



Statement of

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Subcommittee on Contracting & the Workforce
House Committee on Small Business

"Putting the Strategy in Sourcing:
Challenges and Opportunities for Small Business
Contractors"

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Chairman Hanna, Ranking Member Meng and Members of the Panel, my name is Trey Hodgkins and I am the Senior Vice President for Global Public Sector at TechAmerica. I want to thank you for the opportunity to testify this morning regarding challenges and opportunities small businesses face in the adoption of strategic sourcing by the Federal government.

TechAmerica¹ is uniquely positioned representing companies from the information technology (IT), communications and defense industrial base sectors and our members range from large companies whose names are household terms, to the most innovative and agile of small technology companies from across the Nation. While many of the companies are oriented with the government as a customer, a large number of our members are completely outside of the public sector and are commercial in nature, offering commercial items developed and manufactured in a global economy and distributed and sold around the world. The ubiquitous nature and complexity of the goods and services our members sell offer unique perspectives on strategic sourcing in Federal government contracting and I would like to share a few of those this morning.

Before I turn to that issue, however, I would like to take this opportunity to reiterate for the committee that the single biggest challenge to success for small business in the public sector market is the tidal wave of government unique requirements they face and the burdens they create. Many of the commercial companies mentioned above consider the burden too significant and not worth the costs and risks and choose to simply forego government work entirely. This condition means that the government does not have access to many of the most innovative companies offering cutting edge technologies and software products and services focused on critical issues like cybersecurity. The condition also results in diminished competition and higher prices for the goods and services the government does acquire, because the burdens created by the government unique requirements end up as part of the cost of doing business and are passed along to the buyer. To address this and other conditions that hinder achieving best value for the

¹ TechAmerica is the leading voice for the U.S. technology industry – the driving force behind productivity growth and job creation in the United States and the foundation of the global innovation economy. Representing premiere technology companies of all sizes, we are the industry’s only trade association dedicated to advocating for the ICT sector before decision makers at the state, federal and international levels of government. With offices in Washington, D.C., Silicon Valley, Brussels and Beijing, as well as regional offices around the U.S., we deliver our members top tier business intelligence and networking opportunities on a global scale. We are committed to expanding market opportunities and driving the competitiveness of the U.S. technology industry around the world. For more information, visit www.techamerica.org.

taxpayer, TechAmerica would solicit the Committee's support for a wholesale review of government acquisition, similar in scope and objective to the Section 800 Panel convened in the early 90s. Without such an effort, we are concerned that legislative and administrative attempts to address shortcomings in Federal acquisition will have only limited impact at the edges of the issue.

Strategic Sourcing

As taxpaying corporate citizens who employ millions of people around the country, the members of TechAmerica are supportive of efforts like the Federal Strategic Sourcing Initiative (FSSI) that can derive savings by consolidating the acquisition of commoditized goods. We would caution, however, that such efforts have diminishing success when goods and services of a complex or diverse nature are shoe-horned into these vehicles. Strategic sourcing only works when the customer has uniform and relatively rigid acquisition requirements, and that is simply not the way the government buys information technology goods and services.

For small businesses, we see two direct and immediate challenges under the strategic sourcing initiative. Many of these companies – particularly the thousands of companies selling information technology goods and services as resellers on GSA schedules - will face diminished access to the Federal government market because under FSSI, there will be less award winners and more losers. The second challenge impacts those small businesses that are the most innovative providers of IT goods and services which are frequently offered in response to narrow, unique mission requirements or as a specialized component of a broader prime contractor activity. The offerings of these companies simply do not fit into the commoditized labor categories envisioned under strategic sourcing and these companies will face increased market pressures, given requirements to drive more and more acquisitions into strategic sourcing.

Many of the products and services in the ICT space do not lend themselves well to strategic sourcing. Government does not buy technology in a consistent fashion either and that further complicates any effort to fit them into such an initiative. For hardware items like laptops or servers, the government does not buy them in large quantities and when buying them, it does not ask for a consistent configuration. One customer wants more memory; another wants a CAC card reader, and a third wants a different sized screen.

The One Acquisition Solution for Integrated Services (OASIS) GWAC is a live example of the shoehorning of acquisitions into a strategic sourcing vehicle. Originally proposed as a new vehicle specifically for the acquisition of complex integrations of technology and services, it was announced earlier this year that it would become part of FSSI and the goods and services offered under the contract would be commoditized. As noted above, complex and specialized goods and services, like the ones small business can deliver, do not lend themselves well to strategic sourcing, so industry reacted with confusion and apprehension about proceeding with the offering. While the Draft RFP is out for review and a Final RFP is under development, industry remains concerned about how goods and services will be treated in the future under this contract vehicle.

Small business can and should compete for contracts in FSSI, but not all goods and services lend themselves to strategic sourcing. Congress should ensure that small business opportunities to offer innovative and unique goods and specialized services are preserved and that we strike a balance as we implement the Federal Strategic Sourcing Initiative.

Thank you again for the opportunity to speak with you this morning. I would be happy to answer your questions.