

result of this final rule is the September 11 EIDL assistance. SBA estimates that \$1.3 to \$2.8 million in September 11 EIDL assistance may result from increasing the size standard for travel agencies. SBA also estimates an additional \$2.3 million to \$2.7 million in September 11 EIDL assistance to businesses that became eligible small businesses as a result of the recent inflation adjustment to monetary size standards. These estimates are based on participation rates and EIDL loan amounts of travel agencies and small businesses in the industries covered by the size standard inflation adjustment. The small increase in EIDL business loans that may result from the size standard increase will not crowd out other small travel agencies or small businesses from obtaining assistance as a result of the September 11 terrorist attacks since funding continues to be available for this program.

(6) Alternatives

(a) What Are the Legal Policies or Factual Reasons for Selecting the Alternative Adopted in the Final Rule?

As stated in the Small Business Act 15 U.S.C. 631 and 13 CFR 121, SBA establishes size standards based on industry characteristics and for non-manufacturing concerns on the basis of the annual average gross receipts of a business concern over a period of three years. For certain industries, including the Travel Agencies industry, receipts are measured by total revenues, but excluding funds received in trust for an unaffiliated third party, such as bookings or sales subject to commissions. The commissions received are included as revenue. The changing structure of the industry, Census Bureau data, Federal contracting data, travel agencies trade association data, and SBA EIDL assistance data support increasing the size standard to \$3 million.

(b) What Alternatives Did SBA Reject?

At the time of the September 11, 2001 Terrorist Attacks, SBA was preparing a proposed adjustment to the travel agencies size standard. SBA found that under the \$1 million size standard for travel agencies, small travel agencies were no longer competitive in the corporate and government travel markets. Because of technology advances and demands by corporate and government clients, most firms must adapt to deal with higher costs to maintain their businesses, making greater investments in technology to meet the needs of their customers, and switching to a fee-based compensation

system from a commission-based system. Data from the GSA Travel Management Center's Program Office also showed that small travel agencies obtained only 3.5 percent of total revenues to travel agencies, even though small travel agencies account half of total industries revenues. In addition, many travel agencies were declared ineligible because of size reasons for EIDL assistance as a result of the September 11, 2001 terrorist attacks.

SBA considered two additional alternatives to this rule. First, adopting the \$6 million anchor size standard to the Travel Agencies industry. As discussed in the interim final rule SBA applies the \$6 million anchor size standard to the nonmanufacturing industries unless an industry's characteristics are significantly different from the typical nonmanufacturing industry. The analysis of the various industry factors show that the characteristics of travel agencies are significantly below those of the nonmanufacturing anchor group industries. To establish a \$6 million size standard would increase the size standard six fold and assist successful travel agencies that tend to operate at several locations and potentially take away assistance from small travel agencies this rule is intended to assist. Thus, a size standard below the anchor size standard is appropriate for this industry.

Second, SBA considered relevant to this rule comments received in response to our March 15, 2002 proposed rule to increase the size standard for travel agencies for all small business programs. For the proposed rule, SBA considered the commenters' recommendation to not increase the travel agencies size standard beyond the amount of inflation since 1994 (15.8 percent). These commenters raised three significant issues pertaining to the percentage of travel agencies defined as small, the overall decline of the industry, and the competitiveness of currently defined small businesses. SBA rejected these comments because it had also received comments supporting the \$3 million size standard that used, in part, similar facts to show the proposed size standard was needed. Also, SBA's analysis of the changing structure of the industry, Census Bureau data, Federal contracting data, and EIDL assistance data support the need and basis to support increasing the size standard above \$1 million.

List of Subjects

13 CFR Part 121

Administrative practice and procedure, Government procurement, Government property, Grant programs—business, Loan programs—business, Small business.

13 CFR Part 123

Disaster assistance, Loan programs—business, Reporting and recordkeeping requirements, Small businesses.

PART 121—SMALL BUSINESS SIZE REGULATIONS

PART 123—DISASTER LOAN PROGRAM

Accordingly, for the reasons set forth in the preamble, the interim rule amending parts 121 and 123 of title 13 of the Code of Federal Regulations which was published at 67 FR 11874 on March 15, 2002, is adopted as a final rule without change.

Dated: May 15, 2002.

Hector V. Barreto,
Administrator.

