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DEPARTMENT OF DEFENSE

**PROCUREMENT FROM SMALL
AND OTHER BUSINESS FIRMS**

Fiscal Year 1988

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Department of Defense

PROCUREMENT FROM SMALL AND OTHER BUSINESS FIRMS

October 1987 - September 1988

Fiscal Year 1988

Prime contract awards to small business firms totaled \$25,229 million during Fiscal Year 1988, compared with \$26,624 million for last year. Awards to all business firms were \$130,815 million during Fiscal Year 1988, compared with \$135,340 for last year.

Changes in the procurement mix of our purchases of supplies and equipment impacted unfavorably on the small business ratio causing a decrease of 0.4 percent compared to the same period last year. This decrease was attributed to a lower small business rate of participation in the missile and space systems, aircraft, and ships categories which are not normally favorable to small business. Also contributing to this lower performance was a decrease in the small business participation in the petroleum, commercial items, and civil functions categories which are normally favorable to small business.

Defense prime contract awards for Research, Development, Test, and Evaluation (RDT&E) work are included in Table I and are shown separately in Table II. Small business firms were awarded \$1,446 million in Department of Defense RDT&E prime contracts during Fiscal Year 1988 compared with \$1,488 million during the same period last year. Of the total RDT&E prime contracts awarded to business firms, small business received 7.4 percent this year compared with 7.9 percent for last year. (SSW)

Data on subcontract commitments to small business firms for Fiscal Years 1987 and 1988 are shown in Table III. Commitment figures are obtained from large business firms which receive prime contract awards of \$500,000 or more having substantial subcontracting opportunities. The reporting large business firms committed a total of \$58,799 million in subcontracts during Fiscal Year 1988 of which \$22,309 million, or 37.9 percent, went to small business firms. This represents an increase of \$750 million to small business concerns over last year.

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TABLE I
SMALL BUSINESS SHARE OF DEFENSE PROCUREMENT
(AMOUNTS IN THOUSANDS)

TYPE OF FIRM AND CATEGORY OF PROCUREMENT	FISCAL YEAR TO DATE	
	1988 OCT 87 SEP 88	1987 OCT 86 SEP 87
DEFENSE PROCUREMENT (PRIME CONTRACTS) FROM ALL BUSINESS FIRMS - TOTAL	\$130,814,816 =====	\$135,340,300 =====
MISSILE AND SPACE SYSTEMS	19,693,980	19,781,484
AIRCRAFT	24,978,326	27,683,991
SHIPS	13,704,651	11,448,464
OTHER MAJOR HARD GOODS	27,454,092	34,063,361
SERVICES	11,781,841	10,823,718
PETROLEUM	3,177,337	2,968,616
COMMERCIAL ITEMS	10,167,433	8,165,685
CONSTRUCTION	6,632,299	7,603,362
ALL PURCHASES OF \$25,000 OR LESS	11,190,053	10,942,585
CIVIL FUNCTIONS	2,034,804	1,859,034
DEFENSE PROCUREMENT (PRIME CONTRACTS) FROM SMALL BUSINESS FIRMS - TOTAL	\$25,228,786 =====	\$26,624,157 =====
MISSILE AND SPACE SYSTEMS	659,297	768,294
AIRCRAFT	1,119,120	1,310,050
SHIPS	1,195,750	1,455,486
OTHER MAJOR HARD GOODS	2,871,278	3,589,673
SERVICES	3,623,081	3,323,878
PETROLEUM	575,585	805,556
COMMERCIAL ITEMS	3,632,771	3,494,888
CONSTRUCTION	4,470,247	4,892,250
ALL PURCHASES OF \$25,000 OR LESS	6,102,494	5,934,347
CIVIL FUNCTIONS	979,163	1,049,735
PERCENTAGE OF DEFENSE PRIME CONTRACTS TO SMALL BUSINESS FIRMS - TOTAL	19.3 =====	19.7 =====
MISSILE AND SPACE SYSTEMS	3.3	3.9
AIRCRAFT	4.5	4.7
SHIPS	8.7	12.7
OTHER MAJOR HARD GOODS	10.5	10.5
SERVICES	30.8	30.7
PETROLEUM	18.1	27.1
COMMERCIAL ITEMS	35.7	42.8
CONSTRUCTION	67.4	64.3
ALL PURCHASES OF \$25,000 OR LESS	54.5	54.2
CIVIL FUNCTIONS	48.1	56.5



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TABLE II
 SMALL BUSINESS SHARE OF DEFENSE PROCUREMENT
 FOR RESEARCH, DEVELOPMENT, TEST AND EVALUATION WORK
 (AMOUNTS IN THOUSANDS)

TYPE OF FIRM AND DEPARTMENT	FISCAL YEAR TO DATE	

	1988 OCT 87 SEP 88	1987 OCT 86 SEP 87
TOTAL	\$19,520,874 =====	\$18,806,873 =====
ARMY	3,028,958	2,880,984
NAVY	5,518,709	6,477,016
AIR FORCE	10,331,800	8,496,290
DEFENSE LOGISTICS AGENCY	9,532	16,058
CIVIL FUNCTIONS	3,882	2,019
OTHER DEFENSE AGENCIES	627,993	934,506
SMALL FIRMS	1,446,030 =====	1,488,073 =====
ARMY	425,352	445,496
NAVY	416,125	349,305
AIR FORCE	457,490	474,427
DEFENSE LOGISTICS AGENCY	0	4,877
CIVIL FUNCTIONS	2,951	1,585
OTHER DEFENSE AGENCIES	144,112	212,383
OTHER FIRMS	18,074,844 =====	17,318,800 =====
ARMY	2,603,606	2,435,488
NAVY	5,102,584	6,127,711
AIR FORCE	9,874,310	8,021,863
DEFENSE LOGISTICS AGENCY	9,532	11,181
CIVIL FUNCTIONS	931	434
OTHER DEFENSE AGENCIES	483,881	722,123
SMALL FIRMS AS A PERCENT OF TOTAL	7.4 ===	7.9 ===
ARMY	14.0	15.5
NAVY	7.5	5.4
AIR FORCE	4.4	5.6
DEFENSE LOGISTICS AGENCY	0.0	30.4
CIVIL FUNCTIONS	76.0	78.5
OTHER DEFENSE AGENCIES	22.9	22.7

TABLE III
SMALL BUSINESS SHARE OF DEFENSE SUBCONTRACTS
FISCAL YEAR 1988

(Amounts in Thousands)

SUBCONTRACTS	FISCAL YEAR 1988 OCT 87 - SEP 88	FISCAL YEAR 1987 OCT 86 - SEP 87
Number of Reports from Large Business Firms	1,571	1,469
Subcontract Commitments by Reporting Large Business Firms	\$ 58,798,562	\$ 53,115,740
Commitments to Small Business	\$ 22,309,083	\$ 21,558,740
Percent to Small Business	37.9	40.6

SOURCE: Companies Participating in the DoD Subcontracting Program, Fiscal Year 1988