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**Comptroller General
of the United States**

**United States General Accounting Office
Washington, DC 20548**

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Decision

Matter of: IBP, Inc.

File: B-289296

Date: February 7, 2002

Ronald K. Henry, Esq., Kaye Scholer, for the protester.
James H. Roberts, Esq., Manatt, Phelps & Phillips, for Farmland National Beef Packing Company, an intervenor.
Jay P. Manning, Esq., Defense Commissary Agency, for the agency.
Glenn G. Wolcott, Esq., and Michael R. Golden, Esq., Office of the General Counsel, GAO, participated in the preparation of the decision.

DIGEST

1. Where solicitation advised offerors that experience was an evaluation factor, agency properly considered the particular benefit associated with an offeror's experience as the incumbent.
2. Although solicitation provided that price and non-price factors were "approximately equal" in importance, agency was not required to give equal weight to the percentage differential between technical scores and the percentage differential between proposed costs; rather, the source selection official properly exercised her business judgment regarding the significance of the differences.

DECISION

IBP, Inc. protests the Defense Commissary Agency's (DeCA) award of a contract to Farmland National Beef Packing Company under request for proposals (RFP) No. DECA-02-R-0010 for the sale and delivery of beef products to various commissaries within DeCA's Eastern Region. IBP protests that the agency failed to properly apply the solicitation's stated evaluation factors.

We deny the protest.

BACKGROUND

Solicitation No. DECA-02-R-0010 was published on June 29, 2001 and sought proposals to provide various beef products to nine geographical commissary groups within DeCA's Eastern Region.¹ The solicitation contemplated a contract, or contracts, covering each of the commissary groups for a 1-year base period and two 1-year option periods. The solicitation provided that proposals would be evaluated on the basis of price and non-price factors, identified the non-price factors as technical capability and past performance,² stated that these two non-price factors were "equally important," and provided that "approximately equal" weight would be given to price and to the combined non-price factors. RFP at 270-71. Regarding evaluation of price, the solicitation contained a schedule of the beef products to be sold and delivered for each commissary group, along with estimated quantities for each item. Offerors were required to submit fixed prices for each line item, and the solicitation provided that each offeror's total prices would be calculated, for each commissary group, by multiplying the offered price for each line item by the estimated quantity and totaling the line item prices for the base year and option years.

Farmland and IBP each submitted initial proposals by the specified closing date.³ Those proposals were evaluated, discussions were conducted, and final revised proposals were submitted and evaluated. Under each of the evaluation factors and subfactors, the agency assigned a numerical point score, which corresponded to an adjectival rating. The final ratings were as follows:

¹ The solicitation called for proposals for a total of ten groups; however, for reasons not at issue in this protest, a contract for the tenth group (identified in the procurement documents as "group 7") was not awarded. The solicitation also provided an opportunity to offer certain "optional" items. Neither IBP nor Farmland submitted proposals for these items, and they are not at issue in this protest.

² The solicitation established four subfactors under each primary evaluation factor. Under technical capability, the solicitation listed: experience, quality control, distribution plan, and additional support. Under past performance, the solicitation listed: quality of history, timeliness of deliveries, customer satisfaction, and fill rates. RFP at 270.

³ Proposals were also submitted by several other offerors. Ultimately, the other offerors competing for the contracts at issue here either withdrew or were eliminated from the competition.

	IBP		Farmland	
	Adjectival Rating	Numerical Score	Adjectival Rating	Numerical Score
Technical Capability				
Experience	Excellent	[deleted]	Excellent	[deleted]
Quality Control	Excellent	[deleted]	Excellent	[deleted]
Distribution Plan	Excellent	[deleted]	Excellent	[deleted]
Additional Support	Good	[deleted]	Good	[deleted]
Past Performance				
Quality History	Excellent	[deleted]	Excellent	[deleted]
Timeliness of Deliveries	Excellent	[deleted]	Good	[deleted]
Customer Satisfaction	Excellent	[deleted]	Good	[deleted]
Fill Rates	Excellent	[deleted]	Good	[deleted]
Total Point Score		93.50		82.10

Agency Report, Tabs 9, 12.

