

**SUPPORTING STATEMENT
U.S. Department of Commerce
Bureau of Industry and Security**

**Defense Industrial Base Assessment of the U.S. Space Industry
Section 705 of the Defense Production Act of 1950
OMB Control No. 0694-0119**

This request seeks approval of an individual survey under the generic authority OMB 0694-0119.

A. Justification

1. Explain the circumstances that make the collection of information necessary.

The Bureau of Industry and Security (BIS), Office of Technology Evaluation (OTE), is undertaking a defense industrial base assessment of the U.S. Space Industry in coordination with the U.S. Department of Defense (DOD), Defense Science Board Task Force on the Space Industrial Base. This assessment was initiated at the request of William Schneider, Chairman of the Defense Science Board, with the support of the Ken Kreig, Under Secretary of Defense (Acquisition, Technology & Logistics) and Ronald Segal, Under Secretary, U.S. Air Force (see attached letter). Also participating in this assessment are representatives from the National Reconnaissance Office, DOD National Security Space Office, NASA, NOAA, U.S. Navy and the Department of State. Industry advisors to the assessment include the Aerospace Industry Association and the Satellite Industry Association. Both industry organizations are fully supportive of the effort.

OTE has authority under Section 705 of the Defense Production Act of 1950, as amended and Executive Order 12656, to conduct assessments and collect information from industry in support of the U.S. defense industrial base. (DPA authority was transferred from BIS/Office of Strategic Industries and Economic Security to OTE in the fall of 2006). These assessments are normally undertaken at the request of the Department of Defense, with one or more of the Armed Services participating. They focus on industrial, financial and economic issues affecting specific defense-related industries or technologies. The enclosed survey questionnaire, which covers 2003-2006 with projections for 2007, is the primary source of information needed for a defense industrial base assessment of this type. The information gained from the survey will be used to assess the health and competitiveness of the domestic space manufacturing, launch, integration and supply chain base, and its ability to support current and future defense and other government program requirements.

OTE is the focal point for defense industrial base analyses among civilian Federal agencies by virtue of the above mentioned statute and executive order, which includes mandatory data collection authority to carry out these responsibilities. OTE has conducted approximately 40 assessments of this nature in the past 20 years under various related defense industrial base programs. Assessments generally review in detail those industries experiencing employment, international competition, financial, production, investment and other difficulties in their ability to support defense and national security programs. The survey document is designed to collect information that facilitates this kind of in-depth analysis.

The space industry has had difficulty adjusting to declines in the number of overall U.S. Government launches, international competition, foreign sourcing, export controls, an aging workforce and the overall lack of investment and research & development expenditures by both the federal government and U.S. industry.

2. Explain how, by whom, how frequently, and for what purpose the information will be used. If the information collected will be disseminated to the public or used to support information that will be disseminated to the public, then explain how the collection complies with all applicable Information Quality Guidelines.

OTE intends to survey approximately 400 firms, covering not more than 20 prime contractors and systems integrators as well as approximately 380 suppliers of space related parts, components, materials and services. The survey is a one-time only request. Quantitative data obtained from the survey will be compiled into an aggregate database for analysis and eventual publication. This data is needed to assess trends, growth rates, industry dependence on defense markets, exports, employment, investment, research & development, sources of research funding and net income/profitability. Qualitative questions are used to compliment the statistical data. The questions address the key issues of company capabilities, labor skills, exports and export controls, competitive standing, investment strategies, and industry consolidation. Using the aggregated survey data, the overall goal is to enable the private sector and government agencies to monitor trends, benchmark industry performance and raise awareness of diminishing manufacturing and R&D capabilities.

3. Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological techniques or other forms of information technology.

To lessen the burden on respondents, OTE is encouraging the firms to provide electronic responses. Each respondent will receive a personalized letter which outlines the requirements of the study and the scope of information required; the letter will also contain a Login ID and

Password with which the respondent can gain access to the secure online survey application. This approach was used successfully in a 2004 Offsets in Defense Trade Subcontractor Industry Survey and the 2005 Imaging and Sensors Industry, and Additional Protocol Nuclear Industry surveys. All three surveys were reviewed and approved by OMB.

The statistical information requested in the survey tracks closely with the product categories and groups commonly used in the industry. Many firms will have the information computerized and will be able to retrieve it in the form requested on the survey. Other questions will require thought and perhaps discussion among several individuals for proper responses. These questions do not lend themselves to standardized computer automation. However, the questions only require brief responses in the text boxes provided.

