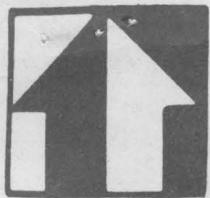


The original documents are located in Box 14, folder “Minority Business, 1971-1975 (7)” of the Stanley Scott Papers at the Gerald R. Ford Presidential Library.

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MINORITY BUSINESS EXPOSITION '75

2502 Prospect Avenue
Kansas City, Missouri 64127

FOUNDING SPONSOR: BLACK ECONOMIC UNION OF GREATER KANSAS CITY
Co-SPONSOR: CHAMBER OF COMMERCE OF GREATER KANSAS CITY

April 8, 1975



Dear Mr. Scott:

You are invited to be our guest at the "Kick-off " Luncheon for the 1975 Mid-America Minority Business Exposition.

The luncheon will be held in the Red Door Room of the Landmark Restaurant, Union Station, at 12 Noon Tuesday, April 22. We anticipate having the Mayors of both Kansas Cities in attendance.

Representatives of the Exposition Sponsors, Minority Leaders, Government Officials and Volunteer Committee Chairmen will attend. Also, I look forward to meeting you and sharing plans for this year's Exposition.

Your attendance is important to continuing success of a program designed to stimulate and increase opportunities for minority businesses.

We look forward to seeing you on April 22. Please call June White or Ernestine Burch at 924-6181 with your reservation confirmation, or mail in the enclosed form by Tuesday, April 15. If you have a conflict in schedule, we would appreciate having a member of your upper management attend.

Sincerely,

Lawrence D. Cook
Executive Director, M.B.E. '75

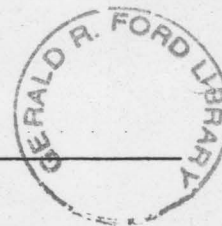
encl.

Lawrence D. Cook, Executive Director
Mid-America Minority Business Exposition
2502 Prospect
Kansas City, MO 64127

I (will) (will not) attend the "Kick-off" Luncheon in the Red Door Room
at the Landmark Restaurant on Tuesday, April 22, 1975, at 12:00 Noon.

If I cannot attend, _____,
Name

_____, will attend in my place.
position



Please respond by April 15, 1975.



**MINORITY
BUSINESS
EXPOSITION '75**

2502 Prospect Avenue
Kansas City, Missouri 64127
Att: Lawrence D. Cook



Stanley S. Scott
Special Assistant to the President
The White House
Washington, D.C.







ZION INVESTMENT ASSOCIATES, INC.

PROGRESS INDUSTRIAL PARK / N.E. CORNER ROBERTS AVE. AND STOKLEY ST. / PHILA., PA. 19129

Divisions:

Progress Aerospace Enter., Inc.
Progress Products Company, Inc.
Progress Plaza Shopping Center
ZIA Properties

April 29, 1975

Mr. Stan Scott
Special Assistant to the President
White House
Washington, D.C.

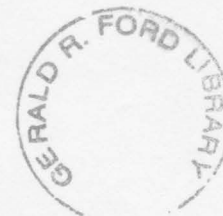
Dear Stanley:

The enclosed statement titled Minority Business Development should prove to be helpful. This is authored by one of the working managers in the General Electric Company who has considerable experience in this area. I trust that you will find these views useful.

Yours truly,

Frederick E. Miller
President

FEM/cw



REV. LEON H. SULLIVAN
Founder & Chairman of the Board

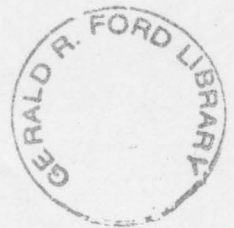
The 10-36 Plan/Community Capitalism In Action

MINORITY BUSINESS DEVELOPMENT

The efforts undertaken in furthering minority business development to date have been to a certain degree dependent upon the Small Business Act of 1953, Section 8(a), plus enabling Executive orders, directives and regulations. These have resulted in a few internal programs; Federal Government goal-setting activities; and some mandatory language caused to be placed in contracts dealing with the award of Federal procurements.

Federal Government leadership has encouraged the development of minority business firms. The main thrust of the minority business development resulted in the channeling of Federal procurement dollars to firms owned and operated by disadvantaged persons. The Minority Business Development program conducted by the Small Business Administration is responsible to Congress and under its guidance, it gets top level attention from Federal departments.

To my knowledge the Defense Department implementation of the Small Business Administrations' 8(a) program by the Secretary of Defense has been effective to some degree in the actual development of and temporary assistance to a number of minority business concerns. For example, in fiscal year 1972 the Department of Defense awarded 482 contracts to minority firms under this program for a dollar value of 73.6 million. It can be assumed other Federal departments have also experienced similar success.

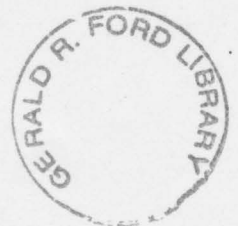


Others, interested in advancing minority interests such as Mr. Galbraith, Professor of Economics at Harvard, and Messrs. Kuh and Thurow, Professor of Economics at the Massachusetts Institute of Technology, have pointed to the plain lessons in advancing of minority interests in other areas however, and they are alarmingly the same that are manifesting themselves in present minority business development programs.

Some of these lessons of the last 25 years are that where equality for Blacks, other minorities and those so treated is concerned, good intentions are not enough. Neither is a serious commitment to reform which fails to specify the exact change to be achieved; nor is any course of action however well-intentioned which does not have the force of law.

Twenty-five years ago most Americans, including many Southerners, accepted the principle of equality in educational opportunity and believed that school segregation should some day be brought to an end, and most affirmed the right of all citizens (all literate citizens in any case) to vote sometime and most believed that discrimination in areas such as restaurants, fountains and other public facilities should some day be ended. There was no lack of speeches affirming these goals.

Nothing happened in the affirmation of those goals however until exact requirements were specified and timetables for compliance were laid down and those that did not comply were made subject to the force of law. Had such action not been taken, facilities would still be wholly segregated and Black voters South of the Mason-Dixon Line would still be few and courageous. There are paralleling causes



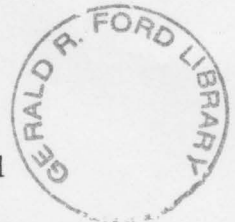
for concern over the need for minority entrepreneurs to gain their rightful share of business.

