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Dear President Trump,

It goes without saying that supporting US businesses and US manufacturing is important. Regardless of party lines, every legislator will tell you they are a hundred percent in support of promoting both principles. This letter will hopefully shine some light on an area of the federal government where the actions of government procurement officials do not support small businesses nor those that produce US products. It is my goal, on behalf of my family's business and our employees, to ask for your support in taking action to review the procurement actions of the Defense Logistics Agency (DLA).

Just one week ago on July 25<sup>th</sup>, the DLA awarded a multi-line contract split up between three vendors. One of those vendors is a big business that historically supplies Mexican end products. One of the vendors is a small business that historically supplies Chinese end products. And the other business, ours, is a small business producing US-made end products.

As awarded, the estimated contract value is \$777,551 with 58% going to the big business supplying Mexican products, 24% to the small business supplying Chinese products, and 18% to my family's small business supplying domestic end products. This, in and of itself, is not necessarily a shame presuming the small business supplying domestic end products was considerably higher priced. Unfortunately, we were not.

In total the DLA saved only 4.7% on the contract value by not buying 100% from the small business producing in the US. Instead, the DLA awarded the contract strictly following a best-price criteria. In doing so, the government netted a \$38,152 savings over buying everything from the small business producing domestic end products. Again, on a three-quarter of a million dollar contract the government chose to support Mexican and Chinese products to the tune of thirty-eight thousand dollars in savings.

What's worse is that if you remove the two items procured via the small business sourcing the products from China, what you are left with is a small business producing domestic end products competing against a large business supplying Mexican products. By making the award to the large business the DLA will save only \$15,832 per year on a total contract value of \$589,565! That is a mere 2.6% savings!

Is a 2.6% savings more important than supporting a small business? Is that 2.6% savings more important than creating jobs in the USA? Needless to say, the answer to any reasonable American would be "no."

Even if you review the savings anticipated by procuring two of the items from China, one of the items nets out an 11.8% savings whereas the other items net out a 5.4% savings. Again, are the cost savings justified enough not to buy US produced products?



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In our experience over this past week, as we've worked to develop a moving forward strategy on how to bring this problem to light, informal surveys have been taken to see how much a typical tax paying American would be willing to pay as a premium if they knew the federal government would be supporting small businesses and/or US production. The results were that everyone we talked to felt 15% to 20% preference is reasonable.

The Industrial Hardware division of the DLA Troop Support branch clearly thinks otherwise. Maybe this is a case of "the DLA's hands are tied and they can't offer any sort of pricing preference in their solicitations" because the Federal Acquisition Regulations (FAR) prohibits such preferences. If so, then the FAR needs to be modified.

I believe, however, that the FAR does not prohibit and that the DLA did have the ability to offer some sort of pricing preferences should they felt it prudent. Instead, the DLA chose to ignore any such preferences. They chose to spend tax payers' dollars to support job growth in Mexico and China instead of here in the USA.

I won't speak to the DLA as a whole. But I can speak to the specific branch that procures padlocks when I say that they do not, nor have they ever, supported small businesses nor businesses working to produce in the USA.

My family's business is the only small business producing padlocks for the DLA in the USA, and we only started doing so in 2009. In 2009 we earned Lockheed Martin's trust to be their primary sub-contractor to supply padlocks in support of the Fleet Automotive Support Initiative (FASI) program. We moved our manufacturing away from China and to the USA to start supplying a domestic end product.

To say it was hard work is an understatement. And now, eight years later, I challenge you to find a better supplier of any product to the DLA than Pacific Lock Company. In these seven years we have produced and delivered 5 million padlocks with not one return for quality problems! And, as a "direct-to-vendor delivery" (DVD) supplier, we have delivered directly from our factory to the warfighter on more than a hundred and four-thousand orders all with a one to three-day turn-around time!

Because of our exceptional performance, Lockheed Martin named us one of their small businesses of the year in 2014.

