

Testimony of Michael Mansh, President
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*Before the House Small Business Committee
Subcommittee on Contracting and Workforce*

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Thank you, Chairman Mulvaney, Ranking Member Chu and members of the Subcommittee for affording me this opportunity to speak today on the adverse impact that Federal Prison Industries has had and continues to have on our business and the industry.

I am Michael Mansh, President of Pennsylvania Apparel LLC, a company based in Ft. Washington, PA with factories operating in Olive Hill, KY, Macon, GA and Buckhanon, WV. I also am a member of the American Apparel & Footwear Association (AAFA) where I serve as Chairman of its Government Contracts Committee, which represents the domestic manufacturing base of clothing, footwear and textile producers for the U.S. military.

In November 2002, I appeared before the House Small Business Committee and explained the deleterious impact of Federal Prison Industries (FPI) on my company and the industry at large. In the last ten years, I can tell you that things have only gotten worse.

Pennsylvania Apparel has been both a prime contractor and subcontractor for the Department of Defense for the last 50 years. My company's survival against the unfair and unjust competition from FPI would not have been made possible if it were not for the efforts of Senators McConnell and Paul and the effective representation of our industry by AAFA.

When I last appeared, I testified that my company's main product was the Utility Jacket for the Navy, which was made in Olive Hill from 1987 through 1997. Olive Hill is a small town of 1,600 people, located in a HUBZone with high unemployment, where my factory alone employs more than 10% of the eligible workforce. In February of 1995, we were informed that FPI had exercised its mandatory source preference and had taken 100 percent of the requirement for the Utility Jackets. In 1997, FPI was awarded a long-term contract for the Utility Jackets, which effectively prevented me and everyone else in the industry from being able to bid, compete and produce this jacket.

Shortly thereafter, I was able to keep my Olive Hill plant open by securing a contract for the Air Force Lightweight Windbreaker, an item made and procured for each member of the U.S. Air Force. This item is one well known to many Americans as it is worn by the President of the United States and the Air Force One flight crew. My company and its workers have been successfully and proudly making this jacket for the last fifteen years.

In December of 2011, I learned that FPI was planning to steal this jacket away from my company when the contract expires at the end of 2012. The law does not require FPI to give me any formal notice of this action or allow me to submit any protest to FPI's legalized theft of this product from my company and its workers.

Fortunately, I was afforded an opportunity to appear on the Fox & Friends television program and share the real and direct impact the FPI program has on American manufacturing jobs. Senators McConnell and Paul also stood up for our workers and the great work they do. In light of the strong showing of support, FPI exercised a “waiver” of its mandatory source preference and opted to not take the contract. While this version of the same story I told ten years ago ended positively for my company and its employees this time, there are Olive Hill, Kentuckies all across this country who face the threat of FPI every day.

FPI’s activities come at the expense of a strong and crucial manufacturing base that the Department of Defense desperately needs to provide for its military clothing needs and to ensure surge capabilities for emergency mobilization. Such quick action was needed in the aftermath of September 11th that necessitated our military to quickly ramp up production for the campaigns in Iraq and Afghanistan that led to the capture of Saddam Hussein and Osama bin Laden. However, the continuing increase in FPI’s market share in Clothing & Textiles will continue to reduce the industrial base’s capabilities to innovate new products and get our troops the equipment they need when they need it.

Unlike other products procured by DOD, our industry is not one controlled by several large corporations with a few small businesses going after the scraps. By contrast, our industry is predominantly one fueled by small business interests. These small companies are Women-owned, Veteran-owned, Minority-owned, operate in areas of high unemployment like Olive Hill and even employ blind and disabled workers under the AbilityOne program and none of these entities are immune from FPI’s preference.

As an industry, I can tell you that we not only understand the goals of the FPI program, but wholeheartedly support its good intentions. However, we cannot in good conscience understand the logic behind a federal policy that requires the federal government to take jobs away from law-abiding, tax-paying American citizens as the only way to accomplish the goals of the FPI program.

Currently, we are in support of two pieces of legislation that seek to reform the program, HR 3634, the Federal Prison Industries Competition in Contracting Act introduced by Congressman Huizenga and HR 2312, the DOD Textile and Apparel Procurement Fairness Act introduced by Congressman Walter Jones. One of the most important features of both pieces of legislation is the restriction they place on FPI from being able to take any contract specifically reserved for small businesses. In FY2011, FPI reported \$745 million in total sales, of which \$238 million was in their Clothing & Textiles business segment accounting for 32% of their total sales. These numbers are not the work of a small business. In fact, by their sales numbers, FPI is among the top fifty largest government contractors in the United States. Moreover, these numbers show that FPI is not following its statutorily mandated responsibility to diversify its business among its seven segments. If that were so, FPI sales in Clothing & Sales should have only been approximately \$100 million in FY11. Can you imagine how many jobs \$138 million could create in a time when unemployment is in excess of 8%?

Critics of these bills have claimed that we are working to end the FPI program. That is blatantly untrue. We believe that as industry we can compete against FPI if given the opportunity to do so. Despite the fact that starting wage for an inmate is 23 cents per hour, the industry is looking for equity in the form of opportunities for industry to win contracts, hire employees and keep the domestic manufacturing base of textiles and apparel strong and vibrant so that we are prepared when the next crisis arises.

In 2002, I stated in my testimony, and I quote, “The time for FPI reform is now.” In 2012, I submit that the time for FPI reform is long overdue.

In closing, I urge this Committee and this Congress to work with your colleagues in the House Judiciary Committee and the Senate to undertake and pass reform legislation – to correct the imbalance that FPI has caused – as soon as possible. I thank you for your invitation to appear before you today and look forward to taking any questions.