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Decision

Matter of: CW Government Travel, Inc.

File: B-422714

Date: September 27, 2024

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DIGEST

Protest challenging evaluation of awardee's price is denied where the solicitation did not require a price realism evaluation and the price evaluation conducted was reasonable and consistent with the stated evaluation criteria.

DECISION

CW Government Travel, Inc., of Arlington, Virginia, protests the award of a contract to AdTrav Corporation, of Birmingham, Alabama, under request for proposals (RFP) No. 47QMCB24R0001, issued by the General Services Administration (GSA) for government-wide temporary duty lodging services. The protester argues that the agency failed to evaluate the awardee's proposed price reasonably and in accordance with the solicitation.

We deny the protest.

BACKGROUND

The agency issued the solicitation on January 12, 2024, under the procedures of Federal Acquisition Regulation (FAR) parts 12 and 15, seeking support services to manage government-wide temporary duty lodging programs for federal government travelers on official business. Contracting Officer's Statement (COS) at 1; Agency

Report (AR), Exh. 1, Conformed RFP at 20, 31. Through the solicitation, GSA and the Department of Defense (DOD) sought to obtain contractor support services to manage the GSA's FedRooms program and the DOD Preferred program. RFP at 30. According to the agency, FedRooms and DOD Preferred are government-sponsored lodging programs offering lodging choices that are "policy-compliant, have rates at or below per diem, meet all safety requirements, are exempt from hidden fees, and include additional negotiated amenities." *Id.* The solicitation anticipated the award of a fixed-price contract for a 1-year base period and three 1-year option periods. *Id.* at 56, 65.

The solicitation provided for award on a best-value tradeoff basis, considering three factors, listed in descending order of importance: (1) technical; (2) past performance; and (3) price funding model. *Id.* at 74-75. The technical and past performance factors, when combined, were more important than the price funding model. *Id.* at 74. The solicitation advised that award "may be made to other than the offer with the lowest proposed fee charged to the hoteliers in their funding model." *Id.* at 75.

Under the technical factor, proposals would be evaluated on the degree to which the submission meets the requirements of the solicitation, and would include an evaluation of technical capability and approach narratives, business plans, and oral presentations. *Id.* at 74. The RFP also provided that the agency would "look for clear evidence that the [o]fferor completely understands the [g]overnment[-]wide [temporary duty] [l]odging services requirement" when evaluating technical proposals. *Id.* at 76. As part of the technical proposal, offerors were to provide a business plan that includes quarterly projections for the contractor revenue and government funding generated by the offeror's funding model. *Id.* at 72. The proposed business plan was required to state "why the recommended funding models will be attractive to, and supported by potential participating properties, GSA, DOD, and other stakeholders such as Federal Government travelers and travel agencies," including how the "proposed fees will facilitate increased participation and coverage in the FedRooms and DOD Preferred programs." *Id.*

As relevant here, the solicitation explained that government-wide lodging programs are operated as a "self-funding and revenue[-]generating model," under which the contractor "recoups its operating costs via a service fee model included in the negotiated rate that the contractor collects from each property on all consumed and reported room nights." *Id.* at 29. Under the price funding model factor, each offeror was directed to use the funding model template provided in the solicitation to "propose funding models to recover its operating and marketing costs, inclusive of the contract access fee to GSA and DOD." *Id.* at 74.

The solicitation informed offerors that proposed price funding models would be evaluated on their proposed revenue value using the solicitation-provided template. *Id.* at 75. Offerors were encouraged to "propose creative price funding models for the purpose of the [o]fferor recovering its operating and marketing costs." *Id.* at 81. The solicitation informed offerors that, "[f]or purposes of price evaluation, the Government [would] evaluate the Vendor Fee to Cover Operations (%) to cover operations

proposed” in the provided funding model template. *Id.* at 81. The RFP further advised that the “projected potential room revenue used in the template is a projection of room revenue passing through the respective programs and does not represent any actual guaranteed revenue,” and that the “proposed vendor fee will be multiplied by these projected revenues to get a dollar value revenue for comparison purposes.” *Id.* at 81.