The lessons on schools, voting and public facilities are ones that we ought to apply to de facto business discrimination that still remains in the American society...which amounts to the virtually complete monopoly of the ownership of commerce and industry by non-minority interests.

The remedy here as in other areas must be a plan flexible in design and non-arbitrary in its application. It should be specific as to its ultimate requirement and have a force of law.

As in the past, quite a few people may plead that any proposal no matter how excellent should be left to the voluntary efforts of those involved. However well meant this holds no more promise than voluntary desegregation did in the South.

Equality and a share of the "industry action" must not be confined to what may be called low technology industry - janitorial services, arts and graphics, crafts and distribution services etc. Blacks, Puerto Ricans, Mexican-Americans and women must be considered as co-equals in opportunities to own and operate businesses, a widely agreed principle and extensively affirmed by law. The test of whether measures to produce this results are effective are the results themselves. Business has remained largely the exclusive domain of White male entrepreneurs and runs counter to the changes of our socio-economic structure.

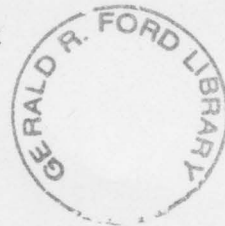


The Office of Minority Business Enterprises was brought into existence to increase minority business opportunities. OMBE objectives are to reduce the number of minority business failures and maximize the return from the Government investment in minority concerns. Hopefully by establishing a foundation for minority business growth and by making business resources accessible to minority entrepreneurs the overall objective of assuring minorities equal access to the economic benefits of business enterprise can be achieved. It achieves as much as sincere voluntary programs are capable of.

The progress that has been made under Section 8(a) of the Small Business Act which I previously referred to are made under encouraging directives that permit the Federal Government to negotiate non-competitively with a minority owned businesses. Again the purpose of this program is a "best effort" to help firms establish themselves in commercial markets through the successful completion of Government contracts and this effort too is achieving some results through voluntary participation.

It has been held that such voluntary efforts should continue, but like voluntary efforts in the past; unless real goals are set and the force of law is established to support them; minority business will not participate in ownership of the industrial base anywhere nearly proportionate with population or skills of those that have been for one reason or another deprived of an opportunity and responsibility to participate.

Now, as in previous periods of Economic downturn small and minority owned businesses are the first to feel the effect of a shrinking economy.

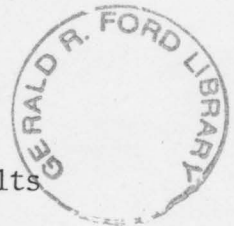


In the present downturn minority businesses face a catastrophic situation. Unless specific steps are installed in the system there is little to preclude minority ownership in U.S. industry from remaining at a level of around 4% or lower. True opportunity for economic development does not exist until it exist for all segments of the population.

The Federal Government through existing machinery has the capability of (1) establishing firm goals for Federal agencies and (2) providing the influence and momentum for other governmental agencies to do likewise. Federal contracts can carry provisions for providing profit incentives to contractors based on the effectiveness of their Minority Business Development program. Government contracts can stipulate a mandatory percentage (or fixed amount) of dollars for minority industry.

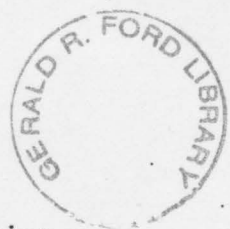
It is conceivable that under such an arrangement it would frequently occur that minority industry would be incapable of performance. Should this occur the incentive to establish a business capability by minority enterprises to fill this void would become easily identifiable. It would provide a solid basis for minority capital and entrepreneurship to be directed toward a specific industry need. This is the kind of commitment that goes beyond "good intentions".

When given the force of law this kind of definition establishes a solid base where achievement can not only be encouraged but the results can be finitely evaluated. The fact that while minority relations are



advancing in almost every area where the force of law has stimulated action, and minority business development without the force of law moves slowly makes necessary the consideration of evaluating at the same level of importance that other civil rights matters have gained.

It is probably because of the current economic downturn that the surge in income for American Black families has come to a sudden halt. If this is the case and if this damage has been caused by recession and inflation than the case for minority business support is all the stronger for taking finite action in a non-voluntary minority business development plan. A fuller share of the American industrial base will also do much to lessen what Andrew Brimmer, formerly a member of the Federal Reserve Board and now a professor at the Harvard Business School refers to as the "deepening schism" in Black America when he mentions that while Black income is drawing somewhat closer to average White income, the gap was widening within the Black community "between the able and less able". Black-owned industry even at its present low level is in the best position to recognize, correct and most importantly, deal with the gap created within the Black community "between the well prepared and those with fewer skills". Certainly one of the most dramatic proofs of this is the success that the Philadelphia Black leader Rev. Leon Sullivan has achieved through his Opportunities Industrialization Centers where under the thesis that "Everybody can be somebody" Black management has trained and poured thousands of Black and other minority



youths through training programs and into useful work environments.

That any kind of a mandatory plan will generate hostility is acknowledged. The hostility can be considered to be minimal compared against the prospect of ballooning business failures and even further reduction in the minority participation in industry ownership. The timing for any of several pilot plans for mandatory minority ownership development can be varied but experience suggests that a 10 year plan is not too long. While a specific time is really not finite and may vary by industry, experience to date seems to support an approximate 10 year cycle. Ten years to bring minority industrial ownership into a more reasonable focus is much better than never which is the present prospect. Surely the time to start is now.

If the imposition of mandatory goals on Federal departments and incentivising Federal Government contractors based on hard goals appears to be an unjustified interference with private business or in violation of the rule of free enterprise that recognizes that everyone should be tested by his ability to contribute and nothing else, the answer must be that the present monopoly of industry by non-minorities itself is indefensible and will one day result in more drastic and disagreeable interference with private business and will proliferate the belief now held that is expressed frequently in the minority community of disaffection toward defending non-minorities in countries where such minorities do not share or participate in its ownership. The minority who finds himself



in a foreign country fighting another minority in defense of a White owned industry finds little to justify support of our present "system". The need to broaden minority participation in industry ownership therefore takes on an urgency that goes beyond a continuence of the "voluntary" programs we are presently struggling with.

