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It is DOE’s policy that all comments may be included in the public docket, without change and as received, including any personal information provided in the comments (except information deemed to be exempt from public disclosure).

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[ApplianceStandardsQuestions@ee.doe.gov](mailto:ApplianceStandardsQuestions@ee.doe.gov).

### Signing Authority

This document of the Department of Energy was signed on May 15, 2021, by Kelly Speakes-Backman, Principal Deputy Assistant Secretary and Acting Assistant Secretary for Energy Efficiency and Renewable Energy, pursuant to delegated authority from the Secretary of Energy. That document with the original signature and date is maintained by DOE. For administrative purposes only, and in compliance with requirements of the Office of the Federal Register, the undersigned DOE **Federal Register** Liaison Officer has been authorized to sign and submit the document in electronic format for publication, as an official document of the Department of Energy. This administrative process in no way alters the legal effect of this document upon publication in the **Federal Register**.

Signed in Washington, DC, on May 15, 2021.

**Treena V. Garrett,**  
Federal Register Liaison Officer, U.S.  
Department of Energy.

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## SMALL BUSINESS ADMINISTRATION

### 13 CFR Part 121

RIN 3245–AH10

#### Small Business Size Standards: Wholesale Trade; Retail Trade

**AGENCY:** U.S. Small Business Administration.

**ACTION:** Proposed rule.

**SUMMARY:** The U.S. Small Business Administration (SBA or the Agency) proposes to increase its receipts-based and employee-based small business size definitions (commonly referred to as “size standards”) for North American Industry Classification System (NAICS) sectors related to Wholesale Trade and Retail Trade. SBA proposes to increase size standards for 49 industries in those sectors, including 14 industries in NAICS Sector 42 (Wholesale Trade) and 35 industries in NAICS Sector 44–45 (Retail Trade). SBA’s proposed revisions rely on its recently revised “Size Standards Methodology” (Methodology). SBA seeks comments on its proposed changes to size standards in the above sectors and the data sources it evaluated to develop the proposed size standards.

**DATES:** SBA must receive comments to this proposed rule on or before July 26, 2021.

**ADDRESSES:** Identify your comments by RIN 3245-AH10 and submit them by one of the following methods: (1) *Federal eRulemaking Portal:* [www.regulations.gov](http://www.regulations.gov). Follow the instructions for submitting comments; or (2) *Mail/Hand Delivery/Courier:* Khem R. Sharma, Ph.D., Chief, Office of Size Standards, 409 Third Street SW, Mail Code 6530, Washington, DC 20416.

SBA will post all comments to this proposed rule on [www.regulations.gov](http://www.regulations.gov). If you wish to submit confidential business information (CBI) as defined in the User Notice at [www.regulations.gov](http://www.regulations.gov), you must submit such information to U.S. Small Business Administration, Khem R. Sharma, Ph.D., Chief, Office of Size Standards, 409 Third Street SW, Mail Code 6530, Washington, DC 20416, or send an email to [sizestandards@sba.gov](mailto:sizestandards@sba.gov). Highlight the information that you consider to be CBI and explain why you believe SBA should hold this information as confidential. SBA will review your information and determine whether it will make the information public.

**FOR FURTHER INFORMATION CONTACT:** Jorge Laboy-Bruno, Ph.D., Economist, Office of Size Standards, (202) 205-6618 or [sizestandards@sba.gov](mailto:sizestandards@sba.gov).

**SUPPLEMENTARY INFORMATION:**

**Discussion of Size Standards**

To determine eligibility for Federal small business assistance, SBA

establishes small business size definitions (usually referred to as “size standards”) for private sector industries in the United States. SBA uses two primary measures of business size for size standards purposes: Average annual receipts and average number of employees. SBA uses financial assets for certain financial industries and refining capacity, in addition to employees, for the petroleum refining industry to measure business size. In addition, SBA’s Small Business Investment Company (SBIC), Certified Development Company (504/CDC), and 7(a) Loan Programs use either the industry-based size standards or tangible net worth and net income-based alternative size standards to determine eligibility for those programs.

In September 2010, Congress passed the Small Business Jobs Act of 2010 (Pub. L. 111-240, 124 Stat. 2504, September 27, 2010) (“Jobs Act”), requiring SBA to review all size standards every 5 years and make necessary adjustments to reflect current industry and market conditions. In accordance with the Jobs Act, in early 2016, SBA completed the first 5-year review of all size standards—except those for agricultural enterprises for which size standards were previously set by Congress—and made appropriate adjustments to size standards for a number of industries to reflect current industry and Federal market conditions.

During this comprehensive review of size standards, SBA is reviewing industry size standards by groups of

NAICS sectors. During the previous 5-year comprehensive review, SBA generally reviewed NAICS sectors independently and by their employee-based or receipt-based size standard. Thus, during the previous comprehensive review, the review of size standards for the industries covered by this proposed rule was conducted under two separate rulemakings: One for receipts-based size standards in Sector 44-45 (75 FR 61597, October 6, 2010) and one for employee-based size standards in Sector 42 and two employee-based industries in Sector 44-45 (81 FR 3941, January 25, 2016). Under these rulemakings, SBA reviewed the size standards for 71 industries within NAICS Sector 42 (Wholesale Trade) and 74 industries within NAICS Sector 44-45 (Retail Trade). These reviews of size standards occurred during October 2009 to January 2016. SBA’s analyses of the relevant industry data available at that time supported increasing employee-based size standards for 46 industries and maintaining current size standards for 25 industries in Sectors 42 and 44-45 (81 FR 3941) and increasing receipts-based size standards for 46 industries, maintaining current size standards for 27 industries and replacing the type of size standard from receipts-based to employee-based size standards for 1 industry in Sector 44-45 (75 FR 61597). Table 1, Size Standards Revisions During the First 5-Year Review, provides a summary of these revisions by NAICS sector.

TABLE 1—SIZE STANDARDS REVISIONS DURING THE FIRST 5-YEAR REVIEW

Sector	Sector name	Number of size standards reviewed	Number of size standards increased	Number of size standards decreased	Number of size standards maintained	Number of type of size standards changed
42 .....	Wholesale Trade .....	71	46	0	25	0
44-45 .....	Retail Trade * .....	74	46	0	27	1
Total .....	.....	145	92	0	52	1

\* The evaluation of this sector used the 2007 NAICS structure.

Currently, there are 27 different size standards levels covering 1,023 NAICS industries and 14 subindustry activities (commonly known as “exceptions” in SBA’s table of size standards). Of these size levels, 16 are based on average annual receipts, 9 are based on average number of employees, and 2 are based on other measures.

SBA also adjusts its monetary-based size standards for inflation at least once every 5 years. An interim final rule on SBA’s latest inflation adjustment to size standards, effective August 19, 2019,

was published in the **Federal Register** on July 18, 2019 (84 FR 34261). SBA also updates its size standards every 5 years to adopt the Office of Management and Budget’s (OMB) quinquennial NAICS revisions to its table of small business size standards. Effective October 1, 2017, SBA adopted the OMB’s 2017 NAICS revisions to its size standards (82 FR 44886, September 27, 2017).

This proposed rule is one of a series of proposed rules that will review size standards of industries grouped by

various NAICS sectors. Rather than review all size standards at one time, SBA is reviewing size standards by grouping industries within various NAICS sectors that use the same size measure (*i.e.*, employees or receipts). In the current review, SBA will review size standards in 6 groups of NAICS sectors. (In the prior review, SBA reviewed size standards mostly on a sector-by-sector basis.) Once SBA completes its review of size standards for a group of sectors, it issues for public comment a proposed rule to revise size standards for those

industries based on the latest available data and other factors deemed relevant by the SBA's Administrator.

Below is a discussion of SBA's revised "Size Standards Methodology" (Methodology), available at [www.sba.gov/size](http://www.sba.gov/size), for establishing, reviewing, or modifying employee-based size standards that SBA has applied to this proposed rule. SBA examines the structural characteristics of an industry as a basis to assess industry differences and the overall degree of competitiveness of an industry and of firms within the industry. Industry structure is typically examined by analyzing four primary factors—average firm size, degree of competition within an industry, start-up costs and entry barriers, and distribution of firms by size. To assess the ability of small businesses to compete for Federal contracting opportunities under the current size standards, as the fifth primary factor, SBA also examines, for each industry averaging \$20.0 million or more in average annual Federal contract dollars, the small business share of Federal contract dollars relative to the small business share of total industry receipts. When necessary, SBA also considers other secondary factors that are relevant to the industries and the interests of small businesses, including impacts of size standards changes on small businesses.

### Size Standards Methodology

SBA has recently revised its Methodology for establishing, reviewing, or modifying size standards when necessary. See the notification in the April 11, 2019, edition of the **Federal Register** (84 FR 14587). The revised Methodology is available on SBA's size standards web page at [www.sba.gov/size](http://www.sba.gov/size). Prior to finalizing the revised Methodology, SBA issued a notification in the April 27, 2018 edition of the **Federal Register** (83 FR 18468) to solicit comments from the public and notify stakeholders of the proposed changes to the Methodology. SBA considered all public comments in finalizing the revised Methodology. For a summary of comments and SBA's responses, refer to the SBA's April 11, 2019, **Federal Register** notification cited above.

The revised Methodology represents a major change from the previous methodology, which was issued on October 21, 2009 (74 FR 53940). Specifically, in its revised Methodology, SBA is replacing the "anchor" approach applied in the previous methodology with a "percentile" approach for evaluating differences in characteristics among various industries. Under the

"anchor" approach, SBA generally evaluated the characteristics of individual industries relative to the average characteristics of industries with the anchor size standard to determine whether they should have a higher or a lower size standard than the anchor. In the "percentile" approach, SBA ranks each industry among all industries with the same measure of size standards (such as receipts or employees) in terms of four primary industry factors, discussed in the Industry Analysis subsection below. The "percentile" approach is explained more fully in the Industry Analysis section of this proposed rule. For a more detailed explanation, please see the revised Methodology at [www.sba.gov/size](http://www.sba.gov/size).

Additionally, as the fifth factor, SBA evaluates the difference between the small business share of Federal contract dollars and the small business share of total industry receipts to compute the size standard for the Federal contracting factor. The overall size standard for an industry is then obtained by averaging all size standards supported by each primary factor. The evaluation of the Federal contracting factor is explained more fully in the industry analysis section below.

SBA does not apply all aspects of its Methodology to all proposed rules because not all features are relevant for every industry covered by each proposed rule. For example, since NAICS codes in the Wholesale Trade and Retail Trade sectors cannot be used to classify Government acquisitions for supplies, and only the applicable manufacturing code can be applied (13 CFR 121.402(b)(2)), the Federal contracting factor is not considered in evaluating industry based size standards for these sectors. SBA's Methodology is available on its website at [www.sba.gov/size](http://www.sba.gov/size).

### Industry Analysis

Congress granted SBA's Administrator discretion to establish detailed small business size standards (15 U.S.C. 632(a)(2)). Specifically, section 3(a)(3) of the Small Business Act (15 U.S.C. 632(a)(3)) requires that ". . . the [SBA] Administrator shall ensure that the size standard varies from industry to industry to the extent necessary to reflect the differing characteristics of the various industries and consider other factors deemed to be relevant by the Administrator." Accordingly, the economic structure of an industry is the basis for establishing, reviewing, or modifying small business size standards. In addition, SBA considers current economic conditions, its

mission and program objectives, the Administration's current policies, impacts on small businesses under current size and proposed or revised size standards, suggestions from industry groups and Federal agencies, and public comments on the proposed rule. SBA also examines whether a size standard based on industry and other relevant data successfully excludes businesses that are dominant in the industry.

The goal of SBA's size standards review is to determine whether its existing small business size standards reflect the current industry structure and Federal market conditions and revise them when the latest available data suggest that revisions are warranted. In the past, SBA compared the characteristics of each industry with the average characteristics of a group of industries associated with the "anchor" size standard. For example, in the first 5-year comprehensive review of size standards under the Jobs Act, \$7.0 million (now \$8.0 million due to the inflation adjustment in 2019; see 84 FR 34261, July 18, 2019) was considered the "anchor" for receipts-based size standards and 500 employees was the "anchor" for employee-based size standards. If the characteristics of a specific industry under review were similar to the average characteristics of industries in the anchor group, SBA generally adopted the anchor size standard for that industry. If the specific industry's characteristics were significantly different from those in the anchor group, SBA assigned a size standard that was higher or lower than the anchor. To determine a size standard above or below the anchor size standard, SBA evaluated the characteristics of a second comparison group of industries with higher size standards. For industries with receipts-based standards, including the Retail Trade industries, the second comparison group consisted of industries with size standards between \$23.0 million and \$35.5 million, with the weighted average size standard for the group equaling \$29.0 million. For manufacturing industries and other industries with employee-based size standards (except for Wholesale Trade and Retail Trade), the second comparison group included industries with a size standard of 1,000 employees or 1,500 employees, with the weighted average size standard of 1,323 employees. Using the anchor size standard and average size standard for the second comparison group, SBA computed a size standard for an industry's characteristic (factor) based

on the industry's position for that factor relative to the average values of the same factor for industries in the anchor and second comparison groups.

For Wholesale Trade and Retail Trade industries using the employee-based size standards, SBA used a different approach. The anchor approach was difficult to implement in reviewing the size standards of industries in Wholesale Trade because all the industries in the sector were sharing the same 100-employee size standard. SBA used a quintile approach in which industries were ranked and compared using each industry factor based on where the factor of that industry falls within the five ranked quintiles. The five implied size standard levels were 50 employees, 100 employees, 150 employees, 200 employees, and 250 employees. If the value of an industry factor fell in the first quintile (*i.e.*, less than the 20th percentile), that factor would support a size standard of 50 employees. If the value fell in the second quintile (*i.e.*, the 20th to less than the 40th percentile), it would support 100 employees. Similarly, if the value falls in the fifth quintile (*i.e.*, the 80th or higher percentile), the factor would support 250 employees. Under the "percentile" approach, for each industry factor, an industry is ranked and compared with the 20th percentile and 80th percentile values of that factor among the industries sharing the same measure of size standards (*i.e.*, receipts or employees). Combining that result with the 20th percentile and 80th percentile values of size standards among the industries with the same measure of size standards, SBA computes a size standard supported by each industry factor for each industry. In the previous Methodology, comparison industry groups were predetermined independent of the data, while in the revised Methodology they are established using the actual data. A more detailed description of the percentile method is provided in SBA's Methodology, available at [www.sba.gov/size](http://www.sba.gov/size).

The primary factors that SBA evaluates to examine industry structure include average firm size, startup costs and entry barriers, industry competition, and distribution of firms by size. SBA also evaluates, as an additional primary factor, small business success in receiving Federal contracting assistance under the current size standards. Specifically, for the Federal contracting factor, SBA examines the small business share of Federal contract dollars relative to small business share of total receipts within an industry. These are, generally, the

five most important factors SBA examines when establishing, reviewing, or revising a size standard for an industry. However, SBA will also consider and evaluate other secondary factors that it believes are relevant to a particular industry (such as technological changes, growth trends, SBA financial assistance, and other program factors). SBA also considers possible impacts of size standard revisions on eligibility for Federal small business assistance, current economic conditions, the Administration's policies, and suggestions from industry groups and Federal agencies. Public comments on proposed rules also provide important additional information. SBA thoroughly reviews all public comments before making a final decision on its proposed revisions to size standards. Below are brief descriptions of each of the five primary factors that SBA has evaluated for each industry being reviewed in this proposed rule. A more detailed description of this analysis is provided in the SBA's Methodology, available at [www.sba.gov/size](http://www.sba.gov/size).

#### 1. Average Firm Size

SBA computes two measures of average firm size: Simple average and weighted average. For industries with receipts-based size standards, the simple average is the total receipts of the industry divided by the total number of firms in the industry. The weighted average firm size is the summation of all the receipts of the firms in an industry multiplied by their share of receipts in the industry. The simple average weighs all firms within an industry equally regardless of their size. The weighted average overcomes that limitation by giving more weight to larger firms. The size standard supported by average firm size is obtained by averaging size standards supported by simple average firm size and weighted average firm size.