The solicitation provided that the price evaluation would “include a review for price completeness, accuracy, and balance.” *Id.* at 81-82. As relevant here, the RFP stated that “an evaluation of the [o]fferor’s price funding model will be made to determine if the price funding model offered accomplishes the objectives identified in [RFP section] D.5.2.” *Id.* at 82. In addition, the solicitation reserved the agency’s right to “further refine its evaluation of the [o]fferor’s pricing approach in a manner that will best serve the Government’s interest.” *Id.*

By the solicitation closing date of February 8, the agency received proposals from five offerors, including CW and AdTrav. COS at 8. Following an evaluation of proposals, the contracting officer established a competitive range consisting of three offerors, including CW and AdTrav, and conducted discussions. *Id.*; AR, Exh. 11, Pre-Negotiation Memorandum at 37-40; AR, Exh. 20, Price Negotiation Memorandum at 8-18. The agency evaluated the final proposal revisions received from CW and AdTrav as follows:

	CW	AdTrav
Technical	High Confidence	High Confidence
Past Performance	High Confidence	High Confidence
Price Funding Model	\$36,995,687	\$22,380,504

AR, Exh. 20, Price Negotiation Memorandum at 18.

As relevant here, the price evaluation team found that AdTrav’s proposed price was “the lowest of all the competitors” and noted that the independent government cost estimate (IGCE) was seven percent lower than AdTrav’s proposed vendor fee. AR, Exh. 19, Final Price Evaluation at 2. After evaluating the offerors’ “price proposals and business plan pricing strategies,” the price evaluation team ranked AdTrav’s proposal first, based on its “lowest overall vendor fee which should encourage increased participation by the hoteliers.” *Id.* at 3.

The contracting officer, who was also the source selection authority, concluded that AdTrav’s proposal represented the best value to the government based on its vendor fees being the lowest, and its ratings under the nonprice factors being equal to those of the other offerors. AR, Exh. 20, Price Negotiation Memorandum at 18. After considering the strengths of each proposal, the contracting officer concluded that the technical solutions proposed by other offerors, including CW, were not “sufficiently advantageous to justify the price premium above the AdTrav proposal.” *Id.*

On June 21, the agency notified all offerors in the competitive range of the award decision. After requesting and receiving a debriefing, CW filed this protest.

DISCUSSION

CW raises multiple challenges to the evaluation of AdTrav's price proposal. Primarily, the protester argues that the evaluation of the awardee's price was inconsistent with the solicitation and unreasonable because AdTrav's proposed price was too low to successfully perform the requirements.¹ Protest at 9-11. For the reasons discussed below, we find no basis to object to the agency's price evaluation.

¹ Although our decision does not address all of the protester's arguments, we have fully considered each one and find that none provides a basis to sustain the protest. In this regard, before the submission of the agency report, our Office dismissed a number of protest allegations as legally and factually insufficient. Our requirement that a protest include a detailed statement of the legal and factual grounds for the protest, and that the grounds stated be legally sufficient, contemplates that protesters will provide, at a minimum, either allegations or evidence sufficient, if uncontradicted, to establish the likelihood that the protester will prevail in its claim of improper agency action. 4 C.F.R. § 21.1(c)(4) and (f); *Midwest Tube Fabricators, Inc.*, B-407166, B-407167, Nov. 20, 2012, 2012 CPD ¶ 324 at 3.

For example, we found that CW's challenge to the evaluation of the awardee's past performance was based on nothing more than a bare statement that the protester "reviewed all public information available on possible lodging program management contracts that may have been performed by AdTrav" and was not able to find relevant projects. See Protest at 12. While the protester attempted to provide additional information in its response to the dismissal request about the information it reviewed, Resp. to Dismissal Req. at 6, we found this additional information was untimely and constituted the impermissible piecemeal presentation of evidence. See *Raytheon Blackbird Techs., Inc.*, B-417522, B-417522.2, July 11, 2019, 2019 CPD ¶ 254 at 4.

Likewise, we find to be speculative the protester's allegation that the awardee's proposal should have been found unacceptable due to the unavailability of a proposed key person. See Protest at 12-15. The protester's assertions in this regard were based "[u]pon [i]nformation and belief" that AdTrav proposed a specific individual for the program manager position and based on speculation about possible improper agency action. Protest at 14. We note, at any rate, that CW's allegations are factually inaccurate. The record shows that AdTrav informed the agency about the departure of its proposed key person and the agency opened discussions partly in response to this information. See AR, Exh. 11, Pre-Negotiation Memorandum at 37-40. After receiving revised proposals from the offerors in the competitive range, the agency based its award decision on AdTrav's final proposal revision, which did not include the departed employee as a proposed key person. See *id.*; see AR, Exh. 20, Price Negotiation Memorandum at 8-18.

