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# Decision

**Matter of:** Defense Base Services, Inc.

**File:** B-416874.3; B-416874.4

**Date:** August 19, 2019

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## DIGEST

1. Protest that the agency unreasonably failed to determine that the awardee's price proposal was unbalanced is denied where the record shows that the agency's price evaluation was reasonable and consistent with the terms of the solicitation.
  2. Protest that the agency inflated the importance of the past performance factor, while minimizing the importance of the price factor, in its best-value tradeoff decision is denied where the record shows that the agency's tradeoff decision was reasonable, and the weight assigned by the source selection authority to each factor was consistent with the stated evaluation scheme.
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## DECISION

Defense Base Services, Inc. (DBSI), of Anchorage, Alaska, protests the award of a contract to Arctic Slope Regional Corporation Communications, Ltd. (ASRCC), of Beltsville, Maryland, under request for proposals (RFP) No. FA5215-17-R-9002 issued by the Department of the Air Force for installation support services. DBSI challenges the agency's evaluation of Arctic Slope's proposal under the price factor, as well as the agency's best-value tradeoff decision.

We deny the protest.

## BACKGROUND

The RFP, issued on June 1, 2017, sought proposals to provide operations and maintenance services for Eareckson Air Station, located on the Aleutian Island of Shemya; King Salmon Airport, located within the Bristol Bay Borough of Alaska; and Wake Island Airfield, located on Wake Island. Agency Report (AR), Tab 18, RFP, Section J, Attachment 1, at 4-5. Under the contract, referenced as the Installation Support Services 2 – Geographically Separated Locations (ISS2-GSL) contract, the awardee was to provide various services including, but not limited to, operation and maintenance of: facilities, utilities, airfield, vehicles, equipment, appliances, roads, grounds, communication systems, equipment, computers, networks, billeting, food, medical, environmental services, quality control, supply, logistics, fire protection, aircraft refueling, deicing, and cargo and passenger handling. Id. at 5. The resulting contract was to include a 1-year, fixed-price phase-in period; ten fixed-price option years, each with various fixed-price contract line item numbers (CLIN); and an optional 1-year phase-out period. RFP at 2-91.

Proposals were to be evaluated on a best-value tradeoff basis, considering price, technical acceptability, technical risk, and past performance. RFP, Section J, Attachment 17, at 1. When combined, the non-price factors were to be approximately equal to price. Id. The RFP instructed that, “[a]ll technically acceptable offers will be treated equally except for their technical risk, prices and performance records.” Id.

Technical acceptability was to be evaluated on a pass/fail basis considering four subfactors: management, transition, technical approach and retention. Id. at 1-2. Technical risk was to consider potential for disruption of schedule, degradation of performance, the need for increased government oversight, and the likelihood of unsuccessful contract performance. Id. at 2. Proposals were to be assigned one of the following risk ratings: low risk, moderate risk, high risk or unacceptable risk. Id. at 3. Under the past performance factor, recent and relevant performance information was to be evaluated to “assess the degree of confidence the Government has in the offeror’s ability to meet the solicitation requirements based on the offeror’s demonstrated record of performance.” Id. at 5. Offerors were to be assigned one of the following overall performance confidence assessment ratings: substantial confidence, satisfactory confidence, neutral confidence, limited confidence, or no confidence. Id.

Price proposals were to be evaluated for reasonableness, completeness, realism and balance. Id. at 3. For the price evaluation, total proposed price (TPP) was to be generated from an offeror’s pricing information for the phase-in, option years, and phase-out periods. Id. Total evaluated price (TEP) was to be derived from TPP, with the addition of pricing for six month extensions for each option year minus a reduction of \$10 million for each option year, “to represent the estimated market requirements . . . to retain qualified personnel during contract performance.” Id. Price analysis was to be used to evaluate the reasonableness of each offeror’s TEP. Id. at 4. The RFP warned that a “determination of an unreasonably high TEP may be grounds for eliminating a proposal from the competition.” Id.

