

owns vast amounts of land. This development has significantly changed the size structure of firms engaged in these activities, and supports the need to establish a higher size standard.

Two commenters cited increased contractor costs as a basis for increasing the size standard. One commenter identified the increasing prevailing wages mandated by the U.S. Department of Labor; the increases in fuels costs for mechanical equipment, chain saws, and drip torches for igniting prescribed fires; and the use of specialty personal protective clothing and equipment as factors leading to the increased costs. Another commenter applauded the SBA's acknowledgment of the increased capital costs placed upon companies due to the Federal Government's reliance upon these firms.

The SBA agrees with these comments. As stated in the proposed rule, because of the shift in forest fire fighting and fuels management services policies by the Federal Government, many firms have had to make capital investments in equipment and specialized clothing. In addition, the SBA obtained from the National Interagency Fire Center (NIFC) information on the average fire crew labor costs for fiscal year 2002. This information shows that the Federal Government's labor costs contracted for fire crews range between \$23 and \$35 per hour, with an average being \$30 per hour. The level of labor costs and capital investments supports the SBA's proposal for a higher size standard.

One Federal agency commented that the increase will benefit the Government by increasing the number of viable small businesses eligible for small business set-aside awards for forest fire suppression and fuels management services. This agency noted that it has witnessed a decreasing number of business bidding on fuels reduction road maintenance contracts. Many of the firms no longer qualify under the \$6 million size standard. Many of these firms qualify under the higher size standard of their primary industry (e.g., Other Waste Collection (which includes brush removal) with a \$10.5 million size standard and Site Preparation Contractors with a \$12 million size standard). In addition, the agency is aware of one contractor who is already hiring fewer crews and refusing fire assignments in order to stay under the size standard.

The agency also expressed concern that it may receive little or no competition for small business set-aside projects because of the number of firms doing fire suppression work and who have also qualified to do prescribed burns are at or above the current size

standard. The commenter pointed out that substantial costs are incurred in the acquisition and maintenance of equipment as well as the training and retention of quality employees. In addition, the agency has several contractors who are now running crews under State contracts, and "with the number of fire emergencies in the 2 years, these firms are near or at the current size standard."

The agency's comments support the SBA's findings discussed in the proposed rule that due to the increased funding for fuels management services and the severe fire seasons, many firms who perform these services for the Federal Government have had a significant increase in their revenues. Without an increase to the size standard, the Federal Government may help small business to develop their abilities in forest fire suppression and fuels management services only to have them either restrict their growth or force the agency to find and develop a new group of inexperienced firms. This, coupled with the earlier comment that the Federal Government is the primary source of revenues for the industry, strongly supports increasing the current size standard.

#### **Comments Opposing a Size Standard Increase**

Four commenters opposed an increase to the current size standard because they believe that there are ample small businesses to perform fuels management services. One of these commenters provided calendar year 2000 data on the number of employees in the Support Activities for Forestry industry for the State of Oregon from the U.S. Bureau of Census' County Business Patterns statistical database. These data show that firms with 99 or less employees comprise 97% of the firms in Oregon, while 60% of the firms have four employees or less. This commenter also stated that in fiscal year 2001, using the BLM and the USFS databases for contracts awarded to firms in the States of Oregon and Washington, \$87 million was expended for forestry services. The average income per contractor was \$156,000, with the largest contractor capturing \$7.2 million. Only 16 firms captured more than \$1 million in work, while 396 captured contracts totaling \$100,000.

The SBA does not agree with the comment that a size standard increase is unnecessary. The information presented by one of the commenters does not accurately reflect all firms, nationwide, that are involved in forest fire suppression and fuels management services. When developing size

standards, the SBA looks at industry statistics on a national level, as its size standards affect all industry firms and Federal programs. One commenter relied on a Census Bureau report for the State of Oregon that presented information only on the number of employees in the Support Activities for Forestry industry. This report did not give data on industry receipts, which is a more accurate representation of the size distribution of firms in this industry because of its seasonal nature. The SBA's reasons for using receipts instead of employees were discussed in the proposed rule. In addition, the information presented by these commenters was for the entire Support Activities for Forest industry in Oregon, which includes firms that estimate timber, provide forest pest control services, consultant on wood attributes and reforestation, plant trees, and provide land treatment services. As explained in the proposed rule, the SBA could not use the Census Bureau data it usually relies upon to evaluate industry structure. Although that database (a special tabulation of the 1997 Economic Census) provides national industry data on firms by receipts size, it does not provide firm data on specific activities within the industry. Moreover, the significant increase in spending for forest fire suppression and fuels management services occurred after the 1997 Economic Census, and thus, the data do not reflect the impact of this increased spending on the size distribution of firms in the industry.

This commenter also presented Federal contract awards limited to firms in the States of Oregon and Washington for all forestry support services. As stated in the proposed rule, the SBA obtained information from the Federal Data Procurement Center on forest fire suppression and fuels management services contract awards from fiscal years 1998–2000, which showed that the contract awards to firms increased from \$29 million in fiscal year 1998 to \$173 million in fiscal year 2000. During that period the percentage of Federal contract award dollars to small business for forest fire suppression decreased from 76% to 51%. During the period of 1998 through the first two quarters of fiscal year 2002, the percentage of Federal contract award dollars to small business for fuels management decreased from 100% to 75%. The SBA believes that these trends reflect the changing composition of businesses in forest fire suppression and fuels management services and the need to establish a new size standard.

Two commenters stated that the SBA's approximation for forest fire