



Chairman Richard Hanna
Committee on Small Business
Subcommittee on Contracting and Workforce
“Bungling Bundling: How Contract Bundling and Consolidation Remain Challenges to Small Business Success”
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Good morning. This hearing will come to order. This morning, we are here to talk about contract bundling and consolidation, specifically what unjustified bundling and consolidation mean for small businesses. In this Subcommittee, we look at a lot of different procurement tools, and have always been careful to say that no one type of contracting methodology is inherently good or bad, but that is how the government uses a tool that matters. In no case is this more true than bundling and consolidation.

In the Small Business Act, Congress tells agencies how to determine whether bundling and consolidation are being appropriately used. The law provides definitions of the methodologies, explains what benefits would justify the use of the strategy, requires agencies to mitigate justified bundling and consolidation, and prohibits unjustified bundling and consolidation. When bundling and consolidation are justified, they deliver real benefits to taxpayers. However, unjustified bundling unnecessarily excludes small businesses from competing for federal contracts, which results in higher prices for taxpayers. Thus, this system only works if agencies correctly identify contracts as bundled and consolidated.

While we don't have all of the data yet, agencies are reporting bundling 38 contracts worth \$2.8 billion in FY 13, and consolidating another 98 contracts worth \$29 billion. This would mean that about 6% of the dollars we spend are bundled or consolidated, and that only 136 of the 10 million plus contracts awarded were bundled or consolidated. Unfortunately, we know this number is significantly underreported.

For example, during our June hearing on strategic sourcing, we heard that agencies are turning more and more to consolidated and bundled contracts for goods and services normally procured from small businesses. However, these strategic sourcing contracts are not being reported as bundled or consolidated. Likewise, while agencies did not award all of the top 20 contracts predicted for FY 2013, of those awarded none included a bundling or consolidation justification, even though these contracts were expected to exceed \$105 billion.

While it is easy to point out the large omissions, it is often the smaller contracts – those in the tens or hundreds of millions – that represent the greatest loss of opportunity for small businesses. I hope to hear from our witnesses today just how large the problem is, and what we need to do about it. Frankly, at this time there seem to be no consequences for an agency that fails to identify a contract as bundled or consolidated.

Further, I'm concerned that other aspects of the law are not being enforced. For example, after a bundled contract is awarded, the government is supposed to report back on whether the anticipated

savings or benefits that justified the bundling were achieved. To date, not one such report has been completed.

I'm hoping our witnesses today will help us understand the scope of this problem and what we need to do to get reliable data on bundling and consolidation. I'm also looking for their ideas on how to hold agencies accountable for unjustified bundling and consolidation, since the current statutory provisions are being observed in the breach. Finally, I'm seeking their opinions on other ways we can improve the law to ensure that small businesses can compete.

At a time when we are focused on the financial health of our country, I believe that part of the solution is finding ways to improve competition and thereby reduce prices. Small businesses are a crucial part of that solution, since their participation increases competition, creates jobs, and encourages innovation. I look forward to the testimony of our witnesses, and thank them for joining us here today.