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Expert Urges Aid for West Slope Business; SBA Begins Hearings to Discuss Proposed Changes in Guidelines

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Duane Pearsall, president of Small Business Development Co., would like to see more money available to small businesses on Colorado’s Western Slope to reduce the economic impact of energy development.
SBA Begins Hearings to Discuss Proposed Changes in Guidelines

By Martha Williams

DENVER — The Small Business Administration has launched a series of regional hearings aimed at redefining small business, and one of the first was in Denver last week. Leadoff witness Duane Pearsall, president of the Small Business Development Corporation, told SBA officials that thirty percent of the presently eligible small businesses stand to lose out on government aid in the form of guaranteed loans, management counseling, and preferential treatment in government contracts.

Mr. Pearsall sees the proposed size standard revision as directly disregarding the recommendations of the White House Conference on Small Business. He also questioned the SBA's purpose in trying to force competition in concentrated industry.

Under existing standards (Standard Industrial Classification, SIC) companies qualify for SBA assistance based on sales volume, number of employees, net worth, and the type of industry.

Proposed changes would qualify based on the number of employees, and depending on how competitive or concentrated their industry is. Details of the proposed change were published in the March 10, 1980 Federal Register. All Small Business Administration offices have copies. Written comments will be accepted until June 6, 1980, at the address given in the Federal Register.

Leslie Berkowitz, chairman of the federal legislation task force of the Denver Chamber of Commerce small business council, said that the proposed changes could open up a new attorney's game by playing with the SIC code definitions, in order to find a loophole to qualify for aid. There may be a great deal of jockeying to get in the "right" category. So, while there may be some merit in the attempt to redefine small business, it could very well be an administrative nightmare.

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The Small Business Administration claims that numerous complaints have been received by the agency, and Congress, about the present standards, but the fifteen Denver businessmen who testified at yesterday's regional hearings indicated that there is strong opposition to change.

Mr. Berkowitz, on behalf of the Chamber Small Business Council suggested that effective size standards should consider: number of employees, consideration of the capital assets, and sales or gross revenues. "A firm's ability to deal in the economy is one of the most pertinent factors," he said. "By emphasizing certain maximums in each of these three areas SBA's efforts will be focused on small business."

Kaleel C. Skeirik, chief of the SBA's size standards division, in justifying the proposed change, said that SBA wants to encourage competition in industries where a few firms are dominant. Mr. Skeirik said that SBA has "traditionally made lots of loans to restaurants. In many cases, the same restaurant received loan after loan as successive rounds of management took control. Quite often, these establishments were in locales already crammed with restaurants competing for business. Rather than concentrating our resources...where healthy competition exists, we would like to turn more of our attention to those industries where small business representation is negligible."