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REPORT BY THE U.S.

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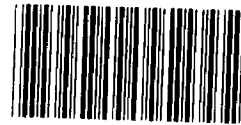
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Federal Agencies Can Provide More Opportunities For Minority Motor Carriers

Participation by minority motor carriers in moving Government cargo has been minimal. The Department of Commerce, the focal point for fostering and promoting minority business enterprise, should work with the individual Federal agencies to develop affirmative action programs that will

- set specific objectives, goals, and methods for increasing the use of minority motor carriers and
- provide for evaluation and monitoring procedures to make sure the desired goals are attained.

A number of other actions also have to be taken if opportunities for minority motor carriers are to be increased.



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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

LOGISTICS AND COMMUNICATIONS
DIVISION

B-190820

The Honorable Juanita M. Kreps
The Secretary of Commerce

Dear Madam Secretary:

This report discusses ways the Federal Government can increase opportunities for minority motor carriers to participate in the Government's transportation programs.

The report contains recommendations to you on page 18. As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the Senate Committee on Governmental Affairs and the House Committee on Government Operations not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

We are sending copies of this report to Congressman Parren J. Mitchell; the Director, Office of Management and Budget; the Secretaries of Agriculture, Defense, and Transportation; the Administrator of General Services; the Postmaster General; and the Chairmen of the appropriate congressional committees.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "R. W. Gutmann".

R. W. Gutmann
Director



D I G E S T

Despite the billions of dollars spent annually for transportation services and the Government's longstanding policy to foster and promote minority businesses, minority motor carrier participation in moving Government cargo has been minimal. Federal agencies have not

--formulated affirmative action programs which set specific objectives, goals, and courses of action for increasing the use of minority motor carriers and

--periodically evaluated or monitored the progress made.) (See ch. 3.)

Final { The reason given most often by agency personnel for the low participation was the difficulty in identifying qualified minority carriers. However, a listing of minority carriers now has been published. While it does not contain complete data on the capabilities of the carriers, nor does it include all minority carriers, it certainly would serve as a starting point. (See ch. 2.)

{ Minority carriers cited their lack of awareness of Government transportation needs and problems in obtaining Government assistance to prepare the paperwork and satisfy the requirements for securing Federal business as reasons for low participation.) (See ch. 2.)

W { The Department of Commerce--the Government's focal point for promoting minority business enterprise--and the Interagency Council for Minority Business Enterprise should work with the individual agencies in correcting the above weaknesses. Corrective actions should include developing affirmative action programs and distributing and expanding the listing of minority carriers.) (See ch. 5.)

Opportunities for minority motor carriers would be increased if actions were taken in other specific areas, such as supporting applications for Interstate Commerce Commission operating authority. Carriers state that they are not getting this support from Government transportation offices. The application process would be eased in the future if the Commission adopts a proposed regulation which eliminates the requirement for a determination that existing services are not adequate. (See ch. 4.)

Another area pertains to the increased use of contract carriers. Currently, agencies almost always use common carriers, whereas most minority carriers are contract carriers. Common carriers serve the general public and contract carriers serve specific customers. (See ch. 4.)

A third area relates to greater agency participation in the Small Business Administration section 8(a) program. This program assists socially and economically disadvantaged firms by paying the difference between their cost and the fair market value of the services they provide. (See ch. 4.)

A final area concerns outside expertise and assistance. Some agencies have found this assistance helpful in increasing the use of minority enterprises. (See ch. 4.)

{ The Department of Commerce and individual agencies should take appropriate action in the above areas by helping the minority carriers obtain operating authority, increasing the consideration given to using contract carriers, encouraging contracting under the section 8(a) program, and considering obtaining outside expertise and assistance. } (See ch. 5.)

This report was discussed with officials of the various agencies reviewed. They generally agreed with the findings and recommendations. (See ch. 5.)

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ABBREVIATIONS

DOD	Department of Defense
GSA	General Services Administration



CHAPTER 1

INTRODUCTION

Executive Order 11625, dated October 13, 1971, states that the opportunity for full participation in the Nation's free enterprise system by socially and economically disadvantaged persons is essential if social and economic justice is to be obtained and the national economy is to be improved.

