Comptroller General of the United States

Washington, D.C. 20548

Decision

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Matter of: GEC-Marconi Electronic Systems Corporation

File: B-276186; B-276186.2

Date: May 21, 1997

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DIGEST

1. Agency reasonably determined as the result of a price realism evaluation conducted in accordance with a solicitation providing for the award of a firm, fixed-priced contract that the protester's proposed prices were unrealistically low where the protester's proposed prices were far lower than historical prices for the same and similar products and the protester failed to provide adequate justification for the price differential.

2. Agency's assessment of the protester's past performance as posing a moderate risk is unobjectionable where the agency reasonably determined that the protester's past performance indicated a "track record" over the past 3 years of the protester failing to make timely deliveries.

DECISION

GEC-Marconi Electronic Systems Corporation protests the award of a contract to Rockwell International Corporation under request for proposals (RFP) No. F19628-96-R-0068, issued by the Department of the Air Force, for joint tactical information distribution system (JTIDS) class 2/2H terminals, related spares, data, and services. GEC contends that the agency's evaluation of its and Rockwell's proposals, and the selection of Rockwell's higher-priced proposal for award, were unreasonable.

We deny the protest.

The JTIDS is a multinational, joint-service program to acquire a secure, jam-resistant, multiple-access digital voice data information distribution system for the transfer of tactical information between combat elements, data collection elements, and command and control centers within a tactical theater of operations. The JTIDS class 2/2H terminals were developed under a leader/follower arrangement, with GEC appointed as the leader and Rockwell as the follower. Under the leader/follower concept, the leader company is the developer or sole producer of an item or system. The leader furnishes manufacturing assistance and expertise to the follower, which enables the follower to become a source of supply for the item. Federal Acquisition Regulation (FAR) §§ 17.401-17.403 (FAC 90-42); Kaman Aerospace Corp., B-209220, June 20, 1983, 83-1 CPD ¶ 667 at 1. GEC and Rockwell have been awarded five and four low-rate initial production contracts, respectively, and each was awarded a full-rate production (FRP) contract in 1995.

The RFP, issued October 29, 1996, provided for the award of a firm, fixed-price, indefinite delivery, indefinite quantity FRP contract on a "winner-take-all-down-select" basis for various configurations of JTIDS class 2/2H terminals,[1] related spares, data, and services to be ordered during fiscal years 1997 through 1999. The RFP stated that award would be made to the offeror submitting the proposal judged to be most advantageous to the government, price and other factors considered, and that "cost/price" was more important than technical merit.

The RFP listed Resource Management and Problem Resolution, and Parts Obsolescence, as the two technical evaluation factors, and stated that they were equal in importance. The RFP added that technical proposals would be evaluated for technical merit under a color/adjectival rating scheme, as well as for risk to assess "the risks associated with the offeror's proposed approach and the degree to which the offeror's present and past performance on other relevant contracts provides the [g]overnment with confidence that the offeror will successfully accomplish the requirements of the current solicitation."

The RFP added here that "[i]n assessing risk, the [g]overnment will consider not only the offeror's proposal, but also relevant present and past performance data," and that "in evaluating the offeror's present and past performance, the [g]overnment reserves the right to consider both data provided by the offeror and data obtained from other sources." In order to facilitate the evaluation of past performance, the RFP's proposal preparation instructions requested that proposals contain a separate "Current and Past Performance" volume providing "detailed current and past performance information . . . for up to ten (10) active or completed [g]overnment and/or commercial contracts which the offeror considers most relevant to its ability to perform the proposed effort." These instructions admonished offerors that

[1]There are currently 10 configurations of class 2/2H terminals.

"[o]nly contracts which are ongoing or have been completed within the last three (3) years will be considered."

