

February 20, 2024

National Aeronautics and Space Administration (NASA)  
Solutions for Enterprise-Wide Procurements (SEWP) VI GWAC Program Office  
Mary W. Jackson NASA Headquarters  
Washington, DC 20546-0001

Dear SEWP VI Contracting Team:

The Information Technology industry is excited to participate in the upcoming SEWP VI competition and respectfully provides this letter in response to your Request for Information released on September 18, 2023. We look forward to continuing the relationships with NASA and its customers. SEWP V is arguably the most successful IT-focused GWAC ever awarded in the Federal Government in terms of meeting the Government's procurement requirements and satisfying its procurement policy goals. We are fully supportive of working with you to ensure that the new SEWP VI program will continue to satisfy the same requirements and goals and continue as the premier opportunity for the small businesses that have developed by supporting the opportunities provided by SEWP V. To that end, we are pleased to have the opportunity to provide this industry perspective to assist you in the important work of crafting another best-in-class acquisition vehicle with SEWP VI.

#### I. Introduction -- Maximize Competition and Minimize Complexity

Industry best supports Government in obtaining the best products and prices when the procurement strategy starts with two important elements: the desire to facilitate maximum competition and minimize complexity, or "red tape." The more companies compete, the more they will provide the lowest prices and best possible value. Likewise, when complexity and administrative hurdles are understood and minimized, contracting professionals can efficiently obtain the products and services their customer organizations require.

When competition and complexity are properly managed, a GWAC can become the "go-to" contract for agencies across the Government. SEWP V, with a robust contractor base of over 100 prime contract holders and a streamlined solicitation process, became just such a "go-to" vehicle. Now, on the threshold of SEWP VI, we strongly urge you to take stock of the successes of SEWP V and take care and be mindful of the risks of actions that might "fix what is not broken." We respectfully urge caution so that any considered changes to SEWP VI are weighed in a manner so as to not place significant administrative hurdles upon the Government and the contract holders, or inadvertently limit the field of competition to only a few prime contract holders. Continued focus upon maximizing competition and minimizing complexity will enable SEWP VI to continue as one of the Government's most effective acquisition tools.

## II. The Success of SEWP V

There are significant lessons that can be learned from SEWP V's success. Keeping with the theme that we should be careful to not try to fix things that are not broken, in planning for SEWP VI, due consideration should be given to protecting and carrying forward the elements of SEWP V that have served the Government's purposes so well.

### A. The Current SEWP V Contractor Ecosystem

SEWP V has developed over 100 prime contract holders. This well-developed ecosystem of industry participation ensures agency customers have access to the best cutting edge products, solutions, and capabilities to support the Government customers. Likewise, the large number of contract holders facilitates the robust competition so necessary for market driven competitive pricing. This level of participation and competition also ensures that contract holders work hard to be efficient and keep overhead and margins as low as practical to maximize the benefit to the Government and win deals.

Another successful element of the SEWP V ecosystem is its long list of small business contract holders. Approximately 88% of all SEWP V sales are currently being conducted under some form of small business set-aside. It is clear that many agencies use SEWP V as a vital component of their strategy to meet the mandatory small business contracting goals imposed by Congress. These sales are overwhelmingly conducted through resellers that provide single-point access to vast product catalogs and "value added" services like installation and configuration. The current primary NAICS for SEWP V is the Information Technology Value-Added Reseller ("ITVAR") exception to NAICS 541519. This exception is a primarily product-based code, requiring that at least 50% of the contract is expected to consist of products. After 8 years of performance, the majority of the sales on SEWP V consist of hardware and software products.

### B. The Role of Qualified and Experienced Resellers

Qualified and experienced resellers are the key to procuring the most advanced products at the best prices. Successful resellers are required to establish and maintain relationships with hundreds or thousands of suppliers. In many instances, an effective reseller is required to invest in training and certifications for the complex information technology products they sell to the Government. When these relationships mature, resellers can reach advanced achievement levels (either by expertise and certification levels and/or meeting sales goals) that earn them additional discounts, access to advanced products, and other benefits that ultimately provides a benefit to the Government. The benefits these qualified and experienced resellers bring to the Government can be in the form of better pricing through more favorable discounts from their suppliers, as well as more knowledgeable support to the Government and its community of support contractors. By contrast, inexperienced resellers do not have well-established relationships and cannot offer such discounts and expert knowledge regarding the diverse products sought by the Government. Companies focused on solely providing IT services do not have established robust supplier networks and are not adequate substitutes for established resellers who help bridge the gap between commercial original equipment manufacturers and the Government's network of support contractors.