Only when the Federal Government has demonstrated leadership in this area will State and City governments similarly recognize such a need. However, once the Federal Government does recognize such a need it then possesses the leverage and can set the tempo required of local communities to likewise develop such programs.

Procedures similar to those that regulate low income housing planning that require a commitment before Federal funds are provided, could likewise require a firm minority business development commitment (again in hard dollars) before approving Federal procurement dollars.

There exists machinery within the Federal Government and certainly the Office of Minority Business Enterprise a part of it where development and testing of a mandatory program can be started. It should be undertaken as an urgent program both to offset the impact of the current economic downturn and meet the need of insuring a rightful share of Black ownership in industrial America.

As in the recognition of all equal rights, this is long overdue. It should not have to wait for another "Selma" before the emergency is recognized.



Constructive steps must be developed soon to put teeth into minority business development goals. The first steps can be (1) an Executive order that simply requires Federal departments to institute mandatory business development programs; place them into operation however the department chooses; and then examine these efforts only by measuring results as they are achieved and (2) at a future time select the most effective program in terms of its results for broader application.

/C. V. Taylor



Floyd B. McKissick
Attorney and Counselor at Law

Ln. 208
Chances for 3pt

MEMORANDUM

April 30, 1975

TO : Mr. Richard J. Bela
Mr. Jess Bojorquez
Mr. Berkeley Burrell
Mr. James Dowdy
Mr. John Grayson
Mr. Garland Guice
Mr. James Hansley
Dr. Larnie G. Horton
Mr. Timothy Jenkins

FROM: F. B. McKissick

RE : INTERIM WHITE HOUSE TASK FORCE ON MINORITY BUSINESS DEVELOPMENT

This is to confirm the meeting of the above Task Force scheduled for Monday, May 5, 1975, at 9:00 a.m., at The White House, Washington, D.C.

Expenses will be paid for all of the members of the committee as previously stated. (out of town members).

We look forward to seeing you on May 5.

F. B. McKissick

cc: Mr. Stanley S. Scott✓



4/30/75

Dear Mr. Bojorquez:

This is to confirm the plans for a meeting on May 5 to discuss the organization and management of minority business development programs, which we hope you will be able to attend. This will be a small working group of about 10 representatives of the minority business community and staffs of appropriate Federal agencies.

Enclosed is a copy of a rough draft of an issue paper we have prepared, which discusses several issues regarding the management of the Federal minority business assistance effort. The paper attempts to reflect the principal issues and points raised at the March 14 White House meeting. We want to get your input on this paper, to improve the presentation of the issues and to obtain your suggestions or recommendations.

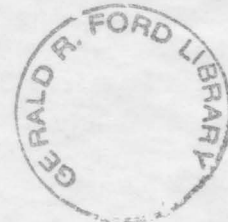
We would like you to meet in room 10104 in the New Executive Office Building, 17th and H Streets, N.W., in Washington, D.C. at 9:30 a.m. on the 5th. We plan to work on the issue paper most of the day. At 4:00 that afternoon, there will be a meeting with Mr. Seidman, Stan Scott and others in the White House to discuss the progress made during the day, and any other aspects of the minority business assistance effort which you may wish to pursue.

We look forward to seeing you on the 5th.

With best wishes,

Sincerely,

Stanley S. Scott
Special Assistant
to the President



Enclosure

Mr. Jess Bojorquez
Director
TELACU
1330 S. Atlantic Blvd.
Los Angeles, California 90022

4/30/75

Dear Mr. Burrell:

This is to confirm the plans for a meeting on May 5 to discuss the organization and management of minority business development programs, which we hope you will be able to attend. This will be a small working group of about 10 representatives of the minority business community and staffs of appropriate Federal agencies.

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We look forward to seeing you on the 5th.

With best wishes,

Sincerely,

Stanley S. Scott
Special Assistant
to the President



Enclosure

Mr. Berkeley G. Burrell
President
National Business League
4324 Georgia Avenue, N.W.
Washington, D.C. 20005

4/20/75-

Dear Mr. Dowdy:

This is to confirm the plans for a meeting on May 5 to discuss the organization and management of minority business development programs, which we hope you will be able to attend. This will be a small working group of about 10 representatives of the minority business community and staffs of appropriate Federal agencies.

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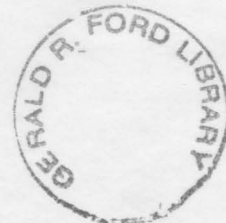
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We look forward to seeing you on the 5th.

With best wishes,

Sincerely,

Stanley S. Scott
Special Assistant
to the President



Enclosure

Mr. James H. Dowdy
Chairman of the Board
Commonwealth Holding
Company, Inc.
215 W. 125th Street
New York, New York 10027

4/30/75

Dear Mr. Grayson:

This is to confirm the plans for a meeting on May 5 to discuss the organization and management of minority business development programs, which we hope you will be able to attend. This will be a small working group of about 10 representatives of the minority business community and staffs of appropriate Federal agencies.

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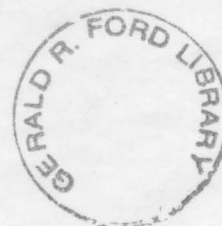
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We look forward to seeing you on the 5th.

With best wishes,

Sincerely,

Stanley S. Scott
Special Assistant
to the President



Enclosure

Mr. John Grayson
UNIVOX
4505 W. Jefferson Blvd.
Los Angeles, California 90016

4/30/75

Dear Mr. Guice:

This is to confirm the plans for a meeting on May 5 to discuss the organization and management of minority business development programs, which we hope you will be able to attend. This will be a small working group of about 10 representatives of the minority business community and staffs of appropriate Federal agencies.

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We look forward to seeing you on the 5th.

With best wishes,

Sincerely,

Stanley S. Scott
Special Assistant
to the President



Enclosure

Mr. Garland C. Guice
Executive Director
Chicago Economic
Development Corporation
162 N. State Street
Chicago, Illinois 60601

4/30/75

Dear Mr. Hansley:

This is to confirm the plans for a meeting on May 5 to discuss the organization and management of minority business development programs, which we hope you will be able to attend. This will be a small working group of about 10 representatives of the minority business community and staffs of appropriate Federal agencies.