With regard to price, IBP's evaluated prices were higher than Farmland's for each commissary group. The evaluated prices, along with the amount that IBP's price exceeded Farmland's in each group, were as follows:

	IBP	Farmland	IBP's Price Premium Percentage ⁴	
Group 1	[\$deleted]	\$41,754,743	[deleted]	[deleted]
Group 2	[deleted]	33,313,943	[deleted]	[deleted]
Group 3	24,794,859	[deleted]	[deleted]	[deleted]
Group 4	22,840,896	[deleted]	[deleted]	[deleted]
Group 5	[deleted]	29,308,881	[deleted]	[deleted]
Group 6	[deleted]	29,526,398	[deleted]	[deleted]
Group 8	[deleted]	39,513,474	[deleted]	[deleted]
Group 9	[deleted]	45,180,379	[deleted]	[deleted]
Group 10	[deleted]	47,307,258	[deleted]	[deleted]

Following the final evaluation of price and non-price factors, the contracting officer compared the relative merits of IBP's and Farmland's proposals with regard to the non-price factors, contemporaneously documenting this analysis in narrative form in the source selection document. Among other things, the source selection document stated:

⁴ We independently calculated the percentage of IBP's price premium by dividing the premium for each group by Farmland's evaluated price for that group and rounding to the nearest tenth of a percentage point.

In comparing IBP to Farmland in the [primary evaluation factor] Technical Capability, both are excellent overall in the rated [subfactors] of experience, quality control, distribution plan, and additional support, with National being rated slightly lower than IBP, but still in the excellent range for each of the rated areas. Both have an extensive amount of experience in supplying resale subsistence for commissaries and commercial supermarkets.

In comparing IBP to Farmland National Beef in the [primary evaluation factor] of Past Performance, IBP is stronger than Farmland National Beef. IBP has slightly stronger quality history, being rated at the “low end” of excellent with Farmland being rated at the “high end” of good. IBP is stronger in the area of timeliness of deliveries, with IBP being at the “low end” of Excellent and Farmland National Beef at the “low end” of good. In the area of customer satisfaction, IBP [is] slightly stronger than Farmland with IBP being rated at the low end of Excellent [and] Farmland rated at the high end of Good. In the area of fill rate, IBP has a slight edge, with IBP claiming between a 99 and 100% fill rate and Farmland claiming a “high 90s” fill rate[,] with IBP being rated at the “low-end” of excellent and Farmland being rated at the “high end” of good.

Agency Report, Tab 13, Source Selection Document, at 1-2.

Overall, the contracting officer concluded that the two proposals were essentially equal with regard to technical capability and that IBP’s proposal was somewhat superior to Farmland’s with regard to past performance. Agency Report, Tab 1, Contracting Officer’s Statement, at 2.

The contracting officer then performed a cost/technical tradeoff for each of the commissary groups, taking into consideration the above analysis along with her consideration of which offeror was currently performing the contract in each of the commissary groups. The contracting officer balanced those non-price considerations against IBP’s higher cost in each group, taking into consideration both the total cost differential for each commissary group, as well as the average additional cost per commissary within a given group. Based on this analysis, the contracting officer selected Farmland’s proposal as representing the best value to the government for commissary groups 1, 2, 5, 6, 8, 9, and 10, and selected IBP’s proposal as representing the best value to the government for commissary groups 3 and 4. This protest followed.

DISCUSSION

Among other things, IBP challenges the contracting officer's consideration of which offeror was currently performing the contract, asserting that "incumbency . . . was not an evaluation factor." IBP Post-Hearing Comments at 6 (Jan. 16, 2002). As discussed below, the contracting officer's consideration of an offeror's experience, and more specifically, whether that experience included performance as the incumbent contractor, was both reasonable and consistent with the solicitation's stated evaluation factors.

Where a solicitation advises offerors that experience is to be evaluated, an agency may properly consider an offeror's specific experience in the area that is the subject of the procurement. Gulf Group, Inc., B-287697, B-287697.2, July 24, 2001, 2001 CPD ¶ 135 at 2-3. In this regard, experience as an incumbent may offer genuine benefits to an agency and may reasonably distinguish the incumbent's proposal. Dr. Carole J. Barry, B-271248, June 28, 1996, 96-1 CPD ¶ 292 at 3. An agency may properly consider the additional costs associated with a non-incumbent's "learning curve." Veda Inc., B-278516.2, Mar. 19, 1998, 98-1 CPD ¶ 112 at 12.

Here, the solicitation specifically stated that an offeror's experience was a subfactor that would be evaluated in the context of technical capability. RFP at 270. In this regard, offerors were instructed: "Describe your experience with . . . the same or similar items and quantities required in this solicitation." RFP at 268. In considering the impact of incumbency, the contracting officer's source selection document repeatedly noted that the incumbent contractor's experience in accomplishing the required tasks in each group was expected to eliminate "transition/startup" problems. Based on the solicitation's identification of experience as an evaluation factor, we find no basis to question the contracting officer's consideration of incumbency in making her cost/technical trade-off decisions.

