of Howmet's calculations, however, since, as discussed further above, we see no basis to substitute Howmet's estimate of its first article/production lead time for the Navy's estimate.

contract will equal the average lead time, 332 days, under its prior contracts. We do not believe the Navy is required to risk timely delivery of an urgently needed critical item by relying on a projected average lead time, particularly in view of the wide disparity among Howmet's prior actual lead times (from 154 to 549 days). Given that this is the only major dispute with ASO's estimate, and that the 430-day estimate was based on historical lead times for the blade sets, we have no basis on which to question ASO's conclusion that Howmet could not meet all its urgent requirements.

The protest is denied.

for Seymour Epos
James F. Hinchman
General Counsel