

Recommendations on Improving Small Business Contracting Competitiveness at AFSPC

Alison Brown, Chair
NDIA Rocky Mountain Chapter,
Small Business Committee

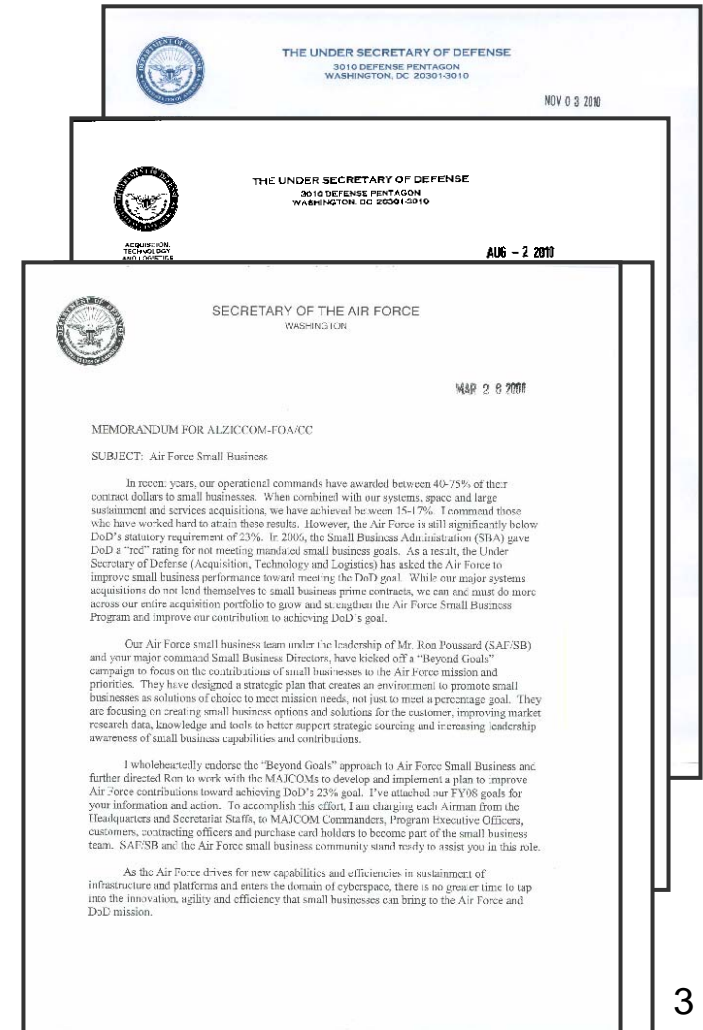
February 2011

What is the Problem?

- DoD has not met its SB contracting goals
 - 2009: \$64B contracted, \$3.77B below goal
- AFSPC contracts for 3% of DoD eligible budget but has 6% of the SB goal shortfall
 - 2009: \$992M contracted, \$223M below goal
- SECAF and SECDEF guidance is to increase SB role in defense competition

SECAF and SECDEF Guidance

- **Sec Wynne – AF Small Business Memo to MAJCOMS, March 26, 2008**
Charged MAJCOM Commanders & PEOs to become part of SB team supporting SAF/SB “Beyond Goals”
- **Sec Carter Memo – August 2nd 2010**
“I strongly encourage each of you to seek contracting opportunities with small businesses.”
- **Sec Carter Efficiency Memo – Nov 3 2010**
Increase dynamic small business role in defense marketplace competition



AFSPC SB Contracting Working Group Charter

- Identify areas where AFSPC is falling short of meeting small business contracting goals
- Identify acquisition models in use by other services to increase SB contracts
- Identify areas where there are qualified SB primes that could benefit AFSPC's programs
- Provide recommendations to SBA on changes to acquisition strategy that could result in more SB contracts and meeting AFSPC's SB Goals

NDIA AFSPC SB Contracting WG Actions

- Working Group Leads for Industry Inputs
 - Alison Brown – Successful SB Contracting Models
 - Gordon Bate – SB Services
 - Frank Backes – SB Products
 - Alison Brown – SB R&D and SBIR Transitions
- One Day Workshops
 - July 1st Workshop with AFSPC in Colorado Springs
 - Sept 8th Workshop with SMC in Los Angeles
- Provided inputs to NDIA SB EXCOM and to the Presidential Small Business Task Force
 - SB Contracting Task Force Report

Key Questions

- Why contract directly to Small Businesses rather than through subcontracts?
- Where can SB prime contractors contribute to the Space mission?
- What contracting methods can be used to reach Small Businesses?

Why contract directly with Small Business?

“It is the declared policy of Congress that the government should aid, counsel, assist, and protect, insofar as is possible, the interests of small-business concerns in order to preserve free competitive enterprise, to ensure that a fair proportion of the total purchases and contracts for property and services for the government be placed with small business enterprises, to ensure that a fair proportion of the total sales of government property be made to such enterprises, and to maintain and strengthen the overall economy of the nation.”

Congressional Objectives

1. To strengthen the American economy
 - This can also be achieved through subcontracts to primes
2. Increase access to innovation, maintain a viable industrial base and stimulate competition
 - Requires direct contracting with Small Business to get access to “out-of-the-box” thinking and non-traditional solutions

Vertical vs Horizontal Integration Business Models

Vertical Integration

- Optimizes a business to exploit a static market
 - Lowers business transaction cost of ownership
- Ford Example
 - Originally owned the coal mines, rail roads, glassworks used for its manufacturing
 - In order to be globally competitive had to move to a Horizontal Integration strategy using outsourcing to suppliers

Horizontal Integration

- Optimizes a business to exploit a dynamic market
 - Outsource to companies who focus on the niche
- Examples
 - Commercial electronics: Dell computer, Motorola, Apple,
 - Commercial Aerospace: Boeing commercial airplanes
 - Automotive manufactures: All use outsourcing for parts

Space Program Example Business Models

Vertical Integration

- Space Prime Contractor Example
 - Limited number of companies have ability to address over-all mission
 - Minimal outsourcing is common
- Space Centers Example
 - (NASA, JPL) and FFRDCs (Aerospace, Mitre) also employ aspects of Vertical Integration
- **Pros/Cons**
 - Prime contractor has system responsibility and authority for make/buy decisions
 - Geared to address static threat (example is Cold War)
 - Hard to engage non-traditional vendors and innovations to respond to new dynamic threats (example is China, Korea, Taliban)

Horizontal Integration

- TacSat-III Example
 - AFRL outsourced subsystems
 - Raytheon: ARTEMIS instrument
 - ATK: Spacecraft
 - SEAKR: Payload Processor
 - SCC: Payload Algorithms
 - Resulted in new space tactical tasking operational capability
- **Pros/Cons**
 - Leverages multiple suppliers
 - Engages innovative solutions to respond to dynamic threats
 - Improves competition and stimulates industrial base
 - Requires subcontract management of multiple subsystem niche suppliers

Recommend moving to a Horizontal Integration Model for Space

- The Global Environment is changing the playing field
 - Dynamic business models are required to remain competitive especially at the national level
 - More efficient return on taxpayer investment is critical to maintaining our competitive edge
 - Traditional advantages are evaporating with other countries' economic successes
 - Our immediate enemy is the epitome of a non-static combatant
- **AFSPC should move to a Horizontal Integration model for Space Programs**
 - Encourage growth of a competitive industrial base of large Primes and niche space subsystem suppliers
 - Create competitive programs for space subsystem technology development outside of the large Prime contracts
 - **Include contract incentives for large Prime contractors to encourage and reward outsourcing**

Key Questions

- Why contract directly to Small Businesses rather than through subcontracts?
- Where can SB prime contractors contribute to the Space mission?
- What contracting methods can be used to reach Small Businesses?