Next, IBP protests that the agency failed to follow the solicitation's stated evaluation scheme which provided that "approximately equal" weight would be given to price and to the combined non-price factors. Relying on the numerical point scores awarded under the non-price evaluation factors, IBP repeatedly refers to its "14% technical advantage," asserting that it was unreasonable for the agency to rely on Farmland's price advantage, which ranged from [deleted] to [deleted], to offset IBP's technical superiority. We disagree.

In conducting cost/technical tradeoffs, selection officials retain considerable discretion in determining the significance of technical point score differentials. The determinative element is not the difference in technical scores per se, but the considered judgment of the selection officials concerning the significance of the difference. Hardman Joint Venture, B-224551, Feb. 13, 1987, 87-1 CPD ¶ 162. Where, as here, a negotiated procurement provides for award after a cost/technical tradeoff, point scores are merely guides to assist contracting agencies in evaluating proposals;

they do not mandate automatic selection of a particular proposal, and an agency is not required to give equal weight to the percentage differential between technical scores and the percentage differential between proposed costs. Ecology and Env't, Inc., B-209516, Aug. 23, 1983, 83-2 CPD ¶ 229. The business judgment of a source selection official in determining how much additional cost an agency is willing to incur to obtain the benefit of a higher rated proposal is governed only by the tests of rationality and consistency with established evaluation criteria. Grey Adver., Inc., B-184825, 76-1 CPD ¶ 325 at 9-12.

Here, as noted above, the contracting officer first concluded that IBP's and Farmland's proposals were essentially equal with regard to the technical capability factor—which represented one-half of the weight to be accorded to the non-price evaluation factors.⁵ In reaching that determination, the contracting officer recognized the slight differences in IBP's and Farmland's point scores for each of the technical capability subfactors and noted that both proposals were rated in the "excellent" range for all subfactors, with the exception of the least important subfactor, additional support, under which both proposals were rated "good." On this record, we find nothing unreasonable regarding the determination that the two proposals were essentially equal with regard to technical capability.

With regard to the past performance evaluation factor, the contracting officer recognized that IBP's proposal was somewhat superior, noting that IBP's proposal was rated "excellent" under each of the evaluation subfactors, while Farmland's proposal was rated "excellent" in only one subfactor (quality history) and "good" in the remaining three subfactors (timeliness of deliveries, customer satisfaction, and fill rates).⁶

Accordingly, in performing the cost/technical tradeoffs for commissary groups 2, 5, 6, 8, 9, and 10, where Farmland was the incumbent contractor, the contracting officer considered the significance of the difference between IBP's "excellent" past performance and Farmland's "good" past performance, along with Farmland's experience in performing as the incumbent contractor. The contracting officer then balanced the value of these non-price considerations against IBP's higher prices, (ranging from [deleted] to [deleted] higher) considering not only the total differential for each commissary group, but also the cost differential per commissary within each group. Specifically, for these groups, the additional daily cost associated with IBP's proposal ranged from approximately [deleted] to [deleted] per commissary.

⁵ As noted above, the solicitation provided that the two non-price factors, technical capability and past performance, were "equally important." RFP at 270.

⁶ The solicitation established that quality history and timeliness of delivers were more important than customer satisfaction and fill rates.

For each of these groups, the contracting officer concluded that Farmland's proposal offered the best value to the government.

In making her determinations, the contracting officer provided a narrative analysis of the factors she took into consideration for each group, relying generally on her comparison of the two proposals' ratings for non-price factors, quoted above, and adding additional discussion regarding considerations that were unique for each group. For example, with regard to group 2, the source selection decision stated:

I determine that Farmland National Beef is the best value for Group 2 Mandatory category items. Farmlands evaluated price is over [deleted] lower than IBP's evaluated price. Again, in my business judgment, it is not worth paying [deleted], or an average of over [deleted] per day, per store, for the difference between Excellent and Good past performance, particularly when considering that Farmland National Beef in this case, is the incumbent contractor for Group 2 and no transition/startup period would be required.

Agency Report, Tab 13, Source Selection Document, at 2-3.

In light of our earlier discussion regarding the contracting officer's proper consideration of incumbency in situations where, as here, offerors were advised that experience would be evaluated, along with the discretion properly afforded source selection officials in making the tradeoff decision in a given source selection, we find nothing unreasonable in the contracting officer's source selection decisions regarding these groups. In short, the contracting officer reasonably concluded that IBP's advantage with regard to past performance—an evaluation factor which, under the stated evaluation scheme, was approximately half as important as price—did not warrant payment of price premiums ranging from [deleted] to [deleted] percent, or approximately [deleted] to [deleted] per day per commissary, in situations where IBP's relative non-price advantage was diminished by the benefit associated with Farmland's incumbency.

