



SAF/SB Media Summary

18—24 March 2011

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ARTICLE SUMMARIES

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SMALL BUSINESS

Bill Would Toughen Oversight of SBA Contracting Programs

Government Executive

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Workshops Scheduled for Small Businesses Interested in Federal Contracts

Jacksonville Daily News, March 23, 2011

Workshops will be held in May at two area locations for woman-owned small businesses involved in federal contract work. The Small Business Administration, SBTDC Procurement Technical Assistance Center, and the North Carolina Military Business Center are conducting a series of free workshops across the state for Women-Owned Small Businesses (WOSBs).

SBA Honors Nation's Best Small Businesses

BusinessWire

Small Business Person of the Year winners from 50 states, the District of Columbia, Puerto Rico, the Virgin Islands and Guam will converge on Washington, D.C. in mid May 2011, when one of them will be selected as National Small Business Person of the Year. They are among the nation's top entrepreneurs who will be honored at the U.S. Small Business Administration's National Small Business Week events May 18-20 in Washington, D.C. Under the theme, "Empowering Entrepreneurs," a series of events and educational forums will mark the 58th anniversary of the agency and the 48th annual proclamation of National Small Business Week. The three-day event in Washington, D.C., will take place at the Mandarin Oriental Hotel. Events can be viewed virtually through SBA's free, live webcasting, which will be accessible at <http://www.nationalsmallbusinessweek.com>.



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Republicans Find More to Cut From the S.B.A. Budget

The New York Times

This week the chairman of the House Small Business Committee revealed his spending priorities for the Small Business Administration. While President Obama proposed to save \$28 million in his budget by cutting or eliminating a handful of programs, Representative Sam Graves, Republican of Missouri, declared that the president's cuts did not go far enough. He recommended cutting an additional \$100 million. "The Small Business Committee believes that the Small Business Administration budget needs to eliminate funds from duplicative and ineffective programs and reallocate some of those funds to programs that will be more helpful to America's entrepreneurs," said Mr. Graves in a statement Tuesday. "There isn't a federal agency that should be immune from cutbacks and fiscal discipline and the Small Business Administration is no different."

Avenida Suites Wins Government Contract to Provide Furnished Apartments at MacDill AFB

PRWeb

Avenida Suites, Inc, a SBA certified HUB zone and disabled veteran owned small business located in Tampa Florida, has been selected to provide temporary furnished apartments in Tampa to foreign military officers assigned to United States Central Command (USCENTCOM) at MacDill Air Force Base as part of the military coalition fighting the war on terrorism.

Saratoga Springs Man: Passionate About Veterans and Business

Daily Herald

Terrance Kohler, better known as Terry, is passionate about veterans and business.

The Saratoga Springs resident sits on the National Veteran-Owned Business Association's Veteran Business Advisory Council. He's the only member from Utah and one of nine people on the council. He is also involved in the "Buy Veteran" movement. "We're encouraging Americans to buy American, buy local and spend money in their community," Kohler said. Buying from a small veteran-owned business is another way for Americans to show their gratitude for veterans, he said.

Villages Testify to Disparity in Benefits Alaska Native Corporations Provide

ProPublica

A ProPublica analysis [6] found that top ANCs saw revenues rise 82 percent from 2005 through 2009, largely as a result of the SBA contracts. Despite such growth, most ANC shareholders receive less than \$500 a year in dividends. Chenega and Calista have shared in the expansion, though in different measure. In Chenega's case, revenues ballooned from a mere \$13 million in 2000 to \$1.1 billion by 2009, according to annual rankings compiled by the magazine Alaska Business Monthly [7]. Calista grew far more slowly over the same period, from \$14 million to \$200 million, according to the ANC's annual reports. Few of the nearly 200 ANCs are required to report financial data, but what is available shows widespread disparities in financial performance that have little to do with size, location or natural resources available to an ANC.



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Profile Highlights Role of Small Businesses

New Canaan Advertiser

Connecticut's small businesses are key to the state's well-being and account for a significant share of the state's economic production and hiring, according to the Office of Advocacy's Small Business Profile for the state, released this week. "Small business is a catalyst for economic growth in Connecticut and in our nation," said Winslow Sargeant, chief counsel for advocacy. "In today's economic climate, we need to continue to support entrepreneurship and promote policies that help small businesses grow and prosper."

BUDGET & ACQUISITION

Continuing Resolutions Hinder Efficiency, Official Says

American Forces Press Service

Funding the government through a series of continuing resolutions rather than approving a budget is "miserably inefficient," the Pentagon's acquisition executive said yesterday. Congress has approved a series of short-term continuing resolutions since Sept. 29 that prohibit new contracts and limit spending to previous authorized levels. The most recent three-week extension took effect March 18 and funds the government through April 8. Ashton B. Carter, undersecretary of defense for acquisition, technology and logistics, told attendees at a missile defense conference here that the resolutions have the worst effect on the department's best-managed programs.

U.S. Air Force Officials Take Space Budget, Acquisition Strategy to Capitol Hill

Defence Professionals

U.S. Air Force senior leaders testified about the service's fiscal 2012 budget and space capabilities investments before the House Armed Services Strategic Forces Subcommittee here March 15. Under Secretary of the Air Force Erin Conaton; Gen. William Shelton, the Air Force Space Command commander; Ambassador Greg Schulte, the deputy assistant secretary of defense for space policy; and Betty Sapp, the principal deputy director of the National Reconnaissance Office, appeared before members of Congress to discuss the importance of the U.S. space program to national security. "The Air Force is investing in critical military space capabilities which directly support our warfighters and benefit our nation's economy, national security, international relationships, scientific discovery and our quality of life," Ms. Conaton said.

Libya Strikes Complicate Pentagon Budget Strain

Reuters

U.S. military operations against Libya will be funded through cash flow, but finding the money will be tough given the lack of a defense budget for the 2011 fiscal year, the Defense Department's top budget official said. Pentagon Comptroller Robert Hale welcomed passage of a measure extending federal funding through April 8 but said military operations in Libya would add to the strain the department is already feeling because of the failure of lawmakers to approve a budget for the full 2011 fiscal year.



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Defense Secretary Approves IT Spending Cuts

InformationWeek

Secretary of Defense Robert Gates has approved a number of recommendations to increase efficiency and cut costs across the department, and IT will take some hits as a part of those recommendations, according to a memo issued by Gates on Monday. The current cuts represent only a piece of the DoD's efficiencies initiative that Gates introduced last year. Specifically, they include places where the DoD can take action now rather than waiting for the typical budget cycle to play out. Gates detailed some of the cuts in August, but the new memo goes into more detail on specifics and introduces new cuts.

Gates Details \$13.6B in DoD Cuts

Defense News

The opening round in an expected barrage of Defense Department personnel cuts was fired March 14 when U.S. Defense Secretary Robert Gates sent a 48-page memo ordering the Pentagon to shed hundreds of civilian jobs, more than 1,000 contractors and as many as 140 generals and admirals. The memo aims to save \$13.6 billion between 2012 and 2016 through these and other measures, including reorganizing the defense intelligence community and reducing the activities of the combatant commands. Yet observers predicted that some of the expected savings might evaporate; for example, several of the directed senior-level personnel changes appear to already be in place.

Gates Details High-Level Defense Job Cuts

Government Executive

The Defense Department will cut hundreds of officer positions, top civilian executives and contractor jobs by the end of fiscal 2011, according to the Pentagon's chief. In a just-released March 14 memo, Defense Secretary Robert Gates followed through on an earlier promise and directed Pentagon officials to eliminate the positions of 102 general and flag officers, along with those of 176 civilian senior executives and 33 highly qualified experts. An additional 23 officer jobs will be downgraded. The guidance also reduces contractor support departmentwide, including 1,000 positions in the Missile Defense Agency during the next two years. Officials estimate a \$225 million savings in fiscal 2012 as a result.

INDUSTRY

Pentagon Advocating Fixed-Price Contracts

The Washington Post

Seeking to keep costs in check, the Pentagon has proposed an amendment to federal regulations that would endorse using more contracts with price ceilings. The move is not surprising considering the growing calls from the Pentagon for greater attention to efficiency and careful spending. But determining the right kind of contract for a given program remains a complex task, and even military officials remain skeptical of relying too heavily on contracts with a firm price. Ashton Carter, the Pentagon's top official for acquisition, said last year that fixed-price contracts make sense for programs in which the Defense Department is sure of what it wants.



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POLICY

Officials Change Tone on Insourcing

Federal Computer Week

In speeches before industry this week, senior federal officials have attempted to allay worries of companies by pointing out that they have not gone as far as expected on insourcing federal work. "There have been a lot of misunderstandings" about changes in the government's relationship with contractors, Dan Gordon, administrator of the Office of Federal Procurement Policy, said in the first eight minutes of his hourlong speech March 15. "A year ago, I think people thought we were on the verge of massive insourcing. We never intended to do massive insourcing, and I think the record now demonstrates that," he said, speaking at the Integrated Resources Management Conference. Shay Assad, director of defense procurement and acquisition policy at the Defense Department, said DOD is stepping back somewhat from its intent to insource roughly 10,000 workers for its acquisition workforce over a span of several years.

