



SAF/SB Media Summary

11—17 March 2011

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ARTICLE SUMMARIES

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SMALL BUSINESS

Lucrative Sole-Source Contracts to 8(a) Firms Now Require Justification

Government Executive

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D.C. Insiders Can Reap Fortunes from Federal Programs for Small Businesses

The Washington Post

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Air Force Bases Have Work Up for Bid

Las Vegas Business Press

As revenue-starved North Las Vegas businesses do the equivalent of digging through the couch cushions for loose change, a potential gold mine is right next door: Nellis Air Force Base. Nellis, and nearby Creech Air Force Base, have combined for a projected \$5.1 billion in economic impact. And local companies nabbed around \$20 million in military procurement contracts during the last fiscal year, Nellis and Creech officials say.

Veterans' Grit Gives Startups Muscle

Crains New York Business

Entrepreneurial careers are attracting many veterans, locally and across the country. The U.S. Small Business Administration estimates that one in seven veterans is self-employed or owns a small business, and that vets are 50% more likely than the rest of the work force to become entrepreneurs. The trend is attributable partly to a weak job market, but also owes to veterans' disposition and skills, which a stint in the military hones. "A lot of people have good ideas, but they don't have the stomach for risk-taking," said Ari Ginsberg, a professor of entrepreneurship at New York University's Stern School of Business. "Soldiers are steeled for this kind of experience."

Event Aims to Connect Maryland Women-Owned Businesses to Fed Contractors

Biz Journals

The Baltimore Business Journal has reported in the past about local companies growing their revenue — and staff — due to success in landing government contracts. Now women-owned businesses have an opportunity to find out more. Women business owners looking to do more contracting work with the federal government will get to pitch their products and services to federal agencies located in Maryland at an event on April 11.

More Controls Placed on ANC Contracts

Washington Technology

To give an Alaska Native Corporation a sole-source contract, agency officials must first prove a noncompetitive award is, in fact, warranted, according to a new interim rule. Agency officials must show that the sole-source contract is in the government's best interest and that the cost will be reasonable. They also must describe the need for the contract's services and point to the regulation that provides the exception to the competition rule.

Settlement Indicates Widespread Abuse of SBA Preference Programs

JD Supra

Last month, the U.S. Department of Justice settled a case with a Maryland company that shows, yet again, how common it is for companies to abuse the preference programs that the Small Business Administration runs. In this case, it was the SBA's Historically Underutilized Business Zone (HUBZone) program that was the target. Beltsville, Md.-based CSI Engineering and CSI Design Build — along with their president, Debdas Ghosal — agreed to pay the government \$200,000 to settle claims that they used false statements to obtain government contracts set aside for HUBZones.



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BUDGET & ACQUISITION

Fight Brewing Over DOD Budget Cuts

Defense Systems

Recent polls have shown that the U.S. public overwhelmingly favors cutting defense spending as a means of reducing the federal budget deficit. But top defense officials warn of an impending crisis if the Defense Department's budget suffers overly drastic reductions. Now, a budgetary battle royale looms on Capitol Hill as politics, national security and a lingering financial crisis collide. High-level Pentagon officials, including Defense Secretary Robert Gates and Undersecretary of Defense and Comptroller Robert Hale, caution that national security would be jeopardized if Congress goes too far in swinging the budget ax. Recently, Gates illustrated that point with historical examples.

DoD Takes Steps To Streamline Acquisition Process

Defense News

In an attempt to speed up the weapon buying process, the Pentagon is retooling and eliminating some of the mandated steps in the acquisition process, according to DoD officials and documents. Late last month, Frank Kendall, principal deputy undersecretary of defense for acquisition, technology and logistics, signed off on a policy change that eliminates a program manager's contribution to a report required after a program is deemed fit to enter production. The change - albeit small - is designed "to obtain greater efficiency and productivity in defense acquisition," according to a Feb. 24 memo.

INDUSTRY

Contractors Advised to Focus Less On Stock Prices, More on Customers

National DEFENSE

Produce things faster. Lower the weight of weapon systems. Increase fuel efficiency. Stay on schedule. Cut your costs. That sort of sums up the Pentagon's marching orders to its contractors. So, what else is new? Apparently, quite a bit, according to the latest chatter in corporate boardrooms. While the military's budget is so far being spared from the big knives, it is becoming more evident that Pentagon contractors will have to think differently about their business if they want to maintain or improve the financial performance they have enjoyed over the past decade, insiders say. "The Defense Department wants solutions to problems" and the Pentagon's leadership does not see much help coming from the industry right now, Grundman says. The mantra of Defense Acquisition Chief Ashton Carter is to do "more without more."



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Now 'Good Enough' Wins the Defense Contract

The Washington Post

The Air Force's decision late last month to award the long-contested, \$35 billion aerial refueling tanker program to Boeing ended a competition that had been fraught with controversy. But analysts say the decision may have sent another message to the contracting community: The government isn't necessarily seeking the most capable or "best value" equipment, but rather good-enough equipment with a lower price tag. The movement within the government to focus on price and "good-enough" capability over ideal, envelope-pushing systems has been gaining momentum since Defense Secretary Robert M. Gates in 2009 called on the military to forget the "exquisite" platform and instead seek the "80-percent solution," equipment that's affordable and can be fielded quickly and in large quantities.

New GSA Acquisition Chief Calls for Government-Contractor Cooperation

Government Executive

The General Services Administration's new acquisition chief is calling for greater cooperation and communication between the government and its industry contractors, echoing a familiar refrain from members of the Obama administration's procurement team in recent months. In an interview last week with *Government Executive*, new GSA Chief Acquisition Officer Mindy Connolly said the two sides should have better dialogue in the lead-up to contract awards and during the process of implementing Federal Acquisition Regulations. GSA, like all contracting agencies, is required to develop a vendor communication plan for its workforce and the public by June 30.

LEGISLATION

GOP Senators Say Funding for Military Programs Can't Wait

The Hill

Several GOP Senate Armed Services Committee members joined senior military officials in pressing congressional leaders to draw up a full defense appropriations bill as soon as this week. Republican panel members were especially sharp, pressing U.S. Navy and Marine Corps leaders about whether the ongoing congressional spending standoff will hinder U.S. national security. Sen. Scott Brown (R-Mass.) suggested failing to enact a 2011 defense appropriations bill would put deployed American troops at risk.

House Extends Federal Government Funding, Awaits Senate Approval

Politics 365

The federal government averted a shutdown scheduled for the end of this week with the approval of yet another continuing resolution, or CR for short, to provide needed day-to-day funding. The measure saw solid, but eroding, support from Republicans. Democrats were almost evenly split on the vote. The U.S. House of Representatives voted 271-158 to keep the government open for business until April 8. The continuing resolution is a budget mechanism that allows Congress to approve temporary funding until a larger, permanent budget is approved for the fiscal year. The measure is headed to the U.S. Senate where approval is expected without incident. President Barack Obama will sign the continuing resolution as the final step.



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CYBERSECURITY

Langevin Introduces Cybersecurity Bill

The Hill

Rep. Jim Langevin (D-R.I.) unveiled a comprehensive cybersecurity bill on Wednesday that would give the Department of Homeland Security the authority to regulate the security of private networks deemed part of the nation's critical infrastructure. "Our nation sits at a crucial moment, where cyber attacks are common, but have not yet significantly impacted or endangered the American way of life," Langevin said. "As the Director of the CIA said at a hearing last month, 'This is the battleground for the future.'"



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Small Business

Lucrative Sole-Source Contracts to 8(a) Firms Now Require Justification

By Robert Brodsky, Government Executive, March 16, 2011

Federal agencies that want to issue lucrative sole-source contracts to 8(a) small businesses now must justify the award to the public and to senior management.

In a highly anticipated interim rule change published on Wednesday in the Federal Register, the Federal Acquisition Regulation Councils determined that contracts in excess of \$20 million issued to companies in the 8(a) small business development program now must include written justification and approval by a senior agency leader. The approval would then be made public.

