



Comptroller General
of the United States

Washington, D.C. 20548

A. McAuliffe

Decision

Matter of: Allstate Van and Storage, Inc.

File: B-238320

Date: April 26, 1990

Michael J. Radford, Esq., Procopio, Cory, Hargreaves and Savitch, for the protester.
Robert H. Shepard, Ace Van & Storage, an interested party.
Douglas P. Larsen, Jr., Esq., Office of the General Counsel Department of the Navy, for the agency.
Susan K. McAuliffe, Esq., Andrew T. Pogany, Esq., and Michael R. Golden, Esq., Office of the General Counsel, GAO, participated in the preparation of the decision.

DIGEST

Allegation that awardee's offer is materially unbalanced and violates solicitation's Integrity of Unit Prices clause is denied where protester has not shown that there is a reasonable doubt that award will result in the lowest overall cost to the government or that it was prejudiced by awardee's pricing.

DECISION

Allstate Van and Storage, Inc., protests the award of a contract to Bob Shepard Enterprises, Inc., d/b/a Ace Van and Storage, under request for proposals (RFP) No. N00123-89-R-5705, issued by the Department of the Navy for the packing, containerization and transportation of military personnel household goods. Allstate contends that Ace's offer should have been rejected because it was materially unbalanced and because it violated the Integrity of Unit Process clause of the RFP requiring unit prices to be in proportion to actual costs.

We deny the protest.

The RFP, issued on September 15, 1989, contemplated the award of an indefinite delivery, firm, fixed-price

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requirements contract for a period of 1 year (January 1, to December 31, 1990) to the qualified low offeror. The solicitation contained weight and quantity estimates for the various required services. These services, relating to the packing, crating and moving of household items, were set out in three schedules in the RFP. Schedule I described the required outbound services for packing and crating personal property for movement out of San Diego. Schedule II described the RFP's inbound service requirements to unpack and deliver personal property moved into San Diego, and schedule III described services regarding the packing and transporting of personal property within the San Diego area. The RFP also contained the clause, Integrity of Unit Prices, found at Federal Acquisition Regulation (FAR) § 52.215-16.

Four offers were received by the October 16, 1989, closing date. Ace offered the apparent low total price (all or none) of \$2,207,930, which included all three schedules. Allstate offered the apparent second low total price of \$2,382,690 for the same services. Having determined Ace to be a responsible prospective contractor, the Navy made an award to Ace as the qualified low offeror on December 14. Allstate filed its protest with our Office on January 16, 1990.

Allstate primarily contends that Ace's offer is materially unbalanced and violates the Integrity of Unit Prices clause because Ace allegedly skewed its prices among the various schedules by offering excessive prices for services under schedule I, while allegedly offering nominal prices under schedule II. Specifically, item 0001 of schedule I requested prices for complete outbound services which essentially involve movers with a truck driving to the service member's residence, collecting and packing the household goods and placing the loose goods in government furnished 196-cubic foot standard containers. Work under item 0003 of schedule I is identical except that a smaller container is used for overflow articles that are insufficient in volume to fill the standard containers. The protester notes that Ace priced the services involving the overflow containers (item 0003) at three times the price per net hundredweight than the services involving the standard container (item 0001). The protester argues that it is possible to manipulate the packing of articles and their placement in containers such that an overflow box is needed on any shipment and that therefore Ace's pricing structure serves as an incentive to maximize item 0003 usage through

manipulation.^{1/} Allstate also contends that since Ace's offer to perform certain items of the RFP's schedule II services is unrealistically low, it is possible that the Navy may incur additional future expenses in order to compensate for Ace's suspected inability to perform at such a low price. Allstate basically contends that these factors raise a reasonable doubt that award of the contract to Ace will result in the lowest cost to the government.