The emphasis of the executive order is for Federal agencies to take an aggressive role in fostering and promoting minority business enterprise. It gives the Secretary of Commerce responsibility for coordinating the participation of all Federal agencies in an increased minority enterprise effort. The order provides that the Secretary of Commerce, with the participation of other Federal agencies, may:

- Develop comprehensive plans and specific program goals for the minority business enterprise program.
- Establish performance monitoring and reporting systems to assure goals are being met.
- Evaluate the impact of Federal support in meeting program objectives.

The Office of Minority Business Enterprise has been established within the Department of Commerce to be the focus of Federal efforts to help minority businesses. In addition, an Interagency Council for Minority Business Enterprise has been organized to promote, coordinate, and monitor Federal programs relating to minority business enterprise. Its members come from every Federal department and major agency.

In a September 12, 1977, statement the President pointed out that his administration's policy was to promote the development of minority business enterprise. He instructed all executive departments to double their purchases of services from minority firms through direct and indirect procurement activities during the next 2 fiscal years. In addition, the President asked the Office of Federal Procurement Policy to review and revise procurement regulations to insure adequate involvement of minority and small business firms in the Government's major procurement activities.

On March 27, 1978, the President stated that he wanted to triple Federal procurement from minority businesses by the end of fiscal year 1979. This was an increase over the earlier commitment to double minority procurement. To achieve a tripling of procurement from minority businesses will require an increase in purchases of more than \$2 billion over the 1977 level.

The utilization of minority truckers by Federal agencies is the subject of this report. Our review was made to evaluate the actions by Federal agencies to increase the minority truckers' share of the \$11.1 billion that the Office of Management and Budget estimates is spent annually by the Government on regulated and unregulated transportation. We also reviewed Government traffic management practices and other administrative planning and evaluation matters relating to minority business enterprise.

The Federal Procurement Regulations define a minority business enterprise as a business where at least 50 percent is owned by minority group members, or in the case of a publicly-owned business, at least 51 percent of the stock is owned by minority group members. American minority group members include Blacks, Puerto Ricans, Spanish-speaking individuals, Orientals, Indians, Eskimos, and Aleuts.

CHAPTER 2

MINORITY MOTOR CARRIER PARTICIPATION IN GOVERNMENT

TRANSPORTATION HAS BEEN MINIMAL

Despite the billions of dollars spent annually for transportation services, we noted only minimal minority motor carrier participation in moving Government cargo. Agency and carrier personnel gave many reasons for the low utilization of minority motor carriers. The reason given most often by agency personnel was the difficulty in identifying qualified minority carriers. The carriers cited their failure to be made aware of Government transportation needs and their difficulty in obtaining Government assistance to prepare the paperwork and satisfy the requirements for securing this business.

MINIMAL MINORITY PARTICIPATION

Our review at selected Federal agency transportation offices in the Departments of Agriculture and Transportation, the U.S. Postal Service, and the General Services Administration (GSA) showed that minority motor carriers provided only a small portion of the transportation services. For example, the Kansas City commodity office of the Agricultural Stabilization and Conservation Service identified as minorities only 3 of 700 motor carriers used by them during fiscal year 1977.

Similarly, three GSA regions (6, 7, and 9) used 214 motor carriers for supply distribution during fiscal year 1977, but only three were minority carriers. In the Postal Service only 632 of 12,000 mail hauling highway contracts were with minority carriers. The Department of Transportation did not accumulate statistics on the use of minority motor carriers.

AGENCY REASONS FOR LOW PARTICIPATION

Agency transportation personnel stated that they had a difficult time identifying qualified minority motor carriers. They consider a qualified carrier to be one who can provide the required service at the lowest overall cost to the Government. Factors in determining whether the service requirements can be met include availability and suitability of carrier equipment, shipping and receiving facilities, time in transit, and record of past performance.

Agency personnel stated that a comprehensive listing or directory which identified qualified minority carriers who could transport Government cargo was not available. Civil agency transportation personnel were not aware that the Department of Defense (DOD) had initiated action to obtain such a listing.

