



**DEPARTMENT OF THE NAVY
NAVAL INVENTORY CONTROL POINT**

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IN REPLY REFER TO:

CIWS RAYTHEON
MAY 2010/DJS

**JUSTIFICATION AND APPROVAL
TO PROCURE USING OTHER THAN FULL AND OPEN COMPETITION**

1. Contracting Activity:

Naval Inventory Control Point (NAVICP), Mechanicsburg, PA.

2. Description of Action Being Approved:

The use of other than full and open competition to award a five-year Performance Based Logistics (PBL) contract to Raytheon Missile Systems Company (RMSC), Tucson, AZ. RMSC will provide system specific, piece part support for the PHALANX Close-in Weapon System (CIWS), and will cover repairs and spares for approximately 1,039 NSNs.

3. Description of Supplies and Services:

RMSC will perform a broad range of PBL functions to maintain requisition support of the PHALANX CIWS in accordance with stringent availability and delivery metrics, through such effort as inventory management, configuration management, obsolescence management, inventory warehousing, transportation and tracking.

The PHALANX CIWS system is a self-contained and versatile defensive weapon system

It is an autonomous, automatic terminal defense weapon system designed to detect, track, engage, and destroy anti-ship missiles, as well as other air and surface targets penetrating ship and shore defensive envelopes. PHALANX CIWS hosts a M61A1 Vulcan (Gatling-type) gun; a 20mm projectile with high density penetrating projectile with a 4500 rounds per minute rate of fire. PHALANX CIWS has recently been configured with the added shipboard agility to train onto and neutralize close proximity waterborne threats.

The proposed contract is a follow-on to NAVICP-Mechanicsburg (NAVICP-M) current CIWS contract N00104-06-D-L007, awarded on 1 July 2006 and expiring on 31 March 2011. As provided for in the provisions of contract N00104-06-D-L007, NAVICP-M will contract with Raytheon for PBL support. Raytheon will function as the Inter-service, Integrated Material Support Provider and Configuration Manager from the Louisville, KY facility. Raytheon will be responsible for fleet requisition support to the U.S. Navy, U.S. Coast Guard, U.S. Army, and Foreign Military Sales (FMS) customers with and without

Cooperative Logistics Supply Support Agreements (CLSSA). Non-CLSSA requisitions will be processed via fixed priced orders under a separate CLIN on the proposed contract when demands develop. Pricing will be negotiated on a fixed priced basis for all Navy, Coast Guard, Army and CLSSA items.

Based on historical analysis of CIWS piece parts usage and projected demands, the current estimated total dollar value of this acquisition for a projected five year system support strategy is \$245 million. The contract will be funded with Navy Working Capital Funds (NWCF) (or FMS case funds where appropriate). NWCF appropriation, subhead and cost code is 97X4930.NC1A.

| | YR 1 | YR 2 | YR 3 | YR 4 | YR 5 | Total |
|------|------|------|------|------|------|--------|
| NWCF | | | | | | \$245M |

4. Statutory Authority Permitting Other than Full and Open Competition:

This J&A is based upon the authority of 10 U.S.C. 2304(c)(1), *i.e.*, the supplies or services required by the agency are available from only one responsible source and no other supplies or services will satisfy agency requirements.

5. Rationale Justifying Use of Cited Statutory Authority:

RMSC, Tucson, AZ is the only source capable of providing continued PHALANX CIWS PBL support, because RMSC is the developer and sole producer of PHALANX CIWS and is the only source having access to the complete weapon system data, information and test equipment to support this system. It is also the only firm that has the prerequisite expertise necessary to successfully integrate and test, if necessary, the items within this highly complicated equipment. NAVSEA has cognizance over purchasing this technical data, and has determined that it is cost-prohibitive to purchase the PHALANX CIWS data.

RMSC is the original equipment manufacturer (OEM), design agent, new system manufacturer, repair parts manager, system overhaul provider, and current NAVICP PBL contractor for the CIWS. As such, RMSC is the only source having the combination of design, manufacturing, configuration management, systems integration, repair and repair history knowledge and experience (plus access to complete technical weapon system information and test equipment) to perform the range of responsibilities required under this Statement of Work (SOW).

The Government needs CIWS weapons support now to support our warfighters.

The time required to develop and qualify another source for production, overhaul, and repair would not meet Navy, Army, Coast Guard and FMS critical requirements. NAVICP could not provide this SOW to any other supplier in a competition and expect such supplier to meet the SOW's performance-based requirements unless such supplier had in-depth and broad knowledge and experience comparable to RMSC's. To bring another supplier to the level of knowledge and experience required to meet the performance-based requirements would require a substantial duplication of cost to the Government and result in years of unacceptable delays in fulfilling these critical requirements. Further, RMSC performs CIWS Class A overhauls at the production facility in Louisville, KY (formerly the U.S. Government's Ordnance Station Louisville) resulting in significant cost savings for the U.S. Government because a second facility is not needed. A production Class A overhaul award to another contractor would require the construction of a new facility to manufacture or overhaul CIWS, as the only current facility with these capabilities is leased to Raytheon. New facility construction costs, in conjunction with qualification costs, are unlikely to be recovered throughout the procurement cycle of the CIWS Phalanx Systems. Additionally, the time required to establish new production/overhaul/depot facilities would not meet USN, Army, USCG and FMS fielding requirements. The Government estimates, based on the most recent dual-sourcing efforts, that it would take approximately three (3) years and cost at least \$50 million dollars to develop an additional qualified source. Moreover, the substantial duplication of costs identified above could not be expected to be recovered through competition.

