

**“An Overview of the Dynamics Between the Defense Production Act and Small
Contractors”
Testimony before the House Small Business Subcommittee on Contracting and
Infrastructure
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Virtual Hearing**

Introduction

Chairman Golden, Ranking Member Stauber, and Members of the Subcommittee, thank you for the opportunity to testify here today and for your consistent efforts in supporting America’s small business community.

My name is Mary Lockhart and I am the President, CEO, and Founder of PEMDAS Technologies & Innovations, a woman-owned, service-disabled veteran-owned small business located in Alexandria, VA. PEMDAS is an established expert in the integration of environmental intelligence (EI) into C4I systems (command, control, communications, computers, and intelligence systems), essentially the “weather impacts” for the platforms and weapon systems. The company provides high-value engineering services and hardware and software products to the Department of Defense (DoD). Today I am representing the Small Business Division of the National Defense Industrial Association (NDIA), the nation’s oldest and largest defense industry association, comprised of 1,650 corporate and over 70,000 individual members. My testimony this afternoon will focus on leveraging Title III authorities to support the small business preference in the Defense Production Act (DPA). This will help to preserve America’s small business industrial base during this challenging pandemic.

My small business colleagues and I support all efforts to make government procurement more efficient, streamlined, and cost effective. Unfortunately, COVID-19 has created unforeseen challenges to small businesses that are eclipsing the recent beneficial changes to defense procurement systems. An April 23, 2020 published NDIA survey of 750+ members from the small business industrial base found that 60% of the respondents experienced a serious cash flow disruption due to this crisis. Concurrently, 51% reported that shelter-in-place orders negatively impacted their ability to execute contracts. Most alarming is 60% expected to have long-term financial and operational issues resulting from COVID-19. Cuts to billable hours, delayed prime contractor and/or government payments due to shut down or telework requirements, and a lack of telework options or contract schedule flexibility were cited as the underlying reasons. Unsurprisingly, the brunt of these impacts fall hardest on those small businesses with fewer than 50 employees because of their limited resources. These businesses are often new to the defense industrial base and represent a vulnerable but vital part of our national security procurement apparatus.

Congress recently appropriated \$1 billion for DPA Title III in the CARES Act for actions to expand production of medical equipment and invest in the defense industrial base. This Act contains provisions relevant to small businesses that support our national security. It is important these provisions and their investments reach small businesses as they are the proven innovators of technology to strengthen military readiness. Small businesses also generate thousands of local jobs. Ensuring the vitality of small businesses will help America's preparedness, response, and recovery from this pandemic. It is important, therefore, to emphasize that the special preference for small businesses in DPA is followed—especially in areas of high unemployment or ones that have demonstrated a continuing pattern of economic decline.

Clearly, the DPA Title III is vital to the support of small businesses. However, this 70-year-old Act demands a re-structure to optimally support the small businesses described. I offer the following suggestions:

- Accelerate and streamline the acquisition process; use DPA Title III to maximize small business participation.
- Establish a centralized office for DPA implementation, reporting, and coordination.
- Ensure DPA has ample funding for small businesses, using supplemental appropriations if the DPA fund is exhausted.
- Allow small and medium-sized manufacturing enterprises (SMEs) to use Title III funds as intended by the DPA. This act provides for “guaranteeing the purchase or lease of advance manufacturing equipment” under Title III, subject to meeting certain requirements to replace key equipment that supports the defense industrial base.

Conclusion

Chairman Golden, Ranking Member Stauber, and Members of the Subcommittee, thank you for the opportunity to appear before you this afternoon and thank you for your continued efforts in support of the small business community. I would be pleased to respond to any of your questions.