Again, I challenge you to find a better vendor to the US Government than Pacific Lock Company. And yet, the DLA chooses to deliberately make it very, very difficult for us to earn its business. Having a small business compete with a big business on a "level playing field" where no preference is given is hardly fair. Having a small business producing domestic



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products compete with another small business sourcing products from China, again with no preference given to the domestic manufacturer, is hardly a “level playing field.”

Our government should be taking reasonable steps to encourage small businesses and US production. Awarding \$451,472 in yearly sales to a large business producing a Mexican product instead of to a small business producing a domestic product to exact a 2.6% cost savings is not reasonable.

Once again, my intent by writing this letter is to bring to light a culture of uncaring within this portion of the DLA. I have included the specifics to the procurement action on solicitation # SPE5EY-17-D-0550 below for your reference.

Warm regards,

//signed//

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Pricing Information for DLA Solicitation # SPESEY-17-D-0590 Awarded 7/26/17

For reference (should be independently verified):

Master Lock Company is a large business producer that supplies Mexican end products

Chinrose is a small business producer that supplies Chinese end products

Pacific Lock Company is a small business producer that manufactures US end products

What is shown below is a breakdown of the past award debriefings supplied by the DLA to Pacific Lock Company. It details the initial offer from Pacific Lock, the government's counter offer, and Pacific Lock's final offer. Then it shows the awardees, their pricing, and the delta (percentage) between what Pacific Lock offered and what the awardee offered. The information contained herein is not private in any sense and all of it can be obtained via a FOIA request. As such, it can be distributed freely without concern for privacy.

This information has been prepared by Gregory Waugh, President of Pacific Lock Company. He can be reached at 661-294-3707, ext. 102 or via e-mail: gwaugh@paclock.com.

Executive Summary: The analysis of a recently awarded contract from the DLA shows a lack of small business and US manufacturing support exhibited by the DLA. Pacific Lock Company is a well known and respected domestic small business producer of padlocks in support of the DLA. However, the agency responsible for procuring padlocks for the DLA continually exhibits a lack of concern for leveling the playing field, especially as it relates to small businesses and domestic production.

The breakdown below clearly shows that the small business producing a domestic end product failed to earn the DLA's business, on average, by a difference of less than 5%. Instead, the DLA strictly made its selections on pricing alone where, in some situations, the DLA made the award to the big business producing a Mexican end product so that the DLA could receive one-half of one percent of a discount had they purchased from the small business, domestic producer.

All in all, the DLA made 82% of the award (based on total expected revenue) to companies producing these products outside of the United States with 58% of the total value going to a big business. By making the awards in the manner it did, the DLA created job growth for Mexico and China all for a total dollars savings of \$38,152. That is a 4.7% savings as compared to if the DLA had made the entire award to Pacific Lock Company.

Had the entire award gone to Pacific Lock, there would have undoubtedly been job growth in the USA. As it is, that growth in jobs will be going to Mexico and China so that DLA can save 4.7%.

If you were to ignore the Chinrose products and compare the savings between Master Lock and Pacific Lock, you'd find that the DLA saved only 2.6% by buying from a large business historically producing in Mexico.

