



United States
General Accounting Office
Washington, D.C. 20548

Office of the General Counsel

B-229991.3

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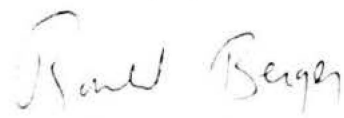
Dear Mr. Payne:

We refer to your letter dated September 22, 1988, on behalf of your client American Dredging Company, Inc., concerning our denial of that firm's protest under invitation for bids (IFB) No. DACW51-88-B-0013, issued by the Army Corps of Engineers for dredging. See American Dredging Co., Inc., B-229991.2, Sept. 15, 1988, 88-2 CPD ¶ _____. While not formally requesting reconsideration of our decision, you took issue with the last paragraph in which we rejected American Dredging's claim that the IFB should be canceled and resolicited because the other bids received were excessive in price.

In our decision, we noted that a cogent and compelling reason to support cancellation of an IFB after bid opening does exist where the prices of all otherwise acceptable bids are unreasonable. However, a determination concerning price reasonableness is a matter of administrative discretion which we will not question unless it is clearly unreasonable or there is a showing of fraud or bad faith. See Uniform Rental Service, B-228293, Dec. 9, 1987, 87-2 CPD ¶ 571. In this regard, the fact that the prospective awardee's price is higher than the protester's does not necessarily indicate that the awardee's price is unreasonable. See Tayloe Associates, B-216110, June 3, 1985, 85-1 CPD ¶ 625 (where the awardee's price, which was 40 percent greater than the protester's, was not considered unreasonable); Coastal Industries, Inc., B-230226, May 3, 1988, 88-1 CPD ¶ 431.

The fact that a bid may not be the lowest received does not mean it is unreasonable. Here, while it is true that the next low bid was \$4 million higher than American's alleged "corrected" price, that difference--even if we assume that American's "corrected" price is valid--does not automatically make the next low bid, which was 13.59 percent higher than the \$22 million estimated cost of the project, unreasonable. See, e.g., Vee See Construction Co., Inc., 54 Comp. Gen. 507 (1974), 74-2 CPD ¶ 373. Accordingly, in the absence of anything in the record to indicate that the second low bid was so high so as to be unreasonable as a matter of law, there was no basis for us to conclude that the contracting officer had to reject the bid and resolicit.

Sincerely yours,



Ronald Berger
Associate General Counsel