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TESTIMONY OF

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COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP

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Service-Disabled Veteran-Owned Small Business

Thank you for the opportunity to appear before you today to discuss the work of the Department of Defense (DoD) in supporting the service-disabled veteran-owned small business program. I am currently serving as the Acting Director of the Office of Small Business Programs in the Department of Defense. We are proud of the work the Department performs at every level in promoting small business development across the United States. We are especially proud of the work we do to foster business opportunities for our service-disabled veteran-owned small businesses. I am pleased to join my colleagues today to share with you some of our plans, initiatives and accomplishments.

The Service-Disabled Veteran-Owned Small Business Strategic Plan

On May 10, 2005 the DoD Office of Small Business Programs published a five-year strategic plan to support increasing prime and subcontracting opportunities for service-disabled veteran-owned small businesses. This strategic plan is updated annually and includes six specific objectives.

The objectives are to: 1) increase the number of service-disabled veteran-owned small businesses in the Central Contractor Registration (CCR); 2) increase training and outreach to the defense acquisition community; 3) increase service-disabled veteran-owned small business participation in the DoD Mentor-Protégé Program; 4) increase subcontracting opportunities for service-disabled veteran-owned small businesses; 5) increase the ability of service-disabled veteran-owned small businesses to compete on contracts requiring surety bonding; and 6.) foster and promote the use of teaming agreements and joint ventures.

Each objective was designed to move us closer to reaching the 3% DoD goal for contracting with service-disabled veteran-owned small businesses. To attain this goal the Department would need to award approximately \$6 billion annually (based on the current rate of spend) in prime contracts to these entities.

Objective 1: Increasing the Number of Service-disabled Veteran-owned Small Businesses Registered in the Central Contractor Registration (CCR)

Since initial analyses of the service-disabled veteran-owned small business supplier base was conducted, the number of firms who identified themselves as service-disabled veteran-owned small businesses within the CCR system has increased from 2,175 (FY03) to more than 12,000 (FY06). These gains have been accomplished through a focused campaign by the Department of Defense to identify, educate and register service-disabled veteran-owned small businesses in partnership with Veteran Service Organizations, Procurement Technical Assistance Centers and other Federal agencies. In addition, the Department continues to encourage service-disabled veteran-owned small businesses to register in the CCR by offering on-site registration opportunities at numerous national conferences and public events.

Objective 2: Increase Training and Outreach to the Defense Acquisition Community

The DoD has continually trained the defense acquisition workforce on all aspects of contracting with service-disabled veteran-owned small businesses with the intention of increasing prime contract and subcontract awards to this group. Training opportunities have included collaboration with Defense Procurement and Acquisition Policy, the Defense Acquisition University (DAU), the military services, and other defense agencies. For example, since the inception of the DAU web-based training module, more than 1,100 acquisition professionals have completed the course. Additionally, eight one-hour training sessions were videotaped for internet access through DAU and the Veterans Corporation at the *Veteran's Doing Business with DoD Conference* in December 2006. These videos will assist in further training the DoD acquisition community.

Objective 3: Increase Service-Disabled Veteran-Owned Small Business Participation in the DOD Mentor-Protégé Program

The DOD Mentor-Protégé Program offers an opportunity for service-disabled veteran-owned small businesses to partner, learn and grow with established DOD prime contractors. As a result of the mentoring provided, these protégés become valued, competitive additions to the Department's supplier base. Service-disabled veteran-owned small businesses became eligible to participate as protégés in the Spring of 2005. When this program began three service-disabled veteran-owned small businesses participated, and today we have 19 service-disabled veteran-owned small businesses with active DoD mentor-protégé agreements.

Oak Grove Technologies was our first service-disabled veteran-owned small business to enter into a DoD mentor-protégé agreement. Oak Grove Technologies primarily provides information technology services to the Department of Defense and to

its mentor. Oak Grove's participation in the Mentor-Protégé Program has enhanced the company's ability to win contracts and expand its capabilities. In fact, Oak Grove has been so successful in the program that it has recently been nominated for the prestigious Nunn-Perry Award in recognition of excellence in performance of its mentor-protégé agreement.

Given successes like that of Oak Grove Technologies, we anticipate major prime contractor mentors will continue to seek service-disabled veteran-owned small businesses as protégés.

