

Testimony of Frank Ramos, Director
Office of Small and Disadvantaged Business
Office of the Secretary of Defense
United States Department of Defense

Before

The United States House of Representatives

Joint Committee on
Veterans Affairs

And

Small Business

July 15, 2004

Good afternoon, Chairman Brown and Congressman Michaud of the Veterans Committee. Good afternoon, Chairman Akin and Congressman Udall of the Small Business Committee. My name is Frank Ramos. I am the Director of the Office of Small and Disadvantaged Business Utilization in the Office of the Secretary of Defense. I thank you for this propitious opportunity to tell you about Department of Defense accomplishments this past year and I thank you for your interest in small businesses owned and controlled by service-disabled veterans.

I am very proud of our Department of Defense (DoD) small business accomplishments. During Fiscal Year 2003, DoD awarded more dollars to America's small business prime contractors and subcontractors than at any time in DoD's history. Small businesses received contract awards totaling \$74 billion, which includes \$42 billion in prime contracts and \$32 billion in subcontracts. This represents an impressive \$15 billion increase in total awards to small business -- 25% above the level achieved in Fiscal Year 2002.

It is a rare privilege to present testimony to a Joint Committee, especially on service-disabled veterans -- a subject that is particularly vital and important to the country at this time. I appreciate that individual Members of each committee have taken time from their busy schedules to be here today as we seek to provide more expansive small business opportunities to our fighting men and women who have become disabled in the defense of our nation.

I have been invited here to discuss the plans the Department of Defense has for effectively implementing Public Law 108-183 -- which I view as new procurement tools -- that will help us in our striving to achieve the goal of awarding 3% of all federal government contracts to small businesses owned and controlled by service-disabled veterans. In response to your tasking, I will briefly review the reasons we think Congress provided the tools. I will talk about what the tools permit us to do, and I will touch on the pre-implementation work DoD has accomplished in cooperation with other government organizations. The bulk of my testimony, though, will discuss the more interesting and important work DoD has been doing to make best use of the new tools provided in Public Law 108-183.

The Reason for the New Tools

The 3% goal became law with the passage of Public Law 106-50 in 1999. The existence of the goal allowed us to begin collecting data on contracts awarded to small businesses owned and controlled by service-disabled veterans. The existence of the goal did not, however, result in our being able to meet the goal. This was true because we did not have the authority to give any preference to service-disabled veteran-owned firms when we awarded contracts.

The statistics for 2002 and 2003 were characterized as “troubling” and “unacceptable” by Angela Styles, then the Administrator of the Office of Federal Procurement Policy in her testimony before the House of Representatives

Committee on Veterans' Affairs on February 5, 2003. Ms. Styles was testifying about the overall federal government's performance, but the DoD share of that performance was no better. In 2002, the total value of contracts DoD awarded to small businesses owned and controlled by service-disabled veterans was \$204 million or 0.1%; in 2003, the numbers were \$342 million or 0.2%. I have attached to my testimony several charts detailing those years. No matter how the figures are analyzed, it is clear that, with the existing tools, it might have been a very long time before the federal government was able to meet the congressionally mandated goal.

The Characteristics of the New Tools

The Veterans Benefit Act of 2003 (Public Law 108-183) provides us with two new tools to help us meet our service-disabled veteran-owned small business goal. The first is a new authority to restrict competition to small business owned and controlled by service-disabled veterans if the contracting officer has a reasonable expectation that two or more of these businesses will submit bids, and if the award can be made at a fair market price. The second tool permits contracting officers to award sole-source contracts to such businesses where there is not a reasonable expectation that two or more small businesses owned and controlled by service-disabled veterans would bid. The authority to award sole source is restricted to contracts where the anticipated price (including options) does not

exceed \$5 million for manufacturing contracts, or \$3 million for other contracts. As is the case with the restricted competition authority, the contract award price must be fair and reasonable.

We at the Department of Defense are very grateful for this new authority. We and Veterans Affairs, perhaps more than any other Departments, experience first hand the personal suffering from service-connected disabilities. As I will discuss in a few minutes when I address implementation, we are rushing at record speed to provide the outreach and training to make the best use of these tools.

Pre-implementation work

Shortly after the passage of Public Law 108-183, a team of representatives from the Office of Federal Procurement Policy (OFPP), the Small Business Administration (SBA), and civilian and defense agencies collaborated to simultaneously change the SBA regulations and the Federal Acquisition Regulations (FAR) to reflect the new legislation. DoD was an integral part of this team. Both new regulations were published on May 5, 2004, as interim rules, which means that they were effective on publication, but subject to further modification in response to public comments. The public comment period closed on July 6, 2004, and the same federal team is in the process of reviewing and analyzing the comments. The comments on the FAR rule from the 17 respondents are available at www.arnet.gov/far/ under Public Comments.

The pre-implementation work demonstrates the enthusiasm all the Federal organizations have for this new rule. The period from passage of the legislation to publication of the rules for public comment was unusually short; the coordination necessary to publish both rules on the same date bespeaks a high degree of attention to the rules and cooperation between the organizations. You can expect to see the interim rules become final rules relatively quickly. The plans DoD and sister organizations have made to implement the rules further testify to the support we all feel toward these new tools.

DoD's Implementation Plan

TRAINING. My office, in cooperation with the Defense Acquisition University (DAU) and with assistance of SBA, has developed a small business training course, CON 260. The course is required training for DoD small business specialists and is an optional (but encouraged) class for all other DoD acquisition professionals. The course will be piloted on August 23-27, 2004. The course will train small business specialists and contracting officers about the new FAR regulations concerning veteran-owned businesses. The General Services Administration's Federal Institute (FAI) is working with DoD's DAU to explore adopting CON 260 across the government.