Price Realism

The protester mainly argues that the agency failed to evaluate the offerors' price funding models consistent with the solicitation's evaluation criteria, which required the agency to assess whether an offeror's proposed price funding model was adequate to recover the necessary operating and marketing costs. Protest at 9-10. In this regard, CW contends that AdTrav's price funding model was "unrealistically low" and inadequate to support the operating and marketing costs necessary to successfully perform the requirements of the solicitation. *Id.* The protester also argues that AdTrav's unrealistically low price demonstrates that the awardee did not understand the technical requirements. *Id.* at 10-11. The agency responds that the protester's various objections to the price evaluation are misplaced because they amount to an argument that the agency failed to perform a price realism evaluation, yet the solicitation did not provide for, and thus did not permit, such an evaluation. Memorandum of Law (MOL) at 3-5.

As an initial matter, we agree with the agency that the mainstay of the protester's complaint about the evaluation of the awardee's price funding model--alleging that AdTrav's price is too low to perform the required work--essentially raises a challenge to the realism of the awardee's price. Consideration of whether an offeror's price is so low as to create a risk that the firm cannot perform its proposed technical solution at the price offered is a price realism analysis. *Facility Servs. Mgmt., Inc.*, B-420102.3, Mar. 29, 2022, 2022 CPD ¶ 93 at 6-7; *see also*, *NJVC, LLC*, B-410035, B-410035.2, Oct. 15, 2014, 2014 CPD ¶ 307 at 8.

While an agency may conduct a price realism analysis in awarding a fixed-price contract for the limited purposes of assessing whether an offeror's low price reflects a lack of technical understanding or risk, *see* FAR 15.404-1(d)(3), offerors must be advised that the agency will conduct such an analysis. *CACI-WGI, Inc.*, B-408520.2, Dec. 16, 2013, 2013 CPD ¶ 293 at 7. Because below-cost prices are not inherently improper in a fixed-price context, an offeror competing for award of a fixed-price contract must be given reasonable notice that its business decision to submit a low-priced proposal will be viewed negatively by the government in assessing the risk associated with its proposal. *Triad Int'l Maint. Corp.*, B-408374, Sep. 5, 2013, 2013 CPD ¶ 208 at 11.

In the absence of an express price realism provision, we will only conclude that a solicitation contemplates a price realism evaluation where the RFP expressly states that the agency will review prices to determine whether they are so low that they reflect a lack of technical understanding, and where the RFP states that a proposal can be rejected for offering low prices. *DynCorp Int'l LLC*, B-407762.3, June 7, 2013, 2013 CPD ¶ 160 at 9. Absent a solicitation provision notifying offerors that a price realism analysis would be conducted, agencies are neither required nor permitted to conduct one in awarding a fixed-price contract. *CACI-WGI, Inc.*, *supra*.

The protester argues that the solicitation here requires the agency to examine whether an offeror's proposed price was sufficient to cover the operating and marketing costs necessary to perform the requirements. Protest at 9-10. In this regard, CW notes that

the solicitation calls for offerors to propose price funding models “for the purpose of . . . recovering [their] operating and marketing costs.” RFP at 81. Similarly, the RFP contemplated the evaluation of whether “the price funding model offered accomplishes the objectives identified in [section] D.5.2,” which CW contends could only mean that the agency was to evaluate whether the price funding model was sufficient--*i.e.*, not too low--to accomplish the solicitation’s objectives. Protest at 10; RFP at 82.

The agency responds that, in the absence of clear language providing for a price realism evaluation, neither of the solicitation provisions cited by the protester indicated an intent to assess whether the proposed price funding model was *too low* to recover necessary operating and marketing costs or to accomplish the solicitation’s objectives. MOL at 6-8. The agency asserts instead that, in the context of the fixed-price, no-cost scheme here, the solicitation simply required the determination of whether the proposed funding model was *reasonable*--rather than *realistic*--for recovering the contractor’s operating costs and accomplishing the solicitation’s objectives. *Id.*

Where a dispute exists as to a solicitation’s requirements, we begin by examining the plain language of the solicitation. *Qwest Gov’t Servs., Inc. d/b/a CenturyLink QGS*, B-419597, B-419597.2, May 24, 2021, 2021 CPD ¶ 217 at 5. When a protester and agency disagree over the meaning of solicitation language, we will resolve the matter by reading the solicitation as a whole and in a manner that gives effect to all provisions; to be reasonable, and therefore valid, an interpretation must be consistent with such a reading. *Id.*; *Desbuild Inc.*, B-413613.2, Jan. 13, 2017, 2017 CPD ¶ 23 at 5.

