GAO
Accountability * Integrity * Reliability

Comptroller General
of the United States

United States Government Accountability Office
Washington, DC 20548

Decision

Matter of: AAR Defense Systems & Logistics

File: B-413284

Date: September 22, 2016

Joel Singer, Esq., Mark P. Guerrera, Esq., Patrick K. O'Keefe, Esq., and Kyle J. Fiet, Esq., Sidley Austin LLP, for the protester.
Craig A. Holman, Esq., Kara L. Daniels, Esq., and Amanda Johnson, Esq., Arnold & Porter LLP, for L-3 Communications Vertex Aerospace, LLC, the intervenor.
Maj. George M. Ebert, and Lt. Col. Christine C. Piper, Department of the Air Force, for the agency.
Glenn G. Wolcott, Esq., and Christina Sklarew, Esq., Office of the General Counsel, GAO, participated in the preparation of the decision.

DIGEST

1. Agency reasonably determined that an evaluated weakness in the awardee's proposal was not a significant discriminator between the awardee's and the protester's proposals, and that the evaluated weakness was not a basis to assign a higher technical risk rating.

2. Agency reasonably evaluated awardee's past performance as satisfactory based on the agency's consideration of various references submitted by the awardee, along with additional information.

3. Agency reasonably evaluated awardee's proposed price as realistic where it compared the proposed prices to each other and to the independent government estimate, and considered additional data and explanation supporting the awardee's proposed price.

4. Protest that agency failed to perform a cost/technical tradeoff is denied where the agency's source selection decision expressly considered the offerors' prices and concluded that protester's slightly higher-rated proposal was not worth its higher price.

DECISION

AAR Defense Systems & Logistics, of Wood Dale, Illinois, protests the Department of the Air Force's award of a contract to L-3 Communications Vertex Aerospace, LLC, pursuant to request for proposals (RFP) No. FA8130-14-R-0002 to provide various support services for KC-10 aircraft.[1] AAR maintains that the agency failed to properly consider AAR's experience,[2] asserting that the agency improperly evaluated the offerors' proposals under various evaluation factors, and failed to properly perform a cost/technical tradeoff.

We deny the protest.

BACKGROUND

In November 2014, the agency published the RFP at issue, seeking fixed-price proposals to provide maintenance and logistics support services for a quantity of KC-10 aircraft.[3] The solicitation provided for award on a best-value basis and established the following evaluation factors: technical,[4] technical risk,[5] past

---

[1] The mission of the KC-10 is to provide global airlift and aerial refueling. Agency Report (AR), Tab 14, RFP at 5. The KC-10 is a derivative of the DC-10-30CF aircraft. Id.

[2] AAR states that it is "a main subcontractor" under the predecessor contract. Protest at 16.

[3] Specifically, the solicitation contemplated providing support services for 32 KC-10 aircraft at Mcguire Air Force Base (AFB) in New Jersey; 27 KC-10 aircraft at Travis AFB in California; and 2 KDC-10 aircraft at the Eindhoven Royal Netherlands Air Base. RFP at 5; Contracting Officer's Statement, at 1.

[4] Under the technical factor, the solicitation established four subfactors: (1) phase-in/transition; (2) logistics support; (3) KC-10 Aircraft Depot Maintenance/KDC-10 maintenance; and (4) small business. AR, Tab 16, Evaluation Factors, at 3. The solicitation provided that proposals would be evaluated on an acceptable/unacceptable basis under the technical evaluation factor. Id. at 4.

[5] In evaluating technical risk, the solicitation provided that the agency would make risk assessments regarding an offeror's proposed approach to performing the first three subfactors established under the technical evaluation factor, and would assign ratings of low, moderate, or high. Id. at 6. Of relevance to this protest, the solicitation defined a low risk rating as applicable to a proposal that: "Has little potential to cause disruption of schedule, increased cost or degradation of performance. Normal contractor effort and normal Government monitoring will likely be able to overcome any difficulties." AR, Tab 16, Evaluation Factors, at 6.

performance,[6] and price.[7] AR, Tab 16, Evaluation Factors, at 1, 3. The solicitation provided that tradeoffs would be made between technical risk, past performance, and price, and stated that technical risk was significantly more important than past performance and that, combined, technical risk and past performance were approximately equal in importance to price. Id. at 4. Finally, the solicitation provided for a 30-month base performance period, three 1-year option periods, three additional 1-year incentive option periods, and a final extension period of 6 months, for a total potential performance period of 9 years. AR, Tab 14, RFP, at 5.