The RFP stated that the agency would evaluate price by considering the unit prices proposed for the various products and services in conjunction with certain weighted factors. In this regard, the RFP included a price matrix which set forth each required product and various quantities of each of the products, including a quantity designated as the "best estimated quantity" (BEQ) for each product. For example, the RFP set forth quantities of 8 through 16 for JTIDS configuration 2, with 12 being identified as the BEQ. Offerors were to insert their proposed prices for each of the listed quantities of products and to calculate a proposed average unit price (AUP) per item under each of the listed quantities by dividing their total price for each listed quantity by that quantity.

As indicated above, the price matrix also included for each listed quantity a weighted factor "based upon known and anticipated requirements for terminals and spares, with the heaviest weight given to units around the BEQ for each requirement." For example, for JTIDS configuration 2, the RFP provided that for price evaluation purposes a weight of 45 percent would be applied to the BEQ of 12, a weight of 7.5 percent to the listed quantities of 10, 11, 13, and 14, and a weight of 6.25 percent to the listed quantities of 8, 9, 15, and 16. These weights were applied to each of the AUPs to form a weighted AUP (WAUP), and the WAUPs for each of the products were added to determine a total WAUP for the entire contract. Each proposal's total WAUPs for fiscal years 1997-1999 were added to the proposal's prices for certain services to calculate the proposal's total price for evaluation purposes.

The RFP stated that the agency would perform a "cost/price realism assessment" (CPRA) to "evaluate the realism of the offerors' proposed costs/price." According to the RFP, the CPRA would include an evaluation "of the extent to which proposed cost/prices and supporting data are consistent, indicate a clear understanding of the solicitation requirements, and reflect a sound approach to satisfying those requirements." The RFP informed offerors that historical data, in addition to solicited cost data, would be used to evaluate the cost/price realism of the proposals, and that any deviations from "actual cost data must be explained in the narrative portion of the cost/price proposal." The RFP added that:

> "[i]f an offer is evaluated as unrealistically low based on the anticipated costs of performance and the offeror has failed to recognize and adequately explain the underestimated costs to the [g]overnment, the corresponding risks and the offeror's apparent lack of understanding will be considered in evaluating the risks associated with the corresponding [t]echnical/[m]anagement factors."

In order to facilitate the CPRA, offerors were required to submit a separate cost/price volume, in which, among other things, they were to complete the price matrices described above and provide narratives explaining any proposed cost increases or decreases relative to historical costs; the escalation rates used for materials, equipment, subcontracts, direct labor and indirect expenses, and why they should be considered reasonable; and any cost reductions attributed to commonality with other programs, company-funded efforts, or capitalization of equipment. In short, offerors were required to provide cost/pricing information sufficient to support the "realism and reliability" of their proposed prices.

The agency received proposals from GEC and Rockwell by the RFP's closing date, and included both proposals in the competitive range. The agency conducted written and face-to-face discussions with the offerors, and requested and received best and final offers (BAFO).

GEC's proposal was rated as green/acceptable with moderate to high risk under the Resource Management and Problem Resolution evaluation factor, and green/acceptable with low risk under the Parts Obsolescence evaluation factor, at an evaluated price of $14,491,400. Rockwell's proposal was rated as green/acceptable with low risk under both the Parts Obsolescence and Resource Management and Problem Resolution evaluation factors, at an evaluated price of $17,826,300.[2]

The source selection authority (SSA), while recognizing that Rockwell's proposal was "approximately 23 percent higher in evaluated cost/price," determined that the "significantly lower risks in regard to timely, quality performance justify paying the cost/price premium associated with the Rockwell proposal." In reaching this conclusion, the SSA, consistent with the findings of the source selection evaluation team, noted that GEC's proposal "offered prices that the offeror concedes would result in a $4.8 [million] loss to the company at the [BEQ]," and that GEC's losses may be even greater should certain proposed cost-cutting initiatives fail to be fully realized. The SSA concluded that GEC's "unrealistically low prices" considered in conjunction with its evaluated "record of performance on relevant past and present contracts [which] indicates a pattern of late deliveries" equated to "substantial risk as to GEC's future abilities and commitment to make timely, quality deliveries"

