



**The Statement of Chuck Covington
President and CEO of People's Transit**

**Before the Committee on
Transportation and Infrastructure
Of the United States House of
Representatives**

James L. Oberstar, Chairman

At the hearing on:

**The Department of Transportation's
Disadvantaged Business Enterprise
Program**

**Thursday, March 26, 2009
11 O'Clock am**

Good morning Mr. Chairman and members of the Committee. My name is Chuck Covington and I am the President and CEO of People's Transit in Detroit, Michigan.

My company provides employee shuttles, campus shuttles and general ground transportation. My vehicles provide numerous high-tech amenities like public address systems, DVD players, and flat screen televisions that make them rolling conference rooms. We currently do work at the Detroit Metropolitan Wayne County Airport also known as DTW and for many private corporations in Michigan and other states. My company is certified as an MBE, DBE, SDB and an 8(a) firm.

I am here today to talk about why the continuation of the Airport Disadvantaged Business Enterprise (DBE) and Airport Concessions Disadvantaged Business Enterprise program is so important. The fact of the matter is, despite all the progress this nation has made on issues of race discrimination, there is still a lot of work left to do. Small and minority businesses are truly the backbone of this country. Without programs like the DBE program, big business would steamroll over us. And perhaps that is some of the behaviour that has landed out country in the economic trouble it is in today. It certainly hasn't been small and minority businesses that have brought our nation's financial system to the brink.

I have dealt with discrimination my whole life – and I still deal with it all the time. Sure, it is different these days. Most of the time I don't hear racial slurs anymore – but the discrimination is there all the same. In some ways, I think that I – and other business owners like me – start to simply ignore a lot of the discrimination we observe. If we responded to every slight and every biased person, we would never get any work done. So we ignore most of it.

Still, every so often something happens that you just can't ignore. One very recent example will help you understand what I mean. Early last year, in 2008, one of my employees came to me with a quote on new tires for part of my fleet – coincidentally this was for a part of the fleet that I use at the airport. Apparently, the tire supplier wanted to charge me more than \$613 apiece for 16 new tires. Since I have been around the business a while, I suspected that price was too high. Just to check my instinct, I called a friend, a white business associate who works in the same field, and asked how much he paid for the same tires from the same vendor. My friend told me that he had only paid \$400 per tire for the same tires for the same type of vehicles.

Now I had known the \$613 price was high – but even I was surprised at how much more this supplier was charging me than he was charging my friend. My employee who obtained the original quote is African-American and had what might be described as an ethnic sounding voice. I put on a white voice and called the tire supplier. And sure enough, I got the \$400 price. Once I got the new price, I inquired a bit more as to why my employee had been given such an inflated price. Let's just say that while the supplier said a lot of words – not one of them made sense or provided any justification for a 50% increase in the price of the tires.

It is important to understand what this sort of mark-up in supplies means to a small business owner like myself. A 50% mark up on one of the most basic supplies in my business puts me at an incredible competitive disadvantage. I know you all know that the business climate is tough out there. And believe me, it has been tough in Michigan for a long time now. NO businessperson, no matter how talented can succeed if they are paying a race-based mark-up on supplies. I know my competitors do not have to make so many extra calls to verify price before they buy tires – nor should I.

This is not an isolated incident and yet, I am not bitter or cynical. I think that to be an entrepreneur, you have to be an optimist. You have to be willing to accept five No's before you get one Yes. And yet I still wonder how many of the "No's" I have received were based on the color of my skin as opposed to the quality of my product.

Some other examples are important. The fact is that I am still asked to do more than some of my non-minority competitors to obtain business loans. Despite my success, and my reputation in this community, I, like many other minority business owners, am always required to give a personal guarantee for business loans and to put my personal assets at risk to finance business expansion. I do not believe that is always the case for my majority counterparts. And of course, as an African-American, I do not have a long history of family wealth.

It is also important to understand that even those of us who have accumulated some wealth, for instance in our homes, have had a harder time doing that than similarly situated white entrepreneurs. We all know that there is housing discrimination. I remember earlier in my career, looking for a new apartment. I called and learned that there were vacancies but when I showed up, I was told that all of the apartments had been rented. I knew what was going on, but just to confirm my suspicions, I had my white secretary call and inquire about the same apartments. She was told they were still available.

Why does housing discrimination matter to minority businesses? Especially housing discrimination that happened some years back? Because for many minority businesses today, our homes represent our best source of collateral for credit to develop and expand our businesses. Given Congress' investigation in to mortgage discrimination, you know that we minorities tend to pay higher mortgage rates. And of course, discrimination in business lending also exists. Many of the studies that have been submitted to this committee about discrimination against minority business detail the significant disparities in access to business loans. As long as housing and lending discrimination persist, it will negatively impact opportunities for minority business owners.

