

SECTION VII—PROCUREMENT AND SALES ASSISTANCE TO SMALL BUSINESS

The general objectives of our Procurement Assistance program are to increase the share of awards to small business at both the prime and sub-contract level, and to decrease the number and severity of the problems which small firms experience either in being considered for awards, or in the field of contract administration.

Since 1960, there has been a dramatic rise in total Federal procurement and the amounts going to small business (Table 23).

In 1967, Federal procurement totaled \$49.8 billion, an increase of 92.2% over the \$25.9 billion in 1960. The amount going to small business more than doubled and reached \$10.2 billion in 1967, an increase of 117% over the \$4.7 billion in 1960. Percentage-wise the small business share increased from 18.3% of the total in 1960 to 20.5% in 1967. We believe this trend speaks well for the efforts expended by SBA and for the cooperation we are receiving from the procurement activities of the Government. However, we are not resting on this past record. We intend to continue to press for larger shares of procurement for small business and would like to raise the level to 26% by 1975.

In addition to prime contract awards we are, in cooperation with DOD and GSA, engaged in an effort to induce big business prime contractors to increase their sub-contracting with small business. We are working with 39 large Government contractors to seek out more small firms for sub-contract work. In FY 1968/9, the number of prime contractors will be increased from 39 to 74 and the number of plants from 244 to 324. We also have established "Project Upgrade" which is designed to assist submarginal small firms to improve their capabilities for sub-contract work. The sub-contract program already is producing good results. In FY 1967, DOD, AEC and NASA prime contractors reported that they had placed \$7.3 billion in sub-contracts with small firms (Table 23). If we add this amount to the \$10.2 billion in total prime contracts awarded to small business, the total would represent 35.2% of the 1967 Federal procurement dollar, as compared with 20.5% (Table 23).

I am glad to report that after little more than a two-year lapse, the procurement set-aside program was resumed on November 1, 1967. We have 18 representatives working at major procurement activities of the Department of Defense and are budgeting for full implementation in 1969. These representatives open up new opportunities for firms to compete by recommending, when appropriate, that sole source procurements be made competitive; recommending that separate portions of large planned procurements, or suitable components of end items, be purchased separately so small firms may compete; locating additional small business suppliers for these opportunities; and recommending modification of unduly restrictive specifications.

To help reduce contract administration problems of small firms, we plan to have representatives stationed at Defense Contract Administration offices. There they can serve as a "friend in court" in such matters as inspection problems, problems of delay in performance caused by the Government, or causes beyond the control of the small firm, progress and other payment problems, and proprietary rights problems (Table 24).

We have recently started some special studies to determine, on a geographic and industrial basis, where the Federal procurement dollar is being spent. The first such study dealing with a contract density index has recently been completed.

The contract density index is a useful measure of the relative impact of Federal procurement among SBA regions and areas. The index represents the ratio of each region's or area's share of total procurement to its share of total manufacturing shipments, converted to a base of 100. An index of 100 for an area or region means that its share of total Federal procurement equals its share of manufacturing shipments. Indices above or below this base measure the degree to which the area or region has exceeded or fallen short of its proportionate share of Federal procurement awards.

The wide dispersion of the index (from a low of 20 for the Boise and Sioux Falls regions to a high of 900 for the Washington metropolitan region) reflects major variations in regional industry mixes (Table 25).

The twenty-seven regions with the highest indices (125 and above) generally contain medium or large metropolitan areas which have emerged as growth centers for new industries serving the needs of the electronic, missile and space age. Illustrative of these are most of the regions of the Northeast Area; Jacksonville and Miami in the Southeastern Area; and Los Angeles, San Francisco and San Diego in the Pacific Coastal Area. Indices of 80 or lower were recorded for