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118274	MEMO	WILLIAM BROCK TO M. DEEVER RE WILLIAMSBURG COMMITMENTS ON TRADE	3	9/30/1983	B1
118275	REPORT	IMPLEMENTATION OF COMMITMENTS ON TRADE FROM THE WILLIAMSBURG SUMMIT MEETING	9	ND	B1

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9/26

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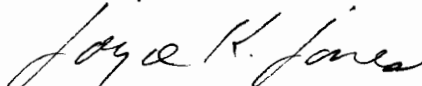
September 23, 1983

Michael K. Deaver
Deputy Chief of Staff
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear Mr. Deaver:

The recent remarks of Interior Secretary ~~James G. Watt~~ before the U.S. Chamber of Commerce demonstrate once again the seeming contempt this man holds not only for his public office but the high moral principles of equality and justice on which our republic is founded and to which the citizenry and, I would hope, our elected and other officials aspire. Mr. Watt is an embarrassment and I sincerely hope that this latest verbal outrage will compel you to use the power of your office to seek his immediate resignation. Until this occurs, I will withhold all financial and voting support from the Republican Party.

Very truly yours,


Joyce K. Jones

JKJ:nem

Mr. Deaver's copy

rec'd 9/26

John Hedstrom
814 E Illinois
Wheaton IL 60187

Friday/September 23 1983

President Ronald Reagan
White House
1600 Pennsylvania Avenue NW
Washington DC 20500

Dear Mr. President:

Given the old adage that "a person is known by the company he keeps", it would be in your own best self-interest (as well as in the interest of the country) to get rid of the most insensitive buffoon in your cabinet, Mr. James Watt. He has been aptly described by a Republican senator as "trash". He has succeeded in losing whatever little credibility he had left with Congress.

I've read that the two main reasons that you keep this joker in your administration are: (1) he is good at squeezing campaign donations out of the far right, and (2) he deflects criticism away from you. As to the first point, he should be working for the Republican National Committee and not for the government of all the people. As to the second point, instead of deflecting criticism away from you, he is now acting like a lightning rod in attracting criticism towards you. For as long as you tolerate his atrocious behavior, it reflects very badly on yourself.

You may think his apology is enough. It isn't. It's instructive that immediately following his latest slur against the minorities of this country, Mr. Watt thought it was still an appropriate joke. Only when he realized his job was in danger did he start groveling at your feet asking for forgiveness. Mr. Watt is obviously morally bankrupt.

The main reason why you should ask for this joker's resignation is because he is repulsive to the vast majority of Americans.

Thank you for your time. Best wishes on your work there.

Sincerely,
John Hedstrom
John Hedstrom

cc: Mr. Ed Meese, Mr. Michael Deaver

CHARLES PASHAYAN, JR.
17TH DISTRICT, CALIFORNIA

129 CANNON BUILDING
WASHINGTON, D.C. 20515
(202) 225-3341



COMMITTEE ON
INTERIOR AND INSULAR
AFFAIRS

COMMITTEE ON
POST OFFICE AND CIVIL
SERVICE

CONGRESS OF THE UNITED STATES
HOUSE OF REPRESENTATIVES

September 27, 1983

Mr. Michael K. Deaver
Assistant to the President and
Deputy Chief of Staff
The White House
Washington, D.C. 20500

Dear Mike:

At lunch last week Ken Vetter mentioned that a member of the Traffic Safety Committee on which he serves would like to meet you sometime when she is in Washington. She is the National Committee-woman from Minnesota.

She is: Ms. Evie Keegan
5501 Kellogg South
Edina, Minnesota 55424
(612) 926-9748

*Set up
Meeting*

I am also enclosing an article from the Los Angeles TIMES which may bring back memories.

