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Comptroller General
of the United States

United States General Accounting Office
Washington, DC 20548

Decision

Matter of: Rodgers Travel, Inc.

File: B-291785

Date: March 12, 2003

Mark Pestronk, Esq., for the protester.
Clarence D. Long, III, Esq., Department of the Air Force, for the agency.
Paul E. Jordan, Esq., and John M. Melody, Esq., Office of the General Counsel, GAO, participated in the preparation of the decision.

DIGEST

1. Under solicitation for fixed-price contract that provided for a price realism evaluation, agency reasonably evaluated awardee's low price where it verified pricing; reviewed other contracts performed by awardee; considered additional information regarding awardee's reliance on overhead rates and commissions; and analyzed awardee's ability to make a profit while paying Service Contract Act wages.

2. Where solicitation did not provide otherwise, it was proper for agency to consider in past performance evaluation awardee's experience performing similar services as a subcontractor.

DECISION

Rodgers Travel, Inc. protests the award of a contract to Kola Nut Travel, Inc. (KNT) under request for quotations (RFQ) No. F29650-02-T-0084, issued by the Department of the Air Force for travel services at Kirtland Air Force Base (AFB), New Mexico. Rodgers challenges the agency's price realism analysis and past performance evaluation.

We deny the protest.

The RFQ, a section 8(a) small business set-aside, sought quotes to provide all personnel, equipment, tools, materials, supervision and other items/services to manage and operate a commercial travel office at Kirtland AFB. The RFQ contemplated the issuance of purchase orders for the 10-month base period (an estimated 16,800 transactions) and six 6-month options (an estimated 12,600 transactions per option). Quotes were to be evaluated on the basis of past performance and price, with past performance considered more important. Past performance was to be evaluated on an adjectival basis--exceptional, very good, satisfactory, neutral, marginal, or unsatisfactory--and was to be based on a review of references furnished by the vendor, as well as information independently obtained by the agency. Price was to be evaluated for reasonableness and realism, to determine if the proposed transaction fee was realistic for the work to be performed and reflected a clear understanding of the government's requirement. RFQ at 6; Proposal Evaluation Report (PER) at 6. Award was to be made to the vendor whose quote was considered most advantageous to the government.

Six vendors, including Rodgers and KNT, submitted quotes. The agency's evaluation included a review of vendors' past performance questionnaires and transaction fees. The agency concluded that all vendors' prices were reasonable and realistic, and evaluated the top three vendors' quotes as follows:

	Past Performance	Price
Rodgers	Exceptional	$1,339,128
KNT	Exceptional	$663,600
Vendor 3	Exceptional	$1,380,120

The contracting officer determined that, because KNT's past performance was exceptional and its price the lowest, its quote represented the best value to the government. After receiving notice of the award and a debriefing, Rodgers filed this protest.

PRICE REALISM

Rodgers asserts that KNT's price was not realistic. As the incumbent vendor, Rodgers currently charges $20.00 per transaction and so concludes that KNT's average transaction fee ($7.17 as calculated by Rodgers) must be too low to meet KNT's costs of performance. Rodgers maintains that the agency's analysis failed to take all of KNT's costs into account.

Where, as here, an RFP contemplates the award of a fixed-price contract, the agency is not required to conduct a realism analysis; this is because a fixed-price (as opposed to a cost-type) contract places the risk and responsibility for loss on the contractor. WorldTravelService, B-284155.3, Mar. 26, 2001, 2001 CPD ¶ 68 at 3; PHP Healthcare Corp., B-251933, May 13, 1993, 93-1 CPD ¶ 381 at 5. However, an agency may, as the agency did here, provide for the use of a price realism analysis for the limited purpose of measuring offerors' understanding of the requirements or to assess the risk inherent in an offeror's proposal. PHP Healthcare Corp., supra. The nature and extent of an agency's price realism analysis ultimately are matters within the sound exercise of the agency's discretion. Star Mountain, Inc., B-285883, Oct. 25, 2000, 2000 CPD ¶ 189 at 6.

Here, after concluding that all prices were reasonable, the contracting officer examined whether the prices were realistic.[1] In concluding that KNT's prices were realistic, the contracting officer considered the following: KNT's specific verification of its proposed fees; its pricing rationale, which included "very low overhead," outsourcing of a number of services, anticipated commissions on car and hotel reservations, and a 5-percent commission paid by Southwest Airlines; and the fact that Southwest currently accounts for approximately 40 percent of the Kirtland contract travel. PER at 6-7; attach. 2.

The contracting officer did note that KNT's proposed transaction fees (expressed as a percentage of expected revenue) were lower than those in KNT's current contracts, but reasoned that the pricing nevertheless was realistic. Specifically, he noted that expected commissions from Southwest would increase the percentage as would income from hotel and car reservation commissions. He also observed that "the estimated ticketing revenue for [Kirtland] is three times higher than the higher of the two contracts in the comparison, [thus,] it [was] reasonable to assume that operating efficiencies at higher volumes would effect a lower management fee percentage." PER at 7. In addition, the contracting officer tested the ability of KNT to meet the current Service Contract Act (SCA) wage determination with and without the potential revenue from Southwest commissions. Specifically, he calculated the highest SCA wages and benefits for the number of employees used by Rodgers on the incumbent work, and found that KNT would experience a loss only if no commissions were collected from Southwest, and would earn a profit if only half of the commissions were obtained. Since KNT was not required to pay all of its employees at the highest rates, would not necessarily hire the same number of employees as Rodgers, and operated with a "very low overhead," the contracting office concluded that KNT's prices were realistic. In view of the contracting officer's detailed and very thorough comparisons and considerations, there is no basis to conclude that his findings of price realism were unreasonable.

