

**Statement
of
Vietnam Veterans of America**



Presented by

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Before the

House Small Business Subcommittee on Contracting and the Workforce

Regarding

**“Contracting and the Industrial Base II: Bundling, Goaling, and the
Office of Hearings and Appeals”**

**Tuesday, March 17, 2015
Rayburn House Office Building
Room 2360**

Good morning, Chairman Hanna, Ranking member and other members of this subcommittee. On behalf of VET-Force, VVA National President John Rowan and all of our officers and members we thank you for the opportunity for Vietnam Veterans of America (VVA) to appear before you today to share our views on the "**Contracting & Industrial Base II: Bundling, Goaling, and the Office of Hearings and Appeals.**" I ask that you enter our full statement in the record, and I will briefly summarize the most important points of our statement.

Though my time of service was many years ago, as a veteran of the US Air Force with the 66th Strategic Missile Squadron, I still have very vivid memories of my military experience. I've served on the Executive Committee of the Veterans Entrepreneurship Task Force (VET-Force) since the passage of PL106-50, the Veterans Entrepreneurship & Small Business Development Act of 1999. And having served as an Advisor to the Vietnam Veterans of America and Legislative Liaison for the National Association for Black Veterans also during that time, I am well aware of the challenges faced by many Veterans and especially Veteran Business Owners trying to do business in the federal marketplace.

VET-Force members are of military service from all across the United States. They own businesses in every industrial sector. The members reflect the ethnic diversity of the country itself. The members are concerned for our free market system and believe that there hasn't been a more important time to stand up for it and all it represents. We want the American military to successfully complete the missions that the Congress may ask of them and to make sure the American men and women in the service of our country are well trained and equipped and are able to come home safe when the mission is finished.

Over the years, our organization, VET-Force, has been voluntarily conducting oversight of the legislation, regulations, policies, and programs intended to improve and increase the contracting opportunities for veteran and service disabled veteran owned businesses. When we come to know what's not working, we do not hesitate to bring that to the attention of the Military Departments, Federal Agencies, or to you, the members of Congress. Just last year, I testified before this Committee about the VA's overly burdensome verification process by the Center for Veterans Enterprise of veteran business owners who are seeking to participate in the VA's Veterans First Contracting Program. For that issue, we supported the recommendation to move that process to the SBA, who we know is more uniquely qualified for such tasks.

Through VET-Force, we've also come to know that the Federal small business procurement process is not only unkind to businesses owned by veterans but is negatively impacting all small business groups – 8a, Hubzone, Women owned, as well. A few years ago, we conducted research and prepared a report entitled: 'Breakdown! National Security Crisis in a Small Business World' which basically showed that the Federal small business procurement process is in a state of breakdown and collapse, in conflict with U.S. law and policy.

In my testimony here today, I will draw from that report and evidence of federal policies and practices being used today, to highlight the impact of federal contract bundling and consolidation through the use of Federal Strategic Sourcing Initiatives on veteran and other small businesses.

Many Small Businesses are struggling in the federal marketplace. New U.S. trade policies and changes in how contracts are competed and awarded have made it much more difficult for small businesses to compete against and work with large prime contractors. For example, many government requirements that could be set aside for small businesses are bundled together with other contract requirements and awarded to large companies. Only large companies can hope to win these contracts as the prime contractor due to the increased amount and varied scope of the work. As a result, small companies must work within the contract environment almost entirely at the discretion and advantage of the large corporation.

In recent years, the government has been actively promoting the use of Federal Strategic Sourcing Initiatives (FSSI) among federal agencies in an effort to consolidate procurements in such a manner that reduces the costs of goods and services. However, to us, the small business owner, FSSI is just a more clever way of contract bundling.

Under the Small Business Act, contract bundling is defined as consolidating 2 or more procurement requirements for goods or services previously provided or performed under separate smaller contracts into one large contract. This often results in the contract not being eligible for any one small business due to the size, scope and specialized requirements of the contract. While consolidation is defined a little differently, it still amounts to 2 or more contracts being combined into one new contract which may or may not be suitable for a small business.