Yes _____

Sincerely yours,

Bill

Bill Deaver

No _____

CC: Mr. Ken Vetter

WASHINGTON OFFICE

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1702 EAST BULLARD AVE. SUITE 103
FRESNO, CALIFORNIA 93710
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September 27, 1983

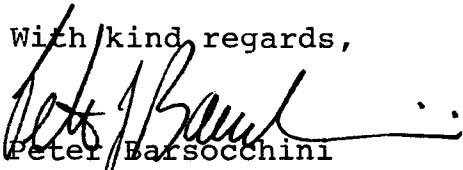
Mr. Michael Deaver
Deputy Chief of Staff
The White House
Washington, D.C. 20500


Dear Mr. Deaver:

We greatly appreciate your valuable time spent with us. We certainly benefited from your suggestions and remarks. There are few people as close to the President as yourself and this proved very constructive in the content of the show.

This unique interview presented more facets of what's really involved in being the President and I feel that our viewers, throughout America, cannot help but be impressed and touched by this fine man, as indeed were we all.

With kind regards,


Peter Barsocchini
Producer
"The Merv Griffin Show"


Georgina Warwick
Associate Producer
"The Merv Griffin Show"

**PRESIDENTIAL
ADVISORY COMMITTEE ON
SMALL & MINORITY
BUSINESS OWNERSHIP.**

1441 L Street, N.W.
Room 317
Washington, D.C. 20416
(202) 653-6851



September 27, 1983

The Honorable Ronald Reagan
The White House
Washington, D. C. 20500

Dear Mr. President:

Today marks the 23rd anniversary of my family's arrival to the United States of America.

Upon our arrival to this great country, eight of us settled in an efficiency room at a motel located within a less than desirable area of Miami. I was twelve at that time, and used to the niceties of the well-to-do in preCastro's Cuba. Thanks to my parents' spirit, deep convictions and faith all of us remember those difficult times with pride, warmth and happiness.

We were then able to become U.S. citizens during the early seventies. Not much longer after that, in 1974, Tommy Thomas asked me to serve as your Campaign Co-Chairman in Dade County, Florida. I went on to be one of your Delegates and participated in, both, the 1976 and 1980 Republican National Conventions. On the second try at it some seven years after our initial efforts, in Detroit, we made it.

It is, with these memories, that I write to you and express how honored I am to serve my country by presenting this Annual Report to you on behalf of the Presidential Advisory Committee on Small and Minority Business Ownership. I am also able to let you know how proud our whole family is for being long term followers of such a great President.

Thank you for having given me this opportunity to participate with your Administration. I shall always cherish it.

Sincerely yours,


AL GARDENAS
Chairman

1982 Annual Report to

The President of the United States
and the U.S. Congress

by the

Presidential Advisory Committee on
Small and Minority Business Ownership



Annual Report

1982

**Presidential
Advisory Committee
on
Small and Minority
Business Ownership**

August 4, 1983
Washington, D.C.

**PRESIDENTIAL
ADVISORY COMMITTEE ON
SMALL & MINORITY
BUSINESS OWNERSHIP.**



1441 L Street, N.W.
Room 317
Washington, D.C. 20416
(202) 653-6851

AL CARDENAS
Chairman

August 4, 1983

The Honorable Ronald Reagan
The White House
Washington, D.C.

Dear Mr. President:

On behalf of the members of the Presidential Advisory Committee on Small and Minority Business Ownership, I am hereby respectfully submitting to you the Annual Report on the activities of the Committee during calendar year 1982, as required by Executive Order 12190.

The Annual Report consists of two parts: an Executive Summary and an Appendix thereto.

We wish to acknowledge the support and assistance of the Administrator of the Small Business Administration, Mr. James C. Sanders; the Associate Administrator of SBA for Minority Small Business and Capital Ownership Development, Dr. Robert Wright; their respective staffs and most importantly, those individuals from the private sector who provided valuable insight to this Committee. We especially wish to acknowledge my predecessor; Mr. Miller Hicks, who was Chairman of this Committee during a substantial part of 1982. Most of the efforts undertaken by us this past year were accomplished with his guidance and at his direction.

Two Presidential Advisory Committees have been appointed. The first Committee report was issued on April 1981. Its thrust related primarily to the status of Federal procurement compliance practices. The second report contains findings and recommendations to strengthen the support functions of the public and private sector in order to better assist the small, and especially minority, business entrepreneur.

Mr. President, you extended the existence of this Committee by Executive Order 12399 executed this past December 31, 1982 until September 30, 1984.

