

MID-ATLANTIC REGIONAL COUNCIL FOR SMALL BUSINESS TRAINING AND ADVOCACY

Minutes of Meeting, Williamsburg, VA – April 19, 2005

Introductions

Mark Opilla, MARC President welcomed attendees, asked attendees to introduce themselves, and opened the meeting at 8:30 a.m.

Attendees: There were 41 attendees at the two-day meeting.

Committee Reports

Congratulations John DeLallo and Barbara Knox!

Awards Committee, Gerald Furey: The first MARC Team Award for contributions to the council was presented to John DeLallo, DRS Laurel Technologies, and Barbara Knox, United Defense. In making the award, Mr. Furey praised their on-going participation in MARC, their lively discussions, and positive contributions to council meetings.

Planning Committee, Helen Katz: The next meeting will be held October 25 and 26, at the Radisson, in Annapolis, Maryland. For the 2006 winter meeting, Sherry Rose presented information on a potential New Jersey site, the Tropicana Resort in Atlantic City, and the possibility of coupling the meeting with a PTAC-sponsored veteran's outreach event. Anticipated meeting dates are January 18 and 19, 2006.

Governance Committee, Jana Tull: The next MARC elections will be held in the fall. Ms. Tull will be compiling a slate of candidates over the summer; voting will be done electronically. Any member can nominate another member for an office.

Protocol Committee, Pat Huber: The Protocol Committee is looking for new members, and Ms. Huber encouraged attendees to consider becoming involved with the committee.

Legislative Committee, Linda Owen: The Legislative Highlights have been compiled and will be distributed with the meeting minutes.

Presentations and Speakers

Michael P. McHale, Associate Administrator, **HUBZone Program**, U.S. Small Business Administration.

Mike McHale has been working with the HUBZone program for about 10 years. He polled the audience to see how many attendees were familiar with the program; seeing nearly 100 percent of hands raised, he said that only three or four years ago when he'd address a similar group only half the room would have heard of the program. "We're getting the word out," he said, that the

HUBZone Act of 1997 is “giving communities federal support to rebuild their communities.” Describing it as being all about employment, empowerment and enterprise, he noted that “the idea of Enterprise is critical to making program work” because there is a need for capital investment to create jobs.

The HUBZone website (www.sba.gov/hubzone) was revamped six months ago. The current portfolio has nearly 13,000 firms, employing 177,000 employees, of which 115,000 - 65% - reside in a HUBZone. By comparison, the 8(a) program has about 7,500 active firms. Within the HUBZone program, there are currently about 920 “high tech” NAICS 332710 firms, and 380 machine shops, NAICS 541512.

Providing program details on HUBZone set-asides, sole-source buys, price evaluation preference and subcontracting opportunities, Mr. McHale described it as a “powerful tool when price is the driving factor.” He said that large businesses have been a great help in getting HUBZone small businesses certified and noted that they continue to encourage their small businesses in HUBZones to get certified. To find a HUBZone firm, use the Dynamic Small Business Search, and if HUBZone shows up, that means the company is SBA certified.

He reviewed some recent changes to the regulations:

- Contracting option has been extended to micro purchases, or buys less than \$2500, in accordance with 13 CFR 126.608;
- Requires that construction HUBZone prime contractors must perform at least 50% of the contracting themselves or use other HUBZone subcontractors;
- Authorizes SBA to collect from certified firms updated financial information and information relating to employees to gauge the success of the program and to determine how the program has impacted the firm;
- Confirms that the non-manufacturing rule waivers are not authorized in the HUBZone program, although the exception for buys under \$25,000 remains;
- Restricts joint ventures to HUBZone concerns in that HUBZone firms can only joint venture with other HUBZone firms;
- Recognizes Mentor-Protégé relationships. Such a relationship won't result in a finding of affiliation which would make them large. The protégé can team with and subcontract (up to 50%) back to its mentor. The HUBZone program itself has no mentor-protégé program but accepts participants in the Dept. of Transportation (DOT), NASA, and DOD Mentor-Protégé programs;
- Statutory changes were made effective December 8, 2004, including allowing companies to use either state or national unemployment rates when applying for certification and stating that no company's certification will be terminated due to geographic changes until after 2010 census data is analyzed and released. If a company was decertified, it will be reinstated. The firm will still have to meet the 35% employment rule and certifications can be protested;
- BRAC sites will be HUBZones, because the HUBZone program has been extended to military bases affected by closure;
- Tribal firms can meet the 35% resident requirement either at time of application or guarantee that at time of award 35% of employees working on that contract are tribal-

