

R. White

149117



Comptroller General
of the United States
Washington, D.C. 20548

1030214

Decision

Matter of: Rockwell International Corporation
File: B-250921.2
Date: April 21, 1993

Alan R. Yuspeh, Esq., Jerone C. Cecelic, Esq., and Christina S. Yu, Esq., Howrey & Simon, for the protester.
Stan Hinton, Esq., Baker & Botts, for Chrysler Technologies Airborne Systems, Inc., an interested party.
James Caine, Esq., and Dana N. Smith, Esq., Department of the Navy, for the agency.
Ralph O. White, Esq., and Christine S. Melody, Esq., Office of the General Counsel, GAO, participated in the preparation of the decision.

DIGEST

1. Contention that cost realism adjustments adding approximately \$8.2 million to protester's proposed costs are unreasonable is denied where the record provides no basis to conclude that the agency's evaluation of costs was unreasonable, or not in accordance with stated evaluation criteria.
2. Allegation that agency improperly evaluated protester's proposal as offering moderate risk, and awardee's proposal as offering low risk, is denied where the protester's arguments, in essence, constitute disagreement with the evaluation decisions, and do not establish that the agency's assessments of relative technical risk were unreasonable.

DECISION

Rockwell International Corporation protests the award of a contract to Chrysler Technologies Airborne Systems, Inc. by the Department of the Navy pursuant to request for proposals (RFP) No. N00019-92-R-0005, for the engineering, design, manufacture, installation, and testing of a prototype Avionics Block Upgrade for the Navy's E-6A Take Charge and Move Out aircraft. Rockwell challenges the Navy's evaluation of Rockwell's proposed costs and the Navy's assessment that Rockwell's approach poses medium risk, while Chrysler's poses low risk. According to Rockwell, a proper evaluation of cost and risk would have resulted in selection of Rockwell's proposal, not the proposal submitted by Chrysler.

We deny the protest.

BACKGROUND

The Avionics Block Upgrade at issue here is intended to increase the navigation accuracy, precise time capability, and transmitter reliability and maintainability of the E-6A aircraft. The E-6A is used by the Navy to relay emergency action messages from the national command authority to ballistic missile submarines deployed under the sea. Among other things, the Avionics Block Upgrade will require integrating into the E-6A a Military Strategic and Tactical Relay System (MILSTAR), which includes 28 electronic boxes, a radome, a pedestal, and an antenna assembly; a high power transmit system; a global positioning system; and a time/frequency standard distribution system.

The Navy issued the RFP on February 12, 1992, seeking offers for a cost-plus-incentive-fee contract to perform the engineering, design, manufacture, installation, and testing of the prototype Avionics Block Upgrade. The prototype effort is set forth in the RFP as the base performance period and is referred to as the Engineering and Manufacturing Development (E&MD) phase. The RFP also includes an option for a limited quantity of production upgrade kits, referred to as the production option.

The RFP anticipated award to the offeror whose proposal provided the best overall value to the government. Offerors were advised that proposals would be evaluated for technical merit, cost, management approach and experience, and integrated logistics support (ILS)--in descending order of importance. In addition, the RFP advised that proposals would be evaluated for risk associated with each of the evaluation criteria other than cost.

The cost evaluation section of the RFP advised offerors that:

"[A] proposal meeting the solicitation requirements with the lowest cost may not be chosen if award to a higher cost offeror affords the [g]overnment greater overall benefit."

The same provision also advised that proposed costs for both the E&MD phase and the production option would be evaluated for realism and reasonableness, but that the proposed costs for the E&MD phase would be more important than the costs for the production option.

The Navy received three offers in response to the RFP, including the offers from Rockwell and Chrysler. Upon review of the initial proposals, the Source Selection Official (SSO) agreed with the evaluation panel's recommendation that only the Rockwell and Chrysler proposals should

be included in the competitive range, since both of these proposals were viewed as technically acceptable. The third proposal was excluded from the competitive range because it contained significantly higher proposed costs, and was rated unsatisfactory in the technical and management areas.