We hope that the focus of this Committee's activities for the upcoming year shall be to promote subcontracting opportunities for small and minority businesses amongst private sector leaders in this country.

I firmly believe this Committee can demonstrate to major corporate America that it is in its best interest to voluntarily increase the participation of small minority entrepreneurs in the sharing of our Nation's economic pie. This Committee stands eager to embark upon its mission.

Respectfully yours,

Al Cardenas
Chairman



The Presidential Advisory Committee on Small and Minority Business Ownership meeting with the President, April 30, 1982.

Seated at the table, clockwise, Stanley S. Scott; R. Miller Hicks; the President; Katherine Ortega; Dr. Lincoln Ragsdale; Walter Sorg; James Sanders, Administrator, Small Business Administration; Del Green; Stephen Postupack; LeRoy Jeffries and Al Cardenas.

Executive Summary

Table of Contents

	Page
- Establishment of Committee	9
- Functions	13
- Introduction	13
Goals and Objectives	13
Committee Organization	13
SBA Support Service	14
Public Hearing Process	14
Ad Hoc Meetings	14
Summary Observations	15
- Calendar of Public Hearings	17
- Findings and Recommendations	19
Eliminate Discriminatory Practices	19
Improve Enforcement of Public Law 95-507	19
Increase Federal Agency MBE Procurement Goals	19
Eliminate Red Tape and Paperwork	20
Strengthen Education, Technical and Management Assistance Programs	20
Broaden SBA 8(a) Program Participation	20
Encourage Creative Capital Formation Techniques	20
Insure Prompt Payment to Subcontractors	21
Support Realistic Bonding Mechanisms	21

Presidential Advisory Committee on Small and Minority Business Ownership

Establishment of Committee

Public Law 95-507 (1978), Section 7(j) 3, provided for the establishment of a Presidential Advisory Committee to increase and promote contracting and subcontracting opportunities for small and small minority-owned businesses.

By Executive Order 12190 of February 1, 1980, a ten-member Presidential Advisory Committee on Small and Minority Business Ownership was established in order to implement Section 7(j) (3) (A) of the Small Business Act (92 Stat. 1765, 15 U.S.C. 636 (j) (3) (A)), also known as Public Law 95-507. The ten members were to come from five major businesses and five minority small businesses.

Two Presidential Advisory Committees have been appointed. The first was appointed in April 1980 and terminated December 31, 1980. The second and current Committee was appointed on February 18, 1982 (eight members) and on April 30, 1982 (two additional appointees).

Members

Chairman (11-12-82 to date)	Alberto R. Cardenas, Esq.
Chairman (02-18-82 to 11-12-82)	R. Miller Hicks*
Member	Del Green*
Member	William J. Greer*
Member	LeRoy W. Jeffries
Member	Katherine D. Ortega*
Member	Stephen Postupack
Member	Lincoln J. Ragsdale, Sr.
Member	Stanley S. Scott
Member	Walter L. Sorg

*Resigned



James C. Sanders
Administrator



Dr. Robert Wright, Jr.
Associate Administrator for
Minority Small Business and
Capital Ownership Development



Mr. Alberto R. Cardenas, Esq.



Mr. R. Miller Hicks



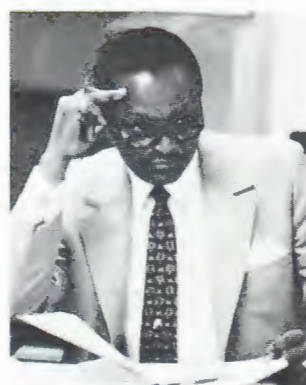
Mr. William Jackson Greer



Mr. LeRoy W. Jeffries



Ms. Katherine D. Ortega



Dr. Lincoln Johnson
Ragsdale, Sr.