The contracting officer's justification must include a description of the agency's needs, a determination that the contract is in the government's best interest, and verification that its costs will be fair and reasonable.

The regulatory change, which was required in the 2010 Defense Authorization bill, could have serious implications for Alaska native corporations, which, along with Indian tribes and Native Hawaiian organizations, are eligible to receive 8(a) contracts of any value. All other 8(a) participants are capped at receiving sole-source contracts of \$3.5 million for services and \$5.5 million for manufacturing.

Ostensibly, the rule is designed to prevent ANCs from passing most of the work on big-budget contracts through to large subcontractors. While the new provision technically refers to all 8(a) contractors, Obama administration officials concede the rule affects tribes, ANCs and NHOs most directly.

Echoing concerns raised by tribal groups in meetings with the FAR Councils last year, the rule change noted the regulation should not be viewed as a ceiling or a cap on the size of sole-source awards. But according to the council, other 8(a) firms are likely to benefit from the change.

"The rule may indirectly benefit the 9,165 currently certified section 8(a) firms by improving their likelihood of a contract award through increased competition," the notice stated.

Separately, the councils also issued new regulatory guidance on the proper use and management of cost-reimbursement, time-and-material, and labor-hour contracts.



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Among the most significant changes, contracting officer representatives now must be designated to oversee all contracts and orders other than those that are firm fixed-price. The contracting officer also must determine the continuing adequacy of the vendor's accounting system during the entire period of contract performance. And, each contract file should include documentation indicating why the particular contract type was selected.

The FAR Councils on Wednesday published several other interim rules changes.

One officially establishes parity among each of the small business socioeconomic subcategories. The priority among each of the categories was thrown into turmoil in 2009 when the Government Accountability Office, and, later, the U.S. Court of Federal Claims, determined that a decades-old statute mandated that Historically Underutilized Business Zone contractors were at the top of the procurement pecking order.

The 2010 Small Business Jobs Act re-established parity among small businesses operating in a HUBZone, or owned by an 8(a), service-disabled veteran or women-owned small business contractors;

A second mandates enhanced competition for orders placed under multiple-award contracts, including the General Services Administration's Federal Supply Schedules.

For orders above the simplified acquisition threshold of \$150,000, agencies must inform all other qualified vendors of their intentions to issue an award and provide them a fair opportunity to submit offers. When such notice is not provided, the agency must obtain offers by at least three vendors and submit in writing that no other qualified contractors were identified.

The councils are accepting public comments on each of the proposed rule changes through May 16. Comments can be submitted through Regulations.gov, or mailed to the General Services Administration, Regulatory Secretariat; attention Hada Flowers, 1275 First Street N.E., 7th Floor, Washington, D.C., 20417.

http://www.govexec.com/story_page.cfm?articleid=47355&oref=todaysnews

SBA Opens its Review of Small Business Regulations

By Robert Brodsky, Government Executive, March 15, 2011

Are you a small business owner frustrated with outdated and often cumbersome regulations from the Small Business Administration? Then SBA wants to hear your suggestions on whether those rules should be streamlined, expanded, or possibly withdrawn altogether.

On Monday, SBA published a notice in the Federal Register asking the public to weigh in on the impact of its regulations and the best way to improve them.

SAF/SB internal document—not for public release.



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"The primary objectives of this review are to make SBA's regulatory program more cost-effective and less burdensome on participants in the agency's programs while continuing to promote economic growth, innovation and job creation," the notice said. "SBA seeks public input on the design of a plan to use for periodic retrospective review of its regulations and an initial list of the rules to be reviewed under the plan."

The proposal comes on the heels of President Obama's January executive order calling for a governmentwide review of all federal regulations. The order said inefficient, out-of-date and burdensome regulations could be repealed if they were stifling private sector job growth.

The order instructs agencies to develop a plan for reviewing their regulations by mid-May. The plan, along with any supporting data, would then be made public, Obama wrote.

While the SBA notice did not cite specific regulations, it did say the retrospective review would focus on small business investment companies, surety bond guarantee, business loans, disaster loans, government contracting and Historically Underutilized Business Zones.

SBA recently concluded an exhaustive review of its 8(a) Business Development Program and now is examining size regulations. Neither will be subject to the new review.

The agency wants the public to comment not only on specific regulations, but also on how it should devise its preliminary plan "with a defined method and schedule for identifying certain significant rules that may be obsolete, unnecessary, unjustified, excessively burdensome, or counterproductive." Comments also should address how SBA can best evaluate and analyze its regulations and obtain accurate and objective cost data.

Commenters should consider the economic burden the regulation imposes on small business entities and whether the rule is duplicative or overlapping; paperwork could be reduced by allowing electronic submissions; the regulation has been discredited by new scientific information; and the issue could be better handled by trade organizations without federal involvement.

"Comments should focus on regulations that have demonstrated deficiencies," the notice said. "Comments that rehash debates over recently issued rules will be less useful. The public should focus on rule changes that will achieve a broad public impact, rather than an individual, personal, or corporate benefit."

Sen. Olympia Snowe, R-Maine, ranking member of the Senate Committee on Small Business and Entrepreneurship, encouraged the public to participate in the review.

"Excessive regulations are suffocating the entrepreneurial spirit of America's almost 30 million small businesses and, regrettably, small firms with fewer than 20 employees bear a disproportionate burden of complying with these rules," Snowe said in a statement. "To spur job creation and economic growth, it is



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incumbent upon every level of government to simultaneously pursue sound incentives and eliminate the laws and policies already on the books that are proven impediments to these objectives."

Earlier this month, Snowe and Sen. Tom Coburn, R-Okla., introduced the Small Business Regulatory Freedom Act, which would require agencies to calculate the direct and indirect economic impact of federal regulations. Small business review panels would be installed at all agencies and small businesses also would be allowed to challenge proposed regulations in court.

Comments for the SBA notice must be submitted by April 13. Comments can be submitted electronically at regulations.gov, or mailed to the SBA Office of the General Counsel, 409 Third Street SW., Washington, D.C., 20416.

The review plan, along with an initial list of regulations that will be evaluated, is expected to be complete by late May or early June and will be available on SBA's Open Government Web page.

<http://www.govexec.com/dailyfed/0311/03151rb1.htm>

D.C. Insiders Can Reap Fortunes from Federal Programs for Small Businesses

By Robert O'Harrow Jr., The Washington Post, March 13, 2011

For years as a lawyer in Washington, Paralee White had helped small and disadvantaged firms break into the federal contracting market.

Then she decided to help herself.

She started a business and was soon making more than \$500,000 a year through a contracting program intended to help poor Alaska natives, even though she isn't an Alaska native.

White also helped her family. She hired her sister and brother, paying them as much as \$280,000 a year. She helped her sister's boyfriend set up his own firm in partnership with Alaska natives. He made more than \$500,000 a year.

White's story offers a look at how Washington insiders can make fortunes from government programs intended to benefit small, disadvantaged and minority entrepreneurs. It also illustrates how government officials who are supposed to keep tabs on these programs often fail to do so.



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White's native partners eventually accused her and her siblings of fraud and self-dealing, saying they were paid more than the rules allowed and hid the transactions from the government. The allegations spilled out in a civil lawsuit in Alaska, and the case was quickly settled.

Although officials at the Small Business Administration say they knew about the dispute, the U.S. government has taken no action.

Over several years, White and her associates landed more than \$500 million in construction contracts for the Navy and other Pentagon departments, nearly all of them through an SBA program aimed at boosting Alaska native corporations. But less than 1 percent of that money made it back to the native-owned corporations, a Washington Post investigation found.

Government officials say they were not monitoring the contracts for compliance with the rules to ensure that the natives were doing a significant portion of the work and receiving the correct share of the revenue.

In statements, Navy and Air Force officials said that responsibility fell to the SBA. But SBA spokeswoman Hayley Meadvin said her agency long ago transferred that authority to the Pentagon and other agencies.