HUBZone residents. This allows ANCs the ability to obtain a contract and then bring the jobs back to the reservation.

Key Marketing Activities for FY05:

FedBizOpps electronic monitoring by the HUBZone Program Office – this is being launched to increase awareness among Federal agencies when buys are not included in HUBZone programs. It matches the database of certified firms against buys not included in the program and sends information to the contracting officer. The email is intended to educate them about program, will give a link to the HUBZone profiles that match the buy, and ask for reconsideration of the posting. The goal is to educate contracting officers about the program. Currently, the initiative is awaiting approval to launch, and initially it will have targeted agency outreach to the departments of the Army and Air Force. He anticipates using training seminars and conferences to get the word out.

“This is the year of the contract, said Mr. McHale, “we have to find a way to bring more contracts to the program. It’s all about jobs. I’m a firm believer that the cornerstone to economic development is the ability to create jobs.”

Octavia Turner, Procurement Center Representative, U.S. Small Business Administration; 8(a) Business Development Program – Alaskan Native Corporations.

Ms. Turner provided background and current information on the Alaskan Native Claims Settlement Act (ANCSA), which was passed in 1971. Initiated as a way to acknowledge and settle aboriginal land claims without engaging in lengthy court proceedings, the ANCSA created 13 regional and more than 220 village corporations in addition to allowing construction of the Trans-Alaska Oil Pipeline. Alaskan Natives include Eskimos, Aleuts, and Alaskan Indians.

ANCs, Alaskan Native Corporations, are for profit and established under Alaska state laws. The goal of the program is to allow creation of economic self-determination. She noted that there are restrictions on the sale and transfer of ANCs.

For ANCs to take advantage of the 8(a) business development program, they must first qualify as a small business under 13 CFR 121. The requirement for 8(a) participants to be socially disadvantaged is met, because Alaskan natives are a designated group, and economic disadvantage is met within the ANCSA. The firm must, however, maintain 51% majority ownership to fulfill the ownership and control requirements of the 8(a) program.

One of the unique benefits given to ANCs is that they may have more than one firm participating in the 8(a) program at the same time as long as they have different primary NAICS codes. Another benefit is that non-native and non-disadvantaged individuals can do the day-to-day management and control, such as in the positions of CEO, president, and general manager. Some of the contractual limitations of the 8(a) program do not apply, including the cap on sole source contracts – ANCs can receive sole-source contracts that exceed the competitive thresholds. ANCs are also exempt from dollar limitations on the amount of 8(a) work they receive while in the program.

They must, however, be small for the NAICS assigned to the procurement, they must be in good standing and in compliance with the competitive business mix, and they must have a bona fide office established for competitive construction requirements. Questions regarding ANCs should be directed to the Alaskan District Office at 907-271-4022.

Ms. Turner also discussed the Indian Incentive Program, under which DOD prime and subcontractors can receive a 5% incentive payment for using Indian Organizations and Indian-Owned Economic Enterprise subcontractors, including ANCs. This fully-funded program is managed by the OSD small business office and applies to contracts over \$500,000. Prime and subcontractors must formally request the incentive from the contracting officer after which the contract is modified to authorize payment of the incentive.

