



Comptroller General
of the United States

Washington, D.C. 20548

Decision

Matter of: DGS Contract Services, Inc.

File: B-245400

Date: December 30, 1991

Rickie Day for the protester,
Constance A. Wilkinson, Epstein Becker & Green, for
Government Leasing Corporation, an interested party,
Millard F. Pippin, Department of the Air Force, for the
agency,
John Van Schaik, Esq., and John Brosnan, Esq., Office of the
General Counsel, GAO, participated in the preparation of the
decision.

DIGEST

Low bid is not materially unbalanced, and thus not subject to rejection as nonresponsive, where the agency expects to exercise the option quantities, and the record contains no basis for concluding that accepting the low bid would not result in the lowest ultimate cost to the government.

DECISION

DGS Contract Services, Inc. protests the proposed award of a contract to Government Leasing Corporation under invitation for bids (IFB) No. F08602-91-B-0033, issued by the Department of the Air Force for the rental and maintenance of commercial washers and dryers at MacDill Air Force Base, Florida and Avon Park Air Force Range. DGS argues that Government Leasing's bid should be rejected because it is unbalanced.

We deny the protest.

The IFB, which was issued on July 3, 1991, contemplated the award of a contract for a 1-year base period with 3 option years, with award to be based on the total bid, including the base period and options. At the August 19 bid opening, the agency received seven bids. Government Leasing submitted the low bid at a total price of \$101,370 for the base year and the options, while DGS's bid was second low at a total price of \$111,372. The two bids are structured as follows:

	<u>Government Leasing</u>	<u>DGS</u>
Base Year	\$53,220	\$33,024
1st Option Year	19,830	33,024
2nd Option Year	15,420	33,024
3rd Option Year	12,900	12,300
Total	101,370	111,372

DGS argues that Government Leasing's bid is unbalanced because it is grossly overloaded in the base year so that should the options not be exercised the bid will not represent the lowest cost to the government.

There are two aspects of unbalanced bidding. The first involves a mathematical evaluation of the bid to determine whether each of its elements carries its proportionate share of the cost of the work plus profit, or whether the bid is based on nominal prices for some work and inflated prices for other work. The second aspect--material unbalancing--involves an assessment of the cost impact of 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. The Taylor Group, B-234294, May 9, 1989, 89-1 CPD ¶ 436.

With respect to mathematical unbalancing, although there may be certain pricing variables depending on the nature of the procurement, we will question a bid if in terms of the pricing structure evident among the base and option periods it is neither internally consistent nor comparable to other bids received. Thus, a large price difference between the base and option periods, or between one option and another is evidence that the bid is mathematically unbalanced. D&G Contract Servs., 68 Comp. Gen. 277 (1989), 89-1 CPD ¶ 219.


Here, the record shows that Government Leasing's base year price is 168 percent higher than the first option year price and 245 percent and 312 percent higher than its second and third option year prices. Also, Government Leasing's price for the base year is \$11,844 higher than the next highest price and its first year option price is \$9,828 lower than the next low price for that period. In most instances, where we have found that a bid or offer for the lease of washers and dryers is mathematically unbalanced, the differentials between the base and option period prices were

larger than they are here, see D&G Contract Servs., 68 Comp. Gen. 277, supra (base year price 685 percent higher than second option year price); D&G Contract Servs., B-232079, Dec. 12, 1988, 88-2 CPD ¶ 584 (base year approximately 700 percent higher than option year prices). It is nevertheless a close question whether Government Leasing's bid, which compared to the other bids received, is front-loaded, is in fact mathematically unbalanced.

Since, for the reasons stated below, we find that there is not a reasonable doubt that the award to Government Leasing will result in the lowest cost to the government, we cannot conclude that the awardee's bid was materially unbalanced and therefore we have no legal basis upon which to interfere with the award. Although DGS speculates that the contract may not run its full term, the contracting officer explains that the agency intends to exercise all of the options under the contract. In addition, although Government Leasing's bid is front-loaded, this is not a case in which the agency would have to exercise all of the options in order for the bid to result in the lowest overall cost to the government. See D&G Contract Servs., 68 Comp. Gen. 277, supra. Government Leasing's bid would become the overall low bid during the 29th month of the 48-month contract, or in the 6th month of the 2nd option year. Thus, Government Leasing's bid would still be low even if the government exercised only the first and second options. Under the circumstances, it appears that Government Leasing's bid will ultimately provide the lowest cost to the government.

DGS also argues that as a result of its front-loaded bid, which allows the firm to recover most of its costs for equipment early in the contract, Government Leasing may not perform the maintenance requirements of its contract. Since Government Leasing has taken no exception to the solicitation maintenance requirements, there is no basis to find the bid nonresponsive in this respect. OMSERV Corp., B-237691, Mar. 13, 1990, 90-1 CPD ¶ 271.

The protest is denied.


for James F. Hinchman
General Counsel