White, 59, declined to answer questions about the contracts. In e-mails, she said the questions involve "events several years in the past and I don't have the files or time to research or reflect on them sufficiently to give you accurate information."

She said that her company was "a successful participant" in the federal small-business program and that "I am proud to have contributed to that success."

An attorney for her sister, Christine Wilson, said Wilson denied all of the allegations and said his client paid no money to settle. A lawyer speaking on behalf of White's brother, Daniel White, said the allegations were never proven. The case was settled without Dan paying anything," said White's attorney, Wallace A. Christensen. "We consider those allegations to be false."

Alaska corporations

White works at PilieroMazza law firm in Washington as a specialist in small business contracting law. Described by associates as bright, energetic and entrepreneurial, she has said on a Web site that her first business was selling snow cones and popcorn for the local swim team. She graduated from Mills College with a bachelor's degree in 1972 and George Washington University's law school in 1978.

By the late 1990s, she had become a familiar figure advocating for small businesses at the SBA and other agencies.



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In October 1999, she set up a firm called Sentinel Industries. Her plans for Sentinel would put her at the front edge of a multibillion-dollar wave of contracts for Alaska native corporations as government agencies sought ways to award contracts after the terrorist attacks of Sept. 11, 2001.

Three decades earlier, Congress had established more than 200 Alaska native corporations to settle native land claims and boost the fortunes of impoverished indigenous people. Those corporations have unique contracting privileges, including the ability to receive federal contracts of any size without competition.

Significantly for White, the subsidiaries set up by the corporations to receive contracts did not have to operate in Alaska or even be run by natives. They just had to be 51 percent owned by Alaska natives, and they could hire nonnative subcontractors to do much of the work.

Knowing those rules, White reached out to partner with an Alaska native corporation called MTNT Ltd.

The company was named after the four native villages - McGrath, Takotna, Nikolai and Telida - that it represented in the center of the state, not far from Denali. MTNT owned and managed 300,000 acres of land on behalf of nearly 400 native shareholders.

In 2000, MTNT took on a 51 percent ownership stake in White's firm, officially making it an Alaska native corporation subsidiary.

White was entitled to almost half of its profit. She also received \$160,000 in salary, 4 percent of the gross revenue as "incentive compensation" and unlimited paid vacation "to the extent such vacations shall not interfere with the operations of Sentinel," according to her employment agreement.

The deal ended up reaping her more than \$500,000 a year by 2004, according to data obtained from MTNT.

Joint ventures

Once White was in businesses with the Alaska natives, she needed a partner to help manage the construction work they hoped to get. Neither White nor the Alaska native corporation had the experience or resources to run the federal construction projects - virtually all of which were in the lower 48 states.

White reached out to Centennial Contractors Enterprises, a large corporation with offices in Reston.

Under federal rules, small businesses can team up with large businesses through an SBA program and create "joint ventures" to secure federal contracts. The rules allow the larger, experienced firm to take a leading role - and 49 percent of the profits. The smaller firm is still required to do a significant proportion of the work, but that proportion was not defined.



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The SBA approved Centennial as Sentinel's official business mentor, and in the coming years the two firms would be given the green light to form nine joint ventures.

"It was an opportunity for us to continue to grow our business, and it was an opportunity for us to remain competitive," Centennial chief executive Mark Bailey said recently.

In September 2001, a Sentinel-Centennial joint venture received a deal worth up to \$25 million for maintenance and minor construction work at military bases. Six months later, another Sentinel-Centennial joint venture landed a Navy contract without competition worth \$175 million over seven years.

With federal revenue virtually guaranteed, a German company, Bilfinger Berger, bought Centennial in 2003.

That meant that millions in profits from small business set-aside programs would be going to a German firm with annual revenue today of more than \$10 billion.

The exact amounts earned by White, Centennial and the native corporation are not public. The Washington Post pieced together this account from federal contracting data, court records and interviews with people involved in the contracts.

'A good opportunity'

In 2006, White approached MTNT about starting and running a second Alaska native corporation subsidiary that could land more contracts. She wanted the same terms she had at Sentinel, "namely, a 49 percent ownership interest and absolute operational control," according to court records.

MTNT executives balked. They told White she could run but not own the second firm.

About that time, White began encouraging her sister's boyfriend, Tom Kearney, to start his own firm in partnership with another Alaska native corporation that was a potential competitor of MTNT.

White, her sister, Christine Wilson, and Kearney together had bought a \$1.2 million duplex in Los Angeles a few years earlier. It was listed as the address for a Sentinel-Centennial joint venture that had received \$90 million.

Kearney had worked as a technology consultant for other small and disadvantaged companies. "I thought I might get a better deal if I started an 8(a) myself," Kearney said. "It seemed like a good opportunity."

His new venture would be a direct competitor to Sentinel during the time the firm still had in the program.



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Kearney said that White introduced him to Louis C. Hala, the nonnative chief executive of an Alaska native corporation called NIMA. In September 2006, Kearney and NIMA registered a new ANC subsidiary called North Island, with Kearney owning 49 percent.

Kearney said White also helped arrange for him to meet with Centennial, leading to the creation of a new series of joint ventures. Hala said they needed Centennial because the native corporations did not have the skills or resources to take on government construction jobs.

"In the construction game, obviously you need a big guy on the block," Hala said. "Our companies are still in their infancy."

The next year, the North Island-Centennial joint venture, run by Kearney, received Navy construction and maintenance contracts for work that had previously been done by a Sentinel-Centennial joint venture. The new contracts are worth up to \$200 million over five years.

Officials at NIMA said they are pleased with their partnership with North Island and Kearney, who they said loaned the company \$500,000 to jump-start the venture.

"It's been very good to us," NIMA Chairman Wayne Don said.

NIMA officials said Kearney receives more than \$500,000 a year - \$130,000 in salary and almost \$400,000 for his ownership stake.

The native shareholders have not made out as well.

Hala estimated that NIMA has received about 0.9 percent of the \$133 million in joint-venture revenue. In 2009, NIMA's 300-plus shareholders split about \$100,000 from the deals.

Centennial did better on the deals than NIMA or MTNT. The German-owned construction company ended up making two times as much in profits as the Alaska native corporations, according to data provided by the companies.

Most of the money went to nonnative subcontractors for labor.

A subsidiary struggles

As North Island prospered, things fell apart at Sentinel Industries.



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On Sept. 30, 2008, White resigned. She said MTNT had breached her contract by using an outside consultant to "second guess my decisions." Her resignation triggered provisions in the employee agreements she had approved for her brother and sister, obligating MTNT to pay them hundreds of thousands dollars.

In a lawsuit filed in September 2009 in Anchorage superior court, MTNT accused White and her siblings of fraud, alleging they paid themselves extravagantly, hid some of their activities from MTNT and provided misleading information to the SBA.

The lawsuit said White never told the SBA about key provisions in the lucrative employment agreements for her and her siblings. MTNT also alleged that White's agreement effectively guaranteed her more than half of the subsidiary's earnings, which violated federal rules. Although SBA officials are aware of the case, they said they did not view it as an enforcement matter.

"As far as SBA knows, this situation was an internal management dispute between an ANC company and one of its owners," said Meadvin, the agency spokeswoman. "At no point did anyone involved come to the SBA with allegations of fraud or general misdoings related to the ANCs participation in government contracting programs."

The case was settled later in 2009, and the participants signed nondisclosure agreements. MTNT came away with total control of Sentinel Industries.

The firm continued to work with Centennial despite the fact that Centennial was also working with its competitor, North Island. Centennial chief executive Mark Bailey defended his company's work with the Alaska native subsidiaries. He said the profits it has made are "a reward for the cost of mentoring and helping small business grow and develop."

Bailey said Centennial was "in complete compliance with the SBA rules and regulations" while helping to prepare Sentinel to do business on its own.

"That's exactly what the intent of the program is," he said. "We're very proud."

But the reality for Sentinel Industries is not so clear-cut. Although it enabled MTNT to pay thousands of dollars to each of its native shareholders over the years, the subsidiary is struggling to make it on its own. After recent layoffs, it has only two employees, down from a high of 23.

