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**DEPARTMENT OF DEFENSE**

**GENERAL SERVICES ADMINISTRATION**

**NATIONAL AERONAUTICS AND SPACE ADMINISTRATION**

**48 CFR Part 19**

[FAC 2005-61; FAR Case 2012-021; Item III; Docket 2012-0021, Sequence 1]

RIN 9000-AM32

Federal Acquisition Regulation; NAICS and Size Standards

**AGENCIES:** Department of Defense (DoD), General Services Administration (GSA), and National Aeronautics and Space Administration (NASA).

**ACTION:** Final rule.

**SUMMARY:** DoD, GSA, and NASA are issuing a final rule amending the Federal Acquisition Regulation (FAR) to clarify that new North American Industry Classification System (NAICS) codes are not available for use in Federal contracting until the Small Business Administration (SBA) publishes corresponding industry size standards. Other corresponding changes were also made. Published industry size standards are available on SBA's website.

**DATES:** Effective Date: [INSERT DATE 30 DAYS AFTER PUBLICATION IN THE FEDERAL REGISTER.]

**FOR FURTHER INFORMATION CONTACT:** Mr. Karlos Morgan, Procurement Analyst, at 202-501-2364 for clarification of content. For information pertaining to status or publication

schedules, contact the Regulatory Secretariat at 202-501-4755. Please cite FAC 2005-61 FAR Case 2012-021.

**SUPPLEMENTARY INFORMATION:**

**I. Background**

Every five years the Economic Classification Policy Committee (ECPC), an interagency committee established by the Office of Management and Budget (OMB), reviews NAICS codes for potential revisions to the classification system. The ECPC determines the feasibility and adherence to the underlying principles of NAICS, determines if the proposed changes are acceptable, and makes final recommendations to OMB for additions and changes to the NAICS manual.

The Small Business Administration (SBA) is responsible for developing size standards for each NAICS category on an industry by industry basis. Before a size standard is made available for use by industry, the SBA must solicit comments from the public through the rulemaking process and then coordinate with General Services Administration to update the associated acquisition systems, to reflect industry size standards that have been adopted for new NAICS codes. SBA publishes the corresponding industry size standards on their website at <http://www.sba.gov/content/table-small-business-size-standards> and at 13 CFR 121.201.

Contracting officers must identify, in the solicitation or request for proposal, both the NAICS code that best

describes the principal nature of the product or service being acquired and the size standard that has been established by the SBA for the NAICS code so that offerors can correctly represent themselves as a large or small business concern. The process used by OMB/ECPC for developing new NAICS codes and the process used by SBA to approve size standards for new NAICS codes, are not performed simultaneously. Therefore, it is important that new language be added to the FAR to clarify that new NAICS codes are not available for use in Federal contracting until SBA publishes corresponding industry size standards.

## **II. Discussion and analysis.**

This final rule revises—

(1) FAR 19.001, to remove the Uniform Resource Locator (URL) for the NAICS manual, at the end of the definition for "Industry," since this information is already provided in FAR 19.102(b)(1).

(2) FAR 19.102(a) to restructure as paragraphs (a)(1) and (a)(2). FAR 19.102(a)(1) provides the updated URL for the table of small business size standards and matching NAICS codes, and FAR 19.102(a)(2) adds language in the FAR which clarifies that new NAICS codes are not available for use in Federal contracting until SBA publishes corresponding industry size standards on its website;

(3) FAR 19.102(b)(1) to provide the updated URL for the NAICS manual;

(4) FAR 19.102(g) to delete this information as it is already provided in FAR 19.102(a)(1); and

(5) FAR 19.303(a), which discusses the determination and selection of NAICS codes, to include a reference to FAR 19.102(a).

**III. Publication of this final rule for public comment is not required by statute.**

"Publication of proposed regulations", 41 U.S.C. 1707, is the statute which applies to the publication of the FAR. Paragraph (a)(1) of the statute requires that a procurement policy, regulation, procedure or form (including an amendment or modification thereof) must be published for public comment if it relates to the expenditure of appropriated funds, and has either a significant effect beyond the internal operating procedures of the agency issuing the policy, regulation, procedure or form, or has a significant cost or administrative impact on contractors or offerors. This final rule is not required to be published for public comment, because it does not have a significant effect beyond the internal operating procedures of the Federal Government, nor will it have a significant cost or administrative impact on contractors or offerors. These

requirements affect only the internal operating procedures of the Government.

#### **IV. Executive Orders 12866 and 13563**

Executive Orders (E.O.s) 12866 and 13563 direct agencies to assess all costs and benefits of available regulatory alternatives and, if regulation is necessary, to select regulatory approaches that maximize net benefits (including potential economic, environmental, public health and safety effects, distributive impacts, and equity). E.O. 13563 emphasizes the importance of quantifying both costs and benefits, of reducing costs, of harmonizing rules, and of promoting flexibility. This is not a significant regulatory action and, therefore, was not subject to review under Section 6(b) of E.O. 12866, Regulatory Planning and Review, dated September 30, 1993. This rule is not a major rule under 5 U.S.C. 804.

#### **V. Regulatory Flexibility Act**

The Regulatory Flexibility Act does not apply to this rule because this final rule does not constitute a significant FAR revision, and 41 U.S.C. 1707 does not require publication for public comment.

#### **VI. Paperwork Reduction Act**

The final rule does not contain any information collection requirements that require the approval of the

Office of Management and Budget under the Paperwork  
Reduction Act (44 U.S.C. chapter 35).

**List of Subject in 48 CFR Part 19**

Government procurement.

Dated: September 7, 2012

Laura Auletta,  
Director,  
Office of Governmentwide  
Acquisition Policy,  
Office of Acquisition Policy,  
Office of Governmentwide Policy.

Therefore, DoD, GSA, and NASA amend 48 CFR part 19 as set forth below:

**PART 19—SMALL BUSINESS PROGRAMS**

1. The authority citation for 48 CFR part 19 is revised to read as follows:

**Authority:** 40 U.S.C. 121(c); 10 U.S.C. chapter 137; and 51 U.S.C. 20113.

**19.001 [Amended]**

2. Amend section 19.001 by removing from the definition "Industry" the words "(available via the Internet at <http://www.census.gov/epcd/www/naics.html>)".

3. Amend section 19.102 by—

a. Revising paragraph (a);

b. Removing from paragraph (b)(1) "via the Internet at <http://www.census.gov/epcd/www/naics.html>" and adding "at <http://www.census.gov/eos/www/naics/>" in its place; and

c. Removing paragraph (g) to read as follows:

**19.102 Size standards.**

(a)(1) The SBA establishes small business size standards on an industry-by-industry basis. (See 13 CFR Part 121). Small business size standards matched to industry NAICS codes are published by the Small Business Administration and are available at <http://www.sba.gov/content/table-small-business-size-standards>.

(2) NAICS codes are updated by the Office of Management and Budget through its Economic Classification Policy Committee every five years. New NAICS codes are not available for use in Federal contracting until the Small Business Administration publishes corresponding industry size standards (see 19.102(a)(1)).

\* \* \* \* \*

4. Amend section 19.303 by adding a new sentence at the end of paragraph (a) to read as follows:

**19.303 Determining North American Industry Classification System (NAICS) codes and size standards.**

(a) \* \* \* For information on size standards matched to industry NAICS codes, including the use of new NAICS codes, see also 19.102(a).

\* \* \* \* \*

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