If the average firm size of an industry is higher than the average firm size for most other industries, this would generally support a size standard higher than the size standards for other industries. Conversely, if the industry's average firm size is lower than that of most other industries, it would provide a basis to assign a lower size standard as compared to size standards for most other industries.

#### 2. Startup Costs and Entry Barriers

Startup costs reflect a firm's initial size in an industry. New entrants to an industry must have sufficient capital and other assets to start and maintain a viable business. If firms entering an

industry under review have greater capital requirements than firms in most other industries, all other factors remaining the same, this would be a basis for a higher size standard. Conversely, if the industry has smaller capital needs compared to most other industries, a lower size standard would be considered appropriate.

Given the lack of actual data on startup costs and entry barriers by industry, SBA uses average assets as a proxy for startup costs and entry barriers. To calculate average assets, SBA begins with the sales to total assets ratio for an industry from the Risk Management Association's Annual Statement Studies, available at <https://rmmau.org>. SBA then applies these ratios to the average receipts of firms in that industry obtained from the Economic Census tabulation. An industry with average assets that are significantly higher than most other industries is likely to have higher startup costs; this in turn will support a higher size standard. Conversely, an industry with average assets that are similar to or lower than most other industries is likely to have lower startup costs; this will support either lowering or maintaining the size standard.

#### 3. Industry Competition

Industry competition is generally measured by the share of total industry receipts generated by the largest firms in an industry. SBA generally evaluates the share of industry receipts generated by the four largest firms in each industry. This is referred to as the "4-firm concentration ratio," a commonly used economic measure of market competition. Using the 4-firm concentration ratio, SBA compares the degree of concentration within an industry to the degree of concentration of the other industries with the same measure of size standards. If a significantly higher share of economic activity within an industry is concentrated among the four largest firms compared to most other industries, all else being equal, SBA would set a size standard that is relatively higher than for most other industries. Conversely, if the market share of the four largest firms in an industry is appreciably lower than the similar share for most other industries, the industry will be assigned a size standard that is lower than those for most other industries.

#### 4. Distribution of Firms by Size

SBA examines the shares of industry total receipts accounted for by firms of different receipts and employment sizes in an industry. This is an additional

factor SBA considers in assessing competition within an industry besides the 4-firm concentration ratio. If the preponderance of an industry's economic activity is attributable to smaller firms, this generally indicates that small businesses are competitive in that industry, which would support adopting a smaller size standard. A higher size standard would be supported for an industry in which the distribution of firms indicates that most of the economic activity is concentrated among the larger firms.

Concentration is a measure of inequality of distribution. To determine the degree of inequality of distribution in an industry, SBA computes the Gini coefficient, using the Lorenz curve. The Lorenz curve presents the cumulative percentages of units (firms) along the horizontal axis and the cumulative percentages of receipts (or other measures of size) along the vertical axis. (For further detail, see SBA's Methodology on its website at [www.sba.gov/size](http://www.sba.gov/size).) Gini coefficient values vary from zero to one. If receipts are distributed equally among all the firms in an industry, the value of the Gini coefficient will equal zero. If an industry's total receipts are attributed to a single firm, the Gini coefficient will equal one.

SBA compares the degree of inequality of distribution for an industry under review with other industries with the same type of size standards. If an industry shows a higher degree of inequality of distribution (hence, a higher Gini coefficient value) compared to most other industries in the group, this would, all else being equal, warrant a size standard that is higher than the size standards assigned to most other industries. Conversely, an industry with lower degree of inequality (*i.e.*, a lower Gini coefficient value) than most others will be assigned a lower size standard relative to others.

##### 5. Federal Contracting

As the fifth factor, SBA examines the success small businesses are having in winning Federal contracts under the current size standard, as well as the possible impact a size standard change may have on Federal small business contracting opportunities. The Small Business Act requires the Federal Government to ensure that small businesses receive a "fair proportion" of Federal contracts. The legislative history also discusses the importance of size standards in Federal contracting. To incorporate the Federal contracting factor in the size standards analysis, SBA evaluates small business participation in Federal contracting in

terms of the share of total Federal contract dollars awarded to small businesses relative to the small business share of the industry's total receipts. In general, if the share of Federal contract dollars awarded to small businesses in an industry is significantly smaller than the small business share of total industry receipts, all else remaining the same, a justification would exist for considering a size standard higher than the current size standard. In cases where small business share of the Federal market is already appreciably high relative to the small business share of the overall market, SBA generally assumes that the existing size standard is adequate with respect to the Federal contracting factor.

The disparity between the small business Federal market share and industry-wide small business share may be due to various factors, such as extensive administrative and compliance requirements associated with Federal contracts, the different skill set required to perform Federal contracts as compared to typical commercial contracting work, and the size of Federal contracts. These, as well as other factors, are likely to influence the type of firms within an industry that compete for Federal contracts. By comparing the small business Federal contracting share with the industry-wide small business share, SBA includes in its size standards analysis the latest Federal market conditions. In addition to the impact on Federal contracting, SBA also examines impacts on SBA's loan programs both under the current and revised size standards.

As explained above, the Federal contracting factor is not evaluated for Sectors 42 and 44–45, because the NAICS codes in these sectors cannot be used to classify Government acquisitions for supplies, and only the applicable manufacturing NAICS codes can be applied (13 CFR 121.402(b)(2)).

##### Sources of Industry and Program Data

SBA used a tabulation of the Economic Census from the U.S. Census Bureau as its primary source of industry data to evaluate industry characteristics and develop size standards for this proposed rule ([www.census.gov/programs-surveys/economic-census.html](http://www.census.gov/programs-surveys/economic-census.html)). The tabulation based on the 2012 Economic Census was the latest available at the time this proposed rule was developed. The special tabulation provides industry data on the number of firms, number of establishments, number of employees, annual payroll, and annual receipts of companies by Industry (6-digit level), Industry Group (4-digit level), Subsector

(3-digit level), and Sector (2-digit level). These data are arrayed by various classes of firms' size based on the overall number of employees and receipts of the entire enterprise (all establishments and affiliated firms) from all industries. The special tabulation also contains information for different levels of NAICS categories on average and median firm size in terms of both receipts and employment, total receipts generated by the four and eight largest firms, the Herfindahl-Hirschman Index (HHI), the Gini coefficient, and size distributions of firms by various receipts and employment size groupings.

In some cases where data were not available due to disclosure prohibitions in the Census Bureau's tabulation, SBA either estimated missing values using available relevant data or examined data at a higher level of industry aggregation, such as at the NAICS Sector (2-digit), Subsector (3-digit), or Industry Group (4-digit) level. In some instances, SBA's analysis was based only on those factors for which data were available or estimates of missing values were possible.

To evaluate some industries that are not covered by the Economic Census, SBA used a similar special tabulation of the latest County Business Patterns (CBP) published by the U.S. Census Bureau ([www.census.gov/programs-surveys/cbp.html](http://www.census.gov/programs-surveys/cbp.html)). Similarly, to evaluate industries in NAICS Sector 11 that are also not covered by the Economic Census and CBP, SBA evaluated a similar special tabulation based on the 2012 Census of Agriculture ([www.nass.usda.gov](http://www.nass.usda.gov)) from the National Agricultural Statistics Service (NASS). Besides the Economic Census, Agricultural Census and CBP tabulations, SBA also evaluates relevant industry data from other sources when necessary, especially for industries that are not covered by the Economic Census or CBP. These include the Quarterly Census of Employment and Wages (QCEW, also known as ES–202 data) ([www.bls.gov/cew/](http://www.bls.gov/cew/)) and Business Employment Dynamics (BED) data ([www.bls.gov/bdm/](http://www.bls.gov/bdm/)) from the U.S. Bureau of Labor Statistics. Similarly, to evaluate certain financial industries that have asset-based size standards, SBA examines the data from the Statistics on Depository Institutions (SDI) database ([www5.fdic.gov/sdi/main.asp](http://www5.fdic.gov/sdi/main.asp)) of the Federal Depository Insurance Corporation (FDIC) data. Finally, to evaluate the capacity component of the Petroleum Refiners (NAICS 324110) size standard, SBA evaluates the petroleum production data from the Energy Information Administration ([www.eia.gov](http://www.eia.gov)).

To calculate average assets, SBA used sales to total assets ratios from the Risk Management Association's Annual eStatement Studies (<https://rmau.org>). To evaluate Federal contracting trends and evaluate exceptions or sub-industries under different 6-digit NAICS industries, SBA examined the data on Federal prime contract awards from the Federal Procurement Data System—Next Generation (FPDS-NG) ([www.fpds.gov](http://www.fpds.gov)). To assess the impact on financial assistance to small businesses, SBA examined its internal data on 7(a) and 504 loan programs. For some portion of impact analysis, SBA also evaluated the data from the System of Award Management (SAM) ([www.sam.gov](http://www.sam.gov)).

Data sources and estimation procedures SBA uses in its size standards analysis are documented in detail in SBA's Methodology, which is available at [www.sba.gov/size](http://www.sba.gov/size).

### Dominance in Field of Operation

Section 3(a) of the Small Business Act (15 U.S.C. 632(a)) defines a small business concern as one that is: (1) Independently owned and operated; (2) not dominant in its field of operation; and (3) within a specific small business definition or size standard established by the SBA Administrator. SBA considers as part of its evaluation whether a business concern at a proposed size standard would be dominant in its field of operation. For this, SBA generally examines the industry's market share of firms at the proposed or revised size standard as well as the distribution of firms by size. Market share and size distribution may indicate whether a firm can exercise a major controlling influence on a national basis in an industry where a significant number of business concerns are engaged. If a contemplated size standard includes a dominant firm, SBA will consider a lower size standard to exclude the dominant firm from being defined as small.

### Selection of Size Standards

In the 2009 Methodology, which SBA applied to the first 5-year comprehensive review of size standards, SBA adopted a fixed number of size standards levels as part of its effort to simplify size standards. In response to public comments to the 2009 Methodology white paper, and the 2013 amendment to the Small Business Act (section 3(a)(8)) under section 1661 of the National Defense Authorization Act for Fiscal Year 2013 ("NDAA 2013") (Pub. L. 112–239, January 2, 2013), in the revised Methodology, SBA has relaxed the limitation on the number of

small business size standards. Specifically, section 1661 of NDAA 2013 states "SBA cannot limit the number of size standards, and shall assign the appropriate size standard to each industry identified by NAICS."

In the revised Methodology, SBA calculates a separate size standard for each NAICS industry. However, to account for errors and limitations associated with various data SBA evaluates in the size standards analysis, SBA rounds the calculated size standard value for a receipts-based size standard to the nearest \$500,000, except for agricultural industries in Subsectors 111 and 112 for which the calculated size standards will be rounded to the nearest \$250,000. Similarly, the calculated value for an employee-based size standard is rounded to the nearest 50 employees for industries in manufacturing and other sectors (except Wholesale Trade and Retail Trade) and to the nearest 25 employees for industries in Wholesale Trade and Retail Trade. This rounding procedure is applied both in calculating a size standard for each of the five primary factors and in calculating the overall size standard for the industry.

As a policy decision, SBA continues to maintain the minimum and maximum levels for both receipts and employee-based size standards. Accordingly, SBA will not generally propose or adopt a size standard that is either below the minimum level or above the maximum, even though the calculations yield values below the minimum or above the maximum. The minimum size standard reflects the size an established small business should be to have adequate capabilities and resources to be able to compete for and perform Federal contracts (but does not account for small businesses that are newly formed or just starting operations). On the other hand, the maximum size standard represents the level above which businesses, if qualified as small, would outcompete much smaller businesses when accessing Federal assistance.

With respect to employee-based size standards, SBA has established 250 employees and 1,500 employees, respectively, as the minimum and maximum size standard levels for Manufacturing and other industries (excluding Wholesale and Retail Trade).

The industry data suggests that a 250 employee minimum and 1,500 employee maximum size standards would be too high for Wholesale and Retail Trade industries. Accordingly, SBA has established 50 employees as the minimum size standard and 250 employees as the maximum size

standard for Wholesale and Retail Trade industries.

### Evaluation of Industry Factors

As mentioned earlier, to assess the appropriateness of the current size standards, SBA evaluates the structure of each industry in terms of four economic characteristics or factors: average firm size, average assets size as a proxy for startup costs and entry barriers, the 4-firm concentration ratio as a measure of industry competition, and size distribution of firms using the Gini coefficient. For each size standard type (*i.e.*, receipts-based or employee-based), SBA ranks industries both in terms of each of the four industry factors and in terms of the existing size standard and computes the 20th percentile and 80th percentile values for both. SBA then evaluates each industry by comparing its value for each industry factor to the 20th percentile and 80th percentile values for the corresponding factor for industries under a particular type of size standard.

If the characteristics of an industry under review within a particular size standard type are similar to the average characteristics of industries within the same size standard type in the 20th percentile, SBA will consider adopting as an appropriate size standard for that industry the 20th percentile value of size standards for those industries. For each size standard type, if the industry's characteristics are similar to the average characteristics of industries in the 80th percentile, SBA will assign a size standard that corresponds to the 80th percentile in the size standard rankings of industries. A separate size standard is established for each factor based on the amount of differences between the factor value for an industry under a particular size standard type and 20th percentile and 80th percentile values for the corresponding factor for all industries in the same type. Specifically, the actual level of the new size standard for each industry factor is derived by a linear interpolation using the 20th percentile and 80th percentile values of that factor and corresponding percentiles of size standards. Each calculated size standard is bounded between the minimum and maximum size standards levels, as discussed before. As noted earlier, the calculated value for an employee-based size standard is rounded to the nearest 50 employees for industries in manufacturing and other sectors (except Wholesale Trade and Retail Trade) and to the nearest 25 employees for industries in Wholesale Trade and Retail Trade. SBA rounds the calculated size standard value for a receipts-based

size standard to the nearest \$500,000, except for agricultural industries in Subsectors 111 and 112 for which the calculated size standards will be rounded to the nearest \$250,000.

Table 2, 20th and 80th Percentiles of Industry Factors for Receipts-Based Size Standards, and Table 3, 20th and 80th Percentiles of Industry Factors for Employee-Based Size Standards, show the 20th percentile and 80th percentile

values for average firm size (simple and weighted), average assets size, 4-firm concentration ratio, and Gini coefficient for industries with receipt-based and employee-based size standards, respectively.

TABLE 2—20TH AND 80TH PERCENTILES OF INDUSTRY FACTORS FOR RECEIPTS-BASED SIZE STANDARDS

Industries/percentiles	Simple average receipts size (\$ million)	Weighted average receipts size (\$ million)	Average assets size (\$ million)	Four-firm concentration ratio (%)	Gini coefficient
Industries, excluding Subsectors 111 and 112:					
20th percentile .....	0.83	19.42	0.34	7.9	0.686
80th percentile .....	7.52	830.65	5.19	42.4	0.834
Industries in Subsectors 111 and 112:					
20th percentile .....	0.06	1.48	0.07	1.7	0.608
80th percentile .....	0.83	13.32	0.88	12.3	0.908

TABLE 3—20TH AND 80TH PERCENTILES OF INDUSTRY FACTORS FOR EMPLOYEE-BASED SIZE STANDARDS

Industries/percentiles	Simple average firm size (no. of employees)	Weighted average firm size (no. of employees)	Average assets size (\$ million)	Four-firm concentration ratio (%)	Gini coefficient
Manufacturing and other industries, excluding Sectors 42 and 44–45:					
20th percentile .....	29.5	250.7	4.18	24.7	0.760
80th percentile .....	118.3	1,629.0	45.4	61.3	0.853
Industries in Sectors 42 and 44–45:					
20th percentile .....	12.6	199.8	3.19	16.1	0.794
80th percentile .....	27.9	1,693.8	11.99	38.9	0.865

### Estimation of Size Standards Based on Industry Factors

#### Receipts-Based Size Standards

An estimated size standard supported by each industry factor is derived by comparing its value for a specific industry to the 20th percentile and 80th percentile values for that factor. If an industry's value for a particular factor is near the 20th percentile value in the distribution, the supported size standard will be one that is close to the 20th percentile value of size standards for industries in the size standards group, which is \$8.0 million. If a factor for an industry is close to the 80th percentile value of that factor, it would support a size standard that is close to the 80th percentile value in the distribution of size standards, which is \$35.0 million. For a factor that is within, above, or below the 20–80th percentile range, the size standard is calculated using linear interpolation based on the 20th percentile and 80th percentile values for that factor and the 20th percentile and 80th percentile values of size standards.