AIR FORCE SPACE COMMAND FISCAL YEAR 2009 Small Business And Historically Black Colleges and Universities/minority institution Program Goal Allocation (%)



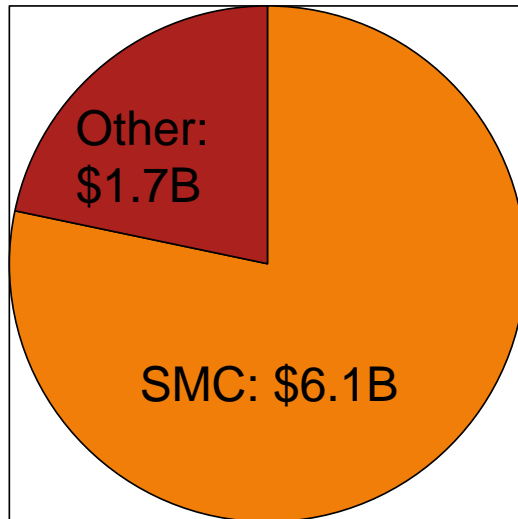
| Unit | Total Spend/ % of Spend | Small Business | SDB | Woman- Owned Small Business | HUBZONE | SDVOSB | HBCU/MIs |
|------------------------|----------------------------|-------------------|-------|--------------------------------------|---------|--------|----------|
| AFSPC | \$7.8B/100% | 15.58 | 4.53 | 3.71 | 1.67 | 1.68 | .60 |
| Peterson/ 21 SW | \$403M/5.3% | 58.28 | 14.75 | 18.21 | 2.01 | 1.90 | .06 |
| Vandenberg/ 30 SW | \$152M/2% | 91.21 | 21.26 | 7.74 | 3.54 | .36 | .06 |
| Patrick/ 45 SW | \$333M/4.5% | 26.48 | 14.49 | 1.76 | 1.89 | 1.40 | .06 |
| Schriever/ 50 SW | \$204M/2.7% | 42.98 | 31.36 | 1.13 | 2.34 | .79 | .06 |
| Los Angeles/ 61 ABW | \$26M/.5% | 82.81 | 48.41 | 12.02 | 18.33 | 6.30 | .06 |
| F.E. Warren/ 90 MW | \$30M/1% | 76.0 | 47.78 | 16.88 | 18.94 | 7.86 | .06 |
| Malmstrom/ 341 MW | \$34M/1% | 79.63 | 19.45 | 16.21 | 21.30 | 2.02 | .06 |
| Buckley/ 460 SW | \$31M/.5% | 84.58 | 61.33 | 21.90 | 3.59 | 10.75 | .06 |
| SMC | \$6.1B/82.5% | 3.40 | 1.55 | .39 | .17 | .54 | 12 .06 |

Note: A numerical goal for HBCU/MI awards has been assigned to AFSPC, and, although, individual goals have not been assigned for the respective units, each unit is expected to seek maximum HBCU/MI participation in contract awards, education & training, cooperative agreements and recruitment.

AFSPC/SMC SB Contract Comparison

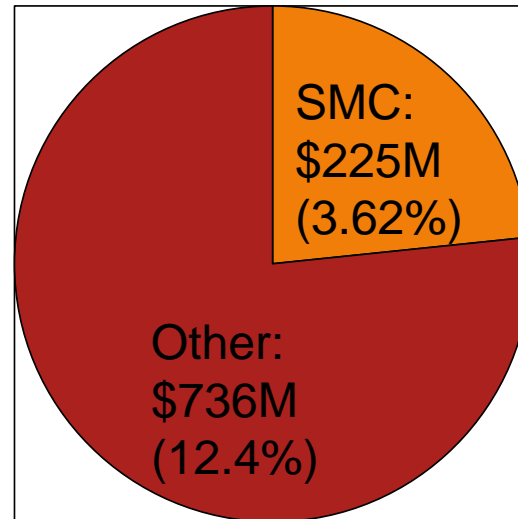
- SMC have majority of AFSPC funding but the minority of SB contracts
- Majority of current AFSPC SB contracts are for Services
- To increase SB contracts to FY11 Goal of \$1.3B we recommend also investigating how to increase contracts to SB for Products or R&D

AFSPC Total FY09 \$7.8B




■ SMC ■ Other

SB Goal \$1.22B Actual \$961M



■ SMC ■ Other

Where can SB prime contractors contribute to Space mission?

- SB products are being mainly acquired through Prime subcontracts to Primes for subsystems 
 - Subcontracts do not count against DoD SB Contract goals
- SB R&D is primarily being conducted through SBIR Program
 - Phase I and II contracts are handled through AFRL
 - AFSPC current Phase III transition direction is through Primes
 - Extremely few Phase III contracts are being let through AFSPC₁
- SB Primes could be better employed during the “Enabling Concept” development phase
 - Provides opportunity to increase the role of dynamic small businesses in the competitive defense marketplace₂

1. GAO-11-21, Space Acquisitions: Challenges in Commercializing Technologies Developed under the SBIR program
2. Sec Carter Memo: Implementation Directive for Better Buying Power-Obtaining Greater Efficiency and Productivity in Defense Spending, Nov 3 2010

