



**STATEMENT OF REBECCA BOENIGK, CEO AND CHAIRMAN OF THE BOARD,
NEUTRAL POSTURE, INC., BRYAN, TX**

On Behalf of Women Impacting Public Policy

Before the U.S. House of Representatives

Committee on Small Business

Subcommittee on Contracting and the Workforce

**Unlocking Opportunities: Recidivism versus Fair Competition
in Federal Contracting**

June 28, 2012

Good afternoon, Mr. Chairman and members of the Committee. My name is Rebecca Boenigk and I am the Chairman of the Board and CEO of Neutral Posture, located in the great state of Texas. My mother and I founded the company in 1989. We have 85 employees at our Texas facility, and we have another 6 employees at our facility just outside of Toronto in Cambridge.

I am here today on behalf of Women Impacting Public Policy. WIPP is a national nonpartisan public policy organization, advocating on behalf of nearly 1 million women-owned businesses representing 61 business organizations.

Women owned businesses represent one of the fastest growing contributors to our national economy, with an impact of \$3 trillion annually, a number that would be much larger without impediments like the competing Federal Prison Industries system, also known as UNICOR.

I want to commend the Subcommittee for shining a light on this very serious, and often overlooked, issue. It is imperative that there be reform in the Federal Prison Industries system; not only are we forced to compete with them for small business set asides but UNICOR basically have a monopoly on many contracts because they are automatically given top priority.

Approximately 25% of my business comes from federal contracting. We have had a GSA schedule contract for over 21 years. We manufacture ergonomic and multi-purpose chairs, much more comfortable than the ones you are all sitting in right now.

Fifty percent of our income comes from the Neutral Posture Series, which is the high end, task intensive ergonomic seating line. The chairs have contoured seats, which help reduce seated pressure. We have an inflatable air lumbar in the back rest. Our chairs have been proven to reduce injuries and to reduce workers' compensation costs. UNICOR does not produce any chair that can even come close to competing with our line of seating.

This committee has often said that small business contracting is a triple win- for the government, the economy and the tax payer. Yet because of the FPI requirements the government is forced to solicit inferior products at a higher cost while encouraging comparatively insignificant job creation. For example UNICOR's "best" chair is called the Freedom chair. It sells to government agencies at around \$729.00; the chair we offer has five more adjustments and sells for \$690.00. A chair with similar features to the Freedom is our Right Chair and the GSA price is \$522.90. Not only do we deliver a superior product for a better price, but because we are a nimble small business we can have our superior products available in much less time, usually five days.

Our company has to follow federal and state labor laws, environmental laws, and comply with all aspects of federal contracting regulations – burdens that do not apply to UNICOR. Therefore, the fact that the private sector can still produce better products at a lower price is remarkable, making the fact that we are unable to compete for many contracts that much more unacceptable.

Mandatory preference for prison industry contracts is not only limited to federal agencies, but is

also applicable to states. By using our chairs, the State of Washington reduced their injury rate by 60% and their workers comp costs by 90 percent. Clearly those are significant numbers, yet those savings cannot be passed on to a lot of government agencies because they are required to buy from UNICOR instead of giving us the opportunity to help them reduce their injuries and cost, while helping us create more jobs.

While I don't have to tell you that there are many senseless regulations and requirements that are a part of any large government, this one is directly affecting small businesses in a very negative way, without benefitting the government or the taxpayers who fund it. We are eligible for the Women Owned Small Business procurement program, for which we fought 11 long years, only to have UNICOR swoop in and compete with us. The government is effectively competing with the private sector here, and there seem to be many more losers than winners in this competition.

Furthermore the Subcommittee should know that in some cases UNICOR's chairs are not manufactured in the prisons at all. Some of them are manufactured in my larger competitor's facilities and some overseas, many in China- robbing both the American manufacturing and small business sectors of opportunities. They will send the chairs to the prisons, have a screw put in here or there, slap their label on them, and sell them with preference over my products. The chairs that come in a box from China do not qualify for the GSA schedule due to the Trade Agreements Act. By simply supplying them to the prisons these noncompliant chairs are being sold to the government. A Canadian company called Nightingale supplied UNICOR with \$58M in Chinese chairs last year. These dollars were taken away from American small businesses.

As I mentioned earlier the state of Washington has benefited from my products in the past. We had held a contract with the state for over eight years when we were told that we would lose that contract unless we worked with the state prisons, so now in order to sell to the State of Washington we have to make the chairs in Texas, put them in boxes and send them to the state prison so that they can then put them together, mark them up and sell them back to the state- this is government inefficiency at its worst.

Although government agencies would like to buy from us, they are told that they cannot. They are told that they have to go to UNICOR for products like ours. Even though we have better price, better quality and a lot of research to back up our product, we still do not have the opportunity to compete.

If we have an agency that wants to buy from us, they have to get a waiver. Because the waiver comes from FPI, they are few and far between. I have been given the unenviable option to either work with the prison system or lose the business all together.

We have estimated that over the last 10 years we have lost approximately \$10 million in sales because of FPI preference. Ten million dollars which we would have loved to use to reinvest in and grow our company, but which instead has been used subsidize government competition with the private sector. This is certainly no deal for the taxpayer. UNICOR's statute requires that it provide inmates with skills "in trades and occupations which will provide them with a means of earning a livelihood upon release." If these practices continue, there will be no small chair

manufacturers left to hire them.

I understand the Committee has put together and successfully passed a series of reform bills, which can be best described as a small business contracting wish list. WIPP applauds your efforts to increase and facilitate government partnerships with small firms and this is one more area of small business contracting that must be reformed.

On behalf of Women Impacting Public Policy, Neutral Posture and all of the small businesses who are impeded by the FPI program preference I want to thank you for the opportunity to appear before you and I am happy to take any questions you may have.