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MAY 23 1974

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R The Honorable Charles H. Percy
United States Senate

Dear Senator Percy:

By letter of April 1, 1974, you requested us to determine whether the Coast Guard's planned sole-source procurement of a new line of aircraft was justifiable or whether it should solicit competitive bids. At an oral briefing in your office on May 15, 1974, we told your staff of the results of our work and the status of this planned procurement. 164

We explained that the Coast Guard was seeking a replacement for its medium-range surveillance-type aircraft which was considered to be obsolete and which was scheduled to be phased out by 1978. Because of additional development costs and time needed to develop an aircraft from specifications, the Coast Guard decided to procure an aircraft currently in production. After studying its requirements and the characteristics of available aircraft, the Coast Guard decided that the Rockwell International Sabre 75A, suitably modified, was the only available aircraft which would meet its requirements. Accordingly, the Coast Guard planned to purchase, on a sole-source basis, 41 Sabre 75A aircraft during fiscal years 1975 through 1978.

Although the Coast Guard's planned sole-source procurement ultimately may have been justifiable, the Coast Guard could not document its selection process. The files did not fully document the basis for the Coast Guard's sole-source-procurement decision because they did not show how the Coast Guard had established the requirements for all the aircraft characteristics it considered in evaluating the suitability of prospective aircraft nor did they show whether it had established all the requirements before it selected the Sabre 75A, whether it had considered all potential suppliers equally, and whether it had applied all major requirements equally to each aircraft it evaluated.

On May 10, 1974, the Coast Guard announced that it had reassessed its planned procurement of the Sabre 75A and that it would change to a competitive two-step formal advertising method to obtain a suitable aircraft from those currently in production. Under this procurement method, the Coast Guard plans to solicit technical proposals from aircraft manufacturers on the basis of operational and engineering requirements; evaluate the proposals as to acceptability; and solicit firm,

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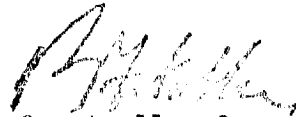
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fixed prices from those manufacturers whose technical proposals are considered acceptable. In view of this change in the Coast Guard's procurement plans, your office instructed us to terminate our review.

We do not plan to distribute this report further unless you agree or publicly announce its contents.

Sincerely yours,



Acting

Comptroller General
of the United States