GSA Small Business Advisory Committee
Meeting Minutes
February 21-22, 2006
GSA Central Office, Washington, DC

The Small Business Advisory Committee (SBAC) convened its second meeting in the auditorium of the GSA Central Office building In Washington, DC at 1:13 p.m. on Tuesday, February 21, 2006. Denis Peck, Designated Federal Officer to the Committee acted as chairman to begin the meeting.

Felipe Mendoza, Associate Administrator for Small Business Utilization at GSA, welcomed the committee and announced the first three introductory speakers.

Members present (9): Dave Harmon, Kay Stewart, W. Ronald Evans, Peter Provenzano, Walt Blackwell, Ken Robbins, Bion Foster, John Leyendecker, and Michael Barrera represented by Gisela Saenz.

Members absent (4) Anna Cablik, Ann Sullivan, Susan Au Allen, Daisy Gallagher

The first speaker was GSA Acting Administrator David Bibb. Mr. Bibb thanked the committee for their service. He stated that GSA had a very good track record of opportunity to the federal market, but wants to get even better.

The second speaker was Small Business Administration Administrator Hector Barreto. Mr. Barreto made several points;

a) SBA has its own advisory committee.
b) SBA is currently involved in the biggest disaster response in its history; processing 235,000 loan applications, approving 63,000 totaling nearly $5 billion, all to businesses impacted by Hurricane Katrina.
c) 2005 was SBA's busiest year – over $20 billion in loan guarantees.
d) SBA statistics show that 50% of businesses fail within four years of startup, a rate that has increased in recent years.

The third introductory speaker was Edith McCloud, Deputy Administrator of the Minority Development Business Agency (MBDA). She made the following points;

a) The MBDA was established by executive order in 1971 for the purpose of promoting the establishment and success of minority business enterprises.
b) MBDA has a network of 50 minority business enterprise centers located throughout the nation.
c) According to the U.S. Census Bureau' 2002 census of businesses, minority owned firms had total receipts of $694 billion, and employed 4.8 million workers.

d) The 24th Annual Minority Enterprise Development Week Conference will be held in Washington DC, August 29 through September 1.
e) The primary focus of MBDA currently is increasing contract opportunities in the Gulf Coast region, to help the recovery from hurricane damage.

Following the third introductory speaker, a short recess was taken.

The meeting re-convened at 1:50 p.m.

Susan Au Allen arrived and joined the committee, now seated on the auditorium stage.

All members introduced themselves, and the DFO then handed out certificates of appreciation to each member for their service on the committee. Following that, the letters appointing Peter Provenzano as chairman, and Walt Blackwell as vice-chairman, were handed out, and Mr. Provenzano began serving in the capacity of chairman.

The draft minutes of the previous meeting were reviewed; there being no discussion, were adopted without revision.

Next, Bob Taylor of the Small Business Administration gave a presentation on Federal Government Subcontracting policy and the new electronic subcontracting reporting system, ESRS.

Among the important points contained in his presentation included:

a) The program for subcontracting originated in Public Las 95-507, which amended the Small Business Act. This was passed in 1978.
b) Large businesses are required to have a subcontracting plan for their contracts in excess of $500,000, or $1,000,000 if the contract is for construction.
c) The new ESRS system replaces the paper based reporting methods used since 1978. It is used by prime contractors to report their subcontracting statistics to the government.
d) The system is partly functional now and should be fully operational by the end of March.
e) A small business is never required to submit a subcontracting plan.
f) Subcontracting plans are a part of the contract, and can be obtained by a Freedom of Information Act request, but no database of them are available at this time.

The chairman called a short break after the presentation. The meeting re-convened at 3:25 pm.

The committee began an open discussion session. This resulted in several suggestions being put forward regarding topics the committee should make a priority in researching.

Mr. Provenzano suggested the committee should break the agency into three areas of study – PBS, FTS and FSS – and should also look at the topics of contract bundling,

getting on the GSA Schedule, accuracy of the FPDS-NG system, use of the term "disadvantaged business" , and the Freedom of Information Act process. Working groups would facilitate focusing on individual areas.