Executives at MTNT said they are determined to grow the business, with new management. They said they have several promising prospects, including multimillion projects to bid on in the Northwest and Midwest.



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"We were taken advantage of," MTNT chief executive Vicki Otte said. "When we realized what was going on, we took the company back."

<http://www.washingtonpost.com/wp-dyn/content/article/2011/03/12/AR2011031204264.html>

Air Force Bases Have Work Up for Bid

By Valerie Miller, Las Vegas Business Press, March 14, 2011

As revenue-starved North Las Vegas businesses do the equivalent of digging through the couch cushions for loose change, a potential gold mine is right next door: Nellis Air Force Base.

Nellis, and nearby Creech Air Force Base, have combined for a projected \$5.1 billion in economic impact. And local companies nabbed around \$20 million in military procurement contracts during the last fiscal year, Nellis and Creech officials say.

But North Las Vegas Chamber of Commerce President Michael Varney thinks companies can do better.

The chamber has established its Military Affairs Committee last summer, and has launched a series of workshops to teach its members how to tap into lucrative military contracts. The next workshop is scheduled for 3 p.m. April 6 at the Hampton Inn Las Vegas North Speedway, 2852 E. Craig Road.

Businesses need not be in North Las Vegas to join the North Las Vegas Chamber or attend its workshops, which cost \$20 for chamber members and \$99 for nonmembers. However, the workshops usually fill up, with capacity being 30 at most.

"We had to turn people away at the first one," Varney said. "We'll keep having them until there is no more interest."

The workshops, which started last fall, teach companies how to get federal contracts, what the military needs to buy, and how to do business with the bases, Chuck Ramos, who is Nellis' deputy director of public affairs and a member of the North Las Vegas chamber's military affairs committee.

"They will learn how to bundle services and provide services to the military members and their families, and (the workshops) create an environment for businesses to learn how they can bid on contracts with the government and the military," he noted. Ramos also said that Nellis also benefits from building a working relationship with North Las Vegas businesses.



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"It's definitely nice to know there is somebody right outside your gate if you need a piece of equipment," Ramos said.

The chamber encourages its members to donate supplies for the troops. Varney said charitable work is part of a larger effort to forge a better relationship with the military, and especially Nellis, which is considered part of North Las Vegas' community.

Selling products and services to Nellis and Creech, which is just about 35 miles northwest of Las Vegas is not as hard as one might think, said George Salton, the business operations director for the two bases.

"We don't think it is a lot of hassle. It is more of a language barrier than a hassle," he said of understanding the government's requirements.

Learning the ways of military purchasing are well worth it, Salton said.

"We give \$100 million a year in contracts to small businesses ... Last year, we did \$22 million to \$19 million with (local) small businesses," he said.

Base commanders get purchasing cards, akin to major credit cards, with buying limits of \$3,000 for supplies and \$2,500 for services. Any companies with an existing merchant account can process charges through the military's purchasing cards, Salton said.

The military bases need almost everything, he added.

"I like to tell people that Nellis is like a modern city, with building construction, supplies, technology," said Salton, who is retired from the military. "We have a commissary, a PX for customers."

Businesses attending the workshops are encouraged to bring their federal tax identification number, CCR and DUNS number, if they have them.

The CCR is the Central Contractor Registration. The U.S. Federal Contractor Registration is now tracking economic recovery projects, according to the government. Central Contractor Registration is required for government entities to pay businesses

A DUNS number comes from Dun & Bradstreet for a fee.

http://www.lvbusinesspress.com/articles/2011/03/14/news/iq_42768846.txt



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Veterans' Grit Gives Startups Muscle

By Diane Hess, Crains New York Business, March 13, 2011

Sang Cho didn't initially plan on leaving the military in 2005 after his deployment in Iraq. Indeed, he had dreamed of becoming the first Korean-American general in the U.S. Marine Corps.

But when his parents convinced him that it was time to come home, Mr. Cho seized the chance to grow their dry-cleaning business into a commercial laundry company, Prestige Hospitality Services, which he expects to post \$30 million in sales this year. It has four facilities—in Manhattan, the Bronx and New Jersey and on Long Island—and one is on the way in the Philadelphia area.

Entrepreneurship came easily for Mr. Cho, 29. Relying on the discipline and attention to detail he cultivated as a sergeant, he quickly grasped how to serve customers, prepare invoices and manage his 350-plus employees as they process 250,000 pounds of laundry daily.

"I don't walk around our plants with an M16," Mr. Cho said. "But the basic qualities of determination and refusal to give up on problems, which the Marine Corps teaches you, are part of my job every day."

Gravitating to opportunities

Entrepreneurial careers are attracting many veterans, locally and across the country. The U.S. Small Business Administration estimates that one in seven veterans is self-employed or owns a small business, and that vets are 50% more likely than the rest of the work force to become entrepreneurs.

The trend is attributable partly to a weak job market, but also owes to veterans' disposition and skills, which a stint in the military hones.

"A lot of people have good ideas, but they don't have the stomach for risk-taking," said Ari Ginsberg, a professor of entrepreneurship at New York University's Stern School of Business. "Soldiers are steeled for this kind of experience."

They also have the discipline to tough it out in New York City's competitive market. Consider Chris Cancialosi, who spent two years as an Army battalion operations officer in Iraq and as a Black Hawk helicopter pilot. He launched organizational consulting firm GothamCulture five years ago; it's on track to record over \$1 million in sales this year.

"My experience in the Army gave me the confidence to make the leap into the unknown and the perseverance to be successful," said Mr. Cancialosi, 36, whose 21 corporate clients include Footlocker, Google and JetBlue Airways.



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Some servicemen and women learn that they prefer to accomplish their goals outside of the armed forces' "Yes, sir" culture. But it's not easy for every vet recovering from war to leap into business ownership.

In recent years, the government, nonprofits and private-sector enterprises have taken steps to support entrepreneurial veterans. The Entrepreneurship Bootcamp for Veterans with Disabilities offers training at seven universities nationwide, in partnership with the SBA. The "Buy Veteran" campaign, launched by the National Veteran-Owned Business Association last Veterans Day, connects Americans with the country's 3 million veteran-run businesses.

Program provides a boost

Jorege Quintana, 32, just took advantage of a 25% discount from VetFran—an International Franchise Association initiative that introduces vets to franchise opportunities—to buy a Smart Tax store in Queensbridge, Queens, for \$40,000. Mr. Quintana expects \$80,000 in sales this year.

After he got the keys to his shop in December, Mr. Quintana turned to a handful of buddies to help him gut the store and complete a renovation in two weeks. He credits his can-do attitude to his four years as a diesel-engine mechanic in the Marine Corps. His team once had to fix 379 vehicles and 129 trailers in two months to meet inspection standards.

"We worked 16-hour days and ate in the shop," he recalled.

<http://www.crainsnewyork.com/article/20110313/SMALLBIZ/303139985>

Event Aims to Connect Maryland Women-Owned Businesses to Fed Contractors

By Gary Haber, Biz Journals, March 16, 2011

The Baltimore Business Journal has reported in the past about local companies growing their revenue — and staff — due to success in landing government contracts. Now women-owned businesses have an opportunity to find out more.

Women business owners looking to do more contracting work with the federal government will get to pitch their products and services to federal agencies located in Maryland at an event on April 11.

The Contract Connections: Women-Owned Small Businesses event on April 11 will feature federal agencies and military organizations such as the Social Security Administration, the National Security Agency and the



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business development office at Fort Detrick. Those agencies and others spent \$34 billion with Maryland contractors last year.

The event will include panel discussions on understanding the government contracting process and on the “Team Maryland Networking Introduction” program which offers mentoring to small businesses seeking to apply for government contracts.

The event will be held from 8 a.m. to 2 p.m. at the BWI Marriott hotel, 1743 W. Nursery Road in Linthicum. The registration fee is \$55. To register, or for more information, visit <http://wosb.eventbrite.com>.

