Comptroller General
of the United States

Washington, D.C. 20548

Decision

REDACTED DECISION

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Matter of: Martin Marietta Defense Systems

File: B-270117

Date: February 9, 1996

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Samuel Paige, Esq., Paige & Paige, for Kearfott Guidance & Navigation Corporation, an intervenor.
Dean R. Berman, Esq., Department of the Navy, Strategic Systems Program, for the agency.
David A. Ashen, Esq., and John M. Melody, Esq., Office of the General Counsel, GAO, participated in the preparation of the decision.

DIGEST

Protest against determination that proposed significant reduction in historical level of effort (for production of part of guidance system for strategic nuclear deterrent missile system) was unrealistic is denied where proposed reduction was based on protester's undocumented and unsupported summation of a hypothetical build of three equivalent units, and the agency instead reasonably used as a baseline (against which to evaluate proposed labor-saving initiatives) the reported data on labor hours required to complete actual units over the course of the most recent contract year.

DECISION

Martin Marietta Defense Systems (MMDS) protests the award of a contract to Kearfott Guidance & Navigation Corporation under request for proposals (RFP) No. N00030-95-R-0047, issued by the Department of the Navy, Strategic Systems Program, for MK-6 Inertial Measurement Units (IMU) for the Trident II missile. MMDS challenges the evaluation of technical and cost/price proposals.

We deny the protest.

The IMU provides acceleration, attitude and stellar sensor data to the guidance system for the Trident II missile, which is the United States' sea-based strategic nuclear deterrent. In the past, the Navy's requirement for Trident II IMUs has been equally divided between MMDS and Kearfott, each producing new IMUs at a

minimum rate of 3 per month. A decrease in its requirement for new IMUs, however, resulted in the agency's issuing this solicitation, which provided for selection of a single source and, after an additional year of full production, transition to a lower rate of production.

The solicitation contemplated award of a fixed-price-incentive contract (cost-based, with a target price and an ultimate ceiling price) for 5 years for: (1) IMU production, (2) IMU failure verification, repair and recertification, and (3) IMU integrated production capability maintenance hardware. The solicitation generally provided for award to be made to the offeror whose proposal represented the best value to the government, with technical merit to be given more weight than evaluated cost. The RFP listed, in descending order of importance, three technical merit evaluation factors: (1) technical approach, (2) resources, and (3) past performance.

The solicitation provided for the agency to perform a cost realism evaluation, for purposes of which offerors were to furnish a detailed cost proposal, including: (1) prior actual costs for production and repair in fiscal years 1991, 1992, and 1993, broken down into direct labor hours and major cost elements for each of the tasks listed in the solicitation's work breakdown structure (WBS); and (2) a detailed breakdown of the proposed labor hours and major cost elements by WBS task. The solicitation generally required offerors to provide a basis of estimate to support each WBS task; it specifically stated that the proposal must "[i]dentify and explain any significant differences between the historical WBS hours/cost and those offered, in sufficient detail to allow the Contracting Officer to make a judgment as to the reasonableness of the proposed increases/decreases."

The Navy received proposals from MMDS and Kearfott. Both proposals were included in the competitive range. At the conclusion of discussions, the Navy requested best and final offers (BAFO).

While MMDS's BAFO target price [deleted], as well as its ceiling (and evaluated) price [deleted], were significantly lower than Kearfott's target (and evaluated) price [deleted], the Navy determined that MMDS's pricing was based on an unrealistically low level of effort that represented a significant reduction in the historical level of effort (when calculated on a per IMU basis) and was insufficient to assure delivery of a quality, reliable product. Although the agency had asked MMDS during discussions to justify and explain how its initially proposed reduced level of effort (266,014 direct labor hours for all items) would enable it to perform the required work, MMDS nevertheless further reduced its proposed level of effort in its BAFO, to an evaluated 243,254 hours. MMDS proposed major reductions in the historical level of effort per IMU in almost every area of assembly, inspection, and test.

