

TESTIMONY
OF
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PRESIDENT
DULUTH TRAVEL INCORPORATED
With The Support of
AMERICAN SOCIETY OF TRAVEL AGENTS
And
SOCIETY OF GOVERNMENT TRAVEL PROFESSIONALS
Before the
UNITED STATES HOUSE OF REPRESENTATIVES
HOUSE SMALL BUSINESS SUBCOMMITTEE ON
WORKFORCE, EMPOWERMENT, AND GOVERNMENT PROGRAMS
And
HOUSE VETERANS' AFFAIRS SUBSOMMITTEE ON ECONOMIC
OPPORTUNITY

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Presented by:

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Good morning Chairmen Musgrave and Boozman, distinguished members of the House Small Business Subcommittee on Workforce, Empowerment, and Government Programs and the House Veterans' Affairs Subcommittee on Economic Opportunity.

My name is Arthur Salus. I am the founder and president of Duluth Travel, located in Atlanta, Georgia. I am an Adjunct Professor at Gwinnett Technology College in Atlanta where I teach entrepreneurship and travel courses. I am grateful for the opportunity to appear before you regarding the Veterans Benefits Act of 2003 and the President's Executive Order 13360 – matters that concern thousands of small businesses owned by veterans across our great country.

As a member of the American Society of Travel Agents (ASTA), and the Society of Government Travel Professionals (SGTP), I am honored to present this joint statement on their behalf. ASTA, established in 1931, is the world's largest and most influential travel trade association with over 20,000 members in more than 140 countries. Its mission is to enhance the professionalism and profitability of members worldwide through effective representation in industry and government affairs, education and training and by identifying and meeting the needs of the traveling public.

SGTP is the national, non-profit education forum for all components of the \$20 billion government travel market. Since 1984, SGTP has been an all-encompassing and inclusive association for government travel/finance managers, suppliers and travel

agents whose primary objective is to facilitate and promote best practices with a spirit of innovation in government travel.

Founded in 1993, Duluth Travel is an affiliate of the Uniglobe Travel Group, one of the largest franchised travel companies in the United States. It is also a user of Worldspan and Sabre, two leading Global Distribution Systems (GDS). These partnerships permit the incorporation of the most advanced technology, Internet options and management systems needed to create effective and cost saving travel programs for our clients.

At present, Duluth Travel provides leisure, corporate, government, meeting and incentive travel services for numerous businesses as well the State of Georgia. Duluth Travel is currently a federal travel management sub-subcontractor for the Environmental Protection Agency and the U.S. Department of Agriculture. The company provides full travel services for air, hotel and car rentals and maintains a fully staffed office with bilingual professional agents.

Small Business Attempts to Participate in Government Contracts

Three years ago, I received information from a non-governmental source regarding a program that assists veterans with their small businesses. As a service-disabled veteran, I did not think this status would one day be of any importance, nor did I think it would lead me to the Department of Veterans Affairs (VA) for assistance. As a business owner already providing travel services for the State of Georgia and a sub-subcontractor

for the federal government, I began to focus on other possibilities available to be a prime contractor in the federal government procurement arena.

Much to my dismay, I quickly found out federal procurement opportunities for small business travel agencies were dismal at best. Add to the mix a service-disabled veteran with a small business and the opportunities seemed non-existent. I promptly became an active advocate for small business veterans. I learned that only a few organizations were actually lobbying Members of Congress in support of meaningful legislation that would assist veterans with their small businesses. As an entrepreneur, I am a strong believer that taxpaying, small businesses deserve a chance to provide goods and services to the federal government.

With the assistance and guidance of key Members of Congress and individuals* at the Department of Veterans Affairs and the House Committees on Small Business and Veterans' Affairs, two key measures were accomplished. One was passage of the Veterans Benefits Act of 2003 now Public Law 108-183, which provides authority for federal agencies to create "sole-source" contracts to qualified small business concerns owned and controlled by service-disabled veterans. The other was the President's