GAO: Actions Needed to Address Space and Weapon Acquisition Problems¹

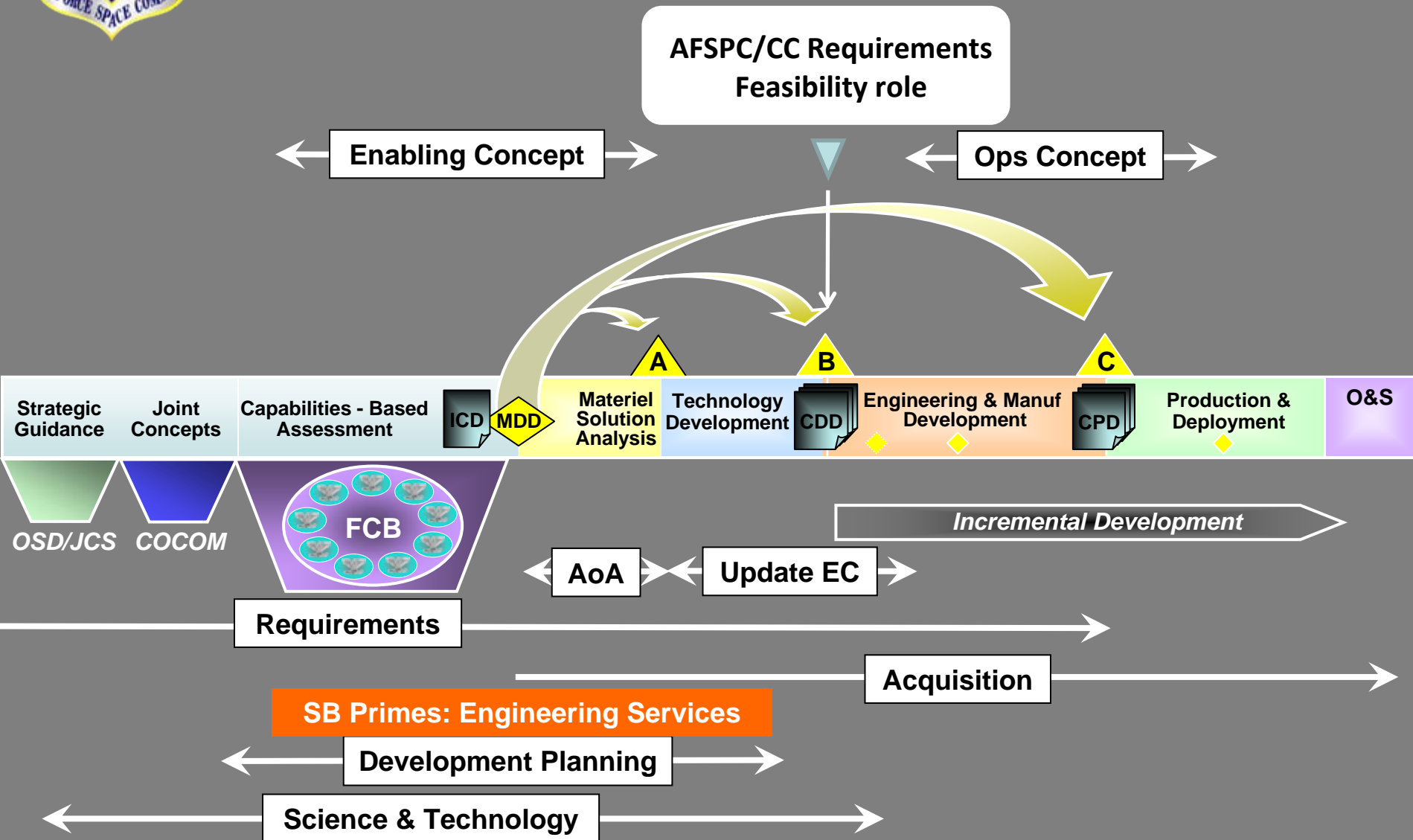
Before undertaking new programs

- Prioritize investments so that projects can be fully funded and it is clear where projects stand in relation to the overall portfolio.
- Follow an evolutionary path toward meeting mission needs rather than attempting to satisfy all needs in a single step.
- Match requirements to resources—that is, time, money, technology, and people—before undertaking a new development effort.
- **Research and define requirements before programs are started and limit changes after they are started.**
- Ensure that cost estimates are complete, accurate, and updated regularly.
- Commit to fully fund projects before they begin.
- **Ensure that critical technologies are proven to work as intended before programs are started.**
- **Assign more ambitious technology development efforts to research departments until they are ready to be added to future generations (increments) of a product.**
- Use systems engineering to close gaps between resources and requirements before launching the development process.