### C. Employee Based Size Standards Versus Revenue Based Size Standards

Because of the large volume, but lower margin business done by resellers, it is critical that small business resellers be evaluated against SBA's employee-based size standards, and not revenue-based codes. Established resellers can quickly accumulate millions of dollars in "gross" revenue, and many exceed \$40-50M in just a few years of operation. However, despite the high gross revenue, resellers operating in this very competitive market typically operate on less than 5% margin – leaving them able to field only relatively modest workforces. Resellers can reasonably reach \$50M in gross revenue, with most of the revenue passing through their hands to the original equipment manufacturers. Despite these thin margins, the gross revenue figures quickly places these resellers out of reach of any revenue-based small business NAICS codes such as 541512 (with a \$34M size cap), while being well below the employee-based limits. The revenue-based codes therefore eliminate most resellers from small business participation.

### D. Avoiding Regulatory "Red Tape"; The Nonmanufacturer Rule and Commercial Information Technology

To ensure the appropriated funds placed on set-aside contracts inure to the exclusive benefit of small business manufacturers, in 2016 Congress updated the Nonmanufacturer Rule (or "NMR," found at 13 CFR §125.6). This rule requires small business resellers to provide small business-made products on set-aside task orders over the Simplified Acquisition Threshold (\$250,000) and all orders set aside for socioeconomic small businesses (8(a), HUBZone, WOSB, SDVOSB, etc.).

This rule works well for standard manufactured goods, but generates significant regulatory problems when applied to the unique IT industry, and the nature of the companies that manufacture IT equipment. For many goods (e.g. office furniture, notebooks, or building signage) the Government can obtain what it needs from any small business that can produce compliant products. In the IT market however, the products are extremely complex and introduce compatibility problems, cybersecurity risks, and varying levels of suitability to address the Government's requirements. For example, a Government Agency may require a PDF reader compatible with its network, that meets stringent cybersecurity requirements, and is usable by the average agency employee. There may be only one such program (Adobe Pro) available. Because Adobe is not a small business, the NMR would prohibit Agencies from setting aside any task order calling for the acquisition of Adobe products.

The NMR can be waived under two circumstances. First, when no small businesses manufacture the needed product at the necessary scale, the SBA can grant a "Class Waiver" of the portion of the NMR that requires small business-made products, but only for that class or description of products. Second, if small businesses do manufacture similar products, but the specific type of product required is only manufactured by large businesses, the agency's contracting officer can request an "Individual Waiver" of the NMR with respect to that acquisition itself. If such a waiver is granted, small business awardees can provide the required products on set-aside contracts.

SEWP V was successful in part because it avoided the regulatory hurdle of the NMR. SEWP V was awarded in 2015 before the NMR became applicable to NAICS 541519, and thus the rule was fortuitously inapplicable to SEWP V. Had this rule applied to task orders on SEWP V, the majority of the products purchased by SEWP V customers without an appropriate waiver could not have been legally sold. Because most products needed by the Federal Government are made by large businesses (Microsoft, Adobe, Cisco, Dell, Solarwinds, HP, etc.), this rule would have eviscerated SEWP V's effectiveness as a small-business-capable GWAC.

SEWP V is successful in part because it has a large number of well-established small business resellers, not hamstrung by the NMR, that bring high-discount relationships to bear while maintaining their usefulness as small businesses to the customers who need such credit. The use of NAICS 541519 ITVAR, with a size standard of 150 employees, allowed resellers to win small business awards unavailable under revenue-based codes. It is imperative that this issue be addressed in the planning and execution of SEWP VI for this vehicle to continue to meet the Government's objectives of supporting this small business ecosystem while meeting the Government's vital procurement needs.

### III. Challenges to Continued Success Under SEWP VI

#### A. The Current SEWP VI Contractor Base Problem

As noted above, in planning the strategy for SEWP VI, care should be given to ensure that we do not inadvertently try to fix something that is not broken. Although SEWP V succeeded on the strength of its experienced small business resellers, SEWP VI is currently structured in a way that could decimate the current SEWP V small business ecosystem by preventing these resellers from meaningfully participating on SEWP VI. All the strengths of SEWP V discussed above will be unavailable to SEWP VI.

