

Small Businesses Seek Fair Fight for Contracts

Small-business advocates want the government to revise size standards for companies and eliminate fraud in the competition for contracts.

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In the high-stakes battle for government contracts, Jorge Quadreny rarely bothers to get into the ring.

It's not that the president of Custom Copy & Printing fears a fight, but he knows when he's punching above his weight. Under government rules, any quick-printing shop with 500 or fewer employees qualifies for small-business contracts. That puts him and the six-person staff at his Doral company at a real disadvantage against larger "small" firms.

"Five hundred employees is not a small business," he said. "Small is me."

Exactly how the government defines small business is the focus of public hearings that the Small Business Administration is holding across the nation this month.

That definition is particularly important in Florida, where about 90 percent of all firms have fewer than 20 employees and a full 99 percent have fewer than 500 -- making them small under the SBA's broadest guidelines.

More is at stake than just semantics. Federal policy requires that 23 percent of all prime government contracts be earmarked for small businesses. In fiscal year 2003, the small-business share amounted to about \$65 billion.

That's why an increasingly vocal group of advocates says the government needs to rein in its size standards and clamp down on fraud to make sure such contracts are really going to the small businesses for which they are intended.

FORTUNE 500

According to the SBA's Office of Advocacy, large businesses erroneously won \$2 billion worth of contracts set aside for small companies in fiscal year 2002. Its report also said that of the country's top 1,000 small-business contractors, 44 were large firms, including such heavy-hitters as San Diego's Titan Corp., a military contractor, and aerospace giant Raytheon.

"These are Fortune 500 companies and the SBA tries to tell people that [the contract awards] were the result of them outgrowing their size standards or data entry errors," said Lloyd Chapman, the president of the American Small Business League and one of the

SBA's most outspoken critics. "Right now, most federal small-business contracts are still going to some very, very large companies and the SBA isn't doing anything about it."

Part of the solution is to simplify size standards and eliminate loopholes, he says.

The American Small Business League will have a representative at the SBA's public hearing in Atlanta today, the fourth stop on the SBA's national tour and the closest the debate will come to Florida. The organization wants the government to set 100 employees as the absolute ceiling for a company to be defined as a small business in a non-manufacturing industry. If the cap were adopted, 97 percent of Florida firms would still be eligible for small-business loans and special contracts.

But the business community doesn't fit neatly into a one-size-fits-all world, says Gary Jackson, SBA assistant administrator for size standards in Washington, D.C.

"SBA programs are trying to help a wide range of businesses -- everything from startups that may have a handful of employees to companies that are growing and building infrastructure but still haven't reached a point that they're competitive with the largest of companies," he said.

The SBA has 37 different definitions for "small" depending on the industry. In general, for a manufacturing company to be considered small it may employ no more than 500 to 1,000 employees -- depending on the industry. Jobs at non-manufacturing companies are capped at 100 employees for most SBA programs, but set at 500 when it comes time to compete for small-business contracts.

But Jackson admits the system isn't perfect. In the case of Quadreny's Custom Copy & Printing, for example, only 15 of the nation's 7,949 quick-printing shops are considered large. That means considerable competition in the small-business category.

"There are some industries where their coverage is very broad, and in those situations it makes it tough to find the right balance," Jackson said. "But we're trying to address those unique situations."

LOOKING FOR FRAUD

The government has also taken steps to crack down on fraud. In 2003, the SBA purged about 90,000 companies from its Dynamic Small Business Search website, www.ccr.gov, where contractors go shopping for vendors, because they were not updated. And it continues to scour the site for offenders.

The SBA hearings wind up at the end of the month. If the SBA does decide to adopt new size standards, the rules probably won't go into effect until 2006, Jackson said. And even then, they are likely to include a grandfather clause that could give companies whose small-business status is revoked a five-year window to keep competing for contracts.

But, Chapman says, that may be too little too late: ``Are large businesses getting small-business orders today? Yes. And will they get them next year? Yes. Will large businesses get those contracts for another five years? Yes. And small business can't handle another five years."`