In September 1976, DOD requested the Small Business Administration and the Department of Commerce's Office of Minority Business Enterprise to provide a nationwide list of minority carriers and their capabilities. The latter office in turn issued a grant to the Minority Trucking-Transportation Development Corporation (a national minority transportation assistance organization) to develop a listing.

In March 1978, the list was published and given to DOD. However, other agencies were not furnished copies. The list contained information on approximately 700 minority motor carriers. Even though the listing did not contain complete data on the capabilities of the carriers, nor did it include all minority carriers, it certainly would serve as a starting point in identifying qualified minority carriers.

Although the listing was not available until March 1978, we found other sources which could have been used for identifying minority carriers. For example, a San Francisco commercial publisher, Source Publications, developed a directory of minority businesses and a directory of minority truckers and contractors in California. These directories were available to Federal, State, and local officials. However, some transportation personnel we talked to in California were not aware of their existence.

In another instance, GSA Region 9 sent a letter to 16 minority and 10 non-minority carriers asking if they wanted to be listed in a regional bulletin published for local agency use in obtaining transportation services. This bulletin provides information on the rates and carriers for shipping freight within the combined San Francisco and Oakland commercial zones. Regional officials indicated the response was very positive. Of 16 carriers signing the resultant rate agreement in 1978, 13 were minority carriers.

Some agency personnel attempted to identify minority firms at various seminars for minority businesses. Even so, transportation personnel generally used those motor carriers who were members of a freight rate tariff bureau. They also used tariff bureaus to identify possible carriers for new or

existing routes. Tariff bureaus, which are located throughout the Nation, consist of representatives of carriers in the transportation industry. Minority Trucking-Transportation Development Corporation officials indicated that minority carriers generally are not members of a tariff bureau and that it is unlikely Government transportation personnel could identify qualified minority carriers through this source.

Other reasons given by Government transportation officials for the lack of minority participation included:

- Few minority carriers have regulatory operating authority.
- Minority carriers have limited equipment and can only serve a limited geographical area.
- Minority carriers are not being added because carriers currently used provide adequate service.
- Agency headquarters have not developed a specific program with goals and timetables to increase use of minority motor carriers.

There is some validity to each of the above reasons. Chapters 3 and 4 discuss ways to overcome the problems inherent in these reasons and, consequently, increase opportunities for minority motor carriers.

MINORITY MOTOR CARRIER COMMENTS

We contacted 32 minority motor carriers to obtain some insight regarding the effectiveness of the Government's program to assist minority businesses compete for and obtain Government transportation contracts. The majority of the carriers were generally aware of the Government's minority business enterprise program and had contact with Federal agencies regarding doing business with the Government.

However, few were actually providing the Government with transportation service. One carrier indicated that he was still unsuccessful in getting Government contracts, even after contacting the transportation personnel an agency official specifically referred him to.

Almost all of the minority carriers reported problems in their attempt to provide the Government with transportation service. They cited (1) their lack of awareness of specific Government transportation needs and (2) their difficulty

in obtaining Government assistance to prepare the paperwork and satisfy the requirements for securing this business.

A predominant problem was the carriers' lack of authority from the Interstate Commerce Commission to transport cargo interstate. A related problem was the lack of agency support required to obtain this authority. One minority carrier told us he contacted an agency to solicit support for operating authority, but he found that the agency would not support his application because it felt the actual need for his service could not be proven.

Other problems cited by minority carriers included the lack of communications between Federal agencies and minority carriers regarding potential Government business, the inability to compete with the low rates offered by larger carriers, and the "red tape" involved with obtaining a Small Business Administration section 8(a) contract.

Most of the minority motor carriers wanted the Federal Government to increase their opportunities to participate in the Government's transportation program, and the carriers made a number of suggestions for program improvement. They believed the Government could increase its purchases from minority motor carriers by

- establishing a communication program to notify minority carriers of potential Government transportation needs and the procedures for obtaining Government business,
- having a liaison to contact and assist small business in obtaining Government transportation contracts,
- providing assistance and support for obtaining Interstate Commerce Commission operating authority, and
- setting program goals.

