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REMARKS PREPARED FOR DELIVERY BY DEPUTY SECRETARY OF TRANSPORTATION
JIM BURNLEY
NATIONAL ASSOCIATION OF MINORITY CONTRACTORS
WASHINGTON, D.C.
JUNE 28, 1984

It is a pleasure to share in this tribute to your past presidents, to honor your rich history and to join you in planning for the future.

When the National Association of Minority Contractors was founded with a handful of members in 1969, the Federal government did about \$13 million worth of business with minorities. Today your membership is 3,500 strong, and federal contracts with minority businesses in fiscal year 1983 totaled \$4.8 billion.

Fifteen years ago, minority contracting consisted of a few small construction jobs, usually on a subcontract basis. Today minorities are delivering the goods and providing services to a wide range of Federal-aid projects. Minority contracts at DOT, for example, run the gamut from sophisticated computer systems to a Coast Guard ice-breaker.

Our department set a record last year in the combination of direct procurement contracts for goods and services for DOT and Federally-assisted contracts awarded by state and local governments to minority and disadvantaged business enterprises. The 1983 total of \$1.2 billion in minority and disadvantaged business enterprise contracts included \$208 million in direct contracts, plus \$720 million in contract awards and subcontract commitments for highways and nearly \$300 million for transit.

The numbers are impressive, but their significance lies in the performance behind them. They tell a dramatic story of your history, your determination and your victory. These numbers are a tribute to your skills and ability. They assure equal opportunity in America -- both as a moral imperative and an economic reality. Let me talk for a few minutes about that working relationship: where we were, where we are today and where we can go together in the future.

Secretary Dole has long supported minority contracting interests. In her early days at the White House as Assistant to the President for Public Liaison, she conferred frequently with minority and disadvantaged business organizations, helping merge their needs with presidential policy. Your organization was particularly helpful to her then, and she still consults with Dewey Thomas (Executive Director). I assure you we rely heavily on the expertise of your Washington staff. We not only appreciate the

outstanding job you do in promoting minority business enterprise, but the quality businesses you represent.

The Secretary has reinforced her commitment to minorities in her hiring, promotion and contracting policies at DOT. Today's expanding transportation programs afford increased contracting opportunities. We are determined to assure that minority firms compete fully in these ventures.

We are proud of the growing minority participation in highway and transit construction. Current fiscal year programs promise to break last year's record. According to Federal Highway Administration estimates, our grantees -- the states -- made \$528 million in contract awards and subcontract commitments to disadvantaged business enterprises during the first six months of fiscal year 1984. That is 13.7 percent of all the highway total contract awards this year. Ten percent may be the watermark defined in the legislation, but to us it's only a target -- not to be met, but exceeded.

I'm sure you understand that the past year -- the first full year of contracting under the Surface Transportation Assistance Act -- was a period of transition for all of us. We know we haven't devised the perfect procurement system or solved all the problems. Our Federal Highway Administration is meeting with contractors as well as state and local officials around the country in search of ways to make the system work more efficiently. Let me emphasize DOT's open-door policy and hope you will continue to work closely and cooperatively with us to solve the problems.

When we find a problem, we move swiftly toward a solution. For example, last December Secretary Dole announced the allocation of \$14.2 million, under the Federal Highway Administration's "Supportive Services Program," to help fund a nationwide job training and business development program for minority construction workers and disadvantaged highway contractors.

Highway construction contracting is not the only transportation story. Recipients of Urban Mass Transportation Administration grants have accelerated their contracting with disadvantaged businesses. In the first six months of fiscal '84, \$137 million--14.5 percent of all transit contracts awarded -- went to disadvantaged businesses. Again, we anticipate far exceeding the ten percent participation level required by the STAA.

Credit for these achievements stems from close cooperation between minority contractors and government. They testify to your capacity for quality performance.

Our commitment to disadvantaged business enterprise is not limited to highway and transit construction. Each day barriers fall and new talent is discovered in the minority community. On March 14th for example, Secretary Dole announced that the Federal Aviation Administration awarded a \$20 million contract to a minority business firm for a computerized voice system providing weather information to pilots.

The depth of our commitment goes beyond simply making contracting opportunities available. Minority contractors may need special assistance in developing business strengths which are taken for granted by traditional firms. We are sensitive to those needs. We know, for example, a big federal contract means little to a minority firm unable to secure adequate bonding and financing. DOT has established two programs to deal with these problems.