[FR Doc. 02–13604 Filed 5–30–02; 8:45 am]

BILLING CODE 8025–01–P

SMALL BUSINESS ADMINISTRATION

13 CFR Part 121

RIN 3245–AE95

Small Business Size Standards; Travel Agencies

AGENCY: Small Business Administration (SBA).

ACTION: Final rule.

SUMMARY: The U.S. Small Business Administration (SBA) is adopting the proposed increase to the size standard for Travel Agencies, North American Industry Classification System (NAICS) code 561510, from \$1 million to \$3 million. This action will better define the size of businesses in this industry that the SBA believes should be eligible for Federal small business assistance programs.

DATES: This rule is effective July 1, 2002.

FOR FURTHER INFORMATION CONTACT: Diane Heal, Office of Size Standards, (202) 205–6618.

SUPPLEMENTARY INFORMATION: This final rule applies to all SBA small business programs. SBA is publishing elsewhere in this issue of the **Federal Register** a separate final rule addressing the Travel Agencies size standard for purposes of

economic injury disaster loan (EIDL) assistance attributed to the September 11 terrorist attacks.

On March 15, 2002, SBA issued a proposed rule to increase the size standard for Travel Agencies, NAICS code 561510, from \$1 million to \$3 million (67 FR 11881). We believe that this action will better define the size of businesses in this industry that should be eligible for Federal small business assistance programs. SBA proposed the new size standard based on recent changes in the Travel Agencies industry and its analysis of the latest industry data from the U.S. Bureau of the Census, Federal contract award data, and information provided by travel agencies trade associations. For more information on the reasons for proposing a \$3 million size standard, see the March 15, 2002, proposed rule.

SBA is adopting the \$3 million proposed size standard for the Travel Agencies industry. The comments received endorsing the proposal provided support to SBA's basis for the size standard and the need for an increase. The comments opposing the proposal did not provide compelling reasons for SBA to consider a different size standard.

Discussion of Comments on the Proposed Rule

SBA received five timely comments on the proposed size standard. Two of the comments were from travel agencies trade associations and three were from firms in the industry.

In summary, two commenters supported the proposed size standard while one commenter supported a smaller increase to \$2 million. Two commenters submitted their responses to SBA's inflation increase to its monetary size standard, published in the **Federal Register** on January 22, 2002 (67 FR 3041). Both provided detailed reasons for supporting an increase to the Travel Agencies size standard no greater than the 15.8 percent inflation factor applied to most monetary-based size standards. (The interim final rule did not apply an inflation adjustment to the Travel Agencies industry.) Both commenters also provided detailed reasons for their opposition to the proposed \$3 million size standard. Below is a summary of the comments received on the proposed rule.

Support for Proposed Increase to \$3 Million

Two trade associations submitted comments supporting the size standard increase to \$3 million. One association cited a number of changes in the Travel

Agencies industry as supporting the need for a higher size standard. It stated that it is witnessing a dramatic change in the structure of the travel agencies industry distribution; the substitution of up-front capital intensive investments for the more flexible labor costs of prior travel processes; and the drying up of the pool of eligible small businesses performing government and corporate travel services. It also stated that the collapse of the airline and car rental commission structure creates a greater need for financially viable small travel agencies that can survive in the new corporate/government arena. It concluded by agreeing with SBA's analysis for increasing the size standard.

The other association also cited changes in the marketplace for supporting a higher size standard and the need for assistance of SBA programs on the part of more travel agencies. It cited a 1998 Lou Harris survey of travel agencies showing that since 1995 the number of firms with revenues under \$1 million has decreased by 35 percent and that the number with revenues over \$2 million increased by 46 percent. The commenter attributed this pattern to the advancement of technology and a more diverse revenue base. It also stated that a size standard increase would restore competitive viability to locally-owned family businesses and encourage more small travel agencies to explore Federal contracting opportunities. This increase will provide an opportunity for hundreds of travel agencies to take advantage of SBA's loan programs which were "off limits" because many travel agencies were considered large under the \$1 million size standard. The association stressed that this was made apparent when many travel agencies found themselves ineligible for Economic Injury Disaster Loans after the September 11, 2001, Terrorist Attacks.

Opposition to Proposed Increase to \$3 Million

Increase Size Standard to \$2 Million

One firm stated that it supported an increase to \$2 million "as a compromise" to the proposed \$3 million size standard. It claimed that "this would satisfy most travel agencies." This firm, however, did not provide detailed reasons, statistics, or other data to support its position.

