

suppression firm size is unrealistically large. These commenters stated that the SBA's estimate of 20 fire crews (one crew has 20 members) for 90 days is overestimated. They pointed out that the largest firms in the Pacific Northwest have 10 crews, and that 60 days is more of a realistic fire season. One of these commenters also used a labor cost of \$20.25 per hour.

The SBA does not agree with this comment. In the proposed rule, the SBA stated that it had received a request from an organization, representing forest fire suppression firms, to increase the

size standard for forest fire suppression and fuels management services to 500 employees or \$27.5 million. This organization justified its recommendations, in part, by stating that 20 fire crews for 90 days could generate \$10.8 million.

The SBA obtained information on fire crew lists and labor and engine rates on the national fire fighting contract from NIFC for the 2002 season. The national average labor rate for fire crews was \$30 per hour and the average rate for a fire engine was \$1,500 per day. The average number of fire crews was four and the

average number of engines was three. In addition, the 2002 fire season was unusually long, starting in April and ending in October, a 150–180 day season. Using this information the SBA calculated the potential revenues of firms engaged in forest fire suppression. With the extended fire season, the SBA recognized that the crews would not work everyday, and used a 120 estimate of days crews worked. The table below estimates the potential revenues by the number of crews.

TABLE 1.—POTENTIAL REVENUES BY NUMBER OF CREWS

Average hourly rate	12 hour work day	Average days worked	# of 20 person crews	Total # of employees	Potential 2002 revenues
\$30	12	120	4	80	\$3.5M
\$30	12	120	9	180	\$7.8M
\$30	12	120	15	300	\$12.9M

Using these estimates, the average firm with four crews would have the potential to generate \$3.5 million in revenues just from forest fire suppression activities. Add in the cost of three fire engines at \$1,500 per engine, \$4,500 per day, for the 120 days, \$540,000, and the average firm's 2002 revenues for just fire suppression is greater than \$4 million. Given that many of the firms that fight forest fires are in other industries, these firms potentially will have revenues in excess of \$6 million. The SBA believes that the size standard must be set at a level above \$6 million to properly take into account these higher cost activities.

Two commenters stated that increasing the size standard will cause greater market concentration in the fuels management services. Two other commenters stated that an increase would allow for "dominant industries" to out-compete small businesses.

The SBA disagrees with these comments. Federal procurement statistics show that there has been a dramatic drop in the percentage of award dollars going to small business in fuels management services. In 1998, 100% went to small businesses. However, in the first two quarters of fiscal year 2002 small business captured only 75% of the award dollars. The percentage of contract dollars going to small business will continue to decrease because of the dramatic increase in fire suppression dollars in 2002, the growth in Federal monies for fuels reduction, and because many of the fuels management firms also are forest fire suppression contractors. As discussed

in the proposed rule, the SBA believes that increasing the size standard will increase competition in the industry, thereby increasing opportunities for small business.

Seven commenters stated that the problem of size growth stems from the way the Federal Government is issuing contracts, *i.e.*, the size of each requirement, the use of Request for Proposals and Indefinite Delivery Indefinite Quantity (IDIQ) type contracts, and the bundling of requirements. Two of these commenters recommended that Federal land management agencies issue smaller contracts that would be accessible to smaller businesses. Both claimed that the rapid growth of the largest firms in the industry is a result of the Federal Government offering increasing large contracts.

The SBA does not agree with this comment. The SBA reviewed the fiscal year 2003 procurement forecasts for the BLM and USFS and found that these agencies were structuring their requirements for specific areas and not offering large bundled contracts. All but two of the BLM's fiscal year 2003 projected solicitations and three of the USFS fiscal year 2003 projected solicitations have estimated values not to exceed \$250,000. Also, this issue is not relevant to adopting or rejecting the proposed size standard. Additionally, issues concerning contract bundling relate to the structuring of individual procurements and therefore are separate from the SBA's determination of the appropriate small business size standard for a particular industry. For more

information about the SBA's efforts to address the impact of contract bundling on small businesses, see its recently proposed rule on this issue (68 FR 5134, dated January 31, 2003).

One commenter stated that \$15 million was not a small business. In fact, this commenter stated that \$1 million is larger than any small business operation existing in her area. The commenter claimed that a \$15 million business would not be a local forestry small business.

The SBA does not agree with this recommendation. Firms with revenues below \$1 million are not representative of all small businesses that perform forest fire suppression and fuels management contracts. Data the SBA analyzed on firms engaged in forest fire suppression and fuels management services clearly support a size standard above the current \$6 million size standard.

Separate Forest Fire Suppression and Fuels Management Services Categories

The SBA received five comments recommending that forest fire suppression be separated from fuels management services. All five commenters claimed that many of the small firms were well below the current size standard and are capable of doing fuels management services. Three of these commenters acknowledge that the forest fire suppression activity may have higher capital costs, start up costs, and training costs. These firms stated that the capital costs, start up costs, and training needs may be more limited for fuels management services. Two commenters claimed that combining