THE UNDER SECRETARY OF DEFENSE

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ACQUISITION,
TECHNOLOGY
AND LOGISTICS

17 JAN 2002

MEMORANDUM FOR SERVICE ACQUISITION EXECUTIVES
DIRECTORS, DEFENSE AGENCIES

SUBJECT: Small Business Participation in Consolidated Contracts

Small businesses play a critical role in supporting DoD's mission and the overall strength of the U.S. industrial base. I am fully committed to providing small business concerns with the maximum practicable opportunity to participate in all contracts at both the prime contract and subcontract levels. The program manager, or other official responsible for the acquisition planning for procurement of supplies or services, must ensure that small business participation is considered from acquisition planning through program execution. This includes exploring alternative strategies that may enhance small business participation, fully complying with regulations, and establishing aggressive small business subcontracting provisions that are enforced.

I recognize that consolidation of requirements previously bought on smaller contracts in some instances may be deemed necessary and justified. However, when the Department consolidates requirements we must avoid unnecessary and unjustified bundling of requirements and take efforts to mitigate the negative impact that contract bundling has on small business concerns.

The Federal Acquisition Regulation (FAR) implements statutory requirements that are applicable when a contract consolidation meets the definition of bundling. These requirements are summarized on the attachment. Bundled acquisitions being conducted in accordance with OMB Circular A-76 are exempt from some but not all requirements levied upon bundled contracts. Consolidation is bundling when:

- Two or more requirements for supplies or services are consolidated into a solicitation for a single contract that is likely to be unsuitable for award to a small business concern, and
- the requirements were previously bought on separate smaller contracts that were performed by small business concerns or that were suitable for award to one or more small business concerns.

The sole fact that one solicitation results in award of multiple contracts, especially indefinite-delivery, indefinite-quantity contracts, does not guarantee that the resulting consolidated contracts are not bundled contracts. Each proposed contract award must be evaluated against the FAR criteria for bundled requirements.

In order to proceed with a bundled contract, there must be measurably substantial benefits as defined in the FAR. The agency must quantify the benefits and explain how they would be measurably substantial. A DoD Benefit Analysis Guidebook has been developed for use in completing the analysis required for each bundled contract. This guidebook includes practical advice on avoiding bundling and on mitigating the adverse impact upon small businesses when the bundled action has been determined to be necessary and justified. An electronic version of the guide is available on the acquisition website at: www.acq.osd.mil/sadbu or from your respective Director, Small and Disadvantaged Business Utilization.

Please ensure that your organization, at all levels, is in full compliance with the requirements for bundled contracts and that acquisition planners structure requirements to facilitate small business participation to the maximum extent practicable. We must ensure that every acquisition strategy is based on a sound business decision and that it is in the long term best interests of the Department and the survivability of a competitive defense industrial base.

E. C. Aldridge, Jr.

Attachment