Increase No Greater Than 15.8 Percent Inflation Adjustment

Two commenters opposed an increase to \$3 million and recommended applying the 15.8 percent inflation adjustment that SBA recently applied to other monetary-based size standards.

One commenter contended that increasing the size standard to \$3 million is "tantamount to declaring the entire Travel Agencies industry small except for the handful of mega-agencies." The commenter stated that under the current size standard, 18,000 travel agencies are small and that 200-300 agencies are mid-sized. This commenter also contends that "a small business travel agency is one that is actively owner operated" and that it outgrows being small when it needs a "high amount of internal structure is necessary." The commenter believes that the \$1 million size standard has been effective in helping small travel agencies to develop and then compete against larger travel agencies. The commenter provided examples of two travel agencies that grew over \$1 million and went on to successfully compete against large travel agencies for Federal travel contracts.

The other commenter that recommended only an inflation adjustment to the travel agencies size standard provided two reasons for its position. First, it contended that increasing the size standard to a level between \$2.5 million and \$5 million would include all travel agencies as small except for 10-12 "mega-sized" agencies. Information was provided showing that the average size travel agency is about \$125,000 in commissions and fees, and that 98 percent of the agencies qualify as small under the current size standard. The commenter believes these facts suggest that no large increase in the size standard is needed. Second, it cited industry statistics showing that the Travel Agencies industry is declining in all aspects of sales, revenue, number of locations, and number of employees. This contraction is making the industry smaller, and thus, an increase to the size standard beyond an inflation adjustment is inappropriate.

Response to Significant Issues Raised by Comments

The comments opposing the \$3 million size standard raised three significant issues as reasons for their position. These issues are discussed below along with SBA's assessment and response to each of them.

1. Almost All Travel Agencies Are Defined as Small Under a \$3 Million Size Standard

Two commenters contend that only an inflation adjustment to the travel agencies size standard is warranted since almost all travel agencies would be defined as small under a \$3 million size standard. SBA does not agree with

this position. It is correct that under the current size standard 95 percent of the firms are small and that by increasing the size standard to \$3 million, 732 additional firms will be eligible for SBA assistance programs. The total percentage of firms that will be small would increase to 98 percent of the 22,687 travel agencies and their 29,332 establishments. The Census Bureau's data also show that over 450 firms will be considered other than small businesses, not 10–12 as one commenter suggested. In fact, the Census Bureau's data shows that these 450 firms, on average, generate \$7.3 million in revenues and that the 70 largest travel agencies generate, on average, \$37 million in revenues.

The coverage of a size standard based on the percent of small businesses masks the more important question as to the economic significance within the industry of small businesses. The 450 travel agencies not defined as small generate 47 percent of total Travel Agencies' industry revenues while the 22,237 travel agencies with \$3 million or less in revenues generate 53 percent. In relations to other SBA size standards, a size standard that results in small business coverage of approximately half of industry revenues is a reasonable and widely accepted size standard. Thus, we disagree with the argument that a high percentage of travel agencies defined as small is a reason not to adopt a \$3 million size standard.

2. Travel Agencies Industry Is Declining

One commenter pointed out that the revenues and number of travel agencies is declining as a result of changes in the industry and the terrorist attacks of September 11, 2001. SBA disagrees that these trends serve as the basis for not adopting a \$3 million size standard. Rather, SBA believes, as did the two travel agencies associations that supported the proposed \$3 million size standard, that the industry trends affecting compensation, technology, and government and corporate requirements justify a higher size standard. SBA realizes the impact on travel agencies evolving over the last several years from a commission-based one to a fee-based industry. These are due to the reduction in airline commissions and the advances in technology, specifically, the use of the internet. Because of technology advances and demands by corporate and government clients, most firms must adapt to the higher costs of maintaining their businesses, making greater investments in technology to meet the needs of their customers, and switching to a fee-based compensation system from a commission-based

system. A higher size standard makes travel agencies between \$1 million and \$3 million eligible for Federal small business programs that can help them meet these new challenges and become competitive with larger travel agencies. Furthermore, the industry trends of the last several years have had the greatest impact on the smallest travel agencies. Travel agencies with \$1 million or less will continue to have access to small business programs. SBA strongly believes that travel agencies with up to \$3 million need and should also have access to these programs.