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[2]The agency recognized that the methodology, by which it determined total evaluated prices for each offeror, "was an attempt to capture the best possible prices across a range of indefinite quantities" and did "not correspond in any way to the expected costs to the [g]overnment for this effort." For example, the agency determined that if it were to order the BEQ of JTIDS terminals, spares and services set forth in the RFP, GEC's and Rockwell's price to the government for such an order would total $[DELETED] and $[DELETED], respectively.

should it be awarded the contract. The SSA subsequently directed that the contract be awarded to Rockwell as the offeror submitting the proposal representing the best overall value to the government.

This protest followed. GEC's protest centers on the agency's determination that GEC's proposal represented moderate to high risk under the Resource Management and Problem Resolution evaluation factor and its role in the award selection, although GEC also protests Rockwell's evaluation.

GEC first argues in this regard that its proposed prices were based upon [DELETED], and because of this, it had "not offer[ed] to perform [the contract] at a loss" as determined by the agency. GEC contends that, contrary to the agency's determination, GEC's "profitability would be substantially enhanced by the award," and the agency's conclusion that GEC's low prices created a performance risk was thus unreasonable.

"Realism" ordinarily is not considered in the evaluation of proposals for the award of a fixed-price contract because the government's liability is fixed and the risk of cost escalation is borne by the contractor. Human Resources Sys., Inc.; Health Staffers, Inc., B-262254.3 et al., Dec. 21, 1995, 96-1 CPD ¶ 35 at 5. However, because the risk of poor performance when a contractor is forced to provide products or services at little or no profit is a legitimate concern in evaluating proposals, an agency at its discretion may, as here, provide for a price realism analysis in the solicitation of fixed-price proposals. Cardinal Scientific, Inc., B-270309, Feb. 12, 1996, 96-1 CPD ¶ 70 at 4; PHP Healthcare Corp.; Sisters of Charity of the Incarnate Word, B-251799 et al., May 4, 1993, 93-1 CPD ¶ 366 at 5. The nature and extent of an agency's price realism analysis is a matter within the sound exercise of the agency's discretion. Cardinal Scientific, Inc., supra at 4. The FAR provides a number of price analysis techniques that may be used, including a comparison of current proposed prices with prior proposed and contract prices for the same or similar items or with the government estimate. FAR § 15.805-2. An in-depth cost analysis is generally not required. PHP Healthcare Corp., B-251933, May 13, 1993, 93-1 CPD ¶ 381 at 5.

In conducting its CPRA of GEC's proposal, the agency found, among other things, that although the proposal stated that "[i]n order for GEC to provide the best value to the [g]overnment, we have chosen a 'middle of the road' approach which precludes either an excessive profit or a substantial loss," the price matrix submitted by GEC provided for a $[DELETED] loss at the BEQ for 1997. The agency also found that GEC's price matrix showed that GEC had priced all but one of the JTIDS configurations at a loss.

The agency thus requested that GEC provide its "proposed profit/loss projections at the BEQ" for 1998 and 1999, and was informed by GEC in a response to a clarification request that based upon its proposed prices it expected to incur "losses" of $[DELETED] and $[DELETED] at the BEQ in 1998 and 1999, respectively. GEC reduced its projection of its 3-year losses at the BEQ from $[DELETED] to $[DELETED] in its BAFO. According to the agency, GEC explained that this projected reduction in the loss it would incur at the BEQ was because of [DELETED].

The agency also found that GEC's proposed prices for certain materials and services were significantly less than the prices derived from the cost data previously obtained from the offerors.[3] The agency reviewed each of these deviations from the historical cost data, which totaled $[DELETED] at the BEQ, in detail and considered them either "substantiated" or "unsubstantiated" based upon the agency's review of GEC's proposal and GEC's responses to the agency's written and oral discussion questions.