Rodgers asserts that the contracting officer's calculations were flawed. For example, Rodgers suggests that, even though KNT will rely on its low overhead and commissions paid by Southwest, the agency's calculations did not take into account other costs such as credit card processing fees and the cost of "floating" government receivables.

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[1] Rodgers also asserts that the agency's price reasonableness evaluation of KNT's low prices was flawed. However, the purpose of a price reasonableness review is to determine whether the prices offered are higher--as opposed to lower--than warranted. WorldTravelService, supra, at 4 n.2. Since Rodgers asserts that KNT's prices are too low, not too high, there is no reason to question KNT's prices on the basis of price reasonableness.

The agency acknowledges that some of Rodgers' calculations are more accurate than those originally performed by the contracting officer. As discussed above, however, the agency undertook a detailed evaluation of the realism of KNT's prices using information it believed was accurate to roughly calculate the costs and the revenues that likely would be realized by KNT during performance. The fact that more precise calculations may have been possible does not establish that the agency's analysis was unreasonable. Moreover, this was only one aspect of the price realism analysis. As discussed above, the contracting officer otherwise concluded that KNT's price was realistic based on KNT's business practices, assumptions, and its prior performance on comparably priced contracts.

In any case, based on its own analysis using Rodgers' assumptions and market research on transaction processing times, it remains the agency's position that KNT's prices are realistic. In this regard, the agency concludes that, based on a minimum of five employees paid at SCA salary rates and performing just over three transactions per hour (some 40 percent slower than the rates indicated in the agency's market research), the contracting officer concludes that KNT could successfully perform the estimated number of transactions at a profit. The agency notes that the RFQ did not require the vendor to propose a minimum number of employees to perform the work. In our view, the contracting officer's additional calculations confirm that his earlier realism analysis was reasonable. Although Rodgers maintains that KNT cannot perform the work as quickly as the agency estimated, or with so few employees, it has presented no evidence to this effect aside from its own experience performing the contract; this constitutes mere disagreement with the agency's analysis, which is insufficient to establish that it was unreasonable. <u>BFI Waste Sys. of Nebraska, Inc.</u>, B-278223, Jan. 8, 1998, 98-1 CPD ¶ 8 at 2.

PAST PERFORMANCE

Rodgers asserts that the agency's evaluation of KNT's past performance as exceptional was flawed because KNT has never performed a similar contract, <u>i.e.</u>, an Air Force on-site travel services or other government contract. Rodgers maintains that consideration of KNT's past performance as a subcontractor was improper because a subcontractor is not responsible to the government.

In reviewing protests against allegedly improper evaluations, it is not our role to reevaluate proposals. Rather, our Office examines the record to determine whether the agency's judgment was reasonable and in accord with the RFP criteria. <u>Abt Assocs. Inc.</u>, B-237060.2, Feb. 26, 1990, 90-1 CPD ¶ 223 at 4.

Here, the RFQ provided for an assessment of past performance based on information from references provided by the vendor and data independently obtained from other government and commercial sources. RFQ at 6. The RFQ did not require vendors to possess past performance experience as operators of an Air Force travel office or to have performed government contracts. Thus, there was nothing improper in the agency's considering KNT's past performance of commercial contracts. Further, nothing in the RFQ prohibited the agency from considering KNT's past performance as a subcontractor, nor did it specify that such past performance would be rated as inferior to prime contract past performance. Where, as here, the solicitation does not provide otherwise, an agency properly may consider an offeror's performance as a subcontractor in its past performance evaluation. Rolf Jensen & Assocs., Inc., B-289475.2, 289475.3, July 1, 2002, 2002 CPD ¶ 110 at 6.

There also was nothing unreasonable in the agency's conclusion that KNT's performance on its prior contracts warranted an "exceptional" past performance rating. In this regard, the agency reviewed questionnaires for two contracts performed by KNT, one of which was a subcontract. The questionnaire respondents rated KNT's performance, on average, as 2.6, which translated to an exceptional rating under the RFQ's evaluation scheme. The questionnaires also contained the following comments:

> [KNT is] competitive without compromising service. Always consistent, courteous and responsive to their customers. Very experienced and knowledgeable of the industry requirements. Compliant with preparation and accuracy of reports. Always met deadlines. Any modification requests were always done without incident and rarely at the expense of the company. Commendable ability to identify problems and correct them.

PER at 4. The contracting officer also contacted the prime contractor for the subcontract and verified that KNT performed everything "on its own." We conclude that the evaluation was reasonable.

The protest is denied.

Anthony H. Gamboa
General Counsel