4. Describe efforts to identify duplication.

The information sought in the survey is unique and not available from any other source, either public or private. Some of the employment data requested is submitted from firms in a statistical sample to the U.S. Census Bureau. However, there is no way to ascertain from aggregated Census data the employment of companies specifically involved in Space Industrial Base. The Census Bureau is precluded by law from releasing information on specific companies.

5. If the collection of information involves small businesses or other small entities, describe the methods used to minimize burden.

This survey will be distributed to a limited number of small businesses, especially at the 2nd tier of suppliers (key part and component manufacturers) to the Space Industry. The electronic survey instrument was designed to minimize the burden on all respondents. As many suppliers work in a narrow portion of the overall Space Industry, a number of questions in the survey with sub-elements covering multiple products will not apply to those firms and will therefore not require a response. If for any reason the respondent cannot complete the survey online, OTE will work with the respondent on an alternate form of submission. However, because of the high-tech nature of this industry, we are expecting almost all firms to respond electronically.

6. Describe the consequences to the Federal program or policy activities if the collection is not conducted or is conducted less frequently.

In the case of this defense industrial base assessment of the U.S. Space Industry, the survey is the only method available to OTE to carry out its responsibilities under the Defense Production Act of 1950, as amended, and Executive Order 12656, as well as to respond to the request made by the Defense Science Board, the Under Secretary of Defense for AT&L and the Under Secretary of the U.S. Air Force. Without the information gathered from the survey, OTE could not fully assess the industry's health and competitiveness, detail overall findings or formulate workable recommendations for the Defense Science Board and other interested public and private organizations.

7. Explain any special circumstances that require the collection to be conducted in a manner inconsistent with OMB guidelines.

There are no special circumstances that will result in the collection of information in a manner inconsistent with the guidelines of 5 CFR 1320.6. Survey responses will contain business confidential information, which will be protected by the Department of Commerce, Bureau of Industry and Security.

8. Provide a copy of the PRA Federal Register notice that solicited public comments on the information collection prior to this submission. Summarize the public comments received in response to that notice and describe the actions taken by the agency in response to those comments. Describe the efforts to consult with persons outside the agency to obtain their views on the availability of data, frequency of collection, the clarity of instructions and recordkeeping, disclosure, or reporting format (if any), and on the data elements to be recorded, disclosed, or reported.

The Federal Register notice is not applicable to this collection because it falls within the scope of the BIS blanket authority entitled, "National Security and Critical Technology Assessments of the U.S. Industrial Base", approved under OMB Control No. 0694-0119. This authority is renewed every three years (renewed in 2006) to support on-going BIS defense industrial base assessment needs.

OTE staff developed the survey in consultation with industry and government experts over a period of several months. The following is a list of those individuals who provided input and advice:

Government/Defense

Alan Taylor - U.S. Air Force Research Laboratory – 937-904-4593
Ed Morris - Office of Space Commercialization, NOAA – 202-482-6125
Robert McCoy – Office of Naval Research – 703-696-8699
Eva Marie Gonzalez – Department of State – 202-647-6037
Alan Dunham – National Security Space Office – 571-432-1426
Russell Etheridge – National Security Space Office – 703-614-3995 x1228
Eric Stewart – Office of the Deputy Under Secretary for Defense – 703-602-4323
Don Hill – Office of the Secretary of the Air Force – 703-588-7819
John Hall, National Aeronautics and Space Administration – 202-358-2070
Dean Woodard – Department of Commerce, Office of Aerospace – 202-482-2240
Ted Burjewski – The Aerospace Corporation – 703-614-3995 x1206
John Williams – Booz Allen Hamilton – 703-377-0692

Trade Associations

Remy Nathan – Aerospace Industry Association – 703-358-1072
David Cavossa – Satellite Industry Association – 202-349-3651

Companies

Mark Bitterman – Orbital Sciences - 703-406-5523
Henry Umanos – General Dynamics – 703-876-3635
Larry Dobbs – L3 Communications, Cincinnati Electronics – 513-573-6505
Diane Kortbawi – ATK Launch Systems – 801-251-2544
Glenn Flaherty – L3 Communications, Telemetry-West – 858-694-7743
Charles Abernethy – Aerojet – 202-828-6816

9. Explain any decisions to provide payments or gifts to respondents, other than remuneration of contractors or grantees.