Carol S. Decker, Procurement Center Representative, U.S. Small Business Administration; **SBA Update.**

Since the last MARC SBA Update in January, changes have occurred in a number of SBA interest areas. The update highlighted some of these changes.

Size Issues: There will be size hearings held across the nation during the summer of 2005, during which the public is encouraged to attend and voice their opinion on the proposed changes to the size standards. Although a schedule was not been released as of this meeting, Washington, D.C. is anticipated to be one of the hearing sites. Another avenue to submit comments on the size changes or other regulations is Regulations.gov which is a public comment site. (*Note: the hearing schedule was published in the Federal Register on May 12, 2005, Volume 70, Number 91. June 17 is the date for the Washington DC hearing; advance registration is required.*)

CCR and Dynamic Small Business Search Engine: Size logic was recently added to CCR to determine whether a company is a small business based on their input as to number of employees and average annual receipts. Trading Partner Profile revisions resulted in size being indicated for each NAICS listed in the CCR profile and SBA certification information populating the SDB, 8(a) and HUBZone designations.

Service Disabled Veteran Owned Small Business: The final rule for the SDVOSB program was released March 25, and included several changes from the interim rule, including an amended protest time line of 10 instead of 5 days, to allow SDVOSBs to retrieve lost documentation from the National Archives; added CFR guidance on appeals of SDVOSB protests, which involve input from both the Veteran's Administration and the Small Business Administration; along with various other clarifications.

Awards to veteran-owned small businesses are suspected of being under-counted due to inconsistent coding of award actions and difficulty identifying sources, among other things. The full report can be found at www.sba.gov/advo/research/veterans.html.

GSA is looking to establish a SDVOSB Information Technology schedule, which will be 10 years in length, and worth up to \$5 billion. It will be for Veteran's Technology Services and some 60 awards are anticipated. The information was posted this spring with an award anticipated in the fall. (*Note: VETS Governmentwide Acquisition Contract 6FG2005MTV00001 was synopsisized in late February; the solicitation was posted on March 31.*)

Certificate of Competency Program: A recent GAO hearing stated that if a technical evaluation contains traditional responsibility factors, then small businesses are entitled to a COC if denied award. However, if the evaluation is for management and staffing, or other non-responsibility areas, then a small business is not entitled to a COC review. For more information, the GAO decision is Capitol CREAG LLC B-294958.4, 01-2005.

Small Business Research and Statistics: SBA's website at www.sba.gov/advo includes research, statistics, press releases, regulatory alerts, and other useful information.

Jose Gutierrez, Deputy Director, Office of Small and Disadvantaged Business Utilization, US Department of Transportation; **The OSDBU Office and Minority Resource Center**.

Within the Department of Transportation (DOT), SADBUs are not only responsible for the traditional SADBUs functions, but also administer the Minority Resource Centers (MRCs) for advocacy, outreach and financial services.

The MRCs are not identical to the 8(a) program, but DOT considers them to be a "mechanism to allow Disadvantaged Business Enterprises to become competitive." MRCs are regional centers like Procurement Technical Assistance Centers, and have surety bond and loan programs like SBA. The Procurement Assistance Division focuses on compliance with the Small Business Act; Capital Access and Business Training take on extra functions with grant recipients along with internal functions.

MRCs have a statutory role like OSDBU offices. In compliance with Chapter 39 of Title 31 USC, they assist small businesses in obtaining payment, late payment interest penalties, or information due from an executive agency or contractor. They also ensure that fair proportion of total purchase and contracts for property and services of DOT is placed with small businesses.

Internally, MRCs educate small businesses on how to do business; provide service and commodity information and advice; introduce small businesses to program offices and to contracting officers, making small business referrals and arrange for presentations.

Some current initiatives include developing a Marketing Information Package; maintaining the DOT online procurement forecast; training DOT small business advisors; increasing monitoring and training efforts within the subcontracting program, and increasing efforts to meet Women Owned Business and Service Disabled Veteran Business goals.

