

9/11/14

2014-553-NC020 - Test Program
For Certain Commercial
Items (w/14)
LAW

DEPARTMENT OF VETERANS AFFAIRS

**Justification for Other than Full and Open Competition
Under
Simplified Acquisition Procedures (SAP)
Test Program for Certain Commercial Items
For Restricting Competition under FAR 13.501(a) "Sole Source Acquisitions"**

1. Contracting Activity:

Responsible Contracting Office:
Department of Veterans Affairs
Network Contracting Office 20
960 Broadway Ave, Ste. 460
Boise, ID 83706

On behalf of:
Department of Veterans Affairs
Boise VA Medical Center
500 W Fort St.
Boise, ID 83702

2. Nature of the Action Being Processed:

This procurement is for an individual firm-fixed price purchase order for commercial items in accordance with FAR 13.5 Test Program for Certain Commercial Items and specifically FAR 13.501 Special Documentation Requirements, where acquisitions conducted under Simplified Acquisition Procedures are exempt from the requirements of FAR Part 6, but still require a justification using the format of FAR 6.303-2.

3. Description of Supplies or Services Required to Meet the Agency's Needs:

This procurement under PR # 531-14-4-033-0143 is for the purchase of ophthalmic eyeglass lens surfacing and manufacturing equipment for the VISN 20 Optical Fabrication Lab at the Boise VA Medical Center. The estimated value of this equipment is approximately \$1,811,630.56.

The content of this request consists of three primary components, and associated support equipment:

1. The Alloy Replacement Technology (ART) blocker is a fully automated alloy free blocking system for ART-block pieces with integrated imaging, lens front curve measuring, and adhesive dispensing station that replaces alloy based blocking systems. This system uses a plastic block and UV cured adhesive to block the lens blank for processing. The lens is evenly backed by the support block and adhesive that cures in thirty seconds, allowing the blocked lens to process quickly and accurately. This system eliminates operator errors in blocking and speeds up the blocking process while eliminating lead and cadmium alloy use.
2. The ART De-Blocker is a fully automated de-blocking system for ART block pieces to separate lens, adhesive and block piece. The ART De-Blocker-M is a manually operated de-blocking system for ART block pieces to separate lens, adhesive and block piece.
3. The MC380X anti-Reflective coating system is used to apply Anti-Reflective coatings to the front and back surface of a lens. This system has a small footprint, and comes fully configured to apply a variety of coatings to all lens materials.

4. Statutory Authority Permitting Restriction in Competition:

The authority for applying the Commercial Test Program of FAR 13.5 is (Section 4202 of the Clinger-Cohen Act of 1996) and is implemented by for restricting competition on this procurement via FAR 13.106-1(b)(2).

5. Demonstration that the Contractor's Unique Qualifications or Nature of the Acquisition Requires the Use of the Authority Cited Above (applicability of authority):

The VISN 20 Optical Fabrication Lab has a need to increase current optical eyewear production capabilities while removing the hazardous materials currently in use during production. At present, all floor space within the lab's manufacturing facility is 100% utilized, preventing the ability for additional equipment to be purchased in order to supplement existing equipment.

Additionally, current optical lens manufacturing processes use an alloy based blocking system that has lead and cadmium as primary components of the alloy. These materials are hazardous and cause additional waste disposal costs. While safety precautions have been taken to protect the Optical Fabrication Lab staff, the process produces approximately 200 gallons of toxic lead and cadmium sludge that is shipped offsite every 6 to 8 weeks for proper disposal. These toxins continue to present a risk to the staff, Veterans, and are both harmful to the environment and expensive to dispose. The ophthalmic lens processing equipment industry is demonstrating a shift away from alloy processing. Alloy blocking is expected to be unavailable for the VISN 20 Optical Fabrication Lab's current equipment starting in the spring of 2015, with full removal and complete unavailability by January of 2016. While alloy based blocking materials may still be available from other sources past this date, it is anticipated that the cost of the alloy based blocking material will be considerably more expensive.