On or before the February 11, 2015 closing date, the agency received four proposals, including those submitted by AAR and L-3. These proposals were evaluated and, thereafter, the agency conducted discussions with all of the offerors. Following discussions, final proposal revisions (FPRs) were submitted and evaluated. AAR's and L-3's FPRs were rated as follows:[8]

	AAR	**L-3**
Technical	Acceptable	Acceptable
Technical Risk	Low Risk	Low Risk
Past Performance	Satisfactory	Satisfactory
Price	$2,136,844,074	$2,025,165,331

AR, Tab 49, Source Selection Decision Document (SSDD), at 8.

In evaluating AAR's proposal with regard to technical risk, the agency concluded that there were no weaknesses, and assigned a rating of low risk. In evaluating L-3's proposal, the agency also assigned a rating of low technical risk, but noted one evaluated weakness, stating:

---

[6] The solicitation provided for submission of past performance questionnaires for up to three contracts for the prime contractor, and up to 2 contracts for each significant subcontractor. AR, Tab 15, Instructions to Offerors, at 14. In evaluating past performance, the solicitation provided that the agency would assign the following confidence ratings: satisfactory confidence; limited confidence; no confidence; or unknown confidence. AR, Tab 16, Evaluation Factors, at 7.

[7] With regard to price, the solicitation provided estimated quantities for each contract line item number (CLIN) which were applied to the offerors' proposed fixed prices for the various CLINs. An offeror's total evaluated price (TEP) was calculated as the aggregate extended amount of all CLINs. Id. at 13-23. The solicitation provided that the agency would evaluate offerors' prices for reasonableness, realism, and balancing. Id. at 12.

[8] The other proposals, and the agency's evaluation thereof, are not relevant to this protest and are not further discussed.

> L-3 has a remaining weakness for starting a new RCM [reliability-centered maintenance] program with little historical data; however, to mitigate the impact of this weakness they proposed to collect RCM data by drawing upon a variety of sources to include: [redacted]. Without access to the historical data, the Government estimates it will take 12-24 months of data accrual before the Offeror would have enough data available to fully utilize their recommended IPT [integrated product team] to identify needed product improvements, changes in maintenance practices or periodicity, and additional predictive maintenance requirements. The lack of data could result in fewer useful product improvement recommendations needed to increase weapon system reliability. The impact to the KC-10 program is minimal due to the offeror's strong mitigation approach and the short 12-24 month time period (in relation to the overall 9-year period of performance) until the offeror collects [its] own maintenance data.

AR, Tab 46, Final Decision Briefing, at 63.

Thereafter, the source selection authority (SSA) reviewed the evaluation reports, consulted with the source selection evaluation board (SSEB) and the source selection advisory council (SSAC), and concluded that L-3's proposal offered the best value to the government. In documenting that decision, the SSA acknowledged the evaluated weakness in L-3's proposal, stated that he agreed with the SSAC's conclusion that the impact of that weakness was "minimal," and concluded that "[n]ormal contractor effort and normal Government monitoring will likely be able to overcome any difficulties." AR, Tab 49, Source Selection Decision Document (SSDD), at 10, 19-20. The SSA then compared AAR's proposal to L-3's proposal, stating:

> AAR'[s] TEP is $2,136,844,074.05. Their price is $111,678,742.10 higher than L-3. Their rating in Factor 2 Technical Risk is LOW. There were no identified weaknesses in their proposal. They [AAR] are considered slightly superior to L-3 in Technical Risk. As stated above, the L-3 weakness is considered minor with minimal impact. In comparison, AAR does not have a weakness for Data & Information Collection due to currently possessing the historical data needed to identify product improvements for RCM during the initial 12 to 24 month timeframe. The benefit provided by AAR's proposal is negligible. My determination is the slightly superior proposal

provided [by] AAR in Technical Risk does not offset the price difference with the lowest priced Offeror[,] L-3; therefore, a trade-off is not worth the $111,678,742.10 price premium of the higher priced proposal from AAR.

Id. at 20.

By letter dated June 1, AAR was notified of L-3's selection. This protest followed.

DISCUSSION

AAR protests that the agency improperly evaluated technical risk; improperly evaluated past performance; improperly evaluated price; and failed to perform a cost/technical tradeoff. Protest at 11-23. As discussed below, we find no merit in any of AAR's allegations.[9]

Evaluation of Technical Risk

First, AAR protests that it was improper to assign a low risk rating to L-3's proposal under the technical risk evaluation factor, since L-3's proposal included an evaluated weakness. Protest at 16. AAR further asserts that the agency's assessment regarding the insignificance of L-3's weakness was "conclusory" with "no support." Id. Finally, AAR complains that, in assigning the same low risk rating to AAR's proposal, the agency "ignored the clear superiority of AAR's experience,"[10] asserting that the agency was required to recognize that experience as "a significant strength that is not shared by any other vendor." Id. at 16, 17.