Judy Sayers, Procurement Center Representative (PCR), U.S. Small Business Administration, and **Anne Mastricola**, Defense Supply Center Richmond (DSCR), Small Business Specialist.

Introducing their topic, **All Bundled Up: Contract Bundling Facts vs. Reality**, Ms. Mastricola noted her interaction with the DSCR PCR Ms. Sayers saying, “We have worked together on three different bundles,” mostly dealing with products at DSCR.

After reviewing the definition of bundling and regulatory citations, Ms. Sayers addressed the key stages they work through when reviewing a bundled procurement, connecting the stages to a case study of the F404 aircraft engine bundle during FY04. More than 3000 National Stock Numbered (NSN) items were involved in the bundle. GE was original equipment manufacture, and under the Performance Based Logistics Contract (PBL) would handle inventory, support, logistics, parts replenishment and more. DLA would move from management function to a warehousing/distribution function. In addition, Ms. Sayers said, “They used Alpha contracting. Alpha contracting is dealing with one contractor – the only show in town – you don’t have to follow normal process so you bring in the contractor and they help you plan the buy.” They agreed that this makes it difficult for small business advisors because it puts you on opposing team from your contracting officers.

Key Stages:

Market Research for the engine bundle consisted of a short, non-specific CBD notice issued several years prior to the proposed award. Asking whether two responses to a brief notice published three years prior to the PBL is adequate, Ms. Mastricola stressed the need to “establish the standard for adequate market research.”

Small Business Coordination and SBA PCR Review – timing is everything; small business review window is 30 days from receipt of package. Make sure to lock-in any terms for the procurement.

Assess Impact to Small Business and determine whether it has been understated. Check the data from your own perspective to assess the long-term impact to the businesses and to the industrial base. In their case study, more than 1700 of the 3,431 individual national stock numbers to be included on the PBL were previously made by small business manufacturers. DLA’s assessment did not anticipate damage to sole source small business providers because GE will be using the same sources. SBA viewed it very differently, as the small businesses would lose prime contracts control over the items, which erodes their relationship with DSCR, makes them dependent on the large prime contractor and could cause financial difficulties for them in out years.

Justify Benefits of the Bundle - Data accuracy is a key factor; keep copies of “drafts” as facts and figures can shift with revisions.

Notification to Small Business Vendors – DSCR agreed to notify the impacted small businesses of the proposed bundle, but it took several tries before all 380 firms were sent the notices.

Alternative Acquisition Methods – Consider the benefits of breaking up the bundle or a similar alternative.

The Appeal Process – The small business office and PCR can ask for more. In this instance, they requested that an incentive clause tied to small business metrics be added to the solicitation in addition to the comprehensive subcontracting plan. The PCR asked for additional items, including that historically 8(a) items be removed, that the competitive small business NSNs be sourced to domestic small businesses under the PBL, that all small business historical items continue to be sourced to small businesses, and that subcontracting plan goals be based on total dollars not subcontract dollars. The final resolution included DSCR and GE agreeing to set a small business goal of 25%, GE using SUB-Net to post small business subcontracting opportunities, GE using Dynamic Small Business Search engine on CCR to identify additional small businesses when sources are lacking, GE considering SDVOSB when possible, DSCR conducting spot checks with small businesses to ensure GE is contacting them, imposing contractual disincentives for not meeting the small business metric, and DSCR with GE holding an industry day for small businesses interested in the PBL subcontracts.

In closing, Ms. Sayers noted that this PBL brought interest and Congressional inquiry from the Small Business Committee, and Ms. Mastricola pointed out the importance of the small business offices speaking with one voice when negotiating goals for the solicitation and contract.

Roundtable Discussions: The group split into four subgroups to learn more about several of the MARC committees and associated volunteer opportunities. Chairpersons from Planning, Membership, Education, and Protocol committees discussed their functions and openings.

The April 19 session adjourned at 4:00 p.m.; the April 20 session reconvened at 8:30 a.m.

