



**The Comptroller General
of the United States**

Washington, D.C. 20548

Decision

Matter of: Space Vector Corporation
File: B-234071
Date: May 4, 1989

DIGEST

1. Where solicitation for rocket vehicle system required that the contractor provide a flight proven boost control subsystem, the only reasonable interpretation of the requirement is that boost control subsystem must be flight proven before required delivery of the rocket vehicle system 18 months after award of contract, rather than on date initial proposals were due.
2. Contracting officer's determination to award cost-plus-fixed-fee contract to offeror of lower-rated, lower-cost proposal was proper where the contracting officer reasonably determined that the slight technical advantage of the higher-rated proposal was not worth its substantially higher cost.

DECISION

Space Vector Corporation protests award of a contract to Space Data Corporation by the Department of the Air Force pursuant to request for proposals (RFP) No. F19628-88-R-0050. The RFP solicited offers on a cost-plus-fixed-fee basis to design, fabricate, test and assemble a single stage rocket vehicle system for launching the SPIRIT II payload. Space Vector alleges that Space Data's proposal was technically unacceptable because it did not propose to use a "flight proven" boost control subsystem as required by the RFP. Space Vector also argues that the Air Force gave too much weight to cost in evaluating proposals and that Space Data's proposed costs were unrealistic.

We deny the protest.

The solicitation was issued on June 20, 1988, and three proposals were received by the July 20 closing date. Space Data initially submitted two of the three proposals, but ultimately withdrew one of the alternatives from

045353/138587

consideration.^{1/} The Air Force evaluated initial proposals, conducted discussions, and requested and received best and final offers (BAFOs) from both offerors. The technical evaluation team evaluated the BAFOs and rated Space Vector's proposal higher than Space Data's proposal on technical merit. However, Space Vector's BAFO cost plus fee was \$1,811,107, while Space Data's was \$1,328,994, and the contracting officer determined that the superior technical merit represented by Space Vector's proposal was not worth the additional \$482,113 that a contract with Space Vector would cost the government. Therefore, taking into account both cost and technical factors, the contracting officer determined that the BAFO submitted by Space Data was most advantageous to the government and awarded the contract to Space Data on December 23. On January 6, 1989, Space Vector filed its protest with our Office.

Space Vector contends that Space Data's proposal was technically unacceptable because it did not offer to use a flight proven boost control subsystem as required by the RFP. Space Vector also asserts that it is the only firm that has developed a boost guidance subsystem that has successfully controlled an M56A1 class vehicle in actual flight and, therefore, is the only firm that properly can be awarded the contract.^{2/}

The requirement for a flight proven boost control subsystem is contained in the RFP's vehicle performance specifications which state in pertinent part at paragraph 2.1:

"The contractor shall provide a guided rocket vehicle system with a flight proven boost control system (BCS), destruct system and flight safety system."

The term "flight proven" is defined at paragraph 2.1.1 of the vehicle performance specifications as follows:

"The boost control system shall be considered flight proven when it has successfully controlled a M56A1 class vehicle in powered flight in the atmosphere from launch through

^{1/} As the issues raised by Space Vector do not concern the proposal that was later withdrawn by Space Data, we will not discuss this proposal further.

^{2/} The Air Force reports that Space Vector has successfully demonstrated its boost control subsystem on only one occasion.

burnout. Flight performance histories shall be provided for proposed systems."

Space Vector argues that it is clear from the specifications that a proposal had to show that the offeror's system would use a boost control subsystem that had already successfully controlled an M56A1 vehicle in actual flight before the closing date for receipt of proposals as a prerequisite to award. However, the Air Force and Space Data argue that the boost control subsystem only had to be flight proven before the contractor was required to deliver the single stage rocket vehicle system to the government, rather than by the RFP's closing date.

In our view, the only reasonable interpretation of the specifications is that the boost control subsystem must be flight proven by the time the contractor delivers and installs the single stage rocket vehicle system for the Air Force. Paragraph 2.1 of the vehicle performance specifications specifically directs that "the contractor shall provide" a rocket vehicle system that uses a flight proven boost control subsystem. Nowhere in the RFP does it state that the offered boost control subsystem has to be flight proven at the time the proposal is submitted or that having a flight proven boost control subsystem is a precondition to contract award. Thus, as the RFP requires the contractor to provide the rocket vehicle system to the Air Force 18 months after contract award, it is clear that the boost control subsystem that is used in the rocket vehicle system will have to be proven in actual flight within 18 months after the contract has been awarded--when the complete system is to be delivered to the Air Force. See General Offshore Corp., B-224452, Oct. 16, 1986, 86-2 CPD ¶ 437.