The agency responds that the evaluation record provided considerable explanation regarding the nature of the weakness, L-3's mitigation plan, and the potential impact--thereby supporting the agency's conclusion that the evaluated weakness was not significant. Further, the agency notes that, although AAR's and L-3's proposals were both assigned low risk ratings under the technical risk evaluation factor, the proposals were not considered equal; rather, AAR's proposal was considered "slightly superior." AR, Tab 49, SSDD, at 20.

In reviewing a protest challenging an agency's evaluation, our Office will not reevaluate proposals nor substitute our judgment for that of the agency, as the evaluation of proposals is a matter within the agency's discretion. Management Sys.

---

[9] In pursuing this protest, AAR has submitted arguments that are in addition to, or variations of, those discussed below. We have considered all of AAR's allegations and find no basis to sustain its protest.

[10] As noted above, AAR states that it was "a main subcontractor" under the predecessor contract. Protest at 16.

Int'l, Inc., B-409415, B-409415.2, Apr. 2, 2014, 2014 CPD ¶ 117 at 5. Rather, we will review the record only to determine whether the agency's evaluation was reasonable and consistent with the stated evaluation criteria and with applicable procurement statutes and regulations. Id. A protester's disagreement with an agency's evaluation does not show that it lacked a reasonable basis. Lanmark Tech., Inc., B-408892, Dec. 19, 2013, 2013 CPD ¶ 295 at 5; VT Griffin Servs., Inc., B-299869.2, Nov. 10, 2008, 2008 CPD ¶ 219 at 4. As our Office has frequently stated, adjectival ratings are only guides to assist agencies in evaluating proposals; information regarding particular strengths and weaknesses of proposals is the type of information that source selection officials should consider, in addition to ratings and point scores, to enable them to determine whether and to what extent meaningful differences exist between proposals. See, e.g., TPL, Inc., B-297136.10, B-297136.11, June 29, 2006, 2006 CPD ¶ 104 at 17.

Here, the solicitation did not provide that an offeror's experience was a required consideration in assessing technical risk; rather, as noted above, the solicitation provided for evaluation of risk based on an offeror's proposed technical approach. AR, Tab 16, Evaluation Factors, at 6. In this regard, the record establishes that the agency considered L-3's proposed approach for establishing a reliability-centered maintenance program, which the agency viewed as a weakness because L-3 does not currently possess historical data, and concluded that AAR's proposal was "slightly superior." The record further establishes that the agency properly considered the nature of the evaluated weakness, L-3's proposed approach to mitigating that weakness, and the potential impact on contract performance, to support its determination that the evaluated weakness was not a significant discriminator. Finally, based on the agency's express consideration of the evaluated weakness's potential impact on contract performance, the agency's assignment of a low-risk rating was consistent with the solicitation's definition of that rating. See AR, Tab 16, Evaluation Factors, at 6 (proposed approach has little potential to disrupt schedule, increase cost, or degrade performance, and normal contractor effort/government monitoring will likely overcome any difficulties). On this record we find no basis to question the agency's evaluation under the technical risk factor.

Evaluation of Past Performance

Next, AAR protests that the agency's past performance evaluation of L-3's proposal was flawed. In this regard, AAR references two examples of L-3's allegedly adverse past performance that AAR asserts should have led to a less than satisfactory past performance rating. First, AAR refers to "L-3's flawed performance of depot maintenance on the Air Force's RC-135 fleet," referencing a prior incident that resulted in damage to an aircraft. Protest at 18. Second, AAR asserts that the agency "failed to properly consider . . . L-3's work and major accounting irregularities on its C-12 contract with the Army." Id. at 20-23; AAR Comments on AR, July 28, 2016, at 17.

The agency responds that the RC-135 contract was awarded to, and performed by L-3 Mission Integration--a division of L-3 Corporation separate and apart from L-3 Communications Vertex Aerospace, LLC, the awardee in this procurement.[11] AR, Contracting Officer's Statement at 25-26. The agency maintains that, in order for it to have considered the past performance of L-3 Mission Integration, L-3 Vertex would have had to demonstrate that the resources of L-3 Mission Integration would be involved in performing this contract. Id.; Agency Memorandum of Law at 16. Here, however, L-3 Vertex did not include L-3 Mission Integration as part of its proposal; accordingly, the agency did not view the RC-135 contract as relevant past performance for L-3 Vertex. Id.

