

certified to the Counsel for Advocacy of the Small Business Administration that this proposed rule would not have a significant economic impact on a substantial number of small entities. An entity's potential burden under this rule would vary based on four factors; whether its submissions require additional documents; its pre-existing hardware and software; whether its documents are already in text searchable PDF format; and, if they are not, whether documents in such format can be created directly from other computer files or whether they must be scanned from paper documents.

Some entities might incur no additional burden because of this rule. These are the entities whose submissions require no accompanying documents, those who are already creating the documents in text searchable PDF format and those who are already creating the documents using software that is capable of producing the same documents in PDF text searchable format. BIS does not have accurate data on the number of entities that fall into this category, but based on a recent sample from its internal database, BIS projects that as many as half of the submissions that it receives do not require any accompanying documents.

Some entities might incur only a software acquisition burden because of this rule. These are the entities whose accompanying documents are already created using software that cannot produce PDF files directly, but that can produce such files with additional software that the entity can purchase. BIS estimates that such an entity with a small operation would incur an initial expense of approximately \$325 to acquire that software necessary to comply with this rule. This estimate is based on the price of Adobe Acrobat® Standard Edition (\$299) as posted on the Adobe Corporation Web site on August 13, 2003 plus any taxes or shipping charges.

Some entities might incur software and hardware acquisition costs and labor costs associated with a submission. These are the entities who will need to scan in paper documents and make them text searchable and who do not presently have either hardware or software capable of performing these functions. In some instances, the entity could utilize software that comes bundled with a scanner to comply with this requirement. In such instances, BIS estimates that the entity would incur an initial cost of approximately \$300 (to purchase the scanner) to comply with this rule. In some cases, particularly if the entity has to scan numerous

complex paper documents and make them text searchable, the costs could be higher. BIS estimates that the initial costs for an entity facing such a situation would be approximately \$1,100. This estimate is based on a price of \$300 for Adobe Acrobat® Standard Edition software, \$400 for Adobe Capture® software, \$300 for a scanner and \$100 for taxes and shipping charges.

Entities who have to scan paper documents may also incur labor costs to proofread and correct mistakes that may occur when a computer converts images to text. BIS estimates that, depending on the complexity of the document, proofreading could take from 5 minutes to 20 minutes per page. In a recent random sampling of submissions recorded in BIS's databases, the number of supporting or explanatory pages associated with an individual submission varied from a low of zero to a high of 33 pages. A typical submission with attachments had about eight pages attached. However, BIS has no way of telling which attachments could be generated electronically and which would require scanning and proofreading. Assuming an average of 8 pages per document and labor costs for proofreading documents at \$25 per hour, this cost would range from \$16.67 to \$100 per submission. BIS believes that this cost would not be incurred by entities that are able to produce the PDF documents from an electronic source because of the accuracy of the process for generating text in PDF files produced from such sources.

Electronic filing would yield some cost savings to offset part or all of these costs. If a submission relates to attachments from an earlier submission, the submitter could refer to the previous file instead of supplying new attached documents. Currently, in many instances, attachments are submitted to BIS by overnight courier. Electronic filing would eliminate these courier costs. In addition, BIS internally uses an electronic system to process all submissions that are subject to this proposed rule, whether it receives the submission on paper or electronically. However, the attachments are all on paper, creating delays as paper documents are moved to the technical personnel in BIS and in other government agencies. Electronic attachments are likely to reduce evaluation time, *i.e.*, the total time from submission to final decision, by several days.

BIS does not collect data on the size of entities that file these submissions. However, based on the information that it does possess, BIS believes that fewer

than 400 small entities are likely to be affected by this rule. BIS arrived at this conclusion by identifying all of the entities that filed four or more submissions during the period from January 1, 2002 to May 13, 2003. A total of 591 entities were identified. BIS determined that 120 of these are not small businesses because they are corporations, or affiliates thereof, that were listed in the Fortune 500 listing of April 14, 2003, or the Fortune Global 500 listing of July 22, 2002, or because the entity's Web site indicated sales in the most recent year in excess of \$100 million. The lowest reported sales figures for 2003 Fortune 500 and the 2002 Fortune Global 500 were \$2.9 billion and \$10 billion, respectively. Of the remaining 471 entities, 44 submitted export license applications totaling more than \$10 million and an additional 21 submitted license applications between \$5 million and \$10 million during the period. Although BIS does not know their sales volumes or employment levels, companies anticipating such levels of export sales are unlikely to be small businesses.

Because many industries may be involved in exporting, BIS could not directly relate its data to the "Small Business Size Standards Matched to North American Industry Classification System" published by the Small Business Administration (SBA). However, BIS notes that the range of annual sales among industries in that publication that could be involved in exporting is from \$0.75 to \$6 million.¹ It is likely that many of the 406 remaining entities would not meet the small business standard established by the SBA. In addition, some of these entities may either file submissions that do not require attachments or already create text searchable PDF files of the documents that must be attached or already create the documents using software that can create PDF files directly. For these entities, the rule creates no new burden.

For two industries that are included in BIS's data, the SBA criteria is number of employees. These two industries are semiconductor manufacturing for which the level is 500 employees and small arms manufacturing, for which the level is 1,000 employees. BIS identified employee levels via the Web sites for several semiconductor manufacturers that appeared in its data. All of these had more than 500 employees. In addition, they all had more than \$100

¹ Several categories of construction contractors had sales cutoff levels ranging up to \$28.5 million. However, such companies are unlikely to engage in activities that require export licenses.