



NaFCA *National Federal Contractors Association*

POSITION STATEMENT: SOLE SOURCE SPENDING TRENDS WITHIN DEFENSE AGENCIES

Background: Under the National Defense Authorization Act, written justification is legally required for “no-bid” government contracts valued at more than \$20 million. Officials must address five specific elements, including an explanation of why the sole-source contract is in the agency's best interest and ensuring that it is paying a fair price.¹ In the first year that this rule took effect (March 2011-March 2012), six of the U.S. Department of Defense’s eight such contracts failed to meet this requirement.² Furthermore, even as total contract spending decreased by approximately 5 percent, no-bid contracts awarded by federal agencies increased 8.9% between 2009 (\$105.8 billion) and 2012 (\$115.2 billion), and the top three no-bid contract recipients were Lockheed Martin, Boeing, and Raytheon.³

NaFCA’s position:

- **Increased oversight is needed to ensure full implementation of the National Defense Authorization Act.** NaFCA commends the Honorable Claire McCaskill, Chairman of the Senate Subcommittee on Contracting Oversight - Committee on Homeland Security and Governmental Affairs, for requesting a review of implementation of this new justification requirement, and the Government Accountability Office for completing the review across the federal government. While the review has resulted in the clear identification of the issues and challenges for small businesses in the government contracting arena, “it will require more work from senior agency officials, and possibly the White House, but more must be done.”⁴
- **Providing a wider range of competitive choices to government agencies benefits American society.** Indeed, “in a time of economic recovery, it is imperative that native community-owned federal contractors, who are job-creating small businesses, are able to participate in the federal marketplace as intended.”⁵

(more...)

¹ Weigelt, Matthew. “DOD Struggles to Justify Sole Source Awards.” *FCW: The Business of Federal Technology*, February 11, 2013. Retrieved August 26, 2013, <http://fcw.com/articles/2013/02/11/dod-sole-source.aspx>

² *Sole Source Spending Trends Within Defense Agencies*. Deltek Inc. August 7, 2013, p. 5.

³ Ivory, Danielle. “No-bid U.S. government contracts jump 9 percent, despite push for competition.” *The Washington Post*. March 17, 2013. Retrieved August 26, 2013, http://articles.washingtonpost.com/2013-03-17/business/37795352_1_contracts-federal-procurement-policy-federal-agencies

⁴ Graves, Sam. Quoted in Timko, Max. “Federal Agencies Plan to Increase No-Bid Contracting Opportunities for Small Businesses in 2013.” *Government Contracting Tips*, April 11, 2013.

<http://governmentcontractingtips.com/gct/tag/sam-graves/> Retrieved August 26, 2013.

⁵ Allis, Kevin. Quoted in Weigelt, Matthew. “DOD Struggles to Justify Sole Source Awards.” *FCW: The Business of Federal Technology*, February 11, 2013. Retrieved August 26, 2013,

<http://fcw.com/articles/2013/02/11/dod-sole-source.aspx>

Competitive contracting saves taxpayer dollars - "not because the private sector is superior to the public sector; competitive contracting saves money because competition induces lower costs than monopoly."⁶ Moreover, small businesses frequently offer a unique innovation advantage. Large companies are often "cash heavy and innovation poor."⁷ In contrast, for small businesses, "sharing good ideas is easier as managers and owners are more visible and accessible. Employees are more likely to have avenues to share their ideas and be a part of any troubleshooting that occurs... They can see a cause and move faster than large corporations."⁸

- **Small businesses must be proactively involved in government contracting.** In the words of Eric Knellinger, President of U.S. Federal Contractor Registration, "One of the main issues is that there are not enough small businesses involved in government contracting."⁹ Small businesses may have to prepare to take a more competitive posture and become involved in protecting their competitive viability in ways that have not been necessary before.¹⁰

*For more information, and assistance in advocating for
small businesses in the government contracting sector, contact:*

Fernando Galaviz, Chairman
galavizf@nafcausa.com
Jorge E. Figueredo, Executive Director
figueredoj@nafcausa.com
National Federal Contractors Association
6402 Arlington Blvd., 10th Floor
Falls Church, VA 22042
(703) 970-6705
www.nafcausa.com

⁶ Cox, Wendell. *Competitive Contracting for More Effective and Efficient Government*.

⁷ Hogg, Sam. "Why Small Companies Have the Innovation Advantage." *Entrepreneur.com*. November 18, 2011. http://www.nbcnews.com/id/45357888/ns/business-small_business/t/why-small-companies-have-innovation-advantage/#.Uh_wgBZ5nzI Accessed August 29, 2013.

⁸ Patrick, Monica. "The Advantages of Small Businesses Over Large Businesses." *Demand Media*. <http://smallbusiness.chron.com/advantages-small-businesses-over-large-businesses-21019.html> Accessed Thursday, August 29, 2013.

⁹ Quoted in Timko, Max. "Federal Agencies Plan to Increase No-Bid Contracting Opportunities for Small Businesses in 2013." *Government Contracting Tips*, April 11, 2013. Retrieved August 26, 2013 at <http://governmentcontractingtips.com/gct/tag/sam-graves/>

¹⁰ National Federal Contractors Association, "Solutions Summit Series," p. 3. Accessed August 26, 2013 at http://www.nafcausa.com/solutions_bro.pdf