

DOCUMENT RESUME

08104 - [C3388493]

[Protest That Low Bid Was Mathematically Unbalanced]. E-192903.  
November 24, 1978. 4 pp.

Decision re: S. F. & G., Inc.; by Robert F. Keller, Deputy  
Comptroller General.

Contact: Office of the General Counsel: Procurement Law I.  
Organization Concerned: Del-Jen, Inc.; Department of the Air  
Force.

Authority: 54 Comp. Gen. 242. A.S.P.R. 7-2003.11.

The protester contended that a bid for a 1-year service contract with 2 option years which priced the basic year 5.8% higher than the second option year was unbalanced. Review of the bid did not show that nominal or enhanced prices were bid for any year, and, therefore, the bid was not mathematically unbalanced. (Author/SC).

**DECISION**

THE COMPTROLLER GENERAL  
OF THE UNITED STATES  
WASHINGTON, D C 20548

*S. V. ...*  
8493

FILE: B-192903

DATE: November 24, 1978

MATTER OF: S.F. &amp; G., Inc., dba Mercury

## DIGEST:

Protest that bid for 1-year service contract with two option years, which priced basic year 5.8 percent higher than second option year, is unbalanced is denied. Review of bid does not show that nominal or enhanced prices were bid for any year and, therefore, bid is not mathematically unbalanced.

S.F. & G., Inc., dba Mercury (Mercury), has protested the award of a contract to Del-Jen, Inc. (Del-Jen), under invitation for bids (IFB) No. FO4693-78-B0004 issued by the United States Air Force.

The IFB was for services to manage and operate the base supply, transportation and contract repair services at the Los Angeles Air Force Station (LAAFS). Bids were requested for 1 year and two option years.

Following are the bids received from the two low bidders:

	<u>Del-Jen</u>	<u>Mercury</u>
Basic	\$1,327,464	\$1,291,802
1st option	1,277,004	1,305,038
2nd option	1,254,492	1,299,914
Total	<u>\$3,858,960</u>	<u>\$3,896,754</u>
Less 5-percent discount	19,295	
	<u>\$3,839,665</u>	

Mercury's protest is based on the contention that Del-Jen materially unbalanced its bid and that acceptance of its bid may not result in the lowest cost to the Government.

The IFB contained the following clause regarding evaluation of options and unbalanced bids:

"EVALUATION OF OPTIONS

"a. Bids or proposals will be evaluated for purposes of award by adding the total price for all option quantities to the total price for the basic quantity. Evaluation of options will not obligate the Government to exercise the option or options.

"b. Any bid or proposal which is materially unbalanced as to prices for basic and option quantities may be rejected as nonresponsive. An unbalanced bid or proposal is one which is based on prices significantly less than cost for some work and prices which are significantly overstated for other work. (ASPR 7-2003.11(b))."

Also, the IFB noted the following:

"NOTE TO BIDDERS: (For Information Only)

"The Air Force is presently engaged in a study to determine if the Los Angeles Air Force Station should or should not be closed. It should be emphasized that the matter of closing the Los Angeles Air Force Station has not progressed beyond this study and no decision has yet been made as to whether this station should or should not be closed.

"In the event the Los Angeles Air Force Station is to be closed during the performance of the contract definitizing this IFB, this contract may be terminated pursuant to the clause of the contract in SECTION L, entitled 'TERMINATION FOR CONVENIENCE OF THE GOVERNMENT.'"

Mercury argues that Del-Jen front-loaded its bid by pricing the first year of the contract \$72,972 or 5.8 percent higher than the second option year. The benefits Del-Jen receives from this pricing, as contended by Mercury, are (1) acceleration of the realization of profit; (2) providing more of today's dollars and fewer inflation devalued future dollars; (3) reducing the possibility of competition after the first year even if the market is tested prior to exercising the options, and (4) providing a windfall if options are not exercised or LAAFS is closed. Mercury contends that if it had known that the Air Force was going to accept a front-loaded bid, notwithstanding the warning against unbalancing contained in the IFB, Mercury could have bid lower because of the above-listed benefits of that pricing technique.

Our Office has recognized the two-fold aspects of unbalanced bidding. The first is a mathematical evaluation of the bid to determine whether each bid item carries its share of the cost of the work plus profit, or whether the bid is based on nominal prices for some work and enhanced prices for other work. The second aspect--material unbalancing--involves an assessment of the cost impact of a mathematically unbalanced bid. A bid is not materially unbalanced unless there is a reasonable doubt that award to the bidder submitting a mathematically unbalanced bid will not result in the lowest ultimate cost to the Government. Mobilease Corporation, 54 Comp. Gen. 242 (1974), 74-2 CPD 185.

The Air Force contends that Del-Jen's bid is not mathematically unbalanced because Del-Jen did not bid nominal prices for any of the items. The basic year bid is 34.5 percent and the third year is 32.5 percent

of the total bid. The Air Force points to this 2-percent difference to support the fact that each year's price is carrying its share of cost and profit.

We agree. We do not find the difference in Del-Jen's three bid prices to be so great as to conclude that the bid is mathematically unbalanced as defined in our prior decision. While Mercury argues that there is no logical reason for the manner in which Del Jen priced the basic year and the option years, we do not believe it is the function of our Office to look behind a bid to attempt to ascertain the business judgments that went into formulating a bid, where the difference between the portions of the total bid price is as slight as here.

Even assuming, arguendo, that the bid was unbalanced, we do not find it to be materially unbalanced. We note that if the contract is extended only to the first option year, Del Jen's bid results in a lower cost to the Government than would the bid of Mercury.

For the foregoing reason, the protest is denied.

*R. F. K. M.*  
Deputy Comptroller General  
of the United States