Mr. Stanley S. Scott



Mr. Walter Larke Sorg



Mr. Del Green



Mr. Steven Postupack

Biographical Sketches

Al Cardenas is co-founder and senior partner of the law firm, Barron, Lehman, Cardenas, and Picken, P.A., in Miami, Florida. He is President and part-owner of the Coral Gables Title Company and is a principal in several commercial real estate developments in the South Florida area. He is a member of Dade County's Housing Finance Authority, a member of Florida's Governor's Advisory Council - 1982 World's Fair and was a Policy Coordinator to the President-Elect during the 1980-1981 presidential transition. The President appointed Mr. Cardenas as Chairman, November 12, 1982.

R. Miller Hicks is President of R. Miller Hicks & Company, a business development and consultant firm incorporated over 23 years ago in Austin, Texas. He is past Chairman of the Board of Dynamic Broadcasting Corporation and Vice President of Investors, Inc., a mortgage banking corporation. He is past member of the U. S. Regional Export Expansion Council. The President appointed Hicks as Chairman.

William Jackson Greer is Chairman of the Board of Intex Products, Inc., of Greenville, South Carolina. In 1971, he purchased the industrial and textile divisions of Texize Chemicals, Inc., and formed Intex Products, Inc. He founded Texize Chemicals in 1945, serving as President and Treasurer and Chairman of the Board until 1971. He is a member of the Board of Directors of the National Association of Manufacturers.

LeRoy W. Jeffries is founder and President of LeRoy W. Jeffries and Associates, Inc., a marketing and public relations firm in Los Angeles. Previously, he was Senior Vice President and Director of advertising with Johnson Publishing Company. He also has held positions with the Urban League of Greater New York, the National Urban League and served as a consultant to the Chairman of the U.S. Equal Employment Opportunity Commission.

Katherine D. Ortega is a consultant with Otero Savings and Loan Association in Alamogordo, New Mexico. Previously, she was President and Director of Santa Ana State Bank in Santa Ana, California, in 1975-77; Vice President and Cashier, Pan American National Bank in Los Angeles, California in 1972-75, and tax supervisor, Peat, Marwick, Mitchell & Company in 1969-72. She was the first woman President of a bank in the State of California.

Lincoln Johnson Ragsdale Sr. is President and Chairman of the Board of Valley Life and Casualty Insurance Group, and owner of International Investment Company in Phoenix, Arizona. He is currently a member of the National Urban League Board of Trustees and member of the Board of Directors of the National Conference of Christians and Jews, Chairman of the Executive Committee of the Booker T. Washington Foundation, and Director of Sun State Savings and Loan Association.

Stanley S. Scott is Vice President of Public Affairs, Philip Morris, U.S.A., in New York. He was Director of Corporate Public Affairs and Assistant Director, Corporate Relations and Communications, in 1977-79. Scott served as Assistant Administrator, Bureau for Africa, Department of State, in 1975-77, and was Special Assistant to the President in the White House in 1973-75. He was Assistant Director of Public Relations, National Association for the Advancement of Colored People, in 1966-67.

Walter Larke Sorg is President, Walter Larke Sorg Associates, a management consulting firm in Washington, D.C. He was appointed to participate in organization and development of the Office of Minority Business Enterprise, Department of Commerce, in 1969, and later served as Assistant Director, Director of National Programs. He was engaged in financial printing in 1947-69.

Del Green has been serving as President since 1972 of Del Green Associates, Inc., a minority owned management consultant firm. He was Project Director for the National Committee Against Discrimination in Housing, San Francisco Bay Area in 1970-1972. He served as Executive Vice-President for Roy Littlejohn Associates in 1971-72. He was National Director, Volt Technical Corporation OED/CAP Training and Technical Assistance Project in 1968-1971. In 1965-1968, he was Director, Health Affairs, Economic Opportunity Council in San Francisco, California.

Stephen Postupack currently owns and is associated with the following businesses in Tamaqua, Pennsylvania: Northeastern Hydro-Seeding Company, Post Printing Company, Post Construction Company, Anthracite Forest Service, Anthracite Land and Development Company, Tree House Garden Center, and Hometown Garage.

