

ACQUISITION,  
TECHNOLOGY  
AND LOGISTICS

## THE UNDER SECRETARY OF DEFENSE

3010 DEFENSE PENTAGON  
WASHINGTON, DC 20301-3010

JUN 27 2006

MEMORANDUM FOR SECRETARY OF THE ARMY  
SECRETARY OF THE NAVY  
SECRETARY OF THE AIR FORCE

SUBJECT: Small Business Innovation Research (SBIR) Program

Section 252 of the National Defense Authorization Act for Fiscal Year 2006, Public Law No. 109-163 (NDAA), contains several provisions regarding the Small Business Innovation Research (SBIR) program. Among other things, section 252 modifies section 9 of the Small Business Act (15 U.S.C. 638), to add a new subsection 9(y) that authorizes a Commercialization Pilot Program (CPP) under the Secretary of Defense and the Secretary of each Military Department. To fund the administrative cost of such a pilot program, but not fund Phase III awards, section 9(y) authorizes use of up to an amount equal to 1% of the SBIR set-aside budget.

The purpose of the CPP is to accelerate the transition of SBIR-funded technologies to Phase III—specifically into systems being developed, acquired and maintained for the warfighter. This can be done through activities that enhance the connectivity among SBIR-firms, prime contractors, and DoD science & technology and acquisition communities. It can also be accomplished by improving a SBIR-firm's capability to provide the identified technology to the Department, directly or as a subcontractor. Since leveraging the SBIR program to meet identified technology needs is a goal of the Department, I request that you develop a CPP utilizing this new authority.

Section 9(y) requires the identification of SBIR research projects with the potential for rapid transition to Phase III, and the Secretary of the Military Department concerned certify in writing that the successful transition of the research program into Phase III and the acquisition process is expected to meet high priority military needs of the Department. To accomplish this effectively, I request that you conduct a portfolio review of recent SBIR Phase II projects to identify technologies with the greatest potential to meet known technology needs of programs of record. Current SBIR policy requires that at least 50% of SBIR topics have acquisition community endorsement or sponsorship. Since this endorsement or sponsorship should be derived from an identified need, awards resulting from these topics should be a good place to start. Please provide this list of projects, the programs to which you expect them to transition, and a description of the portfolio review process you use to identify high potential SBIR Phase II projects to the Office of Small Business Programs by September 15, 2006. Additionally, please provide at that time the details of your CPP plans, including the



amount of funds employed to support the CPP, how you intend to use the funding authority, to include activities and incentives you plan to employ to facilitate the transition, and what results you expect to achieve.

To aid identification of SBIR technologies with the highest transition potential, the Department will sponsor an annual "Beyond Phase II" conference in early 2007 to bring together recent SBIR Phase II award winners with major prime contractors and DoD system developers and acquirers. This will allow you and system contractors to survey directly SBIR Phase II award technologies from across the Department as well as from within your Component to identify those that meet a need. We will explore the development of activities adjunct to the annual conference to expand it as a tool to enable successful technology transition. I request your full support of this event.

The SBIR Program has long been a source of innovation—we must make it serve the warfighter better. Beyond the above actions in response to the new section 9(y) of the Small Business Act, it is important to improve how the SBIR program is implemented and used within our institutions. We must identify and proliferate best practices to be sure we are developing the right technologies and effectively transitioning them. This means ensuring we are generating and funding the right projects, employing the right incentives, and leveraging all available technology transition tools. I request your personal support and attention to accomplish this. My office has recently been asked by the Senate and House Small Business Committees to report on our progress. Mr. Frank Ramos, Director of Small Business Programs on my staff, will be contacting you for support in developing a status report.



Kenneth J. Krieg

cc:

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