Current production levels are averaging 600 orders per day with a monthly average of 13,000 orders produced each month. The VISN 20 Optical Fabrication Lab is presently operating at full capacity for the alloy based system it currently has in operation. Recent growth trends have begun increasing demand past the lab's current capabilities, and future growth is expected to increase production demands above 1,200 orders per day the near future.

In order to solve the issues facing the VISN 20 Optical Fabrication Lab, three potential primary courses of action were considered:

Option 1: Purchase additional blocking equipment.

Analysis: This option continues to use the alloy system and increases the amount of lead and cadmium proportionately to the level of production. Additionally there is no space available within the lab to install additional equipment, or to store blocked lenses while the adhesive cures. The adhesive commonly used with alloy based blocking systems takes approximately one-hour to cure, requiring additional space to store freshly blocked lenses until they can be moved further through the surfacing and finishing process.

Option 2: Add an additional shift to support the increased workload.

Analysis: This option would increase labor costs proportionately to the production of eyeglasses, and also continue to use the alloy system. The amount of hazardous waste generated by the lab

would increase proportionately to production, and is inconsistent with the federal government's goals to reduce its impact on the environment.

Option 3: Adopt a new blocking system.

Analysis: Adopting a new alloy free blocking system would eliminate the lab's hazardous waste stream associated with lens blocking. Based on market research, there are two prevailing technologies for alternative blocking systems. One technology relies on wax to mold to the contours of the lenses and adhere them to a reusable block. While this method would eliminate the hazardous waste stream, this method also involves additional processing steps to remove the wax residue from the lenses, adding to the time and complexity of the overall lens surfacing and finishing process. Production capacity would not increase to meet forecasted demand using this process.

Another alternative blocking system utilizes recyclable plastic blocking material that adheres to the lens surface using a fast curing adhesive that reacts to ultraviolet light. The adhesive cures in approximately 30 seconds, and can be removed using a water jet which reduces the risk of lens breakage compared to the traditional method of using a kinetic shock to remove the blocking material. The adhesives used in this process are environmentally friendly.

At present, there are only three companies that have delivered plastic based alloy free blocking technology to the marketplace: Satisloh, Gerber, and Schneider. While the adoption of alloy replacement blocking would increase production capacity of the optical lab, Satisloh has developed an additional technology that incorporates alloy-free blocking with a fully automated method of lens finishing that enables the lens to remain attached to the blocking material throughout most of the manufacturing process. By being able to leave the blocking material attached to the lens, the lens can be automatically moved from machine to machine without operator intervention. The attachment of the blocking material throughout the process also eliminates the need for a lens taping process, which further contributes to increased capacity. This automated process is called "On-Board Manufacturing", and it drastically increases lab efficiency and capacity without any significant changes to equipment footprint. The overall order processing time for a typical pair of lenses is reduced from an average of two days to four hours.

Furthermore, Satisloh has specialized equipment for applying anti-reflective (AR) lens coatings that is fully compatible with this blocking technology. At present, the VISN 20 Optical Fabrication Lab outsources its AR jobs to various contractors for approximately \$30 per job. Purchasing the equipment to insource this work would only cost approximately \$8-\$10 per job and reduce the overall lead times of supplying AR coated lenses, thus contributing to the increased production capacity required by the lab. Prior to the availability of this technology, in-house application of AR lens coatings was considered to be prohibitive due to the amount time required for machine setup and its negative impact on production capacity.

As an additional requirement to those mentioned here, any additional equipment purchased for use in the VISN 20 Optical Fabrication Lab must also be capable of being seamlessly integrated with the current production process. The purchase of incompatible equipment would prove to be cost prohibitive due to various retooling costs, and disruption of workflow as order information has to be translated and transferred from one machine to another. Furthermore, the employment of

incompatible equipment runs a high risk of inducing bottlenecks to the overall lens fabrication process and preventing the lab from achieving the level of throughput required. A vast majority of the VISN 20 Optical Fabrication Lab's equipment is currently manufactured by Satisloh, and this new equipment is capable of fully integrating with the lab's current setup without incurring additional retooling costs or temporarily suspending lab operations for retooling.

