



**TESTIMONY
OF
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On behalf of the
NATIONAL SMALL BUSINESS ASSOCIATION

*“Beyond the Size Standards: Sustainability of Small Business
Graduates”*

Before the U.S. House Committee on Small Business

September 14, 2011

Good morning Chairman Graves, Ranking Member Velázquez, and members of the committee; thank you for inviting me here today to discuss the *Small Business Growth Act*.

My name is Michael Frisbey and I am a member of the National Small Business Association (NSBA), America's oldest small-business advocacy organization, and small-business government contractor, with more than 40 years of experience. On behalf of NSBA, I would like to thank you for inviting me to testify today about an important issue: small businesses' access to federal contracts.

I started my firm, Government Suppliers & Associates, Inc. in 2002, after a long career in industry. I previously served as director of marketing for Champion Products, vice president of marketing for Russell Corporation, vice president of sales and marketing for Trench Manufacturing, and vice president of sales and marketing for Propper International. I also have a B.S. in Business Administration from the University of Tennessee, a Masters in Business Administration from the California State College System.

My small firm, Government Suppliers & Associates is registered in the state of Tennessee. Its Cage Code is 3A9R3. The company is registered in the Central Contractor Registry (CCR) and all of its Certifications and Representations are listed in ORCA.

In 2004, it competed on and was awarded three Prime Vendor Contracts with the Department of Defense, worth approximately \$145 Million. Contract W91CRB-04-D-0027 supported approximately 50 individual uniform items. Contract W91CRB-04-D-0032 supported 12 different boot styles used by the U.S. Military and Contract W91CRB-04-D-0037 supported over 70 individual equipment items.

In 2009, these contracts were completed and new Prime Vendor contracts openly competed. Again Government Suppliers & Assoc. was awarded two Prime Vendor Contracts: W91CRB-09-D-0059 and W91CRB-09-D-0070, worth approximately \$11 Million.

I am proud to say that, to date, Government Suppliers & Associates has not had a single lot rejected or returned to us for noncompliance with the U.S. Department of Defense Specification required. In the materials supplied you have a more detailed listing of the contracts Government Suppliers & Associates has been awarded. In addition to our contracts with the U.S. Department of Defense,

Government Suppliers & Associates also is a registered supplier to approximately 15 Allied Ministries of Defense.

In 2008, my wife and I purchased the assets of Columbia Sewing and started Government Sewing & Apparel LLC, which is a manufacturing company, registered in the State of Arkansas, that she runs; its Cage Code is: 4ZP48. It also is registered in the CCR and its Certs and Reps on file in ORCA.

Today, Government Sewing & Apparel LLC holds two contracts with the Defense Supply Center – Philadelphia (DSCP). Contract SPM100-06-D-0362 for the manufacture of the Marine MCCUU Combat Uniforms and Contract SPM1C1-11-D-1052 for the manufacture of the Coast Guard ODU Uniforms. The company directly employs approximately 80 people at the factory in Hope, Arkansas and supports approximately 200 more people at our two sub-contractors located in El Paso, Texas and Jamestown, Tennessee.

I think it is important to state that all of the contracts awarded to both Government Suppliers & Associates and Government Sewing & Apparel LLC were won in open competition and without any mentoring from a large business.

Small Business and Government Contracting

Federal procurement is of singular importance to many small businesses; and small-business participation is crucial to a healthy and competitive federal procurement process. In other words, expanding the access of America's small businesses to federal contracts is beneficial to all involved. The importance of expanding small-business access to federal contracts is certainly recognized by the membership of NSBA, which identified small-business contracting as one of NSBA's top-ten priority issues during our recent biennial Small Business Congress.

Small businesses provide high-quality goods and services to federal-contracting agencies and infuse the federal procurement system with much-needed competition. In turn, the federal government invests in the most-dynamic and innovative sector of the U.S. economy. America's small businesses annually have generated 60 to 80 percent of the country's net new jobs over the last decade. Small businesses also "produce 13 to 14 times more patents per employee than

their larger counterparts, and...these patents are more likely to be cited in other patenting applications,” according to a recent SBA Office of Advocacy working paper.

Small Business Contracting Goal

America’s small businesses—which comprise 99.7 percent of all employer firms in the U.S., employ half of all private sector employees, and are responsible for more than 50 percent of the country’s private, non-farm gross domestic product—deserve their fair share of federal contracting dollars.

Despite employing more scientists and engineers than large businesses (32 percent vs. 27 percent) and generating five times more patents per research and development dollar than large companies, America’s small businesses receive only 4.3 percent of federal research and development funds.

This unrivaled success has been achieved with less than adequate governmental support of oversight and over the strong objections of many large contracting firms, which, in my opinion, have worked to undermine and circumvent small business size standards.

Although the *Small Business Reauthorization Act of 1997* established a government-wide goal of 23 percent of prime, federal contracts to be awarded to small firms, this goal has not yet been met.

The U.S. government awarded 22.7 percent of federal contracting dollars to small businesses in Fiscal Year 2010 (Oct. 1, 2009 – Sept. 30, 2010), according to the U.S. Small Business Administration’s (SBA) fifth annual small business procurement scorecard. While this represents the largest single year increase in more than five years and translates into a record \$97.95 in contracts, the federal government once again failed to achieve its goal of 23 percent of federal contracts being awarded to small businesses.

