



United States General Accounting Office
Washington, DC 20548

Decision

Matter of: Ocean Technical Services, Inc.

File: B-284745

Date: May 22, 2000

Esteban Fernandez for the protester.
Richard Wilkinson for American Shipyard, an intervenor.
Richard V. Gonzales, Esq., United States Coast Guard, for the agency.
Jeanne W. Isrin, Esq., and John M. Melody, Esq., Office of the General Counsel, GAO, participated in the preparation of the decision.

DIGEST

In procurement for vessel repairs, agency reasonably excluded mission-related mileage from distance factor added to bids for evaluation purposes (to reflect the agency's cost of navigating the vessel to each bidder's shipyard) and instead calculated distance based on the shortest route consistent with the vessel's physical capabilities.

DECISION

Ocean Technical Services, Inc. (Otech) protests the proposed award of a contract to American Shipyard under invitation for bids (IFB) No. DTTCG80-00-B-3FC159, issued by the Department of Transportation, United States Coast Guard (USCG), for the drydock and repair of USCG cutter Attu.

We deny the protest.

The IFB contemplated award of a fixed-price contract, to be performed at the contractor's shipyard. IFB §§ F.1(b), L.5. Award was to be made to the low responsive, responsible bidder. IFB § M.2(a). The low bid was to be determined by adding to the bids five foreseeable cost factors to be incurred by the USCG as a result of having the work performed at the contractor's shipyard, rather than the home pier; these factors would vary depending on the location of the contractor's shipyard. IFB §§ M.1(b), M.3. The protest concerns the calculation of one of these foreseeable cost factors, the distance factor--\$16.90 per nautical mile--which reflected the cost of navigating the vessel from its home pier to the contractor's

shipyard and back. IFB § M.3. The IFB also provided for a 10-percent evaluation factor to be applied to bids other than those of small disadvantaged businesses (SDB). IFB §§ M.1(b), I.3(b).

Four bids were received by the January 7, 2000 bid opening. American's bid as submitted was low at \$284,600, and Otech's was the highest at \$332,784. To calculate the distance factor for all bidders, the agency applied its Internal Standard Operating Procedure (IntSOP) 042.14, Foreseeable Cost Evaluation Procedures, Agency Report, tab 21, which provides:

The determination of transit mileage shall be based on the shortest route consistent with the vessel's physical capabilities. Factors to consider for safe navigation include: the cutter size, the cutter's stability and sea keeping capabilities, and the cutter's maximum range based on required fuel reserves during hurricane season/typhoon season or other seasonable weather patterns which affect operating instructions. All cutters greater than 110' in length with the exception of the 175' WLMs, 160' WLICs and CGC COURSEN, are considered capable of unrestricted open ocean transits; i.e., transiting a route greater than 100 miles offshore.

IntSOP 042.14, para 8. The provision goes on to state that the above method for calculating mileage should be used "even if the cutter plans to deviate from the route used to evaluate foreseeable costs." Id.

Since the Attu was a cutter not greater than 110 feet in length, the agency determined that the proper route for evaluation purposes was the shortest route possible while maintaining the vessel within 100 miles offshore. The contemplated performance period was not during hurricane season, so fuel reserve requirements were not applied. Contracting officials charted a route from San Juan, Puerto Rico, the Attu's home pier, to Jacksonville, Florida, and then up the coast, making two more intermittent ports, to American's shipyard at Newport, Rhode Island, for a total of 2,038 nautical miles (nm), or 4,076 nm round trip.¹ After the five foreseeable cost factors were calculated and added to all bids, the 10-percent SDB evaluation factor was added to the three bids other than Otech's (since Otech was the only SDB bidder). American's bid remained low at \$399,228.29, while Otech's became second low at \$401,936.01.

¹ This is the USCG's final position regarding the appropriate distance to American's shipyard; both Otech and the agency changed their calculations and positions several times during the course of the protest. A dispute over the calculation of the distance to Otech's shipyard also was resolved during the course of the protest.

Otech argues that the distance factor added to American's bid is too low because it was calculated based on a route shorter than the one that the Attu will actually follow. In this regard, Otech maintains that the Attu will not actually sail from San Juan directly to Jacksonville, because there is a standing mission requirement for 110-foot cutters transiting north from San Juan to use the Old Bahamas Channel and the Santaren or Nicolas Channel, in order to maximize patrolling time in those channels, where there is a high level of drug and migrant activity. E-mail Message from LTJG James Brown to LCDR Todd Seaman, May 21, 1998.² To meet that requirement, as well as maintain the vessel within 100 miles offshore, Otech maintains, the proper course to American's shipyard is from San Juan to Guantanamo Bay, Cuba, on to Miami, Florida, and then up the U.S. east coast to Newport. This route--measuring 2,219 nm, or 4,438 nm round trip--would increase the distance factor added to American's bid such that its total evaluated bid would increase to \$405,957.87, leaving Otech's evaluated bid low by \$4,021.87.

We find nothing objectionable in the agency's approach to calculating the distance to American's shipyard. As indicated, the only purpose of adding cost factors to the bids was to ensure that the evaluated bid prices fully reflected the agency's total costs associated with performance of the contract. Although the record indicates that the Attu likely would follow the longer route charted by Otech in sailing to American's shipyard, Affidavit of John W. Yager, Apr. 14, 2000, the additional distance is attributable solely to the agency's decision to satisfy mission requirements when a vessel travels to certain commercial shipyards for repairs; the additional distance has nothing to do with the performance of the vessel repair contract. This being the case, there is nothing unreasonable in the agency's excluding the additional mileage from its distance calculations, on the basis that mileage that has nothing to do with performance of the vessel repair contract should not affect the price evaluation.

Otech maintains that, in determining its bid price, it relied on its understanding that distance cost factors would be calculated based on the actual route the Attu would take to each shipyard, and cites our decision in Sample's Shipyard, *supra*, in support of that understanding. This assertion is not supported by the record, which contains a February 7, 2000 letter from Otech to the contract specialist, Agency Report, Tab 13 at 6, in which Otech maintains that the proper route for calculating the distance to American's shipyard is from San Juan to Savannah, Georgia, and then up the U.S. east coast to Newport, for a total of 1,989 nm. This route would not encompass the mission requirement through the Old Bahamas Channel and, in fact, is shorter than the route used by the USCG. Only in later submissions to contracting

² Otech's knowledge of this mission requirement was apparently obtained from the cited e-mail message, which was part of the protest record in our decision, Sample's Shipyard, B-280452, Oct. 1, 1998, 98-2 CPD ¶ 83, in which Otech participated as an intervenor.

officials did Otech argue that the route to American's shipyard should include the mission requirement to Guantanamo Bay and through the Old Bahamas Channel to Miami, Florida. Since bids were submitted prior to February 7, we think it is clear that Otech did not rely on inclusion of the mission requirement in the distance cost factors.³

The protest is denied.

Comptroller General
of the United States

³ Moreover, Otech misstates our holding in Sample's. We held there only that it was reasonable for the USCG to calculate the distance cost factor by using a route the agency considered necessary to maintain the safety of the vessel and crew. We did not address the issue of whether mission requirement mileage should be included in the distance cost factor calculations.