



**Comptroller General
of the United States**

Washington, D.C. 20548

Decision

Matter of: Copy Graphics

File: B-273028

Date: November 13, 1996

Edward W. Stivers for the protester.

Kerry L. Miller, Esq., Government Printing Office, for the agency.

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DIGEST

Protester's low bid was properly rejected as unbalanced where it contained mathematically unbalanced prices and the agency had a reasonable doubt, in light of the uncertainty associated with solicitation estimates, that award on the basis of the protester's bid would result in the lowest overall cost to the government.

DECISION

Copy Graphics protests the rejection of its low bid as unbalanced under invitation for bids (IFB) 717-S, issued by the United States Government Printing Office (GPO) for the printing and distribution of general wage determination reports of the Department of Labor. Copy Graphics argues that its low bid was improperly rejected.

We deny the protest.

The IFB contemplated the award of a fixed-price requirements contract for the production of the reports. Price entries were required for three groups of items: (1) printing and binding; (2) packing—including bulk shipments and mailing; and, (3) additional operations. The printing and binding group contains two individual items, with two prices each and the packing group contains four items under bulk shipments and three items under mailing. The additional operations group has two items: upgrading the mailing list and handling undeliverable packages. The IFB listed estimated requirements to produce 1 year's production for each of the 13 item prices required.¹ As to packing specifications, while the IFB specified, among other

¹For example, the agency estimated 61,776 pages for makeready and/or setup for the weekly updates and 10,711 pages for makeready and/or setup for the annual report.

(continued...)

things, a maximum weight of 40 pounds per container and the use of pallets when shipping to GPO, it did not specify a minimum weight per container or a minimum or maximum number of containers to be shipped per pallet.² Additionally, while the RFP specified the type of shrink-film wrap required, it did not specify any parameters for the number of pages to be included in each shrink-film wrapped package. The contract was to be awarded to the bidder who submitted the lowest total price, calculated by multiplying the unit prices offered by the estimated quantities and adding each of those subtotals.

Of the eight bids received, Copy Graphics's bid of \$310,346 represented the lowest evaluated overall price as follows:

I. PRINTING AND BINDING:

	Makeready and/or Setup (1)	Running Per 1,000 copies (2)
(a) Weekly Updates per page	\$ <u>NC</u>	\$ <u>NC</u>
(b) Annual Report per page	\$ <u>NC</u>	\$ <u>NC</u>

II. PACKING:

1. Bulk shipments (other than by mail):

(a) Packing and sealing shipping container . . . per containers	\$ <u>NC</u>
(b) Banding/shrink-film packaging per 100 packages	\$ <u>150.00</u>
(c) Individual mailing containers per containers	\$ <u>35.00</u>
(d) Palletizing per pallet	\$ <u>150.00</u>

2. Mailing (prices must include affixing labels):

(a) Single copy in kraft envelope (up to 200 leaves) per envelope	\$ <u>NC</u>
(b) Multiple copies in kraft envelope (up to 200 leaves) per envelope . .	\$ <u>NC</u>
(c) Single or multiple copies over 200 leaves up to a maximum gross weight 18 kg (40 lbs) per container	\$ <u>60.00</u>

III. ADDITIONAL OPERATIONS:

(a) Updating mailing list . . . per address change/update	\$ <u>NC</u>
(b) Undeliverable packages . per package	\$ <u>NC</u>

¹(...continued)

Similarly, the agency estimated that the contractor would pack and seal 6,728 containers, update the mailing list 132 times and have 25 undeliverable packages.

²The RFP specified only a minimum of 2-container layers per pallet.

The contracting officer determined that some of Copy Graphics's prices were excessive and others were nominal. Of particular concern to the contracting officer were, on the one hand, Copy Graphics's "no charge" (NC) entries for 9 of the 13 line items, including all of the most significant cost items relating to printing and binding and, on the other hand, Copy Graphics's prices for each of the remaining 4 items relating to the packing and mailing of the publications, which were significantly higher than those of any other bidder. For example, while Copy Graphics bid \$150 to band/shrink-film 100 packages, the other seven bids ranged from a high of \$25 to a low of \$10, with two \$15 bids, a \$12 bid and one "no charge" bid. Similarly, while Copy Graphics bid \$150 for palletizing, three vendors bid \$10, one bid \$20, one bid \$25 and two bid "no charge." Copy Graphics's remaining two line items were also significantly enhanced. While Copy Graphics bid \$35 for individual mailing containers and \$60 for packaging single or multiple copies over 200 leaves up to 40 pounds, no other bid was greater than \$1 for the individual mailing containers or \$1.25 for the packaging of single/multiple copies up to 40 pounds. Based on this analysis, the contracting officer determined that Copy Graphics's bid was mathematically unbalanced.

