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THE WHITE HOUSE

WASHINGTON

February 24, 1975

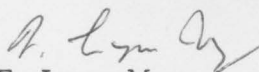
MEMORANDUM FOR STAN SCOTT

SUBJECT: Replies to the President's Memo to Agency Heads on
Minority Business

Attached are additional responses from the following agency heads:

Commerce
Interior
Treasury
Energy Research & Development Program
HEW

I am forwarding them to you for your reference and for the information of OMBE and the Inter-Agency Committee.


F. Lynn May

Attachments





THE SECRETARY OF COMMERCE
Washington, D.C. 20230

FEB 5 1975



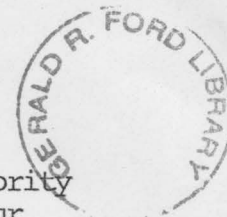
The President
The White House
Washington, D. C. 20500

Dear Mr. President:

RW
The Department of Commerce focuses its efforts to aid minority businessmen in four major areas. Our primary effort is, of course, through the Office of Minority Business Enterprise, whose own program is divided into two major segments. The first is in its role as the coordinator and stimulator of Federal programs to assist minority entrepreneurs. In this segment, OMBE works through the Interagency Committee on Minority Business Enterprise to encourage Federal Government purchasing and contracting with minority-owned firms, develops programs with other Federal agencies to generate business opportunities for minorities, and coordinates its efforts with the Small Business Administration.

The second segment of the OMBE program is in its nationwide network of about 300 contractors and grantees, through which OMBE provides a wide range of services to minority entrepreneurs who wish to start or expand a business. These services include providing management and technical assistance to existing businesses, identifying new business opportunities, making the expertise of the majority community available to minority businessmen, stimulating State and local government and majority sector purchasing from minority-owned firms, assisting minority businessmen to gain greater access to capital and markets, providing minority businessmen with business oriented training and education, and developing new programs and projects which will assist minority firms to overcome some of the special problems they encounter.

The Department's second major program to aid minority business is in the Economic Development Administration. EDA provides industrial development, technical, and planning assistance to economically distressed areas, and much of this assistance is directed towards socially and economically distressed groups, particularly American Indians.



The third major area of Department of Commerce assistance to minority business takes advantage of the unique capabilities of some of our major operating units. The Domestic and International Business Administration is a major source of the types of information and analysis that are essential for small business planning and marketing. Its data on and study of franchising have been of significant assistance to both franchisers seeking to bring minorities into their operation and to minorities seeking to enter the franchising field. It has developed guides to show small businessmen how to use statistical data to analyze markets and business operations. In addition, DIBA, through its district offices, identifies private sector opportunities for minority businesses, works with the OMBE field offices and contractors to ensure that minority businessmen are aware of and take advantage of the services offered by the Department, and assists the Federal Executive Boards' Minority Business Opportunity Committees.

The Social and Economic Statistics Administration aids minority businesses by providing data on the condition and performance of minority business and on the markets for the products and services of minority firms. In the first area, SESA has conducted two major surveys of minority-owned businesses and is currently discussing with OMBE the development of a statistical information system that will provide data to allow for the evaluation of both the economic performance of minority firms as well as the success of OMBE's various assistance programs. In the area of market data, SESA has participated in and made presentations to minority business group meetings and conferences in order to acquaint minority businessmen with the kinds of data available from SESA and how that data can be used most effectively to locate and expand businesses, identify and assess markets, and plan and buy advertising.

The Maritime Administration has an ongoing program to promote the use of minority entrepreneurs in subcontracting to the shipping and shipbuilding companies in the United States. MarAd has assisted all the major companies in developing a minority business program, has identified and published a directory of those minority firms capable of serving the maritime industry, and has participated in minority organization conventions to encourage more minority firms to seek opportunities in the maritime industry. In addition, MarAd has encouraged maritime firms to deposit their private funds in minority banks, and in a joint effort with OMBE, has recently assisted in the formation of three minority firms to participate directly in the maritime industry.

All of the Department's operating units are participating in our fourth major area of assistance to minority business, namely increasing the

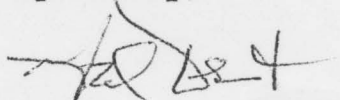
level of Departmental purchasing from minority-owned firms. We have contracted for or purchased such items as printing services, consultant services, office supplies, and data processing services. In Fiscal Year 1974, the Department purchased \$48.9 million worth of goods and services from minority-owned firms, a figure equal to 20% of the Department's purchases for all items other than ship construction.

The other three areas of our program to assist minority business have been equally effective. OMBE's efforts with other Federal agencies have helped to increase Federal procurement from minority business from \$30 million in Fiscal Year 1970 to \$747 million in Fiscal Year 1974, and have resulted in four major agreements with other agencies to generate more minority business opportunities. In Fiscal Year 1974 OMBE's funded organizations assisted 25,000 minority businessmen, packaged 4,600 loans worth \$200 million, and generated 3,800 procurement contracts valued at over \$250 million.

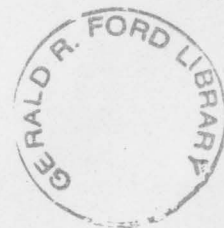
Our assistance through the Economic Development Administration has resulted in over \$44 million in Fiscal Year 1974 grants to define and implement plans for minority economic development. These grants have been used to finance such items as water and sewer system expansion, timberland improvements, plant construction, and aquaculture development. Minority businessmen continue to seek the data and the analytical expertise of the Social and Economic Statistics Administration and the Domestic and International Business Administration, and our maritime minority business program has generated more than \$6 million in minority subcontracts for shipping and shipbuilding and over \$1 million in deposits in minority banks.

Despite the effectiveness of our efforts and the efforts of other Federal agencies, much more must be done. The combination of material shortages, inflation and recession has hurt minority businesses badly. Most minority businesses are still located within the central cities and tend to service a minority clientele which has been hard hit by early layoffs. In addition, weak credit cushions and tenuous supplier relationships which mark so many minority businesses contributed to the early loss of material sources. In Commerce, and particularly in OMBE, we have attempted to counteract these forces by focussing on increased assistance to existing firms rather than on creation of new ones. Our efforts in this area would be significantly assisted by a greater commitment from the country's large corporations and by a more aggressive response from some of the other Federal agencies.

Respectfully,



Secretary of Commerce





United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

In Reply Refer To:
EO:MBE
SCSO 27329

FEB 7 - 1975

Dear Mr. President:

I appreciate your memorandum of December 11, 1974, seeking improvements in the Government's minority business development program.