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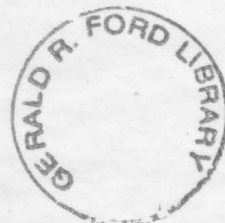
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We look forward to seeing you on the 5th.

With best wishes,

Sincerely,

Stanley S. Scott
Special Assistant
to the President



Enclosure

Mr. James Hansley
President, Forsythe County
Investment Corporation
Pepper Building - Suite 305
4th & Liberty Street
Winston-Salem, North Carolina 27101

4/30/75

Dear Mr. Horton:

This is to confirm the plans for a meeting on May 5 to discuss the organization and management of minority business development programs, which we hope you will be able to attend. This will be a small working group of about 10 representatives of the minority business community and staffs of appropriate Federal agencies.

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We look forward to seeing you on the 5th.

With best wishes,

Sincerely,

Stanley S. Scott
Special Assistant
to the President



Enclosure

Mr. Larnie G. Horton
Special Assistant to Governor
James E. Holshouser, Jr.
State of North Carolina
Administration Building
116 W. Jones Street
Raleigh, North Carolina 27603

4/30/75

Dear Mr. McKissick:

This is to confirm the plans for a meeting on May 5 to discuss the organization and management of minority business development programs, which we hope you will be able to attend. This will be a small working group of about 10 representatives of the minority business community and staffs of appropriate Federal agencies.

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We look forward to seeing you on the 5th.

With best wishes,

Sincerely,

Stanley S. Scott
Special Assistant
to the President



Enclosure

P.S.

We have sent similar letters to all ten members of your working group.

Mr. Floyd McKissick
President
McKissick Enterprises
P.O. Box 188
Soul City, North Carolina 27553

4/30/75

Dear Mr. Jenkins:

This is to confirm the plans for a meeting on May 5 to discuss the organization and management of minority business development programs, which we hope you will be able to attend. This will be a small working group of about 10 representatives of the minority business community and staffs of appropriate Federal agencies.

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We look forward to seeing you on the 5th.

With best wishes,

Sincerely,

Stanley S. Scott
Special Assistant
to the President



Enclosure

Mr. Timothy Jenkins
Chairman
The Match Institution
2101 S Street, N.W.
Washington, D.C. 20008

4/30/75

THE WHITE HOUSE
WASHINGTON

Dear Mr. Bela:

This is to confirm the plans for a meeting on May 5 to discuss the organization and management of minority business development programs, which we hope you will be able to attend. This will be a small working group of about 10 representatives of the minority business community and staffs of appropriate Federal agencies.

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We look forward to seeing you on the 5th.

With best wishes,

Sincerely,

Stanley S. Scott
Special Assistant
to the President



Enclosure

Mr. Richard Bela
President
Technique Data Laboratories
2001 Wisconsin Avenue, N.W.
Washington, D.C. 20007

Draft Issue Paper
Minority Business Development Programs
Management Systems
and Organizational Assignments



The paper discusses several aspects of the way the Federal minority business development programs are organized and managed. Because of the complexity of the subject and the variety of opinions regarding how the programs should be managed, this paper divides the subject into five separate issues, as follows:

- #1. Should minority business development efforts focus on individual entrepreneurs, or be part of community economic development efforts?
- #2. Should Federal minority business development assistance be provided primarily as part of the broader missions of the various Federal agencies, or should it be focused in one agency?
- #3. Should assistance to minority businesses be provided primarily through direct Federal assistance to the firms, or through intermediaries such as contractors or State and local governments?
- #4. What forms or types of assistance should be provided by the Federal Government?

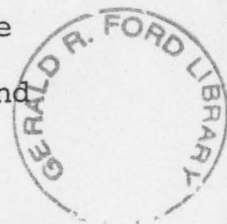
#5. What is the most appropriate organizational structure and assignments within the Federal Government for managing minority business development programs?

These five issues are closely related, and decisions on some will greatly influence decisions on others. The five issues are intended to help focus on the management issues which appear to be the areas of greatest controversy, and the most fundamental questions about the management of the programs. In the consideration of these issues it has been assumed that there is general agreement that the goal of minority business development is to improve the economic status of minorities through participation in private enterprise.

The issues themselves, most of the alternatives discussed, and most of the points for or against the alternatives, reflect the input received from the March 14 White House Conference and subsequent input from participants in the Conference and from the principal agencies involved in the programs.

Although levels of funding for the programs has been a frequent topic of discussion, it appears to be premature to discuss changes in funding levels until the above five issues are resolved.

The following five issues are discussed quite briefly, and do not present an exhaustive analysis of the issues. It is



intended that these first drafts will be reviewed carefully by the agencies, representatives of minority business and other interested individuals. Some issues may be dropped or consolidated. Alternatives may be added, dropped or changed, and the pros and cons for the alternatives may be revised. Finally, it is expected that recommendations will be developed for consideration by the White House.

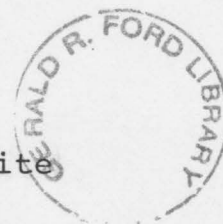
Issue #1: Should minority business development efforts focus on individual entrepreneurs, or be part of community economic development efforts?

Background

It is clear from the papers presented at the March 14 White House Conference that there are two divergent schools of thought on this issue. Some see minority business development as part of a much broader program to develop economically distressed communities. Others essentially ignore the community considerations and focus on the individual entrepreneur; the latter school stresses the desirability of expanded ownership by minorities regardless of geographic location of the individuals.

Alternatives

- #1. Make minority business development efforts an integral part of community economic development programs.



- #2. Focus minority business development on the individual entrepreneurs with the best chance of success, regardless of location.
- #3. A combination of the previous two alternatives.

Discussion of Alternatives

Alt. #1

Points in Favor

- . A very high percentage of minorities reside in communities which are economically depressed in comparison with the rest of the Nation. Focus on these depressed communities will reach a very high proportion of minorities.
- . The principal purpose of a minority business program is to increase the economic status of minorities. Minorities with lower economic status reside in the depressed communities, and should receive Federal assistance to improve the economic status.
- . Minority firms must rely heavily on minority communities for their markets. They will have difficulty becoming successful unless the minority community market becomes more affluent. If the minority communities decline economically, so will minority firms.

Points Against

See "points in favor" for alt. #2.