For example, if an industry's simple average receipts are \$1.9 million, that would support a size standard of \$12.5 million. According to Table 2, the 20th

percentile and 80th percentile values of average receipts are \$0.83 million and \$7.52 million, respectively. The \$1.9 million is 15.9% between the 20th percentile value (\$0.83 million) and the 80th percentile value (\$7.52 million) of simple average receipts  $((\$1.9 \text{ million} - \$0.83 \text{ million}) \div (\$7.52 \text{ million} - \$0.83 \text{ million}) = 0.159 \text{ or } 15.9\%)$ . Applying this percentage to the difference between the 20th percentile value (\$8 million) and 80th percentile (\$35.0 million) value of size standards and then adding the result to the 20th percentile size standard value (\$8.0 million) yields a calculated size standard value of \$12.32 million  $((\{ \$35.0 \text{ million} - \$8.0 \text{ million} \} * 0.159) + \$8.0 \text{ million} = \$12.32 \text{ million})$ . The final step is to round the calculated \$12.32 million size standard to the nearest \$500,000, which in this example yields \$12.5 million. This procedure is applied to calculate size standards supported by other industry factors.

#### Employee-Based Size Standards

An estimated size standard supported by each industry factor is derived by comparing its value for a specific industry to the 20th percentile and 80th percentile values for that factor. If an industry's value for a particular factor is

near the 20th percentile value in the distribution, the supported size standard will be one that is close to the 20th percentile value of size standards for industries in the size standards group, which is 50 employees for Sector 42, Wholesale Trade and 2 industries from sector 44–45, Retail Trade that have employee-based size standards. If a factor for an industry is close to the 80th percentile value of that factor, it would support a size standard that is close to the 80th percentile value in the distribution of size standards, which is 250 employees. For a factor that is within, above, or below the 20–80th percentile range, the size standard is calculated using linear interpolation based on the 20th percentile and 80th percentile values for that factor and the 20th percentile and 80th percentile values of size standards.

For example, if an industry's simple average firm size in number of employees is 19 employees, that would support a size standard of 125 employees. According to Table 3, the 20th percentile and 80th percentile values of average number of employees are 12.6 and 27.9 employees, respectively. The 19 employee average firm size is 41.8% between the 20th percentile value (12.6 employees) and



the 80th percentile value (27.9 employees) of simple average firm size in number of employees ((19 employees – 12.6 employees) ÷ (250 employees – 50 employees) = 0.4183 or 41.8%). Applying this percentage to the difference between the 20th percentile value (50 employees) and 80th percentile (250 employees) value of size standards and then adding the result to the 20th percentile size standard value (50 employees) yields a calculated size standard value of 125 employees ([{250 employees – 50 employees} \* 0.4183] + 50 employees = 134 employees). The final step is to round the calculated 134 employee size standard to the nearest 25 employees, which in this example yields 125 employees. This procedure is applied to calculate size standards supported by other industry factors. Detailed formulas involved in these calculations are presented in SBA's Methodology, which is available on its website at [www.sba.gov/size](http://www.sba.gov/size).

#### Derivation of Size Standards Based on Federal Contracting Factor

Besides industry structure, SBA also evaluates Federal contracting data to assess the success of small businesses in getting Federal contracts under the existing size standards. For each industry with \$20.0 million or more in annual Federal contract dollars, SBA evaluates the small business share of total Federal contract dollars relative to the small business share of total industry receipts. However, since

NAICS codes in the Wholesale Trade and Retail Trade sectors cannot be used to classify Government acquisitions for supplies, and only the applicable manufacturing code can be applied, the Federal contracting factor is not considered in evaluating industry-based size standards for these sectors (13 CFR 121.402(b)). For a detail explanation of the evaluation of the Federal Contracting Factor, see the SBA Methodology at [www.sba.gov/size](http://www.sba.gov/size).

The SBA's Methodology presented above results in five separate size standards based on evaluation of the five primary factors (*i.e.*, four industry factors and one Federal contracting factor). As discussed in more detail above, the Federal contracting factor is not considered in evaluating the Wholesale Trade and Retail Trade sectors. SBA typically derives an industry's overall size standard by assigning equal weights to size standards supported by each of these five factors. However, if necessary, SBA's Methodology would allow assigning different weights to some of these factors in response to its policy decisions and other considerations. For detailed calculations, see SBA's Methodology, available on its website at [www.sba.gov/size](http://www.sba.gov/size).

#### Calculated Size Standards Based on Industry Factors

Table 5 and Table 6 below, Size Standards Supported by Each Factor for Each Industry (Employees) and Size

Standards Supported by Each Factor for Each Industry (Receipts), show the results of analyses of industry by measure of size for each industry covered by this proposed rule. NAICS industries in columns 3, 4, 5, 6 and 7 show two numbers. The upper number is the value for the industry factor on the top of the column and the lower number is the size standard supported by that factor (number of employees in Table 5 and receipts in Table 6). Column 8 shows a calculated new size standard for each industry. This is the average of the size standards supported by each factor (the size standard for average firm size is an average of size standards supported by simple average firm size, and weighted average firm size), rounded to the nearest 25 employees for industries using employee-based size standards in Wholesale Trade and Retail Trade, and to the nearest \$500,000 for industries in retail trade using receipts-based size standards. Analytical details involved in the averaging procedure are described in SBA's Methodology, which is available on its website at [www.sba.gov/size](http://www.sba.gov/size). For comparison with the calculated new size standards, the current size standards are in column 9 of Table 5 and Table 6.

TABLE 5—SIZE STANDARDS SUPPORTED BY EACH FACTOR FOR EACH INDUSTRY (EMPLOYEES)

[For Columns 3–7: Upper value = Calculated factor; Lower value = size standard supported by that factor]

NAICS code NAICS industry title	Type	Simple average firm size (number of employees)	Weighted average firm size (number of employees)	Average assets size (\$ million)	Four-firm ratio (%)	Gini coefficient	Calculated size standard (number of employees)	Current size standard (number of employees)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(9)	(10)
423110 Automobile and Other Motor Vehicle Merchant Wholesalers.	Factor ..... Size Std. ....	21.4 175	657.2 100	37.1 250	47.4 250	0.883 250	225	250
423120 Motor Vehicle Supplies and New Parts Merchant Whole- salers.	Factor ..... Size Std. ....	21.5 175	749.6 125	7.8 150	19.4 75	0.847 200	150	200
423130 Tire and Tube Merchant Wholesalers.	Factor ..... Size Std. ....	28.2 250	580.6 100	9.5 200	24.8 125	0.828 150	175	200
423140 Motor Vehicle Parts (Used) Merchant Wholesalers.	Factor ..... Size Std. ....	9.9 50	767.5 125	1.0 50	39.3 250	0.759 50	125	100
423210 Furniture Mer- chant Wholesalers.	Factor ..... Size Std. ....	12.0 50	103.0 50	2.3 50	16.1 50	0.798 75	50	100
423220 Home Furnishing Merchant Wholesalers.	Factor ..... Size Std. ....	14.1 75	225.1 50	3.8 75	17.7 75	0.794 50	75	100
423310 Lumber, Plywood, Millwork, and Wood Panel Merchant Whole- salers.	Factor ..... Size Std. ....	18.8 125	396.0 75	4.3 75	13.0 50	0.802 75	75	150



TABLE 5—SIZE STANDARDS SUPPORTED BY EACH FACTOR FOR EACH INDUSTRY (EMPLOYEES)—Continued

[For Columns 3–7: Upper value = Calculated factor; Lower value = size standard supported by that factor]

NAICS code NAICS industry title	Type	Simple average firm size (number of employees)	Weighted average firm size (number of employees)	Average assets size (\$ million)	Four-firm ratio (%)	Gini coefficient	Calculated size standard (number of employees)	Current size standard (number of employees)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(9)	(10)
423320 Brick, Stone, and Related Construction Material Merchant Wholesalers.	Factor ..... Size Std. ....	12.7 50	220.9 50	4.7 75	30.1 175	0.815 100	100	150
423330 Roofing, Siding, and Insulation Material Merchant Wholesalers.	Factor ..... Size Std. ....	32.6 250	1403.0 200	11.5 250	46.6 250	0.847 200	225	200
423390 Other Construc- tion Material Merchant Wholesalers.	Factor ..... Size Std. ....	14.9 75	168.2 50	2.4 50	18.5 75	0.749 50	75	100
423410 Photographic Equipment and Sup- plies Merchant Whole- salers.	Factor ..... Size Std. ....	17.8 125	399.7 75	6.2 125	56.1 250	0.832 150	150	200
423420 Office Equipment Merchant Wholesalers.	Factor ..... Size Std. ....	49.4 250	10864.6 250	5.2 100	49.2 250	0.849 200	200	200
423430 Computer and Computer Peripheral Equipment and Soft- ware Merchant Whole- salers.	Factor ..... Size Std. ....	31.0 250	4333.1 250	10.1 200	31.9 200	0.872 250	225	250
423440 Other Commer- cial Equipment Mer- chant Wholesalers.	Factor ..... Size Std. ....	12.8 50	164.2 50	2.2 50	12.4 50	0.775 50	50	100
423450 Medical, Dental, and Hospital Equipment and Supplies Merchant Wholesalers.	Factor ..... Size Std. ....	26.9 225	2500.2 250	8.4 175	22.6 100	0.873 250	200	200
423460 Ophthalmic Goods Merchant Wholesalers.	Factor ..... Size Std. ....	24.3 200	1532.8 225	4.0 75	35.0 225	0.839 175	175	150
423490 Other Profes- sional Equipment and Supplies Merchant Wholesalers.	Factor ..... Size Std. ....	17.0 100	417.9 75	3.5 50	36.7 225	0.823 125	125	150
423510 Metal Service Centers and Other Metal Merchant Whole- salers.	Factor ..... Size Std. ....	19.7 150	653.7 100	12.0 250	15.9 50	0.842 175	150	200
423520 Coal and Other Mineral and Ore Mer- chant Wholesalers.	Factor ..... Size Std. ....	8.5 50	64.6 50	27.0 250	58.9 250	0.866 250	200	100
423610 Electrical Appa- ratus and Equipment, Wiring Supplies, and Related Equipment Merchant Wholesalers.	Factor ..... Size Std. ....	20.7 150	1693.8 250	5.5 100	16.1 50	0.836 175	125	200
423620 Household Appli- ances, Electric Housewares, and Con- sumer Electronics Mer- chant Wholesalers.	Factor ..... Size Std. ....	20.8 150	442.3 75	14.4 250	36.0 225	0.870 250	225	200
423690 Other Electronic Parts and Equipment Merchant Wholesalers.	Factor ..... Size Std. ....	31.5 250	6181.3 250	11.4 225	32.8 200	0.871 250	225	250
423710 Hardware Mer- chant Wholesalers.	Factor ..... Size Std. ....	15.9 100	425.2 75	3.6 50	19.8 75	0.812 100	75	150
423720 Plumbing and Heating Equipment and Supplies (Hydronics) Merchant Wholesalers.	Factor ..... Size Std. ....	24.2 200	2136.3 250	5.6 100	32.6 200	0.811 100	150	200

TABLE 5—SIZE STANDARDS SUPPORTED BY EACH FACTOR FOR EACH INDUSTRY (EMPLOYEES)—Continued

[For Columns 3–7: Upper value = Calculated factor; Lower value = size standard supported by that factor]

NAICS code NAICS industry title	Type	Simple average firm size (number of employees)	Weighted average firm size (number of employees)	Average assets size (\$ million)	Four-firm ratio (%)	Gini coefficient	Calculated size standard (number of employees)	Current size standard (number of employees)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(9)	(10)
423730 Warm Air Heating and Air-Conditioning Equipment and Sup- plies Merchant Whole- salers.	Factor ..... Size Std. ....	28.3 250	1400.6 200	6.4 125	39.2 250	0.821 125	175	150
423740 Refrigeration Equipment and Sup- plies Merchant Whole- salers.	Factor ..... Size Std. ....	18.5 125	431.0 75	3.7 50	29.5 175	0.790 50	100	100
423810 Construction and Mining (except Oil Well) Machinery and Equip- ment Merchant Whole- salers.	Factor ..... Size Std. ....	30.4 250	603.3 100	18.2 250	32.7 200	0.840 175	200	250
423820 Farm and Garden Machinery and Equip- ment Merchant Whole- salers.	Factor ..... Size Std. ....	19.0 125	168.8 50	8.3 175	22.6 100	0.794 50	100	100
423830 Industrial Machin- ery and Equipment Merchant Wholesalers.	Factor ..... Size Std. ....	15.1 75	498.3 100	4.1 75	10.8 50	0.795 50	75	100
423840 Industrial Sup- plies Merchant Whole- salers.	Factor ..... Size Std. ....	17.6 125	654.3 100	5.1 100	18.5 75	0.805 75	100	100
423850 Service Establish- ment Equipment and Supplies Merchant Wholesalers.	Factor ..... Size Std. ....	14.9 75	885.3 150	1.9 50	27.9 150	0.789 50	100	100
423860 Transportation Equipment and Sup- plies (except Motor Ve- hicle) Merchant Whole- salers.	Factor ..... Size Std. ....	17.2 100	223.1 50	10.4 225	34.9 225	0.829 150	175	150
423910 Sporting and Recreational Goods and Supplies Merchant Wholesalers.	Factor ..... Size Std. ....	10.9 50	199.8 50	3.1 50	11.0 50	0.806 75	50	100
423920 Toy and Hobby Goods and Supplies Merchant Wholesalers.	Factor ..... Size Std. ....	16.2 100	559.8 100	6.2 125	37.8 250	0.841 175	175	150
423930 Recyclable Mate- rial Merchant Whole- salers.	Factor ..... Size Std. ....	16.0 100	291.3 50	4.5 75	19.9 75	0.816 125	100	100
423940 Jewelry, Watch, Precious Stone, and Precious Metal Mer- chant Wholesalers.	Factor ..... Size Std. ....	7.1 50	183.5 50	4.0 75	27.4 150	0.817 125	100	100
423990 Other Miscella- neous Durable Goods Merchant Wholesalers.	Factor ..... Size Std. ....	9.5 50	273.5 50	1.9 50	16.8 50	0.805 75	50	100
424110 Printing and Writ- ing Paper Merchant Wholesalers.	Factor ..... Size Std. ....	22.4 175	589.6 100	12.5 250	42.5 250	0.876 250	225	200
424120 Stationery and Office Supplies Mer- chant Wholesalers.	Factor ..... Size Std. ....	18.6 125	2997.2 250	3.1 50	29.5 175	0.845 200	150	150
424130 Industrial and Personal Service Paper Merchant Wholesalers.	Factor ..... Size Std. ....	16.4 100	267.5 50	5.3 100	29.7 175	0.832 150	125	150
424210 Drugs and Drug- gists' Sundries Mer- chant Wholesalers.	Factor ..... Size Std. ....	44.8 250	3002.2 250	36.8 250	43.5 250	0.890 250	250	250

TABLE 5—SIZE STANDARDS SUPPORTED BY EACH FACTOR FOR EACH INDUSTRY (EMPLOYEES)—Continued

[For Columns 3–7: Upper value = Calculated factor; Lower value = size standard supported by that factor]