Objective 4: Increase Subcontracting Opportunities with Service-Disabled Veteran-Owned Small Businesses

A major opportunity for service-disabled veteran-owned small business owners lies in subcontracting with DoD prime contractors and major subcontractors. Subcontracting is often the initial opportunity for small businesses to participate in the government contracting arena.

Service-disabled veteran-owned subcontracting goals are negotiated into DoD's major prime contractors' and subcontractors' subcontracting plans. Performance is then measured against those goals. We have been actively working with our industry partners to improve their subcontracting performance. Additionally, DoD's Defense Contract Management Agency has been working with our prime contractors to establish initiatives that will identify and increase the number of service-disabled veteran-owned small businesses in the pool of available subcontractors. As additional service-disabled veteran-owned small businesses are identified and subsequently registered in the CCR, and the number of service-disabled veteran-owned small businesses being mentored under the DoD mentor-protégé program increases, we anticipate that the number of service-disabled veteran-owned small businesses receiving subcontract awards will also increase.

Objective 5: Increase Ability for Service-disabled Veteran-owned Small Businesses to Compete on Contracts Requiring Surety Bonding

Approximately 15 percent of service-disabled veteran-owned small businesses registered in the CCR provide construction and environmental remediation services which require surety bonds. We have identified impediments for these service-disabled veteran-owned small businesses to qualify for adequate surety bonding. These impediments are burdensome application process, insufficient asset base, high costs and associated fees.

DoD is discussing the matter through meetings with the Interagency Working Group, the Army Corps of Engineers, and key stakeholders including the Office of

Management and Budget, the Small Business Administration, Associated General Contractors, and the surety industry and industry representatives.

Objective 6: Foster and Promote the Use of Teaming Agreements and Joint Ventures

Teaming and joint venture agreements enhance the capacity and capability of service-disabled veteran-owned small businesses. Over the past two years, we have given presentations on teaming agreements and joint ventures at industry conferences and public events across the United States.

Also, as we have provided training to our acquisition workforce, we have emphasized teaming agreements and joint ventures as one strategy for service-disabled veteran-owned small businesses to compete for DoD contracts. We have further encouraged our acquisition workforce to advocate teaming and joint venturing in their small business outreach and counseling efforts.

In addition, our Procurement Technical Assistance Centers provide counseling to service-disabled veteran-owned small business owners on teaming agreements and joint ventures.

Small Business Innovation Research

In addition to the strategic plan, the Department reaches out to small businesses through the highly successful Small Business Innovation Research (SBIR) Program. SBIR funds leading-edge research and development through qualifying small businesses. Through this highly competitive program, 227 contracts were awarded to veteran or service-disabled veteran-owned small business firms in FY05 and FY06 to develop technologies needed by the Department. Of these, 23 were SDVOSBs.

ArmorWorks Inc. is just one example of a veteran-owned small-business that has benefited from SBIR funding. Based on research and development conducted under FY00 and FY03 SBIR contracts and additional follow-on research and development, ArmorWorks Inc. developed high technology body armor plates for the Interceptor Body Armor System using advanced ceramic materials. To date, the firm has supplied over 450,000 ceramic armor plates for personal protective use and developed additional armor systems for aircraft, ships and ground vehicles.

Conclusion

The Department of Defense is aggressively working to support our veteran-owned and service-disabled veteran-owned small businesses. We are increasing the number of service-disabled veteran-owned small businesses in our central registration database. We are continually educating these businesses on opportunities to succeed as well as

educating the entire acquisition community on the use of service-disabled veteran-owned small businesses in their prime contracts and subcontracts.

DoD has steadily increased the dollars awarded to service-disabled veteran-owned small businesses since the development and implementation of the strategic plan in May 2005. We have increased prime contract awards from \$513 million in FY04 to \$1.1 billion in FY05 to \$1.5 billion in FY06 (preliminary data).

In developing the strategic plan, our theory was that increases in the central contractor registration, the Mentor-Protégé Program, training, outreach, subcontracting, and teaming would yield concomitant increases in procurement awards. We acknowledge that considerable work remains to attain the 3% goal. We also acknowledge that the task ahead will not be accomplished in the near term. However, we are making great strides in reaching out to and continually improving the performance of service-disabled veteran-owned small businesses.

It is our honor to promote business opportunities for those who have served in the defense of our Nation. I would be happy to answer any questions you and the Members of the Committee may have. Thank you.