DoD to Adopt New Source Selection Procedures

Federal News Radio

The Defense Department has released a new set of source selection guidelines that soon will apply to the entire Pentagon acquisition system. The procedures represent the first new set of uniform procedures for source selection since the Federal Acquisition Regulations (FAR) were first published, the Pentagon said in a statement. Shay Assad, DoD's director of Defense procurement and acquisition policy, issued the guidance March 4. When it comes into effect on July 1, the document will stand as the Defense Department's "procedures for conducting competitively negotiated source selections and outlines a common set of principles and procedures for conducting such acquisitions," the document states. "The goal of this procedure is to ensure the department's source selection process delivers quality, timely products and services to the warfighter and the nation at the best value for the taxpayer."



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Small Business

Bill Would Toughen Oversight of SBA Contracting Programs

By Robert Brodsky, Government Executive, March 21, 2011

Companies competing for federal dollars through the Small Business Administration's socioeconomic contracting programs soon could face toughened scrutiny from Congress and the Obama administration.

Last week, a bipartisan group of Senate lawmakers introduced legislation to create a wide-ranging, cradle-to-the-grave oversight framework of SBA's entire contracting portfolio, beginning with contractor certification and ending with post-award monitoring. The bill also would increase the criminal penalties for companies that fraudulently win small business contracts.

"Exercising thorough oversight to ensure SBA's contracting programs are efficient, effective and accountable is a top priority," said the bill's lead sponsor, Sen. Olympia Snowe, R-Maine, ranking member of the Senate Small Business Committee. "This legislation is a critical step toward ensuring all our nation's small businesses compete fairly in the federal market place."

The Small Business Contracting Fraud Prevention Act is also sponsored by Sens. Mary Landrieu, D-La., the chairwoman of the committee; Scott Brown, R-Mass.; Jeff Merkley, D-Ore.; and Mike Enzi, R-Wyo.

The bill would create an oversight mechanism for small businesses owned by a service-disabled veteran or a woman, located in a Historically Underutilized Business Zone, or operating in the 8(a) Business Development Program. Each of the companies competing for contracts in those four programs would have to submit documentation representing their status in the Online Representations and Certifications Application database.

Companies that misrepresent themselves would face harsher criminal punishments and possible suspension or debarment from future contracting opportunities. Violators would be subject to civil penalties under the False Claims Act and be required to repay the government every dollar they received through a contract, grant or cooperative agreement. Penalties also would be applied to companies that use a subcontractor to perform a higher percentage of work than is allowed by the program's rules.

"Government contracts are perhaps one of the easiest and most inexpensive ways the federal government can help immediately increase sales for America's entrepreneurs, giving them the tools they need to keep our



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economy strong and create jobs," Landrieu said. "This legislation gives the SBA and the inspector general the tools necessary to combat fraud. We intend for the SBA to hold firms accountable."

The bill lays out significant changes to the framework of many SBA contracting programs. For example, all service-disabled veteran-owned small businesses would be required to register with the Veterans Affairs Department's VetBiz database before competing for contracts. The database currently is mandatory only for companies competing for VA contracts. Within a year, information also would have to be shared between VetBiz and the governmentwide Central Contractor Registration.

Before awarding a sole-source contract to a service-disabled veteran-owned small business, contracting officials first would have to check the VA database. Government Accountability Office reports have shown the program is vulnerable to fraud and abuse by companies misrepresenting themselves as owned by wounded veterans.

In addition, GAO would be tasked with stepped-up monitoring of the 8(a) program, which, along with the HUBZone program, has demonstrated gaps in monitoring and enforcement.

Every three years, the watchdog would be required to evaluate the program's effectiveness, including how many contracts companies win as 8 (a) participants as compared with how they fare after exiting the program. Congress also wants to know how many companies cease to operate after leaving the 8(a) program.

Separately, the bill calls on SBA to evaluate using additional third-party data sources; making unannounced site visits to 8(a) contractors; adopting additional fraud detection tools, including data-mining techniques; and conducting financial and analytical training for their business opportunity specialists.

The agency would be mandated to submit an annual report to Congress on the number of suspensions and debarments in the previous one-year period stemming from convictions, indictments and referrals from the SBA inspector general. SBA also would have to disclose instances in which the IG made a referral for suspension or debarment and the agency declined to follow the recommendation.

http://www.govexec.com/story_page.cfm?articleid=47385&dcn=e_gvet



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Workshops Scheduled for Small Businesses Interested in Federal Contracts

Jacksonville Daily News, March 23, 2011

Workshops will be held in May at two area locations for woman-owned small businesses involved in federal contract work.

The Small Business Administration, SBTDC Procurement Technical Assistance Center, and the North Carolina Military Business Center are conducting a series of free workshops across the state for Women-Owned Small Businesses (WOSBs).

A workshop will be held Thursday at Joslyn Hall on the Carteret Community College campus in Morehead City May 24 from 10 to 11:30 a.m. Another workshop will be held May 25 at Coastal Carolina Community College in Jacksonville from 3 to 4:30 p.m. at the Small Business Center Vocational Skills Building, Room 104.

The WOSB Federal Contract Program authorizes contracting officers to set aside certain federal contracts for eligible woman-owned small businesses or economically disadvantaged women-owned small businesses.

The workshops are for woman-owned small businesses that already do federal prime or subcontracting and can demonstrate experience and past performance in the federal market. The WOSBs should also conduct business with the 83 NAICS codes included in the program.

Registration is required. To register go to ncmbc.com.

<http://www.jdnews.com/news/small-89211-businesses-federal.html>

SBA Honors Nation's Best Small Businesses

BusinessWire, March 22, 2011

Small Business Person of the Year winners from 50 states, the District of Columbia, Puerto Rico, the Virgin Islands and Guam will converge on Washington, D.C. in mid May 2011, when one of them will be selected as National Small Business Person of the Year.

They are among the nation's top entrepreneurs who will be honored at the U.S. Small Business Administration's National Small Business Week events May 18-20 in Washington, D.C. Under the theme,



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“Empowering Entrepreneurs,” a series of events and educational forums will mark the 58th anniversary of the agency and the 48th annual proclamation of National Small Business Week.

The three-day event in Washington, D.C., will take place at the Mandarin Oriental Hotel. Events can be viewed virtually through SBA’s free, live webcasting, which will be accessible at <http://www.nationalsmallbusinessweek.com/>.

The state small business winners who will be honored reflect a broad range of business products, services and innovations offered by our nation’s entrepreneurs. They include a pediatric outpatient clinic, technology solutions company, gourmet chocolate company, “green” commercial cleaning company, and an educational publisher.

Men and women also will be recognized for their involvement in disaster recovery, government contracting, and their support for small businesses and entrepreneurship, and awards will be presented to SBA partners in financial and entrepreneurial development, including the year’s top SCORE Chapter, Small Business Development Center and Women’s Business Center.

Business owners, business organizations, other individuals and the news media can register online at www.nationalsmallbusinessweek.com where additional information is available.

Other highlights will include notable speakers and business industry leaders from trade associations and local and federal governments speaking on issues of vital interest to the small business community.

The 2011 National Small Business Week award events will include the following individuals and groups:

- The National Small Business Person of the Year, selected from the 54 State Small Business Persons of the Year.
- The Champion Awards, recognizing both individuals and organizations for their achievements on behalf of small business, including minority, women and veteran-owned small businesses.
- The Phoenix Awards, recognizing a public official, a business owner and a volunteer whose efforts have helped their businesses or communities recover successfully from a disaster.
- The Lender of the Year, honoring financial institutions, including those that provide financing for small business exporters and inner city businesses.
- The Entrepreneurial Development Awards honoring Small Business Development Centers, Women’s Business Centers and the National SCORE Chapter of the Year for their innovation and excellence in assistance to entrepreneurs and small businesses.
- The Dwight D. Eisenhower Award for Excellence, recognizing large prime contractors who have excelled in their utilization of small businesses as suppliers and subcontractors.



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- The Gold Star Award, recognizing exemplary performance of federal staff who manage the aggressive goals and strategic initiatives that help ensure a role for small business in the federal marketplace.
- The Frances Perkins Vanguard Award, honoring government and industry for excellence in the use of women-owned small businesses as prime contractors and subcontractors.
- The Small Business Prime Contractors and Small Business Subcontractor of the Years, honoring small businesses that have provided government and industry with outstanding goods and services as prime or sub contractors.

<http://www.businesswire.com/news/home/20110322007075/en/SBA-Honors-Nation%E2%80%99s-Small-Businesses>

Republicans Find More to Cut From the S.B.A. Budget

By Robb Mandelbaum, The New York Times, March 18, 2011

In April, House Republicans plan to lay out the broad outlines of their budget to fund the federal government for 2012, but this week the chairman of the House Small Business Committee revealed his spending priorities for the Small Business Administration. While President Obama proposed to save \$28 million in his budget by cutting or eliminating a handful of programs, Representative Sam Graves, Republican of Missouri, declared that the president's cuts did not go far enough. He recommended cutting an additional \$100 million.

"The Small Business Committee believes that the Small Business Administration budget needs to eliminate funds from duplicative and ineffective programs and reallocate some of those funds to programs that will be more helpful to America's entrepreneurs," said Mr. Graves in a statement Tuesday. "There isn't a federal agency that should be immune from cutbacks and fiscal discipline and the Small Business Administration is no different."

The committee's Republicans have largely not tinkered with the funding the administration has proposed for the S.B.A.'s financing programs. Instead, in a report (pdf) known as the committee's "views and estimates" on the 2012 budget, they focused on practically everything else. Many of the proposed cutbacks are directed at budget items the committee finds vague, or programs that it concludes are redundant or unproven.