Satisloh is presently the only company with a product line that has the combination of features capable of meeting the VISN 20 Optical Fabrication Lab's needs. The company currently has the only blocking system that meets the government's needs of:

1. Moving away from alloy based blocking due to anticipated market price volatility of the alloy used in lens blocking.
2. Eliminating a hazardous waste stream.
3. Being adapted to a fully automated on-board manufacturing system to meet the production capacity requirement of over 1,000 orders per 8 hour shift.
4. Being capable of seamlessly integrating with existing equipment at the VISN 20 Optical Fabrication Lab without incurring additional costs or temporarily suspending lab operations for retooling.
5. Enabling additional processes, such as anti-reflective lens coating, to be insourced by introducing new efficiencies not previously experienced by the lab.

6. Description of Efforts Made to Ensure that Offers are Solicited from As Many Potential Sources as Deemed Practicable IAW FAR 13.104:

Comprehensive market research for this requirement has been conducted, and it is highly unlikely that any sources capable of meeting the government's needs exist outside of the source listed in this justification and approval. A notice of intent to sole-source this equipment has been posted to the government-wide point of entry with detail explaining the needs of the government and how the equipment listed in this document is the only equipment capable of meeting those needs. Contact information was provided in the notice for potential contractors to submit information in response to the notice.

Prior to awarding a contract resulting from this justification and approval, any responses to the notice of intent that indicate a source other than the contractor listed in this document is capable of meeting the government's needs will be considered, provided the response is received prior to contract award.

7. Determination by the Contracting Officer that the Anticipated Cost to the Government will be Fair and Reasonable – IAW FAR 13.106-3:

One or more methods will be employed to determine the anticipated cost to the government will be fair and reasonable. Despite the fact that this is an emerging technology, the fundamental functions of this equipment are not new in the marketplace. Pricing will be compared to pricing previously determined to be fair and reasonable on past government purchases, and/or a comparison to pricing for equipment that performs a similar function from other manufacturers. In the event that a sound

determination of price fairness and reasonableness cannot be made based on this information, data other than certified cost of pricing data will be requested from the contractor.

Based on preliminary efforts to determine the estimated pricing to be fair and reasonable, a number of previous government contracts for similar equipment have been located in the FPDS database:

VA251-14-C-0109 was awarded by VISN 11 on September 4, 2014 for \$2,560,302.55 to Satisloh as a result of an RFQ. Only one response was received for this solicitation, but many of the line items are of a similar nature to the items requested in this action.

VA251-12-C-0132 was awarded by VISN 11 on September 24, 2012 for \$1,932,595.84 to Satisloh as a result of an RFP. Only one response was received for this solicitation, but the line items are also of a similar nature to the items requested in this action.

8. Description of the Market Research Conducted and the Results, or Statement of Reasons Market Research was not Conducted (FAR 10):

Comprehensive market research was conducted prior to initiation of this justification and approval document. Industry journals were consulted for information on methods to achieve the government's objectives of reducing hazardous waste and increasing production capacity of the VISN 20 Optical Fabrication Lab, in addition to surveying item offerings from over a dozen manufacturers that participate in the ophthalmic lens processing equipment industry.

Market research also included attempts at identifying alternative and higher priority sources of supply other than "open market", including the Federal Supply Schedule program, National Contracts and Agreements awarded by the VA, products under the AbilityOne program, products manufactured by Federal Prison Industries, contracts awarded by the Defense Logistics Agency, and listings of contracts available for government wide use through ContractDirectory.gov. No alternative or higher priority sources were located.