Two proposals were received in response to the solicitation, one from ASRCC, and the other from DBSI. AR, Tab 45, Source Selection Evaluation Board (SSEB) Report, at 7. After conducting an initial evaluation of proposals, and discussions, the agency received final proposal revisions on March 20, 2018. Id. Evaluation of the two proposals produced the following results:

	ASRCC	DBSI
<b>Technical Acceptability</b>	Acceptable	Acceptable
<b>Technical Risk</b>	Low Risk	Low Risk
<b>Past Performance</b>	Satisfactory Confidence	Neutral Confidence
<b>Total Proposed Price</b>	\$432,408,960	\$395,916,041
<b>Total Evaluated Price</b>	\$634,956,399	\$582,120,551

AR, Tab 39, Source Selection Decision Document (SSDD), at 6-14.

In conducting the best-value tradeoff, the source selection authority (SSA) emphasized that ASRCC’s past performance record was evaluated more favorably than DBSI’s, ultimately deciding that award should be made to ASRCC. Id. at 15. This protest followed.

## DISCUSSION

DBSI raises various challenges to the agency’s evaluation of ASRCC’s proposal, and the best-value tradeoff decision. The protester’s most significant challenges are to the agency’s evaluation of ASRCC’s proposal for balanced pricing, and the weight assigned by the agency to offerors’ past performance records and price in the tradeoff decision. While we discuss in detail these two protest grounds, we have considered all of the issues raised by DBSI in its protest, and find that none of the allegations raised provides a basis to sustain the protest.<sup>1</sup>

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<sup>1</sup> For example, DBSI challenged the assignment of a low risk rating to ASRCC’s proposal. In this regard, the protester argued that, “the ‘low risk’ ratings for both DBSI and ASRCC are, in fact, incompatible with ASRCC having proposed total transition costs that were double those proposed by DBSI.” Protest at 19. DBSI further argued that the agency erred in its evaluation since it “was willing to pay twice as much for ASRCC’s transition plan, which obviously misinterpreted the requirement by costing so much more.” Id. The agency requested that we dismiss this protest allegation arguing that DBSI failed to show any relationship between higher transition costs and increased technical risk, nor did it make any other argument that ASRCC’s technical proposal presented technical risk. Agency Request for Dismissal at 2. The agency also argued that “DBSI’s argument on technical risk, which rests illogically on ASRCC’s higher transition costs rather than the substance of its technical proposal, fails to allege a legally sufficient protest ground.” Id. at 3. We agreed and dismissed this allegation because, as filed with our Office, it does not establish a valid basis of protest for

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## Price Evaluation

DBSI challenges the agency's evaluation of ASRCC's price proposal, primarily arguing that the awardee's price was unbalanced, and the agency's failure to make such a determination was unreasonable and inconsistent with the terms of the solicitation. Protest at 12-18; Protester's Comments at 18-27. DBSI argues that ASRCC improperly "front-load[ed]" pricing into the first [DELETED] option years, which "reflects an improper and risky scheme to maximize profits during the early years of performance, betting that the Agency would not exercise the final [DELETED] option years." Protest at 16.

The agency responds that it "analyzed ASRCC's proposal for potential unbalanced pricing in multiple areas" and found no unacceptable risks associated with the awardee's pricing. Memorandum of Law (MOL) at 13-14. Specifically, related to the difference between ASRCC's pricing of the first [DELETED] option years, and the latter option years, the agency points to the fact that the reduction in annual price in the "out years" is the same amount as for ASRCC's annual vehicle depreciation,<sup>2</sup> which, consistent with the awardee's corporate policy, ASRCC only included in [DELETED] option years of its price proposal. Id. at 14-16. The agency asserts that its consideration of ASRCC's proposal for unbalanced pricing was a reasonable exercise of its discretion. Id. at 18.

