



PROMOTING NATIONAL SECURITY SINCE 1919

2111 WILSON BOULEVARD, SUITE 400
ARLINGTON, VA 22201-3061
(703) 522-1820 • (703) 522-1885 FAX
WWW.NDIA.ORG

March 11, 2013

The Honorable Frank Kendall, III
Under Secretary of Defense for Acquisition, Technology and Logistics
3010 Defense Pentagon
Room 3E783
Washington, DC 20301-3010

Dear Secretary Kendall:

On behalf of the 1,700 corporate members and over 95,000 individual members of the National Defense Industrial Association (NDIA), I am writing to express our concern regarding the recently announced policy to discontinue the practice of providing accelerated payments to all prime contractors. This rescission of policy established in Class Deviation 2012-O0014 is already having a significant negative effect on thousands of American small businesses that do business as subcontractors with the Department of Defense. The DoD Feb 21, 2013 memo titled, "Rescission of Class Deviation – Providing Accelerated Payment to Small Business Subcontractors," mentions that DoD plans to continue phased implementation of the policy at DFARS 232.903 and 232.906 to assist small business prime contractors but does not address the Department's plans to ensure a strong industrial base by maintaining strong small business support at the subcontractor level. The impetus behind the original decision to improve cash availability to small businesses through the Class Deviation was to ensure that small businesses remain viable—especially in this challenging and decreasing budget environment—to meet the challenging and often unique needs of the DoD.

Two-thirds of our members classify themselves as small businesses, and nearly ALL of these businesses are subcontractors (and some hold the distinction of holding prime contracts as well). Discontinuing the accelerated payments clause, in addition to no longer providing accelerated payments to primes, will most assuredly affect the immediate cash flow and long term health of thousands of small businesses nationwide currently supporting our nation's military. Small businesses provide the services and products that help ensure DoD supports our nation's military while also meeting the Department's Better Buying Power 2.0 goal of increased competition. Removing the normalcy of reasonable cash flow will not only harm the hundreds of thousands of small businesses doing business with DoD as trusted subcontractors by reducing the companies' ability to meet payroll and personnel expenses, but, over the long term, will discourage new small businesses from entering the DoD market.

As this issue is of significant importance to the viability of a large segment of the defense industrial base, I would ask that the Department reconsider its decision to rescind Class Deviation 2012-O0014. If you or your staff have questions or would like to discuss further, please contact Mr. Pete Steffes, Vice President Government Policy for NDIA at (703) 247 9470 or psteffes@ndia.org.

Sincerely and respectfully,

A handwritten signature in black ink, appearing to read "L. P. Farrell, Jr.", written in a cursive style.

Lawrence P. Farrell, Jr.
Lt. Gen., USAF (ret.)
President and CEO
National Defense Industrial Association