Functions

The Presidential Advisory Committee, by statute, was created to facilitate the purposes of paragraph (3) of Section 204 of P.L. 95-507:

“The Administration shall encourage the placement of subcontracts by businesses with small business concerns located in areas of high concentration of unemployed or low-income individuals, with small businesses owned by low-income individuals, and with small businesses eligible to receive contracts pursuant to Section 8(a) of this Act. The Administration may provide incentives and assistance to such businesses that will aid in the training and upgrading of potential subcontractors or other small business concerns eligible for assistance under sections 7(i), 7(j), and 8(a) of this Act.”

By Executive Order 12190, February 1, 1980, the functions of the Presidential Advisory Committee were defined as follows:

1-201. (a) The Committee shall assist in monitoring and encouraging the placement of subcontracts by the private sector with eligible small businesses, particularly with small minority businesses, and shall study and propose the incentives and assistance needed by the private sector to help in the training, development, and upgrading of such businesses.

(b) Eligible small businesses are those located in areas of high concentration of unemployed or low-income individuals, businesses owned by low-income individuals, and those businesses eligible for assistance under Section 8(a) of the Small Business Act (15 U.S.C. 637 (a), 92 Stat, 1761).

1-202. The Committee shall make periodic reports and recommendations to the President through the Administrator of the Small Business Administration and shall offer such other advice and at such times as the President through the Administrator may request.

1-203. The Committee, through its Chairman, shall report annually to the President and to the Congress on the activities of the Committee during the preceding calendar year.

Introduction

At the outset, the Presidential Advisory Committee analyzed Executive Order 12190 functions and developed goals and objectives for its one-year term. The Executive order directives to the Committee were two-fold: 1) “. . . shall assist in monitoring and encouraging the placement of subcontracts by the private sector with eligible small businesses, particularly with small minority business; and 2) shall study and propose the incentives and assistance needed by the private sector to help in the training, development, and upgrading of such businesses.”

The objectives developed to accomplish the first directive were: a) to encourage direct prime contracting with eligible small and small minority businesses; b) to identify and encourage those large corporations which have successful contracting relationships with small and small minority businesses to offer suggestions and/or to simply “tell their story”; c) to perform an outreach function to inform and educate private sector groups, business organizations, trade associations, chambers of commerce, and small and small minority entrepreneurs.

The objectives developed to accomplish the second directive were: a) to encourage the creation of tax credits as incentives to firms which fulfill the Administration's criteria for contracting with small and small minority firms; b) to encourage the establishment of a contract-award incentive program so that Federal contracts could be awarded to participating firms if they bid within a specific range of the actual competitive bid, e. g., perhaps 4-5% of the lowest acceptable bid; c) to study incentives that would provide the private sector with economic benefits for creating new full-time jobs; d) to encourage firms to provide management and technical assistance to specific minority businesses by rewarding such firms with a tax credit or bonus based on the improved performance of the minority business; e) to establish a public service recognition award which would be presented to those firms volunteering their service, expertise, and time to upgrade the small and small minority business program.

To achieve these objectives, the Committee requested support services from the Small Business Administration and recognizes the SBA staff participation in each aspect of the Committee's operation and activities. In addition, several Committee ad hoc subcommittees were designated by the Chairman to examine areas of specific concern

The Committee acknowledges that 1982 was a year of fact-finding, outreach, and analysis. The public hearing process was utilized to provide the widest possible opportunity for small, small minority and big business executives to express their concerns about the needs, incentives, procedures, and relationships of small and small minority businesses to the large corporations that conduct business with and for the United States Government. Thirteen (13) public hearings were conducted by the Committee.

Testimony was received on a broad range of issues from a broad-based group of witnesses who participated in the thirteen hearings. One hundred and six (106) minority business owners, non-minority small business executives, minority trade association officers, non-minority small business advocates, private sector corporate executives, private sector organization representatives, educators, and government officials provided substantial information to the Committee.

Individual members of the Committee participated in numerous ad hoc subcommittee meetings with businesspersons, trade groups, and government representatives. These additional meetings, initiated by the Committee members, were held for the purpose of strengthening the Committee's responsibility for monitoring and encouraging the placement of subcontracts by the private sector. These meetings provided an opportunity for the Committee to establish a network of private sector contacts for follow-up discussions on pertinent issues and, hopefully, set a positive tone of "working together" in the interest of small and small minority businesses.