As noted above, any GWAC hoping to offer its customers the ability to log small business credit with great product diversity at low prices must have experienced resellers. As currently architected based upon the most recent information, SEWP VI's use of NAICS 541512 will directly prevent SEWP V's small business reseller base from competing as small businesses on the new contract by imposing a revenue-based small business standard that experienced resellers cannot meet. Resellers generate high revenue at low margins – meaning they quickly exceed the \$34 million revenue-based size standard applicable to 541512. Where SEWP V relies upon qualified and experienced small business resellers that have invested in cultivating and maintaining excellent supplier relationships and discounts, SEWP VI will be forced to rely on service-focused small businesses that lack such relationships. This means potential destruction of the current SEWP V ecosystem, higher prices to the Government, limited access to more advanced product lines, and a generally a less effective GWAC.

While SEWP VI will award a contract to all “qualified offerors,” it is likely that most small businesses awardees will be service providers under 541512 and not experienced resellers. Ignoring the differences between small service providers and small experienced resellers could have grave consequences for the SEWP VI program. Customers will have to choose between small business credit available from the inexperienced service-focused contract holders or the

lower prices and greater product availability offered by the experienced resellers who did not receive small business SEWP VI contracts. On SEWP V, there was no such dilemma – but under the current SEWP VI structure, customers will not be able to get both.

B. Acknowledge the Distinction Between Service Providers and Reseller’s to Maintain SEWP VI As the Premier Government Procurement Vehicle

Given the potential significant consequences of ignoring the distinction between service providers and resellers, steps should be taken to ensure that SEWP VI maintains its place as the premier procurement vehicle relied upon by Government. This problem can be overcome by ensuring that resellers, relegated to large-business status on the base contract by the use of NAICS 541512, can nevertheless compete as small businesses under the employee-based size standards applicable to manufacturing codes (e.g. 334111 with a size standard of 1,250 employees). While it appears this is the intent behind including the in-scope NAICS codes listed in the draft, this question cries out for simplicity and clarity. We respectfully request confirmation that such a plan will be included in SEWP VI.

GSA’s OASIS+ procurement is a recent example of how to address this issue. Like SEWP VI, OASIS+ includes multiple categories (or “domains”) under which ordering contracting officers can select from many different NAICS codes when placing orders. Nonetheless, GSA assigned a single NAICS code at the master contract level “for administrative purposes only.” This was done “[d]ue to a limitation with the Federal Procurement Data System (FPDS),” in which “only a single NAICS code may be assigned to a contract and subsequently reported with each contract action (i.e., task order).” GSA made clear in the solicitation, however, that contract holders will be able to compete for any task orders for which they qualify as a small business under the NAICS code assigned to the order:

[A]ssignment of a Primary NAICS Code does not limit Contractors’ eligibility to respond to task order solicitations or perform work outside of the NAICS assigned as their Primary NAICS on their contract. Contractors will be eligible to compete within all awarded Domain CLINs (NAICS Codes), which represent the Contractor’s specific fair opportunity pools.

OASIS+ Final Solicitation at 22. SEWP VI should insert similar language into the final solicitation to clarify the rules for all offerors and ordering contracting officers.

Additionally, we request clarification on the way customers will select NAICS codes at the task order level. As discussed above, the experienced resellers that made SEWP V so successful can only compete as small businesses if customers properly classify their purchases into NAICS codes with employee-based small business standards such as NAICS 334111. Because SEWP VI includes a list of “in-scope” NAICS codes that may be used at the order level, we request the SEWP VI program office establish a method for assisting customer Contracting Officers in establishing the correct NAICS code.

The list of in-scope NAICS codes for Category A opens the possibility for errant NAICS determinations by customer contracting personnel, and we request SEWP VI provide an internal review process by which contract holders can challenge NAICS code determinations. For

example, if a customer improperly classifies a hardware procurement as a set-aside order under a services code (541512, for example), resellers will again be unfairly unable to participate. The FAR provides a method for protesting a Contracting Officer's NAICS determination (FAR 19.103), but until October 1, 2025, FAR 19.102(b)(1) requires all task orders to be solicited under the base contract NAICS. Thus, it is not clear that NAICS protests would be possible under that authority for SEWP VI. We strongly recommend SEWP VI include a method by which NAICS code determinations can be challenged.

By ensuring existing resellers can still compete on task orders as small businesses under employee-based NAICS codes, SEWP VI can preserve and protect the reseller contractor ecosystem that is a hallmark of SEWP V's success.

### C. Minimize Complexity By Obtaining A Contract-Wide Waiver of the Nonmanufacturer Rule

As stated above, minimizing regulatory hurdles is key to the success of a GWAC. One of the biggest obstacles to IT-focused GWAC efficiency is the Nonmanufacturer Rule discussed above. It is important to note the NMR does not/cannot apply to NAICS 541512, the code chosen for SEWP VI's base contract. However, it will apply to any subsequent task orders solicited under the designated in-scope manufacturing NAICS codes (e.g. 334111, 334210, etc.). This will prevent customers from buying the large-business IT products they need on small business set-aside orders over \$250,000, or on any socio-economic set-aside orders using the manufacturing NAICS codes.

