



Comptroller General
of the United States

Washington, D.C. 20548

Decision

Matter of: Electro-Methods, Inc.

File: B-239141.2

Date: November 5, 1990

Paul J. Seidman, Esq., Seidman & Associates, P.C., for the protester.
Kent R. Morrison, Esq., Crowell and Moring, for United Technologies Corp., Pratt & Whitney, Government Engine Business, Robert F. Kearns for B.H. Aircraft Company, Inc., and Randall Finley for Kitco, Inc., interested parties.
Paul S. Davison, Esq., and Gregory H. Petkoff, Esq., Department of the Air Force, for the agency.
Linda C. Glass, Esq., and Michael R. Golden, Esq., Office of the General Counsel, GAO, participated in the preparation of the decision.

DIGEST

1. An agency's decision to procure its immediate minimum need for modification kits and associated engineering services to upgrade jet engines on a total package basis rather than break out components for separate competitive procurements will not be disturbed where the agency reasonably determined that due to the magnitude and complexity of the upgrade program the purchase of the kits and engineering services on a total package basis is essential to maintain standardization and configuration control of the parts.
2. Protest that noncompetitive procurement is improper because it resulted from lack of advance planning is denied where record shows that agency's decision to procure on a sole-source basis was reasonable.

DECISION

Electro-Methods, Inc. (EMI) protests the proposed award of a sole-source contract to United Technologies Corporation, Pratt & Whitney, Government Engine Business (Pratt & Whitney), under request for proposals (RFP) No. F41608-90-R-72838, issued by the Department of the Air Force for modification kits to upgrade various configurations of the F100-PW-100 and F100-PW-200 jet engines which are used on F-15 and F-16 jet fighters. The protester asserts that the individual components of the kit should be procured competitively, and that

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the solicitation is defective for failing to include complete technical drawings and specifications for each of the approximately 900 parts which make up the various kits. EMI also questions the propriety of the Air Force's sole-source procurement of the kits primarily because it believes the sole-source was the result of the lack of advance planning.

We deny the protest.

The RFP was issued on March 2, 1990 and is for a fixed-price requirements contract for a 3-year base period with two 1-year options. In addition to the kits, the requirement is for support equipment, logistics engineering services, and program management data. Pratt & Whitney was the only named source in the RFP. Pratt & Whitney was the only offeror to submit a proposal in response to the RFP. On July 12, after the Air Force issued the Justification and Approval (J&A) for a noncompetitive sole-source award to Pratt & Whitney, EMI filed this protest.

EMI essentially challenges the Air Force's use of a total package approach and argues that the bundling of the kits, support equipment and engineering services in a solicitation requiring an all-or-none offer is unduly restrictive of competition. EMI contends that the Air Force lacks a reasonable basis for restricting competition and instead should make separate line item awards for individual parts or kits, since the parts in question are not manufactured by Pratt & Whitney. EMI maintains that there are numerous other vendors, including EMI, which have provided some or all of the parts listed in the modification kits in the solicitation. EMI maintains that the Air Force can consolidate components after they are acquired into kits or separately contract to have this done. In the alternative, EMI contends that even if the kits rather than the individual parts are purchased, the kits can be purchased from sources other than Pratt & Whitney. EMI also argues that there is no reason for the Air Force to combine a contract for engineering services with the purchase of kits that can otherwise be competed. In EMI's view, there is no need for the Air Force to purchase any engineering services relating to this installation effort and subsequent engine performance since the kits are not a developmental item.

The Competition in Contracting Act of 1984 (CICA), 10 U.S.C. § 2301(a) (1988), generally requires that solicitations permit full and open competition and contain restrictive provisions and conditions only to the extent necessary to satisfy the needs of the agency. Where, as here, the protester contends that acquiring certain items as part of a total package rather than breaking them out unduly restricts competition, we will object only where the agency's choice of a total package

approach as necessary to meet its minimum needs lacks a reasonable basis. See Eastman Kodak Co., 68 Comp. Gen. 57 (1988), 88-2 CPD ¶ 455.