We know that the House Small Business Committee has heard the issue of contract bundling from small business owners before. And many legislators have agreed that there have been many instances wherein these policies and practices have limited the opportunities for many small businesses. But things aren't getting any better, many small businesses find they are shut out of the contract process and eventually stop wasting time and money in the Department of Defense (DOD) procurement market and the country is the weaker for it. In a world crying out for a new diplomatic formula, Small Businesses are once again being left out. Real security begins in the grassroots with the kind of economic and political sanctuary provided by small business development.

VET-Force is concerned that by relying so heavily on a few large prime contractors, our country makes itself vulnerable to a catastrophic interruption in services and a lack of competitiveness, innovation and imagination for our military that small businesses provide. New technologies combined with new trade laws create new supply chains and new models of efficiency to meet customer expectations for quality and 'on time' deliveries. Innovative ideas to produce cost efficiencies in government can conflict with valid economic and national security policies. Sometimes these efficiencies, as in bundled contracts, work better on paper than in actual practice.

All federal agencies are supposed to identify if a contract is bundled or consolidated. There is a dollar threshold per agency and certain criteria used to make this determination; and achieving reductions in administrative or personnel costs alone is not enough. Measurable cost savings; quality improvements; reduction in acquisition cycle times; better terms and conditions; and other benefits must be evident to justify the need to bundle or consolidate a procurement. In addition, there should be an assessment done to determine the impact on small businesses. But who within the procurement process actually makes this determination. And once determined, then what happens.

As agencies continue to increase the use of these practices, it becomes more challenging to get an outside objective analysis of these types of procurements in a timely manner. Agencies are required to provide the SBA's Procurement Center Representative (PCR) and the agency's own Office of Small and Disadvantaged Business Utilization (OSDBU) with a statement explaining why the procurement has to be bundled. If the PCR objects to the agency's rationale, the PCR can delay the procurement while SBA and the agency negotiate, although the agency will ultimately make the decision whether to move forward with the procurement as is or change the requirements.

This process of checking the requirements by the PCR is not only flawed, but by the mere fact that SBA has decreased the number of PCRs to about 50, it's highly unlikely that these few persons will be able to review 1000s of procurements throughout the entire federal government. In recent years, SBA has reported that they will collect more data on the number of contracts bundled and measure the impact on small businesses. However, without being directed by a specific legal requirement, their efforts to do so have been less than adequate. VET-Force has previously recommended that SBA increase its budget to include the hiring of more persons to serve as PCRs. We ask now that Congress approve legislation to ensure that SBA carries out these vital functions.

The enduring policy of the United States has been to support the small business sector of the American economy for important economic and national security reasons. The Congressional goal is to ensure a high quality, competitive, innovative, efficient and diversified sources of goods and services in the marketplace, public and private. The Congress also has an interest in a geographically diverse marketplace, one that doesn't concentrate economic and political power in any one region of the United States.

For years Administrations have attempted to streamline its policies in an effort to reduce costs and save the tax payer dollars. Reducing government employees has been one method that has been used a lot. In the 1990's, an estimated 15,000 government procurement positions were eliminated over a decade. One of the negative results has been contract bundling. Bundling many small contracts into one contract vehicle may have been designed as a well-meaning way to make government contracting more efficient and cost effective. Instead, contract bundling has proven to be inefficient and in direct conflict with U.S. policy for small business and national security.

So where then are we headed with Federal Strategic Sourcing Initiatives? While the policy may be endorsed and promoted by OMB in this and previous Administrations, what has been and will continue to be the adverse impact on small businesses. The government claims that there is a definite improvement in procurement efficiencies and cost savings by using strategic sourcing procurement vehicles. However, it appears that the more these types of procurement vehicles are used, the larger the number of small businesses that are not used.

GSA uses a number of strategic sourcing vehicles. Under its Janitorial-Sanitation Supply contract vehicle (JanSan), GSA awarded blanket purchase agreements (BPAs) to 18 companies, 15 of which were small businesses. However, these services were previously being provided by 609 companies, 540 of which were small businesses. So that means that 525 small businesses will no longer be allowed to compete for federal contracts for janitorial services and supplies. Under GSA's Maintenance, Repair and Operations (MRO) contract vehicle, 418 small businesses and 39 service disabled veteran owned small businesses were displaced. And yes 10 of the 11 BPAs awarded were to small businesses. And while GSA projects that there will be a 12% savings by using this method of contracting, there are no projections on the percentage loss by the 418 small businesses that were displaced.

