The Comptroller General
of the United States

Washington, D.C. 20548

Decision

Matter of: Metal Trades, Inc.

File: B-227915

Date: September 18, 1987

DIGEST

1. Protest that low bid is unbalanced since option quantity unit price is 27 percent less than basic quantity unit price is denied because bid is not mathematically unbalanced where bidder shows that option price is lower due to exclusion of one time costs, such as engineering, from option price.

2. Contention that protester should receive award because its bid is low for basic quantity is without merit where solicitation stated that award would be based on evaluation of basic and option prices.

DECISION

Metal Trades, Inc., has protested consideration by the Naval Facilities Engineering Command of the bid of Rohar Industries, Inc., under invitation for bids (IFB) No. N62578-87-B-7055, for waste oil rafts. Metal Trades contends that the bid should be rejected as unbalanced.

We deny the protest.

The IFB contained requirements for supplying rafts for the east coast, west coast or both. This protest only concerns the award of the east coast rafts for which seven bids were received. The bids received from Rohar and Metal Trades, the two lowest responsive bids, were:

	Total	Basic Quantity (8)	Option (2)
Rohar	$704,701	$73,905 ea.	$53,843 ea.
Metal Trades	717,600	73,000 ea.	64,800 ea.

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The IFB provided for the award to be based on an evaluation of both the basic quantity and option quantity prices.

Metal Trades argues that since Rohar's option quantity unit prices are 27 percent below its basic quantity unit prices, the bid is unbalanced and should be rejected. Metal Trades states that while other bidders reduced their prices for the option quantities, including itself (11 percent), because transportation costs are excluded in the option quantities, Rohar's difference is so much greater than the other bidders that the bid is unbalanced.

We have recognized that unbalanced bidding entails two aspects. The first aspect involves a mathematical evaluation of the bid to determine whether each element of the bid carries its proportionate share of the total cost plus profit or whether the bid is structured on the basis of nominal prices for some work and inflated prices for other work. The second aspect--material unbalancing--involves an assessment of the cost impact of accepting a mathematically unbalanced bid. A bid is materially unbalanced if there is a reasonable doubt that award to the bidder submitting the mathematically unbalanced bid will result in the lowest ultimate cost to the government. USA Pro Company, B-220976, Feb. 13, 1986, 86-1 C.P.D. ¶ 159.

Regarding whether Rohar's bid is mathematically unbalanced, we note that all offerors reduced their unit prices for the option quantity below their basic quantity prices. A portion of this decrease is attributable to the change in transportation costs from F.O.B. destination for the basic quantity to F.O.B. origin for the optional rafts. Moreover, Rohar has advanced legitimate business reasons for the additional cost decrease such as the exclusion from the option quantity price of such one-time costs as engineering, jigs and fixtures. These reasons were furnished to the agency in response to a request for verification of Rohar's bid price.

Based on the above, we find the bid of Rohar not to be mathematically unbalanced and, therefore, need not reach the issue of material unbalancing.

Finally, Metal Trades argues that it is the low bidder for the basic quantity and since there is no indication the options will be awarded, award should be made to it. Initially, we point out that no award has been made at this time because of the filing of the protest and the option can be exercised within 90 days of contract award. Moreover, the solicitation clearly stated that award would be based on the evaluation of both the basic and option prices and there is no indication that the agency will not exercise the option. Therefore, award to Rohar is proper under the terms of the solicitation.

The protest is denied.

for Seymour Efros
Harry R. Van Cleve
General Counsel