



The Comptroller General  
of the United States

Washington, D.C. 20548

## Decision

Matter of: James M. Smith, Inc.  
File: B-231532  
Date: July 27, 1988

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### DIGEST

Protest that contracting agency improperly induced protester to compete for and accept award of a contract which included several option years when in fact agency intended to acquire the services under a different, more comprehensive contract to be awarded a short time later, is without merit since the agency only decided to acquire the services under the comprehensive contract once it became clear, after award had been made to the protester, that the services could be acquired at a lower price under that contract than under the protester's contract.

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### DECISION

James M. Smith, Inc., protests the decision by the Air Force to procure bus shuttle services under a contract awarded to TECOM, Inc., instead of under a contract awarded to Smith. We deny the protest.

On June 8, 1987, the Air Force issued request for proposals (RFP) No. F05604-87-R0032 for vehicle operations and maintenance services at Peterson Air Force Base, Colorado. Prior to that date, the services called for by the RFP, except for bus shuttle services between the base and the Cheyenne Mountain Complex, had been provided by government personnel. The RFP was issued as part of a study under Office of Management and Budget Circular No. A-76 to compare the cost of in-house performance of the services with the cost of contracting out for them. Proposals under the RFP were due on December 23. As a result of the cost comparison, a contract was awarded to TECOM, Inc., on April 21, 1988.

On August 14, 1987, while the A-76 cost comparison was still ongoing, the Air Force issued invitation for bids No. F0564-87-B0074 for the bus shuttle services only. (As noted above, unlike the other items included in the A-76

RFP, the shuttle services already were being provided by an outside contractor, not government personnel). Award under the IFB was made to Smith on November 20, 1987. The base period of performance was from December 1, 1987, to September 30, 1988, with four 1-year options.

Subsequently, after the comprehensive services contract had been awarded to TECOM, the Air Force conducted a study of the shuttle services and determined that it could obtain the services at a lower price under TECOM's contract than under Smith's contract. As a result, in May 1988, the Air Force terminated Smith's contract for convenience effective June 30 after 7 months of performance, after which it would acquire the services from TECOM.

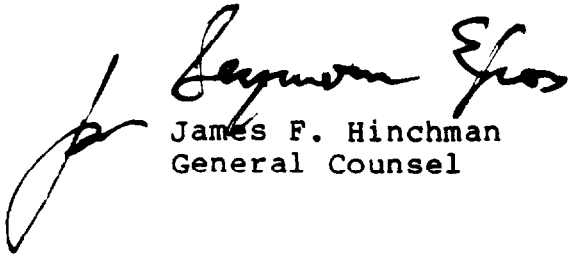
Smith argues that it was improper to award a contract to Smith for the shuttle services when the Air Force in fact intended to obtain those services under TECOM's comprehensive contract once it was awarded. Smith contends that it was unfairly induced to compete for and accept award of a contract which included 4 option years when the Air Force actually intended to procure the services for only a short period.

To the extent that Smith argues that, in bidding on the shuttle services contract, it relied on the options to be exercised and, as a result, was treated unfairly when its basic contract was terminated without exercise of the options, Smith's argument is without merit. Firms which bid on contracts containing option provisions assume the risk that the contracting agency might not exercise the options. Federal Contracting Corp., B-227269, June 5, 1987, 87-1 CPD ¶ 577. In this connection, we note that the IFB under which Smith was awarded the contract advised prospective bidders that award of the options may be impacted by award under the A-76 RFP. Further, while Smith maintains that the Air Force knew when it made the award to Smith that it would be for only a short period, there is no support in the record for this contention. Rather, as noted above, Smith's contract was awarded before the A-76 cost comparison on the RFP was completed, at a time when the Air Force did not know whether the result of the cost comparison would be to contract out for the services or retain the function in-house. The fact that the Air Force later decided to award a contract to TECOM and procure the shuttle services under that contract at a lower price than under Smith's contract, does not indicate any impropriety in the earlier award to Smith.

Smith also states that while it generally is not interested in competing for vehicle maintenance contracts of the type awarded to TECOM, it would have submitted a proposal under the RFP had it known that its own shuttle services contract

would be terminated after the comprehensive contract was awarded. Since there is no indication that the Air Force knew at the time proposals were due under the A-76 RFP that Smith's contract would be terminated, it had no basis to so advise Smith.

The protest is denied.



James F. Hinchman  
General Counsel