

# Contractors Face Mounting Costs

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Federal contractors are likely to recover only a portion of their losses from the two government shutdowns and face long delays in winning contracts even if the Clinton administration and Congress agree to keep the government operating after Friday, local House members said yesterday.

"Our partial shutdown has become a massive slowdown," said Rep. Constance Morella (R-Md.).

At a press conference yesterday, representatives of thousands of federal contractors recited the damage already done to them and their employees by the shutdowns, which have cost many nearly a month of work since the 1996 fiscal year began in October.

Edward H. Bersoff, chairman of BTG Inc., a Vienna-based federal contractor, said his industry has been held hostage in

the political debate over spending priorities. "What we are seeing is economic terrorism at its ugliest," Bersoff said. BTG, an information technology provider, recently warned shareholders that its quarterly earnings will be reduced by an unspecified amount because of the interruptions in contract payments.

Some contractors said they have begun administrative appeals to try to recover some of those costs and may file legal action if appeals fail.

There are no solid estimates of the financial losses that contractors and their employees suffered during the two shutdowns in November and December.

But Signet Banking Corp. said yesterday that nearly one-third of the federal contractors it surveyed this month have had to furlough employees because of the shutdowns. Of 67 companies that do business with the bank and responded to the survey, two-thirds reported late payments by federal

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agencies and more than one-half have gone more deeply into debt as a result, Signet said.

Dozens of federal agencies do not have approved budgets for fiscal 1996 because of the budget standoff between the White House and Congress, putting about 15 percent of all federal contracts at some risk in the event of another shutdown, contractor industry officials said.

In fiscal 1994, the federal government purchased \$196.4 billion worth of goods nationwide, nearly \$18 billion of it in the Washington region that year—the last for which complete data is available.

Even with a temporary agreement to keep the government operating past Friday, which Republican congressional leaders say they hope to achieve, the contract pipeline has been severely disrupted, officials said.

"Contracting officers don't know what they're allowed to

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### SHUTDOWN'S BOTTOM LINE

SAMPLING THE IMPACTS ON FEDERAL CONTRACTORS

Experiencing accounts receivable slowdowns	63%
Carrying additional debt	55%
Having to furlough employees	31%
Experiencing slow startups on funded projects	12%
Expecting losses	9%

<b>Of affected firms, those that work for . . .</b>	
Department of Defense	31%
Agency for International Development	15%
NASA	15%
Department of Health and Human Services	13%
Environmental Protection Agency	10%
State Department	8%
Department of Transportation	8%
Department of Housing and Urban Development	6%
Department of Energy	4%

# Federal Shutdowns Disrupt Contract Pipeline

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spend," Bersoff said yesterday. "The people who do the spending are very confused."

Rep. Thomas M. Davis III (R-Va.) said he has heard of many cases in which federal agencies have frozen contracts, even when they were not obligated to do so. In some cases, these actions may have violated federal policies and procurement laws, he said.

"We are simply not making good on these contracts," said Rep. James P. Moran (D-Va.).

Complaints by Davis and other members of Congress cannot be investigated without specifics, said Lawrence J. Haas, spokesman for the Office of Management and Budget. A good portion of the work that contractors lost out on during the furloughs can be made up later by extending contracts, he added.

"We are not aware of major problems [of contract management] that have arisen during the last four months," Haas said. "On the other hand, because we gave agencies gener-

al guidance . . . we obviously saw differences in how they interpreted [that]. We are operating as best we can in a situation that's unprecedented."

Contracting industry officials said their employees—not federal workers—are the true casualties in the unresolved budget feud between the White House and congressional Republicans.

"We are all pleased that federal government workers are back on the job," said Harris Miller, president of the Information Technology Association of America (ITAA), based in Arlington, which represents 6,700 high-tech federal contracting companies nationally.

Unlike federal workers, however, federal contractor employees almost certainly will not be reimbursed, according to the local congressional representatives at yesterday's press conference.

"I really don't think Congress and the public realize the burden our contractors have carried," Morella said.

Contractors are preparing administrative actions to try to force the fed-

eral government to pay back some of the lost revenue. Court action could follow if regulatory appeals fail, according to officials of Friedman & Fuller, a Rockville accounting firm that has about 50 federal contractor clients in the area.

Davis said he is seeking changes in federal procurement rules that would help contractors recover some of their losses. More liberal rules on overtime would permit accelerated work on some contracts and thus a faster flow of funds, for example, he said.

But he and his colleagues said they have found little support in Congress for proposals to repay contractors and their employees for the entire cost of the shutdowns.

"I don't think there's any real hope of getting federal contractors made whole," Moran said.