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# DECISION



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

FILE: B-220392.4 DATE: July 8, 1986  
MATTER OF: Engineered Air Systems, Inc.

## DIGEST:

1. General Accounting Office denies a protest that the contracting agency failed to compare the cost of a multiyear bid with the cost of a bid for the first program year requirements, as required by applicable procurement regulations, when the record establishes that the agency conducted such a comparison in accord with the terms of applicable regulations.
2. Protest that procuring agency improperly failed to consider inflation in comparing the costs of a multiyear bid with the estimated cost of procuring the same items in independent annual acquisitions is untimely, where the cost comparison method was specified in the solicitation and in applicable regulations, and the protest was not filed before bid opening.

Engineered Air Systems, Inc., protests the award of a contract by the United States Army Armament, Munitions, and Chemical Command, Rock Island, Illinois, to Hobart Brothers Company under invitation for bids (IFB) No. DAAA09-85-B-0787. Engineered Air Systems contends that its multiyear bid to provide trailer-mounted welding shops offers a lower overall evaluated cost to the government than does Hobart's single-year bid.

We deny the protest in part and dismiss it in part.

The Army issued the solicitation on June 21, 1985, for the 5-year acquisition of 1,361 welding shops, or, in the alternative, a single-year acquisition of 237 welding

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shops.<sup>1/</sup> The RFP also sought bids for a single-year acquisition of 91 welding machines. Six firms submitted bids for both the single-year and multiyear alternatives.

The agency determined that Hobart had submitted the lowest bid for the single-year alternative, an evaluated unit price of \$21,520.60, while the protester had submitted the lowest bid for all 5 years, an evaluated unit price of \$22,304.99. The Army concluded that the cost to the government would be lower if it obtained needed welding shops in five successive independent acquisitions rather than on a multiyear basis. On March 24, the agency awarded a contract to Hobart for welding shops and welding machines on a single-year basis; it has suspended performance pending our decision on the protest.

Engineered Air Systems first argues that the Army failed to compare the cost of its multiyear bid with the cost of Hobart's single-year bid as required by the Federal Acquisition Regulation (FAR). In multiyear procurements, agencies are generally required to compare the lowest overall evaluated cost of buying the total requirement under a multiyear acquisition with the lowest overall evaluated cost of buying the total requirement in successive independent acquisitions. FAR, 48 C.F.R. § 17.103(a) (1984). The cost comparison method to be used by the Army is set forth in the solicitation (page 52 of the IFB) and the FAR, 48 C.F.R. § 17.103(e). The prescribed cost comparison requires that the lowest evaluated unit price for the first program year requirement be multiplied by the total number of units required by the multiyear alternative. Administrative costs are then added to this number and the result compared with the lowest offer on the multiyear alternative.

We find that, in evaluating Hobart's bid for comparison purposes, the Army multiplied the firm's unit price for the first program year times the total number of welding shops required during the 5-year period and added estimated administrative costs for quality assurance and

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<sup>1/</sup> Welding shops include a welding machine and all other equipment usually required for welding operations, from leather aprons and goggles to cylinders of acetylene gas and cutting torches. The welding machine represents the majority of the cost of the welding shop, and its design determines the design of much of the auxiliary equipment in the shop.

engineering that would be incurred if the Army's requirements were met through annual acquisitions. This amount, considered to be the cost of purchasing 1,361 welding shops in five separate acquisitions, was added to Hobart's bid for welding machines. The agency then compared this total, \$29,914,862.87, to the protester's total bid of \$31,080,742.55. Thus, the Army conducted a cost comparison in accord with FAR, 48 C.F.R. § 17.103(e), and the terms of the IFB, and we deny this ground of Engineered Air Systems' protest.

The protester also contends that any comparison conducted by the Army that failed to include a factor for inflation is improper. Engineered Air Systems argues that it is not reasonable to assume that the Army can separately purchase welding shops in the second through fifth program years for the same price as in the first. If only a minimal factor for anticipated inflation is included in the evaluation, according to Engineered Air Systems, its multiyear bid would be low.

The solicitation and regulation are not ambiguous regarding how Army intended to compare the multiyear and single-year acquisition alternatives. There is no provision for including estimated inflation in the comparison. Engineered Air Systems' basis for protest--that the comparison method set forth in the solicitation is unreasonable--was apparent prior to bid opening. Our Bid Protest Regulations require that protests based upon alleged improprieties in a solicitation which are apparent prior to bid opening must be filed prior to bid opening. 4 C.F.R. § 21.2(a)(1) (1986).

While we dismiss this ground of protest as untimely, we believe that a present value analysis, which adjusts for inflation and the costs of borrowing associated with different rates of expenditures, is necessary to compare the costs of a single multiyear contract with the estimated cost of successive annual acquisitions. See GAO, Analysis of DOD's Fiscal Year 1985 Multiyear Procurement Candidates at 9-10 (NSIAD-85-9, Oct. 25, 1984). We are recommending to the FAR Secretariat that it consider revising 48 C.F.R. § 17.103(e) to require the use of a present value analysis in cost evaluations in multiyear procurements.

The protest is denied in part and dismissed in part.

*Harry R. Van Cleve*  
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General Counsel