Comptroller General
of the United States

Washington, D.C. 20548

Decision

Matter of: LaBarge Electronics

File: B-266210

Date: February 9, 1996

Stephen S. Kaye, Esq., and Regina V. Kunkle, Esq., Bryan Cave LLP, for the protester.
Victor E. Covalt III, Esq., Woods & Aitken, for Telex Communications, Inc., an interested party.
Robert A. Lincoln, Esq., The Library of Congress, for the agency.
Charles W. Morrow, Esq., and Guy R. Pietrovito, Esq., Office of the General Counsel, GAO, participated in the preparation of the decision.

DIGEST

In a negotiated procurement for audio cassette machines, the procuring agency properly determined to make a single award under a solicitation that permitted up to two awards, where the agency received only two offers and the protester's proposed price was determined to be unreasonable.

DECISION

LaBarge Electronics protests the award of a contract to Telex Communications, Inc., under request for proposals (RFP) No. RFP95-3, issued by the Library of Congress, for audio cassette machines for the National Library Service for the Blind and Physically Handicapped (NLS). LaBarge contends that the agency unreasonably made a single award where the solicitation provided for multiple awards.

We deny the protest.

The NLS administers a government program that provides books and magazines on audio cassettes and audio cassette machines to eligible blind and physically handicapped persons. Telex and LaBarge have previously supplied audio cassette machines for this program under separate contracts with the Library. Telex, the original supplier of the audio cassettes machines, provided its C-1 model machine, while LaBarge supplied the C-2 model. The two audio cassette models, while essentially functionally equivalent, were subject to different performance specifications, reflecting differences in design, method of manufacture, and warranty periods.

The RFP, as initially issued, contemplated the award of a fixed-price contract for an estimated quantity of 63,000 audio cassette machines in each of the base and three option periods. Detailed specifications for the audio cassette machines (NLS Specification 101-3) were set forth in the RFP and provided mandatory design, performance, test, and warranty requirements; other optional features, such as a battery charging feature, were identified but not required.[1]

Offerors were informed that proposals of machines that were determined to be compliant with the "mandatory requirements of NLS Specification 101-3" [emphasis in original] would be evaluated under the following technical evaluation factors, listed in descending order of importance:

Factor 1. Engineering capabilities, including adequacy and currency of.

Factor 2. Quality control capability and procedures, including adequacy and currency of.

Factor 3. Experience and past performance.

Factor 4. Production and warranty repair capability and capacity.

Factor 5. Plant facilities and equipment.

Offerors were also informed that the reasonableness of their proposed "cost" would be evaluated; in this regard, offerors were required to provide cost breakdown for their proposed pricing. The RFP provided that technical merit was more important than price.

The RFP provided for award on a best value basis and informed offerors that the Library reserved the right to make two separate contract awards, for 60 percent of the estimated quantity and for the remaining 40 percent, if two awards were determined to be in the Library's best interest. The higher quantity award would be made to the offeror whose combination of technical and price proposals has the highest overall rankings and which represents the best value to the government price and other factors considered. In addition, the RFP stated that no more than two awards would be made and that the Library reserved the right to make award of the entire quantity to a single offeror whose proposal was considered acceptable and is responsible, if no other offers were determined to be acceptable, price and other factors considered.

[1]The optional battery management feature was standard equipment on the C-2 model cassette machine.

Initial proposals were received from Telex and LaBarge and evaluated as follows:

	Technical Score (of 75 pts. max.)	Total Price
Telex	68	$51,488,010
LaBarge	44	$58,430,290

Because the offerors' proposed prices far exceeded the Library's estimated price, the agency decided to reduce the contract requirements. Accordingly, the agency amended the RFP to reduce the estimated quantity of audio cassette machines to 50,000 per contract period, to reduce the warranty period from 3 years to 1 year, to allow for more frequent contract price adjustment for fluctuations in the yen-to-dollar ratio, and to change the possible multiple awards split to 80 and 20 percent. Specifically, the RFP award criteria language was amended to provide:

> "If two awards are determined to be in the Library's best interest, contractor selection for the higher quantity (80 percent) will be made to that offeror whose combination of technical and price proposals has the highest overall ranking and which represents the overall best value to the Government, is most advantageous, price and other factors considered, and is within the available Library of Congress resources. Contractor selection for the remaining quantity (20 percent) will then be made to that offeror whose combination of technical and price proposals has the next highest ranking and which represents the second best value to the Government, price and other factors considered, and is within the available Library of Congress reserves. No more than two awards shall be made. The Library reserves the right to make award of the entire quantity to a single offeror whose proposal is considered acceptable and who is responsible, if no other offers are determined acceptable, price and other factors considered."

After amendment of the RFP, the agency conducted technical and cost discussions with the offerors. Among other things, LaBarge was informed that its proposed unit prices were considered "excessive." Revised proposals were received and evaluated as follows:

	Technical Score	Total Price
Telex	70.2	$38,135,000
LaBarge	48.4	$57,466,000

At the agency's request, the Defense Contract Audit Agency (DCAA) reviewed the offerors' revised price proposals. Among other things, the DCAA questioned LaBarge's claimed overhead rate. The agency determined that the offerors' revised technical proposals satisfied the agency's technical concerns, but that further discussions would be conducted with offerors regarding their price proposals.

Oral cost/price discussions were conducted with both offerors. LaBarge was again informed that its proposed price was "very high" and that the firm should consider ways to reduce its price, such as reducing its overhead, reviewing material costs, reducing its warranty price, and considering "any changes in labor hours that might result from learning curve improvement." At the conclusion of discussions, best and final offers (BAFO) were received. Telex reduced its proposed price to $35,533,000, and LaBarge reduced its proposed price to $45,842,700. Although LaBarge reduced its overall proposed price, its BAFO price actually reflected an increase in its per audio cassette unit pricing.[2] LaBarge's per unit price was approximately 26 percent higher than Telex's.