First, the House Republicans take aim at provisions in last year's Small Business Jobs Act meant to foster exports by smaller companies. The provisions, ironically, were written by a fellow Republican, Senator Olympia Snowe of Maine, the top Republican on the Senate Small Business Committee. The House Republicans would rescind \$30 million in grants to states for export promotion, and cut all of the new hires in the S.B.A.'s Office of International Trade. (Mr. Graves's committee also focused on another initiative in the jobs act, the intermediary lending pilot program, which would allow the S.B.A. to make direct loans that fill the gap between microloans and guaranteed business loans.)



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Among counseling, or entrepreneurial development, programs, the Republicans do not play favorites between Score and the network of small business development centers — they would leave Score’s \$7 million intact, and add back \$5 million to the \$10 million the administration wants to cut from the development centers. But they would pay for that by eliminating, or cutting drastically, every other entrepreneurial development program: funding for business centers for women and veterans, counseling aimed at disadvantaged businesses, the HubZone program, and outreach to Native Americans would all disappear, saving about \$35 million.

Even microloan technical assistance, which the administration wants to cut by \$9 million, would see a further \$2.5 million shaved because, according to the committee report, “a majority of training provided by microloan intermediaries is not to borrowers but to prospective borrowers, many of whom do not become borrowers.”

Finally, the Republicans also proposed big cuts in the S.B.A. bureaucracy, sparing only the district offices that deal directly with small business owners. The 10 regional offices that supervise district offices and are in turn supervised by the headquarters would be eliminated entirely. Republicans also found that the headquarters staff was bloated (more than a quarter of agency staff works in Washington). Among the cuts: 10 percent off the office of administrator.

It’s not all trimming and whacking, though. In addition to restoring money to the small business development centers, the Republicans propose using \$2 million of the savings to bolster S.B.A. staff that helps small businesses win federal contracts, \$2 million for the Inspector General’s office, and more to speed up the review of size standards and hire additional staff for the Office of Advocacy.

The “views and estimates” on the budget that each Congressional committee prepares are supposed to guide the budget committees in setting broad categories of spending. However, the final funding is determined by the appropriations committee in each chamber, and then, of course, those competing appropriations bills must be reconciled. In other words, the “views and estimates” of the Republicans on the House Small Business Committee are not the last word on how much the S.B.A. will have to spend next year.

<http://boss.blogs.nytimes.com/2011/03/18/republicans-find-more-to-cut-from-the-s-b-a-budget/>



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Avenida Suites Wins Government Contract to Provide Furnished Apartments at MacDill AFB

PRWeb, March 22, 2011

Avenida Suites, Inc, headquartered in Tampa Florida, has been selected to provide temporary furnished apartments in Tampa to foreign military officers assigned to United States Central Command (USCENTCOM) at MacDill Air Force Base as part of the military coalition fighting the war on terrorism.

USCENTCOM, based at MacDill AFB in Tampa, is the headquarters responsible for the United States military presence in the Middle East region whose mission statement is as follows: With national and international partners, United States Central Command promotes cooperation among nations, responds to crises, and deters or defeats state and non-state aggression, and supports development and, when necessary, reconstruction in order to establish the conditions for regional security, stability, and prosperity.

Avenida Suites will be providing furnished apartments in Tampa for these officers and their families who will join the headquarters staff for up to one year at a time. Since these officers and their families will be coming into an environment in which they are unfamiliar, Avenida Suites is the perfect company to provide their corporate housing in Tampa. The company President, Dan Gorman, is a service disabled veteran Marine Corps officer who spent several years working with and training foreign military officers in more than 20 different countries. One of the things that made his time in these foreign countries very successful was his ability to connect with and understand the many different cultures. He always made it a point to connect with them by learning their language, their customs, and traditions. Connecting with these officers who are newly relocating to Tampa--by helping them to assimilate into the American society and providing a smooth transition for them and their families with a warm and welcoming furnished apartment in Tampa will be a huge plus in furthering the military and political relationships between the United States and these international countries.

As is most often the case with any relocation, finding suitable, safe, secure and comfortable housing can be a huge drain mentally and physically. Avenida Suites relieves this strain and burden since these furnished apartments in Tampa will include everything these incoming officers will need, from the furniture, to the linens, and even the dishes and utilities. "We are very excited to have been chosen for this award and look forward to meeting and serving the needs of foreign military officers for several years to come," said Claudia Gorman, company vice president and native of Brazil.

Avenida Suites is a SBA certified HUB zone and disabled veteran owned small business located in Tampa Florida. Avenida Suites has provided temporary furnished apartments for military personnel at MacDill for several years and is also the fastest growing corporate housing company in Tampa and Orlando Florida. For more information on how Avenida Suites may be able to help you or your company with your furnished or

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corporate apartment needs in Tampa visit the website at <http://www.avenidasuites.com> or call toll free to 1-888-553-9943.

<http://www.prweb.com/releases/2011/3/prweb8222054.htm>

Saratoga Springs Man: Passionate About Veterans and Business

By Meg Walter, Daily Herald, March 23, 2011

Terrance Kohler, better known as Terry, is passionate about veterans and business.

The Saratoga Springs resident sits on the National Veteran-Owned Business Association's Veteran Business Advisory Council. He's the only member from Utah and one of nine people on the council. He is also involved in the "Buy Veteran" movement.

"We're encouraging Americans to buy American, buy local and spend money in their community," Kohler said.

Buying from a small veteran-owned business is another way for Americans to show their gratitude for veterans, he said. Kohler pointed to a independent nationwide poll that showed 70 percent of American consumers said they would prefer to purchase from a veteran-owned business.

"Supporting our nation's heroes can be as easy as buying a slice of pizza, picking up your dry cleaning or having your roof replaced," NaVOBA president Chris Hale said in a Feb. 24 news release.

Veteran business owners can list their business on www.buyveteran.com for free. Consumers can go to the site and search for the veteran-owned businesses in their hometown.

"Another important benefit is that when you buy from a veteran, you can trust that they run their business with the same pride and dedication to the high standards they held while they were in uniform," Hale said.

Kohler is also involved in and a founding partner of Team Veteran, which has two missions.

The first mission is to help veteran-owned businesses get their foot in the door to get federal and state government contracts, and the second is to pick up where the Veterans' Affairs and other organizations leave off helping wounded warriors.

"There are more things that can be done to help them," Kohler said.

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All members of Team Veteran commit one-third of their revenues to help veterans who need further assistance.

Kohler's passion for entrepreneurship started in the seventh grade, when he bought a Blow Pop for a dime, then sold it to another student for a quarter.

Over the years his passion remained, and today he uses that entrepreneurial spirit to help others learn about all areas of identity theft and provide them affordable access to legal counsel with his company, Talk Solutions Today. More information on his business can be found at www.talksolutionstoday.com.

Additionally, Kohler is a member of the Pleasant Grove Chamber of Commerce and serves on Draper's chamber board of directors.

It isn't only his entrepreneurship spirit that sets Kohler apart, but his veteran status as well. He served in the Air Force from 1981 to 1988. After returning from service and spending time working in corporate America, Kohler knew that he wanted to do something else.

"I knew corporate America wouldn't be able to take care of me," Kohler said. He started his own business and became a "vetpreneur" and part of NaVOBA.

He said veteran business owners need to join their local chambers and show the community what veteran-owned businesses can do.

http://www.heraldextra.com/news/local/north/saratoga-springs/article_6ca3e262-1d5a-5156-ae6d-4bfd665b115f.html

Villages Testify to Disparity in Benefits Alaska Native Corporations Provide

By Jennifer LaFleur and Michael Grabell, ProPublica, March 17, 2011

When Darrell Totemoff's dog needed an operation to fix its injured back, money was not a problem. Totemoff, an Alaska native who lives in the remote village of Chenega Bay, chartered a flight to see a specialist in Anchorage and paid \$4,000 for the surgery.

Totemoff is only 45, but he's well-off enough to have retired. He owns a Ford Explorer, two off-road vehicles and an 18-foot sports boat. He can afford it all thanks to about \$65,000 a year in dividends he has received



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from shares in Alaska Native Corporations—native-owned businesses that by law have special access to no-bid federal contracts.

Five hundred miles away on the other side of Alaska, villagers in Napaskiak also own shares in native corporations. But dividends of only a few hundred dollars a year hardly cover the basics. The family of 76-year-old David Maxie, who is disabled, struggled for months to get social services so he can remain at home instead of in a nursing facility in far-off Anchorage.

Congress created the system of Alaska Native Corporations [1] with the promise of bringing prosperity to a scattered indigenous population long stuck in poverty. Natives were granted shares in the corporations, which eventually gained special contracting privileges from Congress. But decades later, the villages of Chenega Bay and Napaskiak testify to the broad gap in benefits that ANCs provide.

Many of Chenega's residents are shareholders in one of the most successful and politically connected ANCs, Chenega Corp. [2], which has won multimillion-dollar contracts rebuilding Iraq, securing Guantanamo Bay and repairing X-ray machines at airports and borders. One of the top-grossing ANCs, Chenega has only 170 shareholders, Totemoff among them.

See slideshow: The Villages That Depend on ANCs [3]

Calista Corp. [4], the primary ANC serving Napaskiak and its neighboring villages, has paid dividends only three times in more than 25 years. The largest, in 2010, provided \$225 for the typical shareholder in a region where a gallon of milk costs \$9 and annual heating costs can run in the thousands. In part, geography and math work against Calista, which has more than 13,000 shareholders spread over an area the size of Michigan.

