

**Testimony of Frank M. Ramos, Director
Office of Small and Disadvantaged Business Utilization
Office of the Under Secretary of Defense (AT&L)
United States Department of Defense**

before

The United States House of Representatives

Joint Hearing

before

The Subcommittee on Workforce, Empowerment, and Government Programs

of

The House Committee on Small Business

and

The Subcommittee on Economic Opportunity

of

The House Committee on Veterans' Affairs

May 24, 2005

Chairman Musgrave and Chairman Boozman and Members of both Committees.

Good morning, I am Frank M. Ramos, Director, Small and Disadvantaged Business Utilization, in the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics. Thank you for the opportunity to appear before you today to discuss this most important topic. It is an honor to speak before this joint committee. I appreciate your continued interest and oversight of the Department of Defense's (DoD) progress to meet the service-disabled veteran-owned small business program goals. I thank you for your leadership and commitment.

I am pleased to address the Department's progress since implementation of the provisions of the Small Business Act, that provides for the President to establish an annual government-wide goal of not less than three percent for participation by service-disabled veteran-owned small businesses in Federal contracting.

Performance Progress

The DoD views a robust small business supplier base as a critical component to sustain the Defense industrial base. Our overall small business contracting achievements are dependent on the development and nurturing of small business capabilities in the various industries that support the Warfighter. What is true for small business in general is equally true for service-disabled veteran-owned small business.

In my organization's initial analysis of the service-disabled veteran-owned small business supplier base, we found that there were only 2,175 firms in fiscal year

(FY) 2003 who identified themselves as service-disabled veteran-owned small businesses within the Central Contractor Registration (CCR) system. We concluded that the Federal Government must heighten its campaign to identify and register service-disabled veteran-owned small businesses. There is a definite relationship between the number of qualified service-disabled veteran-owned small firms and our ability to meet the three percent goal. The lesson learned from our analysis was incorporated into our newly published Department of Defense Service-Disabled Veteran-Owned Small Business Strategic Plan (Strategic Plan).

The Department's aggressive outreach efforts resulted in a significant increase of service-disabled veteran-owned small businesses being registered in the CCR. Specifically, the pool of service-disabled veteran-owned small businesses registered in CCR increased from 2,175 firms in FY 2003 to 6,926 firms registered in May 2005 - an increase of 218 percent.

The commensurate increase each year in the Department of Defense supplier base resulted in a substantial improvement of prime contract award dollars to service-disabled veteran-owned small businesses: FY 2001, \$149 million; FY 2002, \$204 million; FY 2003, \$342 million; and FY 2004, \$514 million (estimated). This is an overall growth in contract dollar awards of 247 percent over a three year period. The Department of Defense awards more contracts to service-disabled veteran-owned small businesses than the rest of the Federal Agencies combined, as is evidenced by the \$514 million awarded by DoD in Fiscal Year 2004, or

approximately 60 percent of the estimated \$883 million awarded Federal-wide to service-disabled veteran-owned small business.

What has DoD been doing that accounts for the dramatic growth in contracting with service-disabled veteran-owned small businesses, and what can the Committees next expect to see happening at DoD? The Department's Service-Disabled Veteran-Owned Small Business Strategic Plan (which is available at <http://www.acq.osd.mil/sadbu/programs/veterans/index.htm>) provides a framework to answer both questions.

DoD's Strategic Plan

On May 10, 2005, the Under Secretary of Defense for Acquisition, Technology, and Logistics, the Honorable Michael W. Wynne, issued the DoD Service-Disabled Veteran-Owned Small Business Strategic Plan for implementing Executive Order 13360, "Providing Opportunities for Service-Disabled Veteran Businesses To Increase Their Federal Contracting and Subcontracting," signed by President Bush on October 20, 2004. The entire DoD small business and acquisition communities developed the plan and they began taking immediate, concrete actions to further the plan as it was being developed.

Identify Additional Service-Disabled Veteran-Owned Small Businesses

I have discussed our actions to meet our first objective of our plan, which is to increase the number of service-disabled veteran-owned small businesses registered in the CCR. The veteran service organizations (VSOs) are also key to future success. You can expect to see even more collaboration with our current

VSO partners, as well as an effort on our part to identify additional VSOs to assist us.

Explain and Publicize the New Tools

We thank Congress and the President for their working together to enact the legislative change that provides for the use of sole-source and restricted competition in Section 308 of the Veterans Benefits Act of 2003, Procurement Program for Small Business Concerns Owned and Controlled by Service-Disabled Veterans (Pub. L. 108–183). This legislation is intended to enhance opportunities for Federal contracting with qualified service-disabled veteran-owned small businesses. The existence of these new contracting tools permits our second objective, which is to train the acquisition community on how to effectively use them.

Our first efforts focused on implementing the law through a regulatory change to the Federal Acquisition Regulations (FAR). Last October, my office held two workshops at the Department of Defense Small Business Training Conference and solicited advice and suggestions from the attending contracting officers, program managers, and small business specialists on how to implement the sole-source and restricted competition legislation. As an anticipatory strategy, my office also initiated a FAR case in collaboration with the Director, Defense Procurement and Acquisition Policy. An interim rule was published on May 5, 2004 soliciting comments from the public. After receiving and reviewing the public comments, the FAR Council moved quickly to have the final rule implemented. The final regulations governing the use of service-disabled veteran-owned small business

sole-source and restricted competition were published in the *Federal Register* on March 23, 2005. This final rule provides a firm basis for contracting officers to more effectively utilize service-disabled veteran-owned small businesses in making sole-source and set-aside decisions in developing their acquisition strategies.