The Federal Procurement Data System and Federal Business Opportunities websites were also surveyed for previous contract history for similar equipment, or fulfilled similar requirements. One recent award was located in these databases that was similar in scope. The contract was awarded by the Department of Veterans Affairs on behalf of the Indianapolis VA Medical Center on September 4, 2014 for \$2,560,302.55. A solicitation was issued for this requirement using a small business set-aside, and yielded only one offer from Satisloh. A review of the solicitation shows the needs of the Indianapolis VA Medical Center are very similar to the needs outlined for this requirement, although not quite as comprehensive. The Indianapolis solicitation did not address the need to reduce existing hazardous waste streams.

9. Any Other Facts Supporting the Restriction of Competition:

There are no other facts supporting the restriction of competition.

10. Listing of Sources that Expressed, in Writing, an Interest in the Acquisition:

No sources have yet expressed an interest in this acquisition, in writing. As mentioned in section 6 of this Justification and Approval document, any source expressing an interest in this acquisition prior to award, and that has the capabilities of meeting the government's needs, will be considered.

11. Statement of Actions, if any, the Agency May Take to Remove or Overcome any Barriers to Competition before Making Subsequent Acquisitions for the Supplies or Services Required:

This is a one-time purchase of equipment, and future acquisitions of this equipment by this contracting activity are unlikely to occur in the foreseeable future. By the time a subsequent purchase for similar equipment is due to take place, market conditions will likely have competing products available to facilitate a competitive solicitation.

12. Requirements Certification - IAW FAR 13.501:

I certify that the requirement outlined in this justification is a bonafide need of the Department of Veterans Affairs and that the supporting data under my cognizance, which are included in the justification, are accurate and complete to the best of my knowledge and belief.

daina.sites@
va.gov

Digitally signed by
daina.sites@va.gov
DN: cn=daina.sites@va.gov
Date: 2014.09.09 14:43:33 -0600

09/09/2014

Daina Sites
Chief, VISN 20 Optical Fabrication Lab

Date

13. Approvals in accordance with FAR 13.501 and VHAPM, Volume 6, Chapter VI: OFOC SOP:

- a. **Contracting Officer's Certification:** (required) I certify that the foregoing justification is accurate and complete to the best of my knowledge and belief.

john.kopp@v
a.gov

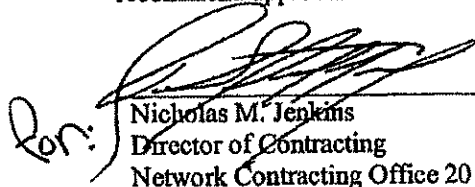
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john.kopp@va.gov
DN: cn=john.kopp@va.gov
Date: 2014.09.09 15:30:27 -0600

09/09/2014

John Kopp
Contracting Officer
NCO 20 Supply Team I Manager

Date

- b. **Acquisition Manager's Review and Approval:** I have reviewed the foregoing justification and find it to be complete and accurate to the best of my knowledge and belief and recommend approval for other than full and open competition.


For: 
Nicholas M. Jenkins
Director of Contracting
Network Contracting Office 20

10SEP2014

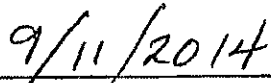
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If Over \$650,000 but not exceeding \$6.5 Million:

- c. **SAO Review and Approval:** I have reviewed the foregoing justification and find it to be complete and accurate to the best of my knowledge and belief and recommend approval for other than full and open competition.

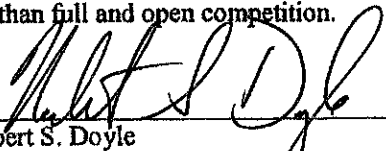
for 

Delia A. Adams, MBA, CPCM
Director, SAO West

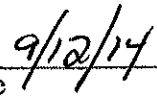


Date

- d. **HCA Review and Approval:** I have reviewed the foregoing justification and find it to be complete and accurate to the best of my knowledge and belief and recommend approval for other than full and open competition.



Norbert S. Doyle
Head of Contracting Activity (HCA)
Chief of Procurement and Logistics
Veterans Health Administration



Date