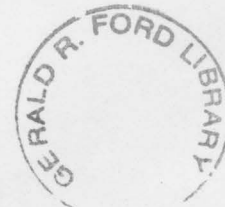
RL
I wish to express my personal commitment to an aggressive minority business program here in the Department. To ensure this, I have delegated the authority and the responsibility for positive results in this program area to the Director, Office for Equal Opportunity who reports to me through the Under Secretary.

Program thrust for the current fiscal year has concentrated on the Small Business Administration's Section 8(a) Program which allows the Department to set aside certain procurements for minority business enterprise. The Department's goal in this area for Fiscal Year 1975 is seventy-four (74) contracts with an estimated total dollar value in excess of \$2 million. As of December 31, 1974, I am advised, the Department had accomplished more than half of its goal, both in number of contract opportunities made to minority business and dollar value. The Office for Equal Opportunity is currently surveying the Departmental bureaus and offices for additional contract opportunities.

In addition, I announced this week the Department's acceptance of an affirmative action plan from Alyeska, the company building the Alaska pipeline, to contract with minority business enterprises and to assure equal employment opportunity. This plan pledges a goal of offering at least \$200 million in contract bidding opportunities to minority business enterprises. The Department expects subcontract



'76



Let's Clean Up America For Our 200th Birthday

Ltr. To the President, President of the United States
Subject: Minority Business Enterprise Program

awards with minority business enterprises to be increased by another \$5 - 20 million through efforts of those subcontractors working for Alyeska's vendors, contractors and suppliers which are not included in Alyeska's goal.

The Department has committed itself to the following additional goals for the current fiscal year:

- a. Consultant-Software Contracting, 114 opportunities with a dollar value of \$2.116 million; and
- b. Construction Contracting, \$8.735 million.

There is no doubt in my mind that the goals we have set for the Minority Business Enterprise Program will be met and of this juncture I have every confidence that the goals will be exceeded greatly.

Respectfully,

Rogers C.B. Worster
Secretary of the Interior

The President
The White House
Washington, D.C. 20500





THE DEPUTY SECRETARY OF THE TREASURY
WASHINGTON, D.C. 20220

FEB 8 1975

MEMORANDUM FOR THE PRESIDENT

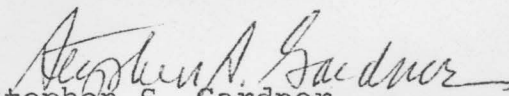
Subject: Minority Business Development Program

As you have requested in your December 11, 1974, memorandum to the members of the Cabinet, we have reexamined Treasury's participation in the various facets of the Government's minority business development program.

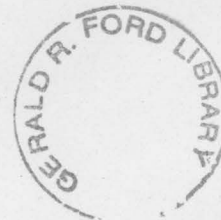
Our major involvement has been in the areas of minority banking, procurement and entrepreneurial development efforts. Attached is a brief synopsis of our activities in each of these areas.

In addition, Treasury has cooperated with the General Services Administration in their establishment of minority concessions in various Federal buildings we occupy. Our Internal Revenue Service, working with the Office of Minority Business Enterprise, has provided tax advice and training sessions to minority firms; and Treasury field office personnel are participating with the Federal Executive Boards in various localities to assist in their efforts in minority business development.

We pledge to you our continued support of this program and our commitment to seek out every opportunity for providing assistance to minority firms in order that they may become viable assets to the Nation's business community.


Stephen S. Gardner

Attachment



DEPARTMENT OF THE TREASURY
MINORITY BUSINESS PROGRAMS



1. Minority Bank Deposit Program

Over the years, Treasury has been very active in the program area of minority bank deposits. Our responsibilities and activities in coordinating the Federal Government sector of the program include the following:

- . Seeking the assistance of other Federal agencies in making arrangements to utilize minority banks for their banking requirements.
- . Furnishing other Federal agencies with rosters of minority banks which have qualified for participation in the program and notifying them as additional banks become participants.
- . Reviewing the quarterly reports of Government-controlled funds on deposit with minority banks which are submitted by Federal agencies, maintaining consolidated records of such reports and preparing periodic summaries.
- . Maintaining statistical records and preparing periodic statements relating to the deposit growth of minority banks since the inception of the program.

We are also providing liaison between the minority banks and the Government. This includes meeting with representatives of the minority banks and Federal agencies to provide information on the program and the availability of Government deposits in the cities in which minority banks are located. Also, Treasury on occasion serves as clearing house for certain fully discretionary deposits, mainly non-appropriated funds under the control of the military services, which are invested in bank certificates of deposit, bringing together minority banks interested in obtaining this type of deposit and the officials responsible for the investment of the funds.

With respect to our own banking operations, Treasury deposits in minority banks have continually increased every year since the program began. In FY 74, our minority bank deposits amounted to \$1.8 million in 18 minority banks, a 45% increase over FY 73. During the first six months of the current fiscal year, the deposits have increased by \$210,000.



2. Minority Business Procurement Program

Treasury has actively participated in both facets of the minority procurement program: direct contracting with minority business firms, and contracting through the Small Business Administration with minority subcontractors under Section 8(a) of the Small Business Act. In Fiscal Year 1974, our direct contracts with minority firms, to the extent they were identifiable as such, amounted to \$62,000. Our Section 8(a) contracts for supplies and services from minority firms, through the SBA approximated \$200,000. We are pleased to report that one of our 8(a) minority contractors has become able to bid competitively on Government contracts and we have awarded the firm a requirements-type contract this fiscal year in an amount estimated to exceed \$200,000.

We have just recently conducted an extensive review of all of our Treasury procurement expenditures in order to examine the potential for greater participation in the 8(a) contracting program. As a result of our study, our Departmental staff is conducting visits with each of our bureau procurement office directors in order to emphasize the need for increased involvement in this program. In addition, we continually stress the 8(a) program to our bureaus through our periodic memoranda to the procurement offices.

We are actively participating in the efforts of the Procurement and Construction Task Force and the Data Subcommittee of the Interagency Council for Minority Business in matching agencies needs with supplies and services available from minority firms and developing appropriate procedures for identifying and reporting these contractual transactions.

We have published a pamphlet entitled, "Selling to the Department of the Treasury" for the purpose of helping the businessman to better understand the procurement operations of Treasury and also provide him with a source of contacts for selling his products or services. A supply of the pamphlet has been distributed to the Office of Minority Business Enterprise installations throughout the country to assist them in helping minority firms to be aware of the types of supplies and services Treasury uses.