CHAPTER 3

PROGRAM ADMINISTRATION NEEDS IMPROVEMENT

Federal agencies' administration of the minority business enterprise program as it relates to the use of minority motor carriers can be greatly improved. Increased efforts are needed in

- developing comprehensive affirmative action plans which set specific objectives, goals, and courses of action and
- establishing performance monitoring and reporting systems to make sure goals are met.

AFFIRMATIVE ACTION PROGRAMS

The head of each Federal agency is responsible for maintaining an affirmative action program within the agency and for insuring opportunities for participation of minority firms in the Government's procurement activities. Even so, several years have passed since Executive Order 11625 was issued, and Federal agencies still have not taken action to improve minority motor carrier participation in moving Government cargo. Furthermore, minority motor carrier participation has not been the subject of discussion by the Interagency Council for Minority Business Enterprise.

Identifying a problem area and setting specific objectives, goals, and courses of corrective action are characteristics of an effective affirmative action program. Periodic evaluations are another required characteristic. We found these attributes to be consistently absent from the transportation programs of executive agencies.

Department of Commerce

Department of Commerce personnel from the Office of Minority Business Enterprise have been active in promoting the Government's overall minority business enterprise program and in encouraging Federal agencies to increase purchases from minority firms. However, the Commerce efforts have not resulted in executive agencies developing comprehensive plans and specific program goals for the increased utilization of minority motor carriers.

We noted instances where Commerce personnel participated in discussions or agreements with Federal agencies and minority motor carriers regarding the Government's

minority business enterprise program. For example, on September 29, 1976, DOD officials held a meeting to establish liaison with the Office of Minority Business Enterprise and initiate action to identify minority carriers. In March 1978 a listing of minority motor carriers was published.

Officials of this office also signed a memorandum of understanding in July 1978 with the Federal Highway Administration to cooperatively design and implement methods of achieving the intent of Executive Order 11625 as it affected the Federal-aid highway contracting program.

Furthermore, officials of the Office of Minority Business Enterprise's San Francisco region have met with representatives of minority trucking firms in California and Arizona to discuss such issues as obstacles to growth and the needs of minority trucking firms. And in April 1977, Commerce awarded a contract to the Minority Trucking-Transportation Development Corporation to organize and operate a national minority trucking assistance organization. The contract was renewed in April 1978 for an additional year.

General Services Administration

GSA's Federal Supply Service has not formulated an effective affirmative action transportation program which sets specific objectives, goals, and courses of action to bring about the increased participation of minority motor carriers. GSA has established annual goals for contract awards under the Small Business Act, section 8(a) program; however, such goals basically did not apply to the agency's transportation program.

While GSA is responsible for overall transportation management and for giving assistance in transportation related matters to civil agencies, it has not taken an aggressive role in fostering and promoting the utilization of minority motor carriers in moving Government cargo.

Recently, however, GSA has initiated a number of actions which indicate a more positive attitude toward fostering such participation by minority carriers. For example, on September 5, 1978, GSA supported the license application of a minority carrier before the Interstate Commerce Commission on a socio-economic basis rather than the traditional grounds of transportation need.

Department of Agriculture

Because the Department of Agriculture does not have a centralized transportation management function, agencies of the Department operate individual transportation programs. However, none of Agriculture's 14 operating agencies had developed a specific affirmative action program to increase minority participation in meeting the agency's transportation needs.

Department officials support the intent of Executive Order 11625. However, they have not issued agency policy or directives giving specific guidance to the transportation functions scattered throughout the Department. Additionally, no goals were established to increase minority motor carrier participation in transporting Government-owned agricultural products.

Department officials acknowledged that they have not taken an aggressive role regarding the use of minority carriers. Moreover, the officials indicated that they look to GSA for transportation guidance but thus far have not received any specific guidance on using minority carriers.

