Ch 4 - Identifying Possible Combinations for Award


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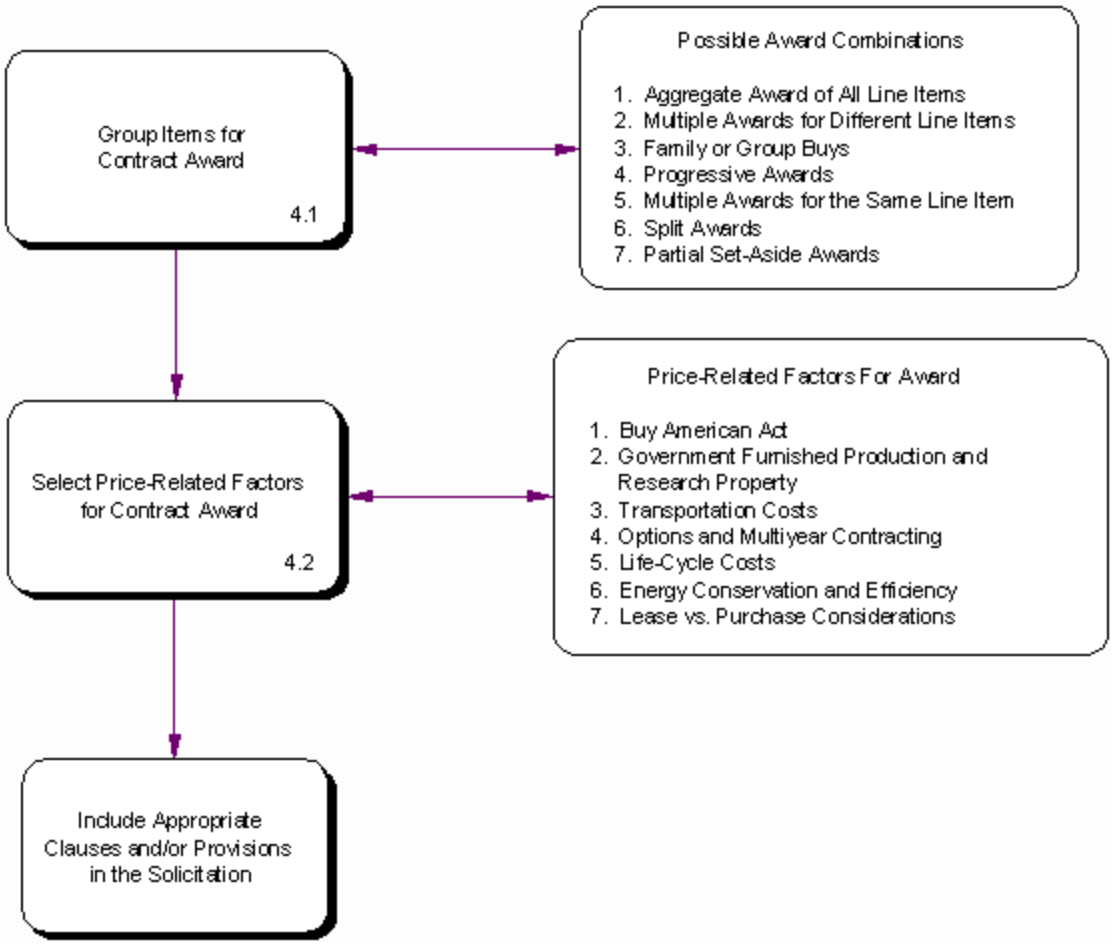
## 4.0 Chapter Introduction

*Criteria Development Process*. The figure below depicts the sequence of events or steps that you should follow in developing contract award criteria for contract pricing.



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*Identify Most Advantageous Award Strategy*. As you prepare any solicitation, you must clearly define the groupings and possible award combinations that will be considered in evaluating offers for contract award. When you solicit offers to provide one unit of a single product, only one firm can receive a contract award to provide that unit. However, as the number of different items and the number of units of each item increase, the number of award possibilities also increases. Theoretically, the award possibilities could become almost infinite.

There is no one method of grouping items for contract award that will always result in effective competition and reasonable prices. However, each method described in this chapter can improve competition and lower prices when used in the appropriate acquisition situation.

As you decide which method to use in a particular acquisition situation, consider both the product that you are acquiring and the potential offerors. Use market research to learn about the customary practices used by Government and industry.

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**4.1 Aggregate Award Of All Line Items To One Contractor**

*Aggregate Awards*. The table below presents descriptions and pricing considerations for making aggregate awards.

**Aggregate Awards**

| Description | Use When... |
|---|---|
| Award to the single responsible offeror whose offer provides the best value to the Government. | Award on an "all or none" basis would probably result in a total price that is lower than the sum of low offers from a line-item by line-item competition. This method would be especially appropriate when firms regularly sell the contract items as an integrated package to realize economies of scale that are not possible when selling each |

component independently.

