



**Comptroller General  
of the United States**

Washington, D.C. 20548

# Decision

## DOCUMENT FOR PUBLIC RELEASE

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**Matter of:** National Airmotive Corporation

**File:** B-280194

**Date:** September 4, 1998

David R. Johnson, Esq., Diana G. Richard, Esq., James C. Dougherty, Esq., and Rachel Courtney, Esq., Gibson, Dunn & Crutcher, for the protester. Gregory H. Petkoff, Esq., Marian Sullivan, Esq., and John Lariccia, Esq. Department of the Air Force, for the agency. Glenn G. Wolcott, Esq., Paul E. Jordan, Esq., and Paul Lieberman, Esq., Office of the General Counsel, GAO, participated in the preparation of the decision.

## DIGEST

In procurement for maintenance and repair of three aircraft engines presently performed at the same depot, where the Air Force has shown a currently degraded war readiness posture for the specific engines at issue and has provided support for its assessment that transitioning the engine workloads to multiple contractors, rather than to a single contractor, would likely reduce productivity during the transition, the Air Force did not act unreasonably in concluding that transitioning the workloads to multiple contractors would create an unacceptable risk to the readiness status of these engines and, therefore, that combining the three engines' workloads in one procurement is necessary to meet the agency's needs.

## DECISION

National Airmotive Corporation protests the provisions of request for proposals (RFP) No. F41608-98-R-0084, issued by the Department of the Air Force for the public/private competition of various workload requirements related to the depot-level maintenance and repair of T-56, TF-39, and F-100 aircraft engines. The requirements are currently being performed at the San Antonio Air Logistics Center, Kelly Air Force Base (AFB), Texas, which is scheduled to be closed in 2001. National Airmotive maintains that it is a potential offeror for work relating only to the T-56 engine and protests that, by combining the workloads and requiring offerors to submit proposals for all of the combined work, the solicitation unduly restricts competition.

We deny the protest.

## BACKGROUND

In July 1995, the Base Realignment and Closure (BRAC) Commission recommended that Kelly AFB be realigned and the San Antonio Air Logistics Center be closed by July 2001.<sup>1</sup> Since that decision, there has been a continuing debate over the process for deciding where, and by whom, the workloads at the closing depots will be performed.

Last year, the National Defense Authorization Act for Fiscal Year 1998, Pub. L. 105-85, 111 Stat. 1629, 1696 (Nov. 18, 1997) established certain requirements which are applicable to transition of the workloads currently being performed at Kelly AFB.<sup>2</sup> 10 U.S.C.A. § 2469a (West Supp. 1998). Among other things, the Authorization Act provides that a procurement which combines multiple depot-level maintenance and repair workloads is permissible only if: (1) the Secretary of Defense determines in writing that the individual workloads cannot "as logically and economically" be performed without combination; (2) the Secretary submits a report to Congress setting forth the determination along with the reasons for the determination; and (3) no solicitation is issued for 60 days following submission of the report. 10 U.S.C.A. § 2469a(e)(1).

On December 19, 1997, the Undersecretary of Defense for Acquisition and Training executed the required determination regarding combination of the San Antonio workloads, reporting that determination along with the supporting reasons to Congress. Among other things, the Undersecretary's report stated that the three engines' workloads are currently managed as a single commodity; that the workloads share certain common processes which utilize common facilities, equipment and personnel skills; and that a single coordinated transition will mitigate readiness risks associated with transitioning to multiple contractors.

The Authorization Act also required that the Comptroller General review and report on various aspects of the Department of Defense's (DOD) transition activities. Since the DOD determination, the General Accounting Office (GAO) has issued three reports concerning transition of the San Antonio workloads which, among other things, criticize the adequacy of the information that DOD provided in support

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<sup>1</sup>At that time, the BRAC Commission similarly recommended closure of the Sacramento Air Logistics Center at McClellan AFB, California within the same time frame.

<sup>2</sup>The Authorization Act's requirements in this regard are also applicable to the work being performed at McClellan AFB, California.

of the determination to combine workloads.<sup>3</sup> In the first report, issued in January 1998,<sup>4</sup> GAO stated, among other things, that:

It may be that the individual workloads at the closing San Antonio, Texas, and Sacramento, California, Air Force maintenance depots cannot as logically and economically be performed without combination . . . . However, the DOD reports and supporting data do not provide adequate information supporting the determinations.