Mr. Evans made the observation that it often takes 1 ½ to 2 years for a small business to get on schedule.

Mr. Evans next observed that disposal of surplus property by the agencies can be done by private businesses, not just by GSA. And that it can be done locally, not by a single national contract.

Mr. Robbins observed that only about 3% of the $317 billion in federal procurement went through 8(a) program contractors, and the Alaskan Native Corporation 8(a)s were only a small part of the 3%. The focus should be on increasing the share of the $317 billion not how the 3% is divided.

Mr. Evans and Ms. Stewart brought up the topic of teaming agreements.

Mr. Foster brought up the cost to small businesses of becoming GSA certified and that it is exorbitant to small businesses from his state (Maine). He asked if an advocacy desk could be created at GSA to facilitate small business questions.

Ms. Allen observed that while serving six years on NASA's Minority Business Resource Advisory Committee, they identified large contractors who could not perform their contracts. She offered the opinion that the various Chambers of Commerce can advocate for action when an individual small business might feel inhibited about doing so.

Mr. Provenzano observed there is question about the integrity of the data contained in the FPDS-NG system.

Mr. Evans noted that large businesses are sometimes able to buy-in a contract at no profit just to keep their staffs employed, whereas small businesses need to make a reasonable profit on a contract. The term "dumping "was used to describe this practice.

Mr. Blackwell requested if Mr. Mendoza could arrange for the Department of Defense OSDBU to brief the committee. He noted that his organization is hosting the DOD's fall conference in Dallas, Texas, December 4-8. He suggested a meeting of the committee at this conference may be beneficial.

Ms. Allen mentioned that December is a long way off and many small businesses need help now. She noted the many similar meetings she has attended and things tend to get put off for future action, indefinitely.

Mr. Blackwell suggested that he contact some of the large DOD contractors. Ms. Allen asked to be a part of that discussion. Possibility of bringing up some issues to these

contractors when they attend the DOD's 2nd annual small business conference in Las Vegas, June 26-29.

Mr. Provenzano next said that this list of issues needed to be prioritized. He volunteered to list them before the next day and the committee would take it on tomorrow to list the most important.

Mr. Mendoza advised the committee that the Alliant RFP was having an industry day via the internet today. He then stated that GSA was forming a task force with the SBA and the MBDA to create a quick response contracting effort for future natural disaster that may occur.

A briefing booklet on GSA's contracting activity following Hurricans Katrina and Rita was then distributed to the committee.

With that the meeting for the first day was adjourned at 4:16 p.m.

DAY TWO

The meeting convened at 9:16 am. In the GSA Central Office auditorium.

All members were present except Cablik, Sullivan, and Allen.

Felipe Mendoza welcomed the committee to day two of the meeting, and introduced the first speaker, Deidre Lee, Assistant Commissioner for Integrated Technology Services of the GSA Federal Acquisition Service.

Ms. Lee proceeded to give an oral presentation to the committee on the nature of acquisition in the federal government and the changes it is undergoing.

Among some of the main points of this presentation were:

a) Government used to tend to buy individual supplies, and distribute them to the company holding a service contract. Today the product is normally purchased by the service company winning the contract.
b) Many buys today are not even advertised to the general public because they are task orders placed under existing Schedules contracts and Government Wide Acquistion Contracts (GWACS). Small businesses need to be aware of this to locate subcontracting opportunities.
c) She suggested the acquisition system would be greatly simplified if a company was categoried either small or large, without being subject to different NAIC codes.
d) The Defense Department must advertise Schedule requirements using the GSA E-buy system that notifies small and large businesses alike, and all responders must be evaluated.

e) She suggested that perhaps requiring small businesses to do 51% of the work on set-aside contracts should be revisited. A smaller percentage could be okay.

At the conclusion of her presentation she took questions from the committee. In answering these questions she made the further points:

f) Large businesses are able to hire staff to understand the implications of the Buy American Act and Free Trade Agreements Act; small businesses aren't.
g) Current regulatory definitions of contract bundling are narrow; but consolidating contracts is more common. Does the definition need to be clarified ?
h) GSA depends on fees from other agencies for its source of funds. If the customer agency does not was an acquisition set-aside for small businesses, GSA will have to comply with their request.