NAICS code NAICS industry title	Type	Simple average firm size (number of employees)	Weighted average firm size (number of employees)	Average assets size (\$ million)	Four-firm ratio (%)	Gini coefficient	Calculated size standard (number of employees)	Current size standard (number of employees)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(9)	(10)
424310 Piece Goods, No- tions, and Other Dry Goods Merchant Wholesalers.	Factor ..... Size Std. ....	9.0 50	83.8 50	2.3 50	15.4 50	0.775 50	50	100
424320 Men's and Boys' Clothing and Fur- nishings Merchant Wholesalers.	Factor ..... Size Std. ....	15.7 100	281.1 50	5.8 100	21.3 100	0.836 175	125	150
424330 Women's, Chil- dren's, and Infants' Clothing and Acces- sories Merchant Whole- salers.	Factor ..... Size Std. ....	12.4 50	182.2 50	3.4 50	15.9 50	0.814 100	75	100
424340 Footwear Mer- chant Wholesalers.	Factor ..... Size Std. ....	17.8 125	439.7 75	9.6 200	41.0 250	0.849 200	200	200
424410 General Line Grocery Merchant Wholesalers.	Factor ..... Size Std. ....	62.9 250	9786.9 250	16.6 250	38.2 250	0.883 250	250	250
424420 Packaged Frozen Food Merchant Whole- salers.	Factor ..... Size Std. ....	27.5 250	871.9 150	8.3 175	21.4 100	0.822 125	150	200
424430 Dairy Product (except Dried or Canned) Merchant Wholesalers.	Factor ..... Size Std. ....	27.9 250	952.2 150	8.7 175	28.4 150	0.862 250	200	200
424440 Poultry and Poul- try Product Merchant Wholesalers.	Factor ..... Size Std. ....	24.5 200	334.4 75	4.9 100	26.5 150	0.783 50	125	150
424450 Confectionery Merchant Wholesalers.	Factor ..... Size Std. ....	30.5 250	11213.6 250	7.7 150	60.3 250	0.873 250	225	200
424460 Fish and Seafood Merchant Wholesalers.	Factor ..... Size Std. ....	11.2 50	90.0 50	2.0 50	10.9 50	0.725 50	50	100
424470 Meat and Meat Product Merchant Wholesalers.	Factor ..... Size Std. ....	19.9 150	271.3 50	4.3 75	22.7 100	0.813 100	100	150
424480 Fresh Fruit and Vegetable Merchant Wholesalers.	Factor ..... Size Std. ....	24.0 200	293.2 75	3.2 50	12.2 50	0.767 50	75	100
424490 Other Grocery and Related Products Merchant Wholesalers.	Factor ..... Size Std. ....	27.7 250	7804.5 250	8.9 175	25.8 125	0.874 250	200	250
424510 Grain and Field Bean Merchant Whole- salers.	Factor ..... Size Std. ....	21.8 175	375.0 75	42.3 250	31.6 175	0.831 150	175	200
424520 Livestock Mer- chant Wholesalers.	Factor ..... Size Std. ....	7.9 50	31.8 50	4.4 75	21.5 100	0.817 125	100	100
424590 Other Farm Prod- uct Raw Material Mer- chant Wholesalers.	Factor ..... Size Std. ....	9.6 50	54.3 50	10.2 200	35.0 225	0.857 225	175	100
424610 Plastics Materials and Basic Forms and Shapes Merchant Wholesalers.	Factor ..... Size Std. ....	12.6 50	117.2 50	5.9 100	26.4 150	0.825 150	125	150
424690 Other Chemical and Allied Products Merchant Wholesalers.	Factor ..... Size Std. ....	18.6 125	1443.2 225	9.9 200	13.7 50	0.857 225	175	150
424710 Petroleum Bulk Stations and Terminals.	Factor ..... Size Std. ....	26.1 225	425.6 75	58.6 250	38.9 250	0.865 250	225	200
424720 Petroleum and Petroleum Products Merchant Wholesalers (except Bulk Stations and Terminals).	Factor ..... Size Std. ....	15.4 75	253.7 50	49.9 250	33.6 200	0.881 250	200	200
424810 Beer and Ale Merchant Wholesalers.	Factor ..... Size Std. ....	70.4 250	498.2 100	14.7 250	14.5 50	0.733 50	125	200

TABLE 5—SIZE STANDARDS SUPPORTED BY EACH FACTOR FOR EACH INDUSTRY (EMPLOYEES)—Continued

[For Columns 3–7: Upper value = Calculated factor; Lower value = size standard supported by that factor]

NAICS code NAICS industry title	Type	Simple average firm size (number of employees)	Weighted average firm size (number of employees)	Average assets size (\$ million)	Four-firm ratio (%)	Gini coefficient	Calculated size standard (number of employees)	Current size standard (number of employees)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(9)	(10)
424820 Wine and Dis- tilled Alcoholic Bev- erage Merchant Whole- salers.	Factor ..... Size Std. ....	40.9 250	3125.0 250	15.2 250	31.7 175	0.872 250	225	250
424910 Farm Supplies Merchant Wholesalers.	Factor ..... Size Std. ....	20.2 150	1343.1 200	15.0 250	20.3 75	0.838 175	175	200
424920 Book, Periodical, and Newspaper Mer- chant Wholesalers.	Factor ..... Size Std. ....	24.8 200	1541.6 225	4.7 75	41.9 250	0.868 250	200	200
424930 Flower, Nursery Stock, and Florists' Supplies Merchant Wholesalers.	Factor ..... Size Std. ....	14.9 75	200.8 50	1.2 50	9.2 50	0.749 50	50	100
424940 Tobacco and To- bacco Product Mer- chant Wholesalers.	Factor ..... Size Std. ....	41.4 250	2419.0 250	11.6 250	55.4 250	0.859 225	250	250
424950 Paint, Varnish, and Supplies Merchant Wholesalers.	Factor ..... Size Std. ....	16.7 100	359.6 75	5.4 100	41.0 250	0.829 150	150	150
424990 Other Miscella- neous Nondurable Goods Merchant Wholesalers.	Factor ..... Size Std. ....	7.2 50	92.2 50	1.4 50	14.4 50	0.799 75	50	100
425110 Business to Busi- ness Electronic Markets.	Factor ..... Size Std. ....	3.8 50	20.1 50	3.0 50	33.7 200	0.792 50	100	100
425120 Wholesale Trade Agents and Brokers.	Factor ..... Size Std. ....	6.9 50	5713.0 250	4.3 75	24.9 125	0.834 150	125	100
441110 New Car Dealers	Factor ..... Size Std. ....	54.5 250	870.2 150	12.1 250	5.8 50	0.632 50	150	200
454310 Fuel Dealers .....	Factor ..... Size Std. ....	14.8 75	1890.5 250	2.1 50	17.4 50	0.723 50	75	100

TABLE 6—SIZE STANDARDS SUPPORTED BY EACH FACTOR FOR EACH INDUSTRY (RECEIPTS)

[For columns 3–7: Upper value = Calculated factor; Lower value = size standard supported by that factor]

NAICS code NAICS industry title	Type	Simple average firm size (\$ million)	Weighted average firm size (\$ million)	Average assets size (\$ million)	Four-firm ratio (%)	Gini coefficient	Calculated size stand- ard (\$ million)	Current size standard (\$ million)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(9)	(10)
441120 Used Car Dealers	Factor ..... Size Std. ....	3.0 16.5	1,604.2 41.5	0.8 10.5	18.0 16.0	0.704 11.5	..... 17.0	..... 27.0
441210 Recreational Ve- hicle Dealers.	Factor ..... Size Std. ....	6.4 30.5	219.3 14.5	2.8 21.5	18.8 16.5	0.724 15.0	..... 19.0	..... 35.0
441222 Boat Dealers .....	Factor ..... Size Std. ....	2.7 15.5	79.2 10.0	1.3 13.0	14.4 13.0	0.677 6.5	..... 11.5	..... 35.0
441228 Motorcycle, ATV, and All Other Motor Ve- hicle Dealers.	Factor ..... Size Std. ....	3.4 18.5	25.8 8.0	1.5 14.5	4.4 6.0	0.656 6.0	..... 10.0	..... 35.0
441310 Automotive Parts and Accessories Stores.	Factor ..... Size Std. ....	2.7 15.5	2,949.6 41.5	1.0 12.0	45.1 37.0	0.767 22.5	..... 25.0	..... 16.5
441320 Tire Dealers .....	Factor ..... Size Std. ....	3.0 16.5	1,312.0 41.5	1.0 11.5	33.7 28.0	0.759 21.5	..... 22.5	..... 16.5
442110 Furniture Stores	Factor ..... Size Std. ....	3.3 18.0	631.2 28.5	1.2 13.0	17.3 15.5	0.774 24.0	..... 19.0	..... 22.0
442210 Floor Covering Stores.	Factor ..... Size Std. ....	1.5 10.5	18.1 8.0	0.4 8.5	4.7 6.0	0.616 6.0	..... 7.5	..... 8.0
442291 Window Treat- ment Stores.	Factor ..... Size Std. ....	0.6 7.0	17.2 8.0	0.2 7.5	21.7 19.0	0.621 6.0	..... 10.0	..... 8.0
442299 All Other Home Furnishings Stores.	Factor ..... Size Std. ....	2.9 16.0	3,614.3 41.5	1.1 12.0	59.8 41.5	0.836 35.5	..... 29.5	..... 22.0

TABLE 6—SIZE STANDARDS SUPPORTED BY EACH FACTOR FOR EACH INDUSTRY (RECEIPTS)—Continued

[For columns 3–7: Upper value = Calculated factor; Lower value = size standard supported by that factor]

NAICS code NAICS industry title	Type	Simple average firm size (\$ million)	Weighted average firm size (\$ million)	Average assets size (\$ million)	Four-firm ratio (%)	Gini coefficient	Calculated size stand- ard (\$ million)	Current size standard (\$ million)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(9)	(10)
443141 Household Appli- ance Stores.	Factor .....	2.5	513.0	0.8	28.2	0.767	.....	.....
	Size Std. ....	14.5	24.5	10.5	24.0	23.0	19.5	12.0
443142 Electronics Stores.	Factor .....	4.4	15,362.2	1.3	63.8	0.854	.....	.....
	Size Std. ....	22.5	41.5	13.0	41.5	38.5	31.5	35.0
444110 Home Centers ....	Factor .....	61.9	.....	23.8	.....	.....	.....	.....
	Size Std. ....	41.5	.....	41.5	.....	.....	41.5	41.5
444120 Paint and Wall- paper Stores.	Factor .....	5.1	.....	1.8	.....	.....	.....	.....
	Size Std. ....	25.5	.....	16.0	.....	.....	21.0	30.0
444130 Hardware Stores	Factor .....	1.9	493.3	0.9	25.9	0.674	.....	.....
	Size Std. ....	12.5	24.0	11.0	22.0	6.0	14.5	8.0
444190 Other Building Material Dealers.	Factor .....	3.3	271.8	1.1	9.1	0.729	.....	.....
	Size Std. ....	18.0	16.5	12.5	9.0	16.0	14.0	22.0
444210 Outdoor Power Equipment Stores.	Factor .....	1.5	17.9	0.7	8.2	0.612	.....	.....
	Size Std. ....	11.0	8.0	10.0	8.0	6.0	8.5	8.0
444220 Nursery, Garden Center, and Farm Sup- ply Stores.	Factor .....	3.0	755.2	1.2	21.6	0.749	.....	.....
	Size Std. ....	17.0	32.5	12.5	18.5	19.5	19.0	12.0
445110 Supermarkets and Other Grocery (ex- cept Convenience) Stores.	Factor .....	12.7	20,298.0	2.5	31.1	0.863	.....	.....
	Size Std. ....	41.5	41.5	20.0	26.0	40.0	32.0	35.0
445120 Convenience Stores.	Factor .....	1.0	126.3	0.2	12.5	0.606	.....	.....
	Size Std. ....	8.5	11.5	7.0	11.5	6.0	8.5	32.0
445210 Meat Markets .....	Factor .....	1.2	9.2	0.3	5.5	0.583	.....	.....
	Size Std. ....	9.5	7.5	7.5	6.0	6.0	7.0	8.0
445220 Fish and Seafood Markets.	Factor .....	1.1	6.0	0.3	5.8	0.622	.....	.....
	Size Std. ....	9.0	7.5	7.5	6.5	6.0	7.0	8.0
445230 Fruit and Vege- table Markets.	Factor .....	1.3	13.0	0.2	7.9	0.677	.....	.....
	Size Std. ....	10.0	8.0	7.0	8.0	6.5	7.5	8.0
445291 Baked Goods Stores.	Factor .....	0.6	83.7	0.2	35.8	0.694	.....	.....
	Size Std. ....	7.0	10.0	7.0	30.0	9.5	14.0	8.0
445292 Confectionery and Nut Stores.	Factor .....	0.9	104.7	0.3	37.6	0.741	.....	.....
	Size Std. ....	8.5	11.0	8.0	31.0	18.0	17.0	8.0
445299 All Other Spe- cialty Food Stores.	Factor .....	0.7	23.8	0.2	15.6	0.659	.....	.....
	Size Std. ....	7.5	8.0	7.5	14.0	6.0	9.0	8.0
445310 Beer, Wine, and Liquor Stores.	Factor .....	1.5	163.9	0.5	10.1	0.607	.....	.....
	Size Std. ....	10.5	13.0	8.5	9.5	6.0	9.0	8.0
446110 Pharmacies and Drug Stores.	Factor .....	12.1	41,475.3	2.5	69.5	0.797	.....	.....
	Size Std. ....	41.5	41.5	19.5	41.5	28.5	33.0	30.0
446120 Cosmetics, Beau- ty Supplies, and Per- fume Stores.	Factor .....	2.1	1,347.4	0.8	56.3	0.817	.....	.....
	Size Std. ....	13.0	41.5	10.5	41.5	32.0	28.0	30.0
446130 Optical Goods Stores.	Factor .....	2.0	1,672.9	0.6	57.2	0.780	.....	.....
	Size Std. ....	13.0	41.5	9.5	41.5	25.0	26.0	22.0
446191 Food (Health) Supplement Stores.	Factor .....	1.2	518.0	0.4	45.0	0.734	.....	.....
	Size Std. ....	9.5	24.5	8.0	37.0	17.0	20.0	16.5
446199 All Other Health and Personal Care Stores.	Factor .....	1.4	28.4	0.5	7.6	0.681	.....	.....
	Size Std. ....	10.5	8.5	8.5	8.0	7.0	8.5	8.0
447110 Gasoline Stations with Convenience Stores.	Factor .....	7.7	3,327.0	1.5	13.2	0.746	.....	.....
	Size Std. ....	36.0	41.5	14.5	12.0	19.0	21.0	32.0
447190 Other Gasoline Stations.	Factor .....	10.5	7,328.2	2.2	38.7	0.784	.....	.....
	Size Std. ....	41.5	41.5	18.0	32.0	26.0	29.5	16.5
448110 Men's Clothing Stores.	Factor .....	2.0	495.9	0.9	42.4	0.780	.....	.....
	Size Std. ....	13.0	24.0	11.0	35.0	25.0	22.5	12.0
448120 Women's Cloth- ing Stores.	Factor .....	3.2	1,087.6	1.2	25.8	0.839	.....	.....
	Size Std. ....	17.5	41.5	12.5	22.0	36.0	25.0	30.0
448130 Children's and In- fants' Clothing Stores.	Factor .....	4.4	1,116.2	1.7	61.1	0.871	.....	.....
	Size Std. ....	22.5	41.5	15.5	41.5	41.5	32.5	35.0
448140 Family Clothing Stores.	Factor .....	12.8	6,648.7	5.1	49.6	0.882	.....	.....
	Size Std. ....	41.5	41.5	34.5	40.5	41.5	39.5	41.5
448150 Clothing Acces- sories Stores.	Factor .....	2.3	1,314.2	1.0	58.3	0.840	.....	.....
	Size Std. ....	14.0	41.5	11.5	41.5	36.0	29.5	16.5
448190 Other Clothing Stores.	Factor .....	2.0	1,894.8	0.8	51.3	0.806	.....	.....
	Size Std. ....	12.5	41.5	10.5	41.5	30.0	27.5	22.0

TABLE 6—SIZE STANDARDS SUPPORTED BY EACH FACTOR FOR EACH INDUSTRY (RECEIPTS)—Continued

[For columns 3–7: Upper value = Calculated factor; Lower value = size standard supported by that factor]