The agency also determined that there was a reasonable doubt that Copy Graphics's bid would result in the lowest overall cost to the government. Specifically, since Copy Graphics was the incumbent, the contracting officer was concerned that the knowledge it had gained in performing the contract had given it particular insight which led Copy Graphics to enhance its prices on those line items over which the contractor, not the government, had control. In particular, because the IFB did not specify a minimum weight per container, the contractor has the right under the solicitation to package relatively few copies, many copies (up to 40 pounds), or some quantity in between, in its containers. Further, the IFB did not specify a minimum quantity of packages to be packed on pallets. Thus, the contractor, rather than the government, controls how many containers or pallets are used. Since Copy Graphics could control the number of packages and pallets to be used in performing the contract and since the company's prices for packaging and palletizing were significantly inflated, the contracting officer concluded that the government might not receive the lowest overall cost under Copy Graphics's apparently low bid.

In making this determination, the contracting officer reviewed Copy Graphics's bid and the actual billings submitted for Copy Graphics's current contract for the same services. The contracting officer found that while the government's estimate of Copy Graphics's price for the contract term (52 orders) totaled \$299,443, the agency had actually paid \$395,836 for 42 orders. In particular, while the agency had estimated the need for 1,842 containers for the contract term for multiple copies over 200 leaves, Copy Graphics billed for 4,379 containers for 36 orders, an increase of approximately 238 percent over the estimate. Based on this analysis, the contracting officer determined that Copy Graphics's bid might not result in the

lowest cost to the government and awarded the contract to Goodway Graphics, the second low bidder.

An examination of bid unbalancing has two aspects. First, the bid must be evaluated mathematically to determine whether each item carries its share of the cost of the work plus overhead and profit, or whether the bid is based on nominal prices for some work and enhanced prices for other work. Unbalancing typically arises either between base period prices and option period prices, or, in a requirements-contract solicitation, between line items for different goods or services.

If a bid is found to be mathematically unbalanced, it must be evaluated to determine the cost impact of the price skewing. Where there is reasonable doubt that award to the bidder submitting the mathematically unbalanced bid would result in the lowest ultimate cost to the government, the bid is materially unbalanced and may not be accepted. Federal Acquisition Regulation § 52.214-10; Westbrook Indus., Inc., 71 Comp. Gen. 139 (1992), 92-1 CPD ¶ 30.

In requirements contracts, the accuracy of the solicitation estimates is critical, since the unbalanced bid will become less advantageous than it appears if the government ultimately requires a greater quantity of the overpriced items and/or a lesser quantity of the underpriced ones. Duramed Homecare, 71 Comp. Gen. 193 (1992), 92-1 CPD ¶ 126. Where an agency has reason to believe that its actual needs may deviate significantly during performance from the solicitation estimates, it may reasonably view a mathematically unbalanced bid as not clearly representing the lowest cost to the government and therefore as materially unbalanced. Custom Env'tl. Serv., Inc., B-252538, July 7, 1993, 93-2 CPD ¶ 7; Outer Limb, Inc., B-244227, Sept. 16, 1991, 91-2 CPD ¶ 248.

Here, the contracting officer had a reasonable basis to find Copy Graphics's bid mathematically unbalanced. Copy Graphics's "no charge" price entries for items which include the core and most expensive contract requirements are obviously below cost, while Copy Graphics's prices for packaging, palletizing, and shrink-film wrapping are significantly higher than those of any other bidder. Copy Graphics does not dispute that its prices for these items are enhanced, and merely argues that it bid in a similar manner under the previous solicitation and that it believes that its bid offers the lowest cost to the government.³

³The fact that Copy Graphics's similar bid was accepted under a prior procurement is irrelevant to the determination of whether its bid was properly rejected under the current procurement; each procurement stands on its own. Discount Machinery & Equip., Inc., B-248321, July 22, 1992, 92-2 CPD ¶ 44.

The critical question in the determining if there is material unbalancing here is whether the actual mix of line items provided is likely to be substantially different from that set forth in the IFB estimates, and, in particular, if it is likely that the awardee will deliver proportionately more containers, shrink-film wrapping and palletizing, for which Copy Graphics bid an enhanced price, than what was indicated in the IFB estimates. The record makes clear that the actual mix is unpredictable even though the estimates appear to be based on the best available information, because the solicitation placed no minimum on the weight of each container, the number of pallets a contractor could use or the number of pages contained in a shrink-film wrapped package. As a result of the specifications, the awardee is placed in the position of exercising control over the quantities delivered and the agency can neither foresee nor control the actual ratio of underpriced work (the printing and binding) to the overpriced work (the packaging and shipping). Accordingly, because the amount of packaging, shrink-film wrapping and palletizing vary significantly from the IFB estimates, the agency properly rejected Copy Graphics's mathematically unbalanced bid on the basis that there was reasonable doubt that the bid would ultimately prove to represent the lowest cost to the government.⁴

The protest is denied.

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⁴As noted above, the uncertainties concerning the estimates in this IFB result because the IFB specifications place the awardee in the position of exercising control over the quantity of containers and pallets used and the amount of shrink-film wrapping performed. In this respect, the agency explicitly acknowledges that in administering this contract under these specifications, the government has been vulnerable to the overuse of pallets and packing and the resulting "overbilling." This problem can be alleviated if in future procurements the agency imposes some control over what the contractor can supply.