



OFFICE OF CHIEF COUNSEL FOR ADVOCACY

MEMORANDUM

February 20, 1998

FOR: Aida Alvarez, SBA Administrator
Richard Hayes, Associate Deputy Administrator, GC/MED

FROM: Jere W. Glover, Chief Counsel for Advocacy

SUBJECT: *The Future of PRO-Net - Its Potential & The Urgency*

cc: Cal Jenkins
Larry Barrett

It is clear that PRO-Net has very successfully become operational, thanks to Larry and Cal. But I want to make sure that, as the system is modified and up-dated to keep pace with use and demand, we keep its full potential in mind. This is a topic on which we have never really had a discussion and I thought it might be helpful to do so now as a new Associate Deputy Administrator, GC/MED comes on board.

But, before discussing other applications for the system, I want to communicate a sense of *urgency* about ensuring PRO-Net's full implementation and government-wide acceptance/integration with CCR, DOD, GSA and OFPP operations so that it becomes the *single* small business data base in the entire government. The key to making this happen is *marketing to users* - public and private contracting officers. If used by decision makers to award contracts, small businesses will flock to the system.

SBA has to be there first. Where is *there*? I am not exactly sure but I am told that a study task force may be underway at OMB on which SBA does not even have a seat. That may be the first door that has to be opened in order to influence policy and regulations.

Background

PRO-Net was initiated - fourteen months ago - by the Office of Advocacy in response to certain reforms and policies that, in our view, would handicap small firms from gaining access to procurement opportunities unless something was put in place to make it more difficult for contracting officers to avoid dealing with small business. Using a template



created by Advocacy's ACE-Net project, the PRO-Net system was built with similar electronic architecture, state of the art search tools and operative functions.

PRO-Net today is the largest Internet-based small business database in the country. It is an electronic search engine for contracting officers, a tool small firms can use to market their goods and services, and a centralized "link" to procurement opportunities and important information. Approximately 170,000 small businesses - converted from the PASS database - are currently profiled on the new system. New firms can register on-line and can up-date the information on their firms at will (no third party is needed). The firms themselves are responsible for the accuracy and timeliness of the information.

In August of 1997 the PRO-Net initiative was transferred to GC/MED as a line operation, after modifications by OCIO to bring the entire operation in-house. It replaced the PASS system which had been rendered obsolete by Internet technology.

If agencies do not use PRO-Net, it will quickly become irrelevant to the procurement community.

PRO-Net Potential - The Yellow Pages on Small Business

⇒ PRO-Net should evolve into the government's "small business yellow-pages." It should become the "premier" source of information on small businesses, addressing the needs of all potential users of such information - not just procurement officials.

To do otherwise will encourage the development of competing databases, fragmentation of small business sources and limit SBA as a player in shaping public policies that promote the growth of small business.

Thus, "user" markets need to be developed

⇒ Small firms should be able to use PRO-Net as the port of entry to any and all government programs - not just procurement programs. PRO-Net could, for example, be hotlinked to other agencies through which small businesses could file special reports, answer surveys, etc. - with resulting reduction in paperwork burdens on small business and the government.

⇒ The data, if maintained current by the firms, could conceivably be used with appropriate authorization by various government entities (possibly even Census) to analyze small business characteristics, trends in small business enterprises, etc.

⇒ PRO-Net needs to accommodate and constantly re-form itself to meet the needs of electronic commerce - whatever form that takes in the future. It could, for example, be a powerful tool in expanding small business exporting and importing.

⇒ PRO-Net should be used to facilitate regulatory and/or other policy changes.
Searches by SIC could be done by agencies to identify firms to consult on small business impact of regulations or views on legislation.

Building Toward PRO-Net's Potential

To make PRO-Net a true *Yellow Pages on Small Business*, "user" markets need to be identified and nurtured.

This means, at the risk of repeating myself, it is imperative that PRO-Net succeed in the procurement arena and implementation of other SBA goals: 8(a), HUBZones, minority and women's goals, delegation of authority on 8(a), etc. Management systems, checks and balances are needed to monitor and promote PRO-Net use by other agencies. Widespread government acceptance and use must be achieved to demonstrate the diversity and value of small businesses and to lay the groundwork for and demonstrate PRO-Net's applicability to new *uses* by new *users*

To achieve PRO-Net's full potential, attention always needs to be on the longer term objective.

I would be happy to discuss this further at your convenience since several measures will have to be taken to make the "yellow pages" a reality.

Attached are some additional thoughts about uses and additional features for PRO-Net

PRO-NET

POTENTIAL USES, STRATEGIES AND ADDITIONAL FEATURES

PRO-Net must complement process efficiency reforms and demonstrate that it can:

- provide agencies with random and qualified source options for women, SDBs, 8(a) and HUBZone firms;
- accommodate/encourage electronic commerce and communications between vendors and buying facilities;
- serve as a powerful marketing tool for vendors to reach out to agencies and primes;
- be a one-stop environment for small firms to locate federal, state and subcontract procurement opportunities;
- serve to locate small business teaming partners;
- be a medium of communication for key federal policy changes; and,
- acceptably satisfy source requirements of agencies, primes and others.