Alt. #2Points in Favor

- . We should encourage minority firms to develop markets outside the minority communities. This is necessary to help the redistribution of wealth.
- . Minority communities are frequently undesirable environments for any businesses due to low purchasing power of the residents, limited personnel skills, higher crime rates, etc. Minority businesses in these communities will have a distinct competitive disadvantage. Minority firms will have a better chance of success if located outside economically distressed areas.
- . A minority business program should try to break down barriers among majority businesses, communities and customers to dealing with minority firms. This can be done more effectively if minority firms are a part of non-minority communities.

Points Against

See "points in favor" for alt. #1.

Alt. #3Points in Favor

- . All of the arguments in favor of alternatives #1 and #2 have some validity.

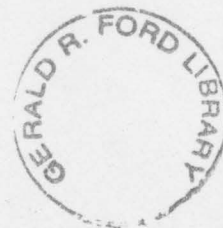
- . There are no apparent reasons why minority business efforts should be limited to either of the above alternatives. Minority business development may be critical to effective economic development of economically depressed communities, but minority business participation in the entire economy may be essential to bring about a reduction in the economic gap between minorities and the rest of the society.

Points Against

- . With finite resources, there will always be concerns about which type of activity should have priority and there is likely to be conflicts between the two for available resources.
- . A community development effort requires particular types of programs which may differ from those needed for a focus on individual entrepreneurs. This may complicate program development and management.
- . It may be difficult or impossible for one organization to pursue both strategies effectively in a balanced manner. One approach is likely to gain at the expense of the other.

Positions of Interested Parties

(Recommendations to be added by interested parties.)



Issue #2: Should Federal minority business development assistance be provided primarily as part of the broader missions of the various Federal agencies, or should it be focused in one agency?

Background

The discussion of minority business programs has elicited substantial disagreement on this issue. Some people have proposed that all programs which assist minorities be consolidated into one agency. Several others argue that consolidation is either undesirable or unfeasible, and stress the need for more effective coordination among the several programs.

Alternatives

- #1. Rely primarily on the assistance provided as part of the broader missions of the various agencies, such as housing, education, health, economic development, small business development, etc. Limit a minority business development agency to coordination and promotion.
- #2. Consolidate a maximum amount of resources in one agency to be focused only on minority business development. Do not rely on using resources of other agencies which are earmarked for broader or different objectives.



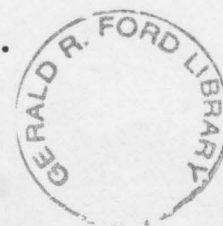
- #3. Use the capabilities, experience and resources of all agencies to the extent possible, but supplement those resources with additional resources which have been earmarked for minority business development. Provide funds to a minority business development agency to be used by that agency to fund the effective programs of the other agencies, to leverage the other agencies' resources and provide the basis for effective coordination.

Discussion of Alternatives

Alt. #1

Points in Favor

- . The broader-purpose mission agencies of the government have a large amount of resources which can assist minority business development programs, if properly used. These include small business assistance, community economic development programs, labor training, education, and various industry and business assistance programs. These programs have total resources which one could not hope to marshall directly for a minority business development program.
- . The various agencies have certain staff capabilities, delivery systems and management approaches which can be used effectively to assist minority businesses.



It would be difficult and costly to duplicate these capabilities in a single minority business development agency.

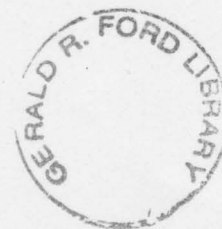
Points Against

See "points in favor" for alt. #2.

Alt. #2

Points in Favor

- . The various Federal agencies have their principal missions to pursue. Minority business development is either a secondary mission or an incidental benefit of their programs. They cannot be expected to devote adequate attention to minority business efforts. An agency is needed which has minority business development as its primary mission.
- . Relying on a variety of agencies for assistance makes it difficult or impossible to assure that a comprehensive minority business assistance effort is provided. There may be critical gaps in the pieces of assistance, or it may be impossible to bring all the pieces together into a useful package of assistance for a minority firm, on a timely basis. A single agency, with its own resources and delivery system, could assure a comprehensive assistance program.

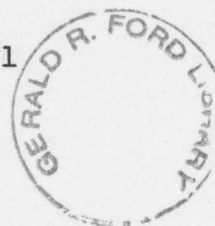


- . A single agency with its own resources and delivery system, would assure that one manager is accountable for the progress of the program. With parts of assistance provided by several agencies, no one feels responsible or is held accountable.

Points Against

- . Consolidation of resources and delivery systems in one agency would require substantial changes in existing agency structures and programs. This is likely to be a lengthy process, and it could significantly disrupt existing programs during that transition period.
- . A single agency program may be more vulnerable to attack by those who may oppose minority business development.
- . It may not be possible to obtain as much resources for a single agency program as could be obtained in bits and pieces from the several agencies.
- . It would lose the benefits of a variety of approaches, ideas and delivery systems of several agencies.



Alt. #3Points in Favor

- . Would obtain benefits of the capabilities and resources of the several Federal agencies.
- . Would give a minority business development agency the resources and ability to help assure a coordinated and comprehensive Federal program.
- . It would permit agencies that are focused on community economic development to continue and improve their efforts to assist minority business development.
- . It would permit agencies that are focused on business development to continue and improve their efforts to assist minority business development.
- . The ability of the minority business agency to provide funds to the other agencies would help make the other agencies more responsive to the minority business objectives. It would give them an incentive to work with the minority business agency and other agencies to assure a coordinated and comprehensive effort. It also could permit the other agencies to undertake activities or provide types of assistance which they could not do under their own authorities.

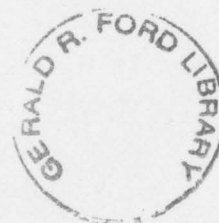
- . It would help avoid duplication of delivery systems, and retain desirable variations in program approaches among agencies.
- . It would minimize disruption of on-going programs and agency structures.

Points Against

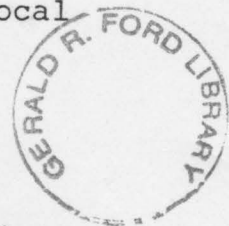
- . It may not assure that the various pieces of assistance result in a comprehensive package of assistance to minority firms.
- . It leaves program responsibility and accountability somewhat fragmented, although it would clearly increase the responsibility of the head of a minority business agency as compared to alt. #1.
- . It may not remove much of the confusion among minority firms on where to go to get assistance, and it may not remove the appearance of duplication and lack of direction.

