

Women Vendors Get Less Than Price of Drone From U.S. Set-Asides

By Danielle Ivory | June 21, 2012 12:00AM ET

(Bloomberg) -- A new federal program to help small contractors owned by women is drawing criticism from lawmakers and business advocates who say it has provided too little assistance to too few firms.

After an 11-year delay, the first contracts were awarded under the program in April 2011, according to federal procurement data compiled by Bloomberg. By the end of the fiscal year on Sept. 30, agencies had doled out \$21.1 million in set-asides, less than the cost of one Reaper drone. The contracts equal about 0.1 percent of the amount Lockheed Martin Corp., the No. 1 government contractor, won in federal awards last year in the April-September time period.

"To put it bluntly, \$21 million is nothing," said Ann Sullivan, head of government relations for Women Impacting Public Policy Inc., a Washington-based nonprofit organization that promotes female-owned businesses.

The amount may reflect the program's slow start, rules that cap the contracts, and stiffer competition over a shrinking pool of revenue for small businesses, Sullivan said.

Congress in 2000 ordered the Small Business Administration to create the program, which is similar to those that reserve work for some minority-owned firms.

'Not Working'

Sullivan, also the president of Madison Services Group Inc., a government relations firm in Washington, said she worked with Congress, the SBA and the White House to help create the set-aside program for women.

"We worked for 11 years to try and get this thing in place," Sullivan said. "Is the program working? Well, looking at those numbers, the answer is no, it's not working."

Tiffani Clements, an SBA spokeswoman, said the agency was unable to comment on the fiscal 2011 data because it hasn't yet released its small-business contract report on government goals.

Under the initiative, the \$21.1 million went to about 150 small businesses last year, or an average of \$140,000 per contractor. Only three companies earned more than \$1 million in the set-aside contracts.

The government has a target of awarding 23 percent of prime, or direct, contracts to small firms, a goal it has missed every year for the past decade.

Difficult Market

It's difficult to start a new small-business category that essentially competes with the others for limited awards, Angela Styles, a former head of the Office of Federal Procurement Policy, said in an interview.

"There are a lot of interest groups in the mix for that 23 percent," said Styles, now a partner at Crowell & Moring LLP, citing the many different minority groups seeking money. "It's such a hard market to break into, and it's hard to stay in it."

Rita Leitensdorfer knows this firsthand. In 2006, she took over her father's audiovisual firm, St. Louis-based Communitrionics Corp. She owns 100 percent of the business and about 75 percent of her revenue comes from federal contracts, she said.

She won a \$7,222 set-aside under the new program from the U.S. Army in August. She said she hasn't noticed many other opportunities for women-owned businesses.

IMPACT

Action:

A new program that reserves federal contracts for women-owned businesses isn't doing enough to help the small firms, according to lawmakers, former government officials and business advocates.

Revenue:

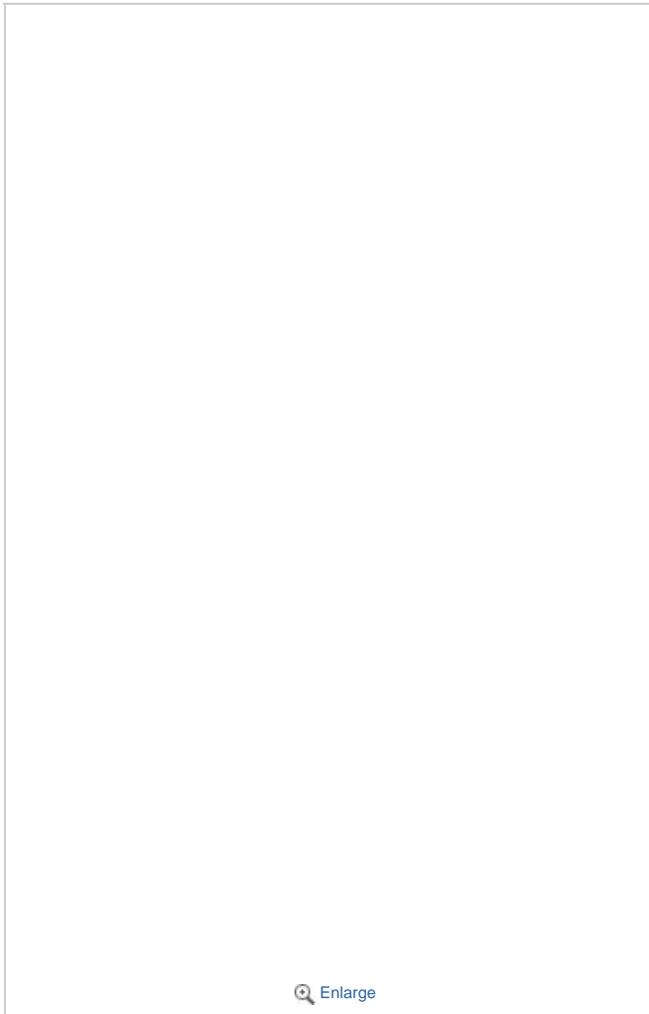
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Market Share:

Businesses doing work in eight congressional districts -- including four near the Washington, D.C., area -- won more than half the set-asides last year.

Outcome:

Even as the new program began, contracts to all female- owned small firms declined for the first time in more than a decade last year.



Leitensdorfer said that, like participants in other set-aside programs, she has to “jump through hoops” though she hasn’t received many benefits.

“We just want a fair shake as contractors,” she said in an interview.

Contract Spending

The government awarded \$310 billion in contracts during the last two quarters of fiscal 2011, the same period when agencies began reserving set-asides for women-owned small businesses.

Under the 8(a) set-aside program, which targets small firms owned by socially or economically disadvantaged individuals, agencies awarded \$11.9 billion in the same period. Under the service-disabled veteran-owned set-aside initiative, the government awarded \$3.38 billion.

Each program is different. For the effort geared toward women, contracts are limited to no more than \$4 million for services and \$6.5 million for manufacturing.

“Unfortunately, under current law, the Small Business Administration’s women’s contracting program restricts the contract size for women-owned small businesses, while other programs do not face the same disadvantage,” said Senator [Olympia Snowe](#), a Republican from Maine.

Contract Caps

Snowe on March 7 reintroduced legislation, S. 2172, to eliminate the caps on the contracts.

“I remain concerned that the current caps restrict federal agencies’ ability to award contracts” through the set-aside initiative for women, Snowe said in an e-mailed statement.

The eligible contracts are further restricted to fewer than 400 industries in which woman-owned businesses are deemed to be under-represented, such as construction of multifamily housing and air-traffic control.

To be eligible for the program, at least 51 percent of a small business must be directly owned and controlled by women who are U.S. citizens.

The government generally defines small businesses as those with fewer than 500 employees or less than \$7 million in annual revenue. Awards to the firms fell 5 percent last year.

Washington Area

Businesses doing work in eight congressional districts -- including four near Washington -- won more than half the set-asides last year.

“Congress probably wouldn’t have approved a program primarily to help women in the greater Washington area,” Charles Tiefer, who served on the Commission on Wartime Contracting and is a law professor at the University of Baltimore, said in an interview “The bulk of the country, away from the Washington area or the coast, is getting such a small fraction.”

Representative [Sam Graves](#), chairman of the House Small Business Committee, said the findings show the SBA needs to do a better job of promoting the effort.

“There are a lot of businesses that want to participate in this program, and contracting officers who could use this program, but have no idea about it,” Graves, a Missouri Republican, said in an e-mailed statement. No businesses in Graves’ district won contracts through the new program.

Graves is supporting the Senate bill that removes the caps on the set-aside contracts for women.

Even as 2011 marked the first year of the women-owned set-aside awards, contracts to women-owned small firms declined last year for the first time in more than a decade.

Agencies awarded women-owned small businesses a total of \$17.4 billion last year, a 4 percent drop from \$18.1 billion the previous year.

The government set a goal in 1994 of awarding at least 5 percent of the total value of eligible contracts to women-owned businesses. It has never met it.

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“Unfortunately, under current law, the Small Business Administration’s women’s contracting program restricts the contract size for women-owned small businesses, while other programs do not face the same disadvantage,” said Senator Olympia Snowe, a Republican from Maine. Photo: Chip Somodevilla/Getty Images