There were twelve volumes of testimony on issues, as well as Committee member notes from ad hoc meetings, that could be categorized as procedural and financial. For summary purposes, the following observations are presented:

- 1/4 of the witnesses expressed concern over the negative impact of the economic downturn on small and small minority businesses;
- 1/3 of the witnesses raised the long-term problem of race as a factor in not gaining access to Federal procurement opportunities, both directly and indirectly through the private and public sector, and how the current Administration will address it;

- 1/2 of the witnesses testified that basic business education, and technical and management assistance were needed;
- 3/4 of the witnesses testified that capital availability shortage and its attendant issues in the minority community were priority problems;
- 1/4 of the witnesses expressed concern over procedural and regulatory difficulties encountered by small and small minority businesses in working with programs designed to assist them.

The findings and recommendations that follow were derived after many hours of discussion on the testimony, ad hoc meetings, and on overall perspective that private sector participation in the small and small minority business programs is crucial to "mainstreaming" these firms.

Calendar of Public Hearings

First Hearing	18 Feb. 1982	Washington, D.C.
Second Hearing	8 & 9 March 1982	Washington, D.C.
Third Hearing	30 April 1982	Washington, D.C.
Fourth Hearing	14 June 1982	San Francisco, California
Fifth Hearing	30 July 1982	Washington, D.C.
Sixth Hearing	23 Aug. 1982	Chicago, Illinois
Seventh Hearing	15 Sept. 1982	Dallas, Texas
Eighth Hearing	18 Oct. 1982	Phoenix, Arizona
Ninth Hearing	25 Oct. 1982	Juneau, Alaska
Tenth Hearing	26 Oct. 1982	Anchorage, Alaska
Eleventh Hearing	28 Oct. 1982	Fairbanks, Alaska
Ad Hoc Public Hearings		
Twelfth Hearing	19 Oct. 1982	Window Rock, Navajo Nation
Thirteenth Hearing	27 Oct. 1982	Kotzebue, Alaska

Transcripts and minutes were prepared for each Hearing. A complete list of Hearing witnesses is contained in the Appendix.

Findings and Recommendations

1. Eliminate Discriminatory Practices

Race and ethnic origins continue to handicap small and small minority businesses. Testimony of specific discriminatory practices was provided by various minority groups.

RECOMMENDATION:

To the extent that discrimination continues to handicap small and small minority businesses, the government and the private sector must be vigilant in identifying and taking the necessary procedural steps to eliminate it.

2. Improve Enforcement of Public Law 95-507

Testimony was presented regarding data that Federal Government agency procurement subcontracting guidelines under Public Law 95-507 have not been met since adoption of the law.

A general trend of testimony throughout the hearings was the lack of adequate mechanisms to enforce the subcontracting provisions of P.L. 95-507.

The overall compliance with the spirit and intent of P.L. 95-507 is of concern to all. Specific suggestions and guidelines are being studied by various Federal agencies, as well as the SBA Task Force on P.L. 95-507 implementation. Hopefully, these further reports will deal with the areas of concern expressed throughout the hearings.

Of specific concern to this Presidential Advisory Committee is the establishment of policy to address procedures to follow with prime contractors who are not in compliance with the law to encourage and enable them to live up to the spirit of P.L. 95-507.

Associated with this issue is the paucity of data on small and minority businesspersons in a given geo-

graphic area at a given time. Data collection, analysis, and dissemination to agencies, private and public contractors, as well as small and minority businesspersons, is critical to the achievement of P.L. 95-507.

RECOMMENDATION:

The identification of small and minority businesspersons, coupled with an up-to-date assessment of their capabilities, is crucial to the implementation of the achievement of agency procurement goals. The Committee recommends assurance that such data are made available through the efforts of interagency cooperation to resolve any current deficiencies in data identification, collection, and dissemination. In addition, the Committee recommends that incentives should be developed for increased private sector participation in the P.L. 95-507 procurement opportunities. Specific attention and study should be given to mechanisms such as "*The adjusted bid factor*" suggested to the Office of Federal Procurement Policy.