Blue highlights are particular areas where SB can contribute

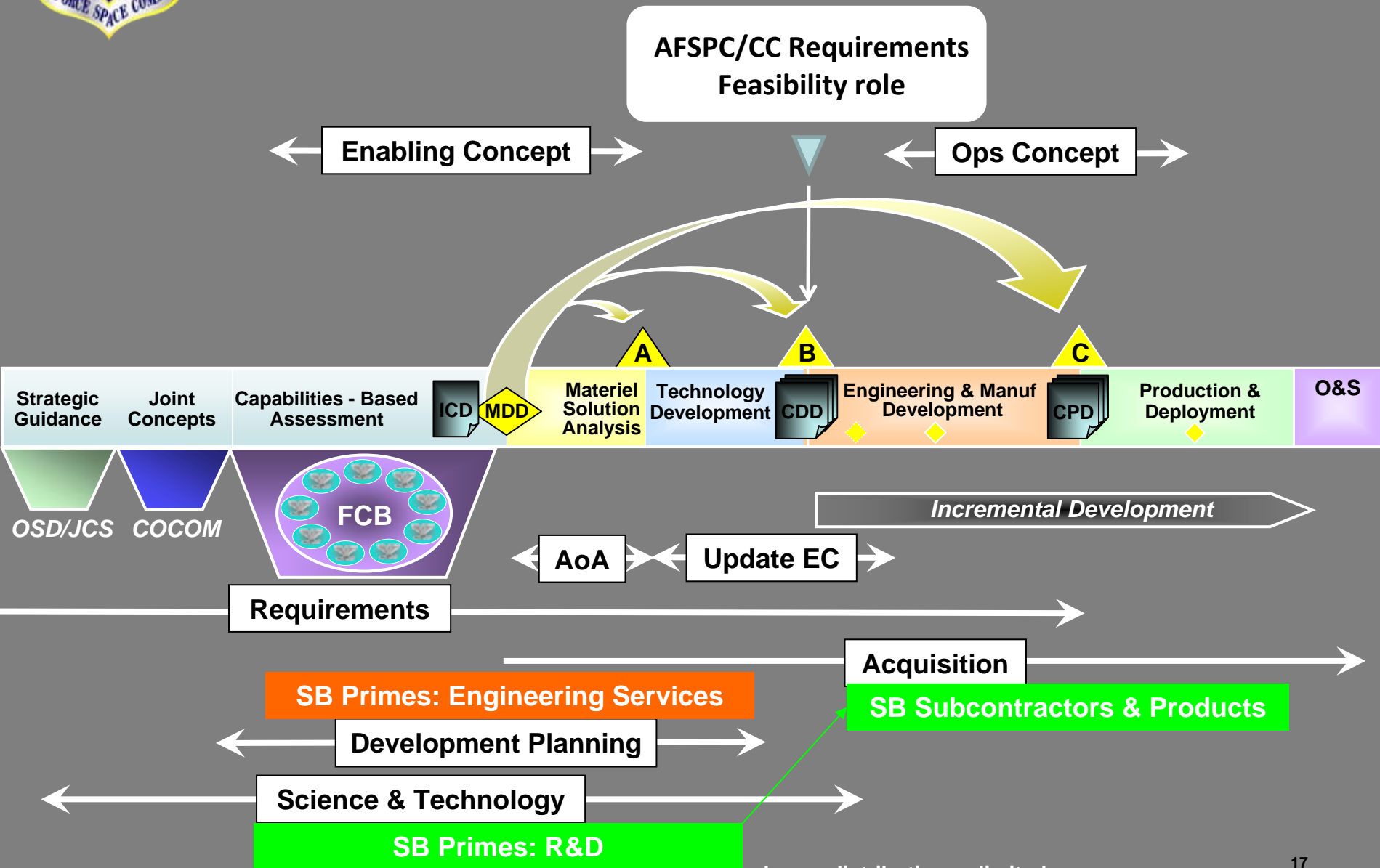


Requirements & Acquisition



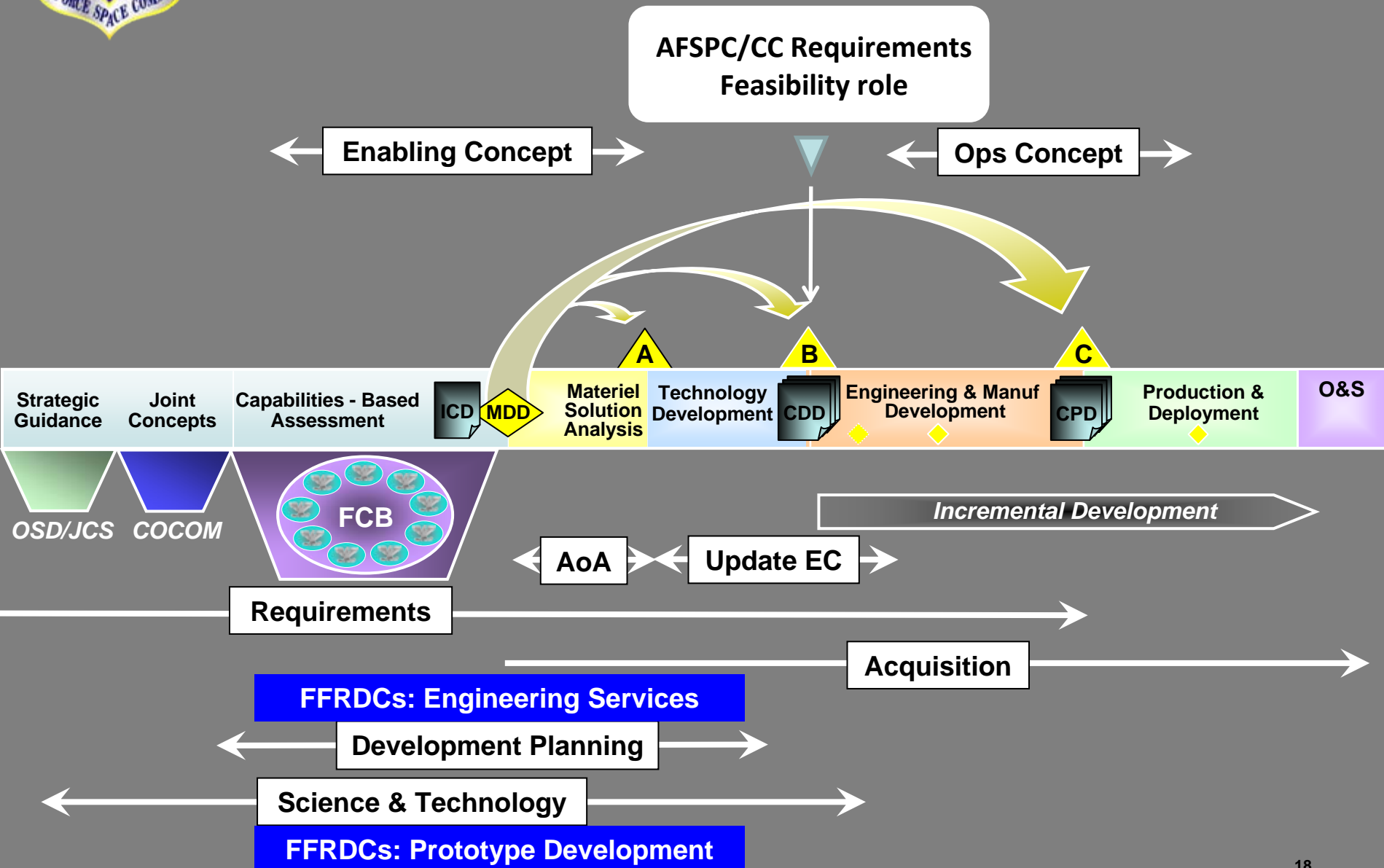


Requirements & Acquisition





Requirements & Acquisition



Recommended Refocus of FFRDC and SB Utilization

FFRDC Support

- SETA Systems Engineering & Operations Support
- CONOPS Development
- Prototype Development & Test
- Technology evaluation
- Acquisition Support
- Cost Assessments
- Budgeting & POM Support
- RFP Development
- Source Selection
- EVM Oversight
- Independent Program Assessment

Small Business

- SETA Systems Engineering & Operations Support
- CONOPS Development
- Prototype Development & Test

Advantages

- Can focus FFRDC resources more on acquisition support functions
- Technology from “best” prototypes can transition directly to Prime through subcontract with SB
- Preserves OCI avoidance as SB are not decision makers on technology evaluation (FFRDC & Large Primes are)

Key Questions

- Why contract directly to Small Businesses rather than through subcontracts?
- Where can SB prime contractors contribute to the Space mission?
- What contracting methods can be used to reach Small Businesses?

What contracting methods can be used to reach Small Businesses?

- Current AFSPC/SMC are geared towards large scale acquisitions
 - For majority of SB contracts “lightweight” acquisition processes are needed
- Programs may be assigning work to FFRDCs solely due to contracting convenience or speed of access to their technical staff.
 - Need methods to reach to SBs as “easily” as FFRDC STEs
- Options investigated by the Working Group:
 - GSA schedule (good option for services)
 - Small business set-asides through BAAs
 - Other agency contracting (e.g. AFRL, SPAWAR, CERDEC)
 - Phase III SBIR contract authority

Use of other Agencies for R&D Contracting

- SMC has historically provided funded to other agencies to support their R&D needs
 - e.g. AFRL Sensor Technology Research, Development, Test & Evaluation Open-Ended BAA (STROEB)
 - e.g. CERDEC, BAA Position and Navigation Technologies
- These contracts tend to be full and open competition
 - When awarded to a SB, these contracts count against AFSPC's small business contracting goals as the funding source
- **Recommend working with these agencies to compete certain R&D efforts as SB set-asides**
 - **Would increase SB participation in AFSPC/SMC technology needs, stimulate innovation and grow supplier base**
 - **As the funding source AFSPC/SMC would get SB contract credit**

FPDS-NG Funding Office Entries

- To ensure proper credit, the responsible Funding Office's DODAAC/Contracting Office Code must be entered into the Funding Office ID field in Purchaser Information.

| Purchaser Information | | | | |
|-------------------------------|--------------------------|-----|--------------------------------------|---------------------------------|
| Contracting Office Agency ID: | 1700 | ... | Contracting Office Agency Name: | DEPT OF THE NAVY |
| Contracting Office ID: | N66001 | ... | Contracting Office Name: | SPACE AND NAVAL WARFARE SYSTEMS |
| Funding Agency ID: | 5700 | ... | Funding Agency Name: | DEPT OF THE AIR FORCE |
| Funding Office ID: | F2TSJA | ... | Funding Office Name: | SMC GP |
| Funded By Foreign Entity: | <input type="checkbox"/> | | Reason For Inter-Agency Contracting: | Select One |



- This field defaults to the Contracting Office Agency ID if not specifically entered
- When Contracting Offices to fill in Funding ID correctly SB credit is appropriately recorded to AFSPC