3. Travel Agencies Above \$1 Million in Size Are Competitive

One commenter contended that SBA programs have been effective in developing small travel agencies to be competitive after they have grown beyond the \$1 million level; and therefore, an increase beyond an inflation adjustment is not needed. SBA disagrees with this comment. Although some small travel agencies have successfully competed for Federal travel contracts against large travel agencies, the experiences of small travel agencies in Federal contracting clearly indicate that they are at a disadvantage. As shown in the proposed rule, small travel agencies have obtained an extremely small share of Federal contracting dollars. Data from the U.S. General Services Administration's (GSA) Travel Management Center's Program Office showed small travel agencies obtaining only 3.5 percent of total revenues to travel agencies, even though small travel agencies account for half of total industry revenues. The reasons for this outcome are directly related to change in the structure of how travel agencies and government clients, as well as corporate clients, do business. Travel agencies competing on Federal and corporate travel service contracts must be able to meet technological requirements that include interfacing with a Federal agency's, or corporation's systems, as well as various airline ticketing services, and other ticketing and reservation services. Today's travel agencies must also be able to handle various geographical requirements. These were discussed in the proposed rule and were part of the reasons given by the comments supporting the \$3 million size standard. The opposing commenter's argument is not consistent with the overwhelming evidence to the contrary.

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

This is not a major rule under the Congressional Review Act, 5 U.S.C. 800. For the purpose of the Paperwork Reduction Act, 44 U.S.C. Ch.35, SBA has determined that this rule would not impose new reporting or recordkeeping requirements, other than those already required of SBA. For purposes of Executive Order 13132, SBA has determined that this rule does not have any federalism implications warranting the preparation of a Federalism Assessment. For purposes of Executive Order 12988, SBA has determined that this rule is drafted, to the extent practicable, in accordance with the standards set forth in that Order. The Office of Management and Budget (OMB) has determined that the final rule is a "significant regulatory action" for purposes of Executive Order 12866. Size standards determine which businesses are eligible for Federal small business programs. Below is a regulatory impact analysis of this size standard change. SBA received no comments on the analysis presented in the proposed rule.

Regulatory Impact Analysis

i. Is There a Need for the Regulatory Action?

SBA is chartered to aid and assist small businesses through a variety of financial, procurement, business development, and advocacy programs. To effectively assist intended beneficiaries of these programs, SBA must establish distinct definitions of which businesses are deemed small businesses. The Small Business Act (15 U.S.C. 632(a)) delegates to the SBA Administrator the responsibility for establishing small business definitions. It also requires that small business definitions vary to reflect industry differences. The preamble of the proposed rule explained the approach SBA follows when analyzing a size standard for a particular industry. Based on that analysis, SBA believes that a revision to the current size standard for travel agencies is needed to better define small businesses in this industry.

ii. What Are the Potential Benefits and Costs of This Regulatory Action?

The most significant benefit to businesses obtaining small business status as a result of this rule is eligibility for Federal small business assistance programs. Under this rule, 732 additional firms may obtain small

business status and become eligible for these programs. These include SBA's financial assistance programs and Federal procurement preference programs for small businesses, 8(a) firms, small disadvantaged businesses, small businesses located in Historically Underutilized Business Zones (HUBZone), as well as those awarded through full and open competition after application of the HUBZone or small disadvantaged business price evaluation adjustment. Other Federal agencies use SBA size standards for a variety of regulatory and program purposes. SBA does not have information on each of these uses to evaluate the impact of size standards changes. In researching the Travel Agencies industry, SBA contacted representatives of GSA and the Department of Defense. These two agencies account for the largest proportion of Federal contracting for travel services. Also, discussions with a major travel agencies association indicated that SBA's travel agencies size standard are not used for other Federal programs or regulations, other than those discussed in this rule, but are at times referred to by the private sector as guidelines for various purposes. In cases where SBA size standards are not appropriate, an agency may establish its own size standards with the approval of the SBA Administrator (see 13 CFR 121.801). Through the assistance of these programs, small businesses may benefit by becoming more knowledgeable, stable, and competitive businesses.

The benefits of a size standard increase to a more appropriate level would affect three groups. First, businesses that benefit by gaining small business status from the proposed size standard and use small business assistance programs. Second, growing small businesses that may exceed the current size standard in the near future and who will retain small business status from the proposed size standard. Third, Federal agencies that award contracts under procurement programs that require small business status.