Alaska natives like Totemoff and the Maxies are now at the center of a national debate over ANCs. Critics in Congress want to strip some of the ANCs' contracting privileges, arguing that the lion's share of benefits has gone to non-native consultants and subcontractors hired to do the work. Their defenders say the accusations are overblown and that punishing ANCs will make it even harder to create needed jobs, educational opportunities and cultural programs.

To get a sense of the difference ANCs make in their own communities, ProPublica visited two Alaskan villages whose experiences add nuance to an often-polarized debate. They are among the most isolated places in the country: Chenega Bay sits on the tip of a rocky island in the Prince William Sound, while Napaskiak is one of dozens of villages that dot the flat Arctic tundra along the Kuskokwim River in southwestern Alaska.

Their native corporations, Chenega and Calista, have received nearly all their contracting revenue through no-bid contracts or in competitions restricted to small minority firms.



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Their different experiences illustrate how the contracting privileges afforded by a Small Business Administration program, known as 8(a) [5], have created pockets of success but have not been a wide-scale solution for joblessness and other social ills affecting Alaska natives.

A previous ProPublica analysis [6] found that top ANCs saw revenues rise 82 percent from 2005 through 2009, largely as a result of the SBA contracts. Despite such growth, most ANC shareholders receive less than \$500 a year in dividends.

Chenega and Calista have shared in the expansion, though in different measure. In Chenega's case, revenues ballooned from a mere \$13 million in 2000 to \$1.1 billion by 2009, according to annual rankings compiled by the magazine Alaska Business Monthly [7]. Calista grew far more slowly over the same period, from \$14 million to \$200 million, according to the ANC's annual reports.

Few of the nearly 200 ANCs are required to report financial data, but what is available shows widespread disparities in financial performance that have little to do with size, location or natural resources available to an ANC. Rather, historical events, an ANC's ability to gather seed money for investment and connections to Washington were critical to success.

"I don't think there are any easy or straightforward explanations for a lot of these differences," said Steve Colt, an economist at the University of Alaska Anchorage who has studied the ANCs for decades. "It seems to me it depends on having the right idea, getting with the right partner and being in the right place at the right time."

From Ruin to Riches

When Congress passed the law creating ANCs [1] in 1971, the village of Chenega didn't exist. Seven years earlier on Good Friday, the largest earthquake [8] ever measured in North America shook Alaska, triggering a tsunami that wiped the village clean [9] but for the schoolhouse on a hill. About two dozen people, nearly half of them children, were washed away.

The U.S. government resettled the survivors in another village before allowing them to form their own community on Evans Island in 1984. Five years later, another disaster struck, this time a man-made one. The Exxon Valdez tanker spilled more than 11 million gallons of oil into Prince William Sound, coating Chenega's beaches and killing the fish and wildlife residents relied on to survive.

By then Chenega Corp. had formed and was the largest private landowner to suffer damage from the spill, according to the sound's advisory council. In a settlement, the corporation sold its contaminated land to the U.S. government for \$34 million. It used the money in 1998 to invest in its first contracting subsidiary, which specialized in information technology.



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The company entered the SBA 8(a) program, designed to give small minority-owned firms a temporary boost until they gain sophistication and grow big enough to compete on their own. Unlike other firms, however, ANCs can participate indefinitely and obtain contracts of unlimited size.

As it built its business, Chenega turned to people with connections to Alaska's congressional delegation. In 2002, the corporation hired the prominent Alaska lobbying firm of Birch Horton Bittner & Cherot, which employs William Bittner, the brother-in-law of the late Sen. Ted Stevens, long the senior Republican on the powerful appropriations committee. The firm also employs several former top aides to Stevens and to Alaska Republicans Rep. Don Young and Sen. Lisa Murkowski.

On at least one occasion, the delegation intervened on a contract on Chenega's behalf, according to e-mails released [10] in 2006 by the House Committee on Government Reform. Rep. Henry Waxman, D-Calif., issued a report finding that Murkowski, Stevens and Young had pressured the Transportation Security Administration to meet privately with Chenega officials before opening bids for a multimillion-dollar contract to maintain airport security equipment.

At a hearing before the panel, Chenega CEO Charles Totemoff said he didn't recall the contract but tells all his managers to "do things above board and always do the right thing." Chenega did not get the contract.

Since 2008, Chenega has spent \$2.7 million to lobby Congress—more than any other ANC and a fourth of all ANC lobbying expenditures—on issues mostly related to the SBA's 8(a) program, according to federal lobbying filings [11]. Chenega spokesman Gregory L. Vistica said the company is correcting its lobbying forms, which will cut expenditures in half for the past three years. If that happens, Chenega would be No. 2 in lobbying.

Now the corporation is one of five ANCs that regularly bring in close to \$1 billion or more in revenues, according to the Alaska Business Monthly rankings. Much else about the corporation's finances is hidden, however, because ANCs supporting fewer than 500 natives are not required to file public financial reports. Its profits, dividends and other financials have remained a closely guarded secret.

Chenega Corp. declined multiple interview requests during the past six months. But in comments to the SBA last year, a company lobbyist wrote that "the native preferences it enjoyed were the catalyst for our growth," allowing it to fulfill the dream of "achieving financial and social self-sufficiency and determination."

Chenega's small shareholder base translates into dividends and benefits that are at the top of ANCs. Although they declined to provide details on the company's finances for this story, Chenega officials have said that shareholders receive about \$30,000 a year in dividends. The median income in 2009 for Native American households in Alaska was about \$45,000.

A Pickup in Every Driveway



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About 100 miles south of Anchorage, Chenega Bay is hidden among an isolated chain of islands. It is an area rich with natural beauty—jagged black peaks crusted with snow, speckled with azure lakes, a thick fog that hangs low over the hemlocks.

At the tip of one cove is the tiny village, eerily silent save for the persistent drizzle and the rare crunch of boots on the unpaved road. It is essentially two roads lined with 22 white and blue prefabricated homes. Though every home is within a quarter mile, a pickup or SUV is parked in every driveway.

Driving through the village in his forest-green Ford Explorer, paid for with ANC dividends, Darrell Totemoff, who is a cousin of the CEO, pointed out visible benefits from Chenega Corp.'s 8(a) profits. A new Russian Orthodox church with a royal blue cupola. A barrier to protect the graveyard where the snowplow has at times snapped the wooden patriarchal crosses.

People in Chenega Bay say they can turn to their native corporation whenever they need anything. "Any and all shareholders have the opportunity to go anywhere where there's a job if you have the training," said Chenega Bay resident Rich Kompkoff. "If you don't have the training, they'll train you."

The teachers, who are not native, said the school seems a lot better off than in other villages where they've taught. When the astronaut Rex Walheim toured Alaska speaking to students in 2004, Chenega Corp. paid for him to fly to the village. About 20 students, from preschool to 12th grade, attend the village school.

On top of Chenega's healthy dividend, many residents also benefit from shares in Chugach Alaska Corp. [12], which since 2000 has received more federal contracting money than any other ANC—\$5.8 billion—according to government data from USASpending.gov [13].

There are 13 regional corporations in Alaska, including Chugach and Calista. Chenega and Napaskiak Inc. are among nearly 200 village corporations, many of which just run the local general store. When ANCs were created, natives received 100 shares in their regional corporation and another 100 in their village corporation. The federal contract benefits afforded to ANCs make no distinction between a regional corporation, representing thousands of natives, and a village corporation, representing only a few hundred.

Some natives, like Darrell Totemoff, have received additional shares through inheritance. But others in Chenega Bay hold shares in the Tatitlek and Eyak corporations, which, while growing, have not provided dividends as generous as Chenega's.

As he continued the village tour, Totemoff fumed about efforts by Sen. Claire McCaskill, D-Mo., who has been leading the charge to limit the contracting privileges given to ANCs. His sentences often started, "Here's another benefit of the 8(a) program ..." or, "Here's another thing Claire McCaskill doesn't understand ..."



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“My little cousin wanted a playhouse, and I got that for her, and it’s like \$4,000 not just to buy it but to get it out here,” he said. “Senator McCaskill—she has no clue of how much 8(a) helps individual villagers. It’s just amazing because it not only gives us a lot of money; we’re able to save it, able to donate, able to buy things.”

In addition to his Ford Explorer, Totemoff bought a Honda four-wheeler, a Polaris Ranger utility vehicle and an 18-foot Trophy sports boat named “Johnny T” after his father.

For Calista, a Rocky Start

Few villagers in the Calista region have cars or trucks, let alone driveways, although many use all-terrain vehicles. No roads connect the 56 villages of the region. In winter, residents along the Kuskokwim travel the frozen river in snow machines.

The people are Yup’ik and Cup’ik Eskimos and Athabascan Indians, many of whom still practice traditional ways of life, including fishing and hunting for food and clothing. The hub of the area is Bethel, a town of about 6,500, accessible only by boat or plane and the place where many villagers get supplies or medical treatment.

Early financial mishaps compounded the challenges Calista faced in serving one of the largest ANC shareholder bases. In 1980, the company began building a 15-story Sheraton Hotel in downtown Anchorage with the hope of providing jobs for shareholders. But economic problems in the 1980s and inflated construction costs “halted the visions and goals” of the project, the company said in a statement. Calista narrowly avoided a foreclosure sale when a Korean firm bought the hotel for a reported \$25 million loss.