NAICS code NAICS industry title	Type	Simple average firm size (\$ million)	Weighted average firm size (\$ million)	Average assets size (\$ million)	Four-firm ratio (%)	Gini coefficient	Calculated size stand- ard (\$ million)	Current size standard (\$ million)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(9)	(10)
448210 Shoe Stores .....	Factor .....	5.2	1,301.1	2.2	34.3	0.841	.....	.....
	Size Std. ....	25.5	41.5	18.0	28.5	36.5	29.0	30.0
448310 Jewelry Stores ....	Factor .....	1.7	580.1	1.0	24.0	0.752	.....	.....
	Size Std. ....	11.5	26.5	12.0	20.5	20.0	18.0	16.5
448320 Luggage and Leather Goods Stores.	Factor .....	5.0	983.0	3.1	75.0	0.848	.....	.....
	Size Std. ....	24.5	40.0	23.0	41.5	37.5	33.5	30.0
451110 Sporting Goods Stores.	Factor .....	2.5	1,481.1	1.0	32.6	0.782	.....	.....
	Size Std. ....	15.0	41.5	12.0	27.5	25.5	23.5	16.5
451120 Hobby, Toy, and Game Stores.	Factor .....	3.5	3,091.1	1.4	77.4	0.851	.....	.....
	Size Std. ....	18.5	41.5	14.0	41.5	38.0	31.0	30.0
451130 Sewing, Needle- work, and Piece Goods Stores.	Factor .....	1.1	1,257.0	0.5	.....	0.776	.....	.....
	Size Std. ....	9.0	41.5	8.5	.....	24.5	19.5	30.0
451140 Musical Instru- ment and Supplies Stores.	Factor .....	1.4	536.2	0.7	41.8	0.734	.....	.....
	Size Std. ....	10.5	25.0	10.0	34.5	17.0	20.0	12.0
451211 Book Stores .....	Factor .....	3.9	3,005.3	1.6	69.7	0.853	.....	.....
	Size Std. ....	20.5	41.5	14.5	41.5	38.5	31.5	30.0
451212 News Dealers and Newsstands.	Factor .....	1.0	242.4	0.4	57.3	0.742	.....	.....
	Size Std. ....	8.5	15.5	8.5	41.5	18.0	20.0	8.0
452210 Department Stores.	Factor .....	11,030.9	25,982.4	5,014.0	82.7	0.555	.....	.....
	Size Std. ....	41.5	41.5	41.5	41.5	6.0	32.5	35.0
452311 Warehouse Clubs and Supercenters.	Factor .....	44,853.1	210,447.9	15,466.6	93.6	.....	.....	.....
	Size Std. ....	41.5	41.5	41.5	41.5	.....	41.5	32.0
452319 All Other General Merchandise Stores.	Factor .....	7.1	7,543.1	2.4	66.1	0.876	.....	.....
	Size Std. ....	33.0	41.5	19.5	41.5	41.5	35.0	35.0
453110 Florists .....	Factor .....	0.3	1.5	0.1	1.6	0.527	.....	.....
	Size Std. ....	6.0	7.5	6.5	6.0	6.0	6.5	8.0
453210 Office Supplies and Stationery Stores.	Factor .....	5.0	4,645.9	1.4	85.1	0.862	.....	.....
	Size Std. ....	24.5	41.5	14.0	41.5	40.0	32.0	35.0
453220 Gift, Novelty, and Souvenir Stores.	Factor .....	0.8	165.7	0.3	18.8	0.713	.....	.....
	Size Std. ....	8.0	13.0	8.0	16.5	13.0	12.0	8.0
453310 Used Merchan- dise Stores.	Factor .....	0.9	73.6	0.4	12.7	0.756	.....	.....
	Size Std. ....	8.5	10.0	8.5	11.5	21.0	12.5	8.0
453910 Pet and Pet Sup- plies Stores.	Factor .....	2.8	3,479.3	0.8	69.0	0.814	.....	.....
	Size Std. ....	16.0	41.5	10.5	41.5	31.0	28.0	22.0
453920 Art Dealers .....	Factor .....	1.4	55.3	0.7	14.4	0.779	.....	.....
	Size Std. ....	10.0	9.0	10.0	13.0	25.0	14.5	8.0
453930 Manufactured (Mobile) Home Dealers.	Factor .....	2.4	235.3	1.4	31.4	0.696	.....	.....
	Size Std. ....	14.5	15.0	14.0	26.5	10.0	16.5	16.5
453991 Tobacco Stores ..	Factor .....	1.2	17.1	0.4	5.7	0.656	.....	.....
	Size Std. ....	9.5	8.0	8.0	6.5	6.0	7.5	8.0
453998 All Other Mis- cellaneous Store Retail- ers (except Tobacco Stores).	Factor .....	1.2	55.7	0.4	10.1	0.712	.....	.....
	Size Std. ....	9.5	9.0	8.5	9.5	13.0	10.0	8.0
454110 Electronic Shop- ping and Mail-Order Houses.	Factor .....	11.4	9,493.0	3.3	30.2	0.868	.....	.....
	Size Std. ....	41.5	41.5	24.5	25.5	41.0	33.0	41.5
454210 Vending Machine Operators.	Factor .....	1.6	254.9	0.6	28.2	0.787	.....	.....
	Size Std. ....	11.0	16.0	9.5	24.0	26.5	18.5	12.0
454390 Other Direct Sell- ing Establishments.	Factor .....	1.1	202.5	0.4	15.1	0.749	.....	.....
	Size Std. ....	9.0	14.0	8.0	13.5	19.5	13.0	8.0

**Summary of Calculated Size Standards**

Of the 137 industries reviewed in this proposed rule, the results from analyses of the latest available data on the four primary industry factors (*i.e.*, average

firm size, average assets size, four-firm ratio, and Gini coefficient) from Table 5 and Table 6 above support increasing size standards for 49 industries, decreasing size standards for 66

industries, and maintaining size standards for 22 industries. Table 7, Summary of Calculated Size Standards, summarizes these results by NAICS sector.

TABLE 7—SUMMARY OF CALCULATED SIZE STANDARDS

Sector	Sector name	Number of size standards reviewed	Number of size standards increased	Number of size standards decreased	Number of size standards maintained
42 .....	Wholesale Trade .....	71	14	38	19
44–45 .....	Retail Trade .....	66	35	28	3
Total .....	.....	137	49	66	22

### Evaluation of SBA Loan Data

Before proposing or deciding on an industry's size standard revision, SBA also considers the impact of size standards revisions on SBA's loan programs. Accordingly, SBA examined its internal 7(a) and 504 loan data for fiscal years 2016–2018 to assess whether the calculated size standards in Table 5 and Table 6 need further adjustments to ensure credit opportunities for small businesses through those programs. For the industries reviewed in this rule, the data shows that it is mostly businesses much smaller than the current or proposed size standards that receive SBA's 7(a) and 504 loans. For example, for industries covered by this rule, more than 96.9% of 7(a) and 504 loans in fiscal years 2016–2018 went to businesses below the current or proposed size standards.

### Special Considerations

On March 13, 2020, the ongoing Coronavirus Disease 2019 (COVID–19) was declared a pandemic of enough severity and magnitude to warrant an emergency declaration for all states, territories, and the District of Columbia. With the COVID–19 emergency, many small businesses nationwide are experiencing economic hardship as a direct result of the Federal, State, and local public health measures that are being taken to minimize the public's exposure to the virus. In addition, based on the advice of public health officials, other measures, such as keeping a safe distance from others or even stay-at-home orders, are being implemented, resulting in a dramatic decrease in economic activity as the public avoids malls, retail stores, and other businesses.

The Coronavirus Aid, Relief, and Economic Security Act (the CARES Act or the Act) (Pub. L. 116–136) was signed on March 27, 2020, to provide emergency assistance and health care response for individuals, families, and businesses affected by the coronavirus pandemic. Section 1102 of the Act temporarily permits SBA to guarantee 100% of 7(a) loans under a new program titled the Paycheck Protection Program (PPP). Section 1106 of the Act provides

for forgiveness of up to the full principal amount of qualifying loans guaranteed under the PPP. The PPP and loan forgiveness are intended to provide economic relief to small businesses nationwide adversely impacted by COVID–19. On April 24, 2020, additional funding for the CARES Act, including for the PPP, was provided (see The Paycheck Protection Program and Health Care Enhancement Act, Pub. L. 116–139). On December 27, 2020, Congress passed the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act as part of the Consolidation Appropriations Act, approving additional funding for the PPP loans program and allowing the hardest-hit small businesses to receive a second draw PPP loan (Pub. L. 116–260). Additionally, the law approved grants for shuttered-venue operators. On March 11, 2021, the American Rescue Plan Act of 2021 (Pub. L. 117–2) was signed into law. This act provides additional relief for the nation's small businesses and hard-hit industries by adding new support to the recovery effort, including additional funding for the Paycheck Protection Program and the Shuttered Venue Operators Grant program. The act also adds additional funding for targeted Economic Injury Disaster Loan (EIDL) Advance payments.

The Agency is following closely the development of the pandemic and the economic situation. A variety of economic indicators such as the Gross Domestic Product (GDP) and the unemployment rate show that this recession is significantly worse than any other recession since World War II. According to the Bureau of Economic Analysis (BEA), real GDP decreased 5% and real personal consumption in goods and services decreased 6.9% in the first quarter of 2020. In the second quarter, real GDP decreased 31.4% and real personal consumption in goods and services decreased 33.2%. In the third quarter, real GDP increased 33.4%, and real personal consumption in goods and services increased 41.0%. Real GDP showed a more moderate increase of 4.3% and real personal consumption expenditures increased 2.3% in the

fourth quarter of 2020. Real GDP decreased 3.5% in 2020 from 2019 (from the 2019 annual level to the 2020 annual level), compared with an increase of 2.2 percent in 2019 from 2018. According to the BEA's 'advance' estimate, real GDP increased 6.4% and real personal consumption expenditures increased 10.7% in the first quarter of 2021.

In April 2021, both the unemployment rate, at 6.1%, and the number of unemployed persons, at 9.8 million, were little changed from the previous month. These measures are down considerably from their April 2020 highs (14.8% and 23.1 million, respectively) but remain well above their pre-pandemic levels in February 2020 (3.5% and 5.7 million, respectively). Specifically, for the sectors evaluated in this proposed rule, in April 2021, the unemployment rate for the Wholesale Trade sector was 3.3%, and the unemployment rate for the Retail Trade sector was 6.8%. In April 2020, the unemployment rates for these sectors were 9.9% and 18.6%, respectively. The Federal Reserve Board's Monetary Policy Report, published in June 2020, shows that, in general, the most impacted firms in these sectors are small businesses.<sup>1</sup>

### Proposed Changes to Size Standards

Accordingly, in view of the analytical data discussed above and the economic impacts of the COVID–19 pandemic, SBA proposes to adopt increases to size standards for 49 industries and to retain the current size standards for 88 industries.

The proposed size standards are presented by measure of size in Table 8, Proposed Size Standards Revisions (Employees) and Table 9, Proposed Size

<sup>1</sup> See the special section titled "Small Businesses during the COVID–19 Crisis" on page 24 of the Monetary Policy Report prepared by the Board of Governors of the Federal Reserve System in June 2020. ([https://www.federalreserve.gov/monetarypolicy/files/20200612\\_mprfullreport.pdf](https://www.federalreserve.gov/monetarypolicy/files/20200612_mprfullreport.pdf)). The latest publication of the Monetary Policy Report was published on February 19, 2021. Also, see <https://portal.census.gov/pulse/data>. This report is a recent survey created by the Census Bureau to provide high-frequency, detailed information on participation in small business-specific initiatives such as the PPP.



Standards Revisions (Receipts). Also current and calculated size standards for presented in Table 8 and Table 9 are comparison.

TABLE 8—PROPOSED SIZE STANDARDS REVISIONS (EMPLOYEES)

NAICS code	NAICS industry title	Calculated size standard (employees)	Proposed size standard (employees)	Current size standard (employees)
423140 .....	Motor Vehicle Parts (Used) Merchant Wholesalers .....	125	125	100
423330 .....	Roofing, Siding, and Insulation Material Merchant Wholesalers .....	225	225	200
423460 .....	Ophthalmic Goods Merchant Wholesalers .....	175	175	150
423520 .....	Coal and Other Mineral and Ore Merchant Wholesalers .....	200	200	100
423620 .....	Household Appliances, Electric Housewares, and Consumer Electronics Merchant Wholesalers.	225	225	200
423730 .....	Warm Air Heating and Air-Conditioning Equipment and Supplies Merchant Wholesalers.	175	175	150
423860 .....	Transportation Equipment and Supplies (except Motor Vehicle) Merchant Wholesalers.	175	175	150
423920 .....	Toy and Hobby Goods and Supplies Merchant Wholesalers .....	175	175	150
424110 .....	Printing and Writing Paper Merchant Wholesalers .....	225	225	200
424450 .....	Confectionery Merchant Wholesalers .....	225	225	200
424590 .....	Other Farm Product Raw Material Merchant Wholesalers .....	175	175	100
424690 .....	Other Chemical and Allied Products Merchant Wholesalers .....	175	175	150
424710 .....	Petroleum Bulk Stations and Terminals .....	225	225	200
425120 .....	Wholesale Trade Agents and Brokers .....	125	125	100

TABLE 9—PROPOSED SIZE STANDARDS REVISIONS (RECEIPTS)

NAICS code	NAICS industry title	Calculated size standard (\$ million)	Proposed size standard (\$ million)	Current size standard (\$ million)
441310 .....	Automotive Parts and Accessories Stores .....	25.0	25.0	16.5
441320 .....	Tire Dealers .....	22.5	22.5	16.5
442291 .....	Window Treatment Stores .....	10.0	10.0	8.0
442299 .....	All Other Home Furnishings Stores .....	29.5	29.5	22.0
443141 .....	Household Appliance Stores .....	19.5	19.5	12.0
444130 .....	Hardware Stores .....	14.5	14.5	8.0
444210 .....	Outdoor Power Equipment Stores .....	8.5	8.5	8.0
444220 .....	Nursery, Garden Center, and Farm Supply Stores .....	19.0	19.0	12.0
445291 .....	Baked Goods Stores .....	14.0	14.0	8.0
445292 .....	Confectionery and Nut Stores .....	17.0	17.0	8.0
445299 .....	All Other Specialty Food Stores .....	9.0	9.0	8.0
445310 .....	Beer, Wine, and Liquor Stores .....	9.0	9.0	8.0
446110 .....	Pharmacies and Drug Stores .....	33.0	33.0	30.0
446130 .....	Optical Goods Stores .....	26.0	26.0	22.0
446191 .....	Food (Health) Supplement Stores .....	20.0	20.0	16.5
446199 .....	All Other Health and Personal Care Stores .....	8.5	8.5	8.0
447190 .....	Other Gasoline Stations .....	29.5	29.5	16.5
448110 .....	Men's Clothing Stores .....	22.5	22.5	12.0
448150 .....	Clothing Accessories Stores .....	29.5	29.5	16.5
448190 .....	Other Clothing Stores .....	27.5	27.5	22.0
448310 .....	Jewelry Stores .....	18.0	18.0	16.5
448320 .....	Luggage and Leather Goods Stores .....	33.5	33.5	30.0
451110 .....	Sporting Goods Stores .....	23.5	23.5	16.5
451120 .....	Hobby, Toy, and Game Stores .....	31.0	31.0	30.0
451140 .....	Musical Instrument and Supplies Stores .....	20.0	20.0	12.0
451211 .....	Book Stores .....	31.5	31.5	30.0
451212 .....	News Dealers and Newsstands .....	20.0	20.0	8.0
452311 .....	Warehouse Clubs and Supercenters .....	41.5	41.5	32.0
453220 .....	Gift, Novelty, and Souvenir Stores .....	12.0	12.0	8.0
453310 .....	Used Merchandise Stores .....	12.5	12.5	8.0
453910 .....	Pet and Pet Supplies Stores .....	28.0	28.0	22.0
453920 .....	Art Dealers .....	14.5	14.5	8.0
453998 .....	All Other Miscellaneous Store Retailers (except Tobacco Stores) .....	10.0	10.0	8.0
454210 .....	Vending Machine Operators .....	18.5	18.5	12.0
454390 .....	Other Direct Selling Establishments .....	13.0	13.0	8.0

Table 10, Summary of Proposed Size Standards Revisions by Sector, below,

summarizes the proposed changes to size standards by NAICS sector.