Here, we conclude that the solicitation provisions at issue cannot reasonably be understood to require a price realism evaluation. In this regard, although the evaluation criteria for the price funding model did, by its terms, require some consideration of how an offeror’s funding model would “accomplish the objectives” of the solicitation it did not inform offerors that a proposal could be rejected for offering low prices, which is a requirement for a price realism evaluation. See *CACI-WGI, Inc.*, *supra* at 7-8.

Further, the provisions cited by the protester must be considered in the context of the solicitation as a whole. As noted, the solicitation here required the eventual contractor to operate the lodging programs through a “self-funding and revenue[-]generating model,” under which the contractor would “recoup[] its operating costs via a service fee model included in the negotiated rate that the contractor collects from” lodging providers. RFP at 29. To this end, offerors were to submit their fixed-price proposals as a percentage fee of projected room revenues to be collected from lodging providers, using a provided template. *Id.* at 74. The template included the government-forecasted room revenue for each of the two lodging programs--FedRooms and DOD Preferred--for the base and option years. *Id.* at 124. Offerors were to complete the blank cells in the column labeled “Vendor Fee to Cover Operations” with a percentage of the room revenue, by which the dollar amount of the fee would be calculated in the next column. *Id.* at 124. Importantly, the provided template--the only document to comprise the price proposal--did not require offerors to provide a breakdown of the fee to show operating and marketing costs. *Id.* at 67, 124. In addition, the solicitation specifically noted that

the projected room revenue on the template “does not represent any actual guaranteed revenue” and also warned offerors that “[c]ontractor costs that may result from a fee change (increase, decrease, *etc.*) would be at no cost to the Government,” indicating that the risk of any cost increase during the performance of the contract *vis-à-vis* proposed fees would be on the contractor. *Id.* at 30, 81.

On this record, we find that nothing in these solicitation provisions indicated that the agency would evaluate the proposed price funding models to assess whether the proposed fee would be sufficient for an offeror to recover its operating and marketing costs. Indeed, because the solicitation did not require offerors to provide a breakdown of their proposed vendor fees to show projected operating and marketing costs, the agency would not have any basis to make such an assessment of the proposed price funding models. See *id.* at 74, 124. Even the instructions for the business plan section of the technical proposal--which required offerors to include “quarterly projections for the offeror’s revenue and Government fees generated and collected” through the proposed funding model--did not require offerors to provide a breakdown of their vendor fees to show proposed operating and marketing costs. *Id.* at 72. Instead, the solicitation required offerors to explain in their business plan why their proposed funding models would be “attractive to” participating properties and the government and how they would “facilitate increased participation and coverage.” *Id.*

In sum, we conclude that neither the requirement to propose a price funding model for the recovery of operating and marketing costs, nor the requirement to evaluate whether that funding model accomplishes the solicitation objectives, obligated, or permitted, the agency to conduct a price realism analysis in this fixed-price procurement. Accordingly, CW’s price realism challenges are denied.

Remaining Price Evaluation Arguments

Aside from those allegations that amount to price realism challenges, CW also separately alleges that the agency failed to evaluate the awardee’s price to determine whether the “price funding model offered accomplishes the objectives identified” in the solicitation. Protest at 9-10; Comments at 4-11. In this regard, the protester asserts that this provision required the agency to consider proposed technical approaches in its price evaluation and that AdTrav’s low price constitutes evidence that its technical proposal failed to demonstrate how it would accomplish the objectives of the solicitation. *Id.* The protester asserts that the agency’s evaluation in this regard was cursory and speculative, as it “amounted to nothing more than simply reviewing AdTrav’s technical proposal to see if some portion of its Technical Proposal related to some paragraph in [RFP] Section D.5.2.” Comments at 6-8. The protester also contends that the agency failed to sufficiently document its analysis because the contracting officer did not document consideration of *all* of the listed objectives. Comments at 8-11. The agency responds that it evaluated price proposals reasonably and in accordance with the solicitation. MOL at 6-8.

