

**STATEMENT OF
ANDY GIBBS
CHAIRMAN AND CEO OF THE VETERANS BUSINESS INSTITUTE
BEFORE THE
INTERAGENCY TASK FORCE ON VETERANS SMALL BUSINESS DEVELOPMENT
February 25, 2011**

Mr. Chairman, and Members of the Committee:

Thank you for the opportunity to appear today before this Committee to speak to you about new veteran and service-disabled veteran owned businesses.

I am Andy Gibbs, Chairman of the Veterans Business Institute, a veteran-owned, HUBZone company that's modeling programs for large scale Veteran and Service Disabled Veteran Owned (VOBs / SDVOB) business development.

Today, there are numerous challenges facing the Department of Defense, VA, SBA, DOL, and other agencies that serve active duty and recently separated military personnel.

These challenges include reversing the outrageous veteran unemployment rate, the precipitous decline in veteran self employment, the escalating costs of recruiting and retention, and cutting the predicted \$1 trillion taxpayer cost for long term Gulf War veteran care.

Ironically, veterans are not the "problem". They are the solution – not only to secure their own futures through self employment, but to help America overcome these larger challenges. However, we must empower them by providing the necessary tools.

Only when we can measure significant growth in the number of new, sustainable veteran owned businesses can we say that we have met the challenge of rebuilding America's most important small business community.

In commending the progress that the Committee members have made to veteran contracting opportunities, Federal contracting efforts *in toto* ignore two vital business realities:

- 1) The number of veteran self-employed firms has declined 21.6% since 2000. Without immediately reversing this decline, there simply won't be enough qualified veteran businesses to intersect with the increased contracting opportunities - federal contracting goals will become invisible targets.
- 2) Federal solicitation programs are a lure that *implies* that veteran businesses will enjoy long-term growth and stability solely from government contracts. The growing Federal deficit, combined with Congressional demands for budget cuts creates an unacceptably high-risk small business environment at best. At worst, this reliance on government spending could easily yield unexpected consequences such as the wholesale collapse of thousands, or 10s of thousands of veteran owned businesses during a single emergency budget reduction.

To address this common risk in the private sector, I have always advised business owners to limit any one customer from controlling more than 15% of annual revenue. The nature of veteran business contractors is that they typically rely on nearly 100% of revenue from one customer – the federal government. Veterans need lower risk small business options.

In our obligation to promote the lowest risk veteran business growth, our veteran new business development programs must intensify efforts to help veterans address high growth consumer product and service markets, green businesses, and agribusiness.

More than 2/3 of the Department of Labor's 30 highest growth occupations are in consumer market segments that are of little consequence to federal contracting officers.

The Kauffman Foundation concurs. In a recent reportⁱ, it showed that most new businesses and jobs are created in young businesses in retail, health care, accommodation and food services, administration and waste. These small businesses serve their local consumer markets, support local businesses, and occasionally contract with local governments.

In short – the current systems for veteran small business development are broken. The environment for veteran business ownership is untenable. The data is clear, and militates for the urgent pursuit of completely innovative, large-scale solutions.

Current veteran business support programs have enjoyed only limited success and effectiveness.

Today's veteran entrepreneurs need highly structured, highly scalable programs that recruit, train, deploy, and support their businesses through to mission success - not unlike the military system that transitioned them from undisciplined civilians into the world's most effective warfighters.

A few high profile programs have found limited success, but fail to deliver on the scale and scope that America desperately needs.

For instance, VetFran, a VA-supported program to help veterans buy franchises has placed 2000 veterans into businesses since 2002. By most measures, a program that serves only the top 1% of only the most financially secure veterans can't possibly be considered successful.

Over the past three years, Syracuse University's Entrepreneur's Boot Camp has helped about 300 veterans prepare for small business through its 9 day residence program. 70% have started businesses. While laudable, the Entrepreneurs Boot Camp is simply not designed for extreme scalability, and makes insignificant impact on veteran business owner statistics overall.

It is our obligation to not simply clear the path to veteran business ownership, but to create the superhighway that accelerates business ownership for thousands of veterans.

I respectfully request that this Task Force take up veteran small business **creation** as the **prerequisite** from which it can then address its mission of increasing government contracting opportunities.

I propose that two primary objectives be established as guiding principles for veteran business development by this Task Force:

1) Increase the number of veteran-owned businesses through massively scalable programs – with a multi-year goal of creating not 100s of new VOBs / SDVOBs, but 100,000. Process is irrelevant. Only measurable performance results matter.

To reverse the veteran crisis, we must all take extraordinary measures to unearth little used regulations that allow emergency program contracts under applicable authority, and we must explore innovative veteran business support solutions.

For instance, barriers to government relationships with private sector organizations, including for-profit organizations, must be eliminated.

I urge this Task Force to consider developing a single, Interagency Standard that streamlines P3 and Cosponsorship Programs, giving the most liberal definition to private sector partners, including for-profit organizations. This Standard would include provisions for emergency interagency funding of approved programs under FAR Subpart 17.5 - Interagency Acquisitions Under the Economy Act, creating explicit opportunities for private sector and for-profit organizations that can deploy large-scale veteran business ownership development programs.

2) Increase access to funding. Veterans returning from years in Afghanistan have no assets, no bank account, no proof of income or ability to repay, and no existing profit/loss history for a new business. Simply, they don't qualify for a \$500 credit card, let alone Patriot Express or microloans. Their prospects for small business ownership are bleak – and America's finest assets become a society cost, rather than a net contributor to economic recovery.

To change the landscape on veteran small business funding, I am entering into public record a proposed GI Bill to accelerate veteran business ownership. The Bill is called the Veterans Business Ownership Act of 2011, the "Vet Biz GI Bill", and would create entirely new and separate entitlements that allow veterans to use the entirety of their GI Bill benefits to start up or expand their veteran owned businesses. This proposed Bill would put more than \$150 billion of veteran entitlements to work in creating thousands of new VOBs and SDVOBs.

However, until Congress and the President have passed this proposal into Law, I encourage this Task Force, along with other appropriate agencies, to interact and develop veteran loan entitlement programs that would require replace traditional loan qualification for would be veteran entrepreneurs with more direct authority, and by providing more robust guarantees.

In closing, I want to applaud this Task Force to undertaking the daunting challenge of reinvigorating the national community of veteran owned small businesses, and stand ready to support its efforts with any expertise or resources I am able to provide.

Thank you.

REFERENCES:

Research and data supporting this statement can be found in the documents entered into the record with this presentation.

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Andy Gibbs is a service disabled veteran with a 35-year after military business career that ranges from seven start ups, to Fortune 100 vice president for international business development. He has spoken internationally to foreign government leaders on innovation and economic development, and is expert in creating small business start up and mentoring programs – such as the video series currently used by SBDCs. He was appointed by the Secretary of Commerce to two terms on the US Patent and Trademark Office Public Patent Advisory Committee.

His complete bio is available at <http://www.warfighters.com/Management-and-Directors>

CITATION:

¹ http://www.kauffman.org/uploadedFiles/where_will_the_jobs_come_from.pdf