

agencies to solicit and consider flexible regulatory proposals and to explain the rationale for their actions. The RFA covers a wide range of small entities, including small businesses, not-for-profit organizations and small governmental jurisdictions.

Agencies must perform a review to determine whether a proposed or final rule will have a significant economic impact on a substantial number of small entities. If the determination is that it will, the agency must prepare a regulatory flexibility analysis as described in the RFA. However, if an agency determines that a proposed or final rule is not expected to have a significant economic impact on a substantial number of small entities, section 605(b) of the 1980 RFA provides that the head of the agency may so certify and a regulatory flexibility analysis is not required. The certification must include a statement providing the factual basis for this determination, and the reasoning should be clear.

The Small Business Administration (SBA) suggests that "small" entities can be identified either on the basis of employees or revenues. For this proposed rule, small entities are composed of two distinct groups: Aircraft operators and repair stations. The SBA suggests that aircraft operators with 1,500 or fewer employees are "small" entities. The aircraft operators consist of small part 121 operators and small part 135 operators. To determine the impact of the proposed rule on the 110 small part 121 operators and the 1,780 small part 135 operators, the FAA has estimated the annualized cost impact on these two categories of small entities separately, since the proposed rule's impacts differ.

The proposed rule could impose an estimated cost of \$4.5 million on the 110 small part 121 operators over the next 10 years. The average annualized cost per small operator is estimated at \$4,100. However, the FAA estimates that two will-carry operators would incur all six cost elements (manual revisions, database upgrades, recordkeeping, notifications, deficiency training, repair station training) and the annualized cost to each of these entities is estimated at \$82,400. The costs to will-not-carry operators would be lower since less training would be required. According to an SBA analysis of Bureau of Census data for scheduled air transportation firms, firms with fewer than 500 employees have average revenues of \$10.75 million. The estimated cost to each of these small entities is approximately eight-tenths of one percent of the average revenue of

\$107,531 of these firms. Thus none of the 110 small part 121 entities would incur a substantial economic impact in the form of higher annual costs as the result of the proposed rule.

The proposed rule could impose an estimated cost of \$32.6 million on the 1,780 small part 135 operators over the next 10 years. While the average annualized cost per small operator is estimated at \$1,800, some 49 will-carry entities would each incur annualized costs of \$7,600. These operators would incur higher training costs than will-not-carry operators. According to a Small Business Administration analysis of Bureau of Census data for non-scheduled air transportation firms, firms with fewer than 500 employees have average revenues of \$1.87 million. The estimated cost to each of these small entities is approximately four-tenths of one percent of the average revenue (\$18,700) of non-scheduled air transportation firms with fewer than 500 employees, based on the SBA analysis of Bureau of Census data, and thus none of the small part 135 entities would incur a substantial economic impact in the form of higher annual costs as the result of the proposed rule. Therefore, the FAA has determined that this proposed rule would not have a significant impact on a substantial number of small part 121 or part 135 operators.

The SBA suggests that "small" repair stations can be identified as those firms with annual revenues of \$5 million or less. Research conducted for the FAA indicates that approximately 56 percent of all domestic repair stations meet this criterion. The proposed rule is expected to impose an estimated cost of \$878,000 on the 1,935 small independent domestic part 145 repair stations. The average annualized cost to the 56 small repair stations that incur both cost elements (record submission and staff notification) is estimated at \$125. The FAA considers this amount economically insignificant. Therefore, the FAA has determined that this proposed rule would not have a significant impact on a substantial number of small entities. Accordingly, pursuant to the Regulatory Flexibility Act, 5 U.S.C. 605 (b), the Federal Aviation Administration certifies that this proposed rule would not have a significant economic impact on a substantial number of small entities.

VII. International Trade Impact Assessment

The Trade Agreement Act of 1979 prohibits Federal agencies from engaging in any standards or related activities that create unnecessary

obstacles to the foreign commerce of the United States. Legitimate domestic objectives, such as safety, are not considered unnecessary obstacles. The statute also requires consideration of international standards and where appropriate, that they be the basis for U.S. standards.

In accordance with the above statute, the FAA has assessed the potential effect of this proposed rule and has determined that it would impose costs on domestic entities that international entities operating into and out of the United States would not incur. However, the anticipated safety benefits warrant these costs and, therefore, these costs are not considered unnecessary obstacles to the foreign commerce of the United States.

VIII. Unfunded Mandates Reform Act Assessment

The Unfunded Mandates Reform Act of 1995 (the Act), enacted as Public Law 104-4 on March 22, 1995 is intended, among other things, to curb the practice of imposing unfunded Federal mandates on State, local, and tribal governments. Title II of the Act requires each Federal agency to prepare a written statement assessing the effects of any Federal mandate in a proposed or final rule that may result in a \$100 million or more expenditure (adjusted annually for inflation) in any one year by State, local, and tribal governments, in the aggregate, or by the private sector; such a mandate is deemed to be a "significant regulatory action." This proposed rule does not contain such a mandate. Therefore, the requirements of Title II of the Unfunded Mandates Reform Act of 1995 do not apply.

IX. Executive Order 13132, Federalism

The FAA has analyzed this proposed rule under the principles and criteria of Executive Order 13132, Federalism. The FAA has determined that this action would not have a substantial direct effect on the States, or the relationship between the national government of the United States, or on the distribution of power and responsibilities among the various levels of government. Therefore, the FAA determined that this notice of proposed rulemaking would not have Federalism implications.

X. Environmental Analysis

FAA Order 1050.1D defines FAA actions that may be categorically excluded from preparation of a National Environmental Policy Act (NEPA) environmental impact statement. In accordance with FAA Order 1050.1D, appendix 4, paragraph 4(j), this