U.S. Postal Service

The U.S. Postal Service has not developed a specific affirmative action program which includes goals for increasing minority participation in its transportation program. Postal Service headquarters officials acknowledged they have not taken an aggressive role regarding the use of such motor carriers.

In addition, Postal Service officials of the Western Regional Office told us they were not required to develop an affirmative action program with goals unless directed by Washington headquarters. Postal Service headquarters had not issued such directives when we completed our review.

Postal Service officials stated that the lack of a comprehensive list of qualified minority carriers had hindered effective action and that once such a list was developed, a stronger effort would be made to use more minority carriers. We noted that after we told the officials about the directory of minority carriers published in March 1978, copies were sent to each postal region.

Department of Transportation

The Department of Transportation is primarily responsible for the coordinated and effective administration of the Nation's transportation systems. However, due to the limited need for trucking services for its own use, the Department does not have a centralized transportation function through which such services are obtained. Hauling operations, for example, are performed primarily by subcontractors of Federal grantees.

Department of Transportation officials told us that, although the Department does not have a specific program to increase utilization of minority carriers, promotion of all minority firms, including motor carriers, is inherent in their effort to implement a minority business enterprise program. Departmental memorandums were issued in July 1969 establishing the program and providing implementing procedures. Another order specifically established that it was the Department's policy to support the minority business enterprise program actively even if, as a result, there were some increased costs to departmental programs. A March 6, 1978, order required operating elements and grant recipients to establish annual percentage goals based on the dollar value of awarded contracts.

Department of Defense

In June 1978 we issued a report to the Secretary of Defense 1/ which pointed out that, although DOD had a policy of promoting increased opportunities for minority motor carriers to participate in its transportation services, only limited progress had been made. We visited seven military field installations and noted that they only used 20 minority motor carriers in calendar year 1977. This was a small number of the total carriers used.

We recommended that the Secretary of Defense reemphasize the need to increase opportunities for minority motor carriers, develop an affirmative action program, and make appropriate revisions in the Defense transportation regulation.

In response to our report, DOD agreed with our conclusions and recommendations concerning improvements needed and stated that numerous positive steps were being taken to

1/"Minority Motor Carriers Can Be Given More Opportunity To Participate in Defense Transportation" (LCD-78-213, June 6, 1978).

increase the participation of minority and socio-economically disadvantaged motor carriers in its transportation program. One of the steps taken was to publish an affirmative action plan in October 1978 to increase opportunities for minority transportation firms in moving Defense freight, personal property, and passenger traffic.

MONITORING AND EVALUATION EFFORTS

Executive Order 11625 requires that the Secretary of Commerce, with the participation of other Federal agencies, establish regular performance monitoring and reporting systems to insure that goals are being achieved. Although we did not make an indepth appraisal of the adequacy and effectiveness of evaluative techniques and systems, it appears that the Department of Commerce and other Federal agencies have not adequately implemented this provision of the order as it relates to transportation management functions.

Additionally, we found little effort by GSA personnel to monitor compliance and to enforce the Minority Business Enterprises program clause and the Minority Business Enterprises subcontracting program clause included in most procurement contracts. These clauses require contractors to develop and implement a Minority Business Enterprise program. This lack of effort is especially significant since GSA is the Federal compliance agency for contracts awarded in the motor freight transportation industry.

For Federal transportation contracts over \$100,000 GSA's Contract Compliance Office is responsible for monitoring the contractor's affirmative action plans and their minority business subcontracting efforts. In Region 9, contract compliance personnel perform a desk audit and an onsite review of selected contractors. However, the main thrust of contract compliance effort is the enforcement of Executive Order 11246--Equal Employment Opportunity. The enforcement functions were transferred to the Department of Labor in October 1978.

Neither the desk audit nor the onsite review is directly concerned with evaluating the effectiveness of the contractor's Minority Business Enterprises subcontracting program. Although contract compliance personnel have been directed to question the contractor about subcontracting efforts, no specific guidelines have been issued for monitoring and evaluating any effort made by the prime contractor to implement such a program.