Unbalanced pricing exists when, despite an acceptable total evaluated price, the price of one or more contract line items is significantly overstated or understated. See American Access, Inc., B-414137, B-414137.2, Feb. 28, 2017, 2017 CPD ¶ 78 at 5 (discussing unbalanced pricing as defined in Federal Acquisition Regulation (FAR) § 15.404-1). The risks of unbalanced pricing can occur in several contexts, to include instances where a solicitation establishes base quantities and option quantities as separate line items, as in this case. Gulf Master Gen. Trading, LLC, B-407941.2, July 15, 2013, 2013 CPD ¶ 210 at 4; FAR § 15.404-1(g)(1)(ii). The FAR requires that contracting officers analyze offers with separately-priced line items or subline items, to

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challenging the agency's action. In this regard, the protester did not make any showing as to how ASRCC's higher transition costs could reasonably translate into increased technical risk, or that these higher costs could even be considered under the technical risk factor. 4 C.F.R. §§ 21.1(c)(4) and 21.5 (f); see Access Interpreting, Inc., B-413990, Jan. 17, 2017, 2017 CPD ¶ 24 at 4 (dismissing allegation for failing to state a legally sufficient basis of protest where plain terms of the solicitation did not require what protester argued).

<sup>2</sup> The RFP required offerors to provide vehicles as part of the scope of work. See, e.g., RFP, Section J, Attachment 1, at 4. With respect to DBSI's proposal, the price element representing these vehicle costs was amortized over [DELETED] option years, and denoted in the evaluation as annual vehicle depreciation. AR, Tab 45, SSEB Report, at 32.

detect unbalancing. See FAR § 15.404-1(g)(2). If price analysis techniques indicate that an offer is unbalanced, the FAR instructs that the contracting officer shall consider the risks to the government associated with the unbalanced pricing in making the source selection decision, and whether award of the contract will result in paying unreasonably high prices for contract performance. Id. An offer may be rejected if the contracting officer determines that the lack of balance poses an unacceptable risk to the government. Id.

Here, the solicitation cautioned offerors against submitting an unbalanced offer, and the record reflects that the agency analyzed the price proposals of both offerors for unbalanced pricing. Specifically with respect to ASRCC's proposal, the record shows that the evaluators questioned the significant decrease in option year pricing proposed for option year six and beyond.<sup>3</sup> AR, Tab 45, SSEB Report, at 31-32. In response to the agency's evaluation notice regarding this observation, ASRCC explained that the reduction in option year pricing reflected their corporate policy to amortize vehicle depreciation costs over a [DELETED] period. The evaluators found ASRCC's explanation acceptable, noting that ASRCC "was not required to depreciate the vehicle costs over all 10 option years." Id. at 32. As relevant here, the SSDD states with respect to ASRCC's proposal, "the Government analyzed the phase-in, phase-out, and how the proposal applied the amortization of vehicle costs. The Government concluded that the price differential at the CLIN level and between the Option Years does not pose an unacceptable risk to the Government and, therefore, ASRCC's [proposal] should not be rejected as unbalanced." Id. at 9. AR, Tab 39, SSDD, at 9.

In its comments on the agency report, DBSI asserts that the agency's evaluation was "cursory" arguing that there was no discussion in the evaluation record "about the different approaches taken by the offerors with regard to purchasing and depreciating vehicles, whether one approach was superior, whether another approach was more risky, or whether ASRCC's approach in particular would result in needless extra cost being incurred." Protester's Comments at 24-25. The protester also argues that the agency's limited analysis of ASRCC's approach to depreciation was irrational. Id. at 25. In this regard, the protester argues that ASRCC's depreciation period of [DELETED] years "shifts all the benefit to ASRCC and all the risk to the Agency, if ASRCC does not actually perform the Contract for the full ten-year period." Id. at 25-26.