3. Minority Entrepreneur Development

Treasury's Office of Equal Opportunity Program is participating in the on-going Department of Health, Education, and Welfare's Minority Entrepreneur Development Task Force and is actively working with one of the Task Force's subcommittees in the following key areas:

- . Establishing a minimum of twelve pilot programs in entrepreneurial career awareness and training for minority youth at the elementary and secondary levels, and for youth outside the established school system.
- . Establishing a minimum of six pilot programs in entrepreneurial career awareness and training for adults.

The bulk of our contribution has centered around providing (1) needed planning and research input and consultant expertise, as they apply to Treasury programs, and (2) documented position statements and participation commitments that clearly emphasize and underscore the willingness of the Department and all of its bureaus in minority entrepreneurial training and development endeavors of our assigned subcommittee.

We have offered to the Task Force, and stand ready to provide, wherever possible, any available technical assistance that may be needed in cities designated for initiating minority entrepreneurial awareness programs.





UNITED STATES
ENERGY RESEARCH AND DEVELOPMENT ADMINISTRATION
WASHINGTON, D.C. 20545

FEB 10 1975

The President
The White House

Dear Mr. President:

Rt
Your letter of December 11, 1974 to the Cabinet Officers asked for strong backing of the Minority Business Program and requested a reexamination of each Agency's commitment in assisting the creation of successful minority businesses.

I want to assure you of my continued support in carrying out the objectives of this program.

To accomplish this objective, I have specifically requested each ERDA Program and Installation manager to use every appropriate opportunity to assist in the creation and continuing support of minority businesses by promoting minority business participation as contractors, subcontractors and bankers in ERDA programs, and providing management, technical and financial assistance to such businesses whenever feasible and within our capabilities.

Sincerely,

Robert C. Seamans, Jr.
Administrator





THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE
WASHINGTON, D. C. 20201

FEB 13 1975

MEMORANDUM FOR THE PRESIDENT

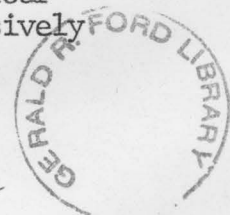
Thank you for your memorandum of December 11 regarding the Minority Business Enterprise Program.

We are proud to report that this Department is aggressively involved in the Minority Business Enterprise Program. We have assigned competent, high level staff personnel to provide a liaison and advocate role for all Departmental activities involving assistance to minority enterprises, including planning, establishing, and promulgating Department-wide policy in this specialized program area. My staff has been responsible for bringing about significant improvements in all areas of our Minority Business Assistance Program.

The enclosed report details the progress being made by the Department. For your convenience, the report is tabbed to indicate introductory and concluding statements, and analyses of the major components of the Department's Minority Business Enterprise Program.

We have achieved significant progress over the past four years, and you can count on our continuing to aggressively support this important program.

Jap Van Buren
Secretary



Enclosure

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
REPORT ON THE MINORITY BUSINESS ENTERPRISE PROGRAM

January 20, 1975

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INTRODUCTION:

The material which follows cites specific ways in which the Department of Health, Education, and Welfare is working to help improve the economic posture of minority enterprises.

In response to Executive Orders 11458 and 11625, the Department created a full-time, high level staff to coordinate all Departmental activities involving the Minority Business Enterprise Program, including the appointment of Regional minority business coordinators to coordinate minority business activities on a Regional level.

The Department has made the appropriate staff available to conduct in-house minority business seminars for Departmental procurement and program officials and to participate in minority business seminars and conferences held throughout the country. The latter move has been made to inform minority business persons of the Department's minority business activities and of the aids and services available to them.

Through the efforts of the minority business assistance staff, the Department has been able to achieve significant results in all areas of its minority business assistance program. In FY 74, for example, minority-owned firms received \$19.5 million in 8(a) contracts, \$22.1 million in non-8(a) contracts, and \$1.5 million in Federally assisted construction contracts. In addition to this, minority-owned banks received \$7.5 million in average daily deposits through Departmental-sponsored programs.



While the overall dollar volume exemplifies the Department's aggressive efforts in helping to stimulate the economic development of minority enterprises, achievements are even more significant when allowances are made for other noteworthy efforts. Since FY 70, for instance, funds in the amount of \$8.3 million have been allocated by the Department for the specific purpose of providing business education and training to minority entrepreneurs. Because of this training, coupled with experience gained in the 8(a) program, minority-owned firms doing business with the Department are becoming more viable. In addition to this, these firms are becoming more diversified in terms of services offered, and are gaining greater accessibility to larger and more difficult contracts.

Some of these factors, along with an increased readiness of program directors and contracting officers to consider minority-owned firms as a means of procuring goods and services, are difficult to measure. Yet, these factors are largely responsible for what has been accomplished, and more importantly, they will play a leading role in what will be accomplished in the future.



8(a) PROGRAM:

PROGRESS MADE TO DATE: Resulting from vigorous initiatives put forth by the Department, the annual dollar value of Departmental 8(a) contract awards has increased more than seven-fold over the past four years. In FY 71, 8(a) contract dollars amounted to \$2.7 million, rose to \$13.0 million in FY 72, dropped to \$9.6 million in FY 73, and rose to \$19.5 million in FY 74. In FY 74, the dollar value per 8(a) contract ranged in size from less than 10 thousand to over 700 thousand dollars.

To be exact, the largest FY 74 8(a) contract amounted to \$708,557, and was awarded to Optimum Computer Systems, Inc. for the arrangement of lodging facilities for consultants. Optimum is a New York City based diversified professional consulting firm with expertise in facilities management, operations research, education, socioeconomic and urban problems, and data systems.

The next largest contract amounted to \$513,552, and was awarded to Boone-Young and Associates, Inc. to provide technical assistance in the area of family planning. Boone-Young is another New York City based professional consulting firm, and has expertise in such areas as management, program planning and evaluation, economic development, manpower development and training, urban affairs, and social service delivery systems.

While the annual increases in 8(a) contract dollars speak for themselves, the factors which lie behind the increases should be considered. The most visible of these is a surfaced manifestation of an increasing ability of 8(a) firms to perform larger and more difficult type contracts. One should also consider the plans, efforts, and spirit of the people who carry out the Department's commitment to the Minority Business Enterprise Program. Such factors are, for the most part, unmeasurable. Yet, they are largely responsible for what has been accomplished and more importantly, they are responsible for what will happen in the future.