Captain David J. Graff, Naval Air Systems Command, Assistant Commander for Contracts, Competition Advocate; **Virtual SYSCOM**.

Virtual SYSCOM (VS) came out of the 2004 Chief of Naval Operations Objectives. According to Capt. Graff, “The bottom line is we have to change way we do business.” The current drive is to reduce total obligation authority by 3-5% annually. In doing so, they are looking at people, inventory, cost, cycle time or as they call it, “people and stuff.” The Navy is moving along the same lines as industry.

The VS was established in 2002, and comprised of NAVAIR, NAVSUP, NAVSEA, and SPAWAR, with NAVFAC joining in 2005. The goal was collaboration of cost-effective integrated business and technical practices to better support Navy. According to Capt. Graff, “We want to tap into other vehicles. You’re not changing who you’re doing business with, just the process you use.” One of the initiatives includes the contracting community, where he’s trying to work across the services so that they all work off one vehicle. He said, “We make sure we represent communities appropriately so that small business can continue to play.”

During 2003, they developed a charter, established NAVSUP as supply chain manager, established a VS Acquisition Center of Excellence for Strategic Sourcing, set-up cross-functional teams, and established a program.

One of the VS initiatives is to expand use of the SEAPORTE Multiple Award Contract (MAC) to include all VS members as ordering offices. During the past 9 months, they've conducted rolling admissions to add additional prime contractors. They want to preserve the local vendor base and business relationships and enhance small business opportunities, including the potential for additional set aside categories. SEAPORT currently covers FSC codes 3 & 4, program management, engineering and financial. He said for Navy procurements, "If you do business in those areas, you are to use SEAPORT."

How does a business become a SEAPORT vendor? Rolling admissions. They have traveled across the country to get message out. Once on SEAPORT, it gives the company national exposure. Each order is independent and individually competed. It's the mandatory vehicle of choice to competitively procure program management, financial, and engineering contractor support services. It can be used for other type of services but is not mandatory. He considers SEAPORT to be a logical transition from existing contracting support services contracting vehicles.

SEAPORT Benefits: consistency across commands; the Navy can develop strategic commercial business relationships on a corporate level; companies can get national exposure; the Navy can leverage its buying power; the web portal provides a dependable information gathering vehicle.

"I've got primes looking for small businesses to work with," said Capt. Graff, "This is a competition vehicle. There's very little sole source." Rolling admissions have closed for now but he anticipates doing rolling admissions once a year. Of the firms on SEAPORT, 68% are small businesses and there are guaranteed minimums. A company can choose to have few or many regions and FSC codes. How they are listed is determined by the individual proposal and evaluation. SEAPORT has encouraged a lot of teaming, and the rolling admissions let current businesses seek new business opportunities. Individual contracting shops place the orders, and use this vehicle. Each VS member defines the requirement, runs the competition, and places task orders. There is a guaranteed minimum order for each company, and the effort uses Navy working capital funds so it is not tied to the fiscal year.

SEAPORT has a five-year base and two five-year options; it includes cost and fixed price task orders, but no time and material orders. SEAPORT covers seven geographic zones. He pointed out that in each geographic zone SEAPORT has more small businesses than large businesses, and they just added more than 750 new contractors to those numbers.

Within the SEAPORT vendors, the government has reserved the right to set-aside any task to small businesses of any type. When the decision is made, there is an automatically generated email sent to the particular group of small businesses. For example, if the task will be restricted to small vendors, then only small vendors will get the notice. Task orders can be initially set-aside and if no response, opened to other groups and ultimately may go to large businesses. Each order is reviewed using DD2579 small business review form.

Contracts to large business don't have limits on what firms they pick for subcontracts, but they do have goals. A small business subcontractor to a SEAPORT prime contractor is not automatically added to the approved SEAPORT vendor list, but they can apply during the next round of rolling admissions.