GAO/NSIAD-98-76 at 3.

In April, following DOD's issuance of a February 24 document titled "Rationale for Combining Multiple Depot-Level Maintenance and Repair Workloads (San Antonio)" containing additional support for the determination, GAO issued a second report<sup>5</sup> stating:

While we recognize that the determination[] ultimately represent[s] a management judgment based on various qualitative and quantitative factors and that DOD's determination[] may well be appropriate, the rationale presented in the . . . San Antonio report for combining workloads in [a] single solicitation[] . . . is not well supported.

GAO/NSIAD-98-143 at 3.

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<sup>3</sup>In March, GAO testified before a Congressional Subcommittee that lack of access to information within DOD was seriously impairing GAO's ability to carry out its reporting requirements, specifically noting that the Air Force had not been responsive to GAO's continuing requests for information relative to the San Antonio competition. Testimony of Henry L. Hinton, Jr., Assistant Comptroller General, National Security and International Affairs Division, before the Senate Armed Services Committee, Subcommittee on Readiness, (GAO/T-NSIAD-98-111, March 4, 1998) at 1-2.

<sup>4</sup>Public-Private Competitions: DOD's Determination to Combine Depot Workloads Is Not Adequately Supported, (GAO/NSIAD-98-76, January 20, 1998). This report was written in response to the Authorization Act's requirement that "[t]he Comptroller General shall review [the DOD report] and . . . submit to Congress the Comptroller General's views regarding the determination of the Secretary." 10 U.S.C.A. § 2469a(e)(2).

<sup>5</sup>Public-Private Competitions: DOD's Additional Support for Combining Depot Workloads Contains Weaknesses, (GAO/NSIAD-98-143, April 17, 1998).

Finally, in May, GAO issued a third report,<sup>6</sup> stating:

[T]he Air Force has not, as of May 5, provided a sufficient basis to show that soliciting the workloads on a combined basis is necessary to satisfy its needs. Otherwise, we found that the solicitation is in compliance with applicable laws, including the provisions of 10 U.S.C. 2469a.

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Normally, we review the solicitation of combined requirements in the context of a bid protest; in that context, the agency has an opportunity to justify the combination by showing it is reasonably related to its needs or that it may actually enhance competition. The Air Force's supporting rationale, which was prepared in a different context, is not at this point sufficient to justify the workload combination. However, the rationale for the combination contains some elements--such as readiness concerns and potential competition enhancements--that if supported could establish the reasonableness of the combination under the acquisition laws.

GAO/OGC-98-49 at 3-4.

In Appendix I, the report noted, "if a protest is filed, the Air Force will have an opportunity to provide a more detailed justification." Id. at 17.

On May 29, National Airmotive filed the protest at issue here.

## DISCUSSION

The Competition in Contracting Act of 1984 (CICA) generally requires that solicitations include specifications that provide for full and open competition, and contain restrictive provisions only to the extent necessary to satisfy the needs of the agency. 10 U.S.C. § 2305(a)(1)(A)(i),(B) (1994). Since solicitations which

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<sup>6</sup>Public-Private Competitions: Review of San Antonio Depot Solicitation, (GAO/OGC-98-49, May 14, 1998). This report was written in response to the Authorization Act's requirement that GAO report within 45 days after issuance of the San Antonio solicitation regarding: (1) whether the solicitation complies with applicable laws and regulations; and (2) whether the solicitation provides a "substantially equal opportunity for public and private offers to compete for the contract without regard to the location at which the workload is to be performed." 10 U.S.C.A. § 2469a(g).

combine multiple requirements have the potential for restricting competition by excluding firms that can furnish only a portion of the combined requirements, we review such solicitations to determine whether the procuring agency's approach is reasonably required to satisfy the agency's needs. See, e.g., National Customer Eng'g, B-251135, Mar. 11, 1993, 93-1 CPD ¶ 225 at 4-5. In reviewing the propriety of combined requirements, we recognize that contracting officials must base their decisions regarding consolidation of requirements on the individual facts involved in each procurement. The Sequoia Group, Inc., B-252016, May 24, 1993, 93-1 CPD ¶ 405 at 5.