The manner and depth of an agency's price analysis is a matter within the sound exercise of the agency's discretion, and we will not disturb such an analysis unless it lacks a reasonable basis. Gentex Corp.--Western Operations, B-291793 et al., Mar 25, 2003, 2003 CPD ¶ 66 at 27-28. It is up to the agency to decide upon the appropriate method for evaluation of cost or price in a given procurement, although the agency must

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<sup>3</sup> In this regard, ASRCC's option year one proposed price was approximately \$47 million, its option year two through option year five pricing was approximately \$45 million per year, while the firm's option year six through option year 10 pricing was approximately \$39 million per year. AR, Tab 45, SSEB Report, at 29-30.

use an evaluation method that provides a basis for a reasonable assessment of the cost of performance under the competing proposals. S.J. Thomas Co., Inc., B-283192, Oct. 20, 1999, 99-2 CPD ¶ 73 at 3. In reviewing a protest against the propriety of an evaluation, we will review an evaluation to ensure that it was reasonable and consistent with the evaluation criteria in the solicitation and applicable procurement statutes and regulations. Decisive Analytics Corp., B-410950.2, B-410950.3, June 22, 2015, 2015 CPD ¶ 187 at 11.

Our review of the record does not provide us with any basis to question the agency's evaluation of ASRCC's price proposal in this regard. The record shows that the agency conducted a detailed analysis for unbalanced pricing as required by the solicitation and the FAR. See AR, Tab 45, SSEB Report, at 30-33. The record also reflects that the SSA considered this analysis and determined that ASRCC's pricing did not pose an unacceptable risk to the government. AR, Tab 39, SSDD, at 9. With respect to the protester's comments on the agency report, the source selection decision does, in fact, address the different approaches of ASRCC and DBSI with respect to amortization of vehicle costs. In this regard, for example, the SSDD discusses that both offerors proposed "[s]ubstantially different approaches" with respect to contractor-provided vehicles and equipment. Id. at 13. The SSDD also observes that ASRCC amortized depreciation of new vehicle and equipment costs over [DELETED] years, while DBSI's approach "spread the vehicle/equipment depreciation costs across [DELETED] years and other equipment types between [DELETED] years, depending on the type of equipment." Id.

With respect to the other aspects of DBSI's challenge, our review of the solicitation language relevant to unbalanced pricing, as well as FAR § 15.404-1(g)(2), does not show that competitive superiority or riskiness, or a needs-based analysis of proposed costs, is even a consideration in evaluating whether proposed pricing is unbalanced--and the protester has made no showing to this effect. See Protester's Comments at 24-25. Moreover, to the extent that DBSI argues that ASRCC was required to amortize costs over the full ten-year potential contract period, there was no such requirement in the solicitation, nor did the protester follow such methodologies in pricing its own proposal, as discussed above. As DBSI has not shown that the agency's price evaluation of ASRCC's proposal was unreasonable, we deny this protest ground.<sup>4</sup> Decisive Analytics Corp., supra.

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<sup>4</sup> DBSI also argues that the agency failed to conduct a rational price reasonableness analysis of ASRCC's proposed price. Protest at 18; Protester's Comments at 27-29. In this regard, the protester argues that there "was no rational basis for the agency's conclusion that ASRCC's pricing was reasonable when extra vehicle costs are considered." Protester's Comments at 29. However, price reasonableness was to be evaluated based on total evaluated price, and not individual price elements. See RFP, Section J, Attachment 17, at 4 (price reasonableness will be determined based on evaluation of each offeror's total evaluated price). As the solicitation did not require the evaluation of individual price elements for reasonableness, and the protester's

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## Best-Value Tradeoff

The protester argues that the agency improperly changed the weighting of various evaluation criteria by inflating the importance of the past performance factor, while minimizing the importance of the price factor in making the tradeoff decision. Protest at 20-21; Protester's Comments at 29-37. Specifically, the protester makes three arguments: (1) the agency was required to identify a "countervailing risk" to justify awarding the contract to an offeror with a higher past performance rating; (2) the agency failed to properly weigh ASRCC's past performance in the tradeoff analysis; and (3) the agency's tradeoff decision was irrational because it did not properly document the perceived benefits of ASRCC's proposal.<sup>5</sup> Protester's Comments at 29-33. The protester also argues that the agency improperly failed to evaluate the degree to which it was receiving a benefit from the awardee's proposal to acquire all new vehicles and equipment for a price premium, and that the agency's valuation of ASRCC's proposal for new vehicles at a price premium was not consistent with the terms of the solicitation. Supp. Protest at 5-15.