For example, with regard to labor costs, the agency determined that $[DELETED] of the difference between the prices indicated by the historical cost data and GEC's proposed price at the BEQ were the result of GEC's projected [DELETED] decrease in labor hours. The agency concluded, based upon GEC's representations, that this reduction was "[a]ggressive, yet attainable," and thus considered it substantiated.

With regard to material costs, of the 30 material cost deviations identified in GEC's proposal, the agency considered 17 of the deviations to be substantiated and 13 unsubstantiated. For example, the agency accepted GEC's explanations with regard to certain items that the reduction in material costs was due to a "[n]ew source of supply" or an increase in quantity to be ordered under the RFP from that which was ordered under the previous contracts, and rejected as unsubstantiated those reductions that GEC stated were due merely to an "audit" of or "correction" to the "pricing bill of material" without further explanation. In all, the agency considered $[DELETED] of the price reductions reflected in GEC's proposal to be substantiated, and $[DELETED], all related to material costs, to be unsubstantiated.

The agency, in its final CPRA, determined that GEC's probable loss at the BEQ totaled $[DELETED]. The agency arrived at this figure by adding the $[DELETED] loss projected by GEC, the $[DELETED] in material cost reductions, described above, which the agency determined were unsubstantiated, and $[DELETED] because GEC had calculated its price for non-warranty repair, engineering services/installation support [DELETED]. The agency then deducted $[DELETED]

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[3]The agency, in preparing for the conduct of this procurement, made a "fact-finding visit" to the facilities of both GEC and Rockwell to collect material and labor cost data from prior JTIDS contracts. The data, which were obtained by the agency in August 1996, consisted of the contractors' cost data for JTIDS contracts through June 1996, and were used by the agency in its CPRA of the offerors' proposals.

from this total because of recently concluded negotiations with GEC regarding certain indirect rates. The agency also calculated GEC's proposed losses, based upon similar quantifications, should 111 JTIDS terminals be ordered, and should the maximum quantity of 230 terminals be ordered, and determined that GEC's losses at these quantities would total $[DELETED] and $[DELETED], respectively.[4]

GEC argues that its proposal was based upon [DELETED], and thus, contrary to the agency's CPRA, "GEC did not offer to perform at a loss." GEC explains that [DELETED]. GEC adds that [DELETED]. GEC has submitted detailed analyses of its costs and pricing, which purports to demonstrate that GEC would make a profit at the BEQ set forth in the RFP, as well as at the quantities of 111 and 230 evaluated by the agency. GEC concludes that "it would be much better off financially with the contract than without it," and that the agency thus acted unreasonably in determining that GEC's pricing created, in part, a risk of poor performance.

GEC's detailed analysis prepared during the course of this protest in support of its position on this issue does not render the agency's conclusions unreasonable. In this regard, we first note that the position taken by GEC in this protest--that contrary to the agency's evaluation, it had not offered to perform the contract at a loss because of its [DELETED]--is inconsistent with the representations made by GEC during the conduct of this procurement. As mentioned previously, in the pricing matrix included by GEC in its proposal, and in its responses during written and oral discussions, GEC represented that its pricing reflected a loss at the BEQ.

We further note that GEC's detailed analysis and assertions concerning the [DELETED] it allegedly employed in developing its price proposal and the effect that the contract would have on GEC's overall profitability appeared for the first time in GEC's comments on the agency report. That is, although GEC mentioned during the procurement process that its proposal was based upon [DELETED] and claimed that overall it would be better off with the contract than without it, the statements made, prior to the conduct of this protest, were lacking in detail or analysis. Because an agency's evaluation is dependent upon the information furnished in a proposal, it is the offeror's burden to submit an adequately written proposal for the agency to evaluate. DATEX, Inc., B-270268.2, Apr. 15, 1996, 96-1 CPD ¶ 240 at 6; Infotec Dev., Inc., B-258198 et al., Dec. 27, 1994, 95-1 CPD ¶ 52 at 6. Here, in light of GEC's failure to fulfill its obligation in this regard, we see no basis to criticize the agency's evaluation of this aspect of GEC's proposal as unreasonable.