The initial evaluation of the Chrysler and Rockwell technical proposals yielded the following results: Chrysler was rated marginal under the technical evaluation factor, and satisfactory under the management and ILS factors; Rockwell was rated marginal under the technical and ILS factors, and satisfactory under the management factor. In addition, both cost proposals were evaluated and adjusted for cost realism.

After conducting initial evaluations and establishing a competitive range, the Navy held written and oral discussions with both offerors. During discussions with Rockwell, the Navy indicated several times that Rockwell had proposed insufficient hours for the MILSTAR effort. According to the Navy, it advised Rockwell that its "estimate for MILSTAR integration efforts was a magnitude of three times lower than the Navy's independent cost estimate." Rockwell admits it was advised that its MILSTAR effort was viewed as inadequate, but states that it could not understand whether the Navy was referring to installation, design, or analysis of MILSTAR. In addition, Rockwell explained to the Navy that some of the agency's concerns were due to a failure to locate in its offer all the effort the company was proposing for the MILSTAR portion of the work.

The Navy concerns raised during discussions about the adequacy of Rockwell's proposed hours were not limited to the MILSTAR portion of the upgrade effort. In other areas as well, the Navy stated that Rockwell's allocation of effort was unexpected, hard to follow, and in some cases, contrary to the instructions in the RFP. In response, Rockwell increased its proposed hours in some instances, while in others Rockwell attempted to explain and justify its approach.

After closing discussions, requesting best and final offers (BAFO), and reevaluating the technical and cost proposals, the Navy concluded that the Rockwell and Chrysler proposals were virtually tied under each of the evaluation factors. Specifically, both proposals were rated satisfactory under the technical factor; highly satisfactory under the management factor; and satisfactory under the factor for ILS. The two proposals were not tied in the area of risk, however. The Chrysler proposal was evaluated as presenting low risk, while the Rockwell proposal was evaluated as presenting medium risk.

With respect to costs, the following table shows the results of the Navy's cost realism adjustments to each offerors' proposed costs:

SUMMARY OF PROPOSED AND EVALUATED COSTS
(in millions of dollars)

	<u>Chrysler</u>	<u>Rockwell</u>
<u>BAFO Proposed Costs</u>		
E&MD	\$ 22.7	\$ 18.5
Production	<u>14.5</u>	<u>16.7</u>
Total	\$ 37.2	\$ 35.2
<u>Evaluated Costs</u>		
E&MD	\$ 24.3	\$ 23.7
Production	<u>16.1</u>	<u>19.7</u>
Total	\$ 40.4	\$ 43.4

As shown above, while Rockwell's evaluated E&MD costs were \$0.6 million less than those of Chrysler, its evaluated production costs were \$3.6 million higher than Chrysler's, making Rockwell's total proposed costs approximately \$3 million higher. The SSO concurred with the Navy's advisory board's findings that the Chrysler proposal was superior to Rockwell's because it presented lower risk; that Rockwell's \$0.6 million advantage in evaluated E&MD costs was more than offset by Chrysler's \$3.6 million advantage in evaluated production option costs; and that Chrysler's proposal offered the best overall value to the government. On October 5, the Navy awarded the contract to Chrysler, and this protest followed.

COST EVALUATION ISSUES

Rockwell's protest of the Navy's decision to select Chrysler focuses mainly on the agency's cost realism review. Since the Navy's upward adjustments to Rockwell's proposal raised its costs above those of Chrysler--thus permitting Chrysler to displace Rockwell as the offeror with the lowest proposed costs--Rockwell challenges many of the Navy's cost realism adjustments to its proposal.

When an agency evaluates proposals for the award of a cost-reimbursement contract, an offeror's proposed estimated costs are not dispositive, because regardless of the costs proposed, the government is bound to pay the contractor its actual and allowable costs. Federal Acquisition Regulation § 15.605(d). Consequently, a cost realism analysis must be performed by the agency to determine the extent to which an offeror's proposed costs represent what the contract should

cost, assuming reasonable economy and efficiency. CACI, Inc.-Fed., 64 Comp. Gen. 71 (1984), 84-2 CPD ¶ 542. Because the contracting agency is in the best position to make this cost realism determination, our review of an agency's exercise of judgment in this area is limited to determining whether the agency's cost evaluation was reasonably based and not arbitrary. General Research Corp., 70 Comp. Gen. 279 (1991), 91-1 CPD ¶ 183, aff'd, American Mgmt. Sys., Inc.; Dep't of the Army--Recon., 70 Comp. Gen. 510 (1991), 91-1 CPD ¶ 492; Grey Advertising, Inc., 55 Comp. Gen. 1111 (1976), 76-1 CPD ¶ 325.

