

**STATEMENT OF
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BEFORE THE
SUBCOMMITTEE ON ECONOMIC OPPORTUNITY
OF THE HOUSE COMMITTEE ON VETERANS' AFFAIRS**

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Chairwoman Sandlin, Ranking Member Boozman and distinguished members of the Subcommittee, I am pleased to have the opportunity to make this statement regarding contract bundling as it relates to the so called "rule of two" and the impact that it has on Service Disabled Veteran Owned Small Businesses (SDVOSB).

Under the sole source provisions of FAR 19.14, The Service-Disabled, Veteran-Owned Small Business Procurement Program, a contract can only be awarded to an SDVO company without competition if, "two or more SDVO SBCs are not likely to submit offers," and then only if the requirement is valued at less than \$3M for services and \$5M for products. While some mistakenly believe that this requirement is good for SDVOs because it gives them the ability to compete on any SDVO requirement and thus promotes competition, in practice the effect of the 'rule of two' is to require the time and cost of a full competitive procurement process, even if limited to SDVO companies, and includes the potential of a lengthy bid protest and delay in delivery of goods or services to the end user.

The 8(a) Program does not have a similar 'rule of two' requirement and thus a Contracting Officer's first choice will be to make a sole source award to an 8(a) company as procedurally it helps them perform their function faster and more efficiently where contracting with an SDVO company does not. Therefore, in reality, the "rule of two" does not promote competition as most likely a contract under the \$3M/\$5M thresholds will be awarded without competition to an 8(a) firm and no SDVO will have the opportunity to compete or participate.

The ability to award sole source contracts has been the cornerstone of the Government's success in developing a supplier base of socially and economically disadvantaged companies and exceeding their contracting goals with 8(a) firms. The program is successful because these businesses are able to more quickly gain the resources necessary to develop and maintain corporate infrastructure and capability. SDVO firms deserve at least the same procurement advantages that others enjoy in the Federal Procurement System.

On June 20, 2007 Public Law 109-461, the Veterans Benefits, Health Care and Information Technology Act of 2006 became effective. This legislation gave the Department of Veterans Affairs additional procurement tools to enable them to much more easily contract with service disabled veterans. Simply stated, at the VA service disabled and veteran owned companies are now at the top of the contracting ladder and the "rule of two" has been eliminated. Now, if an SDVO can perform a requirement under \$5M it can easily be sole sourced to them if they are a responsible contractor and propose a fair and reasonable price.

I thank you again for this opportunity to appear before you today. This concludes my testimony and I welcome your questions today or in the future.