Newly defined small businesses would benefit from the SBA's 7(a) Guaranteed Loan Program. SBA estimates that approximately \$400,000 in new Federal loan guarantees could be made to these newly defined small businesses. This represents approximately 10 percent of the \$3.8 million in loans that were guaranteed by SBA under this financial program to travel agencies in FY 2001. Because of the size of the loan guarantees, most loans are made to small businesses well below the size standard. Thus increasing the size standard will likely

result in only a small increase in small business guaranteed loans to travel agencies, and the \$400,000 estimated figure may overstate the actual impact.

The newly defined small businesses would also benefit from SBA's economic injury disaster loan program. Since this program is contingent upon the occurrence and severity of a disaster, no meaningful estimate of benefits can be projected.

SBA estimates that firms gaining small business status could potentially obtain Federal contracts worth \$347 million in sales out of approximately \$9 billion in total Federal travel expenditures under the small business set-aside program, the 8(a), Small Disadvantaged Business, and HUBZone programs, or unrestricted contracts. Since most of these travel dollars will pass through to airlines, hotels, and automobile rental companies, SBA estimates actual revenues to travel agencies will range between \$25 million and \$42 million (7 percent to 12 percent of the estimated \$347 million in sales). This also represents approximately \$36 million of additional Federal contracts that may be awarded to businesses becoming newly designated small businesses. These estimates reflect a 10 percent increase in the awards to small businesses that the Federal government spends for travel services.

Federal agencies may benefit from the higher size standards if the newly defined and expanding small businesses compete for more set-aside procurements. The larger base of small businesses would likely increase competition and would lower the prices on set-aside procurements. A large base of small businesses may create an incentive for Federal agencies to set aside more procurements creating greater opportunities for all small businesses. Small business opportunities will be enhanced in open procurements as they gain experience in Federal contracting through the set-aside and other small business procurement preference programs. Large businesses with small business subcontracting goals may also benefit from a larger pool of small businesses by enabling them to better achieve their subcontracting goals and at lower prices. No estimate of cost savings from these contracting decisions can be made since data are not available to directly measure price or competitive trends on Federal contracts.

To the extent that 732 additional firms become active in Government programs, this may entail some additional administrative costs to the Federal government associated with additional bidders for Federal small

business SBA's procurement programs, additional firms seeking SBA guaranteed lending programs, and additional firms eligible for enrollment in SBA's PRO-Net data base program. Among businesses in this group seeking SBA assistance, there will be some additional costs associated with compliance and verification associated with certification of small business status and protests of small business status. These costs are likely to generate minimal incremental costs since mechanisms are currently in place to handle these administrative requirements.

The costs to the Federal government may be higher on some Federal contracts. With greater number of businesses defined as small, Federal agencies may choose to set-aside more contracts for competition among small businesses rather than using full and open competition. The movement from unrestricted to set-aside is likely to result in competition among fewer bidders for a contract. Also, higher costs may result if additional full and open contracts are awarded to HUBZone and SDB businesses as a result of a price evaluation preference. The additional costs associated with fewer bidders, however, are likely to be minor since, as a matter of policy, procurements may be set-aside for small businesses or reserved for the 8(a), HUBZone Programs only if awards are expected to be made at fair and reasonable prices.

The proposed size standard may have distributional effects among large and small businesses. Although the actual outcome of the gains and losses among small and large businesses cannot be estimated with certainty, several trends are likely to emerge. First, a transfer of some Federal contracts to small businesses from large businesses. Large businesses may have fewer Federal contract opportunities as Federal agencies decide to set-aside more Federal procurements for small businesses. Also, some Federal contracts may be awarded to HUBZone or small disadvantaged businesses instead of a large businesses since those two categories of small business are eligible for price evaluation adjustment for contracts competed on a full and open basis. Similarly, currently defined small businesses may obtain fewer Federal contracts due to the increased competition from more businesses defined as small. This transfer may be offset by a greater number of Federal procurements set-aside for all small businesses. The number of newly defined and expanding small businesses that were willing and able to sell to the Federal Government would limit the

potential transfer of contracts away from large and currently defined small businesses. The potential distributional impacts of these transfers may not be estimated with any degree of precision since the data on the size of business receiving a Federal contract are limited to identifying small or other-than-small businesses.

