



**The Comptroller General  
of the United States**

Washington, D.C. 20548

## **Decision**

**Matter of:** B-233312; B-233312.2  
**File:** Surface Technologies Corporation  
**Date:** March 3, 1989

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### **DIGEST**

Awardee's offer for base and option quantities is not materially unbalanced where the protester fails to show that the option quantities evaluated were not reasonably expected to be exercised and that award to the firm will not result in the lowest ultimate cost to the government.

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### **DECISION**

Surface Technologies Corporation (STC) protests the award of a contract to Alfab, Inc. under request for proposals (RFP) No. F09603-88-R-74799, issued by the Department of the Air Force for the refurbishment of runway matting. STC alleges that Alfab's proposal was unbalanced and should have been rejected.

We deny the protest.

The solicitation required the contractor to refurbish 12-foot sheets of runway matting, and then to assemble the sheets into packages or bundles of 16 sheets, plus four 6-foot sheets to be furnished by the contractor. The solicitation requested price proposals for both a base quantity of 538 bundles, and a 1-year option for a maximum additional quantity of 1,345 bundles. The option quantity prices were for bundles in 7 stepladder quantities in increments of 200 (from 1-200 to 1,201-1,345). The options were noncumulative, so that the price to the government for each option quantity exercised would be the price offered for that quantity, irrespective of any prior option quantities ordered.

The RFP incorporated by reference the Federal Acquisition Regulation (FAR) clause entitled Evaluation of Options, FAR § 52.217-5, which advised offerors that the government would

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evaluate offers by adding the total price for all options to the total price of the basic requirement, and that the government could reject an offer if it were materially unbalanced as to prices for the basic requirement and the option quantities. The clause defined an unbalanced offer as one offering prices that were significantly less than cost for some work and prices which were significantly overstated for other work. Apparently recognizing that this option provision did not set forth a clear means of evaluating the stepladder quantities here, the Air Force amended the solicitation to provide that, for purposes of award, the option would be evaluated by multiplying the maximum quantity of 1,345 bundles by the unit price for the first increment of 1-200 units; in other words, only the base and 1-200 option quantity prices were to be evaluated.

The Air Force received four proposals in response to the solicitation, and requested all offerors to submit best and final offers (BAFOs). Alfab and STC were found to have submitted the respective low and second low BAFOs. STC proposed a lower base quantity price (\$1,997 per unit, for a total of \$1,075,182) than Alfab's (\$2,054 per unit, for a total of \$1,106,179), and a lower unit price (\$1,997) for the unevaluated 1201-1345 unit option increment than Alfab's (\$2,054). However, Alfab's total evaluated price for the base and 1-200 option quantity (\$2,489,671.50) was lower than STC's (\$3,964,007).

Alfab's evaluated price was low despite the firm's higher base quantity price because it priced the 1-200 option quantity, the only option quantity evaluated, at only \$1,026.50 per unit, and all the other increments at \$2,054. STC, on the other hand, offered prices that decreased as the quantity increased (from \$2,145 for the 1-200 quantity to \$1,997 for the 1,201-1,345 quantity). The Air Force made award to Alfab on the basis that it had submitted the low-priced proposal when evaluated pursuant to the solicitation.

In its protest, STC contends that Alfab's offer is mathematically unbalanced because the price for the 1-200 option quantity is only half as high as the prices for the other, larger option quantities. STC contends that Alfab's offer also is materially unbalanced because under several scenarios it will not result in the lowest cost to the government; for example, if the Air Force exercised the option once for a quantity of 1,345 units, STC's price for the base and option quantities (\$3,761,147) would be lower than Alfab's (\$3,868,809).

We have recognized that the concept of material unbalancing may apply in negotiated procurements where, as here, cost or

price constitutes a primary basis for source selection. An offer is materially unbalanced where: (1) it is mathematically unbalanced, that is, each item does not carry its share of the cost of the work, in that nominal prices are offered for some of the work and enhanced prices for other work; and (2) there exists a reasonable doubt as to whether award based on a mathematically unbalanced offer will result in the lowest overall cost to the government. See IMPSA International, Inc., B-221903, June 2, 1986, 86-1 CPD ¶ 506.

While, as STC points out, Alfab's price for the 1-200 option quantity is 50 percent lower than the base and remaining option quantity prices, and thus is arguably nominal under the above standard, there is no indication, and STC does not allege, that Alfab's offer contains enhanced prices for any quantities. As explained, Alfab's price for the base quantity and all but the 1-200 option quantity was \$2,054 per unit, which price clearly was in the same range as STC's own prices (\$2,145 to \$1,997 per unit), and thus was not enhanced. (As a further indication that Alfab did not overload certain prices to offset its low 1-200 option quantity price, Alfab initially priced its offer at \$2,054 per unit for all quantities, and reduced the 1-200 quantity price only after the RFP was amended to provide that only this option quantity would be evaluated for award.) We have specifically held that an offer is not mathematically unbalanced absent evidence that certain prices are overstated. See IMPSA Int'l., Inc., B-221903, supra.

In any case, we find that STC has not shown that there is a reasonable doubt that the award to Alfab will result in the lowest cost to the government. In this regard, the agency now reports that it fully intends to exercise the 1-200 quantity option to take advantage of Alfab's low price; as noted previously, upon the first exercise of the 1-200 option quantity, Alfab's contract would result in the lowest price under any combination of increments totalling 1,345.

We have no basis to question the Air Force's intentions. The Air Force reports it has always had a firm requirement for the 1,345 additional optional units, having solicited the option quantity on a stepladder basis only because of uncertainty as to funding; as reflected in the amendment providing for evaluation of the base and 1-200 option quantities, however, the agency has anticipated funding for at least those quantities. STC challenges neither the agency's intent nor the likelihood of sufficient funding. Further, we note that the scenario posited by STC (exercise of the 1,201-1,345 quantity option), under which its price

would be low, seems most unlikely given that the RFP appears to allow the Air Force to exercise Alfab's low-priced 1-200 quantity option the several times necessary to satisfy the entire 1,345 unit option requirement; the Air Force specifically brought this fact to Alfab's attention prior to award.

STC also argues that the RFP is ambiguous because it allegedly included two methods for the evaluation of options: it incorporated the FAR clause providing for evaluation of the total price for all options, while also including solicitation clause M505, which provides for the option to be evaluated by multiplying the maximum quantity of 1,345 units by the price for the 1-200 units increment.

Under our Bid Protest Regulations, alleged deficiencies on the face of a solicitation must be protested prior to the closing date for receipt of initial proposals. 4 C.F.R. § 21.2 (a) (1)(1988). Here, although STC maintains that this basis of protest was not apparent until it received the Air Force's report, we see no reason why any inconsistency between the clauses should not have been apparent from reading the two clauses upon receipt. We conclude that, to be timely, this allegation had to be raised prior to the closing date for receipt of proposals. In any event, we view clause M-505 as merely setting forth a more specific method of evaluating the total option quantity (1,345 units), as the FAR clause provided.

We deny the protest.

  
James F. Hinchman  
General Counsel