

Business Intelligence

A High-Stakes Battle for American Small Businesses

*By Keith Girard
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Some people say Lloyd Chapman is tilting at windmills, but he's no Don Quixote. Sure, he's almost single-handedly taken on the massive federal bureaucracy through his organization, the American Small Business League (ASBL). But the stakes are high and he believes his fight says a lot about the state of small business in America.

At issue is the \$314 billion that the government spends each year to purchase goods and services from outside contractors. By law, 23 percent of that amount is supposed to be set aside for small businesses. But major corporations are grabbing a big piece of the action through bureaucratic indolence or outright fraud, he charges.

For the past five years, Chapman has waged a legal, political, and public relations battle, trying to force the Bush administration to address the problem. So far, he's won almost every battle, but his war is far from over.

"The people that the government is giving these contracts to are the biggest in the world, and they hire the finest lobbyists that money can buy," he says. "And as you know, that buys a lot of clout in Washington. I don't think this could have ever happened if small businesses had a voice in this country."

In the end, that's what he thinks his fight is all about. While the politicians in Washington pay lip service to small business, they have yet to deliver on the issues that really count, such as health care, tax, and government contracting reform. Chapman made contracting his cause célèbre in large part because he wants small businesses to get the respect they deserve. And like the old Watergate adage, he began his quest by following the money.

"Back in 2002, I was sitting in my office, when a young woman came in crying. She spent two months working on a small business set-aside and lost it to a Dutch company with 26,000 employees in 26 countries," he recalls.

Chapman says he called the Chamber of Commerce, the National Federation of Independent Business (NFIB), the FBI, the White House Liaison Office, and finally the Government Accountability Office, the investigative arm of Congress. Only the GAO called him back.

That marked the beginning of 14 separate investigations by the GAO, the Small Business Administration's Office of Inspector General, and congressional committees. "They all found the same thing," he says. Billions of dollars earmarked for small businesses were going to major corporations.

The most recent investigation by congressional Democrats found that at least \$12 billion in contracts that the government claimed to have given to small companies in 2005 actually went to corporate giants — companies such as Microsoft, Rolls-Royce, Exxon-Mobil Corp., and even Wal-Mart.

The investigation said federal agencies miscoded thousands of contracts to big companies as small business awards. In other instances, companies that grew large or were purchased by corporate giants continued to get small business contracts. And in some cases there appeared to be possible fraud.

In his own campaign, Chapman says he's been the subject of almost 500 news stories, from the *Wall Street Journal* to CNN, CBS, and *The New York Times*. Yet, he says it's absolutely astonishing that you can't find the results of these investigations mentioned on any small business organization Web site.

"How come they are not demanding legislation to stop it?" he asks. Chapman has his own theory, of course. He cites an *Inc.* magazine article on Washington lobbying that noted the Chamber, the NFIB, and other small business groups are solidly Republican. They are not about to rock the boat, he says.

Because his campaign has largely focused on the Bush Administration, Chapman says many people assume he is a Democrat. But he is quick to point out that he's a Texas Republican just like the president. "My father actually worked with the first Bush in the Harris County Republican Party in the 1950s," he says.

Even so, he's the first to acknowledge that the Bush administration's record on small business is dismal. It has failed to meet the 23 percent small business set-aside goal for six years in a row and has all but starved the SBA to death through budget cuts. And Republican lawmakers didn't do much better while they controlled Congress. He's now counting on Democrats to finally address the issue.

In the meantime, he's pressing on with his fight. He says he intends to file suit, hopefully this year, to ask a federal judge to rule that the SBA is failing to act according to statute. And he is trying to put together a group of attorneys across the country to file civil suits against large corporations for falsifying their small business status.

"Hopefully, I'll be able to embarrass Congress into filing some legislation to stop this," he says. That's a hope we can all share.