

**Testimony of Sue Tellier
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“Leveling the Playing Field: Fostering Opportunities for Small Business Contractors”

Good morning Chairman LaLota, Ranking Member Cisneros and Members of the subcommittee. My name is Sue Tellier, and I am the President and CEO of JetCo, a Small Business Administration (SBA) certified Women-Owned Small Business (WOSB). I also serve as the Chair of the Board of Women Impacting Public Policy (WIPP), a national nonpartisan organization advocating on behalf of women-owned businesses.

Thank you for inviting me to speak before the subcommittee.

Background

JetCo is a prime federal contractor. We are obsessed with efficient warehouses, leading us to design, produce, and deliver complex packaging solutions; perform storage and distribution services; and transport into secure facilities. 80% of our work serves the defense industrial base, and my employees are proud to support the warfighter, albeit in a very behind-the-scenes role. We won our first DoD contract in 2009, and we have continuously increased our role in supporting the missions of the Defense Logistics Agency, the Army, and the Navy. We also support our state government, and several other federal agencies. In business since 2007, I can put aside my midwestern humility to say that we built a successful reputation as a reliable partner for mission fulfillment.

Before starting JetCo and transitioning to the private sector in 2007, I worked in procurement marketing for the Michigan Department of Management and Budget (DMB). As DMB’s head of Supplier Diversity and Business Outreach, I trained more than 4,300 companies, teaching them how to bid on and win state government contracts. Most of these businesses were under-represented in state contracting, and our outreach efforts contributed to an increase in bidding on state contracts. This expansion of our state contracting pool, particularly among innovative small businesses, made our supplier diversity program successful.

I appreciate the opportunity to discuss the barriers to entry, and competition that small business contractors are facing in the current marketplace. The committee's focus today is timely and important, to address challenges that have faced federal agencies and the small business contracting community for many years, including the shrinking supply base, and to explore the implications of the Federal Acquisition Regulations (FAR) rewrite.

Shrinking Industrial Base

Since 2010, the number of small businesses winning federal contracts has decreased by 50 percent, even as contract spending has increased.¹ The market is steadily contracting, and becoming more stratified at the top, with the 20 largest vendors averaging 50% of all DOD spending. One contributing factor to the shrinking industrial base, in addition to acquisitions, is the application of category management. While it makes sense in practice, it has become anti-competitive, as it gives larger corporations easier access to fast-track Best-in-Class (BIC) contracting vehicles and demotes small business set-asides. This increases the likelihood of large corporations winning future awards versus fostering a more competitive field of small contractors. The businesses most impacted by these practices are the small, innovative firms, which ultimately results in higher prices for both the government and US taxpayers as the marketplace becomes less competitive.

Another contributing factor is the potential weakening of the Rule of Two. This requirement—that contracts be set aside for small businesses when two or more are able to perform – has historically been a bedrock protection for small contractors. Its erosion – or even the unpredictability of that erosion – particularly in the context of government-wide vehicles, reduces opportunities for smaller, more innovative firms and instead accelerates consolidation among large incumbents. Without this safeguard the government risks hollowing out its small business supplier base, undermining both competition and innovation.

Revolutionary FAR Overhaul

The FAR changes released so far are concerning for many small businesses, particularly the transformation of FAR Part 10 and the new direction for Market Research.

The FAR Council has drastically streamlined FAR Part 10, trimming it down to three very limited market-research triggers: for new requirements, acquisitions over the Simplified Acquisition Threshold, and IDIQ orders over the same threshold.² More prescriptive triggers—such as those related to bundling, consolidation, and small business outreach—have been removed. References to small-business consultation and set-aside considerations have been stripped altogether, and the “menu” of detailed research techniques previously required has been eliminated. While agencies are directed to emphasize commercial solutions, the procedural guardrails that once ensured inclusive industry outreach, especially to small businesses, are gone.

For experienced government vendors like JetCo, transitioning to a new regime with fewer guardrails means increased risk. There’s no longer a mandated pause to engage small-business advocates, notify incumbents, or explore set-aside potential. Instead, agencies may proceed quickly—potentially overlooking small-business opportunities unless contracting officers consciously uphold Parts 7 and 19.

¹ Under the Microscope: Reviewing the SBA’s Small Business Size Standards. Hearing before the H. Comm. on Small Business, 118 Cong. (2024) (Statement of Chairman Roger Williams).

² Market Research Slimmed Down: How the FAR Part 10 Overhaul Impacts Government Contractors. *PilieroMazza*. May 2025.

The concern is that under pressure to move fast, agencies will default to expedience, narrowing competition and sidelining small, innovative firms.

If small businesses continue to face barriers to pairing on vehicles or gaining meaningful exposure in market research, we should not be surprised when fewer remain engaged in federal contracting.

