

Proc II

DECISION



**THE COMPTROLLER GENERAL
OF THE UNITED STATES**
WASHINGTON, D.C. 20548

ALloy-DLG 01266 9529

FILE: B-192488

DATE: March 19, 1979

MATTER OF: Hasko-Air, Inc. DLG 01199

DIGEST: [REASONABLENESS of EVALUATION Criteria]

1. Agency may compare estimated operating costs over time-in-service of equipment offered by various manufacturers, so long as offerors are notified that such costs are among evaluation factors and estimate is reasonable.
2. Procuring agency is in best position to determine type of cleaning and inspection required for equipment manufactured under certificate permitting modification of aircraft engines; GAO will not substitute its judgment on this point, and requirements cannot be removed from certificate by means of bid protest.
3. Bid Protest Procedures are intended to provide due process to all interested parties, who are entitled to examine and comment on protest documents. Fact that agency released evaluation of protester's equipment to awardee, as part of report on protest, provides no reason for overturning award.

Hasko-Air, Inc. (Hasko) has protested that the Federal Aviation Administration (FAA) improperly evaluated its offer for kits modifying Boeing 727 aircraft engines. The agency added \$2,500, the estimated cost of cleaning, inspecting, and repairing Hasko's equipment over 4,000 hours-in-service, to the amount per kit quoted by Hasko, which otherwise would have been the lowest quoted.

Upon review, we find that the addition of the \$2,500 was both reasonable and in accord with the evaluation criteria listed in the solicitation, and that there is no legal basis for sustaining Hasko's protest on other grounds. The facts are as follows.

~~504179~~

The FAA Aeronautical Center, Oklahoma City, Oklahoma, sought thrust reverser cascade kits for the 727 under request for proposals (RFP) AC3B-8-0063. Offerors were asked for unit and extended prices for one of three alternative configurations: that of the original manufacturer, The Boeing Company (Boeing), or those of Alloy Spot Welding Company (Alloy) or Hasko. Alloy and Hasko hold Supplemental Type Certificates (STCs) issued by the Chief of the Aircraft Engineering Division, FAA Western Region, authorizing modification of the 727. In the solicitation, the Boeing kit was identified by the manufacturer's service bulletin number, the others by STC and part number.

The contracting officer, in the determination and findings for negotiated procurement, stated that although any of the three kits could be used, in the best judgment of FAA engineers, the different designs would cause different degrees of serviceability, as well as special inspection and repair costs. The RFP therefore specified that a comparative cost analysis would be made, considering (a) offered price; (b) time-in-service--4,000 hours for evaluation purposes; (c) prompt payment discounts; and (d) operating costs, defined as:

"Estimated costs * * * based on flight performance records, STC requirements, and service bulletin requirements [including] (1) Special inspection costs
(2) Repair costs."

Award was to be made to the offeror whose product was technically acceptable and would result in the least expenditure of funds over the expected useful life of the equipment, price and other factors considered.

The FAA states that Hasko's operating costs were estimated solely on the basis of its STC; no flight performance records were available. The STC required Hasko's thrust reverser cascades to be inspected and repaired in accord with a specific Hasko drawing, which in turn required the cascade castings to be cleaned and inspected for damage every 500 hours-in-service.

The FAA considered steam cleaning the only feasible way to meet this requirement and estimated that it would take four employee-hours at a cost of \$70.24; inspection would require an additional eight employee-hours and cost \$136.80, while repairs, which the FAA believed were indicated following every inspection, were estimated at \$42.98. Since the FAA performs regular maintenance and inspection every 400 hours, the agency found that it would be less expensive to do the STC-required procedures at these intervals than to ground planes for special inspections at 500 hours. Thus, the FAA estimated, Hasko's equipment would require 10 inspections during 4,000 hours-in-service for a total operating cost of \$2,500.20 an engine.

Five kits were being procured. The FAA's comparative cost analysis was as follows:

<u>Offeror</u>	<u>Proposal Price</u>	<u>Evaluated Inspection/Repair Costs</u>	<u>Gross Price</u>	<u>Payment Discount</u>	<u>Net Price</u>
The Boeing Co.	\$ 325,760	\$ 5,713*	\$ 331,473	--	\$ 331,473.00
Hasko	52,500	12,501**	65,001	\$134.38	64,866.62
Alloy	62,930	-0-	62,930	314.65	62,615.35

* \$1,142.65 total costs X 5 engines = \$ 5,713 for Boeing

** \$2,500.20 total costs X 5 engines = \$12,501 for Hasko

On the basis of this evaluation, award has been made to Alloy.