* Rep. Don Manzullo, Chair, House Small Business Committee; Rep. Nydia Velazquez, Ranking Minority House Small Business Committee; Rep. Christopher Smith, former Chair of the House Veterans' Affairs Committee; Rep. Lane Evans, Ranking Member of the House Veteran's Affairs Committee; Rep. Spencer Bachus; Scott Denniston, Deputy Director, Small and Disadvantaged Business Utilization and Center for Veteran Enterprise, Department of Veterans Affairs; Tyrone Lassiter, Small Business Specialist, Department of Veteran Affairs; Michael Day, Minority Staff Director, House Small Business Committee; Nelson Crowther, General Counsel, House Small Business Committee; Joe Hartz, Professional Staff Member, House Small Business Committee; Michael Brink, Majority Staff Director for the Subcommittee on Economic Opportunity, House Committee on Veterans' Affairs; and Geoffrey Collver, Minority Staff Director, for the Subcommittee on Economic Opportunity, House Committee on Veterans' Affairs.

October 20, 2004 Executive Order 13360 calling for increasing opportunities for service-disabled veteran businesses for federal prime contracting and subcontracting.

Program Oversight is Flawed or Failed

Current federal regulations call for federal agencies to contract 23 percent of their prime contracting dollars to small businesses, a figure that goes unheeded and rarely sees the light of day. The Small Business Administration's (SBA) Office of Advocacy found that the federal contracts awarded to small businesses in 2002 were overstated by \$2 billion. That is because 44 of the top 1, 000 small business contractors who received government contracts were actually large businesses. The Department of Defense and the GSA accounted for 79 percent of the misdirected 2 billion dollars. The National Association of Government Contractors web site reported this inequity on February 28, 2005.

To my knowledge, no major federal agency has met a "sole-source" goal for a Service-Disabled Veteran Owned Business (SDVOB). Why is this happening? I can only relate to my own experience. It took eight months to-the-day for Duluth Travel to be approved on the GSA schedule. In my opinion, the GSA moves entirely too slow in the approval process. If it were not for my persistence, I am sure the approval would have taken even longer. Small businesses can ill-afford to spend valuable time in accomplishing the simple act of registering with GSA.

Added Hurdles within the Bureaucracy

After Duluth Travel was officially registered with the Federal Government in the Central Contractors Registration (CCR) and approved for providing travel services to all government agencies through the GSA schedule, I was directed to take advantage of marketing Duluth's travel services to federal agencies. That is exactly what I did. For example, I e-mailed and mailed letters to each designated contracting officer at the various federal agencies provided by the GSA. The letter introduced my company and noted that I was a service-disabled veteran owner of a small business. Out of the 35 e-mails I sent to contracting officers at the various agencies, I was stunned to receive only four replies. This is shameful in itself, but it gets worse. The four replies referred me back to their web site and stated that my e-mail was forwarded to the appropriate contracting person. To date, I have not had one contracting officer contact Duluth Travel at all regarding a "sole-source" contract for SDVOB or a small business set-aside for travel procurement.

It is my observation that federal procurement and/or contracting offices are unwilling to use small business firms for fear that they will fail and thus, the award process would have to start all over again. Contracting offices have also been doing business with the same large companies for years. They have established relationships with these companies, they know their performance track record and they avoid making changes to the process despite the new law. An award to someone like Duluth Travel would lack the "cache" of relationships as usual. A key example is the eTravel government contract. Only one of the three prime contractors is in the travel management business. The travel

agency subcontracting of all three is primarily to large travel agencies. Any small/disadvantaged travel agencies invited in as sub-subcontractors receive no recognition for their performance on GSA's TTS schedules program.

Conclusions

This hearing today is essential and vital to correcting inequities in the federal procurement process for small businesses. Members of Congress, the SBA Office of Advocacy and VA must continue to challenge the federal contracting offices in awarding the 23 percent of prime **contracting dollars** to small businesses and of that percentage, setting aside three percent to SDVOBs. Otherwise, there is no visible enforcement or oversight in this process.

In closing, Congress must take the necessary steps toward strengthening the laws making it mandatory that federal agencies shall award, not may award, government contracts to small businesses. We must make sure that more small business set asides and "sole-sourcing" contracts are available and awarded appropriately. Small businesses are the economic engine that drives this country and they warrant a chance to prove their worth within the federal procurement process.

Please give small business a chance. We have the laws and regulations already in place. However, we need you to enforce these laws and regulations. We can work together, you and I, and America's small businesses to make this happen. Thank you for this opportunity to testify. I look forward to answering any questions you may have.