Rule of Two

Of particular concern in the FAR Rewrite is the future of the Rule of Two. The FAR Council withdrew the proposed regulation which would have imposed the Rule of Two on most contracting vehicles. Last year, the SBA asserted that applying the Rule of Two to multiple-award contracts could add up to \$6 billion per year in new small business contract spending.³

It is not enough for this authority to exist on paper; there must be clear, enforceable processes that require contracting officers to apply it. The Rule of Two provides small businesses with confidence that their investments of time and resources can lead to meaningful wins — not just \$249,000 awards, but contracts worth millions. Without that confidence, small firms will inevitably shift their focus to the commercial market, which offers fewer barriers and a more welcoming environment.

Let me emphasize this point – small business owners and business developers must make rational business decisions about their time budgets. When we weigh the opportunity cost of government vs. commercial pursuits, government rarely wins. Many of us are here because of passion and purpose.

In that vein, my true concern extends beyond small business. Socio-economic set-aside programs are not acts of charity; they ensure that the government benefits from the innovation, competition, and value small businesses bring. Weakening the Rule of Two shrinks the pool of qualified contractors, leaving agencies increasingly reliant on a narrower group of large incumbents and therefore reducing the government’s purchasing power. It is not good business, or good government to have a stratified contractor pool.

As an SBA-certified WOSB, I see this firsthand. Of the more than \$30 billion credited toward the WOSB goal, only \$1.75 million came through WOSB-only competitions. Other programs fare only slightly better: in FY23, just over \$3 billion of the \$17.5 billion counted toward HUBZone goals were awarded through HUBZone set-asides—about 17%. And when the Department of Veterans Affairs’ unique Vets First program was excluded, SDVOSB set-asides totaled only \$5.5 billion.

Small Business Personnel

Contracting officers are often committed to supporting small business participation, but they face conflicting requirements and heavy administrative burdens. The FAR rewrite presents a pivotal opportunity to address these challenges. Retaining and codifying the Rule of Two—making it a true “shall” requirement applied consistently across vehicles—is essential to keeping small and diverse firms

³ It Takes Two: SBA Proposes Applying “Rule of Two” to Multiple-Award Contracts. *Covington*. October 2024.

engaged in the federal marketplace. Without it, the supplier base will continue to consolidate, innovation will diminish, and agencies will have fewer options to meet their missions.

Throughout my 16 years as a federal prime contractor, I have had the pleasure of working with truly exceptional professionals in several DoD Offices of Small Business Programs. They guide contracting professionals and small businesses regarding the processes and requirements, and they assist in a post-award manner. With a contract portfolio that leans toward DoD, I have been consistently impressed by the Defense Logistics Agency OSBP staff. They go out of their way to interact with industry, and they are candid in their feedback. This is important, because small business owners need (and usually appreciate) honest input that might save them time and make them more effective. Recently, I had a late payment experience on a significant contract. The OSBP helped me get the product received correctly so DFAS could process. They help on a pre-award and a post-award basis, and their assistance is extremely valuable for small federal contractors.

For this reason, I'm also concerned about the proposed funding reductions for the SBA Office of Government Contracting and Business Development (GCBD). GCBD's stated purpose is to "to create an environment for maximum participation by small businesses, especially disadvantaged, women-owned, and other eligible small firms, in federal government contracts and subcontract awards." In FY25, GCBD received \$14.6 million, which has supported crucial programs to promote small business, provide mentorship and educational opportunities for small businesses in addition to implementing programs for small business set-aside programs. The President's Budget for FY26 includes a reduction of \$4.7 million, which is nearly a third of GCBD's funding.⁴ This funding cut will affect their ability to fulfill their mission, and this mission is valuable for small businesses to continue participating in the federal contracting space.

In order to level the playing field for small businesses and attract new entrants to the federal marketplace, the government must take deliberate steps to ensure contracting vehicles are structured for small business participation. This includes codifying the Rule of Two and applying it consistently to vehicles so that small businesses have a fair shot at winning awards. With the FAR undergoing its most significant rewrite in decades, this is the moment to remove longstanding barriers to entry—not entrench new ones that will drive down competition and push out small firms. At the same time, lawmakers must ensure that the rewrite process is transparent and accountable, and they must provide adequate funding for small business contracting advocates at SBA and across federal agencies.

I would also like to again emphasize that small and socio-economic set-aside programs are not acts of charity. They exist to ensure the government benefits from the innovation, competition, and value that small and diverse businesses bring to the table. By broadening participation, these programs expand the supplier base, strengthen competition, and deliver better outcomes for agencies and taxpayers alike.

Small businesses are not just beneficiaries of federal contracts—they are essential partners. They bring innovation, agility, and cost savings, while providing the government and taxpayers with more options to meet mission needs quickly and effectively. The innovation they deliver also strengthens America's

⁴ U.S. SMALL BUS. ADMIN., FISCAL YEAR 2026 CONGRESSIONAL BUDGET JUSTIFICATION & FISCAL YEAR 2026 ANNUAL PERFORMANCE PLAN (May 30, 2025).

competitive edge in the global marketplace. Protecting and expanding their role in federal procurement is not only sound policy – it is a strategic imperative.

Again, I appreciate the opportunity to testify today, and I look forward to answering any questions you may have.

Thank you.