Small Business Innovative Research (SBIR) Program

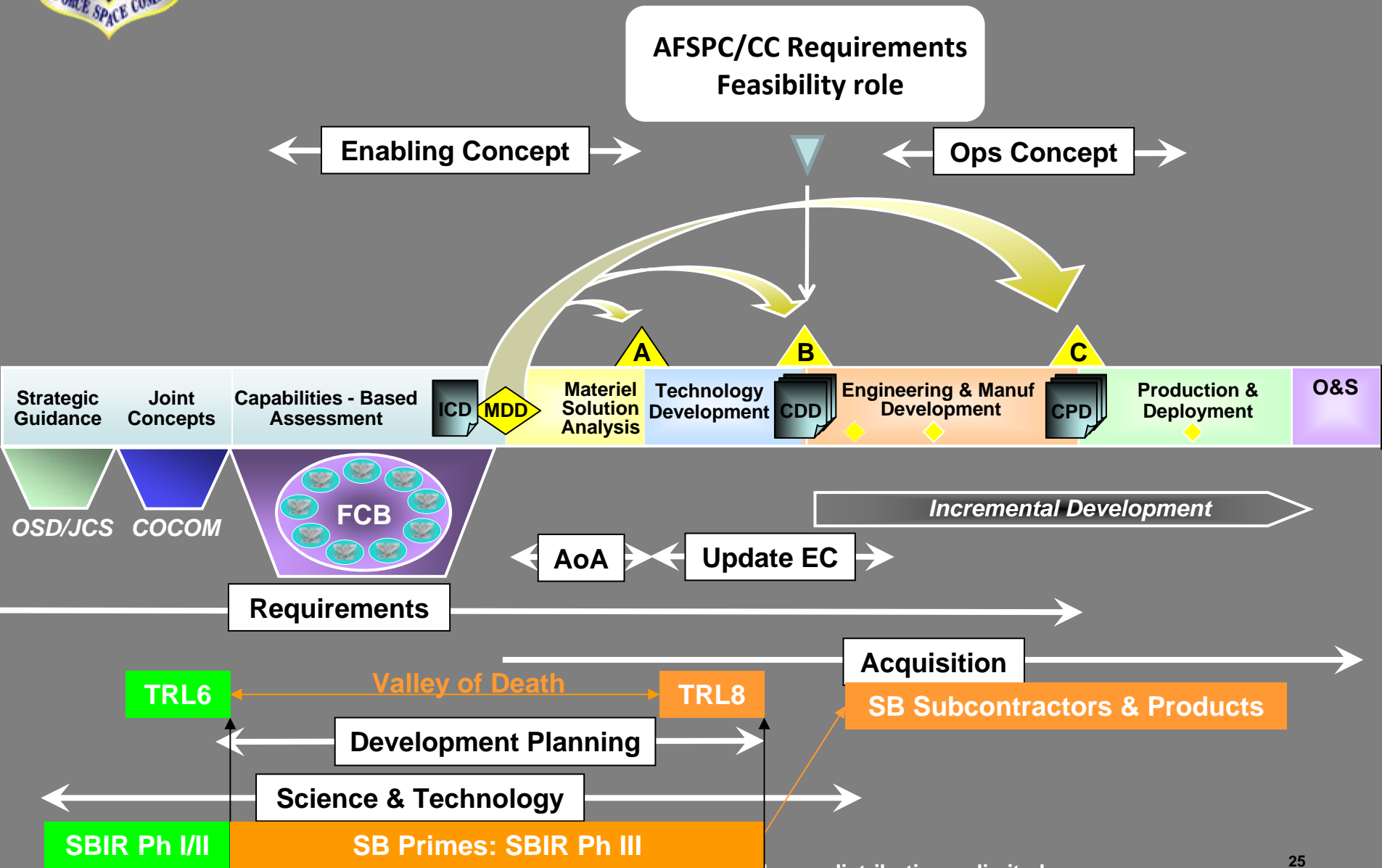
- 2.5% of Agency R&D Budgets set-aside for SBIR awards
 - AFSPC contributes ~\$25M/year
- Agency awards per SBA guidelines [1]:
 - Phase I: Concept ~ \$100K
 - Phase II: Prototype ~\$750K
 - Phase III: Deployment ~unlimited using Program funds
- Few SBIR Phase III transitions reported within AFSPC [2]
 - Could improve AFSPC's SBIR funding return on investment by programs including SBIR transitions in their acquisition planning

1. SBA SBIR Policy Directive

2. GAO-11-21, Space Acquisitions: Challenges in Commercializing Technologies
Developed under the SBIR program



Requirements & Acquisition



SBIR Phase III Statutory Authority

- **Phase III awards:**
 - are defined as requirements that “derive from, extend, or logically conclude prior SBIR research and are funded with non-SBIR funds”
 - can be any type of contracts or subcontracts
 - can be for research, research and development, services, products, production, or any combination thereof
 - can be from a competitive solicitation (e.g. open competitive RFP or BAA) or sole source awards

SBIR Phase III Sole Source Justification and Approval (J&A)

DUSD(AT) Memo

“sufficient to state for purposes of the justification that the project is an SBIR Phase III award ... and is authorized under 10 U.S.C. 2304 (b)(2)”



DUSD(A&T) Memo

Example Contract Vehicles

- NAVAIR provides standard IDIQ contract model for Phase III task orders
- BAA RFP for SB to submit SBIR Ph III proposals against
- GSA Limited Source Justification and Approval can be used for sole source award through a GSA schedule for eligible Phase III work

SBIR Commercialization Pilot Program

- CPP Authorized by NDAA 2006
 - to accelerate transition of SBIR-funded technologies to Phase III
 - especially for systems being developed, acquired and maintained for the warfighter
- Navy and Army CPP
 - Funds SB directly using existing Phase II or new Phase III contract when program provides TTA and matching funds
- Air Force CPP
 - Facilitates SBIR transitions through prime/supply chain contractors
 - Has significantly less recorded CPP transitions than other services
- Recommend establishing a Phase III funding line item
 - Use to match Program Office funds when TTA is established to transition SBIR technologies

Team Submarine – Horizontal Integration Approach for Leveraging their SBIR Investments

\$1B of Small Business Phase III contracts let for subsystems

Technology Insertion and modernization budgets

- Develop once use many places
- Instant market for SBIR products/processes

CCSM

Darlington

SCS C4I & IM&M Technology
Combined Operations Wide Area Network

Planning Systems

GCCS Development & COTS Applications

DSR

Advanced Information Systems
Software Migration Legacy Trainer
Photonics Mast Workstation

Progeny

Audio Signals
Active Emissions
Information Assurance
AN/WLR-1 AI&R
Manning Reduction