The Navy's adjustments to Rockwell's cost proposal increased its E&MD costs by \$5.2 million, and its production costs by \$3.0 million, for a total upward adjustment to Rockwell's costs of \$8.2 million. Of the \$8.2 million in upward adjustments to its proposed costs, Rockwell challenges 12 separate adjustments--8 in the area of E&MD costs, and 4 in the area of production costs--totaling \$5.8 million. The 8 adjustments in the area of E&MD costs represent approximately \$4.2 million of the \$5.8 million amount challenged, while the remaining \$1.6 million are found in 4 adjustments under the production portion of proposed costs. The following is a list of the value of the upward adjustments to Rockwell's proposal challenged during this protest:

	<u>Value of Adjustment</u> <u>(in millions)</u>
E&MD	
MILSTAR Engineering	\$ 2.291
Logistic Support Analysis	.139
Contract Data Requirements List	.850
Training	.176
Technical Manuals	.141
Manufacturing	.188
Schedule Risk	.336
Other	<u>.035</u>
Total E&MD	\$ 4.156
Production	
Engineering (incl. operator trainer)	\$.224
Manufacturing	.570
Integrated Logistic Support	.801
Other	<u>.055</u>
Total Production	\$ 1.650
TOTAL	\$ 5.806

As a preliminary matter, we note that Rockwell raises a cursory challenge to the Navy's adherence to the evaluation scheme with respect to the relative weight of proposed costs. Specifically, Rockwell argues that the Navy failed

to follow the provision in the RFP advising that an offeror's proposed costs for the E&MD phase would be more important than its proposed costs for the production option. Rockwell's claim in this regard is not supported by the record.

Although the Navy's legal arguments submitted in response to this protest state, in some instances, that the agency compared the total evaluated costs of the two offerors and selected Chrysler as the superior offeror with the lowest proposed total cost, the SSO's decision in the record does, in fact, balance costs as required by the RFP. As explained above, the SSO adopted the opinion of the Navy's advisory board that the Chrysler proposal offered the best overall value to the government because of its lower risk, and its lower evaluated costs--i.e., the advisory board expressly concluded that the \$0.6 million in evaluated E&MD savings offered by Rockwell was more than offset by Rockwell's \$3.6 million higher evaluated cost for the production option. As a result, Rockwell has no basis to claim that the agency abandoned this provision of the evaluation scheme.

With respect to Rockwell's specific challenges, we have considered Rockwell's proposal, its protest letters and supplementary filings, the agency record, and the Navy's initial and supplemental agency reports, and we see no basis to conclude that the Navy's evaluation of costs was unreasonable or inconsistent with the stated evaluation criteria. To illustrate our conclusion, we will discuss in detail the two largest single adjustments to Rockwell's cost proposal. These adjustments--one for MILSTAR engineering hours, the other for producing Contract Data Requirements Lists (CDRL)--represent more than \$3.1 million of the \$4.1 million in E&MD adjustments challenged by Rockwell.

MILSTAR Engineering Hours

The largest single upward adjustment to Rockwell's proposed costs was the Navy's addition of a significant number of engineering design hours (worth approximately \$2.3 million) to integrate MILSTAR into the E-6A.¹ Rockwell argues that the Navy's evaluation of Rockwell's MILSTAR effort was flawed because: (1) the Navy failed to credit all the MILSTAR design effort proposed due to the agency's failure to recognize that some of the effort was placed in

¹In addition, as discussed in greater detail below, the perceived inadequacy of Rockwell's proposed MILSTAR design effort was the basis for the Navy's conclusion that the Rockwell proposal presented greater risk than the proposal of Chrysler.

categories different from what the Navy expected, and (2) the adjustments were improperly based on a failure to understand Rockwell's proposed approach.