Approximately 45 days after the pilot course is perfected, DAU will establish an electronic continuous learning module specifically addressing small

businesses owned and controlled by service-disabled veterans. This electronic course will be available to anyone who has access to the Internet, including small businesses owned and controlled by service-disabled veterans. We want the information to be available to the public. We think that the service-disabled small business owners can help us train by calling attention to this official DoD contracting officer training when they encounter a contracting officer who is not familiar with the new set-asides and sole source procedures.

A third facet of training we have planned with DAU is the establishment of a small business Community of Practice (CoP). The CoP will provide an electronic location where acquisition professionals can go to learn and share information regarding issues related to service-disabled veteran-owned small businesses and their contracting with the DoD, as well as other small business issues.

OUTREACH. In 2003 I designated service-disabled veterans as being of special interest to my office and the DoD. Among other things, I showcased war heroes – including Harvey “Barney” Barnum, Al Zapanta, Rodolfo Hernandez and Everett Alvarez – at every event I could. I worked with the White House liaison office, the Army Vice Chief of Staff, and other DoD officials, to find service disabled veterans and associate them with my office. I went to local military hospitals to visit service men and women injured in Afghanistan and Iraq to discuss their future needs. My entire staff and I made numerous speeches about

the need to improve our service-disabled small business contracting numbers.

Although our numbers doubled, they were still not acceptable.

Toward the end of the year I decided that I needed someone to make the service-disabled veteran owned program his or her primary mission. After over six months of effort to obtain him, I now have a Special Assistant, Mr. Charles Cervantes, whose primary responsibility is to promote and coordinate the DoD service-disabled veteran-owned small business program. This represents a considerable proportion of my human assets and demonstrates how seriously I am taking the guidance to increase DoD contracting with the disabled veterans.

This year I have also designated contracting with service-disabled veterans as an area of special interest to my office. My staff and I continue to speak on the subject regularly. For example, I recently was part of a service-disabled veteran-owned small business workshop at the DoD procurement conference. My staff and I work with veterans' groups and service-disabled veterans groups and with the Veterans' Corporation. Additionally, I have continued to try to match groups that might be able to provide opportunities to small businesses, with small businesses owned and controlled by service-disabled veterans. I have been working with the Pan Asian Conference in California, for example, to match their need to work with businesses that are able to obtain security clearances with small businesses owned by veterans and service-disabled veterans.

I am seeing indications that my emphasis on service disabled-veterans is gaining momentum. Throughout the entire Department, acquisition professionals are actively seeking ways to work more effectively with veteran-owned and service-disabled veteran-owned small business concerns. On June 22nd and 23rd Mr. Frank J. Anderson, the President of the Defense Acquisition University attended the Federal Acquisition Conference and Exposition in Dayton, Ohio. One of the vendors Mr. Anderson met at the conference was Mr. Joseph L. Mayo, Vice President of Metalex Manufacturing, a veteran-owned small business. As a result of that dialogue, Mr. Mayo is organizing a meeting with veteran-owned and service-disabled veteran-owned small businesses owners in the Dayton area to discuss how they and the DoD acquisition community can better do business together.

Mr. Anderson and I will attend the meeting to discuss how training and education can be improved to help facilitate a better relationship between the Department and those small business owners.

Senior members of the small business communities in the military services and in the other defense agencies are providing leadership in devising strategies for better outreach and better training. The Defense Logistics Agency used its Fall 2003, Quarterly Video Teleconference to brainstorm ways to meet the goal. One

result was an agency-wide conference which drew more than 70 service-disabled veteran-owned small businesses. Another result was a closer alliance with the Procurement Technical Assistance Center at George Mason University on service-disabled veteran-owned small business matters. The DLA effort is discussed at <https://today.dla.mil/headlines/dla/200406/article11607.htm>.

The Air Force sent out a short training package to 5,100 acquisition professionals in early May when the interim FAR and SBA rules were published. More recently, they published on their web site a 2004 Small Business Pocket Guide that contains information on service-disabled veteran-owned small business set-asides. It can be viewed on their web site at <https://oaproduct.hq.af.mil/saf/aqc/affairs/attachments/PDF%20Guide%20Booklets.pdf>

f. The Air Force has also provided training at <http://www.safaq.hq.af.mil/contracting/affairs/5319/training/sdvosb-procurement-program.ppt> and at <http://www.safaq.hq.af.mil/contracting/affairs/5319/informational/sdvosb-info-paper.doc>.

Continuing Challenges

We are very interested in doing business with service-disabled veteran-owned small businesses; we are not sure that there are enough service-disabled small business owners interested in doing business with us. On July 9, 2004 there

were only 5,006 active registrants in the Central Contractor Registration (CCR) that identified themselves as small businesses owned and controlled by service-disabled veterans. Registration in CCR is free, and is a prerequisite for doing business with the federal government. On the same day, there were 324,590 active business registrants, 179,619 of which identified themselves as small businesses. These numbers do not bode well for being able to meet our goal. We intend to further study this problem so that we can find ways to overcome the barriers we do not yet understand.

The Department of Defense and the Office of Small and Disadvantaged Business Utilization will continue to cooperate with its sister agencies -- particularly the Veterans Affairs, the Small Business Administration, and the Department of Labor -- in this effort and with Congress, including these two committees. We thank you for the opportunity to participate fully in our efforts to reward our veterans. We will continue to champion providing business opportunities for the men and women who have served in the armed forces.

I'll be pleased to answer any questions you might have.