3. Increase Federal Agency MBE Procurement Goals

While procurement goals are set on an agency-by-agency basis, there is no direct correlation between minority business capacity to absorb the procurement opportunities and the agency goals. It is generally observed that there are more than enough small and minority businesses to absorb the federal procurement opportunities, with the capacity to expand on a profitable basis, if the procurement opportunities were increased and made on a multi-year basis when the prime contract is multi-year.

It is critical to the procurement process that the data in the SBA portfolio of business be made available to agency procurement divisions for marketing purposes. The achievement of the procurement goals and the assessment of absorptive capaci-

ty are dependent on a sensitive awareness of the small and minority business range of capability.

An additional aspect of this procedure is the degree to which the agency goals are achieved through subcontracting plan implementation. Procurement officers and prime contractors must have data on minority business identification and capability that anchors their response to P.L. 95-507.

RECOMMENDATION:

This Presidential Advisory Committee supports the statement by President Reagan, dated December 17, 1982, regarding this Administration's "... steps to promote an economic environment in which minority entrepreneurs can better marshal their talents and skills to achieve better lives for themselves and, in so doing, contribute to a stronger economic base for America." The President established procurement goals for minority business as well as directed other measures to be taken to improve federal procurement opportunities for minority businesses. This Committee encourages the strengthening of the SBA role in monitoring the implementation of the President's goals and in assessing problems which may surface from time to time.

This Committee supports the findings of the SBA Task Force on P.L. 95-507, particularly with respect to establishing incentives for prime contractors, the long-term goal of increasing small business subcontracting participation to a level of 35% and minority business participation to a level of 15%.

Further, this Committee recommends that assurance must be ascertained that the procurement process operates to achieve equality and fairness to subcontractors vis-a-vis their relation to prime contractors. Such issues as multi-year subcontracts, cancellation of contracts, and prompt payment of subcontractors must be studied to implement pro-

cedures that achieve the letter and spirit of P.L. 95-507.

4. Eliminate Red Tape and Paperwork

Red tape and paperwork are obstacles to small and minority businesspersons effectively participating in federal procurement opportunities. Testimony was presented that graphically emphasized that bureaucratic procedures can impede and/or discourage even the well-prepared minority businesses. Application procedures for most loans, technical and management assistance, 8(a) certification and participation in publicly-sponsored procurement (bidders' list) are cumbersome, lengthy, fragmented, costly, and discouraging. The net effect of which is to block or hinder the initiative and/or successful entry of minority businesses into Federal procurement opportunities. Here, too, is a cause for the non-achievement of procurement goals.

Federal regulations, program and procedural guidelines, must be regularly reviewed for their impact on the successful achievement of P.L. 95-507 requirements.

An example of the benefits to be derived from constant regulatory review was experienced by this Committee's work in the area of capital formation. The Office of Federal Procurement Policy is currently contemplating the implementation of a change in the P.L. 95-507 regulations to permit a percentage of monies deposited by federal contractors with minority owned banks, savings and loan institutions and insurance companies to qualify under P.L. 95-507 subcontracting plan goals. The implementation of this change may well result in a substantial increase in the pool of capital resources available to small and minority businesses.

RECOMMENDATION:

Federal regulations, program and procedural guidelines must be regularly reviewed for their impact on the successful achievement of P.L. 95-507 requirements; as well, the

government must continue, through SBA, Office of Federal Procurement Policy, and interagency cooperation, to refine the process to clear regulatory "bottlenecks".

5. Strengthen Education, Technical and Management Assistance Programs

There was considerable testimony expressing concern as to the disadvantages experienced by small, and especially small minority businesspersons, in the marketplace due to inadequate educational opportunities; which lead to less than competitive technical expertise and management skills.

RECOMMENDATION:

The Committee encourages the implementation of the President's directive to the Minority Business Development Agency (MBDA), SBA, and the SBA Small Business Development Centers to provide management and technical assistance to minority firms requesting and receiving assistance. Guidelines for Federal contracting with firms that service small and small minority businesses under Federal programs. e.g., SBA 7(j) and MBDA Business Development Centers, should require that such contractors have demonstrable sensitivities to groups intended to be served. Furthermore, the Committee encourages SBA and MBDA to develop, through a structured interaction with colleges, universities, trade associations, and major firms volunteering their resources, a multi-level program to assist entry level small and small minority businesspersons; as well as such firms that need more specific assistance on different levels.