The revision to current size standards for travel agencies is consistent with SBA's statutory mandate to assist small businesses. This regulatory action promotes the Administration's objectives. One of SBA's goals in support of the Administration's objectives is to help individual small businesses succeed through fair and equitable access to capital and credit, government contracts, and management and technical assistance. Reviewing and modifying size standards when appropriate ensures that intended beneficiaries have access to small business programs designed to assist them. Size standards do not interfere with state, local, and tribal governments in the exercise of their government functions. In a few cases, state and local governments have voluntarily adopted SBA's size standards for their programs to eliminate the need to establish an administrative mechanism for developing their own size standards.

Final Regulatory Flexibility Analysis

Under the Regulatory Flexibility Act (RFA), this rule may have a significant impact on a substantial number of small entities. Immediately below, SBA sets forth a final regulatory flexibility analysis (FRFA) of this rule addressing the reasons and objective of the rule; SBA's description and estimate of small entities to which the rule will apply; the projected reporting, record keeping, and other compliance requirements of the rule; the relevant Federal rules which may duplicate, overlap or conflict with the rule; and alternatives to the final rule considered by SBA that minimize the impact on small businesses.

(1) What Is the Need for and Objectives of This Rule?

The revision to the size standard for the Travel Agencies industry more appropriately defines the size of businesses in this industry that SBA believes should be eligible for Federal small business assistance programs. Significant changes in the industry and in the requirements of government and corporate clients support the need for a different size standard.

(2) What Significant Issues Were Raised by the Public Comments in Response to the Initial Regulatory Flexibility Act (IRFA)?

There were no comments received in response to the IRFA in the proposed final rule.

(3) What is SBA's Description and Estimate of the Number of Small Entities to Which the Rule Will Apply?

Within the Travel Agencies industry, 21,505 out of 22,687 businesses are currently small. Only a small proportion of businesses in this industry utilize SBA programs. In SBA's PRO-Net (a SBA database of small businesses interested in contracting with the Federal Government) 166 travel agencies are currently registered. In fiscal year 2001, 40 small travel agencies received 7(a) guaranteed loans. Thus, with an increase in the size standard to \$3 million, the likely impact of this rule would be limited to the 732 firms that will gain small business status as a result of this rule. This is based on the U.S. Census Bureau's special tabulation of the 1997 Economic Census for SBA's Office of Size Standards, using size distribution of firms' tables. The following table shows these data for the Travel Agencies Industry.

TABLE 1.—TRAVEL AGENCIES INDUSTRY DATA

Category	Travel agencies
Total Businesses	22,687
Current Small Businesses	21,505
Small Businesses with the adoption of this rule	22,237
Small Businesses Registered in PRO-Net	166
Small Businesses with 7(a) Loans	54

The 732 travel agencies gaining small business status will become eligible to seek available SBA assistance provided that they meet other program requirements. These businesses cumulatively generate approximately \$1.0 billion out of a total of \$10 billion in revenues. The small business coverage in the Travel Agencies industry will increase by 10 percent of total industry receipts.

(4) Will This Rule Impose Any Additional Reporting or Record Keeping Requirements on Small Businesses?

This rule does not impose any new information collection requirements from SBA which require approval by OMB under the Paperwork Reduction Act of 1980, 44 U.S.C. 3501–3520. A new size standard does not impose any

additional reporting, record keeping or compliance requirements on small entities. Increasing size standards expands access to SBA programs that assist small businesses, but does not impose a regulatory burden as they neither regulate nor control business behavior.

(5) What Are the Steps SBA Has Taken To Minimize the Significant Economic Impact on Small Businesses?

Most of the economic impact on small businesses will be positive. The most significant benefits to businesses that will obtain small business status as a result of this final rule are (1) eligibility for the Federal government's procurement preference programs for small businesses, 8(a) firms, small disadvantaged businesses, and businesses located in Historically Underutilized Business Zones; and (2) eligibility for SBA's financial assistance programs such as 7(a), 504 business loans, and EIDL assistance. SBA estimates that firms gaining small business status could potentially obtain Federal contracts worth \$347 million per year under the small business set-aside program, the 8(a) program or unrestricted contracts. This represents approximately 4 percent of the \$9 billion in total Federal travel expenditures.

Currently defined small businesses are obtaining a very small share of Federal contracting relative to their share of total industry revenues. (On GSA contracts, small travel agencies obtained 3.5 percent of total contracting dollars while their share of total industry revenues is 53 percent.) Increasing the size standard to \$3 million will not significantly impact currently defined small businesses since contract requirements already make it difficult for them to successfully compete. This outcome will continue unless small travel agencies can grow to a size that enables them to develop and finance the capabilities to perform the Federal travel management requirements. In addition, the small increase in 7(a) business loans that may result from the size standard increase will not crowd out other small travel agencies or small businesses from obtaining SBA financial assistance. SBA estimates that 7(a) loans may increase by \$400,000 out of program that approve approximately 50,000 loans for over \$9 billion per year.