Calista later acquired a newspaper chain that lost money for years until securing an 8(a) contract to do a promotional campaign for the Army National Guard. Calista also bolstered its finances in 2001 when it got the bulk of the proceeds from a land trade in which it and three village corporations sold their rights to 220,000 acres of land to the U.S. Fish and Wildlife for \$39 million.

According to Calista, after payments for the deal reached \$20 million it was required to share the revenue with other regional corporations under a provision in the 1971 land settlement. Calista also has benefited from the revenue-sharing requirement over the years, but the provision doesn’t apply to income from federal contracts, and the sharing hasn’t been enough to make up for the disparity in benefits.

Eyeing the success of other ANCs, Calista started exploring government contracting. Its first such venture was through a subsidiary, Yulista Management Services [14]. YMS became certified as an SBA 8(a) firm in 1996 and in 2002 was awarded six contracts, including a \$1.1 billion joint venture with a Maryland company to do aerospace engineering and development for the U.S. Army. To lead the project, it hired a CEO who had worked for a successful 8(a) firm.



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Like Chenega, Calista has hired lobbyists, including Steven Silver, the former chief of staff for Sen. Stevens. Silver is credited with securing millions in earmarks for the Alaskan city of Wasilla when Sarah Palin was mayor. But Calista's lobbying amounts to only a fraction of Chenega's.

By 2009, Calista reported about \$200 million in revenue and \$18 million in profit. In the last two years, 80 percent of its income was from government contracts. Calista now has about 1,500 employees and multiple subsidiaries. Contracts include facility management at Hickam Air Force Base in Hawaii, precision measurement services for the Department of Defense in Guam and maintenance at the Barry M. Goldwater military testing range in Arizona.

Calista's minimal dividends stand in contrast to payouts to former CEO Matthew Nicolai, who received a \$400,000 bonus in 2009 that brought his compensation to \$730,000, according to company documents [15]. Nicolai was the third-highest paid CEO at an Alaska native regional corporation that year.

Nicolai, who became president in 1994 and had worked at the company since 1975, was terminated last October after a former employee sued him for sexual harassment. The company's general counsel, Andrew Guy, replaced him as CEO. Nicolai has not filed a response to the harassment allegations in state superior court in Anchorage, and company officials declined to comment.

In a statement to ProPublica, Guy said that even though the company sees 8(a) as a successful program, it is diversifying its business for long-term stability. In 2010, for example, Calista purchased two Alaskan construction companies.

Life of Bare Necessities

Many Calista natives still try to live off the land and water. In summer, blueberries, blackberries and raspberries are plentiful on the tundra. And villagers catch a variety of salmon from the Kuskokwim River, curing them in smokehouses for the harsh winter months.

In fall, before the first snows, locals hunt moose. Just one animal can produce 400 to 700 pounds of meat, and the hide can be used to make shoes and clothing. But today, with limits on hunting and fishing, living completely off the land is difficult. So, some natives take on jobs when projects come or find work in the local village stores.

For many shareholders, there is little awareness of the company's activities. Most know they've received a few hundred dollars in dividends in recent years and, for years before that, nothing. ANCs contend that the lives of villagers have improved over time. But many of those improvements have come from federal or state programs, not ANCs.



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“If you measure the resources that have gone into the development of rural Alaska,” said economist Colt, “the numbers would quickly show you that it’s been the government that has provided the vast, overwhelming majority of new resources.”

One recent milestone for Napaskiak: a flush toilet in every household. The village of 400 marked the occasion with a festival that included relay races carrying the “honey buckets” they had used to dispose of waste. The upgrade was paid for by the state and federal government through a project to improve rural sanitation in Alaska. One in four rural homes throughout the state still lacks running water and toilets.

In Akiak, a village of 300 upriver from Napaskiak, a new clinic paid for by federal funds provides basic medical services to the village.

As he maneuvered his ATV along a rutted, muddy road, village administrator Ivan Ivan pointed to a building resembling a large metal Quonset hut—a new school named after his great-grandfather, Arlicaq, and paid for with mostly state funds.

“Losing Our People”

ANCs say their benefits extend beyond merely paying dividends.

In recent years, Chenega Corp. paid for students to visit a vocational center and bought the school a large touch-screen computer. Chenega’s educational nonprofit gave \$320,000 in scholarships to 45 people in 2008. The following year, Calista Corp. provided \$283,000 in scholarships for 226 people.

Both corporations say they promote native culture in their communities. Chenega has produced compact discs of the endangered Sugcestun language and runs classes on how to make sea otter purses. Calista funds programs for elders to teach village youth how to make mukluks, the traditional footwear.

Even when they don’t pay out profits, ANCs say they are building shareholder equity—reinvesting profits in the company to build a firmer foundation. Unlike publicly traded stocks, ANC shares can’t be sold. To tap into equity, natives are dependent on the corporation to pay dividends or provide other benefits.

In the native Yup’ik language, Calista means “one who works.” Yet unemployment remains a chronic problem among its shareholders and for other Alaska natives.

Most ANCs do not make their hiring data public. But in 2009, McCaskill’s Senate contracting subcommittee surveyed 19 ANCs [16] and found that only 5 percent of their 45,000 employees were shareholders or relatives.



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Calista Corp., which employs about 1,500 in and out of Alaska, claims to have one of the highest shareholder hire rates among ANCs. The company didn't provide a shareholder rate for all employees but said 23 of the 54 workers at its corporate office in Anchorage are shareholders. Chenega Corp. has more than 5,000 employees in and out of Alaska, including 52 who are shareholders, according to the Senate survey.

In the villages, jobs are fleeting as public works projects come and go.

George Eleshansky, 37, earned his sociology degree from the University of Alaska Fairbanks in 2007. Chugach Alaska paid for his tuition. He'd like to do social work or research but can't get a job unless he leaves the village, where he grew up and has a home. So, for now, Eleshansky, a Chugach shareholder, passes the time babysitting his young nieces and playing video games.

A couple of Chenega Bay residents work at the health clinic, and several others have jobs with the tribal council. Last summer, a federally funded project to upgrade the water treatment plant employed two residents.

The unemployment in rural villages contributes to high levels of alcohol and drug abuse—historic problems in Alaska. In Akiak, the windows in many buildings are covered with plywood to keep teenagers from breaking in when they are high or drunk. A poster in the Chenega Bay health clinic warned of the dangers of methamphetamine with a poem titled, "I Am Meth." About 75 percent of residents in local survey said that substance abuse threatened their quality of life.

"We're a proud strong people from the past," Akiak village administrator Ivan said. "But now we're losing our people to suicide, alcohol and drugs."

Critics of the SBA program argue that chronic poverty and social problems in the villages show that ANCs aren't doing enough. Supporters say the problems justify the need for more contracts. In February, following congressional criticism, the SBA released new rules requiring ANCs participating in the 8(a) program to report on the benefits they provide, including employment, scholarships and cultural programs.

Mike Williams, a tribal advocate and Calista shareholder, said the shift from a "hunter-gatherer society" to reliance on corporations has had some negative effects.

Overall, the federal contracting has been "good for Alaska," he said, "but we haven't seen it in rural areas. We need to see and make sure the villages and their shareholders receive the maximum benefits as promised."

<http://www.propublica.org/article/villages-testify-to-disparity-in-benefits-alaska-native-corporations>



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Profile Highlights Role of Small Businesses

New Canaan Advertiser, March 23, 2011

Connecticut's small businesses are key to the state's well-being and account for a significant share of the state's economic production and hiring, according to the Office of Advocacy's Small Business Profile for the state, released this week. The profile uses the most recent data available to provide details about small business employment, business starts and closings, bank lending, business ownership by minorities, women, and veterans, and firm and employment change by major industry and firm size.

"Small business is a catalyst for economic growth in Connecticut and in our nation," said Winslow Sargeant, chief counsel for advocacy. "In today's economic climate, we need to continue to support entrepreneurship and promote policies that help small businesses grow and prosper."

Small businesses totaled 327,122 in Connecticut in 2008. Of these, 73,779 were employers and they accounted for 50.8 percent of private sector jobs in the state. Small firms made up 97.3 percent of the state's employers.

Connecticut's real gross state product decreased by 0.4 percent and private-sector employment decreased by 4.8 percent in 2009. By comparison, real GDP in the United States grew 0.7 percent and private sector employment declined by 5.5 percent.

Business ownership is becoming more inclusive in the state. The number of both women and minority business owners has grown. In particular, minority-owned businesses numbered 39,854 in 2007, an increase of 46.8 percent over 2002.

The state's businesses also showed signs of stability and improvement in the fourth quarter of 2009 compared to the first quarter. For more, visit Advocacysba.gov.

<http://www.acorn-online.com/joomla15/ncadvertiser/community/88692-profile-highlights-role-of-small-businesses.html>



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Budget & Acquisition

Continuing Resolutions Hinder Efficiency, Official Says

By Karen Parrish, American Forces Press Service, March 22, 2011

Funding the government through a series of continuing resolutions rather than approving a budget is “miserably inefficient,” the Pentagon’s acquisition executive said yesterday.

Congress has approved a series of short-term continuing resolutions since Sept. 29 that prohibit new contracts and limit spending to previous authorized levels. The most recent three-week extension took effect March 18 and funds the government through April 8.

Ashton B. Carter, undersecretary of defense for acquisition, technology and logistics, told attendees at a missile defense conference here that the resolutions have the worst effect on the department’s best-managed programs.