The Navy found MMDS's explanation for its proposed significant reduction in level of effort to be unpersuasive and determined that at least 36,783 more hours would be required. For example, the agency considered the proposed large reduction in inspection and test hours to be unacceptable, especially in view of MMDS's proposal of an overall reduction in the workforce, which was expected to make quality more difficult to assure as fewer employees were required to bear more and broader responsibilities for more diverse areas of production. According to the Source Selection Advisory Council (SSAC),

> "[MMDS's] proposal suffered from minimal resource commitments and an imbalance in their application to the various program elements. The approach they proposed for executing a stand alone repair capability is questionable. Their plan required an inordinately high dependency on other contracts to provide an engineering pool. The minimization of total manpower, usage of a significant amount of on-call resources not supported by this contract, a weak approach to critical skills maintenance and a marginally adequate overall support plan resulted in the potential for a high risk in the successful execution of this contract and to the quality and reliability of the product.
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> "[The proposed cost] reductions are significantly better than their currently demonstrated performance. The potential for an overrun is high, but more important is the potential for degradation to the quality of the systems they either process or build as a result of executing to plan. If cost increased, the potential risk would increase as efforts were made to constrain cost growth."

In contrast, Kearfott's proposal, based on a proposed level of effort of 452,851 hours, was evaluated as offering a low risk approach to satisfying the solicitation requirements for IMU production and repair and maintaining a labor force with the required critical skills. The SSAC determined that the technical superiority of Kearfott's low risk proposal, which received a significantly higher technical score (7.328 out of a possible 9.8 points) than MMDS's (5.894 points), was worth its additional price. According to the SSAC,

> "[t]he criticality of the IMU to the Trident Weapon System is such that our need to maintain technical competence at our contractor and confidence of product quality and reliability of our deployed systems far outweighs the potential cost savings. The clearly superior

> approach proposed by [Kearfott] provides an affordable product that will not jeopardize our weapon system performance."

Upon learning of the resulting award to Kearfott, MMDS filed this protest with our Office.

Although MMDS challenges several aspects of the evaluation, resolution of MMDS's protest turns on whether the agency reasonably determined MMDS's proposed reductions in level of effort per IMU to be unrealistic. If the agency reasonably determined that MMDS's proposed level of effort was insufficient to assure delivery of quality, reliable IMUs, then clearly the agency was not required to entrust production and support of such a vital component of the guidance system for the United States' sea-based strategic nuclear deterrent to MMDS. In this regard, MMDS primarily argues that the Navy failed to base its evaluation on the most recent contract performance data that was included in its proposal.

The evaluation of technical proposals is primarily the responsibility of the contracting agency, since the agency is responsible for defining its needs and the best method of accommodating them, and must bear the consequences of any difficulties resulting from a defective evaluation. Therefore, our Office will not engage in an independent evaluation of technical proposals and make an independent determination of their relative merits. Litton Sys., Inc., B-239123, Aug. 7, 1990, 90-2 CPD ¶ 114. Rather, we will review the agency's evaluation only to ensure that it was reasonable and consistent with applicable statutes and regulations, as well as the terms of the RFP. Polar Power, Inc., B-257373, Sept. 2, 1994, 94-2 CPD ¶ 92.

The agency reasonably determined that MMDS's proposal offered a high risk approach based on an unrealistically low level of effort. Our conclusion is best discussed in terms of an example. While MMDS submitted data with its proposal showing that its total direct touch labor hours per manufactured IMU was 2,173 hours in fiscal year 1993, which already represented a 24 percent reduction from the fiscal year 1991 level (2,862 hours), MMDS proposed 1,500 hours of direct touch labor per IMU for fiscal year 1995, that is, an additional 31 percent below the 1993 level. MMDS's proposed level of effort in this regard was based on (1) its claim of having achieved a reported average 1994 level of effort of 2,017 direct touch hours per IMU and a level of effort of 1,736 direct touch hours per IMU for the last three equivalent 1994 IMUs, and (2) reduction of the required effort a further 13.6 percent to 1,500 hours through a number of labor-saving initiatives.[1] (In

[1]Although MMDS claims that the average 1994 touch labor hours per IMU at the time of BAFO submission was in fact 1,930 hours, its BAFO reported the number as (continued...)

contrast, Kearfott, which reported 2,476 direct touch labor hours per IMU in 1993 (but only 2,287 hours in 1991), proposed 2,199 hours in 1995, an 11.2 percent reduction.)

The Navy concluded that MMDS's claim of 1,736 direct touch hours per IMU for the last three equivalent 1994 IMUs did not represent a reliable baseline against which to evaluate MMDS's proposed labor-saving initiatives. In reaching this conclusion, the Navy noted MMDS's explanation during discussions that the number of hours for the last three IMUs referenced in its proposal were not the hours spent to complete three actual units but, rather, MMDS's hypothetical summation using the latest data available on the hours needed to build the various parts and subassemblies of the IMU. Indeed, MMDS explained during discussions that the hours used for the various parts and subassemblies might not even represent actual reported hours; according to MMDS, "[t]he average actuals will be modified for any unique circumstances."