The manner and depth of an agency's price analysis is a matter within the sound exercise of the agency's discretion, and we will not disturb such an analysis unless it lacks a reasonable basis. *i4 Now Solutions, Inc.*, B-412369, Jan. 27, 2016, 2016 CPD ¶ 47 at 7. In reviewing a protest challenging the propriety of an evaluation, it is not our function to independently evaluate proposals and substitute our judgment for that of the contracting activity; rather, we will review an evaluation to ensure that it was reasonable and consistent with the evaluation criteria in the solicitation and applicable procurement statutes and regulations. *Decisive Analytics Corp.*, B-410950.2, B-410950.3, June 22, 2015, 2015 CPD ¶ 187 at 11.

As noted above, the RFP provided that "an evaluation of the [o]fferor's price funding model will be made to determine if the price funding model offered accomplishes the objectives identified in [RFP section] D.5.2." RFP at 82. Section D.5.2 of the RFP enumerated eight objectives, including: (a) maintaining and expanding lodging inventory; (b) ensuring various lodging program benefits; (c) ensuring availability of government rates through approved distribution channels and travel agencies; (d) implementing innovative and best practices for cost containment; (e) delivering quality data for oversight and using the data to negotiate best-value lodging services; (f) providing a cost-effective program operation for the participating properties; (g) marketing and communication to grow the use of the government lodging services; and (h) upholding management principles. See *id.* at 31-32.

The record shows that the agency's price evaluation team reviewed the offerors' price proposals and found each of them to be "complete . . . , accurate . . . and balanced." AR, Exh. 19, Final Price Evaluation at 1. In evaluating AdTrav's price funding model, the price evaluation team found that AdTrav's proposed price was "the lowest of all the competitors," noting that the IGCE was seven percent lower than AdTrav's proposed fee. *Id.* at 2. The agency further determined that some of the proposed funding models "required the supplemental information in the business plan in order to fully evaluate," and therefore provided offerors' proposed business plans to the price evaluation team. AR, Exh. 11, Pre-Negotiation Memorandum at 31. After evaluating offerors' price proposals with their respective business plan pricing strategies, the price evaluation team ranked AdTrav first, based on its "lowest overall fee which should encourage increased participation by the hoteliers." AR, Exh. 19, Final Price Evaluation at 3.

Because the price evaluation team only reviewed the business plan portions of the offerors' technical proposals, the contracting officer independently evaluated "each offeror's price funding model to determine if the price funding model offered accomplishes the objectives identified in [RFP section] D.5.2." AR, Exh. 20, Price Negotiation Memorandum at 20. The record shows that, in evaluating AdTrav's price funding model under this provision, the contracting officer considered AdTrav's proposed technical approach as it related to meeting each of the eight objectives in section D.5.2 of the solicitation. *Id.* at 21. After confirming that the proposed approach was "part of the operations covered by the vendor fee to cover operations proposed in the price funding model," the contracting officer concluded that the proposed funding model accomplishes that objective. *Id.*

On this record, we find no basis to sustain the protester's objections to the agency's price evaluation. While the protester argues that the agency failed to evaluate AdTrav's technical proposal relative to its proposed price funding models, the record shows that the contracting officer carefully considered the technical approaches AdTrav proposed to meet the solicitation's objectives and whether those approaches were encompassed by the proposed funding model. See *id.* Moreover, contrary to the protester's assertion that the agency's evaluation in this regard was cursory and speculative, the record shows that the contracting officer assessed the specific approach AdTrav proposed for each enumerated objective, and confirmed that each proposed approach was covered by the fixed-price funding model proposed by AdTrav. For example, the contracting officer noted that AdTrav's lower vendor fee would help it meet the objective to maintain and expand the lodging inventory, "as a lower fee will make the program more attractive to participating properties, which will help to maintain and expand the properties offered and to provide a cost effective FedRooms and DOD preferred operation for participating properties." *Id.* Finally, despite the protester's arguments to the contrary, the record shows that the contracting officer documented a detailed analysis that discussed each of the eight objectives enumerated in section D.5.2 of the solicitation before concluding that the awardee's funding model would accomplish those objectives. See *id.*

While CW disputes the adequacy of the contracting officer's analysis, we are provided no basis to object to the agency's evaluation. As noted above, the manner and depth of an agency's price analysis is within the sound exercise of the agency's discretion, and we will not disturb such an analysis unless it lacks a rational basis. *i4 Now Solutions, Inc., supra.* Based on our review of the record, we find that the contracting officer's evaluation of AdTrav's price, including the assessment of whether the price funding model accomplishes the objectives of the solicitation, was sufficiently documented and reasonable.

The protest is denied.

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General Counsel