TABLE 10—SUMMARY OF PROPOSED SIZE STANDARDS REVISIONS BY SECTOR

Sector	Sector name	Number of size standards reviewed	Number of size standards increased	Number of size standards decreased	Number of size standards maintained
42 .....	Wholesale Trade .....	71	14	0	57
44–45 .....	Retail Trade .....	66	35	0	31
Total .....	.....	137	49	0	88

### Evaluation of Dominance in Field of Operation

SBA has determined that for the industries that it has evaluated in this proposed rule, no individual firm at or below the proposed size standard would be large enough to dominate its field of operation. At the proposed size standards levels, if adopted, the small business share of total industry receipts would be, on average, 0.4%, varying from 0.01% to 3.4%.

### Alternatives Considered

By law, SBA is required to develop numerical size standards for establishing eligibility for Federal small business assistance programs and to review every five years all size standards and make necessary adjustments to reflect the current industry structure and Federal market conditions. Other than varying the levels of size standards by industry and changing the measures of size standards (e.g., using annual receipts vs. the number of employees), no practical alternatives exist to the systems of numerical size standards.

The proposal is to increase size standards where the data suggested increases are warranted, and to retain, in response to COVID–19 emergency and resultant economic impacts on small businesses, all current size standards where the data suggested lowering is appropriate.

Nonetheless, SBA considered two other alternatives. Alternative Option 1 was to propose changes exactly as suggested by the analytical results. In other words, Option 1 would entail increasing size standards for 49 industries, decreasing them for 66 industries, and retaining them at their current levels for 22 industries. Alternative Option 2 was to retain all current size standards.

Alternative Option 1 would cause a substantial number of currently small businesses to lose their small business status and hence to lose their access to Federal small business assistance,

especially SBA's financial assistance in some cases.

However, in the present situation with the global COVID–19 pandemic resulting in high levels of risk and dramatic reductions in economic activity of unprecedented nature, SBA presents the impacts of adopting the analytical results without adjustment in Alternative Option 1 and proposes to retain all size standards for which the evaluation of principal factors suggested reductions, and to adopt only the increases suggested by the evaluation. SBA will adopt this approach temporarily and may reevaluate as the economic situation evolves.

Under Option 2, given the current COVID–19 pandemic, SBA considered retaining the current level of all size standards even though the current analysis may suggest changing them. SBA considers that the option of retaining all size standards at this moment provides the opportunity to reassess the economic situation once the economic recovery starts. Under this option, as the current situation develops, SBA will be able to assess new data available on economic indicators, federal procurement, and SBA loans before adopting changes to size standards. However, SBA is not adopting Option 2 because the Regulatory Impact Analysis conducted for this rule in accordance with Executive Order 12866 (see below) shows that retaining all size standards at their current levels is more onerous for the small businesses than the option of adopting 49 increases and retaining 88 size standards. SBA may reevaluate this approach as the current economic situation evolves.

### Request for Comments

SBA invites public comments on this proposed rule, especially on the following issues:

1. SBA seeks feedback on whether SBA's proposal to increase 49 size standards and retain 88 size standards is appropriate given the results from the latest available industry and Federal contracting data of each industry and

subindustry (exception) reviewed in this proposed rule, along with ongoing uncertainty and dramatic contraction in economic activity due to the global COVID–19 pandemic. SBA also seeks suggestions, along with supporting facts and analysis, for alternative standards, if they would be more appropriate than the proposed size standards.

2. SBA also seeks comments on whether SBA should not lower any size standards in view of the COVID–19 pandemic and its adverse impacts on small businesses as well as on the overall economic situation when analytical results suggest some size standards could be lowered. SBA believes that lowering size standards under the current economic environment would run counter to Congress's and the Federal Government's efforts to aid and provide relief to the nation's small businesses impacted by the COVID–19 pandemic.

3. Given the uncertainty produced by the global COVID–19 pandemic and the economic consequences, SBA would like to receive comments from the public on the possibility of lowering size standards while mitigating the consequences of the lower standards, instead of not lowering any size standards at all.

4. In calculating the overall industry size standard, SBA has assigned equal weight to each of the four primary factors in all industries and subindustries covered by this proposed rule. SBA seeks feedback on whether it should assign equal weight to each factor or whether it should give more weight to one or more factors for certain industries or subindustries. Recommendations to weigh some factors differently than others should include suggested weights for each factor along with supporting facts and analysis.

5. Finally, SBA seeks comments on data sources it used to examine industry and Federal market conditions, as well as suggestions on relevant alternative data sources that the Agency should evaluate in reviewing or modifying size

standards for industries covered by this proposed rule.

Public comments on the above issues are very valuable to SBA for validating its proposed size standards revisions in this proposed rule. Commenters addressing size standards for a specific industry or a group of industries should include relevant data and/or other information supporting their comments.

**Compliance With Executive Order 12866, the Regulatory Flexibility Act (5 U.S.C. 601–612), Executive Orders 13563, 12988, and 13132, and the Paperwork Reduction Act (44 U.S.C. Ch. 35)**

*Executive Order 12866*

The Office of Management and Budget (OMB) has determined that this proposed rule is a significant regulatory action for purposes of Executive Order 12866. However, this rule is not a “major rule” under the Congressional Review Act, 5 U.S.C. 800. Accordingly, in the next section SBA provides a Regulatory Impact Analysis of this proposed rule, including: (1) A statement of the need for the proposed action, (2) an evaluation of the benefits and costs—both quantitative and qualitative—of the proposed action, and (3) an examination of the alternative approaches considered.

*Regulatory Impact Analysis*

1. What is a need for this regulatory action?

Under the Small Business Act, SBA’s Administrator is responsible for establishing small business size definitions (or “size standards”) and ensuring that such definitions vary from industry to industry to reflect differences among various industries. The Jobs Act requires SBA to review every 5 years all size standards and make necessary adjustments to reflect current industry and Federal market conditions. This proposed rule is part of the second 5-year review of size standards in accordance with the Jobs Act. The first 5-year review of size standards was completed in early 2016. Such periodic reviews of size standards provide SBA with an opportunity to incorporate ongoing changes to industry structure and Federal market environment into size standards and to

evaluate the impacts of prior revisions to size standards on small businesses. This also provides SBA with an opportunity to seek and incorporate public input to the size standards review and analysis. SBA believes that proposed size standards revisions for industries being reviewed in this rule will make size standards more reflective of the current economic characteristics of businesses in those industries and the latest trends in Federal marketplace.

SBA’s mission is to aid and assist small businesses through a variety of financial, procurement, business development and counseling, and disaster assistance programs. To determine the actual intended beneficiaries of these programs, SBA establishes numerical size standards by industry to identify businesses that are deemed small.

The proposed revisions to the existing size standards for 49 industries or subindustries in NAICS Sectors 42 and 44–45 are consistent with SBA’s statutory mandates to help small businesses grow and create jobs and to review and adjust size standards every five years. This regulatory action promotes the Administration’s goals and objectives as well as meets the SBA’s statutory responsibility. One of SBA’s goals in support of promoting the Administration’s objectives is to help small businesses succeed through fair and equitable access to capital and credit, Federal Government contracts and purchases, and management and technical assistance. Reviewing and modifying size standards, when appropriate, ensures that intended beneficiaries are able to access Federal small business programs that are designed to assist them to become competitive and create jobs.

2. What are the potential benefits and costs of this regulatory action?

OMB directs agencies to establish an appropriate baseline to evaluate any benefits, costs, or transfer impacts of regulatory actions and alternative approaches considered. The baseline should represent the agency’s best assessment of what the world would look like absent the regulatory action. For a new regulatory action promulgating modifications to an existing regulation (such as modifying

the existing size standards), a baseline assuming no change to the regulation (*i.e.*, making no changes to current size standards) generally provides an appropriate benchmark for evaluating benefits, costs, or transfer impacts of proposed regulatory changes and their alternatives.

Proposed Changes to Size Standards

Based on the results from analyses of latest industry data, as well as consideration of impact of size standards changes on small businesses and significant adverse impacts of the COVID–19 emergency on small businesses and the overall economic activity, of the total of 137 industries in Sectors 42 and 44–45, SBA proposes to increase size standards for 49 industries and maintain current size standards for remaining 88 industries.

The Baseline

For purposes of this regulatory action, the baseline represents maintaining the “status quo,” *i.e.*, making no changes to the current size standards. Using the number of small businesses and levels of benefits (such as SBA’s loans, disaster assistance, etc.) they receive under the current size standards, one can examine the potential benefits, costs, and transfer impacts of proposed changes to size standards on small businesses and on the overall economy.

Based on the 2012 Economic Census (the latest available), of a total of about 975,569 businesses in industries in Sectors 42 and 44–45, 97.4% are considered small under the current size standards. That percentage varies from 96.6% in Sector 42 to 97.9% in Sector 44–45. Based on the SBA’s internal data on its loan programs for fiscal years 2016–2018, small businesses in those industries received, on an annual basis, a total of 11,666 7(a) and 504 loans in that period, totaling about \$5.5 billion, of which 84.7% was issued through the 7(a) program and 15.3% was issued through the 504/CDC program. During fiscal years 2016–2018, small businesses in those industries also received 667 loans through the SBA’s EIDL program, totaling about \$63.2 million on an annual basis. Table 11, Baseline for All Industries, below, provides these baseline results by sector.

TABLE 11—BASELINE FOR ALL INDUSTRIES

	Sector 42	Sector 44–45	Total
Baseline All Industries (current size standards) .....	71	66	137
Total firms (Economic Census) .....	319,716	655,853	975,569
Total small firms under current size standards (Economic Census) .....	308,710	641,995	950,705
Small firms as % of total firms .....	96.6	97.9	97.5

TABLE 11—BASELINE FOR ALL INDUSTRIES—Continued

	Sector 42	Sector 44–45	Total
No. of 7(a) and 504/CDC loans (FY 2016–2018) .....	3,249	8,417	11,666
Amount of 7(a) and 504 loans (\$ million) (FY 2016–2018) .....	\$1,836.7	\$3,692.9	\$5,529.6
No. of EIDL loans (FY 2016–2018) .....	137	530	667
Amount of EIDL loans (\$ million) (FY 2016–2018) .....	\$16.7	\$46.6	\$63.2

Totals may not sum due to rounding.

#### Increases to Size Standards

As stated above, of the 137 employee-based and receipts-based size standards in Sectors 42 and 44–45 that were reviewed in preparation for this rule, based on the results from analyses of latest industry data as well as impacts of size standards changes on small businesses, SBA proposes to increase 49 size standards. Below are descriptions of the benefits, costs, and transfer impacts of these proposed increases to size standards.

#### A. Benefits of Increases to Size Standards

The most significant benefit to businesses from proposed increases to size standards would be gaining eligibility for Federal small business assistance programs or retaining that eligibility for a longer period. These include SBA's business loan programs, such as the 7(a) and EIDL loan programs. SBA's regulations specify that NAICS codes for the Wholesale and Retail Trade industries shall not be used to classify Government acquisition for supplies (13 CFR 121.402(b)). As such, for purposes of federal contracts set-aside for small businesses the size standard for all industries included in the Wholesale Trade and Retail Trade sectors is 500 employees under the nonmanufacturer rule (see 13 CFR

121.406). SBA is not evaluating the size standard for the nonmanufacturer rule in this rulemaking. Thus, SBA estimates that the proposed increases to size standards as part of this rulemaking will not impact the market for federal contracts using small business set-asides.

Besides the access to SBA financial assistance programs discussed above, small businesses also benefit through reduced fees, less paperwork, and fewer compliance requirements that are available to small businesses through the Federal Government. However, SBA has no data to estimate the number of small businesses receiving such benefits.

Based on the 2012 Economic Census (latest available), SBA estimates that in 49 industries in NAICS Sectors 42 and 44–45 for which it has proposed to increase size standards, 1,839 firms (see Table 12, below) not considered small under the current size standards will become small under the proposed size standards increases and therefore would become eligible for SBA assistance programs. That represents about 0.5% of all firms classified as small under the current size standards in industries for which SBA has proposed increasing size standards. If the proposed increase is adopted, SBA estimates that this would result in an increase to the small

business share of total receipts in those industries from 30.4% to 31.5%.

Based on the data for fiscal years 2016–2018, SBA estimates up to 29 SBA 7(a) and 504 loans totaling about \$10.9 million could be made to these newly qualified small businesses. That represents a 0.6% increase to the loan amount compared to the Group baseline.<sup>2</sup>

Newly qualified small businesses could also benefit from the SBA's EIDL program. Since the benefit provided through this program is contingent on the occurrence and severity of a disaster in the future, SBA cannot make a meaningful estimate of this impact. However, based on the historical trends of the EIDL data, SBA estimates that, on an annual basis, the newly defined small businesses under the proposed increases to size standards, if adopted, could receive 3 EIDL loans, totaling about \$0.31 million.<sup>3</sup>

Additionally, the newly defined small businesses would also benefit through reduced fees, less paperwork, and fewer compliance requirements that are available to small businesses through the Federal Government, but SBA has no data to quantify this impact. Table 12, Impacts of Proposed Increases to Size Standards, provides these results by NAICS sector.

TABLE 12—IMPACTS OF PROPOSED INCREASES TO SIZE STANDARDS

	Sector 42	Sector 44–45	Total
No. of industries with proposed increases to size standards .....	14	35	49
Total current small businesses in industries with Proposed increases to size standards (Economic Census 2012) .....	63,984	286,758	350,742
Additional firms qualifying as small under proposed standards (2012 Economic Census) .....	145	1,694	1,839
Percentage of additional firms qualifying as small relative to current small businesses in industries with proposed increases to size standards .....	0.2	0.6	0.5
Total no. of 7(a) and 504 loans to small business in industries with proposed increases to size standards (FY 2016–2018) .....	349	4,510	4,859
Total amount of 7(a) and 504 loans to small businesses in industries with proposed increases to size standards (\$ million) (FY 2016–2018) .....	\$182.8	\$1,633.1	\$1,815.9
Estimated no. of 7(a) and 504 loans to newly qualified small firms .....	1	28	29
Estimated 7(a) and 504 loan amount to newly qualified small firms (\$ million) .....	\$0.5	\$10.3	\$10.9
% increase to 7(a) and 504 loan amount relative to the total amount of 7(a) and 504 loans in industries with proposed increases to size standards .....	0.3	0.6	0.6

<sup>2</sup> Note that these figures refer to the standard 7(a) and 504 loans, not the Paycheck Protection Program (PPP) under the CARES Act, the Economic Aid to Hard-Hit Small Businesses, Non-Profits, and

Venues Act, and the American Rescue Plan Act of 2021.

<sup>3</sup> Note that these figures refer to the standard EIDL loans, not COVID EIDL loans under the CARES Act,

the Economic Aid to Hard-Hit Small Businesses, Non-Profits, and Venues Act, and the American Rescue Plan Act of 2021.

TABLE 12—IMPACTS OF PROPOSED INCREASES TO SIZE STANDARDS—Continued

	Sector 42	Sector 44–45	Total
Total no. of EIDL loans to small businesses in industries with proposed increases to size standards (FY 2016–2018) .....	12	288	300
Total amount of EIDL loans to small businesses in industries with proposed increases to size standards (\$ million) (FY 2016–2018) .....	\$1.9	\$21.5	\$23.4
Estimated no. of EIDL loans to newly qualified small firms .....	1	2	3
Estimated EIDL loan amount to newly qualified small firms (\$ million) .....	\$0.15	\$0.15	\$0.31
% increase to EIDL loan amount relative to the total amount of EIDL loans in industries with proposed increases to size standards .....	8.3	0.7	1.3

Totals may not sum due to rounding.

