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WASHINGTON, D.C. 20548

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NATIONAL SECURITY AND
INTERNATIONAL AFFAIRS DIVISION

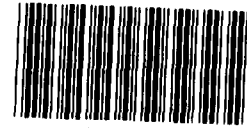
B-206430

NOVEMBER 8, 1983

The Honorable Nancy Kassebaum
United States Senate

The Honorable Robert Dole
United States Senate

The Honorable Dan Glickman
House of Representatives



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Subject: Evaluation of Contract Award for the Air Force's
Next Generation Trainer Aircraft (GAO/NSIAD-84-16)

In response to your July 1982 requests and subsequent discussions with your staffs, we evaluated the Air Force's award of the Next Generation Trainer (NGT) Aircraft to the Fairchild Republic Company. Specifically, we considered whether the Air Force had followed established Department of Defense (DOD) and Air Force instructions in evaluating the proposals for full-scale development of the NGT and whether existing procedures precluded the Air Force from considering potential alternative NGT systems during the source selection process. We have already discussed our findings and conclusions with your offices. In summary, we found:

--NGT source evaluation and selection was done according to DOD and Air Force instructions and the evaluation criteria in the request for proposals (RFP).

--Consideration of alternative NGT systems during the source selection process was not precluded.

BACKGROUND

In July 1982 the Fairchild Republic Company was chosen to develop the NGT after the Air Force completed an evaluation of competitive proposals received from the Cessna Aircraft Company, Fairchild Republic Company, and Rockwell International Corporation. Two other companies--Ensign and Gulfstream--had been eliminated earlier from this phase of the competition.

Fairchild was awarded a contract for \$104 million for the design, development, testing, and delivery of two NGT aircraft with data and support equipment for full-scale development. The award included options for up to 65 more NGT aircraft. The Air Force

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could order as many as 650 NGTs over the next several years, and total acquisition cost could run as high as \$3 billion over the life of the program. The new trainer will replace the Cessna-produced T-37 jet aircraft which the Air Force is using as its primary flight trainer.

The Air Force used conventional source evaluation and selection procedures in awarding the NGT contract. It developed a source selection plan approved by the Secretary of the Air Force, the source selection authority for this program, and issued an RFP which requested technical and cost proposals. Both the source selection plan and RFP indicated that the following factors would be evaluated in descending order of importance: (1) operational utility, (2) readiness and support, (3) life-cycle cost, (4) design approach, and (5) manufacturing/program management.

An NGT Source Selection Evaluation Board (henceforth referred to as the "Evaluation Board") evaluated the proposals received against criteria, standards, and guidance in the source selection plan and RFP. Deficiencies in the proposals were identified and the offerors were permitted to submit revised proposals which were again evaluated by the Evaluation Board.

Definitive contracts were then negotiated with all offerors within the competitive range¹ before contractor selection. A Source Selection Advisory Council (henceforth referred to as the "Advisory Council") monitored the overall evaluation and selection process and reported to the Secretary of the Air Force.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our objective was to determine whether the Air Force evaluated the proposals properly and considered alternative NGT systems.

We reviewed DOD and Air Force regulations on the source evaluation and selection process and procedures used in the NGT source evaluation and selection process. In particular, we reviewed 8 item evaluation reports randomly selected from the 36 NGT item evaluation reports prepared by the Evaluation Board.

The item evaluation reports contained a narrative assessment of the offerors' compliance with the RFP. They described the Evaluation Board's assessment of the proposals against important operational, logistical, cost, technical, and manufacturing/management criteria established before the proposals were received.

¹Proposals were considered within the competitive range if they at least addressed the RFP's minimum requirements, did not have major deficiencies, and had a reasonable chance of being chosen for award.

Strengths, weaknesses, and risks of each item were identified and a color coding system was used to indicate overall acceptability. Relevant information in these reports was incorporated into summary documents cited in the source selection decision paper which announced the NGT contractor selection.

We reviewed the selected item evaluation reports to determine whether item strengths, weaknesses, risks, and their overall acceptability were assessed in terms of the evaluation criteria, standards, and guidance in the source selection plan approved for the NGT program. We did not evaluate the appropriateness of the items the Air Force deemed important for the evaluation.

In addition to the item evaluation reports, we examined other source selection records such as the source selection evaluation plan, factor evaluation write-ups, and various briefing documents. We interviewed officials of the NGT program office concerning general information about the program and the source selection process. We also interviewed members of the Evaluation Board who had evaluated contractor proposals. In interviews with the evaluators, we discussed their credentials, qualifications, and the adequacy of NGT proposal evaluation procedures for ensuring impartial evaluations.

We did our review at the Aeronautical Systems Division, Air Force Systems Command, Wright-Patterson Air Force Base, from November 9, 1982, through February 25, 1983. Our review was performed in accordance with generally accepted government auditing standards.

