



**The Comptroller General
of the United States**

Washington, D.C. 20548

Decision

Matter of: LaBarge Products, Inc.

File: B-232201

Date: November 23, 1988

DIGEST

Agency determination to procure pipeline system on package basis rather than break out components for separate competitive procurement is not subject to objection where the decision was based on a reasonable need to minimize the cost and technical risks of ensuring compatibility among the component parts.

DECISION

LaBarge Products, Inc., protests the terms of request for technical proposals (RFTP) No. DAAK01-88-B-0156, issued by the Department of the Army, for petroleum pipeline and coupling sets. The protester alleges that the RFTP unduly restricts competition by limiting the procurement to proposals for the total package and not providing for consideration of offers to supply the separate components.

We deny the protest.

The RFP was issued as the first step in a two-step sealed bid acquisition, on a total package basis, of lightweight petroleum pipeline sets, consisting of four interrelated components: 19-foot aluminum pipe sections, 9.5 foot pipeline sections (pipe nipples), snap-joint coupling clamps, and over-coupling clamps for preventing leaks. An above-ground fuel distribution system can be quickly installed by clamping the ends of the pipe together with snap-joint couplings. At issue here is the procurement of the pipe and the couplings.

In a prior procurement of the pipeline begun in 1984, the four component parts were separately procured; a contract for the pipe was awarded to Reynolds Metal Company and a contract for the coupling clamps was awarded to LaBarge. Subsequently, however, difficulties were encountered,

043986/137407

initially in arranging first article tests (FATs) due to disagreement over disclosing the precise dimensions of LaBarge's couplings. Further, after the FATs were successfully performed by each contractor, the (double-groove) jointing system being tested failed during system integration testing in the field and the agency issued stop work orders to both contractors. Subsequently a pipeline and coupling system with a different jointing approach--a single-groove system--was developed and the component parts were found to be compatible.

The agency reports that it incurred significant program delays and additional costs--approximately \$1,750,000--in coordinating the development of compatible components among multiple contractors. According to the agency, if award had been made to a single contractor these additional costs and delays could have been avoided. Based on this unsuccessful past experience in separately procuring pipeline components, the Army determined that procurement on a total package basis, that is, acquiring a total pipeline system from a single prime contractor, is essential in order to minimize the costs and technical risk involved in ensuring component compatibility and integration of the entire system.

The protester contends that the Army lacks a reasonable basis for restricting competition and instead should break out the components for procurement under separate contracts as was done in the original procurement so that LaBarge can offer on the coupling part of the requirement. LaBarge first disputes the agency's contention that the award of separate component contracts in the past caused increased costs and program delays; according to the protester, any increased costs or delays were in fact due to defective specifications that were insufficiently precise to ensure compatibility of the components, and that allowed the unsuccessful original double-groove jointing design. Further, the protester argues that there no longer can be any legitimate concerns regarding the compatibility of parts because the subsequently developed single-groove pipe and coupling system are proven items. Since the solicitation provides precise specifications with fixed dimensions for manufacture of the pipe, the protester contends that any failure of the joint will always lie with the coupling manufacturer for improperly manufacturing the coupling. Accordingly, the protester maintains that there are no significant risks beyond those present in any contractual setting and that the risks that do exist do not provide a reasonable basis for restricting competition. In this regard, LaBarge alleges that Reynolds is the only source for the pipe; since that firm has chosen to team with a coupling

manufacturer other than LaBarge, the protester views the procurement as a de facto sole-source procurement.

