29 regions. These include two principal types of region: (1) regions containing metropolitan complexes with high concentrations of manufacturing concerns producing basic materials, heavy equipment, production equipment and automotive vehicles—such as Pittsburgh, Birmingham, Chicago, Detroit, Cleveland and Portland; (2) regions which are predominantly rural with limited manufacturing facilities largely devoted to supplying local markets on processing local primary materials—such as Clarksburg, Jackson, Augusta, Little Rock, Des Moines, Boise and Spokane. In some instances, a high concentration of service-type contracts may distort an index based upon manufacturing capabilities. This explains, in part, the abnormally high index (900) for the Washington metropolitan region.

The Certificates of Competency program is designed to give small firms a better chance to participate in Government procurement. If a small business bids low on a Government contract, and the contracting agency feels that the firm does not have adequate productive capacity or credit to fulfill the contract, SBA is authorized to investigate the competency of the firm. SBA may issue a COC based on a thorough study of the company's operations. The contracting agency must award the contract to the small business when the certificate is issued. SBA follows the progress of the contract until it is completed. If the contractor has difficulty meeting production schedules because of technical or other problems, SBA offers assistance.

The program also makes available to the Government the services and products of those qualified small firms that have submitted low bids on particular purchases. This enables the Government to realize a saving and the Government, as well as small business, benefits.

Since it began through FY 1967, the COC program has saved the Government $29.8 million through the acceptance of low bids on the 2,111 COC's issued. In FY 1967, the total savings were $1,498,000 based on 141 COC awards made for $22.8 million.

Another 94 awards valued at $14.3 million were made without the necessity of issuing COC's after SBA supplied specific information to contracting agencies. The savings, by accepting these low bids, exceeded $1.5 million.

Section 8(a)(1) of the Small Business Act declares it to "be the duty of" SBA, and SBA is empowered whenever it "determines such action is necessary" to enter into procurement contracts with other Government agencies on such terms and conditions as the parties agree.

SBA is authorized by Section 8(a)(2) to sub-contract to others the performance or contracts it has obtained. This authority had not been exercised by previous SBA Administrators. Our decision to utilize this authority was prompted by the President's Test Cities Program announcement proposing to "mobilize the resources of private industry and the Federal Government to help find jobs and provide training for thousands of America's hard-core unemployed." In addition, the Economic Opportunity Act Amendments of 1967 added Congressional emphasis and direction for our use of this authority. In utilizing 8(a) in the context, we are trying to encourage small business development in areas which require economic stimulus and small business participation in resolving a critical national problem of developing job opportunities for the hard-core unemployed in our country.

We are moving carefully in employing our 8(a) authority. Our initial effort was focused on the five cities in which the Test Program operated—Washington, Boston, Los Angeles, San Antonio, and Chicago. With the full cooperation of the Department of Defense and the General Services Administration, we are jointly determining the items that are relatively simple to manufacture; that have a large continuing requirement; and that generally lend themselves to the training and skill development needs of the hard-core unemployed. We are seeking out qualified small business firms that are interested in participating in this program.

Other Government agencies are assisting us in developing a procurement package that will be acceptable to the small business sub-contractor who is being asked to assist not only in training of completely unskilled individuals, but also in providing permanent jobs. The Labor Department has agreed to expedite its consideration of training program requirements that can be included in our negotiations with potential sub-contractors.

Arrangements have been made with Lackland Air Force Base for a contract to supply troop issue bakery items. We have sub-contracted with an existing supplier, and we are assisting in expanding a small minority-owned bakery in San Antonio to which we will sub-contract a portion of the requirement. Both firms plan to work with the Labor Department in a training program. A loan application from the second firm to assist in its expansion plans is now being processed by our Agency.