The first issue here involves the FAA's method of evaluation--whether it was reasonable for the FAA to compare operating costs over a specific number of hours in evaluating the equipment offered by various manufacturers. Procuring activities have broad latitude in determining methods of evaluation, so long as these methods provide a rational basis for source selection. In addition, the evaluation must be conducted in good

faith and in accord with announced criteria. Francis and Jackson, Associates, 57 Comp. Gen. 244 (1978), 78-1 CPD 79. We have consistently upheld life cycle costing, stating that it is logical to consider total anticipated costs, rather than merely purchase price. 53 Comp. Gen. 653, 657 (1973) and cases cited therein; see also B-168599, February 12, 1970.

In this case, although the kits being procured have a life expectancy of 10,000 to 12,000 hours, the FAA states that it had verified experience for Boeing and Alloy to the 4,000-hour point. Since the RFP clearly notified offerors that operating costs for this time-in-service would be an evaluation factor (Hasko's protest that this is too short a time is untimely), and the figures used in estimating these costs appear reasonable (Hasko has not challenged them), we find the FAA's method of evaluation an appropriate one for determining the lowest overall cost to the Government.

The second issue involves the FAA's application of this method of evaluation. We believe the record sustains the FAA's decision to add special cleaning, inspection, and repair costs to the price offered by Hasko, but not to add these costs to the price offered by Alloy. Hasko argues that a 727 will not discriminate by applying more smoke to Hasko's equipment than to that of other manufacturers; that any cracks in its castings of 1/4 inch or more, which must be repaired, will be visible without special cleaning; and that repairs will be made only when needed, not every 400 hours. Hasko is essentially arguing that any damage to its castings will be discovered during the FAA's routine maintenance and inspection, so that special cleaning and inspection costs should not have been added to its offered price.

The FAA, on the other hand, reads Hasko's STC as requiring a special inspection, preceded by steam cleaning. The agency points out that it must comply with all provisions of an STC, in the same manner as a commercial airline, and that these provisions cannot be changed without approval of the issuing office. No operating costs were added to the price offered by Alloy,

the FAA states, because that firm's STC did not require any special inspection, and airline experience indicated that no repairs would be required during the first 4,000 hours-in-service.

Evaluation of Boeing's operating costs is not at issue here, since that firm was out of the competitive range. The record indicates, however, that the FAA added the same hourly costs for cleaning, inspection, and repair to the amount quoted by Boeing as it did to the amount quoted by Hasko, although, on the basis of airline experience, it determined that these costs would be incurred only every-other inspection or every 800 hours.

We believe the FAA is in the best position to interpret Hasko's STC and to determine the type of cleaning and inspection required for equipment manufactured under it; we will not substitute our judgment on this point. If Hasko believes the cleaning and inspection requirement should be removed from its STC, it must seek this relief from the FAA under the regulations for certification of aircraft parts and products, 14 C.F.R. § 21.111 - 21.119 (1978), rather than through a bid protest.

Hasko has protested on several grounds in addition to those involving the application of operating costs to its offered price. The firm alleges that the FAA failed to add the cost of shrouds (required for installation of its cascade kits) to the price quoted by Alloy. The FAA responds that none of the kits, solicited as item 1, contained shrouds; these were solicited as items 2 - 5 and their cost included in the evaluation of all offers.

Hasko also alleges that the FAA did not consider experience with Boeing 707 and 720 aircraft engines. The FAA responds that this experience was not germane, since the cascade kit for the 727 has been redesigned and will operate under completely different conditions than those on the 707 and 720.

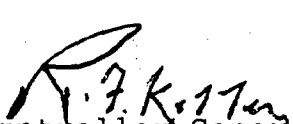
Hasko implies that the FAA was improperly influenced by a letter distributed by Alloy which contained allegedly

false statements. The FAA responds that it had no knowledge of this memo at the time of the evaluation. Hasko also questions the fact that its evaluation was sent to its competitors. The FAA indicates that it sent the evaluation to Hasko because the firm had protested to the agency regarding it. After Hasko protested to our Office, the FAA provided copies to Alloy as part of a report required by the Federal Procurement Regulations (FPR) and our Bid Protest Procedures. See FPR § 1-2.407-8 (1964 ed. amend. 139); 4 C.F.R. § 20.3(c) (1978).

We note that in its protest to our Office, Hasko requested that all information submitted "be privileged under the Privacy Act to safeguard our data." Our Procedures are intended to provide due process to all interested parties, who are entitled to examine and comment on protest documents, including agency reports. While we will withhold material which has been specifically identified and alleged to be proprietary, we will do so only to the extent this is permitted or required by law or regulation. 4 C.F.R. § 20.3(b) and (d), supra; Systems Research Laboratories, Inc.--Reconsideration, B-186842, May 5, 1978, 78-1 CPD 341.

In this case, we do not believe the fact that the FAA released an evaluation of Hasko's equipment to Alloy, after award, provides any basis for overturning the award. We also find that the FAA had a rational basis for each of the other actions protested by Hasko.

The protest is denied.


Deputy Comptroller General
of the United States