We recognize that procurements on a total package or consolidated basis can restrict competition. See The Caption Center, B-220659, Feb. 19, 1986, 86-1 CPD ¶ 174. However, we have upheld use of a total package approach where the agency has reasonably concluded that such an approach was necessary to meet the agency's minimum needs. See MASSTOR Systems Corp., B-211240, Dec. 27, 1984, 84-1 CPD ¶ 23. For instance, we have rejected challenges to a total package approach where a single contractor was required to ensure the effective coordination and integration of interrelated tasks, or where procurement by means of separate acquisitions involved undue technical risk or would defeat a requirement for interchangeability and compatibility. Id.; Batch-Air, Inc., B-204574, Dec. 29, 1981, 81-2 CPD ¶ 509. Additionally, recognizing that an agency's minimum needs include the need to procure services and supplies on the most cost-effective basis, we have found that the possibility of obtaining economies of scale or avoiding the unnecessary duplication of costs may also justify a total package approach. See Eastman Kodak Co., B-231952 et al., Nov. 8, 1988, 88-2 CPD ¶ ____; The Caption Center, B-220659, supra. Ultimately, the decision whether to procure by means of a total package approach or to break out divisible portions of the total requirement for separate procurement is a matter generally within the discretion of the contracting agency, which we will not disturb absent a clear showing that the agency's determination lacks a reasonable basis. IVAC Corp., B-231174, July 20, 1988, 67 Comp. Gen. ____, 88-2 CPD ¶ 75; Ampex Corp., B-191132, June 16, 1978, 78-1 CPD ¶ 439 (total package approach justified for procurement of a complex computer system where agency required compatibility among the components).

Although the specification for pipe in the current solicitation may be reasonably precise, the Army reports that it was unable to provide equally detailed specifications for the couplings because it is requesting offerors to make significant improvements and modifications to the previously developed snap-joined coupling so as to reduce the time required for installation. We consider this request for a change in the coupling, and the consequent possibility of incompatibility between the redesigned coupling and the other components, to be especially significant in view of the existing demands placed upon the coupling system and the demonstrated potential for any incompatibility to cause significant delays and additional costs to the government. The Army indicates that, unlike commercial pipelines constructed of heavy welded steel pipe buried underground,

the petroleum pipeline set being procured here consists of lightweight aluminum pipe that is connected only by a mechanical snap-joint coupling and that must be quickly installed above-ground where it would be more exposed to extreme stress caused by thermal expansion and contraction than underground pipe.

The difficulty of ensuring compatibility and avoiding impairment of performance under these conditions was demonstrated in the original procurement. While the precise extent of its contribution may be uncertain, we find no basis to question the agency conclusion that the difficulty in coordinating the activities of multiple contractors working on one interrelated system caused at least a significant share of the delays and additional cost encountered first in testing the original double-groove coupling system and then in developing the single-groove system. See Ampex Corp., B-191132, supra.

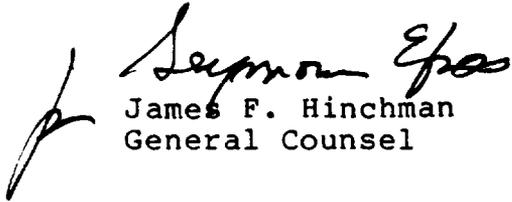
In addition, the record shows a need to avoid additional delays in procuring the pipeline systems here. The Army has determined that, as a result of the difficulties encountered in the original procurement, the agency now has an unmet, urgent requirement for more than 1,000 miles of pipeline. Although the agency has indicated a willingness to consider revisions to the tentative delivery schedule set forth in the step-one solicitation so as to encourage maximum competition, the agency maintains that it must reduce the risk of the substantial proposal delays previously encountered. According to the agency, the pipeline shortfall places in jeopardy its ability to support forces that might be deployed to Southwest Asia in support of national objectives.

LaBarge has not demonstrated that the Army acted unreasonably in choosing to procure on a total package basis in order to assure compatibility within an integrated system and thereby avoid undue technical, schedule, and cost risk.^{1/} Consequently, we will not question the agency's

^{1/}Although the protester alleges that no pipe manufacturer other than Reynolds is willing and able to supply all of the aluminum pipe required here, the fact that the specifications in effect limit possible sources to one firm does not render the specifications unduly restrictive of competition where, as here, the agency has established that the separate procurement approach would not meet their needs. See Reach-All, Inc.--Request for Reconsideration, B-229772.2, Apr. 13, 1988, 88-1 CPD ¶ 362.

total package approach notwithstanding the fact that it may preclude LaBarge's participation in the procurement.

The protest is denied.


James F. Hinchman
General Counsel