



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20540

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B-177968

June 26, 1973

Brunswick Corporation
c/o Covington and Burling
Attorneys at Law
888 16th Street, N. W.
Washington, D. C. 20006

Attention: Alexander W. Mackie, Esq.

Gentlemen:

We refer to your letter of February 7, 1973, and subsequent correspondence, concerning your protest against award of a contract to Goodyear Aerospace Corporation on a cost basis under Request for Quotations (RFQ) F19628-72-Q-0423, issued by the Department of the Air Force on June 16, 1972, for four Shelter System Modules.

You maintain that the Department improperly decided that your quotation contained an unacceptable risk of cost overrun. For the reasons discussed below, we cannot question the Department's decision.

The RFQ listed the evaluation criteria for the award in general terms as follows:

General: Award of this contract will be based upon technical and management excellence and, as such, will be properly influenced by the proposal that most closely satisfies all of the requirements of the procurement data package, rather than on the basis of the proposer offering the lowest estimated cost. The government will carefully consider all pertinent factors including, but not limited to, technical and management competence, proposer qualification, cost controls and past performance. A contract will be awarded to that proposer the government judges can perform the contract in a manner most advantageous to the Government.

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The statement of work in the RFQ further listed the requirements for the contract in the areas of program management, configuration management, data management, integrated logistics support, supply support, aerospace ground equipment, and technical manuals.

Four quotations were received by the closing date on August 14, 1972. Following receipt and analysis of clarifications obtained from all quoters, the Department ranked Goodyear and your concern as follows:

Technical Evaluation

Goodyear 65.8 (46.4 technical; 19.4 technical management)
Brunswick 45.1 (40.7 technical; 4.4 technical management)

Negotiations were subsequently held with your concern, Goodyear, and other companies in November 1972; quoters were then asked to submit their best and final offers by December 18, 1972. The Department advises that those final offers did not affect the initial ranking of the technical quotations.

Each quotation was thereafter compared with the Department's cost estimate for the requirement which was developed, among other sources, from actual cost experience under previous contracts for shelters. On this comparison, the Department projected only a slight difference in the ultimate costs to be incurred under the quotations of your company and Goodyear, as follows:

Government Assessment of ultimate cost liability in millions of dollars

Goodyear - \$1,419 to \$1,664
Brunswick - \$1,385 to \$1,700

The Department reports, in this connection, that your final quotation seriously underestimated the costs involved in management and management support; that you proposed an increase in liaison effort with your subcontractor while eliminating proposed liaison costs; that you proposed to increase labor for Data and Configuration Management while decreasing labor costs in those areas; and that the price proposed for your subcontract was also unrealistically low. Because of this assessment, and since Goodyear's quotation was considered technically superior, an award was made to that company on February 1, 1973, in the amount of \$1,288,000.

You state that the "risk of cost overrun" was not specifically listed as an independent evaluation standard. We agree. However, the evaluation criteria did mention "cost controls" as a "pertinent factor" for the Government's consideration. Implicit in this factor is, we think, the warning that the realism of a quotee's proposed costs would be analyzed. This warning reflects the directive in Armed Services Procurement Regulation (ASPR) 3-803.3 that estimates of contract costs should not be considered controlling since they may not provide valid indications of final actual costs.

Our Office has observed that the award of a cost-reimbursement contract requires procurement personnel to make informed judgments as to whether submitted proposals are realistic concerning the proposed costs and technical approaches involved. See B-152039, January 20, 1964. We have also stated this judgment must properly be left to the administrative discretion of the agencies involved since they are in the best position to assess "realism" of costs, and must bear the major criticism for any difficulties experienced by reason of a defective cost analysis. 50 Comp. Gen. 390, 410 (1970). In this view, and considering the cost comparison set out above, we must conclude that no basis has been established for objection by our Office in this respect.

In addition we do not find that a convincing argument has been presented to support your further contention that a "cost realism" standard would improperly stimulate offerors to inflate cost estimates, on the theory that the higher the estimate the less the relative risk of overrun, rather than actually discourage the submission of both unreasonably high and unreasonably low cost estimates.

You also question the inferior rating (relative to Goodyear's proposal) that was given to your proposal in the technical management area. The contracting officer maintains, however, that your rating was justified and that a complete rewrite would have been necessary to improve your overall technical evaluation.

The Department has further explained the risks in your technical management proposal as follows:

Configuration Management - the Brunswick proposal lacked adequate definition of change control of SIM and there was no designated focal point for such change controls or Configuration Management in general in the Brunswick function.

Data - the Brunswick proposal showed lack of sufficient data interface between the prime and subcontractor. In addition, the prime's data manager has limited experience with little or no knowledge of quality assurance.

Technical Publication - failed to adequately address the majority of the criteria required. Brunswick's response to clarification questions was also judged inadequate.

Program Management - the Brunswick proposal showed a lack of major subcontract control and high degree of risk in inability to meet the 16 month schedule due to widely scattered geographical test locations.

Integrated Logistics - Brunswick did not propose and furthermore submitted no data in response to request for clarification. Data was submitted during the negotiation, however, the risk was not eliminated.

Aerospace Ground Equipment (AGE) - the Brunswick proposal did not provide adequate information for evaluation. Brunswick proposed to staff these topics after contract award, thus giving the Air Force no assurance that personnel assigned are qualified. Considerable risk remained after negotiations because the Prime has no logistics function.

Supply Support - no data was included in the Brunswick proposal. The information subsequently supplied did not diminish the risk.

Although you disagree with the Department's list of risks, we note that your April 24 letter, at page 4, concedes that "Goodyear may well have had a superior proposal." We take this to mean that even if you were entitled to a greater score in the technical management area, that it would not necessarily offset Goodyear's higher overall rating. In view thereof, and since the cost realism factor does not provide a basis for our objection, we must conclude that the company's award is not subject to legal question.

Accordingly, your protest must be denied.

Sincerely yours,

Paul G. Dombling

Acting Comptroller General
of the United States