In contrast to the decisions for groups 2, 5, 6, 8, 9, and 10, the contracting officer selected IBP's proposal as offering the best value to the government for groups 3 and 4. Although IBP's proposal carried a price premium of [deleted] in those groups, IBP was also the incumbent contractor; further, the price differential for groups 3 and 4 amounted to only [deleted] and [deleted] per day per commissary, respectively—the lowest per store differentials for all nine groups. Accordingly, when the contracting officer considered IBP's somewhat superior past performance along with its specific experience in selling and delivering products to the commissaries in those groups, she concluded that the benefit for the government from those factors was sufficient to warrant paying IBP's higher prices. IBP complains that, in light of the agency's best value determination in groups 3 and 4, where IBP's prices were [deleted] higher than Farmland's, it was inconsistent for IBP

not to be selected for award in group 6, where IBP's price was only [deleted] higher than Farmland's.⁷ We disagree. As discussed above, the contracting officer properly considered the offerors' specific experience as the incumbent. Thus, the determination that Farmland's slightly lower priced proposal represented the best value to the government in group 6 where Farmland was the incumbent was consistent with the contracting officer's determination that IBP's proposal for groups 3 and 4, where IBP was the incumbent, represented the best value to the government, notwithstanding the fact that the price differential in groups 3 and 4 was somewhat greater than the differential for group 6.

Finally, IBP focuses on the source selection decision for group 1, where IBP was the incumbent contractor, but the agency concluded that payment of IBP's [deleted] price premium was not warranted. As shown in the price table above, IBP's price premium for group 1 was the highest of any group in which IBP was also the incumbent. Further, IBP's price differential for group 1 represented a daily price premium of approximately [deleted] per commissary--the highest per commissary differential for all nine groups. The contracting officer's source selection document incorporated the above-quoted comparative analysis of the non-price factor ratings of the two proposals, and further stated:

IBP's evaluated price is over [deleted] higher than Farmland National Beef's evaluated price. IBP's score for Technical Capability and Past Performance combined is [deleted] percent higher than Farmland's combined score.

The solicitation and the evaluation plan stated that price is approximately equal to Technical Capability and Past Performance combined. Farmland National Beef received a lower combined evaluation score than IBP but, as stated above, offered a significantly lower price. Although not the most highly rated offeror overall, Farmland has excellent technical capability and is rated overall good for past performance. I determine that Farmland's substantially lower [deleted] price, excellent technical capability, [and] good past performance is the best value for the Group 1, Mandatory category items. Even though experience has shown that a change in contractors could result in some initial startup difficulties, in my business judgment, it is not worth trading over [deleted], or an average of

⁷ IBP makes a similar argument with regard to group 10, based on the assertion that IBP's price advantage for that group was also only [deleted]--and, thus, lower than the [deleted] advantage for groups 3 and 4. As shown in the price table earlier in this decision, our review of the record establishes that, in fact, IBP's evaluated price for group 10 was [deleted] higher than Farmland's evaluated price.

approximately [deleted] per day, per store, for excellent past performance over good past performance.^[8]

Agency Report, Tab 13, at 2.

Based on our review of the record, it is clear that, in conducting this procurement, the contracting officer made multiple best value determinations, consistently applying the same evaluation factors and balancing those factors against IBP's price differentials, which ranged from [deleted] to [deleted] and reflected additional daily costs between [deleted] and [deleted per commissary]. In situations such as this, some incremental price differential must, of necessity, become the determining factor for source selection.

Here, in responding to IBP's specific complaint that the contracting officer's decision to award to Farmland in group 1 was inconsistent with her decision to award to IBP in groups 3 and 4, it is clear that, in the contracting officer's business judgment, payment of IBP's [deleted] price premium, which amounted to additional daily costs of approximately [deleted] per commissary, were warranted in groups 3 and 4, while, in her judgment, IBP's higher [deleted] premium, which amounted to additional daily costs of approximately [deleted] per commissary in group 1, were not. In light of her consistent consideration of all the factors discussed above, we find no basis to question that determination.

The protest is denied.

Anthony H. Gamboa
General Counsel

⁸ In documenting her decision for group 1, the contracting officer refers to a [deleted] price differential, while the record indicates that IBP's price premium for group 1 was actually [deleted]. Since the record indicates that IBP's actual premium was even higher than reflected in the source selection document, we do not view the apparent error as prejudicing IBP.