The Region 9 Field Director, Contract Compliance, stated it has been difficult to establish that a contractor has not

made a best effort to use minority subcontractors. We were told contract compliance reviewers questioned contractors regarding compliance with the subcontracting clause; however, this was not being documented prior to our review.

Furthermore, the field director stated the lack of sanctions has also hindered enforcement of the subcontracting clause. He indicated that while sanctions are available for use against violators of the executive order on equal employment opportunities, no sanctions are available for violations of the Minority Business Enterprises subcontracting clause. Suspected violations can only be referred to GSA headquarters for further action. However, none have been referred by Region 9.

CHAPTER 4

WAYS TO INCREASE OPPORTUNITIES

FOR MINORITY MOTOR CARRIERS

Because the use of minority motor carriers is so low, Federal agencies need to give more consideration to ways to increase opportunities for minority carriers. We identified four specific areas that would be helpful to the carriers:

- Obtaining Interstate Commerce Commission operating authority.
- Using contract carriers.
- Contracting under section 8(a) of the Small Business Act.
- Getting assistance from consultants.

OPERATING AUTHORITY

In order to transport cargo interstate, a carrier must get authority from the Interstate Commerce Commission. To get this authority, the carrier must obtain shipper support for his application from the agency wishing to use him. Agencies and carriers cited the lack of operating authority and the lack of shipper support as reasons for not using minority motor carriers.

Before an agency will support an application, it must evaluate the adequacy of the service provided by the carriers it already uses. If the agency determines that the existing service is adequate, the application is not recommended for support. If existing service is considered to be inadequate, the agency can provide shipper support for an application.

There is a certain amount of subjectivity in the determination of adequacy of existing service. This factor, when combined with the detailed information required to support applications, adversely affects the willingness of agency transportation officials to provide this support. The officials apparently have not considered the fact that by opening up the Government business to new carriers, agencies might well improve service and at the same time increase the opportunities for minority motor carriers.

The path to obtaining operating authority may be eased in the future. The Interstate Commerce Commission, in an interim decision (MC-107), has proposed new regulations to

eliminate the requirement that applicants show public convenience and necessity before being granted operating authority. In the past this criterion was interpreted by the Commission as primarily requiring a determination that existing services are not adequate to meet the transportation needs of the public. Even if an applicant offered a service which was lower priced or more efficient, the Commission would bar any new competition if existing carriers showed solvency and had necessary equipment.

Under the proposed regulations, the Interstate Commerce Commission requirement that applicants show that the public needs the service would be eliminated. Applicants for operating authority will need only show that they are fit and able to perform the required transportation services. The new regulations also will streamline the application processing procedures and eliminate some fees.

The changes should result in more minority carriers receiving Interstate Commerce Commission operating authority and enable Federal agencies to better implement affirmative action programs regarding the use of minority carriers.

CONTRACT CARRIERS

The Interstate Commerce Act provides that common carriers serve the general public and contract carriers serve the special needs of a particular shipper or a limited number of shippers. Officials of the Minority Trucking-Transportation Development Corporation told us that most minority motor carriers are contract carriers, since it is considerably easier and less expensive to become a contract carrier certified by the Interstate Commerce Commission.

Although contract carriers can be used in regulated and unregulated traffic, we found only sparse utilization of contract carriers in regulated traffic at the executive agencies we visited. In actuality, executive agencies almost always use common carriers to move Government cargo because of the added burden of issuing contracts.

The use of contract carriers may require some additional work on the part of agency transportation offices, but this would enable them to increase opportunities for minority motor carriers to participate in Government business.

Using contract carriers could also be less costly to the Government. We noted instances where contract carrier rates over particular routes were lower than common carrier rates over the same routes.

SECTION 8(A) PROGRAM

Section 8(a) of the Small Business Act of 1953 gives the Small Business Administration the authority to enter into procurement contracts with Federal agencies and, in turn, to subcontract the work to small businesses. The Small Business Administration has used this authority to develop a program designed to assist socially and economically disadvantaged small businesses in achieving a competitive business position.