<http://www.bizjournals.com/baltimore/blog/2011/03/event-aims-to-connect-maryland.html>

More Controls Placed on ANC Contracts

By Matthew Weigelt, Washington Technology, March 16, 2011

To give an Alaska Native Corporation a sole-source contract, agency officials must first prove a noncompetitive award is, in fact, warranted, according to a new interim rule.

Agency officials must show that the sole-source contract is in the government’s best interest and that the cost will be reasonable. They also must describe the need for the contract’s services and point to the regulation that provides the exception to the competition rule.

The rule applies to sole-source contracts worth more than \$20 million.

Commenters on the proposal have told acquisition officials that the proposal is too broad, according to a notice in the Federal Register. Other objections focused on agencies being allowed to consider other factors in addition to price when making a noncompetitive award.

However, regulators at the Defense Department, the General Services Administration and NASA disagreed. They decided “it made sense to allow agency heads to identify other factors supporting the decision to make a sole-source” small-business award.

“By retaining the wording from the statute, agency heads retain the discretion to consider such factors as Indian economic development or meeting agency small-business contracting goals,” regulators wrote in the notice.

Congress required the justification in the fiscal 2010 National Defense Authorization Act, which President Barack Obama signed into law in 2009.

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The justification does not mean that there will be no more large sole-source contracts. But agencies need to keep an explanation for the award on the record, said Dan Gordon, administrator of the Office of Federal Procurement Policy.

The regulation sets “an additional control in place,” Gordon said March 15 during a discussion session at the Interagency Resources Management Conference.

He said this is a challenging area for procurement regulators. The unique allowances for ANCs, such as receiving sole-source contracts with no size limits, hinder possible awards for other small businesses, but the award can help poor tribal communities.

There's another aspect to the dilemma.

“This is an administration that is committed to competition, transparency and openness,” he said. “On the other hand, we are committed to carrying out these legislative programs and ensuring that the benefits of the program get to the intended communities.”

Even so, lawmakers have offered other solutions. Companion bills in the House and Senate would remove the special considerations for these types of corporations.

<http://washingtontechnology.com/articles/2011/03/15/alaska-native-corporation-regulations-justifications.aspx>

Settlement Indicates Widespread Abuse of SBA Preference Programs

JD Supra, March 15, 2011

Last month, the U.S. Department of Justice settled a case with a Maryland company that shows, yet again, how common it is for companies to abuse the preference programs that the Small Business Administration runs.

In this case, it was the SBA’s Historically Underutilized Business Zone (HUBZone) program that was the target. Beltsville, Md.-based CSI Engineering and CSI Design Build – along with their president, Debdas Ghosal –agreed to pay the government \$200,000 to settle claims that they used false statements to obtain government contracts set aside for HUBZones.



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The HUBZone program was established in 1997 to encourage businesses to locate in economically depressed areas. The program provides some priority in government contracts to companies that have their main offices in economically depressed areas and that draw at least 35 percent of their workforce from those designated areas.

But, according to the Justice Department, CSI Design Build falsely told the government that its principal office was located in a designated HUBZone. Actually, CSI Design Build operated as a part of CSI Engineering, which is not located in a HUBZone. Based on its false representations, the company won contracts with the Army, the Department of Labor, the Department of Homeland Security and the Smithsonian Institution.

The CSI companies' manipulation of the program in order to win lucrative government contracts set aside for HUBZone businesses is representative of historical and widespread problems with the program — and with the SBA's oversight.

<http://www.idsupra.com/post/documentViewer.aspx?fid=81adedc2-c6a6-4b88-8dda-f19f812b3110>

Budget & Acquisition

Fight Brewing Over DOD Budget Cuts

By Amber Corrin, Defense Systems, March 11, 2011

Recent polls have shown that the U.S. public overwhelmingly favors cutting defense spending as a means of reducing the federal budget deficit. But top defense officials warn of an impending crisis if the Defense Department's budget suffers overly drastic reductions.

Now, a budgetary battle royale looms on Capitol Hill as politics, national security and a lingering financial crisis collide.

High-level Pentagon officials, including Defense Secretary Robert Gates and Undersecretary of Defense and Comptroller Robert Hale, caution that national security would be jeopardized if Congress goes too far in swinging the budget ax. Recently, Gates illustrated that point with historical examples.

“Retrenchment brought about by short-sighted cuts could well lead to costlier and more tragic consequences later — indeed, as they always have in the past,” Gates said Feb. 17 in testimony before the Senate Armed Services Committee. “Surely, we should learn from our national experience since World War I. ... Drastic reductions in the size and strength of the U.S. military make armed conflict all the more likely, with an unacceptably high cost in American blood and treasure.”

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Here in the present, defense experts are predicting a nasty showdown between DOD and Congress, fueled by a public tired of funding two long and costly wars.

Gates has indicated that the \$553 billion requested for fiscal 2012 is nearly bare-bones for the Defense Department — a sentiment shared by at least one Capitol Hill player. Rep. Buck McKeon (R-Calif.), chairman of the House Armed Services Committee, said he has significant concerns about that budget. He noted the \$13 billion decrease from last year's projected figure and the zero-growth rate built in for future years.

However, that premise conflicts with the general mood in Washington and the rest of the country. Several recent public opinion polls clearly illustrate the public's disillusionment with paying for war.

A New York Times/CBS News poll conducted in January showed that when faced with a choice of cutting three big government programs, 55 percent of respondents chose defense spending, while 21 percent chose Medicare and 13 percent chose Social Security.

Similarly, in a study by the Program for Public Consultation, people were presented with the federal budget and asked to propose changes. Those surveyed chose to reduce defense-related spending by an average of \$109 billion out of about \$146 billion in federal budget cuts overall.

Although the public isn't in charge of making budget cuts, Americans' opinions are being heard on Capitol Hill, where they will shape the fight for major spending reductions.

"Congress will have to have the courage to take the steps the Pentagon has avoided," wrote Larry Korb, Laura Conley and Alex Rothman of the Center for American Progress in a Feb. 15 article titled "Defense Cuts Are Mandatory."

'Budgetary trench warfare'

Nevertheless, contrary to the doomsday picture painted by Gates and Hale, some experts say that although cuts to the defense budget might be painful, they won't incite a failure of national security.

"To suggest that this is an unmanageable and difficult process or one that puts the department at the edge of crisis, I think simply overstates the problem," said Gordon Adams, a professor of U.S. foreign policy at American University and previously a senior White House budget official for national security.

"We have been in this kind of situation before with deficit reduction at the end of the Cold War from 1985 to 1998, when the force came down substantially," Adams said. "Procurement went down 50 percent, [and] the whole budget went down 30 percent. And we still wound up with a force that, while some thought it was stressed, was still capable of using Saddam Hussein as a speed bump in 2003."



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The arguments are the basis for what Adams called the iron triangle — a power struggle among DOD, appropriations committees and the rest of Congress. And he said the fight is heating up.

“We’re going to see a tug of war on Capitol Hill that we haven’t seen in a long time,” Adams said. “This is budgetary trench warfare.”

<http://defensesystems.com/articles/2011/03/14/homepage-defense-fiscal-2012-budget-cuts.aspx>

DoD Takes Steps To Streamline Acquisition Process

By Marcus Weisgerber, Defense News, March 9, 2011

In an attempt to speed up the weapon buying process, the Pentagon is retooling and eliminating some of the mandated steps in the acquisition process, according to DoD officials and documents.

Late last month, Frank Kendall, principal deputy undersecretary of defense for acquisition, technology and logistics, signed off on a policy change that eliminates a program manager's contribution to a report required after a program is deemed fit to enter production.

The change - albeit small - is designed "to obtain greater efficiency and productivity in defense acquisition," according to a Feb. 24 memo. The policy modification also requires program managers to include the Office of the Deputy Assistant Secretary of Defense for System Engineering in a program's critical design review.

"We're looking at simplifying some of our documentation requirements and some of the internal baseball things that we do," Kendall said of the acquisition shop's drive for efficiencies during a March 2 conference sponsored by Credit Suisse and McAleese & Associates. "My view of this is that we will save some money that way, but we will not save dramatic amounts of money. We will probably save some time."