And despite the progress we have made as a nation, bigoted people still exist and some of them are in positions of power. Not so very long ago, I was involved in a court case. I had been awarded a multi-million dollar contract as a prime and had subcontracted out a portion of the work to a white firm. When the contract came up for renewal, I decided not to use that same subcontractor any more. That company sued me, I guess because

they thought that I should keep them as a subcontractor permanently regardless of whether I was happy with their work or whether the arrangement made good business sense. I won the case and later hired one of the majority firm's vice presidents away. That gentleman told me that during the course of the trial he had been in the hallway outside the courtroom and had heard the CEO of the majority company say that he never believed that, and I quote, "that nigger and his Jew lawyer" would take the case so far.

I want to be clear here: I don't lose sleep when an ignorant person calls me an ugly name. But when I do hear a racial slur, either spoken to me or behind my back, it tells me a lot about how steep my climb is in business. The slur says nothing important about me, but it tells me a lot about the person that used it. When a competitor or a prime contractor refers to me as a nigger – even behind my back – it gives me a window on just how stacked the deck is and how much harder I have to work than a majority business owner.

Another thing that stacks the deck is racial discrimination in business networks. Some people call these "Good Ol' Boy" networks. I like to call them the "comfortable networks." I know that breaking into these networks is essential for the success of my company. But it is a lot easier said than done.

I know that some people think that programs like the DBE program result in hiring "unqualified" minority firms. My experience has been very different. In fact, I have seen situations in the private sector, where no DBE program was in place and unqualified, or at least unprepared, majority firms were hired over me. For example when a Mall in our community needed a shuttle service to move retail employees from the shopping mall to outlying parking lots during the Christmas season, they hired a non-minority firm that was unable to fulfill their contractual obligations. My drivers frequently had to manage the prime contract and fill in gaps when the prime company's shuttle drivers did not show up. The non-minority business wound up subcontracting part of the work out to me at the same price that I had originally quoted the mall. In the end, I essentially performed the contract anyway and so I can't help but wonder whether the majority company that initially got the work did so because they were part of the "comfortable network." Clearly I was more qualified, my price was fair. In the end I had to clean up the problems the majority contractor caused. So why didn't I get the contract right from the beginning? I believe it has to do with networks.

Sometimes we minority companies get relegated to projects that have goals, or projects that are minority-focused in some way. Still, even in those cases, majority contractors sometimes still get the work. Recently, I submitted a bid for a contract to provide transportation for a minority business event. It was ultimately won by a non-minority firm. Later, the non-minority firm wound up leasing the vehicles from me and once again, it was at the same price I had originally bid. Now I highly doubt that this firm was doing the project for free which must mean they bid more than I had bid and still they won the contract. If the bidding process is entirely based on choosing the individual who submits the lowest bid and is best equipped to do the job, shouldn't the contract

have gone to me from the outset? I was clearly better equipped than the non-minority owned company that received the contract so if my bid was lower, why didn't I get the contract outright? I think the answer can be found in the "comfortable network."

One way that I have found to both serve my community and establish new business relationships is to serve in public service roles in my hometown, Van Buren Township, Belleville, MI, and with different civic organizations including: the Water and Sewer Commission; the Cable Commission; the Public Safety Committee; and the Local District Financing Authority. Although I no longer serve on the Planning Commission, I was once its Vice Chairman.

I understand that people do business with the people they like. But how do you get to know these people? The Eagles Club is one of the primary places that successful business people in my area network, and where the aforementioned civic organizations hold fundraisers. But it has an unwritten rule: African-Americans cannot be members. I have served on a number of boards and panels that hold functions at the Eagles Club, and I have attended many of them. But I can't be a member. I have served my community in both public and private positions and it sickens me that there is a club--in my community--that would exclude me and my daughters -- as members because of our race. But the fact that it impacts my ability to conduct business is reprehensible. If people do business with the people they are comfortable with, and if I am denied opportunities to sit down and get to know people--based on nothing more than my race--it automatically puts me and my business at a disadvantage.

People say they want minorities to succeed and to be competitive, but how can I be competitive if it costs me more to do business than an equally qualified, non-minority competitor? All of these things--the discrimination in lending, being banned from social clubs, being charged higher prices by vendors--they all add up to increase our chances of failing. And all of this makes it all the more important that we maintain the DBE program.

Still, it is important to know that just preserving the DBE program doesn't finish the job of levelling the playing field – there is more we can do. Along those lines, I hope that the Committee will consider making some needed improvements to the DBE programs. First of all, thank you, Mr. Chairman for the provisions already included in H.R. 915 that will help improve certification training and finally make long overdue adjustments for inflation in the Personal Net Worth Cap. These are vital changes and we appreciate your work to make sure they happen. I would also like to strongly urge the Committee to extend the DBE program to airport expenditures with both TSA funds and PFC funds. The discrimination that DBEs face is not limited to projects funded by AIP – it exists throughout our industry. For that reason, we should ensure that DBE-type requirements attach to TSA and PFC funds as well.

In closing, I want to thank you again for the opportunity you have given me to speak here today. Given the discrimination minority businesses face, even today, we need

opportunities that the DBE program provides. Without them, we would never have a chance and we, as a nation, would lose.

I would be happy to take any questions you might have.