Trident Systems

Mobile Computing for Submarine Applications

TCN

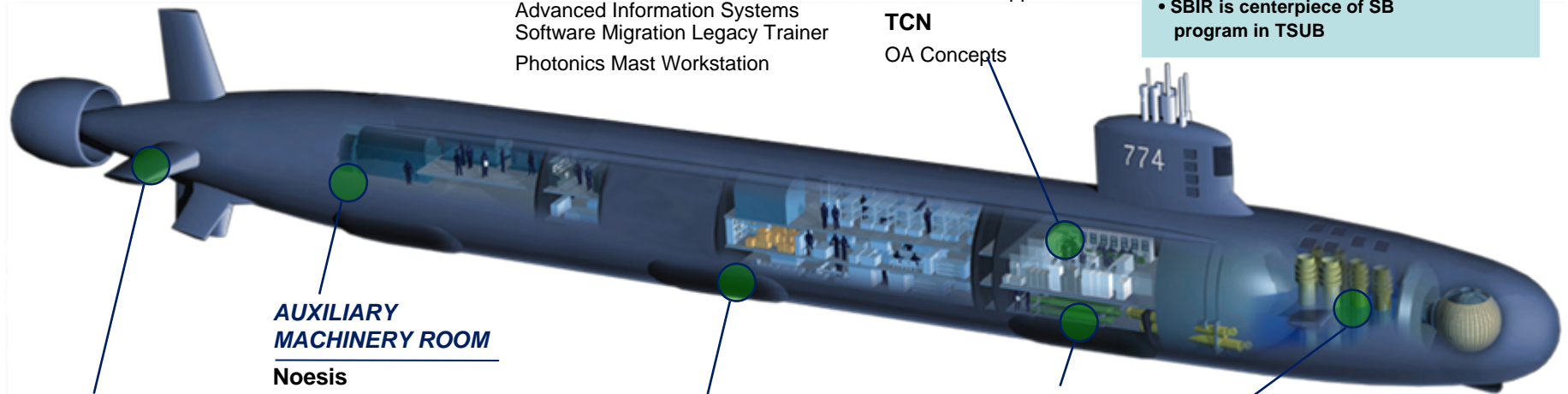
OA Concepts

Acquisition Coverage

- Blanket coverage by Major Ship programs
- Local coverage by PMOs

Leadership Commitment

- PEO leadership recognizes value
- SBIR is centerpiece of SB program in TSUB



AUXILIARY MACHINERY ROOM

Noesis

High Performance Brushes Technology

PRESSURE HULL

TKC

Innovative Modeling

Compudrive

Electromechanical Actuator and COMT

WEAPON LAUNCH, STOWAGE & HANDLING

Progeny

Tools for VME Interactive Acoustic Analysis Process

Multi Tube Weapon Simulator

Common Weapon Launcher

STERN / PROPULSION

MSI

Array Improvement



VIRGINIA Class Submarine

Summary of Recommendations to AFSPC

- Move to a Horizontal Integration model for Space to stimulate innovation and niche subsystem providers
- Include contract incentives to encourage outsourcing by Prime contractors in make vs buy decisions
- Evaluate current use of FFRDCs and identify where more SBs could be engaged (e.g. SETA, R&D and Prototype development) freeing STEs for other tasks
- Work through other agencies (e.g. CERDEC, SPAWAR, AFRL) to fund Small Business set-aside R&D contracts to obtain Space technology needs
- Establish a Phase III funding line item to encourage and plan for SBIR technology transitions into Programs
- Establish an AFSPC Small Business Advisory Team to assist in identifying areas for engaging SB contractors

BackUp

NDIA Top Issues 2010

- Issue 4: Increase Government Contract Usage of All Small Businesses
 - UNIFIED PARITY AMONG ALL SMALL BUSINESS CATEGORIES DURING FEDERAL CONTRACT COMPETITIONS
 - DISINCENTIVES FOR NOT MEETING SMALL BUSINESS SUBCONTRACTING GOALS
 - IMPROVING INTELLECTUAL PROPERTY PROTECTION FOR SMALL BUSINESSES
 - PERMANENTLY REAUTHORIZE THE SMALL BUSINESS INNOVATIVE RESEARCH PROGRAM (SBIR)
 - PROTECT SMALL BUSINESS FROM GOVERNMENT INSOURCING INITIATIVES

RMC Small Business Committee Charter

- Champion NDIA top small business issues within Rocky Mountain Chapter (RMC) region
- Liaison with NDIA Small Business Division on issues relevant to RMC small business members
- Liaison with RM Government organizations and Prime Contractors on small business issues
- Outreach on benefits of small business to National Defense
- Facilitate communication of legislative issues among regional small business

RMC SBC/SBA Discussions

Dear Dr. Brown and Ms. Lau

As you know, AF Space Command and SMC have been tasked by the Air Force to increase their Small Business Contracting percentages from 9.41% in FY08 to 15.58% in FY09 and 17.48% by FY13. This significant increase will require new thinking on how small businesses can support space acquisition programs in a prime contract role. I would be pleased if the NDIA Rocky Mountain Chapter Small Business Committee and the California Space Authority could provide a briefing package with recommendations from their small business members that could assist me, and my counterpart Leonard Manzaneres in our role as Procurement Center Representatives, in engaging in discussions with AFSPC and SMC on how the current acquisition policy can be adjusted to improve small business contracting competitiveness. I will look forward to receiving these inputs.

//SIGNED//

EDWARD J. KURTZ

PCR Office of Govt Contracting

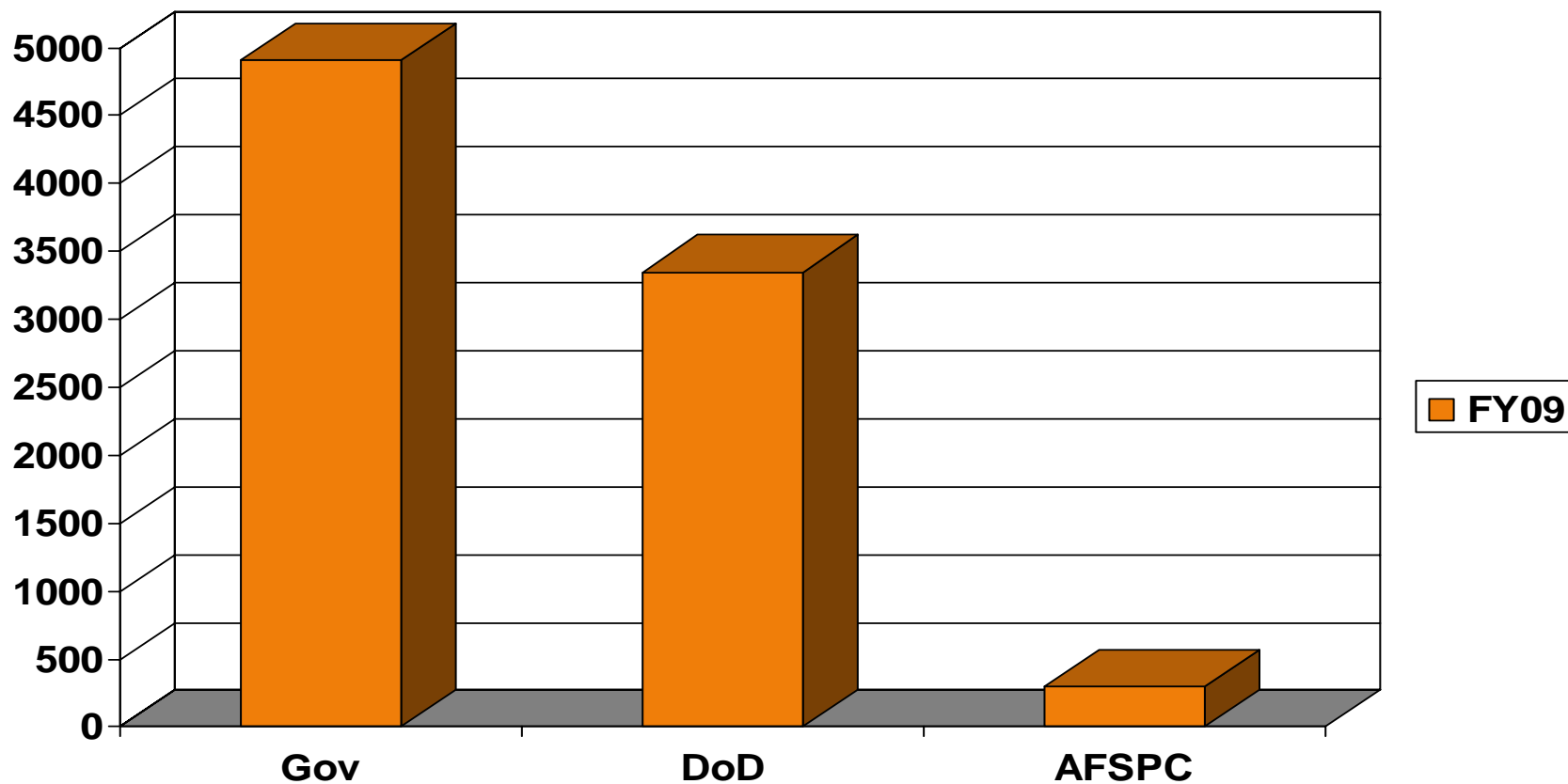
US Small Business Administration

(719) 556-7935

Roles of FFRDCs at AFSPC

- FFRDCs
 - assist the United States government with scientific research and analysis, development and acquisition, and/or systems engineering and integration
 - provide objectivity in analyzing complex technical problems and recommending solutions to Gov problems
 - prohibited from manufacturing products, competing with industry, or working for commercial companies
- AFSPC FFRDC Support
 - Aerospace, Mitre