“They were already on a razor’s edge -- that’s where you want them,” he said. “You knew exactly what you were doing, exactly when you were going to do it and exactly how you were going to do it.”

Defense programs planned for maximum efficiency under the proposed 2011 budget have instead been subject to delays and slowdowns, Carter said.

“It wastes money,” he said. “Billions of dollars will be the cost of having to slow down something now, only to accelerate it later because the funding wasn’t available.”

Carter also discussed the nation’s growing emphasis on missile defense technology and how that program meets DOD’s strict spending guidelines. Missile defense -- for decades a research and development program at the margins of the nation’s defense effort -- now is central to the nation’s military strategy, he said. As missile defense components reach the deployment stage, he added, demand now exceeds supply.

Combatant commanders in all geographic theaters are asking for ballistic missile defense capabilities, he said, adding they “want more of it than we have.”

Meanwhile, as the nation’s military balances the costs of equipping troops at war against funding emerging priorities such as missile defense, the department must ensure the best value for every dollar, Carter said.



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“The country is looking to us to give them what they expect, what we have on the books, what we say they need [for defense] ... and not less, for a not-ever-increasing amount of money,” he said. “It’s not an unreasonable request.”

Defense Secretary Robert M. Gates launched an initiative in May to increase efficiencies, reduce overhead costs and eliminate redundant functions in the department. Carter said that as the Pentagon faces sharply reduced budget growth over the next decade, Gates’ guidance focuses on the need for department officials to “sharpen our managerial game.”

The Missile Defense Agency has done “a terrific job in a number of areas” to control costs, even as demand for missile defense capabilities soars, Carter said. Agency cost-containment measures include offering incentives for on-schedule programs, managing the supply chain, increasing the number of contracts in competition and consolidating service contracts.

“In most ways, MDA was already managing [according to the principles of] better buying power a couple of years ago,” Carter said. “I wish all our managers were. Soon, they will be, and we really need to do that.”

<http://www.defense.gov/news/newsarticle.aspx?id=63257>

U.S. Air Force Officials Take Space Budget, Acquisition Strategy to Capitol Hill

By Master Sgt. Amaani Lyle, Defence Professionals, March 21, 2011

U.S. Air Force senior leaders testified about the service's fiscal 2012 budget and space capabilities investments before the House Armed Services Strategic Forces Subcommittee here March 15.

Under Secretary of the Air Force Erin Conaton; Gen. William Shelton, the Air Force Space Command commander; Ambassador Greg Schulte, the deputy assistant secretary of defense for space policy; and Betty Sapp, the principal deputy director of the National Reconnaissance Office, appeared before members of Congress to discuss the importance of the U.S. space program to national security.

"The Air Force is investing in critical military space capabilities which directly support our warfighters and benefit our nation's economy, national security, international relationships, scientific discovery and our quality of life," Ms. Conaton said.



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Investment areas include satellite communications; advanced missile warning systems; global positioning, navigation and timing; accurate, time-sensitive weather data capabilities; and enhanced space situational awareness, she added.

Regarding the Air Force's proposed space acquisition strategy, Ms. Conaton said she was confident that the Evolutionary Acquisition for Space Efficiency, or EASE, would result in better value for the taxpayer, as well as greater stability and predictability for the nation's space industrial base.

The EASE strategy is comprised of four basic tenets: block buys of satellites; stable research and development investment; fixed-price contracting; and full funding through advance appropriations.

In her written testimony to the subcommittee, Ms. Conaton pointed out the critical need to pursue these basic tenets along with a robust examination of contractor costs and aggressive efforts to achieve cost reductions.

"With Congress' support, we are confident that the combination of the major elements of EASE ... in tandem with the rigorous should cost review already under way, will help the Air Force achieve considerable savings in the acquisition of some of our most critical space assets," she said in her statement.

She explained that the current practice of procuring satellites one at a time or on a just-in-time basis has led to increased costs due to production-line breaks, parts obsolescence and inefficient use of labor.

The significant cost of space systems has also created challenges, such as spikes in procurement funding for one program and the subsequent lack of funding available for others in the same timeframe, she said.

Ms. Conaton added that these effects have led the Air Force to delay other space programs due to the inability to fund them all during the same fiscal year, thereby forcing the service to buy other programs less efficiently.

"When the (industrial base gets) breaks in production lines, it drives their cost up, it wreaks havoc on their workforce and it ultimately drives the higher price to the taxpayer when we have to buy that next satellite," Ms. Conaton said. "For those reasons, we ... need to undertake a new approach that allows us to avoid those funding spikes and provides greater stability to the industrial base."

The EASE strategy seeks to combat this inefficiency and the disruption caused by the status quo approach to satellite procurement, she said.

"Block buys of satellites will allow us to purchase economic order quantities of critical parts, run production lines more efficiently and reduce non-recurring engineering costs," she said. "This approach will result in savings that can be reinvested in research and development which will further improve the performance and lower the cost of follow-on systems."



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According to Ms. Conaton, national security space programs comprise 10 percent of the annual Air Force budget and 21 percent of Air Force investment accounts. The Air Force's space contributions represent more than 80 percent of overall Department of Defense space funding and more than 90 percent of the space positions designated under major force program-12.

Based on the unique responsibilities of the Air Force Space Command, General Shelton said he established three priorities: supporting the joint fight, gaining control of space system costs and normalizing cyberspace for 21st century military operations.

"The FY12 budget advances the command's progress toward these priorities," General Shelton said. "It modernizes GPS, the world's gold standard for positioning, navigation and timing information. It advances satellite communications to meet ever-increasing demand. It enhances overhead persistent infrared capability essential for missile warning and missile defense."

The president's budget request for fiscal 2012 includes a total of \$8.76 billion for research, development testing and evaluation and procurement of Air Force space programs.

"Department of Defense contributions to national security via our space programs are enormous," Ms. Conaton said. "But the Air Force understands that to be good stewards of the space mission in the emerging budget environment, we have to make our programs more cost-effective."

<http://www.defpro.com/news/details/22973/?SID=c41499640e350dd8936d4c7b2401ee51>

Libya Strikes Complicate Pentagon Budget Strain

By Andrea Shalal-Esa, Reuters, March 21, 2011

U.S. military operations against Libya will be funded through cash flow, but finding the money will be tough given the lack of a defense budget for the 2011 fiscal year, the Defense Department's top budget official said.

Pentagon Comptroller Robert Hale welcomed passage of a measure extending federal funding through April 8 but said military operations in Libya would add to the strain the department is already feeling because of the failure of lawmakers to approve a budget for the full 2011 fiscal year.

"It'll make it harder to find the money," Hale told Reuters during a visit to a temporary ice camp on the frozen Arctic Ocean, where he was observing submarine military exercises.

Hale said paying for the Libya operations would have been even more complicated if Congress had failed to approve the stopgap spending measure that will keep the federal government running through April 8.

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The United States is now fighting in three conflicts -- Iraq, Afghanistan and Libya -- while struggling under a huge budget deficit and national debt. The Pentagon also has plans to cut \$78 billion in defense spending over five years.

Since Congress has not passed a defense budget for fiscal 2011, funding continues at 2010 levels, leaving the Pentagon with a shortfall of more than \$20 billion and unable to start work on any new weapons programs.

Defense officials say they will increasingly have to raid procurement and operations accounts to make sure they can continue to pay members of the military and civilian employees.

The Pentagon has already said it is delaying 75 weapons programs, including work on a new Virginia-class submarine; putting off scheduled maintenance, and giving military personnel less time to prepare for deployments.

"If we are not able to do those new starts, the impact will be felt," Navy Secretary Ray Mabus told Reuters in an interview at the ice camp, about 150 miles north of Prudhoe Bay, Alaska.

The camp was set up by the Navy's Arctic Submarine Laboratory and the Applied Physics Laboratory of the University of Washington.

Mabus said the funding problems would not have a direct impact on military operations, but increased strain on personnel, cutbacks in maintenance and routine operations, and higher procurement costs, would eventually affect readiness.

U.S. President Barack Obama said on Monday the United States expects to transfer the lead military role in Libya to other allies in a matter of days.

Defense Secretary Robert Gates, speaking as he flew to Russia, said the U.S. will not have a "preeminent role" in the coalition that will maintain a no-fly zone over Libya, and expected to turn over "primary responsibility" for the mission to others within days.

<http://www.reuters.com/article/2011/03/21/us-libya-usa-funding-interview-idUSTRE72K6XR20110321>



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Defense Secretary Approves IT Spending Cuts

By J. Nicholas Hoover, InformationWeek, March 17, 2011

Secretary of Defense Robert Gates has approved a number of recommendations to increase efficiency and cut costs across the department, and IT will take some hits as a part of those recommendations, according to a memo issued by Gates on Monday.

The current cuts represent only a piece of the DoD's efficiencies initiative that Gates introduced last year. Specifically, they include places where the DoD can take action now rather than waiting for the typical budget cycle to play out. Gates detailed some of the cuts in August, but the new memo goes into more detail on specifics and introduces new cuts.

The changes will save the department billions of dollars from eliminating or shrinking a number of DoD organizations and programs, cutting civilian, military, and contractor positions, and making institutional changes to the way the DoD manages its budget. Among the cuts is a \$6 billion annual reduction in the military's reliance on contractors.

As for IT in particular, some of the biggest cuts come from the Defense Advanced Research Projects Agency (DARPA), which is best known for being the agency that's credited with inventing the Internet, and which still spends much of its money on IT-related research and development.