The Navy is looking for volume discounts, and multiple year price reductions. Anyone interested in more information should go to www.seaport.navy.mil.

"I encourage you to help me get the word out", said Capt. Graff, "If a company wants to continue to do business with the Navy in these three areas, this will be the way to do it. Existing vehicles will continue but will not be renewed, and these three areas account for 65% of our dollars. We want to do this right and we need your help".

Brian Woodworth, Fastenal, Government/Military/Supplier Diversity Manager - SE Region, and **Andy Wells**, President, Wells Technology.

Brian Woodworth, Fastenal, described his company's evolution in small business saying, "Over the past five years we have developed a state-of-the-art diversity program." He noted that last year, Fastenal was voted GSA's most valuable schedule holder of the year, just a few years after his first GSA schedule was awarded in August 2000. Until he began to work with GSA, Fastenal was not all that aware of the small business regulations, but that changed as his work with GSA grew and he became a main supplier on the Pentagon rebuild effort.

In 2000, they developed a complete small business plan, and have worked on constant improvement since then. Their SBLO, Rebecca Malecca, oversees Tier 1 and 2 programs, monitors diversity spend, and is responsible for development and implementation of their Mentor-Protégé Program with DLAD 19.90. He noted that currently Fastenal has three partners in the program. One Fastenal initiative is to offer their logistics systems to their small businesses to help them get their product delivered.

Roughly 42% of their subcontract dollars go to small businesses and the other categories. When they first started, they weren't aware that they could ask a company about ownership. Now they constantly update their certification records.

In addition to small businesses, Fastenal also works with the Javits Wager O'Day Act (JWOD) and NIB/NISH. The schedule includes a JWOD blocking program so that if the government wants to buy a Fastenal item that's a JWOD item, the website blocks the sale and redirects it to a JWOD part number. According to Mr. Woodworth, "We're very proud of this." They have separate supplier diversity products catalogs and have established business mentoring agreements. One is with Wells Tech.

In addition to Wells Technology, they have agreements with Anchor Supply Co. and Best Products Co., all of which can be found on CCR. Mr. Woodworth invited Mr. Wells to introduce Wells Technology.

Mr. Wells displayed the innovative and creative side of his Native American company by demonstrating an invention to automatically tie a shoe, revealing a portable golf club from within his suit coat, and showing a pair of air-powered scissors which he developed for the chicken industry.

He said that one of his goals is to bring industry to the community. A Red Lake Chippewa Tribe Member, Minnesota, he noted that his community has 50% unemployment and a school dropout rate of 50%. “We’ve got to get jobs into our community,” he said, “to give our young people some hope.” Although the casino resort industry provides jobs for many, location and isolation keeps it from being profitable. They have construction and farming, rice growing, and some fishing as well.

In 1980, he converted his farm into a manufacturing facility and opened Wells Technology. Using a simple set of tools, buying older machinery, finding out what was needed, he began working on the air powered scissors. Once successful with that product he moved to air powered knives.

By 1990, he had built a new facility that he expanded in 1996. A constant from the beginning is his focus on customer service, quality product, and competitive prices. Wells Technology is a certified HUBZone, 8(a), SDB (Native American) small business.

In addition to his air tools, he does precision machining of fasteners, using titanium and various metals, and work with the aerospace industry. His fasteners have close tolerances, micro finish and aerospace quality. Among his customers is BAE and the Mongoose project on which he makes the net webbing for Army Mine Clearing Systems. Other customers include General Dynamics, Raytheon, Lockheed Martin, Northrop Grumman, and General Motors. According to Mr. Wells, to be a success “you’ve got to be on the inside what you say on the outside”. Among his honors, he was named the 2002 SBA Minority Small Business Person of the Year, and received the Eagle award from the Minnesota Native American Indian Chamber of Commerce for Vision and Accomplishment.

The meeting adjourned at 12:00.

Respectfully submitted,
Carol S. Decker, Secretary/Treasurer