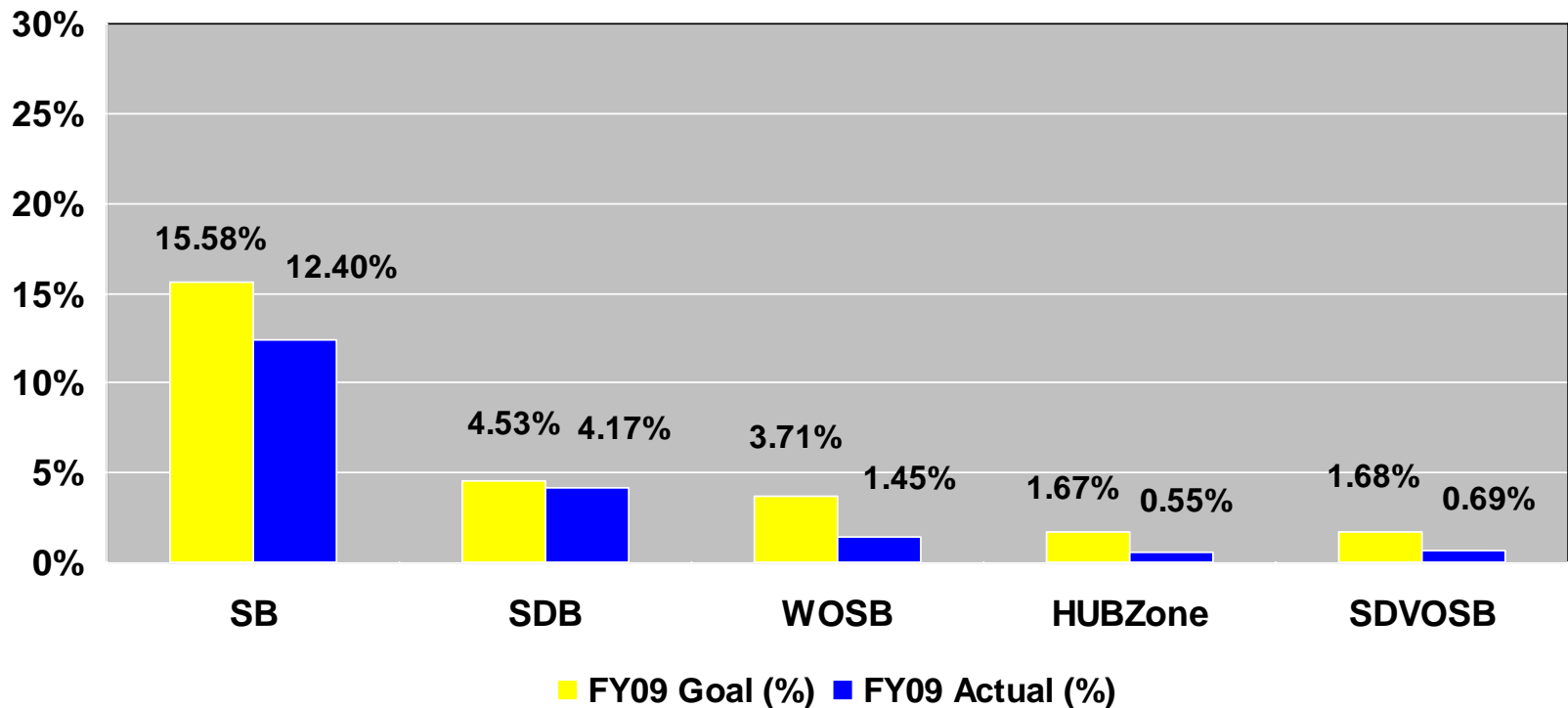
FY09 Government Small Business Contracting Shortfall





AFSPC Small Business Program

AFSPC Goal Achievement – FY 2009



Government Wide SB Scorecard

| Prime Contracting Achievement: | | | 95.43 |
|---|------------------|-----------|-----------------------|
| | 2008 Achievement | 2009 Goal | 2009 Achievement |
| Small Business | 21.50% | 23.00% | 21.89% (\$96.834B) |
| Women Owned Small Business | 3.39% | 5.00% | 3.68% |
| Small Disadvantaged Business | 6.76% | 5.00% | 7.57% |
| Service Disabled Veteran Owned Small Business | 1.49% | 3.00% | 1.98% |
| HUBZone | 2.34% | 3.00% | 2.81% |

| Sub Contracting Achievement: | | | 83.05 |
|---|------------------|-----------|------------------|
| | 2008 Achievement | 2009 Goal | 2009 Achievement |
| Small Business | 28.65% | 35.90% | 31.82% |
| Women Owned Small Business | 4.92% | 5.00% | 5.44% |
| Small Disadvantaged Business | 3.93% | 5.00% | 4.49% |
| Service Disabled Veteran Owned Small Business | 0.90% | 3.00% | 1.29% |
| HUBZone | 1.53% | 3.00% | 1.71% |

\$4.91B short of 2009 SB Prime Contract Goal

DoD Small Business Scorecard

| Prime Contracting Achievement: | | | 93.77 |
|---|------------------|-----------|-----------------------|
| | 2008 Achievement | 2009 Goal | 2009 Achievement |
| Small Business | 19.86% | 22.24% | 21.13% (\$63.894B) |
| Women Owned Small Business | 2.95% | 5.00% | 3.37% |
| Small Disadvantaged Business | 6.05% | 5.00% | 7.19% |
| Service Disabled Veteran Owned Small Business | 1.05% | 3.00% | 1.43% |
| HUBZone | 2.39% | 3.00% | 3.26% |

| Sub Contracting Achievement: | | | 85.98 |
|---|------------------|-----------|------------------|
| | 2008 Achievement | 2009 Goal | 2009 Achievement |
| Small Business | 31.67% | 37.20% | 34.22% |
| Women Owned Small Business | 5.25% | 5.00% | 5.63% |
| Small Disadvantaged Business | 3.72% | 5.00% | 4.11% |
| Service Disabled Veteran Owned Small Business | 1.00% | 3.00% | 1.35% |
| HUBZone | 1.91% | 3.00% | 2.04% |

\$3.35B short of 2009 SB Prime Contract Goal

AFSPC SB Contracting Goal¹

Air Force Space Command, (AFSC) FY09 to FY13

| | FY09 | FY10 | FY11 | FY 12 | FY 13 | DoD Goal |
|----------------|--------|--------|--------|--------|--------|----------|
| SB | 15.58% | 16.18% | 16.52% | 16.72% | 17.48% | 22.375% |
| SDB | 4.52% | 4.54% | 4.63% | 4.69% | 5.62% | 5% |
| WOSB | 3.71% | 4.09% | 4.18% | 4.23% | 5.17% | 5% |
| HUBZONE | 1.67% | 2.24% | 2.28% | 2.31% | 3.28% | 3% |
| SDV | 1.68% | 3.00% | 3.06% | 3.10% | 4.05% | 3% |
| HBCU/MI | 0.60% | 0.70% | 0.80% | 0.90% | 1.80% | NA |

- FY08 Actual: 9.41% \$827M
- FY09 Target: 15.58% \$1,293M
- **FY09 Actual: 12.4% \$992M**

\$301M short of 2009 SB Prime Contract Goal

1. SAFSB Strategic Plan 2009

Awarding Agency vs Funding Office

from www.fpds.gov

Which agency gets small business goaling credit – the funding agency or the awarding agency?

