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Comptroller General
of the United States
United States General Accounting Office
Washington, DC 20548

Decision

Matter of: Quality Inn & Suites Conference Center

File: B-283468

Date: October 20, 1999

Phillip E. Johnson, Federal Contract Specialists, Inc., for the protester.
COL Nicholas P. Retson and CPT David J. Goetz, Department of the Army, for the agency.
John L. Formica, Esq., and James A. Spangenberg, Esq., Office of the General Counsel, GAO, participated in the preparation of the decision.

DIGEST

Agency properly canceled a solicitation for lodging and transportation after bid opening where the bid prices were reasonably determined to be unreasonably high because they were well more than twice the prices paid under the predecessor contract and the independent government estimate, and where the protester's bid price was itself considerably higher than the price purportedly established by the protester as reasonable based upon its own market survey.

DECISION

Quality Inn & Suites Conference Center protests the cancellation of invitation for bids (IFB) No. DABT57-99-B-0002, issued by the Department of the Army, for lodging and transportation for the School of Cadet Command, Fort Monroe, Virginia.

We deny the protest.

The IFB required that the contractor provide accommodations located within 5 miles of Fort Monroe. The solicitation also required that the contractor provide transportation to and from certain local airports, bus and train stations and the accommodations upon the arrival and departure of the students attending the school, as well as daily transportation between the accommodations and Fort Monroe. Agency Report, Tab 3, IFB, section C, Performance Work Statement, at 5-7.

The IFB provided for the award of a requirements contract for a base period of 1 year with two 1-year options. Id. at B-1, B-2, F-1, I-7, I-8.

The agency received two bids. Holiday Inn Hampton Hotel & Conference Center submitted the low bid of $1,853,100, or $58 per room, and the protester submitted a bid totaling $2,315,497, or $74.55 per room. Contracting Officer's Statement at 2; Agency Report, Tab 4, Abstract of Bids.

Quality Inn filed a protest with the contracting agency, challenging the responsiveness of Holiday Inn's low bid. Agency Report, Tab 10. The agency did not answer this protest, but found that the bids received were unreasonably high based upon the agency's independent government estimate (IGE), market research, and the prices paid on the predecessor contract, and therefore cancelled the solicitation. Contracting Officer's Statement at 2-3. This protest followed.

Quality Inn argues that its bid was not unreasonably high, but rather the agency's estimate was unreasonably low. The protester also questions the results of the agency's market research, and the validity of using the prices paid on the predecessor contract as an aid in determining the reasonableness of the prices bid in response to this IFB. Protest at 4. Quality Inn also argues, as it did in its agency level protest, that the low bid submitted by Holiday Inn should be rejected as nonresponsive. The protester concludes that it should be awarded the contract at its bid price of $2,315,497 ($74.55 per room).

An IFB may be canceled after bid opening if the prices of all otherwise acceptable bids are unreasonable. Federal Acquisition Regulation § 14.404-1(c)(6). The determination that prices are unreasonable is a matter of administrative discretion that we will not disturb unless the determination is unreasonable or there is a showing of fraud or bad faith on the part of contracting officials. Howard W. Pence, Inc., B-277735.2, Nov. 21, 1997, 97-2 CPD ¶ 150 at 2. An agency may select whatever price analysis techniques will ensure a fair and reasonable price, including relying on such factors as government estimates, procurement history, current market conditions, and any other relevant factors, including those that have been revealed by the competition itself. Nomura Enter., Inc., B-271215, May 24, 1996, 96-1 CPD ¶ 253 at 2. We have found, for example, that the cancellation of an IFB was justified where the low responsive bid exceeded the government estimate by as little as 7.2 percent. Building Maintenance Specialists, Inc., B-186441, Sept. 10, 1976, 76-2 CPD ¶ 233 at 4.

In finding that the bids submitted were unreasonably high, the agency points out that under the predecessor contract, the price paid per room for the base period was $19.50 (for 10,450 rooms), for the first option period was $21.50 (for 11,000 rooms), and for the second option period was $22.50 (for 11,000 rooms). Agency Report, Tab 7, Determination and Findings for Rejection of Bids, at 2. That is, the prices per room bid by Holiday Inn and the protester are more than twice and three times, respectively, the prices paid during the last option year of the predecessor contract.

The agency also compared the prices bid with the IGE for the requirement of $22.50 per room (which totaled $718,875 and apparently was based upon the prices paid under the predecessor contract) with the same results.

The agency states that it also performed market research by reviewing the prices paid under recent purchase orders and by conducting a telephone survey, and found that the average price, without taking into account either transportation or any discount for ordering a large number of rooms, was $33 per room. Id.

The protester disputes the accuracy of the IGE and the viability of comparing the prices paid under the predecessor contract to the prices bid here, arguing that it is unreasonable for the agency to expect that "a price of a single room with the transportation as required for this contract that has been paid over the last 12 months to remain the same for the next 3 years." Protester's Comments at 3. The protester also asserts that it conducted its own market survey. Specifically, the protester included two survey sheets, one of which stated only that the IGE of $22.50 per room for the lodging and transportation required by this contract was too low, while the other listed a "reasonable price" for the required lodging and transportation services of $55 per room. Id. at exhs. A, B. The protester concludes that, because the results of its market survey differ from the results of the agency's market survey, the agency's market survey was "insufficient." Id. at 2.

The protester has provided no basis for our Office to object to the agency's cancellation of the IFB because the prices bid were unreasonably high. The agency's determination was based upon the comparison of the prices bid with the government estimate, the current contract price, and a market survey, all of which are valid bases for determining the fairness of bid prices. Logistics Int'l, Inc., B-254810, Jan. 21, 1994, 94-1 CPD ¶ 28 at 2-3. Although the protester has challenged the propriety of certain of the agency's conclusions, for example, the agency's development of an IGE that equates to the current contract price without accounting for any price escalation over the possible 3-year term of the contract, that challenge does not account for the enormous disparity between the prices bid and the IGE. We note here that even the evidence furnished by the protester, such as its market survey indicating that $55 is a reasonable price per day for the lodging and transportation requirements set forth in the IFB, indicates that the protester's bid (which, based upon the protester's arguments here, is the only otherwise acceptable bid submitted in response to the IFB) is unreasonably priced. That is, the protester's bid price of $74.55 per room exceeds by 36 percent the price purportedly established as reasonable by the protester's own market survey. In sum, under the circumstances here, we have no basis to object to the agency's determination to cancel the solicitation because the prices bid were unreasonably high.

The protest is denied.

Comptroller General
of the United States