**For example:** Many firms offer computer systems that are cheaper than buying the separate components (e.g. disk drives, monitors, printers, etc.) one by one.

***Example of a Method of Award Provision:***

Award will be made in the aggregate for all items. The low aggregate offeror will be determined by multiplying the unit price submitted on each item by the quantity specified, and adding the resultant extensions. In order to qualify for an award, prices must be submitted on all items.

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## 4.2 Multiple Awards For Different Line Items

*Multiple Awards for Different Line Items* (FAR 52.214-22 and 52.215-1(f)(6)). The table below presents descriptions and pricing considerations for making multiple awards for different line items.

**Multiple Awards (Line Item by Line Item)**

| Description | Use When... |
|---|---|
| Base award(s) on the line items or groups of line items that provide the lowest aggregate cost to the Government, including the assumed administrative costs for awarding and administering each contract. | Awarding line item by line item is likely to result in a lower total price than awarding on an aggregate "all or none" basis. This method would be especially appropriate if prospective offerors are likely to perceive no significant economies of scale from an aggregate award.<br><br>**For example:** Some firms may sell computer peripherals at much lower prices than are typically offered by computer manufacturers. However, such firms might |

not be able to compete to provide the peripherals if the solicitation requires award based on the aggregate price for all line items (including the peripherals) that comprise a microcomputer system.

***Example 1 of a Method of Award Provision:***

The Government reserves the right to make multiple awards if, after considering the additional administrative costs, it is in the Government's best interest to do so

***Example 2 of a Method of Award Provision:***

In addition to other factors, bids will be evaluated on the basis of advantages and disadvantages to the Government that might result from making more than one award (multiple awards). It is assumed, for the purpose of evaluating bids, that $500 would be the administrative cost to the Government for issuing and administering each contract awarded under this solicitation, and individual awards will be for the items or combinations of items that result in the lowest aggregate cost to the Government, including the assumed administrative cost.

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**4.3 Family Or Group Buys**

*Family or Group Buys* (FAR 52.214-22 and 52.215-1(f)(6)). The table below presents descriptions and pricing considerations for family or group buys.

**Family or Group Buys**

| Description | Use When... |
|---|---|
| Award for identified families, or groups, of line items that provide the lowest aggregate cost to the Government, including the assumed administrative costs of awarding each contract. | Offerors are likely to submit a total price for a group of line items that would be lower than the sum of their offers on the individual items. This method would be especially appropriate if offerors are likely to perceive significant |

economies of scale from being awarded all line items in a particular group as a package.

**For example:** Firms that manufacture ink cartridges for printers also tend to manufacture ink cartridges for fax machines. Line items for different ink cartridges might be included in a single family of items.

***Example of a Method of Award Provision:***

Award will be made in the aggregate for each identified group of items. The low offeror for the group will be determined by multiplying the unit price submitted on each item in the group by the estimated quantity specified, and adding the resultant extensions. In order to qualify for an award on a group of items, an offeror must submit prices for each item within the group.

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**4.4 Progressive Awards For Portions Of Total Line Item Requirement**

*Progressive Awards*. The table below presents descriptions and pricing considerations for making progressive awards.

**Progressive Awards (Each Line Item)**

| Description | Use When... |
|---|---|
| If the offeror with lowest evaluated unit price for a line item offers less than the total quantity required by the Government, award up to the quantity offered. Follow the same procedure with the next lowest evaluated unit price and continue until the entire line item requirement is awarded. | Some of the potential competitors do not have the capability to supply the entire quantity required by the Government, but might be in a position to offer the lowest price for some of the needed units.<br><br>**For example:** Some firms specialize in reconditioning laser printer cartridges and offer those cartridges at a |

fraction of the price of new units. If such a firm did not have enough reconditioned cartridges to fill the entire requirement, a progressive award would allow the firm to compete for the quantities that it can supply -- with other firms competing for the balance of the requirement.

***Example of a Method of Award Provision:***

a) Award will be made on an item-by-item basis to the lowest responsive offerors up to their stated monthly quantity allocations. Awards to any offeror will not be made for quantities in excess of the firm's stated monthly quantity allocation.

b) If the low responsive offeror offers a monthly quantity allocation which, when multiplied by the number of months representing the contract period, totals less than the Government's estimated annual requirements, the Government may make progressive awards to the extent necessary to meet its estimated annual requirements. In such cases, awards will be made to the low responsive offeror up to that offeror's stated monthly quantity allocation, and then progressively to other offerors to the extent necessary to cover all Government requirements. Within the limits prescribed by the offeror, the Government will apply offeror's monthly quantity allocation to any items offered, as the Government's interests require.

c) If progressive awards are made, orders will be placed first with the contractor offering the lowest price on each item normally up to the contractor's monthly quantity allocation and then in the same manner, successively to other contractors. However, to avoid the placement of unduly small orders or the splitting of a single requirement between two contractors, the Government reserves the right to place orders with back-up contractors whenever the orders placed with lower priced contractors equal or exceeds 95 percent of their monthly quantity allocation for the item or group of items being ordered. In no case will orders be placed with any contractor in excess of its monthly quantity allocation.

