



**PREPARED STATEMENT OF
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Federal Contracting: Removing Hurdles for Minority-Owned Small Businesses

**Before the Subcommittee on Government Management, Organization, and Procurement
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Mr. Chairman, thank you for the opportunity to be here today to discuss the U.S. Census Bureau's commitment to meeting its goals in awarding contracts to small businesses, and small disadvantaged businesses, which include minority-owned businesses.

The Census Bureau recognizes the importance of establishing strong goals that ensure the greatest number of subcontracts go to small or disadvantaged businesses. This is a fundamental component of our strategy to reach out to every community in America in our advertising contract. Since Census 2000, in all of our contracting efforts, we have equaled or surpassed the small business goals established by the Department of Commerce, which are greater than the statutory requirements. In fact, I am pleased to report that over the past three years (FY 04 – 06), the Census Bureau's small business achievements have averaged 42 percent of the total of all contracts. In that same time span, almost 20 percent of the dollars expended on all contracts were given to small disadvantaged businesses. This represents approximately \$130 million.

Goals established in the 2010 Census communications contract will meet or exceed the Department's small and small, disadvantaged business goals. In addition, we included small business requirements for sub-contracting in our major technical contracts. That is unusual for contracts of this nature, and we are proud of the record we are establishing. By the time we have completed the 2010 Census we expect our record to surpass that of 2000. We are committed to working closely with qualified small disadvantaged businesses to help them compete as effectively as possible for a contract with the Census Bureau. This has been a commitment of ours for many years.

Today, I would like to review the Census Bureau's progress in meeting our goals with regard to the major decennial census contracts, which include the Decennial Response Integration System (DRIS), Field Data Collection Automation (FDCA), and the 2010 Communications Program. Each of these contracts contains requirements or goals for small businesses that the prime contractor must fulfill. The Census Bureau is committed to monitoring each program closely to ensure the requirements or goals are met, and the profits of our major contractors are based in part on their fulfillment of these goals.

DRIS and FDCA: Technical Contracts

The ultimate goal of the 2010 Census design is an accurate and complete count of every person living in America. We have incorporated a range of strategies and approaches to achieve that goal, including the use of automation, in the form of a handheld device for each census-taker, a key component for the 2010 Census. To successfully incorporate automation, we have enlisted private sector partners. Our efforts are centered on two major systems, the 2010 DRIS and the FDCA systems. Both of these are large information technology contracts, totaling together over \$1 billion. With each of these contracts, the Census Bureau required contractors with demonstrated experience as prime systems integrators on projects that are similar in size, scope, and complexity to our requirements

The DRIS contract, which was awarded in 2005 to Lockheed Martin Corporation, is intended to ensure accurate and protected collection and storage of Americans' data whether by paper form, handheld computer, or telephone. With respect to small businesses, the DRIS Request For Proposal contained a mandatory requirement for a minimum of 30 percent of total contract value to small business. Minus prime program management and hardware, this represents 43 percent of all remaining work that is available for small businesses to provide value-added services on the contract.

The Lockheed Martin DRIS Team submitted a plan that establishes, maintains, and adheres to subcontracts of a minimum of 30 percent of the total contract price to small businesses, minority businesses, women-owned businesses, veteran-owned businesses, and HUBZone businesses (combined). This represents approximately \$183 million set aside for small business. The goals must be met by the end or closeout of the contract in 2011.

Figure 1

DRIS: Lockheed Martin Small Business Participation (by percent)

| Businesses | Proposed Participation | Participation to Date |
|---|-------------------------------|------------------------------|
| Total Small Business | 31.3 (\$183 million) | 35 |
| Small Disadvantaged Business | 11.5 (\$70 million) | 0 |
| Woman-owned Small Business | 10.4 | 11 |
| HubZone Small Business | 1.2 | 0 |
| Veteran-owned Small Business | 1.2 | 3 |
| Service-disabled Veteran-owned Small Business | 2.4 | 0 |

We also intend to use automation to eliminate the need for paper forms, maps, and address lists for the major field data collection operations. This effort is a significant change from the paper-based census field operations of every previous census. The FDCA contract was awarded last spring to the Harris Corporation. It provides automation resources to support field data collection operations, including an integrated IT infrastructure, as well as support for the handheld devices and other aspects of the field activities. This contract will also provide for the purchase of handheld devices and the operating system. This custom-designed device will be used to collect information from households, provide geographic support to the enumerators, and gather administrative and payroll information.

