

**National Defense Industrial Association · Native American  
Contractors Association · National Association of Small Business  
Federal Contractors · National Small Business Association · Minority  
Business Roundtable · Fairness in Procurement Alliance · Minority  
Business Enterprise Legal Defense and Education Fund · Asian  
American Business Roundtable · Women Impacting Public Policy ·  
Latino American Management Association · National Center for  
American Indian Enterprise Development · National Congress of  
American Indians · Small Business Technology Council**

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April 30, 2008

The Honorable Michael W. Wynne  
Secretary of the Air Force  
Pentagon  
1670 Air Force  
Washington, DC 20330-1670

RE: Improving Small Business Participation in Air Force Contracts

Dear Secretary Wynne:

On behalf of our organizations and their members all across America, we write regarding your March 26, 2008 Secretarial Memorandum on Air Force Small Business. The memorandum calls on all Air Force commands to improve the number of prime contracts awarded to small businesses in all categories, including women-owned, disadvantaged, Historically Underutilized Business Zone, Native American, and service-disabled veteran-owned firms. As you clearly point out in your memorandum, the Air Force has not been achieving the 23 percent small business prime contracting minimum goal established in the Small Business Act over the last few years. We write to commend you for your recent efforts to improve small business participation in Air Force contracts and for the strong endorsement you provided to the authority of the Air Force Office of Small Business Programs headed by Mr. Ronald Poussard. Most importantly, we write to propose and suggest specific actions to strengthen Air Force small business performance, many of which the Air Force can take on independently as well as in partnership with the industry.

First, we note that your memorandum does not require three major commands—the Air Force Materiel Command, the Air Force Space Command, and the Air

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Mobility Command—to attain the 23 percent prime contracting goal for the foreseeable future. Taken together, these Commands represent the bulk of Air Force procurements, and our members believe that the Air Force will never meet the 23 percent goal unless these commands are expected to set more contracts aside for small businesses. Our organizations, the Small Business Administration, and the Commerce Department can assist you with finding qualified small businesses to compete for projects there. Such assistance with finding qualified small businesses can also be provided by the many Federally-supported small, minority and Native business development and procurement technical assistance centers. *With regard to these three commands, we suggest that you authorize the Air Force to create command-specific small business advisory teams which would work with these commands on identifying qualified small businesses and expanding small business set-asides. We also recommend that you create a national Small Business Advisory Committee which would help your office with expanding small business participation. To enable the Air Force to quickly conduct total or partial small business set-aside without the fear of protest litigation, we suggest that you enter into joint set-aside determinations with the Small Business Administration under Section 15(a) of the Small Business Act, 15 U.S.C. 644(a). Section 15(a) authority would permit the Air Force to set aside any contract or class of contracts in whole or in part for award to small businesses in the interests of national defense or to ensure that small businesses receive a fair portion of prime contracts.*

Second, our members do not agree with your statement in your memorandum that Air Force “major systems acquisitions do not lend themselves to small business prime contracts.” Over the years, our members have participated in many Air Force acquisitions involving competitive small business set-asides in the hundreds of millions of dollars and even in the billions of dollars. As you know, President Bush announced in 2002 that “wherever possible, we are going to insist that we break down large Federal contracts so that small business owners have got a fair shot at Federal contracting.” *We would be interested to know which acquisitions you have determined to be unsuitable for small business prime contracts, and ask that you give us the opportunity to show that there are small businesses that have the capabilities and the experience to perform such contracts. In addition we strongly urge you to promulgate policies or regulations encouraging the practice of "teaming" in order to enable small business concerns to bid on larger contracts. Further, we ask for your commitment that any major acquisition which is not set aside for small business concerns has a robust, meaningful subcontracting plan which is based on a high percentage of total acquisition dollars and which*

*provides for identifying small business subcontractors in advance of prime contract awards to perform specific work as well as for promptly paying subcontractors.*

Data from the Federal Procurement Data System-Next Generation (FPDS-NG) suggests that continued improvement of Air Force small business contracting is worthy of your time and attention. In fact, to meet the 23 percent statutory goal in Fiscal Years 2005 through 2007, the Air Force should have awarded another \$15.7 billion in set-asides and unrestricted contracts to American small businesses:

- ◆ In Fiscal Year 2007, the Air Force awarded over \$68.5 billion worth of procurement contracts. However, small businesses were awarded only 13.8 percent of Air Force contracts, just shy of \$9.5 billion. The compliance gap below the 23 percent statutory goal grew by \$1.2 billion from the previous fiscal year and amounted to about \$6.3 billion in misdirected small business prime contracting opportunities. Contracts awarded to small businesses under total or partial small business set-asides (including set-asides for small business categories) amounted to just over \$5.2 billion, or merely 7.6 percent of total Air Force contracts. Thus, set-aside contracts in FY2007 accounted for the same portion of Air Force contracts as they did in FY2005.
- ◆ In Fiscal Year 2006, the Air Force awarded \$62.4 billion of procurement contracts, but small businesses were awarded only 14.8 percent or about \$9.2 billion. The compliance gap below the 23 percent statutory goal grew from the previous fiscal year by \$0.8 billion and amounted to over \$5.1 billion in misdirected small business prime contracting opportunities. Small business contracts awarded under small business set-asides amounted to just over \$4.4 billion, or 7.1 percent of total Air Force contracts.
- ◆ In Fiscal Year 2005, the Air Force awarded \$55.6 billion in procurement contracts, but small businesses were awarded only 15.3 percent or \$8.5 billion. The compliance gap below the 23 percent statutory goal amounted to about \$4.3 billion in misdirected small business prime contracting opportunities. A mere \$4.2 billion, or 7.6 percent, of total Air Force contracts were awarded to small firms under small business set-asides.

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In light of this data, we are concerned about policies and practices at some of the major commands imposing new restrictions on small business set-asides (such as the Air Force Combat Command requiring extra approvals for small business set-asides and preferences), exempting contracts from set-asides (such as contracts to be performed overseas), or even repealing small business set-asides (such as the Air Force Materiel Command cancelling the small business set-aside on Air Force-wide network-centric solutions procurements). We feel that such policies and practices contradict and undercut the Small Business Act authorities encouraging competitive and direct set-asides in order to generate revenues, create employment, and foster economic growth among underserved communities.

We greatly appreciate all your efforts to improve small business participation in Air Force contacts. We have already reached out to Mr. Poussard in your office, and would like to meet with you in the near future to in order to begin working together on these matters. Should you have any questions or require additional information, please do not hesitate to contact Karen Atkinson with the Native American Contractors Association at 202-349-9845, Max Kidalov with the National Association of Small Business Federal Contractors at 202-756-4960, Rawley Soberano with the Asian American Business Roundtable at 301-601-9038, Chandra Burnside with the National Defense Industrial Association at 703-247-2595, Ann Sullivan with Women Impacting Public Policy at 202-626-8528, Steve Denlinger with Latino American Management Association at 240-751-3117, Raul Espinosa with Fairness in Procurement Alliance at 904-599-9920, Kyle Kempf with the National Small Business Association at 202-293-8830, Roger Campos with the Minority Business Roundtable at 202-289-8881, Jere Glover with the Small Business Technology Council at 202-662-9700, Dante Desiderio with the National Congress of American Indians at 202-466-7767, Katherine Boyce with the National Center for American Indian Enterprise Development at 202-457-6094, and Anthony Robinson with the Minority Business Enterprise Legal Defense and Education Fund at 301-583-4648.

Sincerely,

*National Defense Industrial Association*

*National Small Business Association*

*National Association of Small Business Federal Contractors*

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*Native American Contractors Association*

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*Minority Business Enterprise Legal Defense and Education Fund*

*Asian American Business Roundtable*

*Women Impacting Public Policy*

*Latino American Management Association*

*National Center for American Indian Enterprise Development*

*National Congress of American Indians*

*Small Business Technology Council*

cc: The Honorable Steven Preston, Administrator, Small Business Administration  
The Honorable Jovita Carranza, Deputy Administrator, Small Business Administration  
The Honorable Carlos Gutierrez, Secretary of Commerce  
The Honorable Paul A. Denett, Administrator for Federal Procurement Policy  
The Honorable Robert Gates, Secretary of Defense  
The Honorable John Young, Undersecretary of Defense for Acquisition, Technology, and Logistics  
The Honorable James I. Finley, Deputy Undersecretary of Defense for Acquisition and Technology  
Mr. Anthony Martoccia, Director, Department of Defense Office of Small Business Programs  
Mr. Ronald Poussard, Director, Air Force Office of Small Business Programs