LIMITING FACTORS: There are no discernible restraints that would retard the progress of the Department's 8(a) program.



MINORITY BUSINESS DIRECT PROCUREMENT (NON-8(a)):

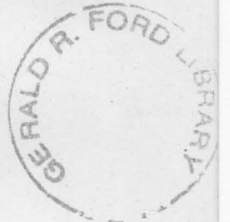
PROGRESS MADE TO DATE: The dollar value of non-8(a) contracts awarded to known minority-owned firms has increased significantly over the past four years. In FY 71, non-8(a) contracts awarded to known minority-owned firms amounted to \$7.3 million, \$11.0 million in FY 72, \$13.0 million in FY 73, and \$22.1 million in FY 74.

In FY 74, the two largest minority non-8(a) contract awards went to two 8(a) approved firms. The largest, amounting to \$493,595, was awarded to Social Dynamics, Inc. of Berkeley, California to provide technical assistance for Departmental-sponsored Headstart Programs.

The other contract, amounting to \$423,074, was awarded to JWK International of Annandale, Virginia to perform a follow-up study of former vocational rehabilitation clients.

The FY 74 other than 8(a) achievements demonstrate a clear example of how minority businessmen doing business with this Department are exerting an increased willingness to undertake normal corporate risks, and are developing the drives that are essential for competing on an equal footing with other firms in the business community.

LIMITING FACTORS: Determining the total number and dollar volume of non-8(a) contracts awarded to minority-owned firms is a difficult problem. There are no prescribed Federal procedural requirements for



the collection of data relating to the ethnic identification of business concerns. To correct the situation, the Department is working with GSA and the Inter-Agency Task Force on Procurement for Minority Businessmen to establish a procedure which involves minority business certification as part of the solicitation process. Such a procedure would not only allow agencies to determine the extent to which minority-owned firms are receiving non-8(a) contracts, but it would also allow them to determine the extent to which minority-owned firms are being solicited and the extent to which they are responding to invitation for bids and request for proposals.





MINORITY BUSINESS SUBCONTRACTING PROGRAM:

PROGRESS MADE TO DATE: Past analyses have indicated that the Department's contracts often do not include subcontracting efforts, and contracting officers have previously not been required to maintain records relating to subcontracts placed by prime contractors. Plans, however, are underway to reevaluate the subcontracting program. All contracts over \$500,000 awarded in FY 74 will be reviewed to determine whether subcontract awards are now being made to any appreciable degree.

LIMITING FACTORS: The one problem area in the minority business subcontracting program involves the possible collection of incomplete data. Relating to the minority business subcontracting program, FPR 1-1.1310-2(b) sets forth a reporting clause for inclusion in all prime contracts which may exceed \$500,000, and which, in the opinion of the procuring office, offer substantial subcontracting opportunities. In an attempt to expunge the problem, the Department is working closely with GSA and the Inter-Agency Task Force on Procurement for Minority Businessmen to revise FPR 1-1.1310-2(b) to require the reporting of certain minority business information for all prime contracts of \$500,000 or more.

FEDERALLY ASSISTED CONSTRUCTION:



PROGRESS MADE TO DATE: The Interagency Council on Minority Business Enterprise has recently espoused the notion that contracting potentials may exist in Federally assisted construction programs for minority contractors. During the May 9th meeting of the Council, members were asked to determine the feasibility of encouraging the expansion of minority business opportunities in this area, and to explore the idea of a proposed new Interagency Council Task Force for Minority Business Procurement on Federally assisted projects.

The Department of Health, Education, and Welfare has long been aware of the fact that Federally assisted programs offer substantial opportunities for minority business concerns. The Department's Office of Facilities Engineering and Property Management (OFEPM), early in FY 72, embarked upon an intensive campaign to create a greater involvement of minority contractors in the Federally assisted construction program. The campaign was given high priority by OFEPM. A reporting system was established, and briefings were provided for Regional Engineers.

Since that time, the Department has been working hard and imaginatively to help minority construction contractors to benefit from the Federally assisted construction program. Available records show that minority construction contractors received approximately \$1.5 million in Federally assisted contracts during FY 74. We expect the figure to be much higher in future years.

LIMITING FACTORS: There are some inherent difficulties in achieving these types of goals, since the primary mechanisms that the Department has at its disposal are persuasion and goodwill. Of course, minority contractors are being asked to help strengthen the efforts, by seeking out grantees and apprising them of the goods and services that their firms have to offer.



MINORITY BANKING PROGRAM:



PROGRESS MADE TO DATE: The Minority Bank Deposit Program has high priority on the Department's agenda, although our efforts in this area are somewhat limited, since the Department of Health, Education, and Welfare does not make direct bank deposits. The Department's accounts are controlled by the Treasury Department.

Since early 1971, the Department's primary means of support to the Minority Bank Deposit Program has been through the Social Security Administration's (SSA) Medicare Program. In FY 73, 14 minority-owned banks received \$14.7 million in average daily deposits through this program.

For FY 74, the average daily minority bank deposits generated through the SSA program amounted to \$6.3 million. The substantial decrease from the FY 73 level can be attributed to the implementation of a Treasury Department approved Delay of Drawdown process, whereby deposits are maintained at the minimum level needed to cover daily transactions. This method, designed to generate savings for the Government, is being applied nationally to all banks receiving deposits of Federal funds through the Medicare Program.

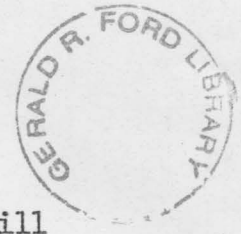
In an attempt to offset the decrease, efforts are now being directed toward other Departmental programs, through the Department's ten Regional offices. In FY 74, for example, the Chicago Regional Office helped a minority-owned bank to maintain an average daily balance of



\$1.2 million in grant funds. The Division of Minority Business Assistance has been instructed to explore other avenues in which Departmental-grant funds can be placed in minority-owned banks.

LIMITING FACTORS: Without exception, grantees are the largest users of Departmental funds, and the potentials for the Minority Bank Deposit Program are excellent. However, the Department has no legal mechanisms for requiring its grantees to do business with any particular segment of the financial community. The only mechanisms that the Department has at its disposal are persuasion and goodwill. Another complicating factor is the matter of grantees relating deposits to a particular Federal agency.

