

Office of
General CounselIn Reply
Refer to: B-198004Champion Instrument Laboratory, Inc.
P.O. Box 3381
3630 Spencer Highway
Pasadena, Texas 77502

MAR 12 1980

Attention: [REDACTED], Jr.
President

Gentlemen:

We acknowledge your letter of February 29, 1980, expressing concern over the Federal Aviation Administration's (FAA) development of an in-house capability for instrument and equipment calibration. We are not familiar with this particular program but offer the following general information regarding such efforts.

It is the policy of the Federal Government to rely on private enterprise for its needs unless the national interest requires otherwise. Against this policy, however, must be balanced the various public interests in efficient Government, support of the small business sector, etc. Under the provisions of Office of Management and Budget Circular No. A-76, the decision whether to contract with the private sector for services or products in lieu of in-house performance depends largely on a comparison of the costs of these two options. The cost of contracting out is determined by the responses of potential contractors to a solicitation for the services in question; the cost of Government performance is estimated based on criteria set by the department concerned. Essentially, if the evaluation shows the cost of contractor performance to be lower than the cost of in-house performance, then a contract may be awarded to lowest-cost offeror; conversely, if the evaluation shows the cost of contractor performance to be higher, then no contract is awarded and the in-house capability to perform is either developed or continued, as the situation requires. The quality of the services obtained is, of course, also a consideration.

We recognize that these programs have not been without problems. See, e.g., Development of a National Make-or-Buy Strategy--Progress and Problems, Report to the Congress by the Comptroller General, PSAD 78-118, September 25, 1978, a copy of which we have enclosed for



your information. As this report indicates, however, changes in Circular A-76 are being implemented which should result in some improvement in the Government's approach to make-or-buy decisions. See especially Chapter 8 and Appendix IX of the enclosed report.

We regret that we are unable to reply substantively to the specific questions you raise regarding the FAA's approach to developing an in-house calibration capability. We have, however, advised our audit staff of these matters for their consideration.

We trust that this information satisfies at least some of your concerns.

Sincerely yours,

ROBERT M. STRONG

Robert M. Strong
Assistant General Counsel

Enclosure