With regard to L-3's allegedly adverse past performance under the C-12 contract, the agency states that, as part of its search for additional past performance information, the agency reviewed the CPARs (contractor performance assessment reports) for the C-12 contract, and found that they reflected satisfactory to exceptional performance for L-3 over the past three years. AR, Tab 54, CPARs for C-12 Contract, at 14-15, 22-23, 29-30. Accordingly, the agency did not downgrade L-3's past performance evaluation rating for its performance of that contract.

An agency's evaluation of past performance, which includes its consideration of the relevance, scope, and significance of an offeror's performance history, is a matter of agency discretion which we will not disturb unless the agency's assessments are unreasonable, inconsistent with the solicitation criteria, or undocumented. Fox RPM Corp., B-409676.2, B-409676.3, Oct. 20, 2014, 2014 CPD ¶ 310 at 3. Where a solicitation calls for the evaluation of past performance, we will examine the record to ensure that the evaluation was reasonable and consistent with the solicitation's evaluation criteria and procurement statutes and regulations. Divakar Techs., Inc., B-402026, Dec. 2, 2009, 2009 CPD ¶ 247 at 5. A protester's disagreement with the procuring agency's judgment, without more, is insufficient to establish that an evaluation was improper. Beretta USA Corp., B-406376.2, B-406376.3, July 12, 2013, 2013 CPD ¶ 186 at 10.

Here, we have reviewed the evaluation record and find no basis to question the agency's past performance evaluation. First, AAR's assertion that the agency should have considered the allegedly adverse past performance of L-3 Mission Integration--an affiliate of the awardee that was not proposed to perform on this contract--is without merit. As the agency notes, in order to rely on the past performance of an offeror's affiliate, the offeror's proposal must establish that the resources of the affiliate will be used and/or affect contract performance. See, e.g., West Sound Servs. Group, LLC, B-406583.4, B-406583.5, July 9, 2014, 2014 CPD

[11] The agency notes that the CAGE (commercial and government entity) code for the awardee is different from the CAGE code of L-3 Mission Integration.

¶ 208 at 14; Perini/Jones, Joint Venture, B-285906, Nov. 1, 2000, 2002 CPD ¶ 68 at 4. Nothing in L-3's proposal met that requirement. Next, we find nothing unreasonable in the agency's determination that L-3's performance under the C-12 contract did not provide a basis for downgrading its past performance rating, where L-3's CPARs rating for the most recent three years ranged from satisfactory to excellent. In short, AAR's complaints regarding L-3's past performance provide no basis for sustaining its protest.

Price Evaluation

Next, AAR protests that the agency failed to properly evaluate L-3's proposed price with regard to realism. In this regard, AAR asserts that "[b]ecause of AAR's unique experience and knowledge," it was "able to aggressively price its proposal," and maintains that was "unlikely that any [other] offeror could perform the work at a lower price." Protest at 24. AAR complains that the agency "simply compared the proposed prices of the offerors to each other and to the IGE [independent government estimate] and looked at data provided by the offerors," maintaining that this was inadequate. Id.

The agency responds that, in performing the price realism analysis it compared L-3's price to the prices of the other offerors, determined that L-3's price was approximately 5.5 percent lower than AAR's price, and concluded that L-3's price was within a "reasonable competitive range." AR, Contracting Officer's Statement at 29. Next, the agency compared L-3's price to the IGE, determining that L-3's total price was approximately 12.5 percent below the IGE. Id. at 30. The agency further compared L-3's CLIN prices to CLIN prices in the IGE and, for any price that was at least 25 percent lower than the IGE, sought an explanation from L-3. Id. Finally, the agency considered the data and explanations that L-3 submitted with its proposal and in response to the agency's requests. Id. With regard to this additional information, the contemporaneous evaluation record states:

> L-3's proposal provided detailed bases of estimates to illustrate how each cost was calculated. The detailed rationale discussed labor to include staffing, labor rates, man year calculation, overtime, pay differentials, and labor escalation rates, as well as material estimates and other direct costs. L-3 provided a cost breakout for each CLIN that included a comprehensive narrative describing the basis for all proposed costs. L-3 included specific details illustrating how prices were calculated. Methodologies included analysis of [redacted]. L-3 also provided detailed descriptions of all staffing functions, along with a basis of how all labor costs were developed.
> L-3 submitted a reduced price of approximately [redacted] in their FPR. The reduced price was based on several considerations. Specifically, L-3

restructured [redacted], moved [redacted], removed the [redacted] and replaced with a [redacted], fee calculation was [redacted] from [redacted] to [redacted], restructured [redacted], reduced the [redacted]. L-3 provided detailed rationale for all price changes in their FPR. The Government analyzed the rationale, and determined them to be reasonable.