DoD must examine its execution and planning to better address its "root cause of the problems in defense acquisition," which starts with setting reasonable requirements, according to Kendall.

Last year, Ashton Carter, undersecretary of defense for acquisition, technology and logistics, unveiled his Better Buying Power initiative, an effort designed to control weapon procurement costs. A major part of the initiative calls for setting realistic requirements and truncating acquisition schedules.

Kendall also urged the individual service acquisition executives to implement the procedural changes for programs under their purview, according to the memo.

<http://www.defensenews.com/story.php?i=5914531&c=AME&s=TOP>

SAF/SB internal document—not for public release.



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Industry

Contractors Advised to Focus Less On Stock Prices, More on Customers

By Sandra I. Erwin, National DEFENSE, March 14, 2011

Produce things faster. Lower the weight of weapon systems. Increase fuel efficiency. Stay on schedule. Cut your costs.

That sort of sums up the Pentagon's marching orders to its contractors.

So, what else is new?

Apparently, quite a bit, according to the latest chatter in corporate boardrooms. While the military's budget is so far being spared from the big knives, it is becoming more evident that Pentagon contractors will have to think differently about their business if they want to maintain or improve the financial performance they have enjoyed over the past decade, insiders say.

Company executives, for instance, may have to reconsider how much time they dedicate to efforts that boost their stock value, compared to what they spend taking care of their customers, says Steve Grundman, vice president of aerospace and defense at Charles River Associates, a Boston-based consulting firm.

During the Cold War, contractors talked obsessively about "the customer." When the budget plunged in the early 1990s, companies still thrived by acquiring or merging with competitors. The shareholder became king. Now the pendulum may be swinging back to the middle, Grundman tells executives at a conference in Washington, D.C., hosted by Aviation Week.

"The Defense Department wants solutions to problems" and the Pentagon's leadership does not see much help coming from the industry right now, Grundman says. The mantra of Defense Acquisition Chief Ashton Carter is to do "more without more." Translation: He wants the cost curves that consumers enjoy at Best Buy. Besides cost, the other big problem that Defense wants solved has to do with innovation, but not in the traditional sense, Grundman says. It's no longer about designing the shiniest or the sexiest widget. Military commanders worry about things like the weight of armor, the efficiency of batteries and how unbearably long it takes to analyze video streams from overhead drones.



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Nothing on this wish list qualifies under what industry considers traditional products, says Stanley R. Szemborski, vice president of corporate strategy at Northrop Grumman Corp.

“Our customer has different needs. Industry has to change,” he tells the conference.

It used to be that unless a company scored a big manufacturing contract for new hardware, it was doomed. That is no longer the case, Szemborski said. In the past, contractors that got awarded “the big one” had a future, he said. The losers did not. Based on that binary worldview, most companies would be now facing extinction because there are hardly any new big production deals on the horizon, he said. “Over 50 percent of the investment accounts fund minor procurement — things that don’t get any headlines,” said Szemborski. “There are great opportunities for those who know how to pursue them.”

At Northrop Grumman, he said, “we talk about cybersecurity, logistics, unmanned systems, ISR (intelligence, surveillance, reconnaissance).” In these areas, “we see a lot of opportunities and also a lot of competition.” The secret to winning? Putting together a team of suppliers, including small businesses, that can provide “integrated solutions,” instead of ordinary stand-alone products.

Having a monopoly of a particular product line no longer guarantees a lifetime of contracts, analysts say. As part of his “buying smarter” strategy, Carter has directed project managers to be creative about promoting competition. If only one contractor bids on a program, the government should consider changing the requirements in order to encourage alternative proposals.

Executives and investors generally are confident that the industry can adapt to whatever the new reality might be. What they fear most is instability. And despite assurances from Defense Secretary Robert Gates that the investment accounts are going to be protected, Wall Street analysts and corporate chiefs harbor some level of skepticism about weapon-development and procurement budgets staying at today’s levels when other “must pay” bills such as military payroll, health care and fuel costs are growing faster than anything else in the budget.

The corporate world doesn’t respond well to unpredictability. And the budget standoff that has gripped Capitol Hill since the beginning of the year has been making industry edgy.

“For industry, the hallmark is going to be stability,” said Steven J. Cortese, senior vice president of Washington operations at Alliant Techsystems Inc. With some predictability, “medium- to long-term decisions are possible,” he said. “That’s critical for companies.” The funding rollercoaster witnessed in recent months — with Congress only approving temporary funding extensions — has been “damaging, threatening to management,” Cortese said. “It drives a volatile pattern of behavior in industry. And makes acquisition officials in the Defense Department wary of making hard choices.” Once everyone gets more visibility into what’s coming next, he said, “buyer and seller can think through how to meet needed capabilities.”



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If decisions are made to cut the defense budget, industry can live with it, as long as there is a plan in place, he said. "I don't think the top line poses a threat to the vitality of the industry," said Cortese.

For now, what seems crystal clear is that the Pentagon, regardless of what happens to the budget, will expect more bang for the buck, Cortese said. "Everything I see in the 2012 budget demonstrates performance is at a premium."

<http://www.nationaldefensemagazine.org/archive/2011/April/Pages/ContractorsAdvisedtoFocusLessOnStockPrices,MoreonCustomers.aspx>

Now 'Good Enough' Wins the Defense Contract

By Marjorie Censer, The Washington Post, March 13, 2011

The Air Force's decision late last month to award the long-contested, \$35 billion aerial refueling tanker program to Boeing ended a competition that had been fraught with controversy. But analysts say the decision may have sent another message to the contracting community: The government isn't necessarily seeking the most capable or "best value" equipment, but rather good-enough equipment with a lower price tag.

Losing bidder European Aeronautic Defense and Space had "a more capable system," said Richard Aboulafia, a defense analyst with the Teal Group. "I don't think even Boeing would dispute that."

Yet, EADS still lost to the lower-priced Boeing proposal. The company's tanker is smaller, meaning it not only costs less but that it uses less fuel, which means it received credit for costing less to operate.

The movement within the government to focus on price and "good-enough" capability over ideal, envelope-pushing systems has been gaining momentum since Defense Secretary Robert M. Gates in 2009 called on the military to forget the "exquisite" platform and instead seek the "80-percent solution," equipment that's affordable and can be fielded quickly and in large quantities.

"They're not going to pay for bells and whistles," Aboulafia said. "That's the clear message here, and everyone should be heeding that message."

The idea of paying less to get less isn't only gaining traction in the halls of the Pentagon. In the information technology world, Vivek Kundra, the federal chief information officer, has been pressing contractors to provide smaller, functional pieces of an information technology system sooner, rather than take on a big contract and fail years later to provide a perfect, complete system.



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The focus on cost isn't surprising, considering the tightened budgetary environment. Andrew F. Krepinevich Jr., president of the Center for Strategic and Budgetary Assessments, said price will loom increasingly large as the defense budget shrinks.

What Gates is saying is that "we've emphasized for so long high performance because we really haven't had to worry about cost," Krepinevich said. "Well, that's changed. Cost really matters now."

The Pentagon has been reserved in talking about how EADS and Boeing stacked up when it came to performance versus cost. At a press conference to discuss the award, Deputy Defense Secretary William Lynn, asked whether EADS's tanker provided a better bang for the buck, said only that the Defense Department "went through a process that evaluated war-fighting requirements, evaluated price, evaluated life-cycle costs.

"And the process yielded the result it did, with Boeing winning."

But some industry advocates and officials are pushing back against a cost-focused strategy as short-sighted and risky. They worry that the focus on cost will mean companies have little incentive to invest in new technology and that the government will in fact get less for its dollars.

Malcolm O'Neill, the Army's top acquisition official, acknowledged at a luncheon last week that he recognizes a troublesome trend developing in which innovation is not prioritized over price -- or what he called the "this is good enough" mentality.