In considering National Airmotive's protest, we have reviewed the agency's initial response to the protest, along with the documents produced by the Air Force in response to National Airmotive's document production requests, and the record of hearings conducted both at GAO headquarters and via telephone conference calls during which various Air Force witnesses provided direct testimony and responded to cross-examination by counsel for National Airmotive.<sup>7</sup> We have also considered additional affidavits submitted by Air Force and DOD personnel and by executives of National Airmotive's parent corporation,<sup>8</sup> as well as the various briefs and other submissions filed by counsel for both parties.

The Air Force states that the determination to combine the engine workloads was driven by the agency's need to meet war readiness requirements as measured by criteria specifically tied to the three engines at issue. The Air Force explains that current inventories for two of the three engines are below acceptable readiness levels, and that inventories for the third engine have only recently reached minimally acceptable levels. Hearing Transcript (Tr.) at 219-20, 300-04. The Air

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<sup>7</sup>Air Force witnesses included: Darleen A. Druyun, Principal Deputy Assistant Secretary of the Air Force for Acquisition and Management; Colonel Darryl A. Scott, Director of Contracting at the San Antonio Air Logistics Center; Major General Michael E. Zettler, Director of Maintenance for the Air Force; General George T. Babbitt, Commander of the Air Force Materiel Command; Mark Burrell, Audit Manager, Air Force Audit Agency; and Lt. Colonel Richard Lombardi, Program Manager of the Propulsion Business Area at San Antonio Air Logistics Center. Citations to the hearing transcript refer to the hearing held on August 5-6.

<sup>8</sup>Following the hearing conducted at GAO on August 5-6, affidavits were submitted by General Joseph W. Ralston, USAF, Vice Chairman of the Joint Chiefs of Staff; Major General James S. Childress, Commander of the San Antonio Air Logistics Center; and General Richard E. Hawley, Commander of Air Force Air Combat Command. Thereafter, National Airmotive submitted affidavits by Aaron P. Hollander, Chairman of the Board, First Aviation Services (National Airmotive's parent corporation); and Michael C. Culver, Chief Executive Officer of First Aviation Services.

Force maintains that any workload transition may cause productivity declines, thereby further weakening the currently degraded readiness posture of these engines, and that transitioning to multiple contractors will increase the risk of lost productivity, creating what the Air Force states is an unacceptable readiness risk. Tr. at 11, 18-19, 194-98, 201-05; Zettler Affidavit at ¶ 8.<sup>9</sup>

The criterion on which the Air Force primarily relies for its war readiness assessment is "war readiness engines" (WRE), which represents the number of net serviceable engines required by the Air Force to support its wartime flying requirements.<sup>10</sup> Because data regarding WRE as a readiness measurement was not offered as support for the single contract, it was not considered by GAO evaluators in preparing the prior reports.<sup>11</sup> However, consistent with the Air Force's reliance on WRE, section L of the solicitation, titled "Instruction to Offerors," requires that offerors' proposals "shall describe the contractor's ability to . . . [i]mprove fleet readiness through increased War Readiness Engine (WRE) levels," and identifies the current levels of serviceable engines and the WRE levels sought for the various engines. RFP §§ L-900.4.3.1, 4.3.6.

In considering whether the WRE requirements constitute valid readiness measurements, we note that the Air Force has calculated both the WRE requirements and the inventory levels on a monthly basis for an extended period of time.<sup>12</sup> For a period of time substantially preceding the BRAC Commission's

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<sup>9</sup>The Air Force's perceptions and conclusions regarding the impact on readiness were confirmed in the affidavit submitted by General Joseph W. Ralston, USAF, Vice Chairman of the Joint Chiefs of Staff.

<sup>10</sup>WRE requirements are drawn from a model in the Air Force's propulsion requirements system which assesses the number of engines necessary to sustain the higher levels of aircraft usage mandated by a wartime scenario—for example, elevated numbers of sorties flown per day, per aircraft. The WRE requirements for each engine represent the inventory levels necessary to sustain required combat capabilities for a period of time after initiation of a war effort and until the Air Force is able to increase its resupply efforts to keep pace with the higher wartime flying requirements. Tr. at 343-44.

<sup>11</sup>To the extent GAO's prior reports regarding the San Antonio procurement considered readiness issues, they were based only on "unit readiness" data. That data reflects Air Force units' ability to begin responding to combat requirements at the outset of a conflict.