The Navy also noted that the claimed hours per IMU for the last three equivalent 1994 IMUs represented an unlikely departure from the historical trend of a slowing in the decrease of touch labor hours; while MMDS's total touch labor hours decreased 17.1 percent from 1991 to 1992 (from 2,862 to 2,373 hours), 8.4 percent from 1992 to 1993 (from 2,373 to 2,173 hours), and 7.2 percent from 1993 to 1994 (from 2,173 to 2,017 reported hours), MMDS claimed a 20.1 percent decrease from 1993 for the last three equivalent units (and projected a 25.6 percent decrease from the reported 1994 average to the 1995 estimate (from 2,017 hours to 1,500 hours)). The agency attributed the historical slowing of the rate of decrease in touch labor hours to the fact that MMDS had been building Mk-6 IMUs for 8 years, with the result that the opportunity for further efficiencies was slowly decreasing; the agency considered a continuation of this historical trend to be more likely than MMDS's claimed sudden, significant acceleration in efficiency. In addition, the Navy viewed

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[1](...continued)
the 2,017 hours referenced above and used by the Navy in its evaluation. While MMDS argues that the Navy should have known that 2,017 hours was no longer an accurate number--since it was the same number used in MMDS's initial proposal submitted earlier in the year and the BAFO reported a decrease in the number of hours for the last three equivalent units (from 1,801 hours)--the fact remains that MMDS represented to the agency in its proposal that 2,017 hours was accurate, and the agency, unaware that the number was inaccurate, relied on that representation in its evaluation. To the extent that MMDS's misrepresentation may have affected the evaluation to its detriment, MMDS must bear the consequences, since it was responsible for submitting an adequately written, accurate proposal. See L&S Diesel Serv., Inc., B-261672, Aug. 25, 1995, 95-2 CPD ¶ 88; Stewart Title of Orange County, Inc., B-261164, Aug. 21, 1995, 95-2 CPD ¶ 75.

the significant discrepancy between the hours reported for the last three equivalent 1994 IMUs (1,736 hours) and the overall average 1994 level of effort (2,017 hours) as further supporting its determination that the claimed hours per IMU for the last three equivalent 1994 IMUs did not represent a reliable baseline against which to evaluate MMDS's proposed labor-saving initiatives; noting that most of the work had been accomplished under the fiscal year 1994 production contract by the time of BAFO submission, the agency considered it unlikely that MMDS could have built an IMU with 1,736 hours of touch labor when it required an average of 2,017 hours for the year as a whole.

The agency concluded that the data on touch labor hours over the course of a year as a whole, in this case MMDS's reported data for completed IMU's in 1994, would be a much more accurate reflection of MMDS's current abilities than the claimed hours per IMU for the last three equivalent 1994 IMUs. On this basis, the agency concluded that MMDS's proposed overall level of effort for production of IMUs, even after taking into account the proposed saving initiatives considered acceptable and likely-to-succeed labor, was inadequate.

The Navy's position was reasonable. The agency was presented with a choice between: (1) an undocumented and unsupported hypothetical summation of the hours needed to build the various parts and subassemblies of the IMU (rather than actual complete units), which was significantly at variance with both the historical labor trend of a slowing of the rate of decrease in touch labor hours per IMU and the reported touch labor hours required for completion of a significant number of actual units; and (2) the reported data on labor hours required to complete actual units over the course of the better part of the most recent contract year. In our view, the agency could reasonably select as its baseline against which to evaluate MMDS's proposed labor-saving initiatives the most recent data on the average time required to construct a significant number of IMUs.

Having reviewed MMDS's challenges to the evaluation and concluded that the Navy could reasonably determine MMDS's proposed level of effort to be unrealistically low, we further find reasonable and consistent with the stated evaluation criteria the agency's determination that the advantage of MMDS's lower price (which was based on that unrealistically low level of effort) was outweighed by the lower risk associated with Kearfott's technically superior proposal. Information Sys. & Networks Corp., B-258684.2; B-258684.3, Apr. 4, 1995, 95-1 CPD ¶ 255. In this regard, we note that the solicitation provided that technical merit would be given more weight than evaluated cost.

The protest is denied.

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