In awarding a section 8(a) subcontract, the Small Business Administration hopes to provide a firm with enough work to operate at a profitable level while developing its own commercial and Government sales. The Small Business Administration obtains from Federal agencies prime contracts that ordinarily would be competitively awarded. The contracts are negotiated first between the Federal agency and the Small Business Administration (prime contractor) and then between the Small Business Administration and the section 8(a) firm (subcontractor). Since disadvantaged section 8(a) firms are frequently not able to provide services at costs as low as the fair market value, the Congress has appropriated Business Development Expense funds to pay the difference.

Federal agencies we visited had made little use of section 8(a) in meeting their transportation needs. In fiscal year 1977, GSA made only nine awards for transportation services under the section 8(a) program. Department of Agriculture and U.S. Postal Service officials could identify no minority motor carrier who provided the agency with transportation service under the section 8(a) program.

This program is another alternative which Federal agencies should more strongly consider in developing opportunities for minority carriers.

CONSULTANT SERVICES

Some agencies have obtained the services of consultants to assist in providing opportunities for minority businesses. The Federal Highway Administration is one agency that has done this.

As part of its efforts to promote minority business and equal employment opportunities, the Federal Highway Administration annually allocates funds to the individual States

for affirmative action programs. During fiscal years 1977 and 1978, the States were allocated over \$6 million for this purpose. State highway agencies must use affirmative action program funds to increase minority firms' participation in Federal-aid highway construction.

To determine the impact the funds had on minority participation in the Government's highway construction program, we visited State highway agencies in California, Georgia, and South Carolina. We found that the California Department of Transportation and the Georgia Department of Transportation used the funds primarily to contract for consultant services in fiscal year 1977. The South Carolina Department of Highways and Public Transportation did not start contracting for consultant services until February 1978.

Between December 1976 and September 1977, the California agency experienced a steady increase in minority business enterprise's participation as subcontractors on major contracts. Participation jumped from about 0.2 percent to 6 percent of the total subcontracts awarded during this period. The civil rights officer for the California Department of Transportation attributed this increase primarily to the successful efforts of the State's consultant in promoting minority firms as potential contractors.

According to Georgia transportation officials, their consultant was successful in meeting contract objectives. The consultant firm contacted 263 minority contractors and found about 100 interested in getting involved in the State's highway construction program. The consultant provided direct assistance to 46 minority firms and helped 17 of the 46 firms to either become registered with the State's Department of Transportation or to increase their involvement in the State highway program.

In those instances where Federal agencies are having difficulty developing or implementing an affirmative action program, using outside organizations and consultants is one way to increase opportunities for minority carrier participation in the Government's transportation program.

CHAPTER 5

CONCLUSIONS, RECOMMENDATIONS, AND AGENCY COMMENTS

CONCLUSIONS

Despite the billions of dollars spent annually for transportation services and the passage of several years since the executive order on minority business enterprise was issued, we noted only minimal minority motor carrier participation in moving Government cargo. Efforts by Federal agencies to foster and promote opportunities for minority motor carriers have at best been fragmented, delayed, and inadequate.

The prior chapters give a number of reasons for the limited efforts. They include the lack of affirmative action plans and performance monitoring and reporting systems. Agency personnel also cite difficulties in identifying qualified minority carriers and the carriers cite difficulties in obtaining assistance from the Government.

Irrespective of the reasons for past nonaction, we believe it now is time to take positive actions if the Federal Government is going to meet the intent of Executive Order 11625. Correcting deficiencies given in the preceding paragraph should be a first step.

In this regard, we note that the Minority Trucking-Transportation Development Corporation has published a listing of minority motor carriers for DOD. Although we recognize that this listing is not the ultimate product because it does not contain complete data on carrier capabilities, nor does it include all minority carriers, it is the best available listing as far as we know and should be provided to all agencies using motor carriers. Other actions to increase opportunities for minority motor carriers should include (1) supporting applications for operating authority, (2) using contract carriers, (3) contracting under the section 8(a) program, and (4) using consultants under certain circumstances.

