

nonpayroll costs per establishment for each industry. This is derived by first calculating the percent of receipts in an industry that are either retained or expended on costs other than payroll costs. (The figure comprising the numerator of this percentage is mostly composed of capitalization costs, overhead costs, materials costs, and the costs of goods sold or inventoried.) This percentage is then applied to average establishment receipts to arrive at nonpayroll costs per establishment (an establishment is a business entity operating at a single location). An industry with a significantly higher level of nonpayroll costs per establishment than that of the comparison group is likely to have higher start-up costs, which would tend to support a size standard higher than the anchor size standard. Conversely, if the industry showed a significantly lower nonpayroll costs per establishment when compared to the comparison group, the anchor size standard would be considered the appropriate size standard.

4. "Industry competition" is assessed by measuring the proportion or share of industry receipts obtained by firms that are among the largest firms in an industry. In this proposed rule, SBA compares the proportion of industry receipts generated by the four largest firms in the industry—generally referred to as the "four-firm concentration ratio—with the average four-firm concentration ratio for industries in the comparison groups. If a significant proportion of economic activity within the industry is concentrated among a few relatively large producers, SBA tends to set a size standard relatively higher than the anchor size standard in order to assist firms in a broader size range to compete with firms that are larger and more dominant in the industry. In general, however, SBA does not consider this to be an important factor in assessing a size standard if the four-firm concentration ratio falls below 40 percent for an industry under review.

5. "Impact of size standard revisions on SBA programs" refers to the possible impact a size standard change may have on the level of small businesses assistance. This assessment most often focuses on the proportion or share of Federal contract dollars awarded to small businesses in the industry in question. In general, the lower the share of Federal contract dollars awarded to small businesses in an industry which receives significant Federal procurement revenues, the greater is the justification for a size standard higher than the existing one.

Another factor to evaluate the impact of a proposed size standard on SBA programs is the volume of guaranteed loans within an industry and the size of firms obtaining those loans. This factor is sometimes examined to assess whether the current size standard may be restricting the level of financial assistance to firms in that industry. If small businesses receive significant amounts of assistance through these programs, or if the financial assistance is provided mainly to small businesses much lower than the size standard, a change to the size standard (especially if it is already above the anchor size standard) may not be necessary.

*Elimination of Base Maintenance size standard:* Currently, there are two size standards for activities in the Facilities Support Services industry—\$23 million for Base Maintenance and \$6 million for all other facilities support activities. In 1966, when SBA established a size standard for Base Maintenance, no facilities support related industry existed. Base Maintenance and other Facilities Support Services were classified under a general industry titled "Business Services, Not Elsewhere Classified," along with airplane rental, drafting services, lecture bureaus, and many other miscellaneous business services. The revisions to the 1972 Standard Industrial Classification (SIC) System moved facilities support activities to a new industry titled "Personnel Supply Services, Not Elsewhere Classified," which also consisted of temporary help services. The 1987 revisions to the SIC System eliminated this industry and established two new industries—"Facilities Support Management Services" and "Help Supply Services." In the absence of data on the new Facilities Support Management industry, SBA retained its \$13.5 million size standard for Base Maintenance and applied its \$3.5 million "nonmanufacturing anchor size standard" in effect at that time to all other industry activities.

The current NAICS industry description of Facilities Support Services is very similar to SBA's description of Base Maintenance (see footnotes 12 and 13 of 13 CFR 121.201). Facilities Support Services comprises establishments providing staff to perform a range of support services within a client's facilities. They do not provide staff to perform the core responsibilities of the client. SBA defines Base Maintenance in a similar manner, but limits the sub-industry to services and special trade activities related to supporting a specific base operation. SBA believes that firms performing Base Maintenance services

also perform, or have the capability to perform, most other facilities support activities. Given the close similarity of the descriptions of Facilities Support Services and Base Maintenance, SBA believes a single size standard is appropriate for all activities within the Facilities Support Services industry.

*Evaluation of Industry Size Standard:*

The two tables below show the characteristics for the Facilities Support Services industry and for the two comparison groups. The first comparison group is comprised of all industries with a \$6 million receipts-based size standard, referred to as the nonmanufacturing anchor group. Since SBA assumes that the \$6 million anchor size standard is appropriate for a nonmanufacturing industry, this is the most logical set of industries to group together for the industry analysis to assess whether a size standard at the anchor size standard or higher is appropriate. The second comparison group consists of nonmanufacturing industries which have the highest levels of receipt-based size standards established by SBA, referred to as the nonmanufacturing higher-level size standard group. Size standards for these industries range from \$21 million to \$29 million. If an industry's characteristics are significantly larger than those of the nonmanufacturing anchor group, SBA will compare them to the characteristics of the higher-level size standards group. By doing so, SBA can assess if a size standard among its highest receipts-based size standards is appropriate or whether an intermediate size standard between the anchor size standard and the higher size standards should be selected.

SBA examined economic data on the Facilities Support Services industry and the comparison group industries taken from a special tabulation of the 1997 Economic Census prepared under contract by the U.S. Bureau of the Census (Census), Federal contract award data for fiscal years 1999–2001 from the U.S. General Services Administration's Federal Procurement Data Center, and loan data from SBA's internal data base for SBA guaranteed loans.

*Industry Structure Consideration:*

Table 1 below examines the size distribution of firms. For this factor, SBA is evaluating the size of firm that accounts for predetermined percentages of total industry receipts (40 percent, 50 percent, 60 percent, and 70 percent). The table shows firms up to a specific size that, along with smaller firms, account for a specific percentage of total industry receipts.

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