GSA has other contract vehicles of these types that are having the same consequences on hundreds of small businesses – Oasis and Oasis SB, intended to provide integrated, multidisciplinary professional services and ancillary services; and MOBIS, Mission Oriented Business Integrated Services. In 2014, under this contract vehicle, 1270 small businesses were not allowed to compete on various task orders.

And there is another issue. If a company is awarded a GSA contract while that company is a small business, and that company subsequently becomes a large business, that company may still compete (via their GSA contract) as a small business for the remaining life of their GSA contract. VET-Force learned of a recent contract where, a New England business, lost to a large business on a small business set aside contract solicitation under these exact circumstances.

Finally, small businesses competing for government contracts find themselves at a disadvantage in the federal marketplace and appear to be losing ground all the time. The large Prime contractors have been awarded most of the bundled contracts with little to no repercussions for not including small companies in their subcontracting plans. However, under FSSI that use consolidation strategies, a few small businesses will no doubt grow and prosper if they are one of the lucky few selected, but it's clear to see just from the math that there is definitely an adverse impact to far more small businesses.

VIETNAM VETERANS OF AMERICA
Funding Statement
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The national organization Vietnam Veterans of America (VVA) is a non-profit veterans' membership organization registered as a 501(c)(19) with the Internal Revenue Service. VVA is also appropriately registered with the Secretary of the Senate and the Clerk of the House of Representatives in compliance with the Lobbying Disclosure Act of 1995.

VVA is not currently in receipt of any federal grant or contract, other than the routine allocation of office space and associated resources in VA Regional Offices for outreach and direct services through its Veterans Benefits Program (Service Representatives). This is also true of the previous two fiscal years.

For Further Information, Contact:

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Joe serves as Special Advisor to the Director of Government Relations for the Vietnam Veterans of America (VVA) on projects relating to Veterans Employment, Vocational Rehabilitation, and Small Business. He is a lifetime member and Legislative Liaison for the National Association for Black Veterans (NABVETS), and Treasurer for the Veterans Entrepreneurship Task Force (VET-Force) which is composed of over 200 organizations and affiliates representing thousands of veterans throughout the U.S.

Joe, a Vietnam-era Veteran, received an Honorable Discharge from the U.S. Air Force and has been an advocate for veterans for more than 20 years. Joe entered the military in 1971 and served with the 66th Strategic Missile Squadron, Ellsworth AFB, SD.

In 2004, Joe founded the VETS Group, a non-profit organization that provides entrepreneurial education, federal procurement training, employment assistance and other supportive services primarily for veterans, people with disabilities and persons of limited means. Over the past few years, Joe has participated in conferences for federal, state, and local governments to heighten the level of awareness regarding the needs of veterans.

Through the VETS Group, Joe manages a program to recruit eligible veterans seeking employment and identifies employers who are committed to hiring veterans first. He is developing an initiative to increase the number of procurement and employment opportunities for veteran owned businesses in the private-sector. Partnerships are being formed with large corporate enterprises to offer veterans employment opportunities, business education, mentoring, technical assistance, growth capital, and access to international markets.

The Honorable Leader Nancy Pelosi appointed Joe to serve as a Commissioner on the Veterans Disability Benefits Commission that completed its work in early 2008. Joe just recently served on the VA Secretary's Veterans Advisory Committee for Minority Vets.

Educational Attainment: Under the G.I. Bill, Joe attended the Universities of DC and Howard and completed a Bachelor's degree in Computer Information Systems, a Master's degree in Business, and two years toward a doctorate in Organizational Communications. He served as Director of Education at PTC Career Institute, a business school in Wash., D.C.

Awards: SBA's Veteran Small Business Champion Award. NAACP's Julius E. Williams Distinguished Community Service Award. Thomas H. Wynn Veteran of the Year Award.