

DECISION



**THE COMPTROLLER GENERAL
OF THE UNITED STATES**
WASHINGTON, D. C. 20548

61240

FILE: B-186445

DATE: July 29, 1976

MATTER OF: Ward Leonard Electric Co., Inc.

98784

DIGEST:

GAO will not question agency determination to cancel IFB because of unreasonable prices (by ASPR definition "compelling reason") where protester's low responsive bid is 16 percent higher than bid on prior procurement and 21 percent higher than low nonresponsive bid on current procurement.

Ward Leonard Electric Co., Inc. (Ward Leonard), protests the cancellation of invitation for bids (IFB) N00104-76-B-0453, issued on January 20, 1976, by the Navy Ships Parts Control Center, Mechanicsburg, Pennsylvania. The IFB requested bids for 124 motor controllers. Three bids were received as follows:

	<u>Unit Price</u>	<u>Total</u>
General Electric Company (GE)	\$1,751	\$217,124
Ward Leonard	2,130	264,120
Cutler-Hammer, Inc. (Cutler-Hammer)	2,142	265,608

The low bid of GE was rejected as nonresponsive because GE's bid modified the IFB's delivery terms. Subsequently, the IFB was canceled and the requirement resolicited on the basis that the remaining bids submitted unreasonable prices. Bid prices under the resolicited requirement, opened June 4, 1976, were unchanged from the original procurement with the exception that Cutler-Hammer lowered its price to \$1,859.

Ward Leonard protests the IFB's cancellation on the grounds that: (1) its price was reasonable and (2) it was placed in an unfavorable competitive position on the resolicitation due to the public exposure of its price.

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The Navy reports that Ward Leonard's last bid on the same product in July 1974 was at a unit price of \$1,835. GE also bid on that procurement at a unit price of \$1,888, as did Cutler-Hammer at \$1,934. The Navy based its determination of price unreasonability on the fact that:

"* * * The price bid by Ward Leonard represented a 16% increase over * * * its previous price mentioned above, this occurring within less than two years. Additionally, on the instant solicitation, Ward Leonard's unit price represents a 21.6 % increase over that bid by General Electric."

It is the Navy's position that any increase in Ward Leonard's price due to inflation over the past 2 years should be offset by the amortization of production and engineering costs over the life of the current contract.

Armed Services Procurement Regulation (ASPR) § 2-404.1(b)(vi) (1975 ed.) provides that an IFB may be canceled if all otherwise acceptable bids received are at unreasonable prices. We have recognized that the rejection of bids based upon a determination of unreasonableness of bid prices is a matter of administrative discretion which our Office will not question unless such determination is unreasonable (see Support Contractors, Inc., B-181607, March 18, 1975, 75-1 CPD 160; see B-178089, June 26, 1973), and that the bid of a nonresponsive bidder may be relevant in determining price reasonableness. Support Contractors, Inc., supra. Thus, the issue here is whether the agency's determination that Ward Leonard's bid price was unreasonable should be disturbed.

Although Ward Leonard argues that its price was reasonable, we believe that the 16-percent differential between its July 1974 price and its current price, and the 21.6-percent differential over the current GE bid, support the Navy's determination to cancel the solicitation on the basis of unreasonable prices. Thus, we are unable to conclude that the Navy's determination was unreasonable.

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With regard to Ward Leonard's contention that it was placed in an unfavorable competitive position on the resolicitation due to the public exposure of its price, we have recognized that:

"The rejection of all bids after they have been opened tends to discourage competition because it results in making all bids public without award, which is contrary to the interests of the low bidder, and because rejection of all bids means that bidders have expended manpower and money in preparation of their bids without the possibility of acceptance. * * * However / O /ur Office ordinarily will not question the broad authority of the contracting officer to reject all bids and readvertise when a 'compelling reason' to do so exists. * * *"
(Automated Datatron, Inc.; Exspeedite Blueprint Service Inc., B-183706, B-184415, November 17, 1975, 75-2 CPD 315, and cases cited therein.)

Pursuant to the provisions of ASPR § 2-404.1, supra, cancellation due to "unreasonable prices" is by definition a "compelling reason."

Accordingly, the protest is denied.

Deputy


Comptroller General
of the United States