



**Testimony of Mike Tucker, Owner of George W. Allen Company
Committee on Small Business, Subcommittee on Contracting & Workforce
U.S. House of Representatives**

**Hearing on Scheduling Success?
Issues and Opportunities for Small Businesses on the GSA Schedules
Thursday, June 7, 2012**

Chairman Mulvaney and members of the Subcommittee, I am Mike Tucker, Chairman of the Independent Office Products & Furniture Dealers Association (IOPFDA) and owner of George W. Allen Company, located in Beltsville, Maryland. I am here today representing one of IOPFDA's two membership divisions – the National Office Products Alliance (NOPA).

The Independent Office Products & Furniture Dealers Association (IOPFDA) is a not-for-profit trade association established in 1904 that represents and serves more than 1,000 small independent commercial dealers throughout the United States, along with their key suppliers. Our small business members range in size from \$1 million to \$90 million in sales per year.

I appreciate the opportunity to speak to the Subcommittee today about the need to ensure that small businesses in our industry have fair, ongoing access to opportunities in the federal market. There have been a number of developments since 2010 with respect to management of the GSA Schedule 75 program in general, and implementation of the so-called “second-generation” Federal Strategic Sourcing Initiative (FSSI) for office supplies in particular, that have broadly impacted our members. I will highlight these developments in my testimony today.

First and foremost, NOPA is greatly concerned about the abrupt and widespread impact on small businesses in our industry due to the General Services Administration's (GSA) implementation of the current FSSI program for office supplies. We acknowledge that the FSSI program has generated new opportunities for some small businesses in our industry, including some of our very capable members. At the same time, there are many other members who have invested with government encouragement in obtaining their own Schedule 75 contracts, only to see their current opportunities dramatically reduced as a result of the near-mandatory, government-wide implementation of FSSI.

Given the government-wide scope of this FSSI and the large number of small businesses that were participating in this market in FY2010, NOPA was surprised that GSA did not

undertake a small business impact study before launching its second-generation FSSI for office supplies. It then went a step further and – without any such study as required under the Regulatory Flexibility Act – published a proposed rule in June 2011 on “Prioritizing of Sources of Supplies and Service for Use by the Government, FAR Case 2009-024” (76 FR 34634) that called for creation of a special preference for federal strategic sourcing initiatives within the FAR.

As an association, we have worked to find the “middle ground” within our membership on this issue. We do not wish to impair the new opportunities of members who competed for and were awarded FSSI blanket purchase agreements (BPAs). At the same time, if we do not highlight our concerns about how FSSI has been implemented, we would be failing to equitably represent a very large number of NOPA members with a history of success in serving federal customers who have seen their business decline sharply as FSSI has been implemented.

After monitoring FSSI implementation for 6-9 months and seeing its far-ranging impacts, we agreed within the NOPA Board to urge GSA and the Administration as a whole to issue a Statement of Administration Policy (SAP) to clarify to federal agencies what our industry had been told by GSA and the Administration just prior to the bid process: that FSSI would be implemented on a non-mandatory basis, allowing non-awarded GSA Schedule 75 holders to continue to compete for federal business. Since that time, it has become clear that FSSI volume and its share of total federal spending on office supplies would continue to grow as more and more major agencies issued guidance to buyers that FSSI use was mandatory except in unusual situations.

NOPA has maintained a dialogue with GSA and the Office of Federal Procurement Policy (OFPP) on FSSI implementation since 2010 and I am here today to urge this Committee, the full Congress and the Administration to acknowledge and address the impact of strategic sourcing on our industry in a forthright way. The solution is simple and relies on allowing more competition and flexibility in purchasing as a way to achieve FSSI’s goals and reduce job loss pressures in our industry.

