



SMALL BUSINESS RESEARCH SUMMARY

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The Impact of Contract Bundling on Small Business, FY 1992–FY 2001

by Eagle Eye Publishers, Inc.,
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Purpose

Federal agencies have looked to contract bundling—consolidating two or more contracts for goods or services previously requisitioned under separate smaller contracts—in an effort to reduce the government’s workload. However, previous studies by Eagle Eye Publishers for the Office of Advocacy have found that contract bundling can have the effect of shutting small firms out of the contracting process. This limiting of potential bidders will hamper competition. The purpose of the research was to determine whether contract bundling is continuing and what related trends might be occurring.

Overall Findings

The number and sizes of bundled contracts are reaching record levels as agencies add dissimilar tasks to existing contracts. This practice gives a competitive advantage to a select group of large businesses already contracting with the federal government at the expense of small businesses unable to gain access to the system.

Highlights

- Between FY 1992 and FY 2001, government agencies reported 1.24 million prime contracts worth \$1.89 trillion. Eagle Eye found bundling in 8.6 percent or 106,387 of these contracts, valued at a total of

\$840.3 billion—44.5 percent of reported prime contract dollars over the period.

- The number of bundled contracts increased 19 percent from FY 1992 to FY 2001.
- Existing contracts are more likely to be bundled as they are renewed. As contracts age, not only are more contracts bundled, but more dollars are put into the contracts already bundled.
- Mathematical analysis shows that for every increase of 100 bundled contracts there is a decrease of 60 contracts to small business; and for every additional \$100 awarded in bundled contracts there is a decrease of \$12 to small business.
- Much of the bundling occurs in defense contracts.
- Of the major categories of products and services, the largest growth is in the catch-all category of “other services.”
- A new definition of contract bundling was created in the 1997 Small Business Reauthorization Act. The definition continues to be refined.

Scope and Methodology

A first step needed to conduct this research was to define contract bundling. Eagle Eye used a conservative definition and adopted the concept “explicitly bundled contract” (EBC) to identify bundling. An EBC is a contract that, over any three-year period includes industries, places of performance, or types of contracts that are dissimilar. The study looked at

contracts active over the FY 1992–FY 2001 period and used a dollar threshold of \$1 million to define a large contract.

After defining contract bundling, Eagle Eye reviewed data from the U.S. General Services Administration Federal Procurement Data Center's Form DD-350 (defense) and Form SF 279 (civilian) Individual Contract Action Reports from FY 1992 to FY 2002. Using these data, Eagle Eye created tables to show trends and conducted regression analysis to determine the impact of the trend in contract bundling on small firm procurement.

Ordering Information

The full text of this report and summaries of other studies performed under contract to the U.S. Small

Business Administration's Office of Advocacy are available on the Internet at www.sba.gov/advo/research.

Printed copies are available for purchase from:

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