AR, Tab 42, Cost/Price Consensus Worksheets, at 12.

Based on all of its analysis, the agency maintains that its price evaluation was reasonable. We agree.

Where, as here, an RFP contemplates the award of a fixed-price contract, or a fixed-price portion of a contract, an agency may provide in the solicitation for the use of a price realism analysis for the limited purpose of measuring an offeror's understanding of the requirements or to assess the risk inherent in an offeror's proposal. Ball Aerospace & Techs. Corp., B-402148, Jan. 25, 2010, 2010 CPD ¶ 37 at 8. Our review of a price realism analysis is limited to determining whether it was reasonable and consistent with the terms of the solicitation. Smiths Detection, Inc.; Am. Sci. & Eng'g, Inc., B-402168.4 et al., Feb. 9, 2011, 2011 CPD ¶ 39 at 17. The nature and extent of an agency's price realism analysis are matters within the agency's discretion. Star Mountain, Inc., B-285883, Oct. 25, 2000, 2000 CPD ¶ 189 at 6.

Based on our review of the record here, we find no basis to question the reasonableness of the agency's price evaluation. Specifically, the record shows that the agency compared L-3's price to the prices of the other offerors, compared L-3's total price and CLIN prices to the IGE, and considered the extensive data, explanation, and support L-3 provided. Further, although AAR complains generally about L-3's alleged lack of experience, asserting that L-3 "does not understand the scope of work required," or that it "will be incentivized to perform the services in a compromised manner," AAR Supp. Comments, Aug. 23, 2016, at 3, AAR has not identified any particular aspect of L-3's price that is unrealistic. Rather, it complains generally, that the methodology and/or scope of the agency's analysis was flawed and/or inadequate.[12] On the record here, AAR's protest challenging the agency's price evaluation is without merit.

[12] AAR's protest also asserts that the agency failed to properly assess L-3's price with regard to balancing, complaining that the agency's methodology was improper and/or that the evaluation was inadequate. As with its protest challenging the agency's price realism analysis, AAR has failed to meaningfully identify any aspect of L-3's price that it believes is materially unbalanced.

Cost/Technical Tradeoff

Finally, AAR asserts that the agency "failed to perform a cost/technical tradeoff in making its award decision" and complains that, in selecting L-3 for award, the agency "ignor[ed] . . . the superiority of AAR's technical proposal." Protest at 3.

Where, as here, a solicitation provides for a best-value award and identifies the factors for which tradeoffs will be made, a procuring agency must make its source selection decision consistent with those solicitation provisions. Blue Rock Structures, Inc., B-293134, Feb. 6, 2004, 2004 CPD ¶ 63 at 5. Nonetheless, it is well-settled that an agency may properly select a lower-rated, lower-priced proposal where it reasonably concludes that the benefits of the higher-rated proposal are not worth the price premium. See, e.g., Bella Vista Landscaping, Inc., B-291310, Dec. 16, 2002, 2002 CPD ¶ 217 at 4. The extent of required tradeoffs is governed by the test of rationality and consistency with the evaluation criteria. Best Temporaries, Inc., B-255677.3, May 13, 1994, 94-1 CPD ¶ 308 at 3.

Here, AAR's assertion that the agency "failed to perform a cost/technical tradeoff" is directly contrary to the contemporaneous record. As noted above, in selecting L-3's proposal for the award, the SSA stated:

> AAR'[s] TEP is $2,136,844,074.05. Their price is $111,678.742.10 higher than L-3. Their rating in Factor 2 Technical Risk is LOW. There were no identified weaknesses in their proposal. They [AAR] are considered slightly superior to L-3 in Technical Risk. As stated above, the L-3 weakness is considered minor with minimal impact. In comparison, AAR does not have a weakness for Data & Information Collection due to currently possessing the historical data needed to identify product improvements for RCM during the initial 12 to 24 month timeframe. The benefit provided by AAR's proposal is negligible. My determination is the slightly superior proposal provided [by] AAR in Technical Risk does not offset the price difference with the lowest priced Offeror[,] L-3; therefore, a trade-off is not worth the $111,678,742.10 price premium of the higher priced proposal from AAR.

AR, Tab 49, SSDD, at 20.

That is, the SSA expressly considered the offerors' relative prices; recognized that AAR's proposal was "slightly superior" to L-3's due to an evaluated weakness in L-3's proposal; considered the significance of the benefit flowing from AAR's technical superiority and the impact of L-3's evaluated weakness; and concluded that the benefits offered by AAR's technical proposal were not worth AAR's higher price. On this record, AAR's challenge to the agency's cost/technical tradeoff is without merit.

The protest is denied.

Susan A. Poling
General Counsel