

## Statement Of:

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U.S. Senate Committee on Small Business and Entrepreneurship  
Attn: Clerk of the Committee  
428A Russell Senate Office Building  
Washington, D.C. 20510

Chairwoman Snowe, and Committee Members,

Subject: Written statement; impact of Hurricane Katrina on small businesses.

My name is Tim Swindall, I am Vice President of SWR, Inc. SWR is a HUBZone certified small business concern based in Alabama. SWR works as a Logistics Support Contractor to the Federal Government and currently performs contracts in such fields as Warehousing, Transportation, Communications, Electronics Repair, Aircraft Corrosion Control, Aircraft Transient Alert Services, Courier Services, Furnishings Management Operations, Appliance Maintenance, installation of Engineered Structures used for temporary and emergency applications, and Military Uniform Alteration and Repair. Current clients include Department of the Army, Department of the Air Force, Department of the Navy, Department of Veterans Affairs, and The Library of Congress. We currently employ approximately 125 people of which 85% reside in designated HUBZone areas.

The direct impact of Hurricane Katrina on my business was the complete termination of three contracts performed for the Department of Veteran's Affairs in Biloxi and Gulfport Mississippi, and the reduction of services performed under a contract with Keesler AFB, Mississippi. This, in turn, affected six to eight employees. Three of these employees have returned to work in the area on a part time basis, and two are in the process of being relocated and assigned to other projects until such time as their previous positions are reinstated. The contracts with the VA may never be reinstated as at this point it appears to be unlikely that the Gulfport campus will be rebuilt. Services provided at Keesler AFB were inclusive of operating the Base Furnishings Management Office. Once the base was opened for mission critical personnel we began cleanup of warehousing areas that were subject to our contract. Fortunately this damage was minor and the structural integrity of the warehouse was not greatly compromised. All salvageable furnishings in inventory have been grouped and are in the process of being distributed throughout areas of base housing that are presently inhabitable. The long term status of this contract is uncertain. Prior to Katrina, Keesler was evaluating the implementation of a Base Operations contract that would group a multitude of smaller contracts into one large contract. This contract currently being performed by my company was the resulting award of a HUBZone set aside procurement; however, if a decision to incorporate the Base Ops mode of operation is made it would effectually preclude small and small HUBZone businesses such as ours from competing as a prime contractor.

The SBA's HUBZone Empowerment Contracting program is logically designed to create jobs and encourage economic development in distressed or underutilized areas by increasing access to Federal contracting opportunities and offsetting some business costs. I have witnessed, firsthand, the results that this program is capable of rendering. When a HUBZone contract is awarded results within the work area are immediate in creating jobs, increasing cash flow that circulates within the community, and strengthening area infrastructure. This impact is felt within each specific area as its employment rate increases and commerce begins to grow. For these reasons the HUBZone program could **potentially** be a highly effective development tool in restoring the Gulf Coast area.

Amendment #1717 in its *Small Business Contracting Provisions* allows for the designation of Hurricane Katrina disaster areas as HUBZone at the discretion of the SBA Administrator. At face value this appears to be a positive move that would reap benefits to those devastated areas; however, there are several critical points that I believe have been overlooked or not realized that could encourage substantial benefits. In order to render the HUBZone program, not only within the Gulf Coast but as a whole, successful in reaching its full potential economic impact on the distressed areas of our country these points must first be addressed.

1. Federal Acquisition Regulations pertaining to the HUBZone program states at FAR 19.1305 that agency contracting officers **shall** set aside acquisitions exceeding the simplified acquisition threshold for competition restricted to HUBZone small business concerns when they have a reasonable expectation that offers will be received from two or more HUBZone small business concerns; and award will be made at a fair market price. This is probably the strongest language used in describing the requirements of any small business program. The HUBZone program was deemed important enough by its designers that its use is required without exception when the procurement parameters are met rather than leaving it as an option for use at the contracting officer's discretion, as many small business programs are. Still, as strong and plain spoken as this language is most agencies continue to ignore it, and in my experience, refuse to follow its required use even when pointed out. On almost a daily basis I find procurements posted on FedBizOps that fit the requirements to be set aside for HUBZone competition. It is mystifying to hear the comments from many contracting officers when approached about the possible use of the program. Some are simply ignorant of or not familiar with the requirements and when brought to understand comply; yet others are belligerently biased against its use. Presently there is a procurement for warehousing and transportation services being solicited as a

small business set aside by the Army Corps of Engineers in Mobile Alabama. This is a prime example of contracting opportunities that could easily be set aside for HUBZone competition but are passed on by the contracting officer. Bottom line is that no matter how much potential is in the program it will never reach fruition until agencies are better educated and made aware of the program and its benefits. The SBA's HUBZone program under the Administration of Kevin McHale and with the diligent support of the HUBZone Contractor's National Council lead by Ron Newlin and Cordell Smith has made great efforts toward affecting that result; however, until more authority is dedicated toward enforcing existing regulations any efforts toward expanding the program will be fruitless.

2. By designating Hurricane Katrina disaster areas as HUBZone, target areas could potentially encompass large areas previously outside of the HUBZone program. This, without doubt, would undermine the intent of the program. By broadening the scope of the program beyond those most needy areas, businesses largely unaffected by this disaster and otherwise unqualified for meeting HUBZone program certification could then become certified and compete for Federal contracting dollars that would end up outside of truly distressed areas. Careful, deliberate evaluation should be exercised by the SBA Administrator within his discretion toward the expansion of current HUBZone area parameters.
3. Amendment #1717 also carries a provision establishing contracting goals of 30% prime contracting and 40% subcontracting for small businesses. With the estimated rebuilding cost at \$100 billion I believe this goal is both progressively stimulating to small businesses in the affected area while at the same time establishing reasonable parameters for contracting officers to take quick decisive actions where necessary without abusing small business programs. I also believe an additional provision that would increase the reciprocal benefits of these provisional goals would be to establish a specific goal toward HUBZone small businesses based on a percentage of the small business prime contracting goal of 30%. As I expressed earlier the primary obstacle standing between the HUBZone program and achievement of its full potential is merely enforcing its proper use.
4. Establishing a specific goal of perhaps 7% to 10% of the 30% prime contracting goal established for small business would bring its requirements undeniably to the conscience of agency contracting officers and give the program the authoritative power that is needed to finally generate some much needed momentum in the program creating the beneficial results that we know to be possible. While 7% to 10% is an increase above the program goals of 3% currently established on a national level, considering that much of the affected areas subject to these provisions can be established as HUBZone and therefore available to an increasing number of small businesses to compete for as they enter into the HUBZone program I believe this to be a fair measure.

I am most confident that the HUBZone Empowerment Contracting program can, when properly acknowledged and utilized, not only have an astounding effect on the rebuilding and revitalization of the Gulf Coast from the devastation reeked by Hurricane Katrina but also play a vital leading role in recuperating our Nations economically distressed areas and creating jobs where they are most greatly needed.