

washingtonpost.com

## Set-Aside Programs Fall Short of Goals

Disabled Veterans Entitled to Contracts

By Dina ElBoghdady  
 Washington Post Staff Writer  
 Monday, February 28, 2005; Page E01

When retired Air Force Maj. Robert C. Sharps launched his civil construction business three years ago, he hoped to profit from a law that requires the federal government to set aside 3 percent of all contracts for firms owned by veterans, like himself, who have disabilities related to their military service.

But as of last week, Sharps said VSA Construction Services LLC in Jessup has not won a single contract even though it bids on about four a month. His firm is losing ground in an open market, he said, because contracts are not being set aside as promised.

"As a small business, sometimes we're not as competitive as larger companies. So we lose out to cheaper bids," said Sharps, 58, a Vietnam veteran who has chronic knee and back problems. "The law is not working as it was intended."

The complaint is common among veterans groups as federal agencies struggle to meet the 3 percent goal, a target missed by a substantial margin every year since the set-aside law was enacted in 1999. The federal government annually awards \$250 billion to \$300 billion in contracts to private companies.

The veterans' concerns have taken on added urgency during wartime, as thousands of injured personnel confront the task of rejoining the civilian workplace. President Bush recently signed an executive order meant to speed the flow of contracts to disabled veterans, but Small Business Administration rules may get in the way, veterans groups contend.

To ensure competition, the SBA has required that agencies not award "sole source" contracts to companies owned by disabled veterans if they "have a reasonable expectation" there are other veteran-owned companies qualified to bid.

The awarding of set-aside contracts "is not automatic," said William D. Elmore, head of veterans business development at the SBA. "There is no guaranteed success in this."

"It's an opportunity . . . to compete," he said.

Veterans groups say the SBA's approach is unworkable and wants contracts awarded even without competition if the company is qualified and the price is fair.

Set-aside programs, they said, are not meant to deliver the lowest price to the government, but to help fledgling firms owned by designated classes of people get a foothold in the market and become competitive in

Advertisement

**VONAGE**  
 The Broadband Phone Company™

**\$24.99/month**  
 Unlimited calls  
 to all 50 states  
 and Canada.

**SWITCH NOW ▶**

their own right.

"It's an earned benefit" to further compensate veterans for their service to the country, said Richard F. Weidman, director of government relations at Vietnam Veterans of America and chairman of the Task Force for Veterans Entrepreneurship.

The most recent surveys from the U.S. Census Bureau indicate that about 53,900 businesses with employees were owned by service-disabled veterans in 2002. That is less than 1 percent of the nation's 7.7 million businesses.

The set-aside program for disabled veterans has been controversial since its inception in 1999. Veterans have argued that they lost years of earnings potential and marketplace experience serving the country and need a boost to get their businesses off the ground. That applies even more, they say, to those with disabilities.

But supporters of other government set-aside programs worried that it would cut into contracts for businesses owned by women, ethnic minorities and other economically disadvantaged groups. The SBA is supposed to ensure that 23 percent of government contracts go to small, disadvantaged businesses each year.

Moreover, the definition of "disabled" is broad, and SBA officials say the law does not require them to verify the status of each bidder's health. To qualify, veterans do not have to have been wounded in action or have suffered crippling injuries. Sharps developed his knee and back problems from an accident suffered onboard a military plane. His partner and fellow Vietnam vet, retired Air Force Capt. Richard Vance, 56, said he suffered a 50 percent hearing loss in each ear from being in high-noise areas during his 23-year military career. He also suffered knee and back injuries while working a military construction job.

"You don't have to have lost an arm or leg to be disabled," said Wayne M. Gatewood Jr., 55, a Vietnam veteran and owner of Landover-based Quality Support Inc., which organizes conferences and works with the federal government. "You have people who are psychologically disabled and people who have serious arm and leg injuries because of the rigors of training. You can't see those things."

Quality Support has won two contracts from the Defense Department under the set-aside program, one for about \$400,000 and another for about \$2.8 million, said Gatewood, who declined to reveal the nature of his disability.

Steven J. Kelman, former head of the Office of Federal Procurement Policy in the Clinton administration, said the debate over veteran set-asides is familiar.

Set-aside programs date to the 1950s, and have been "fairly controversial because by limiting competition to a certain kind of business it may have negative impact on the price and quality of what the government buys," said Kelman, now a public management professor at Harvard University. "You may be excluding a firm from bidding that may be cheaper or better suited to do the jobs."

So far, the program has fallen short of its aims: Since it was enacted in 1999, less than 1 percent of federal contracts have gone to firms owned by disabled veterans. In December 2003, President Bush signed legislation meant to invigorate the program, and a year later he issued an executive order demanding that each agency submit detailed plans for meeting the 3 percent target.

Some veterans, such as retired Navy Lt. Lani H. Rorrer, say they are seeing results. Rorrer, a former naval intelligence officer and a Naval Academy graduate, launched Fairfax-based Lanmark Technology Inc. five years ago and now employs 50 people.

Under the service-disabled set-aside program, the State Department granted her firm a five-year, \$5 million contract for logistics support, and the Defense Logistics Agency awarded her a six-month, \$2 million contract for logistics software development and support.

Rorrer, 29, said she qualifies for other set-asides, including those for women-owned and socially and economically disadvantaged firms. But those are saturated markets, she said, unlike the relatively new market for service-disabled veterans.

Having the service-disabled status "adds another feather to my cap," Rorrer said. "I've grown the company because other companies that are not eligible for set-asides now want to team up with me for the opportunities they could not go after."

Megan Gamse, a senior analyst at research firm Input in Reston, said she expects more success stories in the future. Gamse, who tracks the information technology sector, predicted that the government will reach its 3 percent goal in the next few fiscal years. She estimated that by 2009 service-disabled veterans in the IT sector may win as much as \$2.7 billion in annual contracts.

But Gatewood, the Vietnam veteran in Landover, maintained that the success stories are the exception for now and not the rule.

"Veterans deserve consideration above and beyond anyone else in America," he said.

© 2005 The Washington Post Company

<b>Advertising Links</b>	What's this?
<b>MS Money Personal Finance Software</b> Microsoft® Money 2004 is the personal finance solution that gives you fast, effortless ways to handle your day-to-day finances. Available for order or download. <a href="http://go.microsoft.com">go.microsoft.com</a>	
<b>Shop Here for Personal Finance Software</b> Free delivery for orders of \$25 or more. Save up to 69% on personal finance software. Viking Office Products carries a huge variety of items to help any office run more efficiently. <a href="http://www.viking.com">www.viking.com</a>	
<b>Quicken Deluxe 2004 for Only \$14.99</b> Intuit's personal finance program new for 2004 only \$14.99 plus 1000s of other great deals at Softwareoutlet.com. <a href="http://www.softwareoutlet.com">www.softwareoutlet.com</a>	