



February 9, 2022

Mr. Mark Lee
Assistant Commissioner, Office of Policy and Compliance
General Services Administration
1800 F Street, NW
Washington, DC 20405

Re: Critical Need to Address Inflation on Contracts

Dear Mark,

The purpose of this letter is to seek GSA's guidance as to how its contractors, including small business contractors, should manage contract performance in light of rapidly changing economic circumstances. Inflation is negatively impacting GSA's contractor and customer bases, limiting access to the commercial market and reducing competition at the task order level for customer agency product and/or service requirements. The impact is especially significant on small businesses, including small-disadvantaged businesses. Along these lines, I am inviting you to meet with industry representatives to discuss GSA's plans to address the current challenging economic environment on its contracts.

Over the past several weeks, you may have noticed the [Coalition's blog](#) and discussions in other media about the impact of the rate of inflation on government contracting and contractors. By way of background, the rate of inflation has been climbing steadily over the last several months and, according to some sources, is on a course to exceed 7.5% this year, with even greater increases being felt in specific industries. Price increases have hit every link in the supply chain, including labor, materials, shipping, and energy. Associated with this rise in the rate of inflation (the highest rate in over a generation) is the increase in interest rates as a means to moderate inflation. Altogether, these challenging economic circumstances place a heavy burden on contractors and their supply chains, especially small businesses contractors.

The damaging effects of inflation on those providing goods and services in the economy cannot be overstated. The current increase in the rate of inflation devalues the currency businesses hold, reducing their spending power, and adding to the cost of doing business. The Federal marketplace is a part of the broader economy, and thus, Federal contractors are not immune to the impact of these challenges. Indeed, the same cost increases affecting the performance of businesses, especially small businesses, in the private sector exist for businesses performing under government contracts.

Nowhere is the difficulty faced by contractors more evident than under GSA's Multiple Award Schedule (MAS) program. As commercial enterprises, MAS contractors are linked closely to the experiences of their counterparts operating exclusively in the private sector. They suffer inflationary cost and pricing pressures across their supply chains, and, as a result, they need to adjust their prices to cover their costs. Unfortunately, as we wrote recently,

GSA's current framework leaves contracting officers relying on a standard Economic Price Adjustment (EPA) clause with little or no effective guidance supporting the streamlined administration of contractor requests for price increases. Time is money, especially for small business that see costs increasing while MAS prices remain stagnant. ... [T]here appears to be no sense of urgency in addressing the impact of inflation across the MAS program. Moreover, as noted in our recent blog, "[The Tyranny of Low Price and Other Challenges](#)," GSA's overall approach to commercial pricing under the MAS program institutionally ignores economic realities, creating distortions in the federal procurement market.

Our members report that it takes months for contracting officers to process price modifications leaving contractors to either sell items under their MAS contracts at a loss or cancel those items from their contracts. This no-win situation negatively impacts the industrial base supporting government operations. It also calls into question the long term viability of the MAS program in supporting customer agency mission requirements.

Allowing market forces to operate in the government space is key to providing a stable and economically hospitable environment necessary for the government to maintain a vibrant industrial base ever-ready to support missions in service to the citizens. The alternative is catastrophic: either vendors will leave the space, reducing government access to the benefits of innovation and competition, or they will remain and performance will suffer. The government cannot expect contractors, especially small business contractors that the Biden Administration seeks to nurture and support, to continue experiencing percentage losses in the double digits without an impact on service or product quality or delivery.

Consistent with the Administration's laser focus on supporting small businesses, GSA should move with urgency to develop a framework for the streamlined administration, assessment, and execution of price modifications under its programs. Addressing the pricing squeeze that MAS contractors are now facing is critical to advancing the Administration's goals to build the economy and support small business opportunities in the Federal market. For this reason, I am asking that you please release GSA's plan to address inflation under government contracts, including its plan to streamline the EPA process.

In addition, the Coalition would like to invite you to meet with our members for a listening session in which GSA could share its considerations in developing the foregoing plan, and our members could provide their experiences and challenges in the current economic environment.

The government's successful contracting activities have been rooted in the ongoing collaborative relationship it maintains with its dedicated industrial base. Your affirmative response to the foregoing request would be a contribution faithful to that collegial history. Thank you, in advance, for your attention to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Roger Waldron", written over a light gray rectangular background.

Roger Waldron
President

cc: Sonny Hashmi, FAS Commissioner, GSA

Jeff Koses, Senior Procurement Executive, GSA