The memo cuts DARPA's Total Obligation Authority -- the amount of money it can spend, including its budget and any unobligated money from previous years -- by 5% or \$153 million, which the memo says will have "minimal impact on the overall quality of effort and mission execution." DARPA also will decrease its reliance on IT and administrative contractors to the tune of \$58 million. In addition, by expanding the use of its Savannah classified network workstation, which allows network connectivity over multiple classified networks via a single PC, DARPA will save \$4.4 million in fiscal 2012.

By ensuring that all of the Defense Finance and Accounting Service's contract writing systems connect to both entitlement and accounting systems and that they more fully implementing an electronic invoicing system called Wide Area Workflow, DOD will save \$10 million. Eliminating paper leave-and-earnings statements for 271,000 DoD employees (also a Defense Finance and Accounting Service effort) will result in \$3.1 million in savings.

Among the other cuts: reducing support for certain functions at the DoD human resources data center, the Defense Manpower Data Center, to the tune of \$11.3 million; moving to digital-only copies of certain DoD magazines to save \$4 million; eliminating the implementation of records and knowledge management at the Defense Human Resources Agency; cutting personnel and IT support at the Defense Technology Security

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Administration; and moving all of the IT support for the Office of the Secretary of Defense to another organization.

Certain jobs also will be led by lower-level officers in the future, like the director for cyberspace transformation and integration and the commanders of the Air Force Institute of Technology and the 311th Signal Command, and some positions at CyberCom will be reallocated.

The memo also announces some cuts that will be detailed at a later date. For example, the Defense Logistics Agency will have to submit plans by June to "eliminate, downsize, or transfer" the Defense Microelectronics Activity, which, among other things, designs custom chips and helps replace or support microelectronics that are no longer commercially available.

While the elimination of the Assistant Secretary of Defense for Networks Integration and Information (the former home of the DoD's CIO) was announced as part of these cuts when Gates unveiled the plan last year, that piece is missing from the current memo. DoD sources say that the eventual shape of the military's IT leadership remains under discussion, and Gates says in his memo that guidance for remaining efficiency initiatives, the elimination of ASD/NII likely included, will be issued "in the near future."

<http://www.informationweek.com/news/government/policy/showArticle.jhtml?articleID=229301184&cid=RS>
[Sfeed](#) [IWK](#) [All](#)

Gates Details \$13.6B in DoD Cuts

By Marcus Weisberger and Kate Brannen, Defense News, March 21, 2011

The opening round in an expected barrage of Defense Department personnel cuts was fired March 14 when U.S. Defense Secretary Robert Gates sent a 48-page memo ordering the Pentagon to shed hundreds of civilian jobs, more than 1,000 contractors and as many as 140 generals and admirals. The memo aims to save \$13.6 billion between 2012 and 2016 through these and other measures, including reorganizing the defense intelligence community and reducing the activities of the combatant commands.

Yet observers predicted that some of the expected savings might evaporate; for example, several of the directed senior-level personnel changes appear to already be in place.

The memo is part of Gates' drive to squeeze \$178 billion from DoD overhead and other costs and put most of it toward weapons. But defense experts predicted that the five-year goal won't be enough to ward off more substantial cuts as the nation wrestles with its \$14 trillion debt.



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"Gates' prescriptions are just the opening salvo in a long-running deficit war," Lexington Institute's Loren Thompson said. "All of these moves are potentially worthwhile and they are emblematic of the types of changes we'll see year after year as the defense budget tightens up."

Indeed, more cuts to defense personnel are on their way, military officials said. The Gates memo mainly focuses on the Office of the Secretary of Defense (OSD) and joint organizations, as well as multiservice combatant commands.

The services are now under pressure to identify their own overhead cuts at the same time they start to build their 2013 budget proposals.

"Each service is going through its own efficiency and cost-benefit drill," an Army official said. "It's logical that this is the beginning of a journey."

An OSD spokeswoman said March 18 that public affairs officials were still reviewing the memo.

Some Savings Are Suspect The biggest category of projected savings is cuts to civilian and contractor jobs, projected in the memo to save \$6 billion, according to analysts and experts.

Among the agencies named in the memo, the Missile Defense Agency (MDA) takes the largest personnel hit. The memo directed MDA to eliminate 500 contractor support positions in 2011 and another 500 in 2012, saving a projected \$225 million. That's 11.4 percent of MDA's total staff of 8,800. "There was a lot of cutting personnel [and] cutting contractors. Those are real savings," Todd Harrison of the Center for Strategic and Budgetary Assessments said. "All they have to do is follow through on it and it looks from this memo that they're going to. They have no choice."

But others said it remains unclear whether these cuts will actually save money.

"Overall, this is trench-based hair trimming, but not true consolidation and choice-making," said Gordon Adams, who oversaw defense budgeting during the Clinton administration.

Thompson said he thinks that many of the contractor jobs will be picked up by government staff.

"I suspect that a lot of these savings are not going to materialize even though they are already being booked," Thompson said. "Unless they had contracted for \$6 billion of unnecessary contractor service support activities, the likelihood is that a lot of the activity will have to be picked up by government workers, who will require a lot of the money supposedly being saved."



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General Moves Gates has laid out plans to eliminate 102 general officer and flag officer positions, including 28 associated with operations in Iraq and Afghanistan. "Eliminations" include outright deletions of the posts, or in most cases, relegating the job to a colonel or Navy captain.

Among the positions to be axed is the director of the Joint Improvised Explosive Device Defeat Organization (JIEDDO). The timing of the elimination of the JIEDDO director position depends on the "deployment of forces and IED threat," the memo says. The memo also says the position of commander of the International Security Assistance Force is expected to be eliminated within the next four years. That, however, depends on withdrawal of forces from Afghanistan.

Another 25 posts held by one- to four-star flag officers will be filled by lesser-ranking officers.

For example, the director of Joint Strike Fighter, recently elevated to a three-star post, will be returned to a two-star billet once the program is on more solid footing. The chief of Army Public Affairs, now a two-star, also will be reduced.

It appears, however, that some of the incumbent general and flag officers named in the memo have already rotated out of their listed commands.

Harrison called the savings from those moves more symbolic than significant.

"I think they're trying to communicate both to the department and the Congress that they're trimming back, they're getting leaner, they're getting less top heavy," he said. "The reality is, though, taking a position down from three-star to two-star doesn't save you hardly any money, especially if that position was already occupied by a two-star."

A review of past command histories shows that 14 of the 25 Navy flag billets slated to be downgraded are already led by officers of that lower rank and in some cases have been for many years.

Some of the moves will require congressional authorization. The Pentagon also wants to lower the grade of a number of medical positions - for example, downgrade all medical branch chiefs from an O-8 to an O-7. DoD also plans to submit legislative proposals for the 2013 authorization bill to reduce the Reserve and National Guard general and flag officer positions.

Among the services, the Marines emerge relatively unscathed. It appears that only one Marine Corps civilian position is being eliminated: the Marine Corps business enterprise director.

The memo states there are nine flag and general officer positions that the services believe should remain at that grade, but that the Pentagon is eliminating anyway.



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Other Policy Changes All Air Force C-130 Hercules cargo haulers and KC-135 Stratotankers will be assigned to U.S. Transportation Command, through Air Mobility Command. Army watercraft will also be assigned to TRANSCOM through Surface Deployment and Distribution Command.

It is not clear how DoD plans to save money through these transfers of responsibility, Adams said.

Gates has also directed a 5 percent cut to the Defense Advanced Research Projects Agency (DARPA) budget over the next five years. The change is expected to save \$153 million in 2012.

The defense intelligence community also faces major consolidation. The Pentagon wants to eliminate the Office of the Deputy Undersecretary of Defense for Technical Collections and Analysis and the Office of the Deputy Undersecretary of Defense for Human Intelligence, Counterintelligence and Security. Their responsibilities would fall to a newly created Office of the Deputy Undersecretary of Defense for Intelligence and Security.

These changes are supposed to save \$1.3 million and reduce five contractor positions. The memo also outlines several other consolidations.

Other smaller changes are also detailed. For example, service publications will no longer be printed but will be available online only. The Defense Commissary Agency will no longer promote healthy eating. Travel will be more restricted.

The amount of description and justification for the budget, staff and contractor cuts varies throughout the 48-page memo, leaving tantalizing gaps. For example, one cut listed at U.S. Strategic Command would eliminate six civilian positions: two legislative affairs staff members and four public affairs staff members. The memo says that would save \$3.9 million in 2012 alone - more than \$640,000 per position.

Not a Surprise Neither Congress nor the people currently serving in the positions targeted for elimination were told of the decisions in advance of the memo, according to a defense official.

Yet service officials say they saw the changes coming and had been asked to provide input into the deliberations, an Army official said. The defense secretary and his staff "didn't do this in a vacuum," he said.

The military has been involved in two wars, requiring enormous increases in personnel in logistics, intelligence, maintenance, public affairs and depot work, an Army source said. "It's time to start looking at what these people do and do they still need to do it."

<http://www.defensenews.com/story.php?i=6012459>



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Gates Details High-Level Defense Job Cuts

By Emily Long, Government Executive, March 17, 2011

The Defense Department will cut hundreds of officer positions, top civilian executives and contractor jobs by the end of fiscal 2011, according to the Pentagon's chief.