Positions of Interested Parties

(Recommendations to be added by interested parties.)



Issue #3: Should assistance to minority business be provided primarily through direct Federal assistance to the firms, or through intermediaries such as contractors or State and local governments?



Background

There was a wide variety of proposals for delivery mechanisms for assisting minority businesses. Some proposed channelling assistance through State and city Minority Business Development organizations. Others recommended using a non-profit contractor organization which would receive funds from Federal agencies, State and local governments and private organizations. Others proposed relying on direct Federal assistance in order to reduce costs of middlemen and maximize funding to the businesses. Many proposals contained some combination of these approaches.

Alternatives

- #1. Provide primary assistance directly from Federal agencies to the minority firms.
- #2. Use State and local governments as the primary vehicles for delivering assistance and determining the allocation of resources within their States and communities.
- #3. Use non-profit contractors as the primary means of delivering Federal assistance.

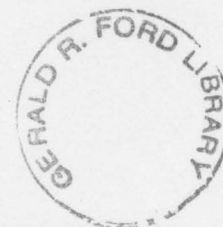
- #4. Rely primarily on private, profit making institutions to provide assistance. This includes banks, consulting firms, majority businesses and established minority firms.
- #5. Identify the strengths of each of the above systems and use each system when it is the best means of achieving the particular program objective. Obtain the necessary statutory authorities to use any of the approaches as the situation dictates.

Discussion of Alternatives

Alt. #1

Points in Favor

- . This will maximize the flow of funds from the Federal agencies to the minority firms. The programs will not be supporting a large number of middlemen who absorb a large portion of available resources.
- . Maximizing the flow of funds to the minority firms will increase the flexibility of the firms in dealing with their peculiar problems.
- . It will provide closer Federal control over the allocation of the assistance to help assure that it is used for the objectives of the program.



Points Against

- . This approach will not help minority firms develop working relationships with a variety of private and public institutions. They may be too dependent on continued and direct Federal assistance.
- . There are some forms of assistance which simply cannot be provided by the Federal government, such as private markets, private business experience, and local government approval of development plans.
- . Reliance on direct Federal assistance makes minority firms more vulnerable to national political changes and pressures affecting the programs.

Alt. #2Points in Favor

- . State and local governments may be in a better position than the Federal government to coordinate and pull together a variety of program elements, community organizations and individuals to assist specific firms.
- . They may have a better understanding of the particular community or business conditions impacting the minority firms involved.



- . They may be able to provide types of assistance, or additional assistance, that could not be provided by the Federal government.

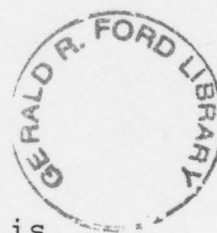
Points Against

- . In most cases the States and cities don't have established delivery systems for loans, grants, etc., for minority businesses. The quality and efficiency of such systems may be poor.
- . States and cities may add an unnecessary bureaucratic layer between the Federal programs and minority firms.
- . Reliance on States and communities for assistance may not provide for adequate development of minority firms' relationships with the private sector.
- . Programs may be vulnerable to State and local political pressures.

Alt. #3

Points in Favor

- . May provide administrative flexibility, which is difficult to maintain in Government organizations. This may permit a wider variety of working arrangements with private organizations, and government agencies, and provide a greater ability to adapt programs to the specific needs of a firm or community.



- . May insulate the delivery system somewhat from the political pressures on the program.
- . May permit obtaining and retaining more qualified personnel than would a direct Federal delivery program.

Points Against

- . Could add a large number of middlemen to absorb the Federal funds.
- . Would reduce Federal control of the program.
- . May not be able to develop effective relations with State and local governments.
- . May not place adequate emphasis on the need to develop profitable minority firms; may be too "social service" oriented.

Alt. #4

Points in Favor

- . Want minority firms to learn how to survive without Federal assistance. Can learn this best by learning from other private businesses.
- . Minority firms need to develop effective business relations in the private sector in order to function in that environment.



- . Private, profit-making institutions are best able to provide useful advice to minority firms because of their direct experiences and profit orientation.

Points Against

- . The private profit-making institutions may frequently have conflicts of interest in dealings with minority firms, which may be to the detriment of the minority businesses.
- . It may be difficult or impossible to use profit-making institutions to put together a comprehensive package of assistance for minority firms.
- . If the program participation does not provide a reasonable profit, such organizations are unlikely to remain committed to the activity.

Alt. #5

Points in Favor

- . Would give flexibility to use all available institutions and resources which might be useful in minority business development.
- . It would permit a wide range of assistance such as Federal grants to minority firms to procure management and technical assistance and grants to State and local organizations to develop minority business programs.
- . Incentives could be provided to private institutions to improve their assistance to minority firms.



- . Non-profit institutions could be used to provide forms of assistance not effectively provided by others.

Points Against

- . It would substantially increase the coordination requirements to help assure a reasonable, comprehensive total effort, because of the large number of organizations involved.
- . There could develop a large amount of bureaucratic overhead in the various institutions, unless carefully controlled.

Positions of Interested Parties

(Recommendations to be added by interested parties.)



Issue #4: What forms or types of assistance should be provided by the Federal Government?

Background

There were several suggestions for changing the type of Federal assistance that could be provided for minority firms. These included more authority for equity financing, direct grants to individual minority firms, financial incentives to private firms to procure from minority firms, and financial incentives to the private sector to invest in minority firms.

Alternatives

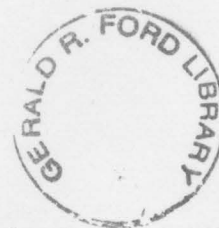
- #1. Limit program authorities to those now existing.
- #2. Request a few selected modifications in existing authorities to take care of some problems already identified.
- #3. Request broad new authorities for a minority business development program to permit the initiation of new forms of assistance as the need is identified and the feasibility is determined.

Discussion of AlternativesAlt. #1Points in Favor

- . Would minimize or avoid need for time consuming legislative changes.
- . Would minimize changes and disruptions in current programs.
- . Current authorities already permit a wide range of assistance.