The first of these is a short-term lending program enabling minorities, women and disadvantaged businesses to obtain short-term working capital and -- to a lesser extent -- long-term capital for transportation-related projects. This program is operated by the Atlantic National Bank of Norfolk, Virginia -- A minority-owned bank.

The second is a DOT/Minority Business Resource Center Bonding Assistance Program, underwritten by Fireman's Fund Insurance Company. It provides an opportunity for minority and women business owners to obtain bid, performance, payment and other surety bonds for transportation-related contracts. This program is operated through the insurance company's network of independent agents.

In addition, we have funded a contract to assist minority entrepreneurs in packaging and submitting bond applications to surety companies and to establish the builder's control and project monitoring arrangements required for bonding.

Then we looked at these two programs and asked ourselves "is this enough?" Does this really answer the bonding needs of the minority community? Secretary Dole made the decision to go one step further, announcing last April a four-city demonstration project providing bonding opportunities for minority and women contractors on mass transit projects. This program combines \$3 million in UMTA funds with \$3 million in private financing, enabling the program to permit bonding of up to \$60 million in Detroit, New York, Los Angeles, and Houston.

The Demonstration Project also merges two major themes of the Reagan Administration: The leveraging of federal money with private investment; and increasing the number of minority and women-owned firms experienced in transportation-related construction projects.

Let me say further that we recognize the contracting complexities at any level of government. A newcomer to the government procurement arena must be as mystified as Alice in Wonderland. On the other hand, a state or local procurement officer may have been searching for months for a woman-owned, minority or disadvantaged business to perform a certain service. I don't have to tell you the importance of marketing; getting your name and qualifications to the right people at the right time can be critical to success. Therefore, we have established 12 regional and local program management centers to alleviate some of the problems. These are outreach centers. They seek out new minority firms and help get them into the system. They give technical assistance and information. Quite simply, these centers ensure minority, women and disadvantaged businesses participation in procurement activities of our grantees -- the state and local governments.

We also know you share our concern for another problem and our determination to deal with it. I refer to "front organizations," which are an insult and an affront to the integrity and sincerity of the minority contracting program. We intend to deal firmly and swiftly with "fronts." We cannot allow them to destroy our progress. If a purported minority firm or a non-minority firm associated with it attempts to unjustly benefit from this program at the expense of legitimate minority firms seeking working DOT-assisted contracts, the Department will seek strong remedies at both Federal and state levels. We know we can count on you to help us identify suspected front organizations and purge them from the procurement process.

Finally, let me turn for a moment to another avenue of minority progress. Deregulation across all forms of transportation has stimulated competition. Today

more firms offer bargains to travelers and shippers; and those carriers daring to be creative and proving themselves efficient are reaping the profits of free enterprise. The results for minorities, particularly in trucking, have been impressive.

In 1980, for example, there were barely 100 black-owned trucking firms. Most were small, fragmented and operated the least valuable routes. In the first year of deregulation alone, more than 200 new black firms entered the trucking industry. In addition, those competing with their majority counterparts today have wider latitude in geographical markets. Their growth is limited only by their ability to compete.

In Minnesota, the first completely black-owned railroad has emerged as a result of deregulation. There have been black-owned or operated railroads before, but this is the first time blacks have owned the cars, rails, ties and land including the mineral rights. Participants in the purchase of a 300-mile railroad put together a creative package that would have been impossible under excessive economic regulation. Today these black entrepreneurs enjoy the goodwill of an entire farming area which otherwise would have been without the rail service needed to get grain to market.

All of this progress would not have been possible without an Administration committed to a healthy and growing economy and a President with faith in creative, free enterprise and private initiative. President Reagan's minority contracting initiative of December 17, 1982, directed federal agencies to increase minority procurement. The results speak for themselves. In DOT alone, our dedication to minority contracting produced \$491 million worth of direct contracts with minority and disadvantaged businesses in three years. Compare that to the \$287 million for the same period under the previous administration. That's not all. As a result of the President's initiative, the Federal government expects to purchase more than \$15 billion worth of goods and services from minority business enterprises during fiscal years 1983-1985. That figure again is more than a government statistic. It is a barometer of a very bright future. But as in the past, success depends on continued teamwork. We will do our part and judging from the NAMC's track record, there's no doubt you'll do yours. I see no alternative to success. Our only question is one of degree. Together we can make each year a record year for minority business enterprise. Your brightest hours, like those of America's, lie just ahead.

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