"I fight that every day," he said. "It's a fear of getting the press [coverage] that this system cost more than it's supposed to cost [or] it took longer to get to the field."

O'Neill said he just rejected an Army solicitation because it failed to offer contractors any reason to push the technological envelope. The document said the contractor would assume all risk if the system it designed was more advanced than the level designated by the Army.

Pushing to the next technological level remains important to the Army, said O'Neill, who warned that aiming for an 80-percent solution has its own risks.

Instead, "you get 50 percent," he said. "That's the problem."

Officials at EADS, who sounded a warning note about choosing the less expensive tanker over what it considered the better value, remain on the fence about whether the Air Force procurement signals a sea change within the industry.



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The tanker program has been one of the Pentagon's most contentious. In 2003, the Air Force planned to lease tankers from Boeing, but the deal was canceled after a procurement scandal that sent a Boeing executive and a Pentagon official to jail.

The Air Force relaunched the program and in 2008 awarded the contract to Northrop Grumman, partnered with EADS. That decision was overturned after the Government Accountability Office upheld a protest filed by Boeing. Northrop Grumman announced it would not participate in another competition, and EADS competed on its own this time.

Sean O'Keefe, chief executive of the North American unit of EADS, said the tanker solicitation was designed to get the best value -- but only within a very limited price range. As a result, he said, more innovative technology was not given credit.

But O'Keefe stressed that the Air Force was running a very specific procurement. The tanker program has taken years to get off the ground, and last month's announcement was the third effort to award the contract.

"I don't look at this competition and say, 'Gee whiz, it was the wrong way of doing it,' " O'Keefe said. "It was a way of doing it, but it has consequences."

Barry Watts, a senior fellow at the Center for Strategic and Budgetary Assessments, said he wouldn't assume other contracts will be evaluated the same way, citing the tanker program's "unique and ugly history."

Boeing declined to comment.

Defense contractors say they're not making a strategic U-turn yet. EADS, for one, still plans to invest as usual in researching and developing new technology, said O'Keefe.

But companies are looking to focus on programs where they already have proven technology and can make targeted improvements and innovations.

Lawrence B. Prior III, who oversees BAE Systems' services business, said the company isn't giving up on cutting-edge technology but that contractors are "making choices earlier, and not everybody's going to play in every competition."

The government sometimes has trouble making a case for selecting a pricier system, said Alan Chvotkin, executive vice president and counsel at the Professional Services Council, an industry association.

"My sense over time is that agencies have a hard time paying even a little more for a little more," he said. "I think that's a shame that we're devolving into a strictly low-price mentality."



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Chvotkin said he wouldn't recommend that companies, facing a competitive market, depart from investing in new ideas.

"I don't think companies should jettison their [research and development] work; companies still have got to differentiate themselves in the marketplace," he said.

<http://www.washingtonpost.com/wp-dyn/content/article/2011/03/13/AR2011031304386.html>

New GSA Acquisition Chief Calls for Government-Contractor Cooperation

By Robert Brodsky, Government Executive, March 14, 2011

The General Services Administration's new acquisition chief is calling for greater cooperation and communication between the government and its industry contractors, echoing a familiar refrain from members of the Obama administration's procurement team in recent months.

In an interview last week with Government Executive, new GSA Chief Acquisition Officer Mindy Connolly said the two sides should have better dialogue in the lead-up to contract awards and during the process of implementing Federal Acquisition Regulations. GSA, like all contracting agencies, is required to develop a vendor communication plan for its workforce and the public by June 30.

"If we want to have a government that is leaner and more transparent and ready for the 21st century, anything we can do to reduce that burden on industry is really to our advantage," said Connolly, whose first day on the job at GSA was Feb. 28.

The administration has made it a priority of late to myth-bust the perception that contracting officers should not meet with vendors for fear of causing contract delays, or committing potential ethical violations.

Last month, Dan Gordon, administrator of federal procurement policy at the Office of Management and Budget issued a 13-page memorandum that addresses 10 of the most widely held misconceptions, including communicating with a bidder could result in a competing firm filing a protest.

Connolly has experienced the often arcane world of federal contracting from two perspectives, administering awards in both the public and private sectors. She has awarded contracts at NASA, Customs and Borders Protection, and the Treasury Department and was the Transportation Security Agency's first contracting officer. She previously served as chief of contracting for Bureau of Land Management's Western Region and



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held similar roles in industry, most notably as a contracting manager for Honeywell Defense and Space Electronics.

At GSA, Connolly plans to work with industry to clarify the impact of FAR rules so that industry is not left struggling for answers.

"Because of my experience both in government acquisition and in industry acquisition as the government customer, my interest is that it works better," she said. "It works pretty well, but there are opportunities for it to work better through communications and doing a little different planning in our rule-making."

Most recently, Connolly served as a senior procurement policy analyst at OFPP, where she led the office's natural resources' division on contracting policy matters, including implementing White House requirements for sustainable procurements and green building design.

She helped draft Obama's October 2009 executive order requiring agencies to set a 2020 greenhouse gas emissions reduction target, increase energy efficiency, reduce fleet petroleum consumption, and "leverage federal purchasing power to promote environmentally responsible products and technologies."

The order states 95 percent of all new nonweapons contracts meet sustainability requirements, including being water and energy-efficient and safe for the environment, and containing recycled materials.

Connolly's job is to take the broad-ranging policy for environmentally preferable products and services and sustainable technologies and make it executable through regulations in the FAR.

"Each agency would be able to look at how they can put [directives] into their specifications, or requirements for products," she explained. "Some things are easy, like office paper. Other things are more challenging like a building, or a lease."

<http://www.govexec.com/dailyfed/0311/031411rb1.htm>



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Legislation

GOP Senators Say Funding for Military Programs Can't Wait

By John T. Bennett, The Hill, March 11, 2011

Republican senators on Tuesday ramped up calls for a full 2011 defense spending measure despite calls for fiscal austerity.

Several GOP Senate Armed Services Committee members joined senior military officials in pressing congressional leaders to draw up a full defense appropriations bill as soon as this week.

Republican panel members were especially sharp, pressing U.S. Navy and Marine Corps leaders about whether the ongoing congressional spending standoff will hinder U.S. national security.

Sen. Scott Brown (R-Mass.) suggested failing to enact a 2011 defense appropriations bill would put deployed American troops at risk.

Navy Secretary Ray Mabus replied the Navy and Marine Corps should be able to meet all of Washington's demands in the near term. "The danger is in the future," he added.

GOP Sen. Roger Wicker (Miss.) called for congressional leaders to set aside all other business and bring a defense appropriations bill to the floor of both chambers immediately.

"I don't see why both chambers can't fund the military on a permanent basis," Wicker said. House and Senate leaders should schedule votes on a DoD appropriations bill "this week or next week" and then return to other budgetary matters, he added.

For Sen. Susan Collins (R-Maine), the worries about not giving the Pentagon a yearlong spending measure are increased costs and the potential shedding of jobs as the American economy continues to struggle.

Defense officials have warned Congress for weeks that without a 2011 appropriations bill of at least \$540 billion, they will be forced to take several actions. Those include: avoiding awarding contracts for work on major weapon programs; skipping maintenance on warships and aircraft; and laying off workers at some facilities.



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On the latter point, Collins warned up to 10,000 jobs would be “put at risk.”

Some congressional proponents of a yearlong continuing resolution to fund the military say “it will save money,” Collins said. But she is siding with defense officials in predicting costs would rise.

“Operating under a continuing resolution for a full year at the [fiscal] 2010 level would have negative effects on our fleet, on the ship and aviation industrial base, and on the many workers who support naval facilities,” said Adm. Gary Roughead, chief of naval operations.

“Without relief, we will procure only one Virginia-class submarine and break the [existing] multiyear contract,” Roughead said. What’s more, an existing pact with surface shipbuilders “precludes us from awarding any DDG-51 [destroyers] in FY 2011 unless [two] ships are appropriated.”

Joining the GOP senators and military officials in calling for quick action on a full 2011 spending bill was Chairman Carl Levin (D-Mich.).