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[4]The agency calculated GEC's losses should 111 terminals be ordered because GEC stated in its proposal that this was the quantity it had determined through its own marketing assessment would most likely be ordered, and thus was the [DELETED].

In any case, the record reflects that the agency understood the concepts and goals of GEC's [DELETED] as a strategy that can improve profitability, and recognized that GEC may be better off as a company with this contract than without it. However, based on its detailed review and analyses of GEC's submissions and explanations, the agency reasonably found that GEC's [DELETED] were based on a variety of optimistic or unsupported assumptions, and that there was a significant risk that GEC's performance under the contract may be so unprofitable that performance would be adversely affected, particularly given GEC's history of failing to make timely deliveries under JTIDS contracts (discussed below).

GEC also protests the agency's determination that its proposed material costs were unrealistic and understated. According to GEC, the agency acted unreasonably by assertedly relying "exclusively" on the historical data obtained from the offerors in August 1996, and rejecting the explanation provided by GEC in its responses to the agency's written and oral discussions.

As indicated, in performing its CPRA, the agency identified 30 instances in which GEC's proposed costs for materials were significantly lower than the costs indicated by the historical data the agency had obtained from the offerors. Because the agency had been assured by GEC at the time of its visit to GEC's facility that the data were "actuals," and not estimates, the agency requested during discussions that GEC "provide an analysis of June actuals vs proposed materials costs by [line replaceable unit/shop replaceable unit] LRU/SRU."

GEC responded that the material requirements planning (MRP) bill of materials (BOM) from which the data were obtained "was not fully reviewed as a priced BOM would be to support a major quoting activity due to time and manpower limitations," while the BOM on which GEC's proposed prices were based had been "reviewed in great detail." GEC also provided as an attachment to this response a page from its initial proposal which set forth its "material pricing methodology," and a chart depicting "a top-level comparison between its proposed material costs and the November 1996 actuals."[5]

The agency determined that GEC's response failed to adequately address the agency's question regarding the differences between GEC's proposed material costs and the data the agency had obtained from GEC in August 1996, and because of this, the agency raised a number of further questions during oral discussions with GEC concerning these differences. According to the record, GEC stated that it was no longer in possession of the data it had provided to the agency in August 1996, and thus could not respond to these questions.

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[5]The top-level comparison indicates that overall GEC's proposed prices were 9 percent lower than the November 1996 actual prices.

The agency also asked GEC during oral discussions certain questions about the "top-level comparison" chart it had submitted; specifically, the agency asked GEC to identify the contract under which "November 1996 actuals" were incurred, and what a certain notation on the chart comparing the November 1996 actuals with the data obtained from GEC in August 1996 meant. GEC responded that the November 1996 "actuals predate the . . . material costs collected by the [g]overnment in Aug[ust] 1996," and that the notation in question "is a financial accounting add-on module" to its materials requirements planning (MRP) system. GEC added that its MRP system is "not a certified accounting system," and that it is "not completely comfortable using the system for proposal purpose[s]." At the conclusion of these discussions, the agency provided GEC with a copy of the data obtained in August 1996, and requested that GEC submit written responses to the questions GEC had been unable to answer.

In its written response, GEC stated that, among other things, the "June 1996 '[a]ctuals' provided to [the agency] in August 1996 were in fact an estimate of material." GEC added that "[f]or the . . . proposal, significant reductions in LRU material cost estimates were realized from the August 1996 [e]stimate of [m]aterials as a result of an in-depth audit by GEC." GEC's response contained a number of attachments which identified particular JTIDS components in question, and explained the difference between the data obtained by the agency in August 1996 and that set forth in GEC's proposal.