The agency explains that the original F-100 and F-200 engines were manufactured by Pratt & Whitney. There are currently at least 16 configurations of the F-100 engine and eight configurations of the F-200 engine. The upgrade program calls for the remanufacture of the various configurations of the Pratt & Whitney engine into a single configuration. The new engine configuration is considered to be more reliable, maintainable, and durable which will reduce unscheduled engine removal rates and maintenance manhours. The upgraded engine also will provide an improved margin of flight safety, increase operational capabilities and offer unrestricted throttle movement for both the F-15 and F-16 aircraft. This upgrade program is the result of an engineering change proposal submitted by Pratt & Whitney.^{1/} Under the program, the Air Force expects to purchase some 33 different kits consisting of 900 different parts and 3500 individual components.

The upgrade program has been divided into two phases. This solicitation represents Phase I. Phase I is to be a sole-source contract with Pratt & Whitney to upgrade a maximum of 439 engines, 234 part modules, support equipment, ratable pool parts, logistics engineering services and program management data (about 14 percent of the total program requirement).^{2/} Installation of the kits will be accomplished by Air Force personnel.

Phase II represents the purchase of the kits to upgrade the remaining 2232 engines. The Air Force, at this time, proposes to accomplish Phase II with three separate contracts. Sole-source contracts will be awarded to the actual manufacturers of the high value components and a competitive contract will be awarded for the remaining items. The Air Force states that if it is in a position to award Phase II ahead of schedule and can obtain deliveries from the actual manufacturers so as not

^{1/} In 1985, the Air Force, as a part of a test program, modified 41 F-100 engines and because of the success of that program decided to upgrade the entire fleet of F-100 and F-200 engines.

^{2/} On July 12, 1990, the Air Force issued a Justification and Approval (J&A) authorizing negotiations with Pratt & Whitney for the requirements on a noncompetitive basis pursuant to 10 U.S.C. § 2304(c)(1) (1988). The J&A further provided that Foreign Military Sales requirements will be procured pursuant to 10 U.S.C. § 2304(c)(4).

to delay the modification kit installations, then the Air Force may elect to order fewer than the designated maximum quantities under Phase I from Pratt & Whitney and move toward an early breakout strategy.

The Air Force reports that the upgrade program will significantly enhance the user's operational capability and that, in order to maximize savings and safety benefits associated with the upgrade, an accelerated schedule for kit installation is necessary to meet the user's requirement for a more reliable and maintainable engine. The Air Force maintains that if it fails to meet the delivery schedule it runs the risk of having idle engines waiting for upgrade which equates to planes in the field without engines. The Air Force believes that due to the complexity of the engine modification and the large volume of parts (over 900 line items and 3500 individual parts) it would be impossible to buy these parts on an individual part basis and not experience delinquent deliveries and disruption of the repair line. It is undisputed that certain key items, for example, controls, have long lead times and that only Pratt & Whitney which currently produces the engine has contracts in place with the manufacturers of the controls which will ensure timely delivery. Most importantly, the Air Force states that the purchase of kits improves the Air Force's ability to ensure that each engine is modified to a standard configuration. Each kit will be identified in the Air Force's warehouse system with a single part number to facilitate standardized installation. According to the Air Force, if the kit components were only identified as individual items, the task of integrating them into the upgrade process, particularly at the outset, would be nearly impossible. The Air Force also reports that every kit contains parts to which the government does not currently have data rights. The Air Force estimates that it has unlimited rights on 42 percent of all the parts that are in the kit and while some additional data which the Air Force has rights to is still being delivered, it cannot be made available within the necessary timeframe for Phase I.^{3/}

The Air Force also maintains that the purchase of logistic engineering services related to the kit installation is necessary in the early stages of the program because the installation of the kits into the older engines may require design changes. Specifically, old engine parts must be inspected, reoperated and integrated with other ongoing engineering changes. As a result, kit configuration and upgrade procedures may change.