At the end of the question and answer period there was a short recess. The meeting resumed at 9:55 am. The second speaker was Rhonda Cundiff, Senior Procurement Analyst in the GSA Office of the Chief Acquisition Officer. Her presentation was titled " Recertification of Small Business Size Status"

Her presentation in powerpoint format is available online at www.gsa.gov/sbac

Among her primary points made included:

a) GSA's current policy was issued in February 2003, and mandates that before exercising any option period of a contract, contracting officers must receive from a small business their re-certification of what their business size status is ,small or large.
b) If a small business graduates to a large size status, it may be necessary for the contracting officer to require a subcontracting plan from them for the remaining period of the contract.
c) All electronic systems for procurement are now tied together into the Integrated Acquisiton Environment (IAE). The CCR, the ORCA the ESRS and FPDS-NG all tie together, so if a mistake is made entering data in one of them, it will be wrong through the entire system.

At the end of the presentation Ms. Cundiff took questions from the committee.

Mr. Provenzano asked if other agencies had followed GSA's example in requiring re-certification of size status. Ms. Cundiff and Mr. Robinson of SBA responded that they were not aware of any.

The final speaker of the morning session was Mr. Tony Robinson of the Small Business Administration. His presentation was on Contract Bundling and is also available online at www.gsa.gov/sbac.

Among the primary points he made included:

a) The Government today spends more on services than supplies.
b) SBA Procurement Center Representatives (PCR's) can halt an acquisition if they feel the buying agency has not followed correct procedures. This is done by filing the SBA form 70 with the buying agency.
c) When the SBA does approve a bundled acquisition because it results in significant government savings, it favors using the past performance of contractors in meeting their subcontracting plans as a source selection criteria.
d) Consolidating two prior small contracts into one larger contract does not automatically become bundling, as long as the larger contract could still reasonably be expected to be done by a small business.
e) To be approved for bundling, savings of at least 10% on contracts up to $75 million, at least $7.5 million on contracts of $75-$150 million, or at least 5% on contracts over $150 million must be achieved.

At the end of the presentation Mr. Robinson took questions from the Committee

f) Mr. Provenzano asked about a coming retirement wave impacting the government. Mr. Robinson responded that due to the already smaller acquisition workforce, there were 30,000 individual contracts awarded in 2005 as opposed to 90,000 a decade before, but the average contract size has gone up.
g) Ms. Gallagher asked how are prime contractors monitored on their subcontracting results. Mr. Robinson replied it is difficult to enforce their goals, but the ESRS systems should make it much easier for contracting officers. He also suggested contractors should get award fees more often for meeting their subcontracting plan goals.
h) Mr. Robbins observed that award fees are allowable, and that either award fees for making goals or penalties for failing to make them are needed for an effective program.
i) Mr. Evans stated that in mentor-protégé programs, the mentoring first are not really carrying out their responsibilities to the small company. Mr. Robinson said he did not think mentor-protégé programs were very effective.

At the end of this presentation, the Committee adjourned at 11:34 for a lunch break.

The meeting re-convened at 1:00 p.m.

Mr. Mendoza requested the Committee to recess at 1:30 to allow for pictures to be taken.

Mr. Provenzano spoke on the need to adhere to the scope of the Committee's charter, and the need to break into teams to facilitate studying individual topics.

Mr. Peck mentioned that the bylaws require subcommittees to meet under open public rules, identical to the full committee. He asked that no final decision on how

groups would meet be made until he had consulted further with the GSA office with FACA responsibility and reported back to the chairman.

Susan Au Allen arrived and took her seat at the Committee table at 1:10 p.m.

Mr. Mendoza observed that the Javits-Wagner-O'Day Act (JWOD) committee he sits on has subcommittees that do not hold meetings open to the public.

Mr. Provenzano handed out the listing of the topics compiled the previous day, and said they topics are global, affecting all three business lines at GSA.

Mr. Evans noted that contract bundling and contract consolidation should be combined into a single topic area.