CLIN	NSN	U/I	AEQ	Pacific's Initial Offer	Government's Offer	Pacific's Final Offer	Awardee	Awarded Price	Estimated Annual Value	Discount from PACLOCK Price to Awardee Price	Estimated Annual Value if all PACLOCK
0001	5340014088452	SE	5943	\$28.80	\$19.61	\$28.80	Chinrose	\$ 25.40	\$ 150,952.20	11.8%	\$ 171,158.40
0002	5340014370630	SE	2202	\$17.76	\$13.76	\$17.76	Chinrose	\$ 16.80	\$ 36,993.60	5.4%	\$ 39,107.52
0003	5340002914214	SE	1060	\$59.50	\$50.16	\$59.50	Master Lock	\$ 58.59	\$ 62,105.40	1.5%	\$ 63,070.00
0004	5340002914212	SE	522	\$178.20	\$116.24	\$178.20	Master Lock	\$ 168.34	\$ 87,873.48	5.5%	\$ 93,020.40
0005	5340014088434	EA	3688	\$2.96	\$2.42	\$2.96	PACLOCK	\$ 2.96	\$ 10,919.44		\$ 10,919.44
0006	5340002914211	SE	388	\$118.80	\$101.88	\$118.80	Master	\$ 116.17	\$ 42,750.56	2.2%	\$ 43,718.40
0007	5340002920902	SE	240	\$77.61	\$56.46	\$77.61	PACLOCK	\$ 77.61	\$ 18,626.40		\$ 18,626.40
0008	5340004219382	SE	199	\$237.60	\$194.01	\$237.60	PACLOCK	\$ 237.60	\$ 47,282.40		\$ 47,282.40
0009	5340012699345	SE	1265	\$29.65	\$26.69	\$29.65	PACLOCK	\$ 29.65	\$ 37,507.25		\$ 37,507.25
0010	5340010045380	EA	1038	\$5.93	\$4.57	\$5.93	PACLOCK	\$ 5.93	\$ 6,155.34		\$ 6,155.34
0011	5340002914213	SE	528	\$29.90	\$25.75	\$29.90	Master Lock	\$ 29.65	\$ 15,655.20	0.8%	\$ 15,787.20
0012	5340002920904	SE	91	\$178.20	\$155.77	\$178.20	Master Lock	\$ 172.84	\$ 15,728.44	3.0%	\$ 16,216.20
0013	5340002914204	SE	260	\$593.00	\$483.28	\$593.00	Master Lock	\$ 564.37	\$ 146,736.20	4.8%	\$ 154,180.00
0014	5340006821506	SE	64	No Offer		No Offer	Master Lock	\$ 557.35	\$ 35,670.40		\$ 35,670.40
0015	5340002914210	SE	69	\$296.50	\$262.76	\$296.50	Master Lock	\$ 289.94	\$ 20,005.86	2.2%	\$ 20,498.50
0016	5340009124089	SE	120	\$35.58	\$32.02	\$35.58	PACLOCK	\$ 35.58	\$ 4,269.60		\$ 4,269.60
0017	5340002920906	SE	42	\$297.00	\$267.30	\$297.00	Master Lock	\$ 292.69	\$ 12,292.98	1.5%	\$ 12,474.00
0018	5340002914209	SE	32	\$237.60	\$213.84	\$237.60	PACLOCK	\$ 237.60	\$ 7,603.20		\$ 7,603.20
0019	5340004093246	SE	23	\$178.20	\$160.38	\$178.20	PACLOCK	\$ 178.20	\$ 4,098.60		\$ 4,098.60
0020	5340008386987	SE	6	\$296.50	\$263.22	\$296.50	Master Lock	\$ 292.47	\$ 1,754.82	1.4%	\$ 1,779.00
0021	5340004093247	SE	8	No Offer		No Offer	Master Lock	\$ 625.08	\$ 5,000.64		\$ 5,000.64
0022	5340011514203	SE	11	\$148.25	\$133.43	\$148.25	PACLOCK	\$ 148.25	\$ 1,630.75		\$ 1,630.75
0023	5340008385275	SE	10	\$593.00	\$530.87	\$593.00	Master Lock	\$ 589.86	\$ 5,988.60	0.5%	\$ 5,930.00

Total Annual Expected Value \$777,511.96 \$815,663.64  
 As the contract is currently awarded As if PACLOCK won all items it offered

Expected yearly savings of: \$38,152.28  
 Average percentage savings: 4.7%

Master Lock total award: \$ 451,472.58 58%  
 Chinrose total award: \$ 187,945.80 24%  
 Pacific Lock total award: \$ 138,092.98 18%