

Statement from Rao Anumolu, President & CEO, ASR International Corp.

House Committee on Small Business

Contracting and Infrastructure Subcommittee Hearing: “*Leveling the Playing Field: Fostering Opportunities for Small Business Contractors*”

Tuesday, July 8th at 1:30 PM ET, Hearing Room, 2360 Rayburn House Office Building

Thank you for giving me the opportunity to share with this committee my experiences and perspectives of being a small business owner for over 38 years providing technical support services to several U.S. Government agencies including the Army, the Navy, the Air Force, NASA, GPO and Fortune 100 commercial customers.

I am extremely grateful to this remarkable great country USA – the land of immense opportunities – for enabling me to pursue my ambition of studying at leading universities and becoming an entrepreneur. I vividly remember June 26th, 2003 when the Honorable Carolyn McCarthy spoke in these august Chamber of U. S. Congress to recognize me and my company – ASR International Corporation for the “tireless efforts in support of our nation’s defense.” It was an emotional day for me! I am humbled that I was given the opportunity to serve this great nation.

I am very excited by the initiatives this committee and its honorable members are taking to encourage small business participation in federal contracts by levelling the playing field.

This administration’s focus on supporting equality of opportunity, based on merit, will encourage small business owners to leverage their inherent ability to do cost-effective value creation to benefit federal contracts. This would be a great and long-lasting achievement of this Congress whose impact would be felt for generations.

I believe that small businesses have the ability to spur faster economic growth by driving innovation, cost-effectiveness, adaptability, resilience and generating new employment opportunities in local communities. The rapid emergence and acceptance of AI is changing, in an unpredictable manner, the way business will be done. Federal

contracting will greatly benefit, with reduced cost and greater efficiency, if the impediments to increased small business participation are removed or at least reduced.

One of the factors that makes America the greatest nation in the world is our reliance on knowledge creation and innovation which drive economic growth. Leveling the playing field recognizes the big role small business can play in our knowledge-based economy.

Based on my personal experience of having performed on multiple federal contracts – some of which are focused on infrastructure improvement for our nation's defense, I respectfully submit that there are at least three leading barriers to small business participation in federal contracts. They need to be addressed to level the playing field.

1. Reduce/eliminate excessive and burdensome Government regulations.

Unlike Large Businesses, Small Businesses usually don't have the wherewithal or the financial resources to access and pay for the services of Lawyers, CPAs, Accountants, regulatory compliance SMEs required to comply with the Government regulations. These costly resources do not improve service delivery but only increase the cost of Government contracts with no tangible value-add or benefits. In addition, this unnecessary burden discourages even highly qualified and experienced small business, like ASR, from bidding because of the huge costs (time, effort and financial) involved in complying with these regulations. They help no one but only prevent the Government from benefiting from cost-effective, high-quality, and innovative services which many qualified small business can provide. Small business are forced to dedicate their precious and limited resources to regulatory compliance rather than focus on growth, exploring new business opportunities, research new and emerging technologies (for example AI) so that these benefits can be applied to federal contracts. AI is opening the doors for productivity improvement, increased efficiency, new models of service delivery. Small business, if unshackled from burdensome and business stifling avalanche of federal regulations, will make substantial contributions to the AI revolution. Small business have the perseverance, resilience, capability, innovation capabilities, and the agility to help usher in the AI era.

2. Simplify bidding process.

There is an urgent need to provide clear, precise, accessible and relevant information in federal contract documents so that small business have the opportunity to compete with a level playing field. Federal contract documents should strive to remove unintentional barriers to small business participation. These include complex Government jargon (which shrouds the real intent of the bid), not clearly specifying the applicable Executive Orders / FAR clauses, requiring evidence of performance on large value contracts which effectively prevents new entrants, not providing the incumbent information, requiring submission of specific information (example – case studies on actual operations) such that it gives the incumbent large business unfair competitive advantage, requiring commitment to provide infrastructure facilities (such as office space, conference rooms, warehouse space etc.), which small business cannot provide unless they are assured of a contract award. It is my experience that for many federal contracts my company could have cost-effectively provided the required services to the federal agencies but for these constraints which prevented us from bidding. Please make Congressman LaLota's 'Plain language in contracting Act' effective in all federal contracts especially DoD.

3. Improve availability of financial assistance / resources through Government agencies and financial institutions.

Small Business face several financial barriers when bidding on federal contracts. These include capital requirements, adequate line of credit, working capital and cash flow requirements. Small business struggle to meet the cash flows (especially to meet the payroll) because of the lengthy payment terms and delayed payment for services delivered on federal contracts. Small business also have limited or non-existent sources for working capital / line of credit requirements. The criterion commercial financial institutions / large national banks often apply to evaluate credit worthiness / risk assessment of small business working on federal contracts (even when these contracts are of national strategic importance) often results in denial of these facilities. Small business owners' greatest asset is their knowledge base, their grit, resilience and determination to contribute to their communities and grow the local economy. Large / national financial institutions ignore these knowledge-based assets of small businesses

when determining their credit worthiness. This results in small business owners forced to use their limited personal resources and assets to cover the upfront investment in resources, hiring personnel, managing staffing, material costs and cashflows long before any payment is received. Even highly qualified and experienced small business, with proven track record of performance, find it difficult to compete because of the advantage large corporations / business have based on their financial relationship with financial institutions and access to credit facilities.

In addition to suggestions above, I also want to briefly mention two other areas which need to be addressed for levelling the playing field for all small business.

4. Alaskan Native companies (ANC) and Hawaiian Native Companies (HNC):

For federal contract awards, currently Alaskan Native companies and Hawaiian Native companies are given preferential treatment. These entities should be treated just like any other small business to ensure equality of opportunity, based on merit, for all small business.

5. Transparency in FAR 52.222-41 (Service Contract Act & Wage Determinations)

Federal contracts utilizing the SCA FAR clauses include the 'prevailing' wage in the contract documents but are vague on the wages that the Government expects the employees, deployed on the federal contract, be paid. Moreover industry has no transparency into how these Wage Determination WD wages are determined. Engagement of industry in this process would be better for the employees and the small business owners and greatly help in levelling the playing field.

Thank you for giving me this opportunity to present my experiences and perspective as a small business owner.