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RANKING MEMBER

Congress of the United States
U.S. House of Representatives
Committee on Small Business

2361 Rayburn House Office Building
Washington, DC 20515-6315

April 5, 2016

Administrator Denise Turner Roth
U.S. General Services Administration
1800 F Street NW
Washington, DC 20405

RE: Small Business Opportunities at the U.S. General Services Administration

Dear Administrator Roth:

We are writing this letter in our capacity as Ranking Member and Chairman of the House Committee on Small Business, which has jurisdiction over federal procurement matters that impact small companies. Recently, there have been a number of decisions made at the U.S. General Services Administration which have negatively impacted the ability of small firms to continue doing business with your agency and many others. GSA, once the entry point for numerous small businesses into the federal marketplace, has now made it difficult to get a start in contracting. These actions not only impact small business but also the ability of agencies to get quality products and services at competitive prices.

The Multiple Award Schedules (MAS) previously provided a low-entry point that allowed small businesses to get their foot in the door for federal contracting. Through the orders placed by multiple agencies, these firms could build their capacity and capabilities while at the same time building a past performance record. Agencies benefited from this arrangement as it allowed them to compare prices from hundreds of vendors and get exactly what they needed. However, GSA has continued to turn its back on the value that MAS contracts can bring to the government in favor of the new Category Management approach.

While Category Management has been billed as the strategy that can get agencies the lowest price, all evidence the committee has seen points to the contrary. In fact, in many cases the MAS contract holders continue to provide lower prices versus those offered by Category Management contract holders. However, agencies cannot often buy at the lower price as these other contracts have been made mandatory vehicles by their agency. Ultimately, this means agencies pay more than necessary for goods and services.

Additionally, decisions by GSA have reduced the overall number of businesses that have been able to compete for contracting opportunities. Many of the new contracting vehicles coming out of

GSA have bundled so many goods together in one contract that a lot of small businesses do not have the capabilities to bid for it, despite having previously provided some of the goods or services under the MAS contracts. As a result the number of small firms serving as suppliers to the government in certain areas has gone from the hundreds to just a few handfuls.

This is worrisome for a number of reasons. First, it reduces competition between firms, providing relatively little incentive to lower prices. Additionally, it reduces the industrial base as it is unclear whether firms not awarded a contract under these mandatory Category Management vehicles will be able to keep their doors open if they do not receive orders from their MAS contract.

GSA has even recently targeted contracts outside of the Category Management initiative with burdensome requirements that would make it difficult to continue doing business with the agency. Many small firms informed the committee that the proposed Transactional Data Rule issued last year would require massive costs and paperwork burdens as many of them stated they do not have systems to collect all of the data GSA is seeking. In addition to changes to their existing system and increased reporting, small businesses have expressed doubt as to whether the new requirements will be successful in lowering pricing. Based on the data we have seen coming out of Category Management vehicles that have similar reporting requirements, we are concerned as to whether these measures will allow agencies to receive the best prices available for goods and services.

Lastly, we are deeply troubled by the level of small business participation at your agency. While each year GSA has high levels of dollars awarded to small firms, these numbers continue to be inflated as a result of exclusions to the agency's base. In the last fiscal year, GSA excluded approximately 60 percent of the total dollars spent by the agency when it calculated the eligible small business dollars. Based on this data, GSA awarded only 18 percent of its dollars to small businesses rather than the 44 percent published in the Small Business Goaling Report.

Therefore, we are writing to request information in terms of the steps being taken to remove barriers for small firms wishing to do business with GSA as well as to strongly encourage you to increase participation of small businesses that contract with your agency. It is our hope that we can work collaboratively to ensure all businesses have access to contracting opportunities at the U.S. General Services Administration.

Sincerely,

Nydia M. Velázquez
Ranking Member

Steve Chabot
Chairman

cc: Jerome Fletcher, Associate Administrator for the Office of Small Business Utilization, GSA