The FDCA Request for Proposal contained a mandatory requirement for a minimum of 20 percent of the total contract for small businesses. Harris proposed the following small business goals for all subcontracted work by the end of the contract and achieved thus to date:

Figure 2

| FDCA: Harris Corporation Small Business Participation (by percent) | | |
|---|-------------------------------|------------------------------|
| Businesses | Proposed Participation | Participation to Date |
| Total Small Business | 21 (\$130 million) | 15 |
| Small Disadvantaged Business | 8 (\$50 million) | 2.1 |
| Woman-owned Small Business | 4 | 1.7 |
| HubZone Small Business | 1.5 | 1.2 |
| Veteran-owned Small Business | 1.5 | 1.6 |
| Service-disabled Veteran-owned Small Business | 1.5 | 0 |

As mentioned, the subcontracting requirements for the DRIS and FDCA contracts must be met by the time of contract closeout (2011). The Census Bureau will continue to monitor Lockheed Martin's and Harris' subcontracting activities in order to mitigate any shortcomings regarding small business participation.

Since the first year of the programs has been limited mainly to development and planning activities, subcontracting opportunities have generally been focused on products and services that were available mainly from the prime contractors or teammates. The majority of the small business opportunities for these programs will occur in the subsequent phases of the Decennial contracts, where the scope is broader and more favorable for small business participation (e.g., Training Development, On-Site IT Technicians, Office Deployment, De-Installation, etc.).

Harris and Lockheed have program and procurement personnel who are directly involved in the achievement of the Small Business Plan and goals. Their efforts include ongoing supplier focus teams who pre-qualify small business, and small disadvantaged business concerns who can effectively compete for sub-contracts. In addition, regular postings on Census and contractor websites include opportunities and points of contact for each of our major contracts. We and our contractors also actively participate in business conferences, including minority business conferences, and serve on supplier councils. And representatives from our major contracts attend supplier diversity fairs and trade shows, all of which are specifically focused on reaching small and small disadvantaged businesses.

Both contractors also are subject to an award fee determination process that includes an evaluation of their small business subcontracting activities. Should it become evident that either Harris or Lockheed is not actively working to meet the small business requirements in their role as Prime Systems Integrators (i.e., not complying with their Subcontract Participation Plans and/or the contract requirements), the Award Fee Determination Board could withhold up to 25% of the award fee for Lockheed, and up to 33% of the award fee for Harris. However, both companies have been diligent in working towards meeting these goals."

2010 Communications Program

The communications contract will be at the forefront of a multi-faceted, integrated effort to increase the mail response rate, reduce the differential undercount, and encourage cooperation during the non-response follow-up operations. As part of the overall strategy, we intend to incorporate the lessons and successes of Census 2000, when for the first time in history we improved the mail response rate and reduced the differential undercount. Earlier this month, we announced the award of this contract to Drafftcb, a full service marketing communications agency that is part of the Interpublic Group of communications companies. Drafftcb's team also includes partner agencies that specialize in reaching minority audiences. They are Global Hue (Black and Hispanic audiences), IW Group (Asian and Native Hawaiian and Pacific Islander audiences), G&G (American Indian audiences), and Allied Media (other emerging audiences).

As part of the Census Bureau's RFP process, we required each potential contractor to establish a Small Business Subcontracting Plan, which is based on the established Department of Commerce FY2007 small business goals (see Figure 3). As the winner, Drafftcb is expected to maintain and adhere to the plan.

Figure 3

| Department of Commerce Small Business Goals for FY 2007 (as percent) | |
|---|---------------------------|
| Businesses | Participation Goal |
| Total Small Business | 40 |
| Small Disadvantaged Business | 17 |
| Woman-owned Small Business | 8 |
| HubZone Small Business | 3 |
| Veteran-owned Small Business | 3 |
| Service-disabled Veteran-owned Small Business | 3 |

The Census Bureau will monitor progress toward achieving the small business subcontracting goals through auditable semi-annual reports. In addition, the contractor's subcontracting record will be assessed to determine its profit/award fee.

Conclusion

The Census Bureau is fully committed to fulfilling the obligations established for these contracts, which are important to the agency, not only because they reflect opportunity for small businesses but because they are also consistent with the goals of the 2010 Census. We utilize both on-staff experts who can work with small businesses in assisting them in understanding technical requirements, to posting detailed information on our website. We even provide feedback to businesses that do not receive contracts, so they can understand where their proposals needed work. We believe these strategies are useful in helping the Census Bureau meet its objective to ensure that our contracts are both inclusive and representative.

Our commitment stems from our belief that counting every person living in America is not merely a government activity. It depends on the participation and cooperation of every household and this effort is enhanced by ensuring that our contracts are representative and reflect our nation's rich diversity.

Mr. Chairman, I appreciate this opportunity to discuss these contracts and our commitment, and I am happy to answer any questions.