First, the Administration needs to issue a very clear Statement of Administration Policy (SAP) that restores full competition within the federal market for our industry’s products. This approach, if communicated and implemented broadly, will help ensure agencies have a genuine future choice among procurement vehicles and will help the Administration achieve the overall budgetary savings it seeks through the FSSI program. Mandatory implementation of FSSI on a government-wide basis represents a massive form of “contract bundling,” which has and will continue to reduce the opportunities and level of small business participation and healthy, long-term competition in federal markets.

Second, there needs to be more flexibility to allow individual dealers with their own GSA Schedules to participate in FSSI as “authorized participating dealers” (APDs) with dealers who have received BPA awards. APDs should be subject to reasonable ground rules, but this should not mean they must give up their rights to compete for non-

FSSI federal business opportunities using their regular GSA schedule contracts. This is essential, since APDs will need to bear significant administrative fees from GSA and their chosen FSSI BPA holder partners, as well as normal costs associated with properly servicing federal accounts. NOPA is in dialogue with GSA on this kind of approach and we ask this Committee to strongly encourage them and the entire Administration to work toward an expeditious and balanced conclusion.

We hope that this Committee will reflect on the history of FSSI implementation in our industry and consider how the small business impacts can be mitigated in the future. At the end of FY 2010, there were 550, mostly small, companies and a few dealer-based organizations competing for federal business with one or more departments and agencies under the regular GSA Schedule 75 contract program and/or using individual agency blanket purchase agreements (BPAs). However, with the rapid, GSA/OFPP-orchestrated push for use of FSSI on a government-wide basis using just 2 large and 13 small vendors, the economic fallout has been swift and dramatic for most of the remaining Schedule 75 contract holders.

NOPA's survey of its members after 6 months of the FSSI program found that already there were significantly more dealers experiencing sales and job losses than there were dealers seeing large sales increases and hiring more people to support those sales. Ironically, this situation is occurring in a commodity area where small businesses owned and operated by women, minorities, service-disabled veterans and second- and third-generations of entrepreneurial families have been well represented and highly successful against much larger national competitors.

We do not believe that this result – a net economic loss for small business – is what Congress or the Administration intended or is what our Nation needs as our economy is showing uneven signs of recovery. More competition – not less – is the solution and can be readily restored in the federal market for office products by making the FSSI program truly one option, rather than a mandatory or quasi-mandatory option, among those that have been in place and working effectively for some time.

These alternatives include the GSA Schedule 75 contract program and individual federal agency BPAs that, were it not for FSSI, could remain in force or be reactivated and be effectively utilized. They will not be used, however, so long as individual federal buyers of office products are under direct guidance to buy using the government-wide FSSI program, or must jump through bureaucratic 'hoops' to justify every purchase decision. More competitors will help federal customers buy smarter and reduce waste and expense. And this is what responsive, small businesses excel in doing.

Recent changes in the GSA Advantage website used for federal purchasing represent one such hurdle, since they strongly channel buyers to the FSSI program at the expense of other potential purchasing vehicles, and make it exceedingly

difficult to find and compare pricing and product availability from other GSA Schedule 75 vendors and agency BPA contractors.

Contrary to what proponents of broad-based “strategic sourcing” argue, ‘best value’ – including competitive pricing – is more likely to occur when each federal customer in the many distinct geographic markets of the United States has strong local alternative vendors from which to choose who are dedicated to servicing their specific needs. Our two proposals would help achieve this outcome.

In addition to addressing our immediate concerns with the current FSSI program’s implementation, we hope this Committee will encourage the Administration to follow the guidance of OMB’s two recent “myth busting” memoranda that encourage more pre-bid interaction with federal contractors. For several years NOPA has offered to meet with GSA, individual agencies and OFPP to discuss specific ideas on how to better include small business in federal procurement. With more federal strategic sourcing initiatives anticipated, this inclusive approach is even more critical.

On behalf of NOPA and its members, I thank you for opportunity to testify before this Subcommittee about the GSA Schedule and FSSI program as they impact our industry. We welcome any questions you may have.