6. Description of Efforts Made to Solicit Offers from as Many Offerors as Practicable:

The requirement was synopsised in FedBizOps on 3 May 2010. No responses have been received other than RMSC. No additional market research was conducted because it is not practicable, for the reasons discussed in paragraph 5 above, for any company other than RMSC to provide the required supplies and services.

7. Determination of Fair and Reasonable Cost:

The NAVICP Contracting Officer will use price analysis and cost analysis to determine the final price fair and reasonable. They will have assistance from the Defense Contract Audit Agency (DCAA) and the Defense Contract Management Agency (DCMA) and will analyze, evaluate and negotiate based upon detailed cost or pricing data which will be certified by Raytheon at the conclusion of negotiations.

8. Actions to Remove Barriers to Future Competition:

NAVICP has performed a Market Survey of the original NSNs on contract, N00104-06-D-L007, and has removed approximately 11% of the items that were considered to be fully competitive to sources other than RMSC. These fully competitive items represent 13% of the value of the previous contract and will now be available for full and open competition. Further, for the reasons set forth in Paragraph 5, NAVICP has no plans at this time to compete future contracts for the types of supplies/services covered by this document. NAVSEA has cognizance over purchasing the PHALANX CIWS technical data, and has determined that it is cost-prohibitive to purchase the data. If another potential source emerges, NAVICP will assess whether competition for future requirements is feasible.

TECHNICAL/REQUIREMENTS CERTIFICATION

I certify that the facts and representations under my cognizance which are included in this Justification and its supporting acquisition planning documents, except as noted herein are complete and accurate to the best of my knowledge and belief.

Technical Cognizance:

| | | | |
|-----------|----------------|-----------|-----------|
| _____ | _____ | _____ | 24 May 10 |
| Signature | Name (Printed) | Phone No. | Date |

Requirements Cognizance:

| | | | |
|-----------|----------------|-----------|-----------|
| _____ | _____ | _____ | 25 MAY 10 |
| Signature | Name (Printed) | Phone No. | Date |

COMPETITION ADVOCATE REVIEW AND CONCURRENCE

| | | | |
|-----------|----------------|-----------|-------|
| _____ | _____ | _____ | _____ |
| Signature | Name (Printed) | Phone No. | Date |

LEGAL SUFFICIENCY REVIEW

I have determined this Justification is legally sufficient.

| | | | |
|-----------|----------------|-----------|-------|
| _____ | _____ | _____ | _____ |
| Signature | Name (Printed) | Phone No. | Date |

CONTRACTING OFFICER CERTIFICATION

I certify that this Justification is accurate and complete to the best of my knowledge and belief.

| | | | |
|-----------|----------------|-----------|-------|
| _____ | _____ | _____ | _____ |
| Signature | Name (Printed) | Phone No. | Date |

SENIOR PROCUREMENT EXECUTIVE OF THE NAVY APPROVAL

Upon the basis of the above justification, I hereby approve, as Senior Procurement Executive of the Navy, the solicitation of the proposed procurement (s) described herein using other than full and open competition, pursuant to the authority of 10 U.S. C. 2304 (c) (1).

| | |
|-----------|-------|
| _____ | _____ |
| Signature | Date |

TECHNICAL/REQUIREMENTS CERTIFICATION

I certify that the facts and representations under my cognizance which are included in this Justification and its supporting acquisition planning documents, except as noted herein are complete and accurate to the best of my knowledge and belief.

Technical Cognizance:

Signature Name (Printed) Phone No. Date 24 May 10

Requirements Cognizance:

Signature Name (Printed) Phone No. Date 25 MAY 10

COMPETITION ADVOCATE REVIEW AND CONCURRENCE

Signature Name (Printed) Phone No. Date 5/28/10

LEGAL SUFFICIENCY REVIEW

I have determined this Justification is legally sufficient.

Signature Name (Printed) Phone No. Date 6/3/10

CONTRACTING OFFICER CERTIFICATION

I certify that this Justification is accurate and complete to the best of my knowledge and belief.

Signature Name (Printed) Phone No. Date 6-4-10

SENIOR PROCUREMENT EXECUTIVE OF THE NAVY APPROVAL

Upon the basis of the above justification, I hereby approve, as Senior Procurement Executive of the Navy, the solicitation of the proposed procurement (s) described herein using other than full and open competition, pursuant to the authority of 10 U.S. C. 2304 (c) (1).

Signature Date