CHANGE REQUEST COVER SHEET

Change Request Number: 10-92

Date Received: 9/9/2010

Title: Inflation Adjustment for Required Subcontracting Provisions

Name: Larry Wyborski

Phone: 202-493-4638

Policy OR Guidance: Guidance

Section/Text Location Affected: T3.6.1.A.4

Summary of Change: The threshold for use of subcontracting provisions is being raised from \$550,000 to \$650,000 (from \$1,000,000 to \$1,500,000 for construction).

Reason for Change: Adjustment is required by statute every five years.

Development, Review, and/or Concurrence: FAA Small Business Office.

Target Audience: FAA Contracting staff.

Potential Links within FAST for the Change: none

Briefing Planned: No

ASAG Responsibilities: None

Potential Links within FAST for the Change: none

Links for New/Modified Forms (or) Documents (LINK 1) null

Links for New/Modified Forms (or) Documents (LINK 2) null

Links for New/Modified Forms (or) Documents (LINK 3) null

SECTIONS EDITED:

Procurement Guidance: T3.6.1 - Small Business Development Program Small Business Development Section 4 : Subcontracting with Small Business [Old Content][New Content] [RedLine Content]

SECTIONS EDITED:

Section 4 : Subcontracting with Small Business

Old Content: <u>Procurement Guidance</u>: T3.6.1 - Small Business Development Program Small Business Development **Section 4 : Subcontracting with Small Business**

In procurements estimated to exceed \$550,000 (\$1,000,000 for construction), the CO must incorporate subcontracting provisions (including attainable and reasonable subcontracting goals for the participation of small businesses, small businesses owned and controlled by socially and economically disadvantaged individuals, women-owned small businesses and service disabled veteran owned small businesses). Subcontracting provisions are not required for commercial items or when there are no subcontracting possibilities or when the prime contractor is a small business owned and controlled by a socially and economically disadvantaged individual. The contract should include requirements for contractors to periodically report data on subcontracting accomplishments in sufficient detail to determine the extent of the contractor's attainment of subcontracting goals.

The following is a listing of the subcontracting considerations as a guide that should be used in procurements that have subcontracting provisions as appropriate:

a. Establishment of goals requires much care to ensure that they are realistic and motivate the contractor. Percentage goals that are unrealistically low will only create a false sense of success and should be avoided. Likewise, goals that are too high can be counterproductive.

b. Subcontracting requirements should be a subject for review and discussion at postaward conferences. It is important to monitor contractor performance in meeting goals. This is particularly important early in the life of the contract when the majority of subcontracts will be awarded. Prompt corrective action should be taken if it appears that a contractor will not meet its goal.

The procurement team should notify the Small Business Development Program Group (SBDPG) or Small Business Liaison Representative of the opportunity to review the subcontracting proposal in sufficient time to provide the representative a reasonable time to review the material and submit advisory recommendations prior to award. The CO is reponsible for ensuring that the contractor attains all subcontracting goals. Subcontracting data (accomplishments) must be timely reported in the Electronic Subcontracting Reporting System (eSRS) at http://www.esrs.gov/.

c. The CO should provide a listing of potential small business subcontractors for information purposes. The FAA should not make any warranty as to their capabilities or abilities to perform any portion of the contract. The listing may be obtained from the SBDPG or Small Business Liaison Representative.

d. Evaluate the percentage and dollar volume of planned subcontracting, total dollar volume of expected awards to small business subcontractors (including small businesses owned and controlled by a socially and economically disadvantaged individuals, women-owned and service-disabled veteran owned concerns).

e. There should be separate subcontracting goals for small businesses and small businesses owned and controlled by a socially and economically disadvantaged individuals, women-owned and service-disabled veteran owned concerns expressed as a percentage of total planned subcontracting dollars.

f. Principal product and service areas to be subcontracted and an identification of those areas where it is planned to use small business, small businesses owned and controlled by a socially and economically disadvantaged individual, women-owned and service-disabled veteran owned subcontractors.

g. Review business declarations of principal proposed small business and small disadvantaged business subcontractors, including the type of product or service and the dollar value thereof to be awarded to each principal subcontractor. This information is to be used to assist the CO in making a determination as to the acceptability of the proposed subcontracting goals. The contractor is not contractually bound to make awards to the designated subcontractors nor is the Government approving the subcontracts.

h. Evaluate extent of complexity and variety of work to be performed by small businesses with greater weight on performance of substantive or high technology components or services. In this way, the FAA can ensure that small businesses will receive technologically challenging or a meaningful portion of the overall contract;

i. Include subcontracting monetary incentives such as including an award fee provision to provide incentives for providing meaningful, technically substantive subcontracting work to small businesses. Under this approach subcontracting proposals that provide appropriate percentage commitments would be accepted, but an award fee contract line item would be incorporated as part of the contract. Receipt of the award fee would be after either preliminary design review, critical design review, or other appropriate milestones. The percentage amount of the award fee pool would be based on the extent the contractor has provided meaningful, technically substantive work to eligible small businesses within the previously accepted percentage goals;

j. Evaluate past performance related to the offeror's compliance with prior subcontracting proposals and subcontracting plans with greater weight on subcontracting proposals received from concerns that have successfully attained, or exceeded subcontracting goals in the past.

k. Evaluate level of participation of small businesses evaluated based on the percentage of the total contract value (if appropriate). This is particularly recommended for requirements traditionally performed by small businesses that perhaps will be displaced due to the bundling of smaller set-aside requirements into one larger contract.

1. Contractors should be required to flow down similar subcontracting requirements under the prime contract to all subcontractors (except small businesses).

m. If an offeror submits an offer that does not address each of the subcontracting provisions, the CO should advise the offeror of the deficiency and request submission of a revised offer by a specific date; and

n. If the offeror does not submit an offer which incorporates the subcontracting requirements within the time allotted, the offeror should be ineligible for award.

New Content: <u>Procurement Guidance</u>: *T3.6.1 - Small Business Development Program Small Business Development* **Section 4 : Subcontracting with Small Business**

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Red Line Content: Procurement Guidance:

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