The agency's review of this material resulted in its acceptance of a number of the differences as substantiated, and its determination that a number remained unsubstantiated. Essentially, the agency rejected the cost estimates as unsubstantiated where the only explanation provided by GEC was that the reduction was due to, for example, an "audit of the [p]ricing [b]ill of [m]aterial." Overall, as indicated previously, the agency determined as a result of its analysis of GEC's proposed material costs that of the $[DELETED] in material cost reductions proposed by GEC, $[DELETED] were substantiated and $[DELETED] were unsubstantiated.

As indicated above, the agency, despite the protester's contrary view, did not rely exclusively on the data it obtained in August 1996 to determine whether GEC's proposed prices were realistic. Rather, the record evidences that the agency conducted a detailed analysis of GEC's proposal and provided GEC with ample opportunity to explain why certain of its proposed costs deviated from the historical data and thus appeared underestimated. The record demonstrates that the agency considered GEC's submissions, as well as the historical data obtained in August 1996, in reaching its conclusions regarding the realism of GEC's cost/price proposal.

The record also evidences that the agency reasonably determined that the $[DELETED] in cost reductions proposed by GEC were unsubstantiated and certain of the prices proposed by GEC were thus unrealistic. That is, the record demonstrates that the agency carefully reviewed GEC's cost/price proposal, identified where the proposal deviated from the historical data obtained in August 1996, requested that GEC provide information supporting the realism of GEC's reduced prices, and ultimately accepted nearly half of GEC's proposed cost reductions as substantiated, and rejected only those for which GEC stated, without explanation or supporting documentation, that the reductions were due to an "audit." We simply cannot find that the agency unreasonably concluded that GEC had underestimated its material costs in its proposal at the BEQ, where the costs were $[DELETED] less than the costs indicated by the historical data provided to the agency in August 1996, and GEC's only explanation is that the reductions were due to internal audits without any supporting documentation. While the protester complains that the agency should have accepted its explanations concerning all of the cost reductions it proposed, the protester's arguments constitute, at best, mere disagreement with the agency's determinations and therefore do not provide a basis to sustain the protest. See Human Resources Sys., Inc.; Health Staffers, Inc., supra at 6.[6]

In sum, the agency reasonably determined that GEC's proposal presented a risk because its proposed prices were unrealistically low inasmuch as they were far lower than historical prices for the same items and GEC did not provide an adequate justification for the price differential.

The protester next argues that the agency should have found Rockwell's prices unrealistic, and that its assessment of Rockwell's proposal under the Resource Management and Problem Resolution evaluation factor as having "low" risk was thus unreasonable.

The agency found in conducting its CPRA of Rockwell's proposal that Rockwell's prices were based in part upon its strategy of [DELETED]. Rockwell explained in

[6]GEC also argues that the agency acted unreasonably because it "calculated the 'loss' that GEC would allegedly incur at different quantities without any regard to the probability that these quantities would be ordered"; the protester points out that, according to the weights assigned to the quantities set forth in the price matrix which were used to determine the proposals' total evaluated price, the probability that the agency would order the maximum quantity of 230 JTIDS terminals and spares was extremely low. The record contradicts this argument, reflecting that the agency's primary concern was the realism of the prices proposed by the offerors at the BEQ, and that the agency gave very little weight to the realism of the prices it calculated for the offerors should the agency order the maximum quantity of 230 terminals.

its proposal that this strategy was based upon its marketing assessment that [DELETED]. The proposal also included an explanation of the methodology used to arrive at its proposed prices for materials based upon this acquisition strategy.

The agency requested during discussions that Rockwell, with regard to its proposed approach of [DELETED], explain "the degree of risk Rockwell is taking with this approach and what, if any, [DELETED] will be made [DELETED] to mitigate risks in the event that [DELETED]. The agency also asked Rockwell if it had "an alternate plan [DELETED].