This survey will not involve any payment or gifts to respondents; however, copies of the completed Space Industry assessment will be provided to the respondents upon request.

10. Describe any assurance of confidentiality provided to respondents and the basis for assurance in statute, regulation, or agency policy.

The survey and its cover letter provide assurances to the respondents that the information collected through the survey will be deemed *business confidential* and will be treated in

accordance with Section 705 of the Defense Production Act of 1950, as amended (50 U.S.C.A. app. Section 2061 et. seq.). This section prohibits the publication or disclosure of such information unless the President determines that its withholding is contrary to the national defense. The survey will be administered and the data collected via a secure internet server. Information submitted will not be shared with any non-government entity, other than in aggregate form, and the Commerce Department will protect the confidentiality of such information pursuant to the appropriate exemptions from disclosure under the Freedom of Information Act (FOIA), should it be the subject of a FOIA request. OTE has a long and successful track record in protecting business confidential information collected under the above statute.

11. Provide additional justification for any questions of a sensitive nature, such as sexual behavior and attitudes, religious beliefs, and other matters that are commonly considered private.

This survey will not collect information that could be construed as being of a sensitive nature, such as information concerning sexual behavior and attitudes, religious beliefs, and other matters that are commonly considered sensitive or private.

12. Provide an estimate in hours of the burden of the collection of information.

OTE estimates that the total burden placed on the U.S. Space Industry by this survey effort will be approximately 4,400 hours. This is based on distributing surveys to 400 companies, with an average time of 11 hours needed to complete the survey.

This burden estimate is subject to variations among individual companies because of differences in record keeping, organization size, and other variables. The estimate is based on past experience of OTE, as well as feedback from companies that have completed our surveys. OTE (formerly the Office of Strategic Industries and Economic Security) has conducted surveys of various industries, including imaging and sensors, biotechnology, cartridge and propellant actuated devices, shipbuilding and repair and others.

The estimated total cost to respondents of this information collection is \$112,000. This estimate was calculated by assuming the respondents' average work rate is \$28 per hour multiplied by the total burden hours of 4,400.

13. Provide an estimate of the total annual cost burden to the respondents or record-keepers resulting from the collection (excluding the value of the burden hours in #12 above).

This item is not applicable because the survey questionnaire will not impose any annual costs on respondents involving capital and start-up costs or affect the cost of operation, maintenance, or purchased services costs.

14. Provide estimates of annualized cost to the Federal government.

The estimated cost to the Federal government for the survey is \$71,296. A major portion of this cost is related to the survey questionnaire, which includes preparation, collecting and verifying the information, and analyzing the data. Other costs will be incurred in summarizing the analysis and findings, preparing the final report, and report printing and distribution. The direct employee costs were estimated by assuming the hours spent on the project as about one-half year equivalent, or 26 weeks and taking half the annual pay of one GS-14, step 10. The direct employee cost is \$59,414.

Indirect or overhead costs associated with the project are calculated as 20 percent of the direct employee cost, or \$11,882. A review of OTE budgets from previous years indicates costs for building maintenance, telephone, computers, and space rental charges generally run about 20 percent of total employee costs.

15. Explain the reasons for any program changes or adjustments reported in Items 13 or 14 of the OMB 83-I.

Because the nature of this collection of information falls within BIS's blanket authority entitled, "DOC/BIS National Security and Critical Technology Assessments of the U.S. Industrial Base", (OMB control No. 0694-0119) there is no increase in burden hours. Because this is the first time BIS has used this authority in FY2007 (with an unused balance of 24,000 burden hours authorized annually), an unused balance to the authority of 19,600 annual burden hours (24,000 minus 4,400) will remain if the assessment is approved under this authority.

16. For collections whose results will be published, outline the plans for tabulation and publication.

All data collected will be aggregated before publishing to protect company confidentiality. The surveys will be provided electronically to the 400 companies in January 2007. The analysis and report writing will be prepared in draft form by the end of April 2007. The final report is planned for publication in May/June 2007.

17. If seeking approval to not display the expiration date for OMB approval of the information collection, explain the reasons why display would be inappropriate.

Not applicable. BIS will display the expiration date of this information collection authority on all survey and instructional instruments the public receives.

18. Explain each exception to the certification statement identified in Item 19 of the OMB 83-I.

Not applicable.

B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

Not applicable.

Attachment: DOD Defense Science Board Letter of Request