

[11/8/78-Not Submitted] [CF, O/A 548]

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DATE: 08 NOV 78

FOR ACTION:

*Patti -
Did my summary
name ever come
out?*

INFO ONLY: JACK WATSON

STU EIZENSTAT

LOUIS MARTIN

R.L.

SUBJECT: BUTCHMAN LETTER RE PARTICIPATION BY MINORITY FIRMS

AT DOT

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+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +
+ BY: +
+++++

ACTION REQUESTED:

STAFF RESPONSE: () I CONCUR. () NO COMMENT. () HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

*5856
5758*

THE WHITE HOUSE
WASHINGTON

cc Watson
Firestone
Mason

log in for summer



THE DEPUTY SECRETARY OF TRANSPORTATION

WASHINGTON, D.C. 20590

NOV 3 1978

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

Dear Mr. President:

Since the Interagency Council for Minority Business Enterprise (IAC) last met at the White House, the Department of Transportation has made important strides in our effort to provide participation by minority firms in our programs. In September 1977, the Secretary reaffirmed a 15% minority business enterprise (MBE) goal applicable for contracting under the Northeast Corridor Improvement Project (NECIP) and for railroads receiving funds under the Railroad Revitalization and Regulatory Reform Act. In the memorandum reaffirming the 15% MBE goal, the Secretary authorized the use of competitive minority business set-asides, in which only MBEs will be allowed to compete on certain contracts when such a technique is needed to reach the established MBE goal. In the first phase of the NECIP effort, 30% to 40% of the awards for architectural and engineering work have gone to MBEs.

As recipients of Federal funds administered by the Department under the Railroad Revitalization and Regulatory Reform Act, Conrail and Amtrak have established MBE goals of \$100 million and \$26 million respectively in their contracting activities. This represents over 10% of the total business activity of each of these rail organizations, and is a very significant increase in their MBE involvement over the previous years. Last year, for example, Conrail awarded approximately \$13 million to MBEs.

On March 6, 1978, Secretary Adams signed a Departmental order providing for several significant improvements in our MBE program. This order requires all operating administrations to set a reasonable MBE goal, and provides that grants and procurement contracts must include a pre-grant and pre-contract plan for MBE involvement before the grant is given or the contract is signed. This order also permits the use of MBE set-asides in order to achieve a fair percentage of MBE participation in the grant and

direct procurement area. We are in the process of completing implementation plans for the order in the form of proposed regulations which will appear in the Federal Register for public comment within the next 60 days. Our efforts in the grant area are not reflected in the procurement goals requested by the IAC - neither are the increases of MBE by Conrail and Amtrak and other firms that receive financial assistance from the government.

We have collected the best preliminary estimate from the Administrations for their MBE results in FY 1978 and goals for FY 1979. Because of the advancement of the reporting time, in some cases, the 1978 results have had to be estimates. The data for FY 1977, 1978, and 1979 are as follows:

FY 1977

Total Procurement - \$1,121,766,000
 MBE Direct and Subcontracting - 82,288,000
 MBE Percentage - 7.3%

FY 1978 Goals

Total Procurement - \$1,309,450,000
 MBE Direct and Subcontracting - 123,775,000
 MBE Percentage - 9.5%

FY 1978 Preliminary Actual

Total Procurement - \$932,398,000
 MBE Direct and Subcontracting - 116,392,000
 MBE Percentage - 12.5%

FY 1979 Goals

Total Procurement Estimate - \$1,000,000,000
 MBE Direct and Subcontracting - 138,056,000
 MBE Percentage - 13.8%

Accurate records of MBE involvement in DOT financial assistance programs have not been kept uniformly in past years. The data we do have indicate that MBE participation in these large programs has been minimal. We are confident, however, that by issuing aggressive regulations to implement the order and by requiring uniform reporting, we will be able to meet the goals which you have established for increased MBE participation and achieve a meaningful level of MBE involvement in this major area of DOT activity.

With respect to our direct procurement program, our early efforts to improve the degree of MBE participation resulted in a high standard. We believe that the goals for FY 1979 of \$138 million, representing 14% of our present contracting, is a fair and reasonable goal that reflects our ambitious efforts over several years. Attainment of this goal will be aided by issuing and implementing the Departmental MBE regulations.

In addition to these regulations, in FY 1979 we will issue regulations implementing the Airport and Airway Development Act, which pertains to affirmative action on FAA funded projects. In both of these regulations the probability of MBE participation in our financial assistance program is a paramount interest. For this reason, we believe that the Interagency Council reporting procedure should include data regarding MBE involvement under Federal programs for financial assistance.

Respectfully,

A handwritten signature in cursive script that reads "Alan Butchman". The signature is written in dark ink and is positioned centrally below the word "Respectfully,".

Alan A. Butchman