LOOKING AHEAD:



In looking ahead, the minority business procurement program will continue to be in the forefront of this Department's efforts to channel more business opportunities to minority enterprises. In addition to accelerating our efforts in support of the 8(a) program, increased action will be directed toward the development and improvement in the competitive procuring capabilities among minority-owned firms. In this regard, plans have been made to:

Direct Assistant Secretaries, Agency Heads, and Regional Directors to establish annual minority business goals, and to continuously involve themselves in order to insure that their goals are achieved.

Provide continuous counseling to minority businessmen with respect to procurement policies and procedures; the availability of aids and services; and the opportunities to sell to Departmental grantees and prime contractors, as well as to the Department itself.

Conduct minority business seminars for key officials from both procurement and program offices. These seminars will also be conducted in each Regional office in order to step up the involvement of Regional personnel.

Initiate action to keep local business development offices better informed regarding the availability of business opportunities with the Department.

Insure that a representative from the Department's Minority Business Assistance Staff is available to participate in various minority business conferences, meetings, and seminars sponsored by Federal and State governments and minority business organizations.



Plans are also underway to place greater emphasis on the Minority Bank Deposit Program, by encouraging grantees to deposit an equitable share of their grant funds in minority-owned banks. Of course, minority banking officials shall be encouraged to help strengthen the efforts by seeking out grantees and apprising them of the services that their institutions have to offer.

The Department shall be striving harder and more diligently to improve the minority business posture with recipients of Departmental funds, by encouraging prime contractors and grantees to make better use of minority enterprises, including minority-owned banks, in the acquisition of goods and services. In the contracting area, emphasis will be placed on consulting/software as well as construction contracts.

Although the Department is experiencing impressive advances with its minority business assistance program, these improvements alone may not be enough to assure survival of minority-owned enterprises in the future. What is desperately needed to complement the current advances and to assure the preservation of these firms could be categorized as managerial "know-how", the keystone of corporate success. However, the demand for such talent in the minority business community far exceeds the supply. To correct the problem, the Department is accelerating action to:



Create more education and training programs to help minority contractors become more sophisticated in the business management field.

Provide, along with the Department of Commerce, the primary leadership in the Federal Government to identify resources and implement the recommendations outlined in the Final Report of the Inter-Agency Task Force on Education and Training for Minority Business Enterprises.

SUMMARY OF DHEW MINORITY BUSINESS PERFORMANCE

(In Thousands of Dollars)

FISCAL YEARS 1970-1974

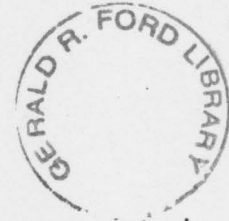


	<u>FY 70</u>	<u>FY 71</u>	<u>FY 72</u>	<u>FY 73</u>	<u>FY 74</u>
8(a) Procurement	\$ 125	\$2,674	\$12,980	\$9,625	\$19,561
Minority Direct Procurement (non-8(a))	6,044	7,315	10,961	12,936	22,067
Federally Assisted Construction Contract Awards	---	-----	-----	-----	1,500
Other Contract Awards Through Grant Programs, etc.	---	-----	-----	-----	180
Minority-owned Bank Deposits*	---	2,000	9,100	14,700	7,534
Grant Awards**	200	431	2,873	3,226	-----
	-----	-----	-----	-----	-----
TOTALS .	\$6,369	\$12,420	\$35,914	\$40,487	\$50,842

* The figures are shown in terms of average daily deposits. Section F of this report explains the reason for the FY 74 decline in minority bank deposits. The FY 74 figure does not include a \$14.0 million minority bank deposit made by a Departmental grantee located in the city of Detroit.

** Grants made to non-profit organizations for the purpose of aiding and/or assisting minority businesses/businessmen. There were no grant awards made for this purpose during FY 74 because of two reasons: the use of contracts to serve this purpose rather than grants, and the transfer of certain Departmental education and training functions to the Department of Labor.

[Manh A75?]



INTRODUCTION

The minority business enterprise program was set in motion to attract and stimulate all forms of business resources in all types of industries to impact on minority business development. To this end, the Office of Minority Business Enterprise has generated active participation in such major industries as retailing, manufacturing, franchising, automobile dealerships, banking, and shopping centers. The photographic industry is one industry that perhaps has received little attention from OMBE and other organizations interested in minority business development, yet, the photographic industry is a major economic force in our economy. As will be demonstrated in the following section, the substantial showing of the photographic industry as a major economic force in the national economy indicates the value of this commercial entity to the overall development of minority business enterprise.

It is relatively common knowledge that the Cable TV industry is rapidly expanding. Annual revenues for the industry were \$360 million in 1970. Wall Street investment reports project a growth in revenues to \$4.5 billion by 1980 and the creation of almost two million new jobs. Under the leadership of OMBE, minority opportunities in Cable TV should expand. The

photographic industry bears a unique relationship to the Cable TV industry in that Cable TV provides a new market for photographic services. Opportunities for minority photographers will be rapidly diminished unless they have sufficient information or technical expertise available to them to develop, package and negotiate sound business arrangements with the Cable TV industry.

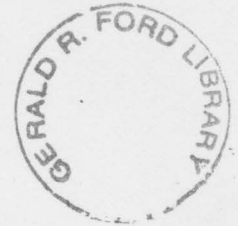
THE PHOTOGRAPHIC INDUSTRY

Receipts for portrait and commercial photographic studios were \$1.1 billion in 1971, an 11 percent increase over 1970. Receipts for commercial and portrait studios should reach \$1.6 billion in 1975 and 2.9 billion in 1980. Exclusively portrait studios account for about half of receipts. In addition, studios that do both portrait and commercial work account for around 20 percent of receipts. Growth in receipts has averaged close to 10 percent per year in the last several years.*

Photographic studios employed about 39,700 workers in 1969, reflecting an annual increase of 1,000 persons per year during the sixties. Most photographic enterprises are individual proprietorships.*

Although commercial studios share part of their market with photography departments in industry and government,

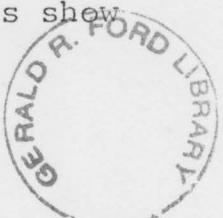
*U.S. INDUSTRIAL OUTLOOK, U.S. Department of Commerce, 1974.



photography's rapid technological advances and more widespread acceptance indicate growth in all areas. Opportunities have been accelerated by the new developments in audio-visual, Cable TV, and video tape photography. Growth of mail ordering should continue to provide an expanding market for catalog illustrations. Photography is becoming more important in areas such as real estate selling. In addition, scientific, engineering, aerial, instrumentation, and illustrative photography should continue at a rapid pace throughout the seventies.*

The following chart shows the comparative growth of photographic services as compared with other personal service industries. It should be noted that photographic services show the highest percent increase in this category.