We are also making significant progress on the training portion of the Strategic Plan. My office and the Defense Acquisition University (DAU) developed two training courses that are designed to educate the entire acquisition workforce, which includes small business specialists, contracting personnel and program managers. My office, in collaboration with the Military Services, Defense Agencies and DAU, completed a pilot course in October 2004 before offering the course to the workforce. This course explains the basic requirements of the service-disabled veteran-owned small business program. We also developed a two-part training course on the Small Business Program (CON 260), which contains a section on service-disabled veteran-owned small businesses. The first part of this small business course is available on-line and is accessible to any interested parties, internal and external to the Department.

To fully achieve objective two, we will focus on providing more information on these and potential program changes and information on DAU's training courses during discussions at conferences attended by members of the acquisition and business communities.

In addition to training our acquisition personnel, we will also be training the service-disabled veteran-owned small business community. We believe educating

this community about our policies and new regulations will assist them with marketing their products and services more effectively to the Department. Our outreach training conferences which are conducted throughout the country provide an opportunity for this education. A partial list of locations where these conferences have been held includes: California, Florida, Georgia, Illinois, Michigan, Texas and Virginia. These conferences are organized or conducted by the Office of the Secretary of Defense, the Army, the Air Force, the Navy, the Defense Logistics Agency and other Defense Agencies. My office has and will continue to present service-disabled veteran-owned small business training at the following three annual conferences - the DoD Mentor-Protégé Conference; the Small Business Training Conference, and the National Veterans Small Business Conference. These three national conferences should reach approximately 1,500 attendees annually.

Promote the Inclusion of Service-Disabled Veteran-Owned Small Businesses in the DoD Mentor-Protégé Program

In December 2004, my office drafted an interim rule to implement the legislative change to the DoD Mentor-Protégé Program permitting service-disabled veteran-owned small businesses to participate in the Program as protégés. The interim rule was sent through channels for publication and is anticipated to be published in the *Federal Register* in the near future. The Department of Defense moved expeditiously between the passage of the legislation and the publication of the rule in anticipation of service-disabled veteran-owned small businesses participating in the DoD Mentor-Protégé Program this fiscal year.

In addition to expediting the publication of the rule, managers of both the Mentor-Protégé and the service-disabled veteran-owned small business programs worked collaboratively to invite a select group of service-disabled veteran-owned small businesses to participate in the annual Mentor-Protégé Conference in March 2005. In this way, potential protégés would be exposed to the entire process, meet with current mentors and protégés, and be better poised to participate in the program. DoD solicited assistance from the Center for Veterans Enterprise, the Vietnam Veterans of America, the Association for Service-Disabled Veterans and the Veterans Corporation in identifying potential service-disabled veteran-owned small business protégé candidates. We anticipate the outcome of this participation to be the approval of several service-disabled veteran-owned small business mentor-protégé agreements during this fiscal year.

Increase Subcontracting Opportunities

with Service-Disabled Veteran-Owned Small Businesses

Developing a methodology to encourage the DoD prime contractors to increase subcontracting with service-disabled veteran-owned small businesses began with two Departmental workshops held last fall. Acquisition personnel discussed increasing subcontracting opportunities during the 2004 DoD Small Business Training Conference. These discussions serve as the basis for the development of objective four of the strategic plan.

The Defense Contract Management Agency (DCMA), on behalf of DoD, assumed lead responsibility for this objective. DCMA is providing special focus on

service-disabled veteran-owned small business subcontracting opportunities by identifying a pool of qualified service-disabled veteran-owned small businesses and matching them with potential prime contractors. In brief, DCMA is analyzing current subcontracts to determine where other opportunities for service-disabled veteran-owned small businesses might exist. They are further analyzing the capabilities of service-disabled veteran-owned small businesses with active DoD contracts. Our objective is for DCMA to provide the analysis and information to six major prime contractors who agreed to assist us with this initiative. Should the initiative prove successful, we will export the process to the entire DoD prime contractor community.

**Increase Service-Disabled Veteran-Owned Small Business Bonding in
Construction and Environmental Clean-up Industries**

Our analysis of current and historical data reveals that a significant barrier to service-disabled veteran-owned small businesses participation in Federal contracting is their inability to obtain bonds. Finding a solution to this problem is our fifth objective. We are developing in-house expertise by gathering training information and establishing liaisons with bonding experts inside and outside the Department. The U.S. Army Corps of Engineers is assuming the lead responsibility for this objective. They are working with large construction firms to develop effective solutions.

Foster Teaming Agreements and Joint Ventures

We are bolstering our in-house expertise to better understand teaming agreements and joint-ventures and the potential benefits these vehicles afford to the service-disabled veteran-owned small business community. We are working on a detailed plan to provide outreach and effective counseling to service-disabled veteran-owned small businesses on how to maximize their participation in DoD contracting by teaming and joint-venturing. We anticipate that the use of teaming agreements and joint ventures will enable service-disabled veteran-owned small businesses to increase their capacities and capabilities to receive more DoD contracts and for larger dollar values.

Conclusion

The Department developed an ambitious Strategic Plan and our efforts to date are showing great progress toward the goals we laid out. We partnered with other agencies and with non-governmental organizations toward a consistent goal. That goal is to significantly increase contracting opportunities for service-disabled veteran-owned small businesses.

I am convinced that the key to future success is continuing our synergistic relationship with the Congress, our Federal Agency partners, non-governmental organizations and the entire business community. We are headed in the right direction!

Thank you, I would be pleased to answer your questions.