<sup>12</sup>The protest record contains monthly data going back to December 1993. Agency Report, Tab 7. Consideration of the data to a point substantially preceding the  
(continued...)

recommendation to close Kelly AFB, the WRE requirements levels have not changed dramatically.<sup>13</sup> Further, National Airmotive does not challenge the validity of WRE as a readiness measurement tool. Tr. at 346, 363. Based on this record, we found no basis to question the WRE data on which the Air Force bases its assertion regarding the current readiness posture of the three engines.

Recognizing the legitimacy of the Air Force concern with the currently degraded readiness status of the specific engines at issue here, we next considered the support presented by the Air Force for its determination that transitioning the workloads to multiple contractors is likely to result in a greater loss of productivity than transitioning to a single contractor. National Airmotive maintains that it is unreasonable for the Air Force to conclude that there is any greater risk of productivity loss associated with transition to multiple contractors. We disagree.

First, the record reflects, and National Airmotive does not dispute, that there are a substantial number of common processes involved in the three engines' workloads. More specifically, approximately 35 percent of the overall time spent in the overhaul and repair process is spent performing processes that are common to all three engines.<sup>14</sup> Contracting Officer Statement at 7; Agency Report, Tab 20 at 7. Consistent with this significant level of common work, the Air Force states that the three engines are currently managed as a single commodity and, thus, current management activities would have to be altered if the workloads were divided. Tr. at 194-98. The Air Force concludes that transitioning the workload in a manner that is inconsistent with the manner in which the engine work is currently performed would likely cause additional inefficiencies and additional loss of productivity at both the closing and gaining facilities, thereby creating further deterioration of the currently degraded readiness status of the engines.

In the context of the significant common processes, the record also shows that there is a significant amount of common equipment currently used to perform the

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<sup>12</sup>(...continued)

BRAC Commission recommendation is relevant in assessing whether that recommendation or subsequent events may have had an impact on the requirements data.

<sup>13</sup>To the extent the WRE requirements have changed, they have generally declined.

<sup>14</sup>The common processes include brazing, cleaning, electronics, inspecting, machining, metal spray work, plating, painting, sheet metal work, testing, and welding.

three engines' workloads, use of which the offerors may include in their proposals.<sup>15</sup> If the solicitation permitted proposals for only individual portions of the combined workloads, the agency would have to evaluate proposals based on offerors' potentially inconsistent assumptions regarding the availability of the existing equipment or, alternatively, designate in the solicitation an allocation of the common equipment between the individual workloads.<sup>16</sup> Tr. at 204-05. Either alternative presents substantial risk of inefficiencies and negative impacts on productivity, both with regard to completion of the work in process and new work initiated by the contract awardees following award.

By combining the workload requirements, the agency effectively requires the prime contractor for each offering team to be responsible for coordinating its subcontractors' proposed use of common resources and to avoid or resolve subcontractor disputes before proposals are submitted as well as maintain such responsibility following contract award, which the Air Force believes will increase productivity and decrease the potential further degradation of readiness.<sup>17</sup> In this context, the Air Force notes that its ability to manage transition efforts has steadily diminished since the BRAC Commission's closure recommendation, specifically referencing the fact that it has experienced attrition rates of 30 percent per year with regard to engineers and contract specialists at San Antonio. Tr. at 203.

The Air Force also relies on its past experience with other workload transition efforts, noting that in the past it has experienced significant productivity losses associated with, among other things, multiple coordination points, differing

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<sup>15</sup>For example, the RFP provides that any existing equipment that the public offeror identifies in its proposal for its use at a location other than Kelly AFB "shall be transferred to the public offeror's custody." RFP § L-900.4.2.5.2.3.1. Similarly, the RFP provides that existing equipment identified in a private offeror's proposal for use at a location other than Kelly AFB "will be provided by the Government as GFE." RFP § L-900.4.2.5.2.2.2.

<sup>16</sup>Although counsel for National Airmotive suggested at the hearing that, if permitted to submit a proposal for a single engine's workload, National Airmotive would not rely on any resources currently in use, Tr. at 523, we have no basis to conclude that the contracting officer should make a similar assumption with regard to all potential offerors regarding each of the individual workloads.