Executive Order 11625 gives the Secretary of Commerce responsibility for coordinating the participation of all Federal agencies in an increased minority enterprise effort. While the ultimate responsibility for increasing opportunities for minority motor carriers may rest with the individual agencies, we believe that the Department of Commerce and its Office of Minority Business Enterprise should take a more active role in seeing that the objectives of the

executive order are carried out. We believe also that ways to increase opportunities for minority motor carriers should be covered by the Interagency Council for Minority Business Enterprise.

In view of the absence of complete information on minority carrier availability and capability, we are not in a position to say what an acceptable level of minority participation in the Government's transportation business ultimately should be. Despite this caveat, it is obvious to us that much more needs to be done if the tenets of the executive order are to be met and the opportunities for minority motor carriers are to be increased.

RECOMMENDATIONS

We recommend that the Secretary of Commerce, in coordination with the Interagency Council for Minority Business Enterprise, work with the individual agencies to develop affirmative action programs which will

- set specific objectives, goals, and methodologies for increasing the use of minority motor carriers and
- provide for a periodic evaluation process and a monitoring procedure to insure attainment of goals.

We also recommend that the Secretary of Commerce (1) distribute copies of the listing of minority motor carriers prepared by the Minority Trucking-Transportation Development Corporation to all agencies using motor carriers and (2) improve the listing by providing complete data on the capabilities of carriers now on the listing and adding the names and capabilities of minority carriers not currently listed.

Further, we recommend that the Secretary of Commerce, in conjunction with the Interagency Council for Minority Business Enterprise and the individual agencies, take the following actions to increase opportunities for minority motor carriers:

- Make minority motor carriers aware of Government transportation needs and assist them in preparing the paperwork and satisfying the requirements to obtain this business.
- Monitor compliance with minority business enterprise program clauses included in most procurement contracts.

- Help the minority carriers obtain Interstate Commerce Commission operating authority by supporting their applications where possible.
- Increase the consideration given to use of contract carriers.
- Encourage contracting under section 8(a) of the Small Business Act.
- Consider obtaining outside expertise and assistance in instances where agencies are experiencing difficulty in increasing the use of minority carriers.

AGENCY COMMENTS

We furnished a draft of this report to officials of the various agencies and organizations involved in our review and we obtained their informal comments. The officials generally agreed with our findings and recommendations.

The Office of Minority Business Enterprise plans to establish a Minority Motor Carrier Assistance Center under a cooperative agreement or grant arrangement with an independent organization to be selected. The proposed scope of work touches on many of the areas covered by our recommendations. Among other things, the center will:

- Prepare a directory of minority motor carriers and their performance capabilities.
- Inform minority motor carriers of transportation services they may be qualified to perform.
- Assist the carriers in preparing bid proposals and applications for operating authority.
- Identify and pursue opportunities for minority motor carrier participation under the section 8(a) program.
- Seek opportunities for minority carriers to acquire business as contract carriers.

Staff of the Interagency Council for Minority Business Enterprise plan to make the contents of our report an agenda item to be discussed at a forthcoming Council meeting. The staff also is proposing the formation of a Council subcommittee to adopt and carry out our recommendations.

Officials of the other agencies also were positive in their comments on our draft report. For example, a GSA transportation official stated that his office was fully committed to supporting and developing minority business enterprises and will continue a major effort towards developing more minority involvement in the area of Government transportation.

CHAPTER 6

SCOPE OF REVIEW

We reviewed selected agencies' policy and implementing actions as they relate to minority motor carrier participation in Government transportation and meeting the tenets of Executive Order 11625. We reviewed regulations and plans, examined records, and interviewed officials at headquarters and certain field offices of the following Federal agencies:

- General Services Administration.
- U.S. Postal Service.
- Department of Agriculture's Agricultural Stabilization and Conservation Service.
- Department of Transportation's Federal Highway Administration and Urban Mass Transportation Administration.

Other Federal agencies contacted included the:

- Department of Commerce's Office of Minority Business Enterprise.
- Interagency Council for Minority Business Enterprise.
- Small Business Administration.
- Interstate Commerce Commission.
- Department of Defense.

We also contacted various minority motor carriers and the Minority Trucking-Transportation Development Corporation.

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