With respect to Rockwell's first argument--that the Navy failed to recognize all the MILSTAR design effort proposed and therefore erroneously increased the number of hours in the proposal--Rockwell challenges nearly every facet of the cost realism adjustment. Rockwell argues that there was no clear requirement in the RFP to segregate engineering design effort in certain work breakdown structure (WBS) categories; that such a requirement, had it existed, would have improperly forced all offerors to use the same approach; and that even if there was such a requirement, the Navy should have recognized that Rockwell had proposed its engineering design effort in other WBS categories. According to Rockwell, some of the hours that should have been credited as engineering design effort were accumulated under the headings of "System Test and Engineering" and "Drafting." In support, Rockwell includes copies of WBS sheets showing that at least 18 WBS categories involve MILSTAR effort. Finally, Rockwell argues that it was never told during discussions that its allocation of hours to WBS categories was improper, and was expressly advised that its allocation need not be redone.

The Navy responds that the RFP requested offerors to structure proposals according to WBS categories related to each contract line item, and that the WBSs in the RFP clearly identified which effort should be proposed under each WBS. The Navy also explains that there were only 7 WBSs for MILSTAR engineering design work, and that the other 11 WBSs where Rockwell says it proposed engineering design hours were reserved for non-design work related to the MILSTAR effort. According to the Navy, if hours are removed from those WBS categories, the determination that sufficient effort was proposed in those categories might have been different.

Our review of the record shows that, as the Navy claims, the RFP required offerors to propose effort under WBS categories to provide a task-oriented structure to the cost proposal. First, we see nothing inappropriate about the Navy's request that offerors account for similar effort under similar headings, and we find unpersuasive Rockwell's suggestion that it did not know the Navy sought the allocation of hours in this way. In our view, while offerors might choose to solve problems differently, an agency has discretion to ask that, in a cost reimbursement environment, an offeror segregate hours related to certain tasks in a way that will permit the agency to review the proposed cost of the effort. Second, notwithstanding Rockwell's argument that it was unaware that such costs should be isolated by WBS, the very presence of WBS categories suggests that the agency wants to segregate

the work associated with different tasks into easily reviewable accounts.

While Rockwell appears to be correct in its claim that the RFP does not explicitly state that all engineering design effort must be proposed under the WBS categories for engineering design, it was not unreasonable for the Navy to expect to see such effort proposed under an engineering design category, as opposed to a category reserved for proposed hours for testing or drafting.² In addition, we agree with the Navy's contention that shifting a portion of the hours in other categories to engineering design raises the question of whether the hours remaining in those categories will be sufficient to perform the effort required.

Finally, with respect to Rockwell's claim that the Navy misled it during discussions, Rockwell submits several affidavits from its representatives present during negotiations admitting that Navy officials repeatedly advised that Rockwell had proposed too few hours for MILSTAR. These affiants state, however, that they could not understand whether the Navy was referring to installation, design, or analysis of MILSTAR. At least one of the affiants for Rockwell admits that the Navy negotiators stated that Rockwell did not propose its hours in the areas where the Navy had expected to find them, and several affiants state that Rockwell offered to reallocate costs to align with agency expectations, but the Navy representative stated that such a reallocation was unnecessary.

While Rockwell wrestled with its unsatisfactory understanding of the Navy's criticism, the Navy apparently wrestled with the Rockwell proposal as well. Although the Navy official did not insist that Rockwell redo its cost proposal--because he understood how the hours were offered, Rockwell claims--this official, and others, clearly flagged the difficulty the agency was having following Rockwell's approach. Other examples of the Navy's difficulty include notes of a June 16 cost discussion where Navy negotiators asked for Rockwell's rationale for allocating effort to various WBSs, and notes made in preparation for a July 8 meeting with Rockwell reflecting a request that the company provide a table summarizing the allocation of hours by WBS prior to the start of the meeting. Further, Navy notes of a telephone conference with Rockwell representatives

²Rockwell's argument that as many as 11 other WBSs also included MILSTAR effort is disingenuous. While there were clearly other WBSs related to the MILSTAR effort, the Navy adjustment focused on engineering design effort, not MILSTAR effort generally.

immediately prior to submission of BAFOs--and after receipt of the table summarizing Rockwell's allocation of MILSTAR hours--show that the issue remained unresolved. In response to a direct question from Rockwell, the Navy's Cost Team Leader advised the company that its estimate "for MILSTAR integration efforts was a magnitude of three times lower than the Navy's independent cost estimate."