In a just-released March 14 memo, Defense Secretary Robert Gates followed through on an earlier promise and directed Pentagon officials to eliminate the positions of 102 general and flag officers, along with those of 176 civilian senior executives and 33 highly qualified experts. An additional 23 officer jobs will be downgraded.

The guidance also reduces contractor support departmentwide, including 1,000 positions in the Missile Defense Agency during the next two years. Officials estimate a \$225 million savings in fiscal 2012 as a result. The TRICARE Management Activity will lose 364 contractor jobs, while the undersecretary for Defense policy will drop 110 positions. The cuts will save \$36.4 million and \$21.6 million in fiscal 2012, respectively.

Coupled with additional efficiencies across the department, the plan will save more than \$14 billion, according to the memo. Most of the actions identified will be complete by Sept. 30, Gates wrote.

The cuts are part of a broad initiative to reduce overhead, improve business practices and end troubled programs at Defense. Gates in August 2010 announced plans to eliminate redundant organizations, reduce funding for support contractors, freeze personnel levels and cut jobs. In January, he identified \$154 billion in efficiencies, including a fee hike for military retirees eligible for TRICARE health care coverage, a three-year hiring freeze and cuts to U.S. fighting forces. The cuts also come at a time when the defense budget, for the first time in more than a decade, is being considered for reductions on Capitol Hill.

Each military service will be required to report on opportunities for additional restructuring and cost savings by March 31. According to a Defense spokeswoman, the department will take prompt action to comply with the memo's instructions.

The memo was made public after a copy had been leaked, and summarized on Tuesday in InsideDefense.com and published the next day in Wired magazine.

<http://www.govexec.com/dailyfed/0311/031711L1.htm>



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Industry

Pentagon Advocating Fixed-Price Contracts

By Marjorie Censer, The Washington Post, March 20, 2011

Seeking to keep costs in check, the Pentagon has proposed an amendment to federal regulations that would endorse using more contracts with price ceilings.

The move is not surprising considering the growing calls from the Pentagon for greater attention to efficiency and careful spending. But determining the right kind of contract for a given program remains a complex task, and even military officials remain skeptical of relying too heavily on contracts with a firm price.

The Defense Department, which is now accepting comments on the rule, said in its proposal that the regulation is meant “to incentivize productivity and innovation in industry.”

Contracting officers would be required to give special consideration to using “fixed-price incentive” contracts, which adjust a company's profit based on how closely the final cost adheres to the target cost. Companies get more if they come in under budget, but receive less and could even take a loss if they come in over budget. The proposed rule sets 120 percent as a price ceiling.

Ashton Carter, the Pentagon's top official for acquisition, said last year that fixed-price contracts make sense for programs in which the Defense Department is sure of what it wants.

The structure “incentivizes productivity gains . . . [because] the better [the contractors] do at controlling cost, the more they make, which is fine with us because we've gotten the price that we want,” he said.

Still, officials have said they recognize the limits of fixed-price contracts. Malcolm O'Neill, the Army's top acquisition official, said earlier this month that they could cost the Army more because contractors typically build in extra costs.

Additionally, the contracts make it more difficult for the service to make revisions to a program, said O'Neill, and can invite protests if the Army changes a purchase and doesn't reopen it to competition.

“If all of a sudden, you say, ‘Well, I want a 120mm gun on that vehicle instead of a 105mm,’ then . . . all bets are off,” he said. “Whereas with cost contracts, all you do is modify it and say, ‘Okay, I want you to add this.’”

He said the Army has received no direction to use more fixed-price contracts and doesn't have a quota.

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Using more fixed-price contracts will likely affect companies' bottom lines, if not immediately, said Byron Callan, a director at Washington-based investment research firm Capital Alpha Partners.

"It's going to have an impact," he said. "It's just you don't know how and where it's going to show up."

The Pentagon said it doesn't expect the regulation to take a toll on small businesses, which are more likely to provide commercial products and to already use fixed-price contracts.

http://www.washingtonpost.com/business/pentagon-advocating-fixed-price-contracts/2011/03/18/AB5tlh2_story.html

Policy

Officials Change Tone on Insourcing

By Matthew Weigelt, Federal Computer Week, March 17, 2011

In speeches before industry this week, senior federal officials have attempted to allay worries of companies by pointing out that they have not gone as far as expected on insourcing federal work.

"There have been a lot of misunderstandings" about changes in the government's relationship with contractors, Dan Gordon, administrator of the Office of Federal Procurement Policy, said in the first eight minutes of his hourlong speech March 15. "A year ago, I think people thought we were on the verge of massive insourcing."

"We never intended to do massive insourcing, and I think the record now demonstrates that," he said, speaking at the Integrated Resources Management Conference.

Shay Assad, director of defense procurement and acquisition policy at the Defense Department, said DOD is stepping back somewhat from its intent to insource roughly 10,000 workers for its acquisition workforce over a span of several years.

"We're changing tactics just a little bit," he told a group of government officials and industry executives today at the Coalition for Government Procurement's Spring Conference.

DOD has insourced roughly 3,000 people so far, but defense officials are not striving for its stated goal of insourcing 10,000 employees. Instead, he wants a more intentional move from now on.



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“We want to make sure when we make the decision [to insource] that, in fact, it is an inherently governmental function that we’re asking someone to do and secondly that it is critical and needed,” he said.

Furthermore, to make any more insourcing moves, it would have to be approved by Ashton Carter, undersecretary of defense for acquisition, technology and logistics. Assad also expects a slowdown in insourcing.

However, DOD will continue its aggressive approach to build the acquisition workforce through the department’s direct hiring authority. DOD wants to hire 10,000 employees through that authority and has brought in roughly 6,000 people.

The direct hiring authority allows DOD officials to avoid the morass of the federal hiring process.

Since President Barack Obama arrived at the White House, companies, especially small businesses, have feared a growing possibility that they would lose their work. He issued a procurement policy memo soon after his inauguration that told agencies to bring work back into the government and decrease the use of contractors. The Office of Management and Budget issued further policies on accomplishing that in mid-2009. In March 2010, Gordon’s office issued a draft of a policy letter on how to determine if a job would be insourced. The policy even delved into blurry territory of insourcing a “critical function,” a very generic term that concerned many people.

Times have changed now.

Tom Davis, a former chairman of the House Government Reform Committee and one of the drafters of the Services Acquisition Reform Act, said the administration has to move toward the middle and because officials have laid out their agenda, they now have to put it to work.

“The Obama administration is in a governance mode,” he said this morning during the Coalition’s conference. “Things are coming back to normal.”

Congress is also viewing insourcing a little differently. The fiscal 2008 National Defense Authorization Act included a provision that allowed DOD to insource work. However, it was meant for bringing in inherently governmental functions, or jobs only a federal employee is allowed to do, and similar critical jobs, said a staff member on the House Armed Services Committee.

Speaking today at the coalition’s conference, Cathy Garman, a professional staff member of that committee, said the panel agrees with DOD insourcing policy, but it’s still cautious. Based on her briefings with defense officials, Garman said she realizes the department has not figured out how to best use the insourcing tools to its benefit.



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"Anything that is focused on arbitrary goals and arbitrary savings sometimes drives bad decisions, and we have seen many bad decisions," she said.

<http://fcw.com/articles/2011/03/17/obama-insourcing-change-in-tone.aspx>

DoD to Adopt New Source Selection Procedures

By Jared Serbu, Federal News Radio, March 16, 2011

The Defense Department has released a new set of source selection guidelines that soon will apply to the entire Pentagon acquisition system.

The procedures represent the first new set of uniform procedures for source selection since the Federal Acquisition Regulations (FAR) were first published, the Pentagon said in a statement. Shay Assad, DoD's director of Defense procurement and acquisition policy, issued the guidance March 4.

When it comes into effect on July 1, the document will stand as the Defense Department's "procedures for conducting competitively negotiated source selections and outlines a common set of principles and procedures for conducting such acquisitions," the document states. "The goal of this procedure is to ensure the department's source selection process delivers quality, timely products and services to the warfighter and the nation at the best value for the taxpayer."

Among highlights of the new procedures are standardized rating criteria for vendors' technical qualifications and past performance, and a new requirement that DoD services and agencies use of an independent source selection advisory council for any acquisition worth more than \$100 million. Stan Soloway, president of the Professional Services Council, a group that represents government service contractors, said the document does not appear to create new acquisition policy, but does provide standardization to DoD's processes.

"What they've done, and in concept I think it makes a lot of sense, is take almost a template approach to various different kinds of procurements," he said. "I think that's helpful, because as with any agency that has multiple elements or multiple components, you often see inconsistent source selection or procurement processes, and consistency is helpful on both the government side and the industry side. I think you have to guard against it becoming too rigid, and I don't think there's anything in there that suggests it has to be rigid, but sometimes that's the natural tendency."

The source selection advisory councils will be made up of seven senior government officials, whose role will be "to provide counsel during the source selection process and must prepare the comparative analysis of the [source selection evolution board's] evaluation results, when directed by the [source selection authority] ."



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DoD will use the procedures for all source selections that are conducted under Part 15 of the FAR. The guidance will provide for departmentwide standardization of rating criteria and descriptions for the technical and past performance factors of any given offer, though some of the standardization has already been embraced by many parts of DoD, the Pentagon said.

"Many components already use standardized rating criteria and descriptions for the technical and past performance factors based on their previously developed supplements to the FAR and Defense Federal Acquisition Regulations Supplement [DFARS] ," DoD said in its statement.

<http://www.federalnewsradio.com/?nid=35&sid=2309499>