Rockwell responded by repeating that its marketing forecast indicated a strong requirement for JTIDS terminals in excess [DELETED]. Rockwell added that its plan included [DELETED]. Rockwell further explained that [DELETED]. Rockwell also explained that [DELETED].

During oral discussions, Rockwell reiterated its position that its "marketing research indicates that there may be [DELETED]. As an example of the credibility of its marketing assessment, Rockwell pointed out that [DELETED]. Rockwell again explained how [DELETED]. Rockwell concluded that [DELETED].

The agency determined that despite Rockwell's representations regarding its marketing assessments [DELETED], "it is likely that Rockwell will incur [DELETED]," which were not included in Rockwell's proposal. The agency determined that [DELETED], as well as Rockwell's ability to [DELETED], "could minimize the cost impact and risk [DELETED]. In sum, the agency, based upon its assessment of the cost risk assumed by Rockwell, including its assessment of [DELETED], determined that Rockwell's proposal was underestimated with regard to material costs by [DELETED].[7] The agency concluded that Rockwell would still be able to perform the contract to be awarded under this RFP at a profit (albeit a smaller one), and thus did not find that Rockwell's underestimated costs created any risk with regard to Rockwell's proposal.

GEC argues that the agency's CPRA "grossly underestimates the risk inherent in Rockwell's [DELETED] decision," and argues that "Rockwell's decision to [DELETED]. GEC argues that the agency should have verified Rockwell's claim that it could [DELETED]. GEC also provides a detailed analysis as to why, in its view, Rockwell's plan to [DELETED] "does not eliminate the risk [DELETED]."

In our view, GEC's arguments reflect its mere disagreement with the agency's CPRA

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[7]The agency has submitted a detailed affidavit explaining how it calculated the [DELETED] figure. Because the accuracy of the agency's assessment has not been challenged with regard to these calculations, the details of this aspect of the agency's analysis need not be repeated here.

of Rockwell's proposal. In this regard, the record demonstrates that the agency made reasonable inquiries as to the risks associated with Rockwell's proposed material acquisition plan and carefully considered Rockwell's responses. As indicated above, the agency was not completely satisfied that Rockwell's price proposal adequately accounted for all material costs and determined that because Rockwell's proposed prices did not account for any increase in costs for materials as the result of termination expenses and quantity reductions, its costs were underestimated by [DELETED]. Agencies have broad discretion in conducting price realism analyses, and while GEC obviously believes that Rockwell's costs of termination and excess inventory are greater than that determined by the agency, we are not persuaded that the agency's assessment was unreasonable. EC Corp., B-266165.2, Feb. 20, 1996, 96-1 CPD ¶ 153 at 4.

GEC next argues that the agency's evaluation of its past performance was unreasonable. GEC concedes that, consistent with the agency's evaluation, "it has had some problems with timely deliveries in the past," but contends that "[c]urrent GEC performance demonstrates that it unquestionably can" achieve the performance schedule contemplated by the RFP, and that to "[p]enalize GEC in the evaluation process for past performance problems--regardless of where the fault lay--in the face of demonstrated current timely performance makes no sense."

The evaluation of proposals is primarily a matter within the contracting agency's discretion. Where an evaluation is challenged, we will examine the evaluation to ensure that it was reasonable and consistent with the evaluation criteria. Macon Apparel Corp., B-272162, Sept. 4, 1996, 96-2 CPD ¶ 95 at 3.

As mentioned previously, the RFP expressly stated that proposals would be evaluated to assess "the risks associated with the offeror's proposed approach and the degree to which the offeror's present and past performance on other relevant contracts provides the [g]overnment with confidence that the offeror will successfully accomplish the requirements of the current solicitation."

