

New Report Shows Small Firms Face High Telecom Costs

Sound small business telecommunications policy grounded in solid research is now possible because of survey results released in March by the Office of Advocacy. The new report details small business telecommunications use and spending and offers a wide range of data previously unavailable to policymakers.

“Intense legislative and regulatory debates surround telecommunications policy,” said Thomas M. Sullivan, chief counsel for advocacy. “On issues like competition and broadband service the discussion has focused on individual consumers. But small businesses are major consumers of telecommunications services, too. This report will help policymakers understand how their decisions will affect innovative and job-generating small businesses.”

The new and much needed data in *A Survey of Small Businesses’ Telecommunications Use and Spending*, written by TeleNomic Research and funded by the Office of Advocacy, shows that small businesses spend on average \$543 per month on telecommunications services.

The report finds that the smallest of businesses pay the most per employee for local and long distance phone service. Firms with zero to four employees face a monthly cost per employee of \$82.81, while small firms with 10 to 499 employees face a monthly cost of \$20.99 per employee.

The report also found that 73 percent of small businesses use Internet access services: of these, 38 percent use dial-up, 26 percent

use cable modems, 21 percent use DSL, 4 percent use satellites, 4 percent use T-1 lines, and 3 percent use wireless broadband.

More Telecom Findings

- Small businesses’ use of wireless services is substantial, particularly in construction. Some small businesses appear to rely on wireless services to the exclusion of local and long distance wireline services. The survey found that 6 percent of the small businesses that use wireless services reported no long distance spending, and 4 percent reported no local telecom spending. In addition, 25 percent of the firms surveyed spent more on wireless telecommunication services than on local and long distance services combined.

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U.S. Treasury Secretary John W. Snow delivered the keynote address to the conference, “Entrepreneurship in the 21st Century” on March 26. The Office of Advocacy and the E.M. Kauffman Foundation hosted the daylong event. On-demand videos of each conference session will be available on Advocacy’s website in April.

Regional News

South Dakota, Wisconsin Enact Reg Flex Laws

In March, two more states enacted regulatory flexibility laws to create a more hospitable environment for small business growth. In South Dakota, Gov. Mike Rounds signed Senate Bill 112 into law. The bill requires rules to contain a narrative explanation in plain, easy-to-read language, the basis for enactment, and why a rule is needed. It was modeled after the Office of Advocacy's state regulatory flexibility initiative. The South Dakota Retailers Association, the National Federation of Independent Business, and the South Dakota

and Sioux Falls Chambers of Commerce led private sector support for the bill.

In Wisconsin, Gov. Jim Doyle signed Senate Bill 100 into law. The new law encourages entrepreneurial success by requiring state agencies to consider their impact on small business before they issue final regulations. Passage and signature of the Wisconsin law resulted from the work of a coalition that included the National Federation of Independent Business and other small business groups.

Regulatory Update

New Small Business Size Standards Proposed

The Small Business Administration is seeking comments on a proposed rule that modifies its small business size standards. The standards are used for federal procurement, Small Business Innovation Research, and loan programs, as well as regulatory flexibility analyses and other purposes.

Under the new rule, business size would be defined in terms of number of employees instead of revenues. The change would reduce the number of different size cate-

gories as well as simplify size standards and their application to federal programs. Under this proposal, size standards would range between 50 employees and 1,500 employees.

Although almost 70,000 firms would shift size categories under this proposal, SBA estimates that fewer than 3,000 businesses would be directly affected. About half of the affected businesses would gain eligibility while the other half would lose eligibility.

The change would have varying ramifications. Two restaurant industries, full service restaurants (NAICS 722110) and limited service restaurants (NAICS 722211), have the largest number of businesses losing eligibility for SBA assistance. In total, 14,600 of the 272,000 businesses in both industries would lose the "small firm" designation, or 5.4 percent of the total. This stems from SBA's moving from a \$6 million size standard to a 50 employee size standard in these industries. However, even under the new anchor size standard of 50 employees, 252,000 of the

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272,000 businesses in these two restaurant industries would remain small and eligible for SBA assistance, almost 93 percent of the total. Among industries gaining eligibility, the biggest impact is on offices of real estate agents and brokers (NAICS 531210), with an additional 3,600 businesses of a total of 54,700, or 6.6 percent, gaining "small firm" designation.