#### B. Costs of Increases to Size Standards

To the extent that newly qualified small businesses could seek assistance from SBA's financial assistance programs, the proposed increases to size standards, if adopted, may entail some additional administrative costs to the Government. However, small business lenders have an option of using the tangible net worth and net income-based alternative size standard instead of using the industry-based size standards to establish eligibility for SBA's loans. Moreover, this proposed rule does not establish new size standards for the very first time; rather it intends to modify the existing size standards in accordance with a statutory requirement and the latest data and other relevant factors. For these reasons, SBA believes that these added administrative costs will be minor because necessary mechanisms are already in place to handle the additional burden.

#### C. Transfer Impacts of Increases to Size Standards

The proposed increases to size standards, if adopted, may result in some redistribution of SBA loans between the newly qualified small businesses and small businesses under the current size standards. However, SBA estimates this impact to be de minimus because the vast majority of the SBA loans go to small businesses that are much smaller than the current size standards. Moreover, SBA estimates that this rule would not have any impact on Federal contract dollars awarded to small businesses since SBA's regulations specify that NAICS codes for the Wholesale and Retail Trade industries shall not be used to classify Government acquisition for supplies.

#### 3. What alternatives have been considered?

Under OMB Circular A–4, SBA is required to consider alternative regulatory approaches. In this section, SBA describes and analyzes two such

alternatives to the proposed rule. Under Alternative Option 1, SBA would propose adopting size standards based solely on the analytical results. In other words, SBA would raise the size standards of 49 industries for which the analytical results suggest raising size standards and would lower the size standards of 66 industries for which the analytical results suggest lowering size standards. For the 22 remaining industries, size standards would be maintained at their current levels. Under Alternative Option 2, SBA would propose retaining all size standards for all industries, given the uncertainty generated by the ongoing COVID–19 pandemic. Below, SBA discusses and presents the net impacts of each option.

#### Alternative Option 1: Consider Adopting All Calculated Size Standards

As discussed before, in this proposed rule, Alternative Option 1 would cause a substantial number of currently small businesses to lose their small business status and hence to lose their access to Federal small business assistance, including SBA's financial assistance in some cases. Because we have discussed already the benefits and costs of increasing 49 size standards, here we will emphasize the discussion on the benefits and costs of decreasing 66 size standards.

The primary benefit of adopting Alternative Option 1 is that SBA's procurement, management, technical and financial assistance resources would be targeted to the most appropriate beneficiaries of such programs according to the analytical results. Adopting the size standards suggested by the analytical results would also promote consistency with analytical results in SBA's exercise of its authority to determine size standards.

As explained in the Size Standards Methodology White Paper, in addition to adopting all results of the primary analysis, SBA evaluates other relevant factors as needed such as the impact of the reductions or increases of size standards on the distribution of

contracts awarded to small businesses, and may adopt different results with the intention of mitigating potential negative impacts.

#### A. Benefits of Decreases to Size Standards

The most significant benefit to businesses from decreases to size standards when SBA's analysis suggests such decreases, is that it may help ensure that size standards are more reflective of latest industry structure and that Federal small business assistance is more effectively targeted to its intended beneficiaries. The adoption of smaller size standards when the results support them diminishes the risk of providing assistance to firms that are not small anymore.

Decreasing size standards may reduce the administrative costs of the Government, because the risk of providing assistance to other than small businesses may diminish when the size standards better reflect the structure of the market. The risks of providing SBA's loans to firms that are not in need of financial assistance will provide for a better chance for smaller firms to benefit from the opportunities available to them through the Federal Government. Although SBA did not quantify the impact associated with this risk, SBA considers the impacts associated with this risk to be small since the majority of firms receiving financial assistance from SBA are below the calculated size standards.

#### B. Costs of Decreases to Size Standards

Decreases to size standards would have a very minor impact on small businesses applying for SBA's 7(a) and 504 loans because a vast majority of such loans are issued to businesses that are far below the reduced size standards. For example, based on the loan data for fiscal years 2016–2018, SBA estimates that 67 of SBA's 7(a) and 504 loans, totaling \$38.0 million, could not be made to those small businesses that would lose eligibility under the reduced size standards (before

mitigation). That represents a 1.2% decrease of the loan amounts compared to the baseline. Table 13, below, shows these results by sector. However, the actual impact could be much less as businesses losing small business eligibility under the decreases to industry-based size standards could still qualify for SBA's loans under the tangible net worth and net income-based alternative size standard.

Businesses losing small business status would also be impacted in terms of access to loans through the SBA's EIDL program. However, SBA expects such impact to be minimal as only a small number of businesses in those industries received such loans during fiscal years 2016–2018. Additionally, the majority of those businesses were below the reduced size standards. Since this program is contingent on the occurrence and severity of a disaster in the future, SBA cannot make a meaningful estimate of this impact. However, based on the historical trends of the available EIDL data, SBA estimates that, on an annual basis, 5 EIDL loans, totaling about \$0.5 million, would be made unavailable to firms that

no longer qualify as small based on the industry size standard.

Small businesses becoming other than small if size standards were decreased might lose the benefits of reduced fees, paperwork and compliance requirements that are available to small businesses through the Federal Government, but SBA has no data to quantify this impact. However, if agencies determine that SBA's size standards do not adequately serve their purposes, they can establish a different size standard with an approval from SBA if they are required to use SBA's size standards for their programs.

SBA may adopt mitigating measures to reduce the negative impact under the assumptions of Option 1. SBA could adopt one or more of the following three actions: 1. To accept decreases in size standards as suggested by the analytical results; 2. to decrease size standards by a smaller amount than the calculated values; and 3. to retain the size standards at their current levels. For example, in response to the 2008 Financial Crisis, SBA adopted a general policy in the first 5-year comprehensive size standards review to not lower any size standard (except to exclude one or

more dominant firms) even when the analytical results suggested the size standard should be lowered. Currently, because of the economic challenges presented by the COVID–19 pandemic and the measures taken to protect public health, SBA has decided to propose the same general policy of not lowering size standards in the ongoing second 5-year comprehensive size standards review as well.

Nevertheless, the impact on the overall loan activity is likely to be de minimus because SBA estimates that the majority of firms currently eligible for its loan programs would continue to remain eligible under the reduced size standards. SBA's regulations specify that NAICS codes for the Wholesale and Retail Trade industries shall not be used to classify Government acquisition for supplies (13 CFR 121.402(b)). As such, for purposes of federal contracting, the size standard for all industries included in the Wholesale and Retail Trade industries is 500 employees (13 CFR 121.406). Thus, SBA estimates that any decreases to size standards as part of this rulemaking will not impact the market for federal contracts.

TABLE 13—IMPACTS OF DECREASES TO SIZE STANDARDS UNDER ALTERNATIVE OPTION 1

	Sector 42	Sector 44–45	Total
No. of industries for which SBA considered decreasing size standards (2012 Economic Census) .....	38	28	66
Total current small businesses in industries for which SBA considered decreasing size standards (2012 Economic Census) .....	184,837	343,639	528,476
Estimated no. of firms losing small status for which SBA considered decreasing size standards (2012 Economic Census) .....	2,735	2,774	5,509
% of Firms losing small status relative to current small businesses in industries for which SBA considered decreasing size standards .....	1.5	0.8	1.0
Total no. of 7(a) and 504 loans to small businesses in industries for which SBA considered decreasing size standards (FY 2016–2018) .....	2,236	3,859	6,095
Total amount of 7(a) and 504 loans to small businesses in industries for which SBA considered decreasing size standards (\$ million) (FY 2016–2018) .....	\$1,300.2	\$1,931.0	\$3,231.2
Estimated no. of 7(a) and 504 loans not available to firms that would have lost small business status .....	34	33	67
Estimated 7(a) and 504 loan amount not available to firms that would have lost small business status (\$ million) .....	\$19.8	\$18.2	\$38.0
% decrease to 7(a) and 504 loan amount relative to the total amount of 7(a) and 504 loans in industries for which SBA considered decreasing size standards .....	1.5	0.9	1.2
Total no. of EIDL loans to small businesses in industries for which SBA considered decreasing size standards (FY 2016–2018) .....	86	239	325
Total amount of EIDL loans to small businesses in industries for which SBA considered decreasing size standards (\$ million) (FY 2016–2018) .....	\$10.0	\$24.4	\$34.4
Estimated no. of EIDL loans not available to firms that would have lost small business status .....	2	3	5
Estimated EIDL loan amount not available to firms that would have lost small business status (\$ million) .....	\$0.23	\$0.27	\$0.50
% decrease to EIDL loan amount relative to the baseline .....	2.3	1.1	1.5

Totals may not sum due to rounding.

#### C. Transfer Impacts of Decreases to Size Standards

If the size standards were decreased under Alternative Option 1, it may result in a redistribution of loans

between the newly qualified small businesses and large businesses and between the newly qualified small businesses and small businesses under the current standards. However, SBA

estimates this impact to be de minimus. Moreover, SBA estimates that this rule would not have an impact on Federal contract dollars awarded to small businesses since SBA's regulations

specify that NAICS codes for the Wholesale and Retail Trade industries shall not be used to classify Government acquisition for supplies. While SBA cannot estimate with certainty the actual outcome of the gains and losses among different groups of businesses from this redistribution, it can identify several probable impacts. With a smaller pool of small businesses under the decreases to size standards, some Federal assistance to be otherwise awarded to small businesses may be diverted to other uses or programs. However, since the total benefit provided through this program is contingent on the availability of funds and the occurrence and severity of a disaster in the future, SBA cannot make a meaningful estimate of this impact.

#### D. Net Impact of Alternative Option 1

To estimate the net impacts of Alternative Option 1, SBA followed the

same methodology used to evaluate the impacts of the proposed size standards (see Table 12 above). However, under Alternative Option 1, SBA used the calculated size standards instead of the proposed ones to determine the impacts of changes to current thresholds. The impact of the increases of size standards were already shown in Table 12 above. Table 13, above, and Table 14, Net Impacts of Size Standards Changes under Alternative Option 1, below, present the impact of the decreases of size standards and the net impact of adopting the calculated results under Alternative Option 1, respectively.

Based on the 2012 Economic Census, SBA estimates that in 100 industries in NAICS Sectors 42 and 44–45 for which the analytical results suggested to change size standards, about 3,625 firms (see Table 14, below), would become other-than-small under Alternative One. That represents about 0.4% of all firms

classified as small under the current size standards.

Based on the SBA's loan data for fiscal years 2016–2018, the total number of 7(a) and 504 loans may decrease by 38 loans, and the loan amounts by about \$27.1 million. This represents a 0.5% decrease of the loan amounts relative to the Group baseline.

Firms' participation under SBA's EIDL program will be affected as well. Since the benefit provided through this program is contingent on the occurrence and severity of a disaster in the future, SBA cannot make a meaningful estimate of this impact. However, based on the historical trends of the EIDL data, SBA estimates that the total number of EIDL loans may decrease by about 2 loans, and the loan amount by about \$0.19 million. This represents a 0.3% decrease of the loan amounts relative to the Group baseline. Table 14, below, provides these results by NAICS sector.

TABLE 14—NET IMPACTS OF SIZE STANDARDS CHANGES UNDER ALTERNATIVE OPTION 1

	Sector 42	Sector 44–45	Total
No. of industries with proposed changes to size standards .....	52	63	115
Total no. of small businesses under the current size standards (2012 Economic Census) .....	248,821	630,396	879,217
Additional firms qualifying as small (2012 Economic Census) .....	–2,591	–1,079	–3,670
% of additional firms qualifying as small relative to total current small businesses .....	–1.0	–0.2	–0.4
Total no. of 7(a) and 504 loans to small businesses (FY 2016–2018) .....	3,249	8,417	11,666
Total amount of 7(a) and 504 loans to small businesses (FY 2016–2018) .....	\$1,836.7	\$3,692.9	\$5,529.6
Estimated no. of additional 7(a) and 504 loans to newly qualified small firms .....	–33	–5	–38
Estimated additional 7(a) and 504 loan amount to newly qualified small firms (\$ million) .....	–\$19.2	–\$7.9	–\$27.1
% increase to 7(a) and 504 loan amount relative to the total amount of 7(a) and 504 loans to small businesses .....	–1.0	–0.2	–0.5
Total no. of EIDL loans to small businesses (FY 2016–2018) .....	137	530	667
Total amount of EIDL loans to small businesses (FY 2016–2018) .....	\$16.7	\$46.6	\$63.2
Estimated no. of additional EIDL loans to newly qualified small firms .....	–1	–1	–2
Estimated additional EIDL loan amount to newly qualified small firms (\$ million) ..	–\$0.08	–\$0.12	–\$0.19
% increase to EIDL loan amount relative to the total amount of EIDL loans to small businesses .....	–0.5	–0.3	–0.3

Totals may not sum due to rounding.

#### Alternative Option 2: To Retain All Current Size Standards

As discussed elsewhere in this rule, SBA considered retaining the current levels of all size standards, despite the results of its analytical data, due to the ongoing pandemic. SBA considered this option because it would provide the opportunity to reassess the economic situation once the economic recovery starts. Under this option, SBA would be able to assess new data on economic indicators, federal procurement, and SBA loans before making any changes to size standards. When compared to the baseline, Alternative Option 2 has a net impact of zero. As described previously, SBA believes the proposed increases in size standards will generate positive net

benefits. Thus, SBA is not proposing Alternative Option 2.

#### Initial Regulatory Flexibility Analysis

According to the Regulatory Flexibility Act (RFA), 5 U.S.C. 601–612, when an agency issues a rulemaking, it must prepare a regulatory flexibility analysis to address the impact of the rule on small entities.

This proposed rule, if adopted, may have a significant impact on a substantial number of small businesses in the industries covered by this proposed rule. As described above, this rule may affect small businesses seeking financial assistance under SBA's 7(a), 504 and EIDL Programs, and assistance under other Federal small business programs.

Immediately below, SBA sets forth an initial regulatory flexibility analysis (IRFA) of this proposed rule addressing the following questions: (1) What is the need for and objective of the rule?; (2) What is SBA's description and estimate of the number of small businesses to which the rule will apply?; (3) What are the projected reporting, record keeping, and other compliance requirements of the rule?; (4) What are the relevant Federal rules that may duplicate, overlap, or conflict with the rule?; and (5) What alternatives will allow the Agency to accomplish its regulatory objectives while minimizing the impact on small businesses?



1. What is the need for and objective of the rule?

Changes in industry structure, technological changes, productivity growth, mergers and acquisitions, and updated industry definitions have changed the structure of many the industries covered by this proposed rule. Such changes can be enough to support revisions to current size standards for some industries. Based on the analysis of the latest data available, SBA believes that the revised standards in this proposed rule more appropriately reflect the size of businesses that need Federal assistance. The 2010 Jobs Act also requires SBA to review all size standards and make necessary adjustments to reflect market conditions.

2. What is SBA's description and estimate of the number of small businesses to which the rule will apply?

Based on data from the 2012 Economic Census, SBA estimates that there are about 350,742 small firms covered by this rulemaking under industries with proposed changes to size standards. If the proposed rule is adopted in its present form, SBA estimates that an additional 1,839 businesses will be defined as small.

3. What are the projected reporting, record keeping and other compliance requirements of the rule?

The proposed size standard changes impose no additional reporting or record keeping requirements on small businesses. Changing size standards alters the access to SBA's programs that assist small businesses but does not impose a regulatory burden because size standards neither regulate nor control business behavior. Moreover, SBA's regulations specify that NAICS codes for the Wholesale Trade and Retail Trade sectors shall not be used to classify Government acquisition for supplies (13 CFR 121.402(b)). As such, SBA estimates that there will be no additional costs as a result of this rule for firms to update their entity registrations in the Federal Government's System for Award Management (SAM).

4. What are the relevant Federal rules, which may duplicate, overlap or conflict with the rule?

Under section 3(a)(2)(C) of the Small Business Act, 15 U.S.C. 632(a)(2)(c), Federal agencies must use SBA's size standards to define a small business, unless specifically authorized by statute to do otherwise. In 1995, SBA published in the **Federal Register** a list of statutory and regulatory size standards that

identified the application of SBA's size standards as well as other size standards used by Federal agencies (60 FR 57988 (November 24, 1995)). SBA is not aware of any Federal rule that would duplicate or conflict with establishing size standards.