Points Against

- . See first point in favor of alternative #2.
- . It would inhibit the program development ideas of the agencies.



Alt. #2Points in Favor

- . There appear to be clear shortcomings in some of the current authorities which minimize program effectiveness. This includes the MESBIC requirements which limit their ability to make equity investments, the limitations on dollar amounts of EOL loans, and the inability of procuring agencies to make direct contracts to minority firms under the 8(a) provision.
- . A few selected changes in authorities are likely to be more acceptable to Congress than broad expansion of authorities.

Points Against

- . This will not provide the full range of authorities that might be desirable to provide a comprehensive assistance program.
- . It would tend to inhibit the program development ideas of the agencies, to stay within the legislative constraints.

Alt. #3Points in Favor

- . It would permit early experimentation with a broad range of assistance, to determine effectiveness. These



might include direct grants to individual firms, and financial incentives to private firms to procure from or invest in minority firms.

- . It would permit early implementation of those new approaches that proved successful.
- . It would provide more flexible authorities to supplement or complement the relatively narrow, categorical authorities of the agencies.

Points Against

- . It may result in some programs which are ineffective but which cannot be terminated because they are politically popular.
- . It may be difficult to obtain Congressional approval of broad program authorities.

Positions of Interested Parties

(Recommendations to be added by interested parties.)

Issue #5: What is the appropriate organizational structure and assignments within the Federal Government for managing minority business development programs?

Background

The recent review of minority business programs resulted in an almost unanimous response that the current organizational



structure and assignments within the Federal government should and could be improved to increase the effectiveness of the minority business programs.

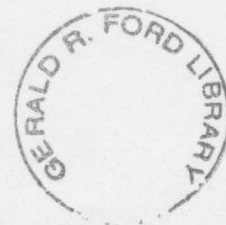
The most common complaints were:

- The lack of a comprehensive program, with common goals and implementation plans.
- The lack of coordination among many agencies assisting minorities.
- The inability to provide a complete package of assistance to minority firms.
- Confusion within the minority business community over where to obtain assistance, and confusion among States, cities and the private sector regarding who is responsible for the programs.
- No program manager feels responsible or is held accountable for the minority business effort.

There have been a wide range of suggestions for revising the organizational structure and assignments. The primary alternatives are discussed below.

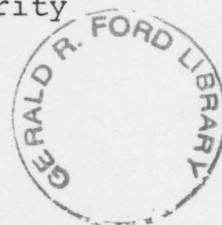
Alternatives

- #1. Make minority business programs an integral part of community economic development efforts, and consolidate



all community economic development programs in a new agency.

- #2. Focus minority business programs on individual firms and consolidate the programs in a new agency for expanded ownership.
- #3. Consolidate the programs in a new minority business development program in SBA.
- #4. Consolidate all the programs in a new minority business development program in Commerce.
- #5. Consolidate the SBA management and technical assistance and 8(a) procurement assistance in OMBE. Leave loan assistance with SBA.
- #6. Assign all of the direct Federal programs to the current program structure in SBA. OMBE would coordinate activities of the agencies and promote minority business development with States, cities, and the private sector.
- #7. Consolidate efforts focused on the individual minority firm in a new reorganized program in SBA. Have EDA administer efforts focused on community economic development through minority firms. Establish a new minority business development administration in Commerce to



coordinate the Federal programs, provide additional funding to the other Federal programs, and generally promote minority business development in the non-Federal sector.

Discussion of Alternatives

Alt. #1

This alternative would consolidate in one new agency the programs of EDA, the CSA community development corporation program, various programs of HUD, Labor, etc., which are focused on community development. The minority business program would be a component of this agency and work as a part of the broader community development efforts.

This alternative is based on the assumption that the minority business programs should be an integral part of community economic development, as discussed in Issue #1. If it were decided that this should be the focus of the minority business effort, this alternative provides a very reasonable organizational approach for putting together a comprehensive community development program.

A principal problem with the alternative is the apparent impossibility of obtaining Congressional action. President Nixon proposed a very similar agency in 1971 and 1972, called the Department of Community Development. The Congress has



shown no interest in acting on that proposal. There is no reason to believe that there is any chance for Congressional action on such a proposal now.

Alt. #2

This alternative is based on the assumption that the minority business programs should not be community focused, but rather should be oriented to individual minority entrepreneurs. It would consolidate Federal programs which assist or promote business ownership, into a new agency. The new agency would have a major minority business development component. The programs that might be consolidated in the new agency would be SBA, OMBE, and possibly small parts of Agriculture and CSA programs.

As a practical matter, the bulk of the funding and staff resources to be consolidated would be from SBA and OMBE.

If the program is to focus on individual firms rather than communities, this may be a useful consolidation. A primary question, however, is whether there would be any chance of Congressional enactment. It would abolish SBA, and apparently lessen the emphasis on small businesses. This is unlikely to be acceptable. Further, it is not clear that such a new agency would have any major advantages over consolidating the programs in SBA (alt. #3).

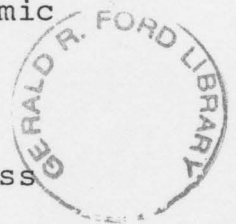


Alt. #3

This alternative would establish a new minority business development program in SBA. It would pull together all programs which are focused on minority business development, primarily OMBE and the SBA's EOL loan program, the MESBIC program, the 8(a) program, and management assistance. It would integrate these programs, along with any desired new authorities, into a comprehensive program of assistance to minority firms. SBA would establish management procedures to assure that all necessary elements of assistance are brought together for a minority firm, and would control access to the program to assure adequate levels of assistance to each firm. SBA also would coordinate efforts of other agencies which might assist minority businesses, including the community economic development programs of EDA and CSA.

If SBA had the primary responsibility for minority business development, it could be expected that it would focus primarily on individual firms, rather than community development. SBA does not have community development as a mission, it does not have experience with community development, and it does not have major delivery systems designed for community development.

A new program in SBA could be an effective means of assisting individual firms. SBA has substantial experience with such



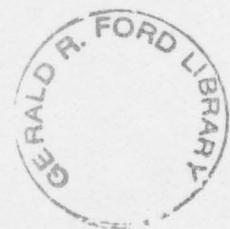
assistance, and an existing delivery system that could be modified without much difficulty.