Only individual Contracting Officers can request Individual NMR waivers - but the overwhelming experience within industry is that Contracting Officers generally do not seek or obtain individual waivers to the NMR as required by the SBA. These waivers require a determination by the Contracting Officer that the customer requires a specific product that is only manufactured by a large business. To avoid the administrative delay of requesting such a waiver, Contracting Officers regularly place the risk of non-compliance on the contractors by not obtaining the waiver while still requiring large-business products on set-aside task orders. The Government Accountability Office (GAO) made this clear in its December 14, 2023 report showing contracting officers submitted only 670 NMR waiver requests during FY2017-2022 – far short of the number expected considering the Government issued approximately 102,000 set-aside contracts during that period. Alternately, Contracting Officers will occasionally remove the set-aside altogether and solicit the opportunity as a full-and-open opportunity rather than seek the waiver, preventing small businesses from being able to compete.

To avoid this issue, SEWP VI should coordinate a contract-wide Individual NMR waiver from the SBA. Recently, a number of large IT-focused GWACs have done so, creating precedent and a new “best practice” for similar contracts. Specifically, the SBA has granted NMR waivers based on specific catalog requirements for both the Army (on the ITES-4H contract) and the Department of Homeland Security (DHS, on the FirstSource III contract), both of which are in the proposal evaluation stage. The SBA recognized – as we do – that the Government needs the well-vetted products provided by large businesses, and can rarely employ small-business

products due to security concerns or limitations in production capacity. The customers who use these contracts will benefit greatly from the increased efficiency afforded by these waivers.

If the NMR remains applicable to the task orders on SEWP VI, it will result in a stifling of customer desire to use it as the vehicle of choice for IT procurement. Because ITES-4H and FirstSource III will not have the additional red tape that comes with obtaining individual NMR waivers for each order, agencies will likely prefer those vehicles over SEWP VI. Additionally, because contracting officers rarely seek individual NMR waivers at the order level, leaving this rule applicable to orders will place contractors at great risk – leaving them to choose between violating the NMR by providing quotes, or abstaining from bidding altogether. Neither scenario will contribute to SEWP VI’s success. Thus, to maximize its usefulness as a contract vehicle, SEWP VI needs to coordinate a contract-wide NMR waiver from the SBA.

#### IV. Recommendations

In summary, below are suggestions from high-performing industry partners who have helped make SEWP V the premier federal contracting vehicle.

- Suggestion 1: Take full advantage of small business resellers by allowing them to compete as small businesses.
  - Consider utilizing a NAICS code with an employee-based size standard at the contract level, such as 334111 or 541519 (ITVAR Exception). This will ensure SEWP VI can take advantage of the experience and value of established SEWP V resellers.
  - Alternatively, adopt an approach similar to OASIS+ by using a single NAICS code at the contract level “for administrative purposes only” but make clear in the solicitation that contractors are eligible for all task orders for which they qualify as small under the NAICS code assigned to the order.
  - Promote small business competition on task orders by specifying any other-than-small SEWP VI contract holder can nevertheless compete as small businesses under the in-scope NAICS codes.
  - Consider splitting Category A into its own contract under NAICS 334111, similar to the Army CHESS model, which has separate contracts for products and services. We also recommend deleting all services NAICS codes from Category A as they are already provided for in Categories B and C.
  - Consider including a method for challenging customer NAICS code determinations at the task order level. This will ensure opportunities are channeled towards the contractors best poised to fill those requirements.
  - If this suggestion is followed, the general FAR requirement to consider price may then apply to the SEWP VI source selection decision. If so, we suggest the price evaluation be conducted on a “Go/No Go” basis depending on whether offerors are able to provide a list of products below commercial list price. Any “qualified offeror” with sufficient supplier relationships will be able to meet this requirement.

