

WHAT IS A 'SMALL BUSINESS'?

SBA TO SHIFT TO NEW CLASSIFICATION SYSTEM

The U.S. Small Business Administration (SBA) in a press release dated November 4, 1999 announced plans to adopt with the next year a new, more precise industrial classification system that will serve as the basis for the agency's widely used small business standards.

The new system, known as the North American Industry Classification System (NAICS), reflects recent business development trends by listing a greater number of advanced technology and service industries than the current Standard Industrial Classification (SIC) which has been in use since the 1930's. The NAICS classification system is now used to compile business and trade statistics in the United States, Canada and Mexico.

SBA Administrator, Aida Alvarez said "A business owner can't compete with a manual typewriter when the rest of the world is humming along with computers, and that's one way to think about this move from SIC to NAICS. Whole new industries have emerged since the SIC system was first developed. Shifting to the new NAICS-based size standard table will help the SBA open doors of opportunity for small business owners in these emerging industries.

Federal procurement officials and others use size standards to determine whether a business is large or small. Knowing the correct size standard can pave the way for a firm to receive contracts and assistance reserved only for small business.

The SBA outlined its version for the new NAICS system in a proposed rule in the October 22 issue of the Federal Register which can be viewed and downloaded at <http://www.sba.gov/size/section04c.htm> . The proposed rule seeks adoption of the NAICS-based size standards on October 1, 2000.

As part of the switchover, SBA plans to use the guidelines outlined in the rule to convert size standards based on the SIC system to size standards for the NAICS system. Through this process SBA intends to retain to the extent practical, the small business status of firms currently eligible for federal small business programs. Interested parties may file comments on the changeover to the SBA until December 21, 1999. Further information about NAICS is available on the U.S. Bureau of Census' web site at <http://www.census.gov/naics> .