<sup>17</sup>The Air Force notes that the solicitation is specifically drafted in a way to motivate the prime contractor to successfully accomplish an efficient transition. In this regard, RFP § M-900.4.4 provides that, in conducting an integrated assessment of best value, transition is equal in importance to the other two criteria-repair operations and cost-even though transition efforts will extend for only a relatively small portion of the potential 15-year period of contract performance.



interpretations of task orders, and multiple learning curves. The Air Force also states that the size and complexity of the workloads involved here are greater than that presented in prior transitions and, accordingly, contain inherently greater risks than the Air Force has previously experienced. Finally, the Air Force notes that the transition of the San Antonio workloads must be completed in time to completely close the Air Logistics Center by July 2001; accordingly, the Air Force maintains that it has scheduling constraints which further increase the risks associated with multiple transitions. Tr. at 202.

We have explicitly recognized that a combination of workload requirements may be reasonably required by the agency's needs to ensure military readiness. Southwestern Bell Tel. Co., B-231822, Sept. 29, 1988, 88-2 CPD ¶ 300 at 4. Similarly, we have upheld an agency's combination of workload requirements: where a single contractor was necessary to ensure the effective coordination of tasks due to the agency's significant loss of personnel capable of handling the coordination, Border Maintenance Serv., Inc., B-260954, B-260954.2, June 21, 1995, 95-1 CPD ¶ 287 at 3; to ensure availability of a system in emergency situations, Institutional Communications Co., B-233058.5, Mar. 18, 1991, 91-1 CPD ¶ 292 at 8; and where there are critical schedule demands. Electro-Methods, Inc., B-239141.2, Nov. 5, 1990, 90-2 CPD ¶ 363 at 5. Cf. National Customer Eng'g, *supra*, at 6 ("mere administrative convenience cannot justify restricting competition").

Here, in the context of the Air Force's currently degraded readiness status with respect to the engines at issue, we cannot find unreasonable the Air Force determination that combining the workloads is necessitated by the Air Force's war readiness needs. First, the agency has documented the specific basis for its concerns regarding its current readiness posture. Next, the agency has provided a basis for concluding that transitioning to multiple contractors creates a greater risk of decreased productivity than does transitioning to a single contractor. Specifically, we cannot find unreasonable the Air Force's conclusion that these workloads have significant common processes, and that transitioning such workloads in a manner consistent with the manner in which the workloads are currently performed, to a prime contractor who is contractually motivated to avoid or resolve subcontractor disputes both during proposal preparation and after contract award, will reduce the risk of productivity declines that could occur if the Air Force were to administer multiple contracts for individual workloads with its diminishing personnel resources.<sup>18</sup>

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<sup>18</sup>National Airmotive's protest maintains that each of the three engines' workloads should be competed separately. During the course of the protest, National Airmotive focused more specifically on the assertion that, even if the workloads for the F-100 and TF-39 engines were found to be reasonably combined, the agency should separately compete the T-56 workloads. The Air Force response focuses (continued...)

It is true that, when an agency's interests in administrative convenience are weighed against interests in maximizing competition, CICA requires the scales to tip in favor of maximizing competition. Id. However, in contrast, when legitimate, properly documented, national security concerns are weighed against interests in maximizing competition, the scales must tip towards national security. See Southwestern Bell Tel. Co., supra. The situation presented here is not akin to "mere administrative convenience." Cf. National Customer Eng'g, supra. Based on the record, we view the risk of an adverse impact on readiness as constituting a legitimate need which outweighs National Airmotive's competing concerns regarding restrictive specifications. Because, in the specific factual circumstances present here, we conclude that the Air Force has reasonably determined that potential productivity declines associated with transition to multiple contractors risks further weakening of the Air Force's currently degraded readiness posture, we cannot find the determination to combine the workloads unreasonable and, accordingly, we have no basis to sustain the protest.

The protest is denied.<sup>19</sup>

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<sup>18</sup>(...continued)

much of its discussion on the risks associated with three contract awards rather than on the risks associated with separately competing only the T-56. Nonetheless, the overriding basis for the Air Force's determination to combine the workloads is that multiple transitions increase the identified risks, while a single transition minimizes those risks, and that the risks associated with more than one award create an unacceptable threat to readiness. In our view the Air Force determination that, in the factual context of this procurement, transition to multiple prime contractors presents an unacceptable risk to readiness is applicable to the separation of the T-56 workloads from the F-100 and TF-39 workloads as well as to the separation of all three.

<sup>19</sup>National Airmotive's protest contains various other complaints regarding this procurement. We have considered all of National Airmotive's allegations and, in light of our conclusions discussed above, find no basis to sustain the protest.