



2018 ANTELOPE VALLEY BOARD OF TRADE

MICRO BUSINESSES CONTRACTING OPPORTUNITIES

Executive Summary

We strongly urge you and every member of our California Delegation to take proactive leadership in discussions about Micro businesses Contracting Opportunities. There has been an increase in designating formerly large business contracts with a Micro businesses subcontracting plan of >\$50M to a micro businesses set-aside for the follow-on solicitation. While there are qualified micro businesses, based upon market surveys and responses to a Requests for Information (RFI), there is an unintended consequence to be considered. Micro businesses with <\$5M in annual sales, that are the next wave of micro businesses, rely on subcontracting opportunities to build a past performance portfolio. With many large business opportunities being transitioned to micro businesses set-asides, these subcontracting opportunities are disappearing. We recommend that you consider refining the metrics associated with the execution of a successful micro businesses program to include the number of awards, in addition to the total dollars awarded to micro businesses.

The AV Board of Trade is comprised of many micro businesses doing business with the Federal Government as a prime contractor or as a subcontractor to a major prime. Based on published trend data, Micro businesses set-aside opportunities are projected to continue to increase with billions of dollars in prime contract awards to shift to micro businesses. Execution of the Micro businesses Program relies on the Micro businesses Administration Procurement Center Representative (PCR) and the local Micro businesses Specialist where the definition of success is based on the total dollar value of the contracts awarded to Micro businesses. As we have seen a trend toward targeting large contract opportunities for micro businesses set-asides, allowing for success with a few selected acquisitions.

These large business contracts contain a micro businesses subcontracting requirement approaching 40%, providing opportunities for many micro businesses to provide support. In our area one of these contracts has at any one time 7-9 micro businesses

with subcontracts performing on the contract. When this contract, or one like it, becomes a micro businesses set-aside, subcontract opportunities disappear. A typical scenario for the follow-on contract is a micro businesses/large business (incumbent) team, with a designated micro businesses performs 51% of the contract effort as the prime contractor. The result for the current assortment of small companies is that micro businesses subcontracting is no longer available and unless they are a “large” micro businesses that are not a credible prime contractor. Realistically, micro businesses participation is increased by 11% of the total contract value at the expense of many “small” micro businesses. The PCR and Micro businesses Specialist are getting credit for a 60% increase in micro businesses participation of which 49% is being performed by a large business based on total contract value.

Additionally, the practice of consolidating micro businesses activities into a “larger” micro businesses contract or a current large business contract has eliminated opportunities for micro businesses. Micro businesses in our area have seen their prime contracts disappear under this practice. The appearance is that the motivation for consolidation is purely associated with reducing the workload of procurement organizations. Many opportunities that have existed in the past are no longer available as micro businesses prime contracts.

Why change is needed in the Micro businesses Program?

- Opportunities for “small” micro businesses to enter the Government Contract marketplace is limited and subcontracting to large prime contractors is critical.
- Success if the micro businesses program is based on total dollars awarded to micro businesses, not the dollars associated with actual work performed by micro businesses.
- Success of the micro businesses program should include a metric consisting of total micro businesses participation (number of participants) and not just dollars awarded to micro businesses prime contractors.
- For micro businesses to thrive and expand the number of opportunities needs to increase for “small” businesses.
- The practice of contract consolidation to reduce the workload on procurement organizations needs to cease and be reversed, providing increased access to micro businesses contracting opportunities.

We strongly urge you and every member of our California Delegation to proactively and strongly support revising the rules associated with the execution of the micro businesses program. Micro businesses need opportunities to thrive and “large” micro businesses set-asides and contract consolidation are limiting these opportunities. Micro businesses is critical to the creation of jobs and the expansion of the economy.