“Delaying the final appropriations [bill] for 2011 has already had a negative effect on readiness,” Levin said.

The Armed Services Committee’s 2011 defense authorization bill added \$60 million for aircraft maintenance and another \$34 million for work on ships, Levin said.

The chamber’s Appropriations Committee has matched that amount in its version of 2011 defense spending legislation, but the Senate has yet to vote on that bill.

“Without a final fiscal year 2011 appropriation act to match ... [the] additional resources for readiness, the Navy readiness posture is in great jeopardy,” Levin warned. Five times this fiscal year, the Navy has deemed a ship unavailable, a figure that will only climb without an appropriations bill, he added.

Separately, McCain pressed Roughead and Mabus on the Navy’s decision last year to keep alive two industry versions of the new Littoral Combat Ship (LCS). The service previously had planned to choose one design.

McCain supported the service’s scuttled plan to move to one design.

He called the reversal a “snap decision,” adding later that “it’s this kind of thing that enormously erodes the Navy’s credibility” on acquisition programs.

An emotional McCain then told Mabus forcefully: “We’ll see, Mr. Secretary. We’ll see” who was right about the most cost-effective LCS plan.



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Minutes later, Mabus told the panel that keeping alive two industry teams longer than planned will inject competition and save the Navy around \$2.9 billion.

On the Marine Corps's troubled F-35B effort, McCain asked Marine Corps Commandant Gen. James Amos to report to lawmakers "every two months" about ongoing attempts to right that initiative.

The Navy officials all said they remain committed to the B variant, telling the committee they are closely monitoring cost and weight — as well as other technical — problems on that version of the Lockheed Martin-made F-35 fighter.

The Pentagon and nine U.S. allies also are buying two other versions for air and naval use that have experienced technical problems.

Amos told the panel he has seen ample progress in recent months.

"My sense is things are lined up for success," the commandant said. "We're on a good glide path with the weight. ... They're not going to add one pound without me knowing it."

<http://thehill.com/business-a-lobbying/148255-republican-senators-on-tuesday-ramped-up-calls-for-a-full-2011-defense-spending-measure-despite-calls-for-fiscal-austerity->

House Extends Federal Government Funding, Awaits Senate Approval

By Matt E. Stevens, Politics 365, March 16, 2011

The federal government averted a shutdown scheduled for the end of this week with the approval of yet another continuing resolution, or CR for short, to provide needed day-to-day funding. The measure saw solid, but eroding, support from Republicans. Democrats were almost evenly split on the vote.

The U.S. House of Representatives voted 271-158 to keep the government open for business until April 8. The continuing resolution is a budget mechanism that allows Congress to approve temporary funding until a larger, permanent budget is approved for the fiscal year. The measure is headed to the U.S. Senate where approval is expected without incident. President Barack Obama will sign the continuing resolution as the final step.

The twist in the ongoing continuing resolution saga is that the budget year for the federal government began on October 1, 2010. So, for the past five months, Congress and all federal departments have operated without



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a confirmed budget and solely on temporary funding. The problem must be addressed quickly as the fight grows in Congress to balance the budget while supporting the fragile economy.

The larger fight toward a permanent budget for 2010-2011 is being set up in Congress and the media. With a majority in the House, Republicans will have leverage to negotiate with Democrats in the Senate and the White House. Many Tea Party candidates and GOP members are in strong support of major cuts in discretionary spending. They will have to level with Democrats who want to see economic recovery and support for communities in need continue.

Not long after news of the CR's passage broke, the White House and Congressional lawmakers commented on the funding extension. White House Press Secretary Jay Carney looked ahead to the investments that must be made for the economy.

"[T]he President has been clear: with the wide range of issues facing our nation, we cannot keep funding the government in two or three week increments. It is time for us to come together, find common ground and resolve this issue in a sensible way," said Carney.

"There is no disagreement on whether to cut spending to put us on a path to live within our means, but we can't sacrifice critical investments that will help us out-innovate, out-educate, and out-build our global competitors to win the future," Carney added in his written statement.

Rep. André Carson, an Indiana Democrat and Congressional Black Caucus member, also released a statement defending his vote on the latest continuing resolution. He did note, however, that Republicans have failed to compromise on the approval of a larger budget.

"While most Americans agree that reducing the deficit and spending are important, it should not be at the cost of critical investments that put people back to work. By refusing to compromise on a measure that funds the government for the full year, Republicans have forced another temporary extension to fund the federal government," said Rep. Carson.

"In order to prevent a shutdown I supported today's resolution. The uncertainty that is caused by week-to-week funding must come to an end because Americans demand that we do better," Carson added.

<http://politic365.com/2011/03/16/house-extends-federal-government-funding-awaits-senate-approval/>



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[Cybersecurity](#)

Langevin Introduces Cybersecurity Bill

By Gautham Nagesh, The Hill, March 16, 2011

Rep. Jim Langevin (D-R.I.) unveiled a comprehensive cybersecurity bill on Wednesday that would give the Department of Homeland Security the authority to regulate the security of private networks deemed part of the nation's critical infrastructure.

"Our nation sits at a crucial moment, where cyber attacks are common, but have not yet significantly impacted or endangered the American way of life," Langevin said. "As the Director of the CIA said at a hearing last month, 'This is the battleground for the future.'"

The bill would give DHS the authority to create an enforcement risk-based security standards for utility firms, financial institutions and other private networks deemed crucial to the nation's physical and economic security. The approach appears similar to the cybersecurity bill championed by the Senate Homeland Security Committee in recent years.

Langevin introduced his legislation the same day as a House Committee on Homeland Security hearing examining the cyber threat to the nation's economy. Obama administration officials and experts emphasized in their testimony the gravity of the threat facing U.S. networks.

Center for Strategic and International Studies director James Lewis used his opening statement to outline a series of serious cybersecurity breaches impacting major institutions globally over the past year as evidence that information sharing, public-private partnerships and self-regulation have failed to achieve the necessary results.

"This is not a record of success. Whatever we are doing is not working," Lewis said.

"Cybersecurity is another of those situations in American history, ranging from Pearl Harbor to 9/11, where we knew there was risk and that we were unprepared, but assumed it would never happen because America is too powerful or too big to attack."

Lewis said the idea that a private sector partnership is essential for any cybersecurity plan is false, comparing the notion to putting private airlines in charge of defending the nation's skies instead of the Air Force. He said voluntary actions would simply not be enough to combat professional, state-supported hackers.



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U.S. Cyber Command under the leadership of National Security Agency chief Gen. Keith Alexander is currently responsible for safeguarding the nation's military networks from cyber attacks. The White House's plan separates military and civilian cybersecurity, a structure Lewis called ineffective.

"This is a recipe for disaster. There is no other area of national security where we rely on voluntary action reinforced by incentives," Lewis said.

Instead, he said any effective national cybersecurity defense must be reinforced by all available military and intelligence assets along with flexible regulation of critical infrastructures and Internet service providers.

"We have a real opportunity in the next two years to improve our cyber defense," Lewis said. "Doing this will require leaving old ideas behind, even though many will still advocate them, and moving to a new, comprehensive approach to cybersecurity that treats it as a major component of national defense and homeland security."

DHS deputy under secretary Phillip Reitingger outlined a series of collaborations between his agency and private firms aimed at boosting the security of critical infrastructure networks and argued DHS is the natural choice to oversee private sector cybersecurity.

"Within current legal authorities, DHS engages with the private sector on a voluntary basis," Reitingger said in his prepared remarks. The agency is currently working with private firms that actively seek the government's help and expertise.

Langevin's bill would give DHS the authority to compel private firms deemed part of the critical infrastructure to comply with federal security standards, though the agency would still seek to coordinate with private firms rather than mandate standards.

The approach could draw criticism from the House GOP, which has previously shown a preference for putting the military in charge of all cybersecurity matters.

<http://thehill.com/blogs/hillicon-valley/technology/150119-langevin-introduces-cybersecurity-bill>