DCAA reviewed the offerors' BAFO price submissions and informed the agency that LaBarge had provided insufficient information to allow DCAA to make any further audit conclusions regarding the firm's final proposed pricing and its increased per unit prices. Regarding Telex's BAFO price, DCAA found that Telex's estimated costs were reasonably supported and that it did not appear that additional discussion would result in any further reduction in Telex's proposed price.

The contracting officer reviewed the offerors' technical evaluation ratings and final proposed pricing. LaBarge's lower score reflected the fact that LaBarge's proposal lacked depth in the area of engineering capability and had demonstrated weaknesses in quality assurance procedures, in past performance, and in production capacity and capability. Specifically, the contracting officer noted that LaBarge had not satisfied its monthly production requirements of the prior contract because of a high rate of rework and rejection under that contract. Comparing LaBarge's BAFO price to that of Telex (LaBarge was more than $10 million higher) and considering that multiple awards to the two firms would result in significantly less units being purchased (more than 2,000 units in the base year alone), the contracting officer determined that LaBarge's proposed price was unreasonable and that only a single award should be made to Telex.

LaBarge first complains that the RFP required the award of two contracts where, as here, the agency received two technically acceptable offers, irrespective of the firms' proposed prices.

[2] LaBarge reduced its warranty pricing.

We disagree. The RFP unambiguously provided that the Library would consider making multiple awards where this was determined to be in the agency's best interest. In determining whether multiple awards were appropriate and in the agency's best interest, the RFP specifically provided for the agency's consideration of price and stated that only one award would be made where the agency determined that no other offer was acceptable, price and other factors considered.

Here, the Library determined that LaBarge's offer was not acceptable because its proposed price was unreasonably high. The Library also found that multiple awards were not in the agency's best interest because it would result in substantially fewer units being purchased. Specifically, the record shows that the Library performed a detailed price analysis that included consideration of DCAA's cost audit of LaBarge's proposal and comparison to the government's estimate, LaBarge's previous contract prices, and Telex's proposed price. As noted above, LaBarge's BAFO price was more than $10 million higher over the three year period than Telex's and its base period per unit price was more than 26 percent higher.

A determination of price reasonableness is a matter of agency discretion which we will not question absent a showing that the determination was unreasonable or made in bad faith. Ashland Sales and Serv. Co., B-259625; B-259625.2, Apr. 14, 1995, 95-1 CPD ¶ 198. An agency may properly base its price reasonableness determination on comparison with government estimates, past procurement history, current market conditions, or any other relevant factors, including information revealed by the competition. Id.; Golden Mfg. Co., Inc., B-255347, Feb. 24, 1994, 94-1 CPD ¶ 183.

LaBarge challenges the agency's price reasonableness determination, asserting that the Library did not consider the unique features of its proposed audio cassette machine, such as battery charging. The RFP, however, did not provide for the comparative evaluation of offerors' proposed audio cassette machines; rather, offerors were merely required to demonstrate that their proposed machines would satisfy the mandatory requirements of NLS Specification 101-3. The battery charging feature to which LaBarge points was identified in the specifications as an optional, and not a required, feature. Under the solicitation criteria, the Library could not provide LaBarge with "extra credit" for non-mandatory features of its offered machine, as the protester asserts.

LaBarge complains that the Library acted unreasonably in comparing its BAFO price to the prior contract prices for the audio cassette machines because the prior contract pricing was based upon "substantially different market conditions." Specifically, LaBarge argues that the agency failed to consider the difference in yen-to-dollar ratio. The record, however, shows that the agency was aware of the fluctuation in yen-to-dollar ratio and in response to the fluctuation had amended the RFP to provide more frequent contract price adjustments. We find that the agency appropriately considered the prior procurement history of these units as one factor in the agency's price analysis.

LaBarge also complains that the Library did not consider the allegedly unfair price advantage Telex enjoyed from its possession and use of government-furnished equipment. The RFP, however, did not provide for the price evaluation of an offeror's use of government-furnished equipment, as would be required. If LaBarge believed that Telex had an unfair competitive advantage arising from its possession of government-furnished equipment, it should have protested the RFP's failure to provide for evaluation of government-furnished equipment prior to the closing date for receipt of proposals.

LaBarge also protests that the Library failed to conduct meaningful discussions with it when the contracting officer did not inform LaBarge that the offered optional features of its proposed machine should be eliminated. We disagree. While agencies generally are required to conduct meaningful discussions by leading offerors into the areas of their proposals requiring amplification, this does not mean that an agency must "spoon-feed" an offeror as to each and every item that must be revised, added, deleted, or otherwise addressed to improve a proposal. See Acumen Eng'g/Analysis, Inc., B-260102, May 11, 1995, 95-1 CPD ¶ 240; Califone Int'l, Inc., B-246233; B-246233.2, Feb. 25, 1992, 92-1 CPD ¶ 226. Here, the Library repeatedly informed LaBarge that its proposed price was considered excessive or unreasonably high. This was sufficient to inform LaBarge of the area of its proposal requiring revision. There was no requirement that the agency inform LaBarge that its offer of features that were not required by the RFP might have contributed to LaBarge's unreasonably high price.[3]

In conclusion, we find that the record demonstrates that the Library properly determined that LaBarge's price was unreasonable and that a single award to Telex was in the best interest of the government.

The protest is denied.

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[3]We note that LaBarge's cost proposal did not detail the costs associated with this feature, and the Library therefore would have had no way of knowing what additional costs Labarge was incurring by providing this feature.