- Suggestion 2: Follow precedent established by recent Information Technology GWACs and obtain an Individual Waiver of the NMR from the SBA.
  - Without a waiver, NMR will apply to all set-aside task orders over the Simplified Acquisition Threshold (\$250,000) or utilizing a socio-economic set-aside (8(a), HUBZone, SDVOSB, or WOSB) if competed under manufacturing NAICS codes (e.g. 334111, 334210, etc.). This will prevent customers from buying the large-business IT products they need on small business set-aside orders.
  - Relying on individual contracting officers to coordinate task order-specific NMR waivers will result in three likely scenarios that will degrade SEWP VI's effectiveness as a small business-capable GWAC:
    - The first and most likely scenario is that the CO will not seek or obtain individual waivers to the NMR and will unfairly place the risk of non-compliance on the small business contractors;
    - The CO will remove the set-aside and solicit the opportunity as a full-and-open opportunity, preventing small businesses from being able to compete; or
    - The CO will choose to place the order on another GWAC for which the NMR has been waived at the contract level (DHS FirstSource III, Army ITES-4H).

## V. Conclusion

SEWP V is the most successful information technology GWAC because it maximized task order competition while keeping complexity and regulatory red tape low. During that time, it became a favorite acquisition vehicle for agencies across the Federal Government. But it also became a major artery of support for a robust ecosystem of over one hundred small businesses which collectively represent thousands of employees, each of whom can trace their livelihoods and careers directly to the opportunities provided by the SEWP V program. We respectfully implore you to look for ways to protect the well-developed SEWP V ecosystem and emulate that success with SEWP VI.

Proceeding carefully and thoughtfully here is for the benefit of both individuals and the small businesses they support, as well as the Government customers whose missions rely upon the technology we offer. This letter recommends some ways to continue and build upon the successes of SEWP V, and we would welcome the opportunity to engage in a constructive dialogue to help address the mutually beneficial goals of SEWP VI. We look forward to the chance to discuss these and other issues with you as this program moves forward. Thank you sincerely for your attention to these matters.

Very Respectfully,  
***The Industry Partners Listed Below***



**In Alphabetical Order:**

**CSP Enterprises, LLC**

WOMAN-OWNED SMALL BUSINESS (WOSB)  
*Sheryl Vesper, President/Managing Partner*

**Cynergy Professional Systems, LLC**

SBA CERTIFIED 8(A)  
SERVICE-DISABLED VETERAN OWNED  
SMALL BUSINESS (SDVOSB)  
ECONOMICALLY DISADVANTAGED WOMAN-  
OWNED SMALL BUSINESS (EDWOSB)  
*Denton Browning, Vice President*

**DISYS Solutions, Inc. (DSI Tech)**

SMALL BUSINESS CONCERN (SBC)  
*Alan Bechara, Executive Vice President*

**En-Net Services, LLC**

SMALL BUSINESS CONCERN (SBC)  
*Kyle Yost, Co-Founder and President*

**FCN Inc.**

WOMAN-OWNED SMALL BUSINESS (WOSB)  
*Rob Brosey, Vice President and Director of  
Business Development*

**Federal Resources Corporation**

HUBZONE SMALL BUSINESS  
*Jeremy Young, CEO*

**GovSmart, Inc.**

HUBZONE SMALL BUSINESS  
*Brent Lillard, Co-Founder and CEO*

**Regan Technologies**

SERVICE-DISABLED VETERAN OWNED  
SMALL BUSINESS (SDVOSB)  
*Prince Anand, Executive Vice-  
President/COO*

**Sterling Computers Corporation**

WOMAN-OWNED SMALL BUSINESS (WOSB)  
*Jeff Moore, Senior Vice President*

**ThunderCat Technology, LLC**

SERVICE-DISABLED VETERAN OWNED  
SMALL BUSINESS (SDVOSB)  
*David Schlosser, COO*

**WestWind Computer Products, Inc.**

HUBZONE SMALL BUSINESS  
WOMAN-OWNED SMALL BUSINESS (WOSB)  
*Lupé Montoya, Vice President of Sales*

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### Industry Representatives Statement

As industry representatives, all entities endorsing this letter wish to convey the following:

1. This letter is provided in response to your Draft Request for Proposals / Request for Information dated September 18, 2023. Our purpose is to provide the SEWP VI program office with useful market intelligence that we believe will contribute to the success of the program and the contractors on which it will rely. We expect and encourage this letter to be provided to all potential offerors or other stakeholders to ensure SEWP VI receives the best information with which to conduct acquisition planning.
2. We believe the information provided in this letter is broadly applicable to the information technology reseller market. It does not represent any attempt to secure individual advantages of any kind beyond those resulting from a more successful and efficient contract vehicle.
3. This is the only and exclusive coordination between the industry representatives endorsing this letter. The endorsing entities have not and will not coordinate with respect to any proposal details whatsoever, including but not limited to bidding strategies, technical or pricing data, or any other proposal details.