The Committee is particularly encouraged by the development of emphasis on small and small minority business entrepreneurship at some of our nation's leading colleges and universities, and encourages the expansion of these efforts.

6. Broaden SBA 8(a) Program Participation

Testimony obtained from numerous witnesses, as well as data made available to the Committee, support our finding that a significant number of qualified minority business enterprises are unable to participate in the 8(a) program. This Committee recognizes the importance of a continuing and improved 8(a) program.

RECOMMENDATION:

It is important that a continuing effort be made to ascertain the feasibility of funding and programmatic solutions to alleviate this problem, taking into consideration the realities of the current budgetary restraints in government.

7. Encourage Creative Capital Formation Techniques

The inability of small and small minority businesspersons to adequately accumulate sufficient capital to start, expand, or diversify their businesses is perhaps the most difficult barrier to overcome. Without access to new sources of capital, small and small minority businesses will never be able to expand, diversify, and overcome the many barriers in the marketplace. The capital must come from new innovative sources, as well as existing sources that have not been adequately utilized or leveraged.

A number of recommendations which were made to this Committee are deserving of further study. Among these are:

- a) Syndicate SBA guaranteed loans to induce participating lending institutions to increase their small and small minority business loan portfolio;
- b) Strengthen the minority bank deposit program by earmarking a percentage of funds obtained from federal sources for this purpose;

c) Review the possible expansion of lending activities which channel their resources to small and small minority business firms:

- Small Business Investment Companies
- MESBICs
- Insurance Companies

d) Determine the incrementation of small and small minority business participation in the export trading program;

e) Encourage the expansion of private sector joint ventures with small and small minority businesses, especially in the area of high technology;

f) Encourage Federal prime contractors to provide needed capital resources to small and small minority business subcontractors through various mechanisms; including the purchase of stock to increase their capital base.

RECOMMENDATION:

It is essential to a successful effort in seeking the cooperation of major companies in the private sector to provide assistance to small and small minority businesses in capital formation that there is developed a blueprint to follow. Several role models have surfaced in the recent past whose results are most encouraging.

8. Insure Prompt Payment to Subcontractors

Many small and small minority businesses are dealt serious financial and contractual setbacks by not receiving prompt payment of invoices submitted for work completed on government contracts and subcontracts. This is a particularly worrisome problem to these businesses

which, without prompt payment, cannot fulfill their contractual obligations that require a reliable and steady cash flow. The essential point is that subcontractors should be paid as timely as prime contractors.

RECOMMENDATION:

It is essential that the government and prime contractors remove the unnecessary bottlenecks that cause delay in contractual payments to small and small minority businesses. The SBA is encouraged to review this procedure with procurement officials who approve invoice payments and affect the timing of such payments by the U.S. Treasury. Specifically, a review of the existing procedures for processing payment should be undertaken to mandate that payment to subcontractors by prime contractors must coincide with the receipt of payment by the prime contractor.

9. Support Realistic Bonding Mechanisms

Any company seeking to perform construction work for the government is almost always required to post one or more bonds guaranteeing completion of the project and payment of bills. Without bonding capacity, a company cannot bid as a prime contractor in most instances.

Small and minority firms have historically faced difficulties in gaining access to the bonding market. This is generally a result of a combination of the nature of the bonding industry and the characteristics of small and minority firms.

The extensive problems experienced by minority firms in obtaining bonding were described by a number of witnesses. It is clear that this is an area requiring study, analysis, and program development.

RECOMMENDATION:

It is essential that improvements be made in providing bonding to small and small minority businesses. A combination of actions should be explored: raise bond ceilings; expand SBA's guarantee program; and provide incentives for public and private entities to assist in underwriting the cost. The raising of these ceilings would substantially decrease paperwork and related government expenses.

A second document has been developed for those who desire further detail.

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