^{3/} The Air Force states that the scheduling of deliveries is necessary to achieve the cost-saving and safety objectives of the program.

Essentially, EMI argues that given time and an opportunity to compete, EMI can supply all of the kits solicited by the Air Force. EMI maintains, however, that the Air Force unreasonably required offerors to supply every item of material--all kits, parts and engineering services.

Use of a total package approach is consistent with the CICA requirement that specifications of an agency's needs achieve full and open competition, where the agency reasonably shows that one integrated contract is necessary to meet its needs. LaBarge Prods., Inc., B-232201, Nov. 23, 1988, 88-2 CPD ¶ 510. Here, while the protester disagrees with the Air Force's position, the record does not show that the agency's decision to use the total package approach was unreasonable.

In view of the fact that this procurement is for the upgrade of the engines and not for the acquisition of spare parts, we find persuasive the Air Force's argument that a total package approach is necessary to ensure that each engine will be modified to a standard configuration. See Batch-Air, Inc., B-204574, Dec. 29, 1981, 81-2 CPD ¶ 509. We find nothing in the record to indicate that this decision was made purely for the administrative convenience of the government. Rather, it appears that procurement by a total package approach for the initial quantity was viewed as the most logical and efficient method of procuring the various kits and services to accomplish the engine upgrade effort in the most expeditious manner. Given the critical schedule demands, the complexity of the upgrade program and the volume of parts involved, we find reasonable the Air Force's determination that buying, storing and issuing the parts on an individual basis would require an excessive effort and would jeopardize the installation schedule and flow of engines through the depot facility. The protester presents no evidence to show otherwise.

We also find the Air Force's reason for including logistic engineering services in the requirement valid. As previously stated, the purpose of this procurement is to upgrade the engines into one standard configuration. In the initial stages of the program the kits will be installed in older configuration engines and design changes are anticipated. We agree that the offeror supplying the kits is in the best position to satisfy the Air Force's need for a single contractor to monitor and evaluate problems arising in the installation effort and subsequent engine performance.

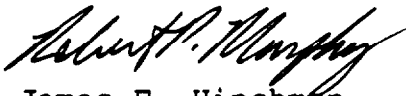
Finally, the record indicates that under this procurement the Air Force is purchasing 14 percent of its total requirements to meet only its immediate needs. In fact, the Air Force states that if it is in a position to award Phase II (in which kit components will be obtained competitively, except for

those which remain proprietary and must be procured on a sole-source basis) ahead of schedule and obtain deliveries so as not to delay the kit installations, then the Air Force may elect to order fewer than the designated maximum quantities from Pratt & Whitney and move toward an early breakout strategy.

In presenting its arguments on the total package issue, EMI also questions the propriety of the Air Force's decision to procure this initial quantity on a total package, sole-source basis. EMI specifically argues that the requirement for a total package, noncompetitive approach resulted from a lack of advance planning by the agency.

The record shows that the agency did furnish Pratt & Whitney a draft RFP in October 1989 and discussed aspects of the requirements with Pratt & Whitney during that time. The agency knew at that time that: (1) Pratt & Whitney had successfully modified the engines previously; (2) Pratt & Whitney had access to all necessary drawings, technical data packages and had ongoing subcontracts with key suppliers; and (3) Pratt & Whitney, as the original equipment manufacturer, was the most likely firm to perform the engineering services support for the limited Phase I requirements on a timely basis with the least risk. While, in hindsight, it could be argued that the agency should have more quickly sought to develop other sources for the requirements, we think the agency's belief that Pratt & Whitney was the only contractor who could perform the work within the time constraints was reasonable because Pratt & Whitney had contracts in place with suppliers even before the agency contacted the firm concerning its requirements. We therefore find no violation of statute or regulation concerning advance planning.

The protest is denied.


for James F. Hinchman
General Counsel