Where, as here, a solicitation contemplates award on a best-value tradeoff basis, agencies have discretion to make award to a concern that has submitted a higher-priced, technically superior offer. Addvetco, Inc., B-412702, B-412702.2, May 3, 2016, 2016 CPD ¶ 112 at 9. An agency's decision is governed only by the test of rationality and consistency with the solicitation's stated evaluation criteria. Id. Source selection decisions must be documented, and must include the rationale for any business judgments and tradeoffs made or relied upon by the source selection authority, but there is no need for extensive documentation of every consideration factored into a tradeoff decision. Navistar Def., LLC; AM Gen., LLC, B-407975.2 et al., Dec. 19, 2013, 2014 CPD ¶ 287 at 12. Rather, the documentation need only be sufficient to establish that the agency was aware of the relative merits and costs of the competing proposals and that the source selection was reasonably based. Id.; Worldwide Info. Network Sys., Inc., B-408548, Nov. 1, 2013, 2013 CPD ¶ 254 at 6.

As discussed, proposals were to be evaluated on a best-value tradeoff basis with the combined non-price factors (technical acceptability, technical risk and past performance) being evaluated on a basis approximately equal to price. RFP, Section J, Attachment 17 at 1. Both DBSI's and ASRCC's proposals were found to be acceptable under the technical acceptability factor, as well as low risk under the technical risk

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argument focuses solely on one price element, this challenge fails to state a legally sufficient basis of protest and is dismissed. Access Interpreting, Inc., supra.

<sup>5</sup> In fact, DBSI raises various challenges to the sufficiency of the record. See, e.g., Protester's Comments at 37-41. While we only address here the protester's challenge to the adequacy of the documentation supporting the tradeoff decision, we have considered all of these arguments, and, as discussed below, conclude that the record is adequately documented. As such, we do not address these other allegations further.

factor. AR, Tab 39, SSDD, at 15. ASRCC's total evaluated price was higher than DBSI's, but ASRCC's past performance record was evaluated more favorably than DBSI's, with ASRCC receiving a satisfactory confidence rating, and DBSI receiving a neutral confidence rating.<sup>6</sup> Id. at 15-16. It was on the basis of DBSI's lower total evaluated price versus ASRCC's more positive past performance record that the SSA ultimately made his tradeoff decision. Id.

DBSI first argues that the award decision was irrational because "the contracting officer did not determine that there was some countervailing risk which would be assuaged by awarding the contract to an offeror with a higher past performance rating." Protester's Comments at 31. However, what was to be evaluated under the past performance factor was "the degree of confidence the Government has in the offeror's ability to meet the solicitation requirements based on the offeror's demonstrated record of performance." RFP, Section J, Attachment 17, at 5. As such, we see no reason why the agency couldn't evaluate and ascribe a value to the confidence it assessed in ASRCC's past performance record without identifying countervailing risks, as the protester urges. The agency viewed the awardee's past performance record more favorably as a measure of confidence than it did DBSI's. Such an evaluation was reasonably contemplated by the evaluation factor.