SOURCE SELECTION PROCEDURES
WERE FOLLOWED

On the basis of information we compiled, we believe that NGT source evaluation and selection were done in accordance with DOD and Air Force instructions and RFP evaluation criteria.

In July 1982, the Secretary of the Air Force chose Fairchild to develop the NGT, stating that the selection was based on

- evaluation criteria established in the RFP,
- the Secretary's integrated assessment of the Fairchild proposal,
- the terms and conditions agreed on in negotiations,
- the Evaluation Board's "Summary Evaluation Report,"
- the Advisory Council's "Proposal Analysis Report," and
- the capability of Fairchild to fulfill requirements.

In the decision paper the Secretary also said that the five evaluation criteria against which the potential sources were measured, in order of importance, were (1) operational utility, (2) readiness and support, (3) life-cycle cost, (4) design approach, and (5) manufacturing/program management. The Secretary further stated that although the most probable total life-cycle cost of the Fairchild NGT was not the lowest, it was only 1.5 percent higher than the lowest and the difference was more than offset by the superior characteristics of the Fairchild NGT.

The Advisory Council reported to the Secretary that the three competitive contractors

- satisfied the NGT RFP requirements,
- had comparable 20 year life-cycle costs,
- had negotiated acceptable full-scale development contracts, and
- had the resources necessary to conduct and complete the NGT program.

Cessna, Fairchild, and Rockwell had acceptable proposals, but those of Ensign and Gulfstream were found to be beyond the competitive range and therefore unacceptable.

All five contractor proposals were evaluated by the Evaluation Board. The three within the competitive range received an Evaluation Board evaluation of cost and of all 36 operational, logistical, technical, and manufacturing/management items that were established for evaluation before proposals were received. An overall acceptability rating was given to each of the 36 items for each proposal. The Fairchild proposal received more exceptional ratings than those of Cessna or Rockwell.

The government prepared an estimate of the most probable total life-cycle cost of the program as proposed by each of the three contractors. The Fairchild proposal had the second lowest most probable life-cycle cost and was within 1.5 percent of the lowest. The Evaluation Board presented its evaluations of original and revised proposals to the Advisory Council in a briefing format.

Procedures used by the Evaluation Board to evaluate the proposals

Special evaluation criteria were established for each of the major evaluation areas. Life-cycle costs were evaluated for reasonableness, realism, and completeness. The remaining 4 areas were subdivided into 36 items which were then subdivided into 156 factors for evaluation.

Factor evaluators, item captains, and area chiefs were designated as members of the Evaluation Board. Factor evaluators prepared narrative factor evaluations for each proposal within the competitive range. Item captains summarized the factor evaluations and prepared item evaluation reports presented to the Advisory Council and incorporated into summary documents prepared for the source selection authority. Area chiefs supervised the item captains to ensure timely and complete evaluation of their respective items. An item evaluation report was prepared for each of the 36 items for each proposal to assess strengths, weaknesses, and risks. Each item was assigned a color coded overall acceptability indicator. Our review of 8 item evaluation reports, selected at random from the 36 item evaluation reports prepared by the Evaluation Board, showed that item strengths, weaknesses, risks, and overall acceptability were evaluated in terms of the criteria, standards, and guidance included in the NGT source selection plan.

ALTERNATIVE SYSTEMS WERE NOT EXCLUDED

Alternative NGT systems were considered during NGT proposal solicitation and evaluation.

Initially, the Air Force intended that only those contractors who successfully completed the NGT concept exploration phase would be solicited during the full-scale development phase. Five contractors, Cessna, Fairchild, General Dynamics, Rockwell, and Vought, successfully performed concept exploration. The Air Force later decided that the NGT RFP would be sent to any offeror who requested a copy in writing. Fourteen NGT full-scale development initial production RFPs were issued. Cessna, Ensign, Fairchild, Gulfstream, and Rockwell responded. The plan stipulated that all five proposals would be evaluated by the Evaluation Board and all were evaluated.

CONCLUSIONS AND AGENCY COMMENTS

NGT source evaluation and selection were done according to DOD and Air Force instructions and the evaluation criteria in the RFP.

During NGT proposal solicitation and evaluation, consideration of alternative NGT systems was not precluded. The Air Force initially intended to limit participants in the NGT full-scale development competition, but plans were later changed. Competition was expanded by allowing requesting contractors to submit proposals. Five contractors submitted proposals, all of which were evaluated by the Evaluation Board.

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The Office of the Secretary of Defense and the Air Force officials who reviewed the report agreed with our findings and conclusions and had no additional comments.

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We are sending a copy of this report to the Secretary of the Air Force and to other interested parties.



Frank C. Conahan
Director