(6) Alternatives

(a) What Are the Legal Policies or Factual Reasons for Selecting the Alternative Adopted in the Final Rule?

As stated in the Small Business Act 15 U.S.C. 631 and 13 CFR part 121, SBA establishes size standards based on industry characteristics and for non-manufacturing concerns on the basis of the annual average gross receipts of a business concern over a period of three years. For certain industries, including the Travel Agencies industry, receipts are measured by total revenues, but excluding funds received in trust for an unaffiliated third party, such as bookings or sales subject to commissions. The commissions received are included as revenue. The changing structure of the industry, Census Bureau data, Federal contracting data, and SBA EIDL assistance data support increasing the size standard from \$1 million to \$3 million.

(b) What Alternatives Did SBA Reject?

SBA is adopting the \$3 million size standard because under the current \$1 million size standard for travel agencies. Small travel agencies are no longer competitive in the corporate and government travel markets. Because of technology advances and demands by corporate and government clients, most firm must adapt to deal with higher costs to maintain their businesses, making greater investments in technology to meet the needs of their customers, and switching to a fee-based compensation system from a commission-based system. Data from the GSA Travel Management Center's Program Office showed that small travel agencies obtained only 3.5 percent of

total revenues to travel agencies, even though small travel agencies account for half of total industry revenues. In addition, many travel agencies were declared ineligible because of size reasons for EIDL assistance as a result of the September 11, 2001 terrorist attacks.

SBA considered two additional alternatives to this rule. First, adopting the \$6 million anchor size standard to the Travel Agencies industry. As discussed in the proposed rule SBA applies the \$6 million anchor size standard to the nonmanufacturing industries unless an industry's characteristics are significantly different from the typical nonmanufacturing industry. The analysis of the various industry factors show that the characteristics of travel agencies are significantly below those of the nonmanufacturing anchor group industries. To establish a \$6 million size standard would increase the size standard six fold and assist successful travel agencies that tend to operate at several locations and potentially take away assistance from small travel agencies this rule is intended to assist. Thus, a size standard below the anchor size standard is appropriate for this industry.

Second, SBA considered the commenter's recommendation of increasing the travel agencies size standard by only the amount of inflation since 1994 (15.8 percent). These commenters raised three significant issues pertaining to the percentage of travel agencies defined as small, the overall decline of the industry, and the competitiveness of currently defined small businesses. As discussed in the supplementary information, SBA

rejected these comments as a basis to adopt the inflation alternative. The comments received supporting the \$3 million size standard used, in part, similar facts to show the proposed size standard was needed. Also, SBA's analysis of the changing structure of the industry, Census Bureau data, Federal contracting data, and SBA EIDL assistance support the need and basis to substantially increase the size standard above \$1 million.

List of Subjects in 13 CFR Part 121

Administrative practice and procedure, Government procurement, Government property, Grant programs—business, Loan programs—business, Small businesses.

Accordingly, for reasons stated in the preamble, the Small Business Administration amends part 121 of title 13 of the Code of Federal Regulations as follows:

PART 121—SMALL BUSINESS SIZE REGULATIONS

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

Authority: 15 U.S.C. 632(a), 634(b)(6), 637(a), 644(c), and 662(5); and Sec. 304, Pub. L. 103-403, 108 Stat. 4175, 4188.

2. In § 121.201, the table "Small Business Size Standards by NAICS Industry", under the heading Subsector 561—Administrative and Support Services, revise the entry for 561510 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 codes	Description (N.E.C.=not elsewhere classified)	Size standards in number of employees or millions of dollars
* * * * *	Subsector 561—Administrative and Support Services	*
561510	Travel Agencies	¹⁰ \$3
* * * * *		*

Footnotes

10. NAICS codes 488510 (part), 531210, 541810, 561510 and 561920—As measured by total revenues, but excluding funds received in trust for an unaffiliated third party, such as bookings or sales subject to commissions. The commissions received are included as revenue.

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Dated: May 15, 2002.

Hector V. Barreto,

Administrator.

[FR Doc. 02-13605 Filed 5-30-02; 8:45 am]

BILLING CODE 8025-01-P