The small-business members of NSBA believe it is high time that the federal government reach the goal Congress set for it. In fact, they think it is time to enhance the goal and support increasing the government’s small-business procurement goal to 30 percent of all federal contacts.

Small Business Procurement Scorecard

The SBA's annual scorecard also rated 24 federal agencies according to their success in meeting their overall small-business contracting goals, as well as their success in the following socioeconomic subcategories: small, disadvantaged firms; small businesses in HUBZones; women-owned small business; and service-disabled, veteran-owned small businesses.

This year, the SBA awarded the agencies letter grades—from A+ through F. Agencies' overall grades were comprised of three quantitative measures: prime contracts (80 percent), subcontracts (10 percent) and plans for meeting goals (10 percent).

To achieve an "A+" grade, an agency must have met or exceeded 120 percent of its small-business contracting goals. Agencies that achieved between 100 percent and 119 percent of their goals could receive an A. Agencies that realized 90 to 99 percent of their goals could receive B grades, and C grades could go to agencies that met 80 to 89 percent of their goals. Any agency that was able to muster only 70 to 79 percent of its small-business contracting goal could receive a D, and anything less than that was worthy of an F grade.

In total, 13 agencies received an "A," five agencies received a "B," four agencies received a "C," and two agencies received a "D." Overall, the federal government received a "B."

Small Business Growth Act

NSBA historically has supported mechanisms—such as a three-year employment average—that would allow a small firm that *temporarily* outgrew its size standard because of its successful contracting performance to remain eligible for small-business contracting programs.

While appreciative of efforts to increase small-business contracting opportunities, NSBA does not support the *Small Business Growth Act*.

Since small contracting firms introduce critical competition to the federal procurement system but have historically been underutilized, Congress established the aforementioned small-business contracting programs and goals. The pilot program envisioned by the legislation would disfigure

this intent by creating a separate, competing program that would benefit firms far outside the scope of the traditional definitions of small-business.

By explicitly precluding the participation of small-business concerns, the pilot program would serve no benefit to small businesses at all. Until the federal government manages to meet the current small-business contracting goal, the small-business members of NSBA do not believe that a new, separate category of businesses need a separate procurement program.

The small-business members of NSBA are unconvinced that businesses that are, at least, three times the size of the traditional definition of a small-business concern need a separate procurement set aside. It is not clear that medium-sized firms need enhanced governmental assistance in well-functioning markets.

The legislation also leaves a number of issues unclear. Who will be responsible for administrating this program in the various agencies? The already overworked Offices of Small and Disadvantaged Business Utilization? Such an expansion responsibilities surely would be disadvantageous to the existing small-business constituencies of these offices.

Also, what would be the criteria for determining that, “if the contract were not awarded under the program, the contract would likely be awarded to an entity other than a small business concern?” Would such a determination be subject to protest? And, if so, by whom?

Also, instead of determining that a contract was unlikely to be awarded to a small-business concern, wouldn't small business be better served if the Administrator focused on ways to alter the contract so that small firms would be in a position to compete for it?

To give you an example from my personal experience of the obstacles confronted by small-business contractors, let me detail the Modular Lightweight Load Carrying Equipment (MOLLE) pre-solicitation notice, SPM1C1-10-R-1075. When this pre-solicitation finally becomes a formal solicitation and is awarded, in its current form, it will be worth approximately \$98 million a year—or \$294 million over the three-year life of the contract.

MOLLE consists of approximately 43 individual items, each of which is a stand alone item with its own NSN Number and construction specification. The 43 various MOLLE items can be

configured into seven sets, including the Rifleman, Large and Medium Field Pack Sets, Pistolman, SAW Gunner, Grenadier and Medic Sets. Since each of the 43 MOLLE items has its own specification and NSN number, these 43 items easily could be made by a number of small businesses. A separate contract could be awarded to warehouse and kit the various items into any one of the seven specific sets. This would seem to be a perfect opportunity to infuse the federal procurement process with small-business competition.

When pre-solicitation SPM1C1-10-R-1075 was originally published in August of 2010, however, it was Unrestricted—with no small business set aside. The reason given was the “interoperability” of the 43 various items. “Interoperability” translates into making sure an item like 9mm ammo or hand grenade pouch will attach to the Fighting Load Carrier Vest, with a 1” piece of purchased nylon.

After much back and forth with DSCP and with the support of some of our Congressional representatives, like Congressman Mike Ross of Arkansas, the small-business community was able to convince DSCP to set aside a small portion of this solicitation specifically for small business. This set aside is approximately \$2.4 million—or just under 2 percent of the total annual contract value. The balance of the \$95.6 million annually remains unrestricted.

Can one small business handle a \$95 or \$98 million dollar a year contract? No, but if that contract were split into four, five, or six small-business contracts I personally know a number of small businesses that easily could handle a contract with an annual volume of \$16-19 million. Government Sewing & Apparel’s two current DSCP contract are worth approximately \$21 million over the next 12 months.

With the federal government having yet to meet the small-business contracting goal Congress set for it more than a decade ago, I think the small-business community would be better served if agencies concentrated on finding ways to expand contracting opportunities for small firms, rather than distracting their attention with a competing constituency, which may not need enhanced governmental assistance in the first place.

Thank you again for the opportunity to share with you my views on the *Small Business Growth Act*. I thank you for your time and welcome any questions.