With regard to GEC, the agency identified a total of 14 past and present contracts for initial review. Questionnaires were distributed and received concerning each of these contracts. The agency determined that GEC's performance on three of the contracts would not be considered because either sufficient information was not available or the contract was determined to be irrelevant to this effort. The agency found in reviewing the remaining 11 responses that, while in some areas the responses were positive, there was [DELETED]. For example, GEC was found to be [DELETED], which the agency believed [DELETED].

Although GEC points out that it has performed well on some current contracts, and has instituted a number of "corrective actions to avoid future delivery problems," the record evidences that the agency specifically considered this recent performance in its overall assessment of GEC's past performance and determined that, as a whole, GEC's proposal represented "moderate" risk under the Resource Management and Problem Resolution evaluation factor because of the "inability of GEC to meet contractual requirements regarding schedule . . . for the majority of program contracts reviewed." Because the RFP clearly stated that the offerors' proposals would be assessed for risk and that this assessment would include the consideration of the offerors' performance on contracts within the past 3 years, and our review of the record confirms the reasonableness of the agency's determination as to GEC's past, and under one contract, current performance difficulties (and GEC in fact concedes that it has had these problems), we cannot find that the agency acted unreasonably in assessing GEC's proposal as having "moderate" rather than "low" risk under the Resource Management and Problem Resolution evaluation factor.

GEC also argues that the agency's evaluation of Rockwell's past performance was unreasonable. Specifically, GEC contends that Rockwell's proposal should have been evaluated as having "moderate" rather than "low" risk under the Resource Management and Problem Resolution evaluation factor because the questionnaires received by the agency concerning Rockwell's past performance indicated that Rockwell has failed to meet the delivery schedules of two contracts.

The agency points out that with regard to one of the contracts, Rockwell had [DELETED]. With regard to the other instance [DELETED] referenced by the protester, the agency responds that [DELETED]. The agency argues that because neither of these instances of late delivery had any direct impact on Rockwell's customers or the relevant programs, and because these were the only instances of late delivery for which Rockwell was at fault, Rockwell's performance risk rating of "low" was reasonable.

GEC did not substantively respond to the agency's explanation, but rather, in its comments, pointed out one other contract on which Rockwell had, according to GEC, "performance problems." Under this contract, Rockwell is to build and test two Common Signal Processor replacement kits. The agency states that in its view, GEC was the cause of the problems on this contract because GEC had "failed to deliver the required data and drawing packages" for Rockwell's effort. GEC responded to this assertion by stating that the agency, rather than GEC, was "the primary cause for the delay." Because under either GEC's or the agency's version of the events Rockwell is not to blame for any "performance problems" associated with this contract, we fail to see why these "performance problems" are relevant to the agency's risk assessment of Rockwell's proposal.

Under these circumstances, where in two instances Rockwell's late deliveries appear to be relatively minor in nature, and the third instance of a "performance problem" identified by the protester was caused by either GEC or the agency, but not Rockwell, we have no basis on which to object to the agency's assessment that Rockwell's record of past performance indicated a "low" performance risk.

Finally, GEC challenges the agency's price/technical tradeoff determination as unreasonable based upon its contentions that its proposal was unreasonably evaluated as having a moderate to high risk under the Resource Management and Problem Resolution evaluation factor. As explained in the analysis above, we have no basis to question the agency's judgment that GEC's proposal represented a "moderate to high risk" under the Resource Management and Problem Resolution factor.[8] Since the agency in its award selection document reasonably explained why the risks inherent in GEC's proposal offset GEC's evaluated price advantage, GEC's contentions here provide no basis for overturning the award determination. Hughes Georgia, Inc., B-272526, Oct. 21, 1996, 96-2 CPD ¶ 151 at 8.

The protest is denied.

Comptroller General
of the United States

[8]GEC has made a number of other related contentions during the course of this protest having to do with the agency's evaluation of the offerors' past performance and the realism of their price proposals. Although not all these contentions are specifically addressed in this decision, each was carefully considered by our Office and found to be either insignificant in view of our other findings, or invalid based upon the record as a whole.