The materials in the record memorializing the negotiations on this issue foreshadow the protest issue ahead. Despite apparent good faith attempts by both Rockwell and the Navy, the parties were not able to successfully resolve the perceived shortfall of engineering design hours in the Rockwell proposal. As a result, when faced with the need to evaluate proposals for cost realism, the Navy adjusted Rockwell's proposal upward for the engineering design hours that either were not there, or were included in other accounts where the offeror's proposed hours were not so high as to suggest that they contained the missing engineering design hours.

While Rockwell would have us determine that the Navy failed to perform a reasonable cost realism review, we conclude that ultimately the problem here resulted from Rockwell's failure to propose engineering design hours in the most logical place, and its compounding failure to recognize and alleviate the continued problems caused by the structure of its cost proposal. On balance, we find that Rockwell's failure to effectively address the Navy's concerns--either because it could not or would not understand those concerns--increased the risk that its approach would be misunderstood. Therefore, we conclude that it was reasonable for the Navy to increase Rockwell's engineering design hours as part of the cost realism review.

In addition to challenging the Navy's conclusion that the Rockwell proposal contained insufficient hours for engineering design, Rockwell also challenges the size of and reason for the adjustment. According to Rockwell, the Navy's adjustment was unreasonable because it was based on a prior Chrysler effort, and failed to consider that Rockwell based its approach on modifying plans it had purchased from the Air Force for an upgrade to the C-18 aircraft.

Here, after the Navy determined that Rockwell proposed 13,163 hours in the 7 WBS categories reserved for engineering design effort, it added 34,500 engineering hours to the proposal to account for the design effort the agency believed would be necessary.³ The Navy explained that it

³The magnitude of the adjustment parallels the advice given Rockwell prior to submission of BAFOs--i.e., that the Navy
(continued...)

derived its estimate of the total required effort from prior experience of the Air Force and Navy with purchasing a similar Avionics Block Upgrade for the EC-135 aircraft.

To develop an independent government estimate of the cost of performing the MILSTAR effort, the Navy stated that it looked at historical experience with other aircraft and focused on both the EC-135 and the C-18. After Navy officials visited both Wright Patterson Air Force Base and the Naval Air Warfare Center, the agency decided to use the historical data related to the EC-135 aircraft as the basis for its estimate. As the Navy shows in quotes from Rockwell's proposal, Rockwell, too, focused on prior upgrade experience with both the EC-135 and C-18 aircraft, and Rockwell's approach was not limited to the C-18 experience. For example, Rockwell's proposal states that its approach was a combination of the best features of both the C-18 and the EC-135 design for MILSTAR modifications.

While Rockwell disagrees with the Navy's assessment, it fails to show that the assessment was unreasonable. As an initial matter, we have no basis for concluding that the Navy erred in looking to historical experience with the EC-135 to develop its estimate, see Science Applications Int'l Corp., B-238136.2, June 1, 1990, 90-1 CPD ¶ 517, and the reasonableness of that position is underlined by Rockwell's consideration of the EC-135 in its own proposal.¹ In addition, even though Rockwell says it should receive a design effort advantage because it has purchased the drawings for such modifications to the C-18--which has the same diameter as the E-6A fuselage here--the Navy explained that other design features made the C-18 less like the E-6A than the EC-135. According to the Navy, these other features--such as the placement of the radome on the C-18 some 6 feet from its location on the E-6A--cancel any savings in effort Rockwell might otherwise have achieved by having purchased the C-18 modification plans. Since the issues here are largely judgmental, we have no basis for

¹(...continued)

believed Rockwell's proposed MILSTAR effort was understated by a factor of three.