PERSONAL SERVICES: TRENDS AND PROJECTIONS 1967-74
(in millions of dollars except as noted)



SIC		1967	1971 ¹	1972 ¹	1973 ¹	Percent Increase 1972-73	1974 ¹	Percent Increase 1973-74
721,7	Laundry, drycleaning and garment services	5,432	6,175	6,425	6,800	6.0	7,200	6.0
722	Photographic services	745	1,300	1,375	1,480	8.0	1,600	8.0
723,4	Beauty and barber shops	3,354	4,150	4,400	4,635	5.0	4,850	5.0
725	Shoe repair shops	208	248	257	265	3.0	275	4.0
726	Funeral homes and crematories	1,517	1,715	1,825	1,910	5.0	2,000	5.0

¹Estimated by Bureau of Competitive Assessment and Business Policy (BCABP).

Source: Bureau of the Census, Bureau of Labor Statistics, BCABP.

*Ibid.

Statistics regarding the extent minorities participate in this rapidly growing and lucrative industry are relatively non-existent. A brief survey of minority photographers in the Washington, D. C. area conducted by the National Minority Professional Photographers Trade Association, Inc. revealed that in 1973 there were approximately 175 minority professional photographers earning less than \$10,000 per year. These statistics when contrasted with the fact that the Department of Defense alone has allocated more than \$10 million for procurement of photographic services are startling. These statistics more than point up the opportunities that exist for minorities and the need for an organized effort to expand and enhance minority opportunities in the photographic industry.



THE ASSOCIATION

The National Minority Professional Photographers Trade Association, Inc. is a non-profit corporation which was organized and founded upon the following principles:

The fact that no national minority professional photographer trade association presently exist has presented a considerable economic impediment to minority photographers;

Trade associations have been found to be extremely beneficial to business and professional groups of all sizes in every sector of the economy;

Minority professional photographers participate to a very limited extent in majority professional photographer trade associations;

Most minority photographers are sole proprietors who could greatly benefit from a trade association that would provide its members with training and business services that have been found to be less expensive and more effective than if obtained directly by the members on an individual basis.

The Association has broadly defined the eligibility of its members to include those photographers who spend over three fourths of their time in the pursuit of rendering photographic services. This would include television, Cable TV, motion pictures and free lance photographers. Also in order to encourage interest and participation in the industry, the Association also offers an associate membership for those persons who do not qualify for full membership in the Association.

THE PROGRAM

The National Minority Professional Photographer Trade Association, Inc. is seeking a two year funding commitment of \$428,600 in order to carry out its program. However, the Association is aware of shifting priorities among foundations and government agencies, therefore, it has designed its program to be financially self-sustaining within the third program year.

Given the need for a minority photographers trade association and the substantial growth that is projected for the photographic industry, the Association has structured a program



that will facilitate and increase the participation of minorities in the photographic industry.

The Association, after much research and review, chose the following program not only for the value it will have for its members but for its self-evaluation aspects. In other words, each work item contained in the program will be subject to objective analysis.

The initial phase of the program is three-fold: (1) the negotiation of a group comprehensive insurance program, including health, life and business insurance, (2) the compilation of statistics and files identifying minority photographers throughout the country, and (3) the publication of a monthly magazine and annual yearbook.

Information Dissemination

The most important aspect of the program is the continuous dissemination of information to minority photographers. This will be accomplished through the distribution of a monthly magazine and a yearbook to each member of the Association.

It is projected that the magazine will be self-sustaining in the third year of operation by soliciting advertising from photographic companies and other companies related to the photographic industry. Features will include job opportunities, government contract opportunities, equipment sales, new technology,



buy-out and merger opportunities, joint venture opportunities, franchise opportunities, profiles of minority business successes in the industry, and a showcase of member photographic work.

The annual yearbook will also be distributed to every member of the Association. The yearbook will list minority photographers and will give special attention to the artistic work and accomplishments of its members. It is anticipated that the costs of publication of the yearbook will be completely financed within the third program year from sales to the general public and advertisers.

Seminars

Another aspect of the Association's program also involves the dissemination of information, yet, is far more educational in nature. Seminars will be provided throughout the country, ranging in length from one day to three days. These seminars will be conducted by specialists in the industry and the Association staff. Topics will include new technological advances, setting up a photographic enterprise, marketing techniques, accounting procedures, 8(a) GSA qualifying procedures, management procedures, and legal aspects of photography. These seminars will be offered free of charge to its members for the first year. Thereafter, the seminar program will be financed by a small fee to cover the costs of the seminar and



will be advertised and subscribed to in advance in the monthly magazine.

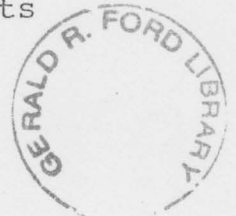
Government and Industry Relations

The Association staff will act as liaison with government and industry. It will make known the capabilities of its members, identify and negotiate GSA/8(a) contracts, identify job opportunities for its members, and act as a resource for government and industry for statistical data regarding minority participation in the industry.

As part of the government and industry relations program, the Association will establish working relationships and communication with all majority photographic trade associations. The Association staff will seek to establish joint venture opportunities, negotiate and assist in packaging of buy-outs and mergers with the assistance of OMBE, SBA and others.

Data Collection

The Association will install and maintain a data collection system which will reflect a profile of minority photographers, 8(a)/GSA contract participation, SBA loans to minority photographic businesses, commercial loans to minority photographic businesses, and any other relevant data which can be surveyed and recorded regarding the industry. The findings from these studies and analyses will be published and broadly



disseminated to minority economic development programs, associations, and organizations. The annual yearbook will contain an economic survey of the industry and a roster of minority professional photographers.



TIME PHASED PLAN



TIME PHASED PLAN

Months one and two

1. Set up office.
2. Hire and orient staff, purchase equipment.
3. Design data collection system.
4. Schedule Seminars.
5. Begin work on monthly magazine.
6. Prepare news release.
7. Prepare membership recruiting brochure.

Month three

1. Finalize plans for publishing magazine.
2. Outline seminar material.
3. Finalize design for data collection system.
4. Identify local sites for seminars.