However, the Small Business Act and SBA's regulations allow Federal agencies to develop different size standards if they believe that SBA's size standards are not appropriate for their programs, with the approval of SBA's Administrator (13 CFR 121.903). The Regulatory Flexibility Act authorizes an Agency to establish an alternative small business definition, after consultation with the Office of Advocacy of the U.S. Small Business Administration (5 U.S.C. 601(3)).

5. What alternatives will allow the Agency to accomplish its regulatory objectives while minimizing the impact on small entities?

By law, SBA is required to develop numerical size standards for establishing eligibility for Federal small business assistance programs. Other than varying size standards by industry and changing the size measures, no practical alternative exists to the systems of numerical size standards.

However, SBA considered two alternatives to its proposal to increase 49 size standards and maintain 88 size standards at their current levels. The first alternative SBA considered was adopting size standards based solely on the analytical results. In other words, the size standards of 49 industries for which the analytical results suggest raising size standards would be raised. However, the size standards of 66 industries for which the analytical results suggest lowering size standards would be lowered. This would cause a significant number of small businesses to lose their small business status. Under the second alternative, in view of the COVID-19 pandemic, SBA considered retaining all size standards at the current levels, even though the analytical results may suggest increasing 49 size standards and decreasing 66. Retaining all size standards at their current levels would be more onerous for small businesses than the option of adopting increases to size standards in 49 industries and retaining the current size standards for the rest of the industries, because the net benefit from adopting the proposal is greater than the net benefit of maintaining all size standards at their current levels.

#### *Executive Order 13563*

Executive Order 13563 emphasizes the importance of quantifying both costs

and benefits, reducing costs, harmonizing rules, and promoting flexibility. A description of the need for this regulatory action and benefits and costs associated with this action, including possible distributional impacts that relate to Executive Order 13563, is included above in the Regulatory Impact Analysis under Executive Order 12866. Additionally, Executive Order 13563, section 6, calls for retrospective analyses of existing rules.

The review of size standards in the industries covered by this proposed rule is consistent with section 6 of Executive Order 13563 and the 2010 Jobs Act, which requires SBA to review all size standards and make necessary adjustments to reflect market conditions. Specifically, the 2010 Jobs Act requires SBA to review at least one-third of all size standards during every 18-month period from the date of its enactment (September 27, 2010) and to review all size standards not less frequently than once every 5 years, thereafter. SBA had already launched a comprehensive review of size standards in 2007. In accordance with the Jobs Act, SBA completed the comprehensive review of the small business size standard for each industry, except those for agricultural enterprises previously set by Congress, and made appropriate adjustments to size standards for a number of industries to reflect current Federal and industry market conditions. The first comprehensive review was completed in 2016. Prior to 2007, the last time SBA conducted a comprehensive review of all size standards was during the late 1970s and early 1980s.

SBA issued a White Paper entitled "Size Standards Methodology" and published a notice in the April 11, 2019, edition of the **Federal Register** (84 FR 14587) to advise the public that the document was available for public review and comments. The "Size Standards Methodology" White Paper explains how SBA establishes, reviews, and modifies its receipts-based and employee-based small business size standards. SBA gave appropriate consideration to all input, suggestions, recommendations, and relevant information obtained from industry groups, individual businesses, and Federal agencies in developing size standards for those industries covered by this proposed rule.

#### *Executive Order 12988*

This action meets applicable standards set forth in sections 3(a) and 3(b)(2) of Executive Order 12988, Civil Justice Reform, to minimize litigation,

eliminate ambiguity, and reduce burden. The action does not have retroactive or preemptive effect.

#### *Executive Order 13132*

For purposes of Executive Order 13132, SBA has determined that this proposed rule will not have substantial, direct effects on the States, on the relationship between the National Government and the States, or on the distribution of power and responsibilities among the various levels of government. Therefore, SBA has determined that this proposed rule has no federalism implications warranting preparation of a federalism assessment.

#### *Paperwork Reduction Act*

For the purpose of the Paperwork Reduction Act, 44 U.S.C. Ch. 35, SBA has determined that this rule will not impose any new reporting or record keeping requirements.

#### **List of Subjects in 13 CFR Part 121**

Administrative practice and procedure, Government procurement, Government property, Grant programs—business, Individuals with disabilities, Loan programs—business, Reporting and recordkeeping requirements, Small businesses.

For the reasons set forth in the preamble, SBA proposes to amend 13 CFR part 121 as follows:

#### **PART 121—SMALL BUSINESS SIZE REGULATIONS**

■ 1. The authority citation for part 121 continues to read as follows:

**Authority:** 15 U.S.C. 632, 634(b)(6), 636(a)(36), 662, and 694a(9); Pub. L. 116–136, Section 1114.

■ 2. In § 121.201, amend the table “Small Business Size Standards by NAICS Industry” by revising entries “423140,” “423330,” “423460,”

“423520,” “423620,” “423730,” “423860,” “423920,” “424110,” “424450,” “424590,” “424690,” “424710,” “425120,” “441310,” “441320,” “442291,” “442299,” “443141,” “444130,” “444210,” “444220,” “445291,” “445292,” “445299,” “445310,” “446110,” “446130,” “446191,” “446199,” “447190,” “448110,” “448150,” “448190,” “448310,” “448320,” “451110,” “451120,” “451140,” “451211,” “451212,” “452311,” “453220,” “453310,” “453910,” “453920,” “453998,” “454210,” and “454390” to read as follows:

#### **§ 121.201 What size standards has SBA identified by North American Industry Classification System codes?**

\* \* \* \* \*

#### **SMALL BUSINESS SIZE STANDARDS BY NAICS INDUSTRY**

NAICS	NAICS U.S. industry title	Size standards in millions of dollars	Size standards in number of employees
* * *	* * *	* * *	* * *
<b>Sector 42—Wholesale Trade</b>			
* * *	* * *	* * *	* * *
<b>Subsector 423—Merchant Wholesalers, Durable Goods</b>			
* * *	* * *	* * *	* * *
423140 .....	Motor Vehicle Parts (Used) Merchant Wholesalers .....	.....	125
* * *	* * *	* * *	* * *
423330 .....	Roofing, Siding, and Insulation Material Merchant Wholesalers .....	.....	225
* * *	* * *	* * *	* * *
423460 .....	Ophthalmic Goods Merchant Wholesalers .....	.....	175
* * *	* * *	* * *	* * *
423520 .....	Coal and Other Mineral and Ore Merchant Wholesalers .....	.....	200
* * *	* * *	* * *	* * *
423620 .....	Household Appliances, Electric Housewares, and Consumer Electronics Merchant Wholesalers.	.....	225
* * *	* * *	* * *	* * *
423730 .....	Warm Air Heating and Air-Conditioning Equipment and Supplies Merchant Wholesalers.	.....	175
* * *	* * *	* * *	* * *
423860 .....	Transportation Equipment and Supplies (except Motor Vehicle) Merchant Wholesalers .....	.....	175

## SMALL BUSINESS SIZE STANDARDS BY NAICS INDUSTRY—Continued

NAICS	NAICS U.S. industry title	Size standards in millions of dollars	Size standards in number of employees
*	*	*	*
423920 .....	Toy and Hobby Goods and Supplies Merchant Wholesalers .....		175
*	*	*	*
<b>Subsector 424—Merchant Wholesalers, Nondurable Goods</b>			
424110 .....	Printing and Writing Paper Merchant Wholesalers .....		225
*	*	*	*
424450 .....	Confectionery Merchant Wholesalers .....		225
*	*	*	*
424590 .....	Other Farm Product Raw Material Merchant Wholesalers .....		175
*	*	*	*
424690 .....	Other Chemical and Allied Products Merchant Wholesalers .....		175
424710 .....	Petroleum Bulk Stations and Terminals .....		225
*	*	*	*
<b>Subsector 425—Wholesale Electronic Markets and Agents and Brokers</b>			
*	*	*	*
425120 .....	Wholesale Trade Agents and Brokers .....		125
<b>Sector 44—Retail Trade</b>			
*	*	*	*
<b>Subsector 441—Motor Vehicle and Parts Dealers</b>			
*	*	*	*
441310 .....	Automotive Parts and Accessories Stores .....	25.0	
441320 .....	Tire Dealers .....	22.5	
<b>Subsector 442—Furniture and Home Furnishings Stores</b>			
*	*	*	*
442291 .....	Window Treatment Stores .....	10.0	
442299 .....	All Other Home Furnishings Stores .....	29.5	
<b>Subsector 443—Electronics and Appliance Stores</b>			
443141 .....	Household Appliance Stores .....	19.5	
*	*	*	*
<b>Subsector 444—Building Material and Garden Equipment and Supplies Dealers</b>			
*	*	*	*
444130 .....	Hardware Stores .....	14.5	
*	*	*	*
444210 .....	Outdoor Power Equipment Stores .....	8.5	
444220 .....	Nursery, Garden Center, and Farm Supply Stores .....	19.0	

## SMALL BUSINESS SIZE STANDARDS BY NAICS INDUSTRY—Continued

NAICS	NAICS U.S. industry title	Size standards in millions of dollars	Size standards in number of employees
<b>Subsector 445—Food and Beverage Stores</b>			
*	*	*	*
445291 .....	Baked Goods Stores .....	14.0 .....	.....
445292 .....	Confectionery and Nut Stores .....	17.0 .....	.....
445299 .....	All Other Specialty Food Stores .....	9.0 .....	.....
445310 .....	Beer, Wine, and Liquor Stores .....	9.0 .....	.....
<b>Subsector 446—Health and Personal Care Stores</b>			
446110 .....	Pharmacies and Drug Stores .....	33.0 .....	.....
*	*	*	*
446130 .....	Optical Goods Stores .....	26.0 .....	.....
446191 .....	Food (Health) Supplement Stores .....	20.0 .....	.....
446199 .....	All Other Health and Personal Care Stores .....	8.5 .....	.....
<b>Subsector 447—Gasoline Stations</b>			
*	*	*	*
447190 .....	Other Gasoline Stations .....	29.5 .....	.....
<b>Subsector 448—Clothing and Clothing Accessories Stores</b>			
448110 .....	Men's Clothing Stores .....	22.5 .....	.....
*	*	*	*
448150 .....	Clothing Accessories Stores .....	29.5 .....	.....
448190 .....	Other Clothing Stores .....	27.5 .....	.....
*	*	*	*
448310 .....	Jewelry Stores .....	18.0 .....	.....
448320 .....	Luggage and Leather Goods Stores .....	33.5 .....	.....
<b>Subsector 451—Sporting Good, Hobby, Book and Music Stores</b>			
451110 .....	Sporting Goods Stores .....	23.5 .....	.....
451120 .....	Hobby, Toy, and Game Stores .....	31.0 .....	.....
*	*	*	*
451140 .....	Musical Instrument and Supplies Stores .....	20.0 .....	.....
451211 .....	Book Stores .....	31.5 .....	.....
451212 .....	News Dealers and Newsstands .....	20.0 .....	.....
<b>Subsector 452—General Merchandise Stores</b>			
*	*	*	*
452311 .....	Warehouse Clubs and Supercenters .....	41.5 .....	.....
*	*	*	*
<b>Subsector 453—Miscellaneous Store Retailers</b>			
*	*	*	*
453220 .....	Gift, Novelty, and Souvenir Stores .....	12.0 .....	.....
453310 .....	Used Merchandise Stores .....	12.5 .....	.....
453910 .....	Pet and Pet Supplies Stores .....	28.0 .....	.....
453920 .....	Art Dealers .....	14.5 .....	.....

## SMALL BUSINESS SIZE STANDARDS BY NAICS INDUSTRY—Continued

NAICS	NAICS U.S. industry title	Size standards in millions of dollars	Size standards in number of employees
453998	All Other Miscellaneous Store Retailers (except Tobacco Stores)	10.0	
<b>Subsector 454—Nonstore Retailers</b>			
454210	Vending Machine Operators	18.5	
454390	Other Direct Selling Establishments	13.0	

Dated: May 13, 2021.

Isabella Casillas Guzman,  
Administrator.

[FR Doc. 2021-10487 Filed 5-24-21; 8:45 am]

BILLING CODE 8026-03-P

## DEPARTMENT OF TRANSPORTATION

### Federal Aviation Administration

#### 14 CFR Part 39

[Docket No. FAA-2021-0377; Project Identifier MCAI-2021-00380-R]

RIN 2120-AA64

#### Airworthiness Directives; Bell Textron Canada Limited Helicopters

**AGENCY:** Federal Aviation Administration (FAA), DOT.

**ACTION:** Notice of proposed rulemaking (NPRM).

**SUMMARY:** The FAA proposes to adopt a new airworthiness directive (AD) for certain Bell Textron Canada Limited Model 505 helicopters. This proposed AD was prompted by three occurrences of metallic debris in the engine oil lubrication system causing the 12 volts direct current (VDC) reference voltage to be shorted to ground and loss of important flight information to the pilot. This proposed AD would require replacing a certain part-numbered relay panel assembly. The FAA is proposing this AD to address the unsafe condition on these products.

**DATES:** The FAA must receive comments on this proposed AD by July 9, 2021.

**ADDRESSES:** You may send comments, using the procedures found in 14 CFR 11.43 and 11.45, by any of the following methods:

- *Federal eRulemaking Portal:* Go to <https://www.regulations.gov>. Follow the instructions for submitting comments.

- *Fax:* (202) 493-2251.

- *Mail:* U.S. Department of Transportation, Docket Operations, M-30, West Building Ground Floor, Room W12-140, 1200 New Jersey Avenue SE, Washington, DC 20590.

- *Hand Delivery:* Deliver to Mail address between 9 a.m. and 5 p.m., Monday through Friday, except Federal holidays.

For service information identified in this NPRM, contact Bell Textron Canada Limited, 12,800 Rue de l'Avenir, Mirabel, Quebec J7J1R4, Canada; telephone (450) 437-2862 or (800) 363-8023; fax (450) 433-0272; or at <https://www.bellcustomer.com>. You may view this service information at the FAA, Office of the Regional Counsel, Southwest Region, 10101 Hillwood Pkwy., Room 6N-321, Fort Worth, TX 76177. For information on the availability of this material at the FAA, call (817) 222-5110.

#### Examining the AD Docket

You may examine the AD docket at <https://www.regulations.gov> by searching for and locating Docket No. FAA-2021-0377; or in person at Docket Operations between 9 a.m. and 5 p.m., Monday through Friday, except Federal holidays. The AD docket contains this NPRM, the Transport Canada AD, any comments received, and other information. The street address for Docket Operations is listed above.

**FOR FURTHER INFORMATION CONTACT:** Hal Jensen, Aerospace Engineer, Operational Safety Branch, Compliance & Airworthiness Division, FAA, 950 L'Enfant Plaza N SW, Washington, DC 20024; telephone (202) 267-9167; email [hal.jensen@faa.gov](mailto:hal.jensen@faa.gov).

#### SUPPLEMENTARY INFORMATION:

#### Comments Invited

The FAA invites you to send any written relevant data, views, or arguments about this proposal. Send your comments to an address listed under **ADDRESSES**. Include "Docket No. FAA-2021-0377; Project Identifier MCAI-2021-00380-R" at the beginning of your comments. The most helpful comments reference a specific portion of the proposal, explain the reason for any recommended change, and include supporting data. The FAA will consider all comments received by the closing date and may amend this proposal because of those comments.

Except for Confidential Business Information (CBI) as described in the following paragraph, and other information as described in 14 CFR 11.35, the FAA will post all comments received, without change, to <https://www.regulations.gov>, including any personal information you provide. The agency will also post a report summarizing each substantive verbal contact received about this NPRM.

#### Confidential Business Information

CBI is commercial or financial information that is both customarily and actually treated as private by its owner. Under the Freedom of Information Act (FOIA) (5 U.S.C. 552), CBI is exempt from public disclosure. If your comments responsive to this NPRM contain commercial or financial information that is customarily treated as private, that you actually treat as private, and that is relevant or responsive to this NPRM, it is important that you clearly designate the submitted comments as CBI. Please mark each page of your submission containing CBI as "PROPIN." The FAA will treat such marked submissions as confidential under the FOIA, and they will not be placed in the public docket of this