The Integrity of Unit Prices provision requires that offerors distribute costs within contracts on a basis that ensures that unit prices are in proportion to actual costs and prohibits methods of distributing costs to line items that distort unit prices. To succeed in a protest of alleged violations of this provision, the protester must establish both that the violations exist and that the protester was prejudiced by the improper pricing methods. See, e.g., Integrated Protection Sys., Inc., B-229985, Jan. 29, 1988, 88-1 CPD ¶ 92. Our analysis of alleged unbalancing is similar. A bid is unbalanced where it is based on nominal prices for some of the work and enhanced prices for other work. An unbalanced bid is unobjectionable, however, unless there is a reasonable doubt that its acceptance will result in the lowest overall cost to the government. All Star Maintenance, Inc., B-231818, Aug. 25, 1988, 88-2 CPD ¶ 181.

The protester has failed to show that with adequate contract administration Ace's offer will not result in the lowest ultimate cost to the government. First, the weights and quantities estimated in the RFP are based upon actual reported weights and quantities ordered under the previous contract, and the protester, while labeling the RFP's estimates as "conservative," has not challenged them as defective.^{2/} The total estimated quantities for all

^{1/} Oversize containers, as opposed to overflow containers, were also to be used for oversize articles (e.g., couches and rugs) which are too long for the standard containers. The protester does not allege, and we do not find, that these oversize containers, as well as certain other shipments, are similarly subject to possible manipulation.

^{2/} In support of its contention that Ace's offer is materially unbalanced, Allstate relies upon our decision in Ocean Habitability, Inc., B-227304, Sept. 17, 1987, 87-2 CPD ¶ 265, in which we upheld a contracting agency's rejection of an offer that contained extreme skewing of offered unit prices. There, we found that the inherent uncertainty of
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overflow items in the solicitation is 80 net hundredweight which Ace priced at a total of \$7,840. Since the overall difference between Allstate's and Ace's total prices is \$174,760, in order for any price displacement to occur here, as Allstate contends may happen, there would have to be, at least, greater than a twentyfold increase in the estimated annual usage of overflow containers. Allstate has not shown that such a dramatic increase can reasonably occur without being adequately monitored and corrected by the Navy during contract administration.^{3/}

Second, the RFP's specifications detailed the packing requirements, to include desired "minimum stowage factors" for shipping containers of 5.9 net pounds per gross cubic foot of the container unless the standards could not be met. In effect, the protester is speculating that Ace will not perform the contract efficiently and in good faith but will deliberately underpack standard containers in contravention of the specifications. The agency states that Ace has, for many years, performed similar contracts satisfactorily, and the contracting officer has no reason to believe the firm will not do so here. In this regard, whether or not a contractor actually performs under the contract in accordance with the solicitation's specifications is a matter of contract administration that is the responsibility of the contracting agency and is not for consideration by this Office. See William B. Hackett & Assocs., Inc., B-232799, Jan. 18, 1989, 89-1 CPD ¶ 46; 4 C.F.R. § 21.3(m)(1) (1989). Likewise, to the extent Allstate questions Ace's integrity as a prospective contractor, we find this to be an unsupported challenge to the contracting officer's affirmative

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the Navy's actual needs, along with the offer's extreme skewed pricing, rendered the offer materially unbalanced. Here, however, the solicitation's quantity estimates have been verified by the agency as an accurate reflection of its present needs, based upon historical information for this procurement over the past few years.

3/ The protester also alleges that Ace's price of \$28 per hundredweight for item 0001 (basic outbound services) is excessive since the next low offeror's price was \$20. Since we find the RFP's estimates accurate, this allegation must fail if we find, as we do, that there is no reasonable doubt that contract award to Ace, at its proposed prices, will result in the lowest overall cost to the government. In any event, we have no basis to find that the \$28 price was unreasonably high.

determination of Ace's responsibility not generally for our review. 4 C.F.R. § 21.3(m)(5).

In short, we do not find that the protester has adequately demonstrated that acceptance of Ace's offer would not result in the lowest cost to the government and, therefore, deny Allstate's protest of material unbalancing. Moreover, Allstate also has not established that it was prejudiced by Ace's allegedly improper pricing method or by any alleged violation of the RFP's Integrity of Unit Prices clause. See Northwest Cleaning Serv., B-234780, May 31, 1989, 89-1 CPD ¶ 523.

The protest is denied.



James F. Hinchman
General Counsel