The record shows that Space Data's initial proposal candidly acknowledged that the boost control subsystem it proposed to use had never before controlled an M56A1 class vehicle in powered flight and, therefore, did not contain a flight history as the RFP requested. Initially, the evaluators considered this to be a deficiency, and, during the discussion phase of the procurement, the Air Force expressed this concern to Space Data. Space Data responded to the Air Force's inquiry by listing a number of contracts under which Space Data's boost control subsystem would be flight tested prior to launch of the SPIRIT II pursuant to the present procurement. Space Data's BAFO showed that the firm was under contract to supply 11 boost control subsystems for three different types of M56A1 class vehicles, and that the subsystem would be launched and would control M56A1 vehicles on at least three occasions before the delivery date in the present RFP.

The Air Force was satisfied that Space Data's BAFO did, in fact, meet the flight testing requirement and that Space Data could do the job. The evaluators considered both offerors fully capable of performing the required effort and concluded that the only meaningful technical difference between the two offers was that Space Data's offer represented more risk. Ultimately, after reviewing the evaluators' detailed report, the contracting officer determined that the difference between the two offerors' BAFOs was actually only "very slight" in terms of technical merit and therefore, in light of Space Data's considerably lower proposed costs, selected that company for award. There is nothing in the record to suggest that this technical evaluation was unreasonable.

The protester further contends, however, that the Air Force improperly accepted Space Data's unrealistic cost projections and gave too much weight to cost in its evaluation of proposals. Space Vector argues that the awardee's costs could not reasonably be lower than its own costs, given that Space Vector is the more experienced, technically superior offeror. We find, however, that the Air Force's evaluation of costs was thorough and that the contracting officer's decision to award to Space Data on the basis of its lower proposed cost plus fee was reasonable.

Since the procurement was for a cost reimbursement contract, the evaluators examined the proposals for cost realism. Their examination included the number of hours, the labor mix, and the type of equipment and materials proposed. Furthermore, the proposals were compared to the Air Force's own estimate of what the effort should cost, and the Defense Contract Audit Agency (DCAA) also audited the cost proposals. Overall, the Air Force determined from these cost evaluations that there was no indication that Space Data's proposed costs were unrealistically low; in fact, the Air Force reports that its evaluators and DCAA both questioned some of Space Data's costs as being too high. Furthermore, our own examination of cost evaluation documents^{3/} found no evidence that Space Data's costs were unreasonably low. In fact, the record shows that the \$482,113 savings that Space Data's proposal represents over Space Vector's is attributable primarily to Space Data's significantly lower labor

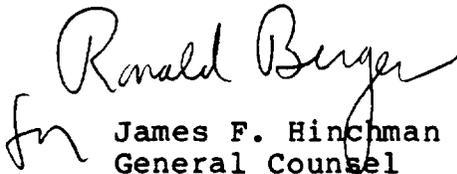
^{3/} Due to the proprietary nature of this information and because knowledge of a competitors' cost structure could confer a competitive advantage in future procurements, these documents were not released to the parties and were reviewed in camera by our Office.

rates, overhead rates, and general and administrative expenses. Accordingly, in view of the thorough review performed by the Air Force and DCAA, Space Vector's unsupported contention provides no basis for us to question the reasonableness of the cost analysis.

With regard to the Air Force's decision to select Space Data's lower cost proposal despite Space Vector's higher technical score, in a negotiated procurement, even if cost is the least important evaluation criterion, an agency properly may award to a lower-cost, lower-scored offeror if it determines that the cost premium involved in awarding to a higher-rated, higher-cost offeror is not justified given the acceptable level of technical competence available at the lower cost. Dayton T. Brown, Inc., B-229664, Mar. 30, 1988, 88-1 CPD ¶ 321. The determining element is not the difference in technical merit, per se, but the contracting agency's judgment concerning the significance of that difference. Id. Cost/technical tradeoffs may be made, and the extent to which one may be sacrificed for the other is governed only by the tests of rationality and consistency with the established evaluation criteria. Grey Advertising, Inc., 55 Comp. Gen. 1111 (1976), 76-1 CPD ¶ 325.

Here, the RFP stated that the contract would be awarded to the responsible offeror whose proposal was determined to be most advantageous to the government. The RFP specifically stated that cost would be considered and listed cost as the second most important evaluation factor. In view of the fact that Space Vector's proposed cost plus fee was approximately 37 percent higher than Space Data's proposed cost plus fee, and because the evaluation revealed that the difference between offerors' BAFOs was very slight in terms of technical merit, we find reasonable the contracting officer's determination that the slight technical advantage of Space Vector's proposal was simply not worth the extra expenditure that Space Vector's proposal represented.

The protest is denied.

 Ronald Berger
for James F. Hinchman
General Counsel