Month four

1. Prepare magazine copy for printing.
2. Final draft of seminar material.
3. Install data collection system.
4. Follow up on member recruiting.
5. Begin plans for annual convention.

Month five

1. Print and mail out first magazine.
2. Begin preparation for publication of second magazine.
3. Determine city and agenda of national convention.
4. Advance PR of seminars in five selected cities.

Month six

1. Begin preparation for third magazine.
2. Begin preparation of annual yearbook.
3. First seminar to be held in Washington, D. C.
4. Begin preparation for national convention.
5. Follow up of member recruiting.



Month seven

1. Begin preparation for fourth magazine.
2. Begin collecting articles and material for annual yearbook.
3. Second seminar to be held in New York, N. Y.
4. Continue preparation of national convention.

Month eight

1. Begin preparation for fifth magazine.
2. Prepare preliminary layout of annual yearbook.
3. Third seminar to be held in Atlanta, Ga.
4. Follow up of member recruiting.

Month nine

1. Begin evaluation of data collection system.
2. Begin preparation for sixth magazine.
3. Prepare mark-up of annual yearbook.
4. Fourth seminar to be held in Chicago, Ill.
5. Final preparation of national convention.

Month ten

1. Prepare report of data collection system.
2. Begin preparation for seventh magazine.
3. Galley proofs of annual yearbook.
4. Fifth seminar to be held in Los Angeles, Calif.
5. Final preparation of national convention.



Month eleven

1. Final draft of "Economic and Business Aspects of Minority Photographic Industry."
2. Begin preparation for eighth magazine.
3. Advance PR for annual yearbook.
4. Evaluation of final report of seminar series for year with recommendations for next year.
5. Final preparation of national convention.
6. Final report of membership recruiting with recommendations for next year.

Month twelve

1. Begin preparation for ninth magazine.
2. Distribute annual yearbook.
3. Preparation of final seminar series report for annual convention.
4. National convention.



ESTIMATED BUDGET



ESTIMATED BUDGET - FIRST YEAR

Executive Director	\$ 22,000
Administrative Assistant	15,000
Program Coordinator	13,000
Secretary/Bookkeeper	10,000
Secretary/Receptionist	8,000
Typist (part-time)	<u>4,000</u>
	\$ 72,000

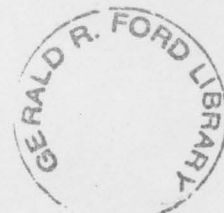
Editor	\$ 12,500
Researcher (part-time)	2,500
Attorney	5,000
Accountant	1,500
Consultants	<u>5,000</u>
	\$ 26,500

Sub total	\$ 98,500
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Fringe benefits @ 20%	<u>19,700</u>
	\$118,200

Office Space (2,500 sq.ft. @ 6.00/sq.ft.)	\$ 15,000
Office Equipment	7,000
Telephones	10,000
Travel	30,000
Publications/Printing	<u>50,000</u>
	\$112,000

Total	\$230,200
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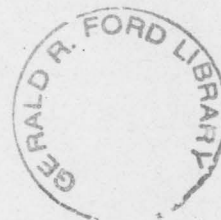


First Year Total	\$230,200
Second Year Total	<u>198,400</u>
Two Year Total	\$428,600



Department of Justice
Washington, D.C. 20530

March 7, 1975



Honorable Parren J. Mitchell
House of Representatives
Washington, D. C. 20515

Dear Congressman Mitchell:

Thank you for your letter to former Attorney General Saxbe regarding Minority Business Enterprise.

The Department of Justice shares your commitment to assist disadvantaged minorities in order to allow their increased participation in the economic benefits in the private enterprise system. The Department, in the recent past, has expanded its efforts to identify minority businesses to participate in the Department's procurement program. The Department has also reserved space in its main building for a minority business concession. In addition, the Department is interested in assisting in those federal programs directly aimed at promoting Minority Business Enterprise and plans to contribute financially to the Implementation Task Force on Education and Training for Minority Business Enterprise.

I understand that you have talked with Stanley Scott, Special Assistant to the President, about the President's plans to promote Minority Business Enterprise. Please be assured that the Department of Justice looks forward to working with the President and you in this important area.

Best regards.

Sincerely,

A. Mitchell McConnell, Jr.
Acting Assistant Attorney General

AMM:lm

MAR 11 1975

X

(signed) ALEX ARMENDARIS

FROM: Alex Armendaris

SUBJECT: OMB Study of Minority Business Enterprise

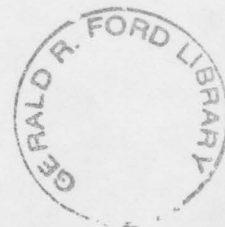
As I mentioned at a recent staff meeting, the Office of Management and Budget (OMB) has during the past year or more been involved in a study of the Federal minority enterprise program. After many months of inactivity, OMB recently reactivated its interest in this study and announced that organizational changes would be recommended to Congress and the White House by mid-April of this year. Accordingly, an OMB study document (attached) was developed and distributed widely on the Hill and in the minority business community. Two of the alternatives proposed in this document are:

1. The transfer of the OMBE program to the Small Business Administration (SBA).
2. The transfer of the Small Business Administration's minority enterprise program to the Department of Commerce.

The status quo is not an alternative under consideration. There is no evidence that substantive program research or staff work has been done by OMB to substantiate these recommendations. Nevertheless, both SBA and OMBE are busy at work preparing lengthy analyses of each OMB alternative, as well as preparing additional alternatives for consideration. OMBE is working closely with the Assistant Secretary for Administration on the project, which is due to OMB by March 21.

As part of the study, OMB asked Stanley Scott, Special Assistant to the President for Minority Affairs, to organize a "think tank" session at the White House to discuss the various alternatives proposed by the OMB staff. OMB officials advised us that this meeting, scheduled for March 14, was to have been a small "shirtsleeve, round-table working session" to touch base with the minority enterprise community.

The purpose of the meeting, however, has since become distorted. We are now deeply concerned about the irregular organization of the meeting, the composition of the group in attendance, its ramifications on the operation of the minority enterprise program, interagency cooperation and staff morale, and with the anticipated results of the meeting given its format and structure.





- 2 -

1. Profile of participants: The list of invitees to this "round-table" discussion now exceeds 200, a fact which visibly shocked OMB staff when they found out. The invited group has the following characteristics:

- Well over half are current or past OMBE contractors. The rest are publishers, bankers and some prominent individual businessmen.
- About sixteen individuals are former OMBE contractors who have been terminated in the past two years for non-compliance with contract performance standards or other programmatic reasons.
- At least a dozen are individuals with whom contract negotiations are currently underway.
- There are several individuals who have personal aspirations to OMBE leadership positions, while others are currently under investigation by Federal authorities.