To learn more, contact Assistant Chief Counsel Major Clark at (202) 205-6533 or major.clark@sba.gov. For information on how to comment, visit Advocacy's Regulatory Alerts page at www.sba.gov/advo/laws/law_regalerts.html. The comment deadline is May 18, 2004.

Easier Access to Electronic Resources

Access Advocacy Listservs from a single address. Email notices will supply a hotlink to the new material, so your in-box won't fill up with large documents. At <http://web.sba.gov/list>, check:

- [Advocacy Communications](#)
- [Advocacy Newsletter](#)
- [Advocacy Press](#)
- [Advocacy Research](#)

Message from the Chief Counsel

Small Business: Benefiting Our Environment

Thomas M. Sullivan, Chief Counsel for Advocacy

As spring brings us to another Earth Day, it is again worth reflecting on the many contributions that small businesses make to our environment.

Small businesses help protect the environment by being active in their communities. These businesses know their neighbors hold them accountable for keeping the community clean and healthy. A small business that harms the local environment is not likely to be successful in the long run. Increasingly, small firms are being recognized as good environmental stewards. In the past four years, for example, the Environmental Protection Agency has recognized over 150 small businesses in its Performance Track Program who excel at managing their environmental responsibilities.

In addition, small businesses protect the environment through innovation. Advocacy's economic

research indicates that small businesses innovate at twice the rate of large businesses. Their innovative practices often yield environmentally friendly products and technologies. A growing number of these companies, nicknamed "green gazelles," are creating products that are both efficient and environmentally sound. Some examples of their innovative products can be found at www.greengazelles.org.

Advocacy's economic research shows that the majority of home-based businesses are sales and service-oriented, with little potential for environmental harm. Small businesses rely increasingly on computers and the Internet to reach their markets.

Finally, small businesses can help the environment just by persuading government agencies to pause and think about the unintended

consequences of new rules.

Recently, Advocacy reviewed a proposed rule that would have required plywood plants to install costly incinerators to burn off tiny amounts of air pollutants, even where the plant could show that there would be no impact on its neighbors. Beyond merely imposing unnecessary costs without any environmental benefit, however, the rule would have actually increased air pollution by adding thousands of tons of pollutants from the incinerator unit. With Advocacy's help, small business representatives were able to persuade EPA to allow plywood plants that can show their emissions pose no health risk to avoid having to install costly—and polluting—incinerators. This is a win-win situation for small business and for the environment.

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- Voice-over-Internet protocol (VOIP) is a fairly new technology which converts voice communications into packets that are transmitted over the Internet and then converted back into voice communications. The survey found 3.3 percent of small businesses using VOIP technology.

For More Information

Questions on the report may be directed to Radwan Saade, regulatory economist, (202) 205-6878 or radwan.saade@sba.gov. A research summary and the complete report text are available on Advocacy's website, www.sba.gov/advo.



The Office of Advocacy released its newest research study, *A Survey of Small Businesses' Telecommunications Use and Spending* on March 11. Pictured here are Carolyn Williams, director of the FCC's Office of Communications Business Opportunities (left); Kathleen Q. Abernathy, federal communications commissioner (center); and Thomas M. Sullivan, chief counsel for advocacy.

National Small Business Week and SBA Expo '04 To Take Place May 19-21

Online registration for the Small Business Administration's SBA Expo '04: Celebrating National Small Business Week is now available. The annual celebration honoring the nation's leading small business entrepreneurs will be held in Orlando, Fla., May 19-21, 2004, at the Orange County Convention Center. Highlights of SBA Expo '04 include the announcement of the National Small Business Person of the Year. SBA Expo '04 is being co-sponsored by SCORE, "Counselors to America's Small Business."

"This year's Small Business Week promises to be an outstanding event," Administrator Hector V. Barreto said. "SBA Expo '04 will honor America's small business owners and their contributions to our economy and our country. It will also be an opportunity for

small business owners from across the country to gather together, learn from each other, compete for contracts, and participate in three full days of events that can help them grow their own businesses."



Small business owners, business organizations, and other individuals who wish to attend or exhibit may

register online at www.sba.gov/50. Complete information on Expo events is available on the SBA's conference website and will be updated regularly. Early bird rates will be in effect until April 17.

Special events include a business expo, a business matchmaking event, business seminars, a town hall meeting, and award ceremonies honoring women entrepreneurs and state and national small business winners. SBA Expo '04 will also feature business industry leaders and speakers from trade associations and from state and federal governments.

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