The PRO-Net vision should be global. The system should be shaped and marketed around the world as the "small business yellow pages."

- Small firms should be able to use PRO-Net as the port of entry to any and all government programs. Firms would update their PRO-Net data profiles once annually and the information would be electronically transferred - at the firm's request - to Census and/or other government entities.
- SBA should identify other agency databases and negotiate an electronic conversion of such data to PRO-Net - at the agency head level - and with OFPP's support. The SBA Administrator should initiate discussions with the Administrator of OFPP and the Under Secretary for Acquisition Policy at DoD to develop macro policy strategies that would result in one procurement database - PRO-Net.
- PRO-Net should be used to promote international markets and the availability of U.S. small businesses.
- SBA should consider including large and other firms on the PRO-Net database to give the system greater agency appeal and more universal acceptance as "the procurement database" of choice.

- On-line registration of 8(a) and SDB firms should be accomplished, monitored and regulated through PRO-Net. Similarly, firms located within HUBZones could/should be located, marketed and monitored via PRO-Net.
- SBA should seek to establish government-wide policies and/or FAR standards that require agencies structuring omnibus contract vehicles or specific contracts in amounts greater than \$5 million to document the use of PRO-Net in identifying qualified small business sources. Further, agencies that do not meet SBA negotiated procurement goals should be required to search PRO-Net for all contract requirements, until such time as the agency can document that all goals, including the women's 5% goal, are achieved.
- SBA should require agencies that are granted 8(a) delegation of authority to use PRO-Net, under certain competitive contracts, as a way to target (randomly or otherwise) potential vendors. Firms would still self-market to agencies.
- Current statute, under the "rule of two," requires contracting officers to set-aside certain contracts for small businesses when two or more qualified small firms are available to perform the requirements. Contracting officers, for contracts not set-aside or restricted for small firms, should be required to document that PRO-Net was searched and qualified small firms were not available.
- SBA should develop MOUs with lead state government buying agencies and/or SBDCs to have all state procurement opportunities electronically listed on PRO-Net and to encourage vendors seeking state opportunities to participate on PRO-Net.
- SBA should structure an MOU with GSA to identify qualified women-owned businesses and accommodate them appropriately as suppliers on GSA schedules and link the *GSA Advantage* system with PRO-Net.
- SBA should establish a "women's initiative" to identify and encourage qualified women-owned businesses, operating in industries producing goods and services that are in demand by government agencies, to participate in PRO-Net. Further, SBA should then market to agencies the use of PRO-Net as a way of meeting the 5 percent women's procurement goal.

Other Strategies.

- The SBA Administrator should establish a **PRO-Net Innovation Team (PIT)** with representative members from OGC/MED, Office of Entrepreneurial Development, OIRM, Office of Federal Procurement Policy (OFPP), DoD, GSA, NASA, Advocacy, state agency representatives, and the TRIAD or similar association. The innovation team should structure strategies to:

- ◆ develop individual agency and government-wide policies to make *PRO-Net* source searches and electronic linkage of procurement information mandatory;
 - ◆ promote *PRO-Net* use by federal, state and private contracting managers;
 - ◆ develop cosponsored marketing efforts of *PRO-Net* with major primes, federal and state agencies; and
 - ◆ build a sophisticated subcontracting opportunities announcement/search vehicle within *PRO-Net*.
- Major prime contractors should be required to list all subcontract opportunities on *PRO-Net*. A focus group of the top ten government prime contractors should be established to make this happen.
 - Agencies should be required to list all procurement opportunities/forecasts not listed in the Commerce Business Daily (CBD) on their home-pages and such sites should be linked and searchable via *PRO-Net*. (See Advocacy's October 28, 1997 proposal)
 - Agencies should be required to list ALL available procurement training opportunities on *PRO-Net*. (See Advocacy's October 28, 1997 proposal)
 - *PRO-Net* should be used to leverage SBA's PCR function. (See Advocacy's October 28, 1997 proposal)
 - *If SBA finds it appropriate* to develop, pilot and/or sponsor government-wide acquisition contracts (GWACs) in certain industry sectors (where there are high agency needs and qualified small firms), such GWACs should be set-aside for small businesses (SDBs, women, HUBZone, etc.) and *PRO-Net* should be used to locate sources. It is important that we demonstrate how streamlined processing, small business participation and *PRO-Net* can be linked together, even if it means SBA develops the vehicle, solicits the bidders and selects the sources. (See Advocacy's January 22, 1998 draft proposal)
 - *PRO-Net*, under the procurement opportunities menu item, should allow small firms to advertise/solicit for other firms interested in partnering on agency/prime contract requirements.
 - *PRO-Net* should become a "virtual procurement college," offering numerous courses, seminars, training, etc. electronically. Much potential and significant opportunities to leverage 7(j) funding and effectiveness. *PRO-Net* "credits" could be given to businesses that complete certain electronic courses. The credits could be used in an incentive program designed by SBA to help firms become more competitive. (See Advocacy's October 28, 1997 proposal)
 - SBA should develop electronic marketing courses/seminars to help small firms become more effective in selling to the government in an electronic environment.

Further, SBA should develop courses to encourage and assist small firms in establishing a marketing focused "home-page" that could be linked to PRO-Net.