It has been suggested that it would be undesirable to establish a single, separate minority business program in SBA, because it would take the minority firms out of the "mainstream" Federal programs. It is questioned whether this concern is valid.

SBA already has at least three separate minority programs which are not in the "mainstream", i.e., the EOL loans, MESBIC and 8(a). It is not apparent that consolidation of these programs would remove anything from the mainstream.

A single, separate minority business program does not mean that minority firms would be excluded from other on-going Federal programs, including other regular SBA programs. The separate minority program would be a supplement to, rather than a replacement for, other Federal assistance efforts which are available to minorities and non-minorities.

Concern has been expressed that SBA would have difficulty providing adequate attention to minority businesses, because its principal mission is to aid and protect the interests of small businesses generally. Minority business programs may suffer in competition with the primary mission.



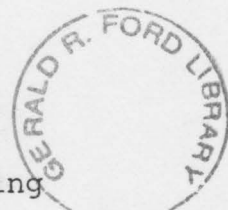
There also is concern that termination of OMBE may be viewed as a reduction in assistance to minority firms, and this may be strongly opposed.

Alt. #4

This alternative would take the SBA resources for EOL, MESBIC, 8(a) and management assistance for minorities, as well as OMBE resources, and consolidate them into a new minority business development administration in Commerce. The new administration also would have new program authorities as needed. The new administration would work closely with the Economic Development Administration, possibly under the same Assistant Secretary or Under Secretary, to develop joint programs in economically distressed communities.

The programs of the new administration would be available in individual firms, regardless of location, but it could be expected that more emphasis would be given to community development, than in alt. #3. Because of the location of EDA in the Department, it would be relatively easy to develop joint programs with EDA.

Since the sole mission of the new administration would be minority business development, there would be no conflicting demands for its resources. Also a Commerce program would not have to be limited to "small" businesses.



A primary disadvantage of this alternative is that the new administration would probably need to establish a field structure which would essentially duplicate the capabilities of the SBA field structure. Also, Commerce does not have the experience, particularly in loan assistance that SBA has.

A transfer of the functions from SBA to Commerce would require a major shift of resources and people. It would likely result in a significant and lengthy disruption of the programs.

Alt. #5

This alternative would limit the changes to transferring the SBA 8(a) program, 406 management assistance program and the SBA minority small business staff to OMBE. SBA would continue its EOL and MESBIC programs. In effect, SBA would have the lead role for providing procurement and management assistance, and SBA would have the lead role for financial assistance.

It is proposed that this would enable both OMBE and SBA to focus on areas of demonstrated competence. The basic programs and delivery systems of the two agencies would remain essentially unchanged.

A primary disadvantage of this alternative is that it would do nothing to solve the problem of providing a comprehensive package of assistance to a minority firm; it may even be worse



than the present situation. Also, no single organization could be held accountable for the minority business program.

This alternative also does not provide any vehicle for improving coordination of programs among the various agencies.

This approach would probably be easy to implement because it would make only relatively small changes in current responsibilities.

It has been proposed that it is desirable to separate lending programs from the other minority assistance programs, in order to have an "arms-length" relationship with the firm in making credit allocation decisions. This may have some merit, but the same argument could be applied to the procurement assistance program or any other type of assistance. Theoretically, all decisions regarding assistance could be made on a more objective basis if it were on an "arm-length" relationship. There is no reason why lending assistance should be at arms-length any more than other forms of assistance. The problems of objectivity might be handled by improved eligibility and priority criteria to be applied to all firms for all types of assistance.



Alt. #6

This alternative would transfer OMBE management and technical assistance resources to SBA for consolidation with its management assistance program. No other changes would be made in the SBA program structure. OMBE would focus on trying to coordinate programs of other agencies that might assist minority businesses, and encouraging States, cities and private firms to assist minority business development.

This approach would place greater responsibility on SBA for the success or failure of the minority business effort, but would not clearly make SBA "accountable." Assuming continuation of the current management system in SBA, it would not permit a comprehensive minority program in SBA, and would not assure that a minority firm would receive the complete package of assistance required.

OMBE would have no leverage for coordinating or encouraging activities of other agencies. It may be able to effectively promote minority business assistance efforts in the non-Federal sector, but would have difficulty tying such activities into the Federal assistance programs.



Alt. #7

This alternative would consist of three major elements. SBA and EDA would administer the two major delivery systems for minority business development. A new minority business development administration in Commerce would have overall responsibility for program planning, resource allocation, and coordination of minority business assistance.

SBA would establish a single new minority business organization and would focus on assisting individual minority firms. SBA would establish management procedures to assure that all necessary elements of assistance are brought together for a minority firm.

EDA would administer assistance to minority firms in economically distressed communities in conjunction with its economic development efforts in a community, in those cases where such assistance is important to the economic development efforts and the firms are not being assisted by SBA.

The new minority business development administration would not have any delivery system for assistance to minority firms. However, it would provide part or all of the funds to be used by SBA and EDA in their minority business assistance programs. The new administration would have generally broad authorities



to allow the recipient agencies to use the funds for a wide range of assistance.

The new administration also could provide supplemental funding for programs of other agencies, such as HEW or Labor education and training programs, to increase the efforts of those agencies on the problems of minority business development. The new administration could provide grants to State governments to support minority business development programs at those levels.

This alternative would provide for a comprehensive assistance program for individual firms, administered by SBA. It also will permit minority business development as an integral part of community economic development efforts of EDA.

It would give overall responsibility and accountability to the new administration. The new administration also would have the responsibility to make the major resource allocation decisions among the participating agencies and State and local governments.

The responsibility for resource allocation would provide the new administration with the leverage it needs to obtain the cooperation of the agencies, to assure a coordinated, comprehensive Federal effort.



This option requires some restructuring of programs in SBA, and the transfer of OMBE management assistance to SBA, but the program restructuring is relatively small and should not be a major disruption to the provision of assistance.

It would retain a separate, visible minority business program in Commerce, as well as retaining a major role for SBA, so it may not result in strong opposition.

This alternative may give the impression of even more duplication and fragmentation than now, and may not remove confusion among the public and minority firms regarding responsibilities for minority business development programs.

Positions of Interested Parties

(Recommendations to be added by interested parties.)