Mr. Robbins referenced a letter to Secretary Rumsfeld from two congressional members that questioned contracting with Alaskan Native Corporations. Such criticism is really criticism of all sole sourced contracts. The best opportunity for small businesses is by teaming with and subcontracting to ANC's because they have a tool that will work (sole source contracts unlimited by size as are other 8(a) vendors).

Mr. Provenzano suggested that Mr. Robbins be the committee champion regarding the 8(a) program. Mr. Robbins agreed to take that on.

Mr. Mendoza outlined some of the GSA outreach events to small business and where information for future events can be found on the website. He also pointed out that only 42% of the GSA Schedule holders received an order during a typical year.

A short recess was called at 1:30 to allow for official photographs to be take of the Committee members.

The meeting reconvened at 2:00 p.m.

Ms. Gallagher requested the committee take on prime contractor subcontracting goals and defining small business size by NAICS code as two of the most urgent subjects.

Mr. Harmon said he felt that NAICs code issue was something the committee could get through relatively quickly.

Mr. Blackwell added that the subject of both dollar and employee sized NAICs code was a key part of the issue.

Mr. Peck mentioned that the SBA had asked for public comments on proposed changes to the NAICS system. Mr. Evans stated that he had testified on the issue last year. (Ultimately the SBA decided to make no changes to the NAICS system in 2005.)

Mr. Evans noted the problem of using the term disadvantaged business is negative to convey your capability.

Mr. Leyendecker noted that the size standards for civil engineering seemed inconsistent in the NAICS.

Mr. Mendoza reminded everyone that NAICs standards are an SBA program, but he would take recommendation to the SBA through Administrator Bibb.

The next topic discussed was the need to enforce subcontracting goals. Several of the committee commented.

Ms. Gallagher then volunteered to be the primary champion on the NAICS codes issue.

Ms. Allen and Mr. Provenzano offered to take the lead on the Prime vendor subcontracting goals issue.

Mr. Robbins and Mr. Blackwell agree to take the combined issue of 8(a) vendors and defining businesses as disadvantaged businesses. Possibility of reporting by ethnic group was added.

Mr. Blackwell and Mr. Leyendecker asked to take on construction bonding.

Mr. Harmon asked to take the lead on processing Schedules applications.

Ms. Allen, Ms. Stewart, Mr. Harmon and Mr. Robbins volunteered to work on teaming agreements.

Mr. Foster offered to take on the topic of outreach and marketing.

Ms. Stewart identified forecasting future procurements as a continuing problem for small businesses. She mentioned some companies that market government procurement plans to small businesses. Mr. Harmon said he was familiar with these as well. Ms. Lee asked if the committee could be briefed on how these procurements take shape from the budget process on down.

Mr. Mendoza offered to add a briefing to the next meeting agenda on that process.

The Committee established the working group/subject experts as follows:

a) Short term issue, 8(a), disadvantaged business, set-asides, sole sourcing: Mr. Robbins, Mr. Blackwell, Mr. Evans Ms. Lee, and Ms. Gallagher

b) Short term issue, teaming agreements; Ms. Gallagher, Ms. Stewart, Mr. Robbins and Mr. Harmon

c) Short term issue; outreach , including how to get on the GSA Schedule. Mr. Foster
d) Long Term issue, Buy America Act and Foreign Trade Agreements. Mr. Provenzano and Mr. Blackwell.
e) Construction Bonding requirements. Mr. Blackwell and Mr. Leyendecker
f) Surplus property disposal practices. Mr. Evans
g) Long Term issue, Contract Attainment and how to simplify. Mr. Harmon

Mr. Mendoza requested that short term issues be worked on before the GSA Expo in May, and long term issues would be reported out on at the meeting following that.

Mr. Provenzano and Mr. Blackwell will be contacting all the other members to be sure everyone is in the right area of interest regarding the topics assignements.

A briefing booklet on GSA's activities in the recovery to Hurricanes Katrina and Rita was then distributed to each member. The continuing activities regarding this effort will be reported on again in May.

With that the meeting adjourned at 3:12 p.m.

I hereby certify, to the best of my knowledge that the foregoing minutes of the GSA Small Business Advisory Committee meeting held on February 21 & 22, 2006 are correct.

Peter Provenzano, Chairman