## 4.5 Multiple Awards For The Same Line Item

*Multiple Awards for the Same Line Item* (FAR 16.504(c)). The table below presents descriptions and pricing considerations for making multiple awards for the same line item under an indefinite quantity contract.

**Multiple Awards**
**(Estimated Requirements for Individual Line Items)**

| Description | Use When... |
|---|---|
| Make multiple awards for the same indefinite requirement in situations where multiple firms are capable of delivering similar, but not necessarily identical, products to meet the needs of the Government and provide alternatives for ordering offices. Ordering offices then have the choice of selecting the product and firm that best meet their needs. | Appropriate to meet the needs of the Government. If you are using an indefinite quantity contract for:<br>• Supplies or services other than advisory and assistance services, give preference to making multiple awards, unless you determine that a single award is appropriate.<br>• Advisory and assistance services that will not exceed three years and $10 million, including all options, you may give preference to making multiple awards.<br>• Advisory and assistance services that will exceed three years and $10 million, you must give preference to making multiple awards, unless:<br>• The contracting officer, or other person designated by the agency head, determines in writing prior to solicitation that the services are so unique or highly specialized that it is not practical to award more than one |

| | |
|---|---|
| | contract. This determination may also be appropriate when contract tasks are so integrally related that only a single contractor can reasonably perform the work, or<br>• The contracting officer, or other person designated by the agency head, determines in writing, after evaluation of offers, that only one offeror is capable of providing the services required, or<br>• You only receive one offer. |

***Example 1 of a Method of Award Provision:***

The Government may elect to award a single delivery order contract or task order contract or to award multiple delivery order contracts or task order contracts for the same or similar supplies or services to two or more sources under this solicitation.

***Example 2 of a Method of Award Provision:***

The Government intends to award multiple contracts for the same or similar advisory and assistance services under this solicitation unless the Government determines, after evaluation of offers, that only one offeror is capable of providing the services at the level of quality required.

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**4.6 Split Awards**

*Split Awards* (FAR 6.202). The table below presents descriptions and pricing considerations for making split awards.

**Split Awards**
**(Estimated Requirements for Individual Line Items)**

| Description | Use When... |
|---|---|
| Award of requirements for an | • Multiple sourcing is |

| | |
|---|---|
| individual line item may be split between two or more sources. The size of each portion of the split or a method for calculating the split should be established in the solicitation. Every possible effort should be made to assure that any amount awarded is an economic production quantity. | necessary to maintain competitive sources for a product that would otherwise be available only from one source. The split may be on a percentage share basis, with the most favorable offer receiving the largest percentage of the requirement; or<br>• Multiple source development will be facilitated at relatively low risk to the Government. For example, a partial set-aside is a form of split award. |

***Example of Method of Award Provision:***

The Government intends to make split awards from this solicitation. Sixty percent of the total quantity will be awarded to the offeror that the Government determines to have submitted the proposal that offers the best value to the Government, considering primarily technical scores and secondarily, offered prices. Forty percent will be awarded to the remaining competitor provided that the technical evaluation determines that the technical proposal is acceptable and the offered prices are determined to be fair and reasonable.

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## 4.7 Partial Set-Aside Awards

*Partial Set-Aside Awards* (FAR 19.502-3 and 52.219-7). The table below presents descriptions and pricing considerations for making partial set-aside awards.

**Partial Set-Aside Awards**

| Description | Use When... |
|---|---|
| A portion of the solicitation requirement is set-aside for small business. Any small business can submit an offer | All of the following are true:<br>• A total set-aside is not |

to provide the set-aside portion, the non-set-aside portion, or both.

Note: If a small business is awarded the non-set-aside portion of the requirement, do not attempt to negotiate a lower price with the firm for the set-aside portion. However, accept voluntary reductions.

appropriate.

- The requirement is severable into two or more economic purchase lots.
- One or more small business concerns is expected to have the technical competence and productive capacity to satisfy the set-aside portion of the requirement at a fair market price.
- The acquisition is not made under small purchase procedures.

Unless authorized by the head of the contracting activity, do not use a partial set-aside if there is a reasonable expectation that only two capable concerns (one large and one small) will respond.

***Method of Award Provision Requirements:***

The set-aside portion of the requirements must be specifically identified. Any acceptable method of award may be used to award the set-aside portion, including aggregate, line item by line item, or family buys. Solicitations must include FAR 52.219-7, Notice of Partial Small Business Set-Aside.