²Similarly unpersuasive is Rockwell's argument that even if it was reasonable to focus on the historical experience with the EC-135, it was improper to attempt to apply an estimate of the hours required for generating design drawings based on Chrysler's approach. The Navy did not apply the Chrysler approach in this procurement as the standard for the Rockwell proposal, as Rockwell suggests, but instead based its estimate upon the prior upgrade work on the EC-135, for which Chrysler was the contractor.

criticizing the Navy's conclusion that the EC-135 upgrade experience was most analogous to the upgrade here, or for overturning the Navy's cost realistic adjustment to Rockwell's proposed MILSTAR engineering design hours based on the application of its independent estimate (derived from its historical experience with the EC-135).

CDRL Hours

The second largest upward adjustment to Rockwell's proposed costs was the Navy's addition of approximately \$850,000 worth of engineering hours to meet the RFP's requirement for CDRLs. In the evaluation materials, the Navy explained that Rockwell had documented 25,600 hours for CDRL effort in its technical proposal, but that approximately one-half of the hours were not accounted for in the cost proposal. The Navy claims that the RFP was clear about the requirement, and that the Navy told Rockwell during discussions that CDRL effort needed to be segregated under the WBS sections related to producing the CDRLs. As with the MILSTAR engineering design issue, Rockwell argues that the Navy failed to credit the proposal with effort proposed in other engineering accounts.

Rockwell argues that the Navy's failure to fully credit the proposed CDRL effort arose because the Navy failed to appreciate the impact of Rockwell's long-held practice to perform much of the work related to producing CDRLs while performing other engineering tasks. Thus, in Rockwell's words, its "practice is to perform the underlying task and document the results regardless of the CDRL requirement." The effect of this approach, Rockwell explains, is that CDRL costs were proposed in one of three ways: (1) if a standard Rockwell report satisfied a CDRL requirement, the proposal would not list any additional CDRL hours; (2) if a standard Rockwell report would need to be modified to satisfy the CDRL requirement, the proposal would list only the amount of time required for the modification;⁵ and (3) if no standard Rockwell report would meet the requirement, the proposal would list the time to produce the report under the WBS for that CDRL requirement.

⁵Curiously, with respect to the second of the two approaches, Rockwell's comments stated that "[i]f the standard engineering report needed to be modified to satisfy a CDRL requirement, then the time required to modify the report may have been listed as a separate item on the scope sheet." [Emphasis added.] Rockwell does not explain the conditions that would cause it to not allocate the time for modification, or suggest where the Navy would be expected to search for the hours in those instances.

In addition, Rockwell argues that the RFP was not clear about requiring that such effort be isolated, and denied that it was advised of any such requirement during discussions. Further, Rockwell claims that the contracting officer was aware that Rockwell was following its standard practice regarding the allocation of such hours, and during oral discussions, the contracting officer tried to explain Rockwell's practice to the leader of the Navy's cost team.

In response to Rockwell's assertion that during the face-to-face negotiations the contracting officer advised the leader of the cost team about Rockwell's practice of folding CDRL effort into other tasks, the Navy states that the contracting officer was only pointing out that Rockwell was continuing to allocate its costs in the same way it had on its previous sole-source contracts.

Our review of Rockwell's arguments, the Navy's response, and the evaluation record, leads us to conclude that there was nothing unreasonable about the Navy's decision to add CDRL hours to WBSs found lacking in such hours. As stated above regarding the MILSTAR engineering design hours, there is nothing improper about the use of such WBS categories to isolate similar costs, and Rockwell clearly was aware that its approach to allocating hours to WBSs was contrary to the Navy's understanding of such categories.

