

An Overview of the Advanced Small Business Pilot “Changing the Perspective on Size”

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Mid-Tier Advocacy (MTA)

- The MTA represents a coalition of small and emerging mid-size firms that provide employment for thousands of people across the United States and across multiple industries.
- MTA is an organization of the country's top "Service Disabled and Veteran Owned, HUBZone certified, 8(a), Minority-owned and Woman-owned businesses."
- They are committed to being engaged in the policies affecting the sustainability and survivability of emerging small and mid-tier businesses who contract with the Federal Government.

Growing Beyond Size Standards

- Thousands of small businesses, who have graduated or matured, have disappeared from the landscape of the federal marketplace over the last three decades.
- The policies that drive the management of size-standard criteria that help the entry-level and developing firm eventually stifle many of them after achieving some modest success.
- **Congress is finally positioned to address the Disappearing Mid-Size Business**
- **The Advanced Small Business Pilot will Create Jobs and Strengthen the Industrial Base**
- **Join MTA, WCOE, MBRT, RMOA and countless others in support of the Pilot!**

Size Does Matter in Open Competition

The Advanced Small Business Pilot Provides a Transition Period for Emerging Small Business

- Some say that graduation from small business NAICS codes is like “falling off a cliff” - far too many mid-tier firms either **sell, or fold.**

Achieving Small Business Goals – Many in industry felt that DoD was not achieving its goals. Some form of protection for businesses that have graduated from being a small business would be helpful because mid-tier businesses who no longer qualify for small business assistance cannot compete against the larger defense firms. *Source, HASC Report, March 19, 2012*

- Size standards should encourage growth by securing balanced competition at all levels (start-up, developing and matured phase) to ensure that large companies do not eliminate viable emerging small businesses from the federal government market.

“Other Than Small”

Federal law generally does not recognize "midsize businesses" as such, instead categorizes businesses as "small" and other than small. As a result, there is no standard definition of a "midsize business". However, some commentators have noted that businesses which are too large to qualify as "small" under the SBA's size standards, but are significantly smaller than the major defense contractors, experience unique difficulties in competing for DOD contracts. *HASC Report, March 19, 2012*

**GRAPHICAL VIEW OF SMALL BUSINESSES COMPETITION AGAINST LARGE
BUSINESSES**

DAVID vs. GOLIATH

LARGE SYSTEM INTEGRATORS		SMALL/MID-SIZE FIRMS		LARGE SYSTEM INTEGRATORS	SMALL/MID-SIZE FIRMS
Company Name	Annual Revenue in BILLIONS	NAICS Ceiling on Revenue in MILLIONS		Number of EMPLOYEES	NAICS Ceiling on EMPLOYEES
Northrop Grumman	\$33.8	\$7 – 33.5M		120,000	500 - 1500
Lockheed Martin	\$45.189			136,000	
General Dynamics	\$31.981			91,200	
EDS (not part of HP)	\$22.1			136,000	
CSC	\$16.740			95,000	
Average	\$29.962			130,040	

The Advanced Small Business Pilot

Status of The Advanced Small Business Pilot

- Congressman Gerry Connolly (D-VA) introduced - H.R. 1812 "The Small Business Growth Act", May 2011
- MTA testified in support of H.R. 1812 before the House Small Business Committee on Sept. 14, 2011
- Discussions between Reps. Connolly (D-VA), Graves (R-MO) and Rogers (R-AL) yielded bi-partisan support for the "Advanced Small Business Pilot."
- The Advanced Small Business Pilot was included in the National Defense Authorization Act, (NDAA) passed by the House of Representatives on May 5, 2012.
- The Senate Armed Services did NOT include subcontracting provisions that were passed by the House in its version of the NDAA.

Highlights of The Pilot

Who Can Participate?

- Any small business or, mid-size business that will, or has exceeded the NAICs size standard could be considered eligible to participate in the pilot if the entity:
- has fewer than twice the number of employees the Small Business Administration has assigned as a size standard to NAICs code in which the entity is operating;
- has fewer than three times the average annual receipts the Small Business Administration has assigned as a size standard to the NAICs code in which the entity is operating; and
- is independently owned and operated and is not dominant in its field of operation.
- This language establishes an **advanced small business pilot for federal contractors** at the Department of Defense.

Why an Advanced Small Business Pilot?

- First, when these companies thrive as contractors, they continue to provide government buyers with a competitive source of good value, innovation and solid performance.
- Second, when they grow, they also create new jobs.
- And third, by creating a new space for these firms to grow, this new set aside has the potential to lower the temptation of fraudulent subcontracting.

Source, Wall Street Business Journal, Judy Bradt



JOIN MTA IN SUPPORT OF THESE EFFORTS!

Call or write your Senators!

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Q&A

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