The Funding Agency gets small business goaling credit. If your agency is buying on behalf of another agency you **MUST** enter the funding agency information

What is a funding agency\funding office?

The funding agency\funding office is the agency\office that has the requirement and provided the funding for that requirement which has now resulted in a contract award.

Is my finance office the funding agency\office?

No. The agency\office that developed the requirement and is using their money to fund the procurement is the funding agency\office.

Where to find DODAACs

Worksite Portal - Windows Internet Explorer
https://www.fpds.gov/fpdsng_cms/index.php/worksite

Home | Newsroom | Reports | Status | **Worksite** | Archives | Training | Calendar | Help

NOTICE: FPDS-NG V1.3 will be **depreciated** on December 31, 2010

Login

Log-In:
Password:
Log In

>> Forgot Your Password?
>> Security and Privacy
>> Contact Help Desk

Registration

>> Register
>> Who Should Register?

FAQ's

XML Schema definitions for various versions

- FPDS
 - schema
 - ApplicationServices
 - batch
 - 1.0
 - BatchInterface.xsd (HTML-Doc)
 - 1.1
 - BatchInterface.xsd (HTML-Doc)
 - 1.2
 - BatchInterface.xsd (HTML-Doc)
 - common
 - 1.0
 - Common.xsd (HTML-Doc)
 - Template.xsd (HTML-Doc)
 - 1.1
 - Common.xsd (HTML-Doc)
 - Template.xsd (HTML-Doc)
 - 1.2
 - Common.xsd (HTML-Doc)
 - Template.xsd (HTML-Doc)
 - 1.3
 - Common.xsd (HTML-Doc)
 - Template.xsd (HTML-Doc)

Tools

- >> XML Conversion Utility

Documents

- >> GetList Rules of Behaviour
- >> Business Services Integration Agreement
- >> Certified COTS/GOTS List
- >> Certification Process
- >> Agency PIID Prefix Info
- >> Certification Form

Reference

- >> **List of Contracting Offices**
- >> FPDS-NG PSC codes
- >> Organizational Hierarchy

https://www.fpds.gov/fpdsng_cms/index.php/worksite



ACQUISITION AND
TECHNOLOGY

DEPUTY UNDER SECRETARY OF DEFENSE

3015 DEFENSE PENTAGON
WASHINGTON, DC 20301-3015

DEC - 8 2008

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
DIRECTORS OF DEFENSE AGENCIES

SUBJECT: Small Business Innovation Research (SBIR) Program Phase III Guidance

A primary purpose of Small Business Innovation Research (SBIR) Program is to stimulate technological innovation by increasing small business participation in federal funded Research and Development (R&D). The Department of Defense (DoD) SBIR Program is executed by the DoD Components. The Program is funded via 2.5% set-aside of the extramural Research Development Test and Evaluation (RDT&E) budget in excess of \$100 million and is implemented through a uniform, three-phase competitive process. Proposals are submitted in response to DoD solicitations and funding agreements (contracts) are awarded to qualifying small businesses for R&D to meet stated Department needs. The SBIR Program invests over \$1.1 billion annually to develop needed technologies through selection and award of roughly 2,000 Phase I feasibility studies and over 1,000 Phase II development efforts per year across the Department.

SBIR Phase III is both a principal objective of the SBIR Program and a means through which the Department realizes value from SBIR. SBIR Phase III refers to work that derives from, extends, or logically concludes effort(s) performed under prior SBIR funding agreements. Phase III work is typically oriented towards commercialization of SBIR research or technology to bring it to the marketplace, and must be funded by non-SBIR sources. There are several characteristics and requirements associated with SBIR Phase III detailed in the Small Business Administration's Policy Directive that must be understood by all DoD component contracting and acquisition activities.

1. SBIR technical data rights extend to Phase III. A Phase III award is by its nature, an SBIR award, has SBIR status, and must be accorded SBIR data rights. If an SBIR awardee wins a competition, or receives a sole-source award or a subcontract, for work that derives from, extends, or logically concludes effort(s) performed under prior SBIR funding agreements, then the funding agreement for the new award must have SBIR Phase III status.

2. Phase III contracts or subcontracts may be awarded without further competition. The competition for SBIR Phase I and Phase II awards satisfies statutory competition requirements. Therefore, an agency that wishes to fund an SBIR Phase III project is not required to conduct another competition, or process Justification and Approval (J&A) pursuant to FAR 6.302-5, in order to satisfy those statutory provisions, and may do so directly from Phase I or Phase II. If an

agency requires processing of a J&A in conducting actions relative to a Phase III SBIR award, it is sufficient to state, for purposes of the justification, that the project is an SBIR Phase III award that is derived from, extends, or logically concludes efforts performed under prior SBIR funding agreements and is authorized under 10 U.S.C. 2304(b) (2). In addition, the small business size standard, once met at the time of Phase I or II award, does not apply to Phase III.

3. The Department must show preference for SBIR-funded technology in Phase III. For Phase III, Congress intends that agencies or Government prime contractors that pursue R&D or production for agencies utilizing technology developed under the SBIR Program, give preference, including sole-source awards, to the awardee that developed the technology. Further, the Small Business Act requires that agencies report to the SBA all instances in which R&D or production of a technology developed by an SBIR awardee is pursued with a concern other than the one that developed the SBIR technology.

To properly implement this responsibility, DoD R&D and acquisition offices should be aware (and major systems prime contractors should be made aware) of relevant technologies being developed through SBIR, and through all other DoD programs and activities. Consistent with DoD policy, program managers should include SBIR as part of ongoing program planning and give favorable consideration, in technology and acquisition planning processes, for funding successful SBIR technologies. ACAT I programs should address plans for funding and insertion of SBIR-funded technologies at milestone reviews.

4. SBIR Phase III contract actions must be reported. Work performed under a DoD prime contract that principally derives from, extends, or logically concludes work begun under a prior SBIR effort should be coded as SBIR Phase III in the Federal Procurement Data System-Next Generation (FPDS-NG). At the present time, FPDS-NG only allows identification of Phase III awards to Small Businesses. A change request was submitted on January 18, 2008 to allow it to identify Phase III awards to other than small businesses.

As a vehicle to tap thousands of high-technology small businesses for solutions, the SBIR Program is an exceptional source of innovation and industrial base vitality. As such, it is imperative that SBIR Phase III efforts be executed in a manner consistent with the tenets listed above. DoD SBIR policy discussed in this memorandum will be reflected, as appropriate, in DoD regulations. I appreciate your support and assistance.

James I. Finley





NDIA Letter to SECAF

- “propose and suggest specific actions to strengthen Air Force small business performance “
- “Our organizations, the Small Business Administration, and the Commerce Department can assist you with finding qualified small businesses to compete for projects there. “
- “*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 “*