Based on the above characteristics, it can be assumed that this group will provide less than totally objective insights into the needs of the average minority businessperson. In seeking to consult this particular group for advice, the real OMBE program constituency, the minority client, has again been bypassed in favor of the Federal contractor who makes his living off minority business funding dollars. We would be hard-pressed to find a single minority business client on the invitee list.

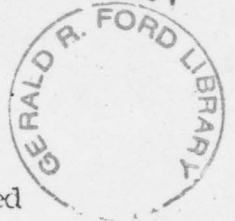
2. Contractor threats: OMBE has, as a result of this meeting, been placed in the untenable position of having to defend itself to two groups of persons with diametrically opposing goals. OMBE contractors seek funding increases, greater flexibility in contract regulations and less rigid standards of contract monitoring. The OMBE management, Commerce Department General Counsel and Department of Commerce Procurement Office have worked together for a consolidation of OMBE funding, more stringent contract regulations, and closer monitoring of contract performance. The objective of these policies is to improve the quality of contractor services, depoliticize the funding process, and thereby improve the overall program performance. To this end, over 100 poor performers have been denied renewal in the past two years. This record does not win praise among the visible and vocal few who feel they deserve Federal funding regardless of their performance.

It should be noted in this context that OMBE has already received several threats from contractors whose contracts are under negotiation. The threats have taken three forms so far.

- a. "Renew (or increase) my contract, or I will be forced to take a public position against OMBE at the White House meeting."

I can't overly emphasize that we are not
here.

- 3 -



- b. "Relax my contract monitoring procedures, or I will be forced to announce publicly that we prefer to be funded by SBA."
- c. "For a small amount (in the form of a contract), I can use my influence with the other contractors to get them to say nice things about OMBE at the White House meeting."

3. Irregular planning procedures: I am also concerned about the somewhat irregular fashion in which the March 14 White House meeting has been organized. Specifically:

- a. OMBE was not formally consulted concerning the advisability of holding such a meeting, and had no formal input into the selection of the invitees.
- b. As of this date, OMBE has not received an agenda, a complete list of participants, or instructions concerning procedures.
- c. The entire invitee list was sent the OMB list of organizational alternatives. Since the document lists rather drastic action, the minority community has been led to believe that a more tempered or moderate compromise cannot be considered.

4. Effect on the OMBE program: It is not an overstatement to say that the OMB study and attendant White House meeting have thrown the entire minority business community into a turmoil. As a result, the OMBE staff has become demoralized. They are inundated with rumors that the minority program is fighting for its life and that the decision to go to SBA has already been made. It is not an exaggeration to state that much of the effective program work within OMBE and SBA has been slowed down; the staff is being besieged with calls from contractors speculating on the outcome of the White House session. SBA officials have already met with selected OMBE contractors about the advantages of being funded by SBA rather than Commerce. The situation is rapidly degenerating into an "us against them" posture; consequently, all positive communication and coordination between OMBE and the SBA has ceased.

5. Impact on Administration officials: I am greatly concerned about the impact the March 14 meeting will have on Administration officials -- particularly Under Secretary Tabor, James Lynn, Director of the Office of Management and Budget, and the White House Domestic Council staff who will be in attendance. A brief summary of a recent meeting of a similar nature at the White House will illustrate the reasons for my concern.

On January 23, I participated in a White House briefing for Black Publishers also convened by Stanley Scott. At that meeting, Administration officials James Lynn and Secretary Brennan witnessed a severe public attack on the OMBE program by a conference participant. The critic in question, Mr. Charles Armstrong of Chicago, was a former OMBE contractor whose contract was terminated in 1973 for non-performance and for other irregularities.

which are now the subject of criminal investigation by the Federal Government. While it was obvious to me that Mr. Armstrong was using the White House as a forum to articulate a personal grudge, this was not at all apparent to Administration officials such as Mr. Lynn, who had no reason to believe that Mr. Armstrong was not a distinguished "minority community leader", as he had been told. It is significant that, in spite of his anti-Administration outburst, Mr. Armstrong's name again appears on the invitee list for the March 14 meeting.

My reason for bringing up this damaging incident is that Mr. Lynn will be participating in this second White House conference, with minority enterprise again the subject of discussion. If OMB goes into the meeting with a neutral posture, it may get a seriously distorted picture of the program which could in turn adversely influence the outcome of the OMB recommendation for reorganization:

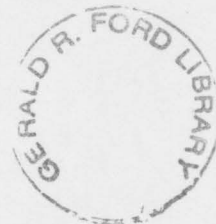
Recommendation:

It is unlikely that OMB would cancel the March 14 meeting since invitations have already been sent.

It is strongly recommended, therefore, that you personally contact Mr. Lynn and any White House officials who will be present, to fully apprise them of the nature, composition, and goals of the group. In addition, it would be most helpful if an agreement were reached with OMBE to exercise a great deal of control over the agenda (which is still under development). In this manner, it may be possible to encourage a mature, programmatic discussion rather than a series of public testimonies regarding individual biases. If the meeting is allowed to continue in its current direction, the result will be a strong public indictment of this Administration's support for minorities in general and for minority enterprise in particular.

I would appreciate a meeting with you at your earliest convenience to discuss these recommendations in detail.

Attachment



WHITE HOUSE "THINK TANK" SESSION

MINORITY BUSINESS DEVELOPMENT ORGANIZATIONAL ANALYSIS

MARCH 14, 1975

1:00 p. m.	Introductions	Stanley S. Scott Special Assistant to the President
1:05 p. m.	White House Public Liaison	William J. Baroody, Jr. Assistant to the President

(Format below: 15 mins. presentation, 30 mins. Q & A)

1:10 p. m.	Minority Business Development Overview	Walter Scott Associate Director for Economics and General Government, Office of Management and Budget
1:55 p. m.	OMB Analysis- Overview	Paul O'Neill Deputy Director Office of Management and Budget
2:40 p. m.	SBA Policy Overview	Thomas S. Kleppe Administrator Small Business Administration
3:25 p. m.	OMBE Policy Overview	Alex M. Armendaris Director, Office of Minority Business Enterprise Department of Commerce
4:00 p. m.	Interagency Council Minority Business Enterprise	John K. Tabor Under Secretary Department of Commerce

