

- all contracts above \$25 000 be set aside if the contracting officer can reasonably expect two or more bids from small business; and
- if only one bid from a small business is received, the small business be given a 12 per cent price advantage in evaluation.

In addition to these explicit set-asides, the U.S. Small Business Administration (SBA) provides loan guarantees and business assistance for small and minority-owned businesses, and acts as prime contractor to government for those who take part in its "8(a)" program. It also actively encourages subcontract awards to small business, and rewards prime contractors who exceed their small business subcontracting goals. Subcontract awards to Canadian firms, regardless of size, would not help a prime contractor to meet such goals.

The effect of set-asides is far-reaching. In 1991, a total of \$189.6 billion was awarded in contracts worth more than \$25 000. Of those large contracts, \$6.9 billion was set-aside for small business and \$3.8 billion was awarded through the 8(a) program. \$21.1 billion was awarded in contracts worth less than \$25 000. In total, \$31.8 billion in contracts was completely inaccessible to Canadian firms.

### **Merchant Marine Act (The Jones Act)**

The Merchant Marine Act of 1920 ("The Jones Act) requires that cargo transported by water between points in the United States be carried on vessels which are U.S. registered, built and crewed. Moreover, U.S. citizens must hold at least 75% equity interest in partnerships or corporations which own the vessel. Under other legislation, similar restrictions apply to the domestic carriage of passengers. Foreign rebuilding of a vessel permanently forfeits domestic privileges as does foreign registration for any period during the life of the vessel.

The Jones Act (coupled with the defence-related prohibitions of the Byrnes/Tollefson Amendment), effectively prevents Canada from participating in the domestic shipping trade of the United States, from investing in the U.S. shipbuilding industry, and from supplying shipbuilding components and related services to the U.S. market.

Another extension of the Jones Act, the Commercial Vessel Anti-Reflagging Act of 1988, restricts the activities of foreign-built vessels over five net tonnes in the fishing industry to the transportation of fish. The Act also prohibits vessels built or rebuilt outside the United States from engaging in coastal shipping and the fishing industry.