The protester also argues that the agency failed to properly weigh ASRCC's past performance in the tradeoff analysis. In fashioning its argument, the protester argues that given the stated evaluation scheme, "on a rough order of magnitude," price should have comprised approximately 50 percent of the agency's evaluation, whereas past performance should only have been weighted approximately 16.7 percent (or one-third of 50 percent). Protester's Comments at 29. DBSI concludes that "it is clear from the record that the Agency failed to properly afford price its due weight in the evaluation." Id. The protester's contention is without merit. Setting aside the protester's mechanical analysis, we have consistently found that an advantage under a lower-weighted factor may properly be relied upon as a key discriminator for purposes of a source selection decision. See, e.g., Wisconsin Physicians Serv. Ins. Corp., B-401068.14, B-401068.15, Jan. 16, 2013, 2013 CPD ¶ 34 at 10. The agency's reliance on past performance as a discriminator here was reasonable, particularly when viewed in the context that proposals were only being evaluated for acceptability under the technical acceptability factor, and that both proposals had received low risk ratings under the technical risk factor.

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<sup>6</sup> A satisfactory confidence rating was to be assigned where, based on the offeror's performance record, "the government has a reasonable expectation that the offeror will successfully perform the required effort." RFP, Section J, Attachment 17, at 6. A neutral confidence rating was to be assigned where no recent or relevant performance is available or the offeror's performance record is so sparse that no meaningful confidence assessment rating can be assigned. Id.

DBSI next argues that the agency's tradeoff decision was irrational because it did not properly document the perceived benefits of ASRCC's proposal. Protester's Comments at 33. In this regard, the protester argues that "[n]owhere in the record . . . does the Agency state specifically why having a past performance record . . . was so important to the Agency such that it merited paying a \$52,835,848.01 price premium, a significant portion of which was for the purchase of new vehicles." Id. at 35. However, the record shows that the SSA did, in fact, document his rationale. In this regard, the SSA found that the awardee's past performance record:

had several recent past performances [sic] which were found to be somewhat relevant to the current ISS2-GSL requirement and which had quality of performance ranging from satisfactory to excellent. For example, [redacted] contract was found to have essentially the same magnitude as the current ISS2-GSL requirement, and to have similar scope of performance and some of the complexity of the ISS2-GSL requirement. Here ASRCC was found to have a known record of satisfactory performance similar in scope to that required by the current ISS2-GSL requirement, covering areas such as airfield operations, safety, quality assurance, emergency response, facility management, key personnel oversight, training, and project management.

AR, Tab 39, SSDD, at 15-16. The SSA's evaluation of ASRCC's past performance record, coupled with its acceptable rating under the technical acceptability factor, and low risk rating for technical risk, was found to warrant the price premium for ASRCC's proposal over the proposal of DBSI. Id. at 16.

As discussed, source selection decisions need only be sufficient to establish that the agency was aware of the relative merits and costs of the competing proposals and that the source selection was reasonably based. Navistar Def., LLC; AM Gen., LLC, supra. The record adequately supports the agency's tradeoff decision here.

Lastly, the protester argues that the agency improperly failed to evaluate the degree to which it was receiving a benefit from the awardee's proposal to acquire all new vehicles and equipment for a price premium, and that the agency's valuation of ASRCC's proposal for new vehicles at a price premium was not consistent with the terms of the solicitation. Supp. Protest at 5-15. With respect to DBSI's second contention--that the agency's valuation of ASRCC's proposal for new vehicles at a price premium was not consistent with the terms of the solicitation--the record shows that the agency did not favorably evaluate ASRCC's proposal in this regard. As the record does not support this contention, it will not be considered further. Access Interpreting, Inc., supra.

With respect to the former contention--that the agency did not evaluate the degree to which it was receiving a benefit for proposed new vehicles--this allegation appears factually correct. In this regard, the evaluation record does not appear to show that the agency assigned any particular value to ASRCC's proposal of new vehicles, particularly in comparison to DBSI's less expensive proposal to procure the incumbent's vehicles

and replace only those vehicles when required. See generally AR, Tab 39, SSDD; Tab 45, SSEB Report.

The agency explains that “the SSA made a reasonable decision to not distinguish either proposal under either the technical acceptability or technical risk factors as worth a price premium, and his decision was consistent with the terms of the solicitation.” Supp. MOL at 9. We are provided no basis to question the evaluation in this regard.

The protest is denied.

Thomas H. Armstrong  
General Counsel