In addition, as with the MILSTAR engineering design effort, Rockwell is the party ultimately responsible for any misunderstanding springing from its insistence on proposing costs in ways that were not logical to the agency, and in failing to modify its approach after being faced with ample evidence of an unresolved risk that the Navy did not understand or accept the proposed cost structure. With respect to the comment of the contracting officer to the cost team leader, accepting either party's version of the comment leads to the same conclusion: the Navy was having trouble understanding Rockwell's allocation of CDRL hours, and Rockwell ultimately failed to take adequate steps to rectify the situation.⁴

EVALUATION OF RISK

In addition to its challenge to the Navy's cost realism adjustments, Rockwell also complains that the Navy unreasonably concluded that the Rockwell proposal contained moderate

⁴While Rockwell's three-tiered approach to proposing CDRL hours seems reasonable from Rockwell's point of view, it is not only more difficult to review, but it also operates to preserve Navy financing of CDRL-type effort even in situations where the Navy might later decide not to procure CDRLs.

risk, while Chrysler's proposal contains low risk. According to Rockwell, the Navy erred in both assessments.

In considering protests against an agency's technical evaluation, we will examine the record to determine whether the agency's judgment was reasonable and consistent with stated evaluation criteria and applicable statutes and regulations. ESCO, Inc., 66 Comp. Gen. 404 (1987), 87-1 CPD ¶ 450. A protester's disagreement, without more, does not show that the agency's judgment was unreasonable. Id.

As explained above, the RFP expressly advised offerors that technical proposals would be reviewed for risk. According to the Navy, the insufficient engineering hours in Rockwell's proposal indicate that Rockwell lacks understanding of the technical requirements of the effort, and therefore suggests that there is moderate risk in Rockwell's proposed approach. Rockwell, on the other hand, argues that the Navy's assessment of risk based on insufficient MILSTAR hours is unreasonable because the cost realism review of the MILSTAR hours in the proposal was flawed.

Despite assertions by Rockwell's experts that it did understand the program, Rockwell has not shown that there was anything unreasonable about the Navy's assessment that the Rockwell proposal involved moderate risk. As stated in the above discussion of Rockwell's proposed MILSTAR engineering hours, we think that the Navy's upward adjustment in that category was reasonable. Since Rockwell's argument in this regard relies on a finding of error in the cost realism adjustment, this issue is largely resolved by our discussion above rejecting that claim. In addition, the Navy expressed concerns about Rockwell's reliance on drawings produced during a similar avionics block upgrade on the C-18 aircraft. As explained above, the Navy's technical experts expressly considered whether to rely on previous experience with the C-18--and after visiting both an Air Force and Navy facility to evaluate which previous experience was most applicable to the avionics block upgrade here--decided that the C-18 experience was not the best indicator of the design effort involved. Further, the Navy expressed concern about unaddressed issues, like the 6-foot difference in the placement of the radome on the fuselage. While Rockwell may disagree with these decisions, we will not overturn the Navy's conclusion without a showing that the evaluation was unreasonable.

Likewise, we see nothing unreasonable about the Navy's assessment that the Chrysler proposal presents low risk. According to Rockwell, the Navy conclusion is flawed because it does not accord greater risk to Chrysler's plan to procure a used full-scale 707 fuselage for fatigue testing, rather than the analysis and component testing approach


adopted by Rockwell. While Rockwell argues that Chrysler's approach is more likely to result in delays if problems arise with the fuselage, the Navy concluded that there was sufficient protection against any such problem in the Chrysler proposal.

In short, while Rockwell disagrees with the assessment regarding Chrysler's approach to fatigue testing, there is no basis for us to conclude that the Navy's finding was unreasonable. In our view, Rockwell's arguments do not outweigh the other benefits the Navy associated with Chrysler's approach--such as, for example, the Navy's view that full-scale fuselage testing would simplify the task of introducing the proper loads into the modified fuselage.

CONCLUSION

Our review of the cost realism adjustments to the Rockwell proposal, as well as the assessment of technical risk associated with each offeror's approach, reveals no area where Rockwell has shown that the Navy acted unreasonably or improperly in its evaluation. While the Navy's documentation of its evaluation decisions is sparse--in several instances, the greatest detail available is in the briefing slides provided to assist the SSO in decisionmaking--the record here provides sufficient justification for the agency's decision to select Chrysler for award.

The protest is denied.


for James F. Hinchman
General Counsel