



Committee on Small Business & Entrepreneurship

John F. Kerry
Chairman

**Statement by Senator John F. Kerry
Senate Committee on Small Business and Entrepreneurship
Hearing on Small Business Contracting
July 18, 2007**

Good afternoon and welcome. Thank you to everyone for attending this hearing today that will examine the state of federal contracting, the role small businesses play, and the Administration's abysmal record when it comes to giving small businesses a fair opportunity to compete for federal contracts.

First, before we get into the issues, I want you all to know that I'm disappointed Administrator Preston felt that he had better things to do than attend one of the most important hearings of the year in this Committee. Assistant Administrator Hsu please let him know that his absence is noteworthy. We will have more hearings examining federal contracts and I fully expect Mr. Preston to personally attend the next one. I'm also greatly disturbed that Ms. Doan of GSA pulled out of the hearing at the last minute. The lack of respect that she has shown this Committee is appalling.

Small businesses drive our economy, comprising over 99 percent of all firms and over half of our GDP. Two-thirds of all new American jobs are created by small businesses. Our small businesses are responsible for a stronger economy, high-paying jobs, new prospects for women and minorities, and innovative, cutting-edge products.

As you know, 23 percent of federal contracting dollars are supposed to go to small businesses. Now, the Administration claims they've met this goal. But it takes some creative math and selective contracts to get there. According to Eagle Eye Publishers, the federal government spent more than \$412 billion dollars in 2006. Only 20 percent of that went to small businesses. That means more than \$12 billion dollars didn't go to small businesses that should have.

Moreover, small businesses are challenged by a maze of complicated laws and regulations that make it difficult for them to succeed. Those barriers include contract bundling, size standards with loopholes for big businesses, a lack of protections for sub-contractors, and a difficult to navigate GSA schedule.

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When a federal agency bundles contracts, it limits a small business' ability to bid for the contract, reduces competition, and leaves the taxpayers to pick up the tab for increased costs over time.

Size standards are also a very important issue. As you all know, a size standard is in most cases the highest gross income a business can have and still be considered small. There has been no serious update to size standards in years. We need to update them, we can update them, but in a way that doesn't harm small businesses. Moreover, reevaluating size standards is critical as agencies promote larger and larger contracts. Small businesses should not be restricted to just subcontracting due to their size which is increasingly becoming the case.

Current regulations allow large businesses to retain small business contracts. In 2005, six clearly identifiable large businesses were counted as among the top 30 small businesses in federal procurement. How is this possible? I know that the SBA has implemented a new rule that will give a business a five year grace period, but why should we allow big businesses to get small business set-aside contracts for one day let alone five years? We can do better.

I have heard from a number of small business owners that they have waited many months to get paid after they've completed their subcontracting work for a prime contractor. Many have also partnered with large businesses to bid on projects only to never hear from those large businesses again once the contract has been won. I want to know where the Administration has been and why this is going on, because that's just plain unacceptable.

And last, but not least, many small business owners have expressed their frustration that it is tough and expensive to get on the GSA schedule, not to mention a nightmare to navigate for a small firm with few resources. They are thrown into a pool with many other businesses, some the largest in the world, and they are told "you're on your own." That is a problem.

We made a good attempt last year to legislate on a number of these issues as a part of last year's comprehensive small business reauthorization bill, S.3778. Although there were many good provisions in S.3778 last year that I supported, we couldn't get them through the Senate. This year we want a bill that will move. We're not interested in putting a lot of provisions in a bill that makes everyone happy, but can't get out of the Senate. We're going to do something that is measured and that has a chance to succeed. It won't be perfect, but it will be a good start. And that's why we're here today, to hear from the Administration and the small businesses about what's working – and what's not. And there's a lot that's not.

We've been talking about these issues for long enough. It's time to do something about them.

With that I'll turn it over to my colleague Senator Snowe.

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