

+SUPPORTING STATEMENT
U.S. Department of Commerce
Bureau of Industry and Security
Defense Industrial Base Assessment: Cost Resolution Solutions for Obsolescent Parts
OMB Control No. 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), in coordination with the U.S. Department of Defense (DOD), Defense Standardization Program Office (DSPO), is undertaking a defense industrial base assessment of cost resolution solutions for obsolescent parts in DOD weapon systems. This assessment was initiated by DSPO (see attached letter), which has been receiving information from DOD weapons system program managers (industry and government) regarding the lack of common information and rising costs when performing solutions to obsolescent part problems. The proposed survey and assessment will assist in updating and validating the solution categories being used by program managers as well as determining the true cost of each solution category utilized. When completed, this information will be melded into a Diminishing Manufacturing Sources and Material Shortages (DMSMS) Best Practices Guidebook to promote DOD-wide utilization, cost savings and program efficiencies throughout the Armed Services/Prime Contractor weapon systems community.

Also participating in this assessment are representatives from the U.S. Army and Navy, as well as the Defense Microelectronics Activity (DMEA), which manages the DOD Trusted Foundry Program for reengineering obsolescent critical electronic parts. A number of individual aerospace defense prime contractors are also assisting in 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. These assessments are normally undertaken at the request of the Department of Defense, with one or more of the Armed Services participating. They usually focus on industrial, financial and economic issues affecting specific defense-related industries or technologies. The enclosed survey questionnaire, which covers the 2006-2008 period, 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: 1) quantify and assess the obsolescence replacement solutions being utilized and their true costs to the DOD; 2) document differences in industry and government solution behavior; and 3) report on best practices and protocols utilized to keep the cost of obsolescence replacement to a minimum. With repair and overhaul becoming an ever increasing portion of the total DOD budget, efforts to keep obsolete parts cost replacement to a minimum will free resources for other important DOD 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.

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 200 firms and organizations, predominately defense prime contractors and weapon systems program managers responsible for Army, Navy, Marine and Air Force systems. 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, cost growth rates, impacts on industry and government, and best practices and protocols used for the selection and implementation of obsolete part solutions. Qualitative questions are used in some cases to complement the statistical data. Using the aggregated survey data, the overall goal is to enable the private sector and DOD agencies to monitor trends, benchmark industry and government performance, and raise awareness of optimal obsolete part solutions.

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 directions to a secure website where the respondent can gain access to the Excel survey application. This approach was used successfully in a 2006 U.S. Space Industry, 2007 Defense Mission-Critical Microchip Industry and 2008 Counterfeit Electronics Surveys. All three surveys were reviewed and approved by the Office of Management and Budget.

The statistical information requested in the survey tracks closely with categories and groups commonly used in the defense industry and verified by field-testing the OTE survey. Most firms and organizations 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 basic corporate background data requested is submitted by firms in a statistical sample to the U.S. Census Bureau. However, 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 very limited number of small businesses as the majority of weapon systems program managers are large defense prime contractors and related organizations. The electronic survey instrument was designed to minimize the burden on all respondents. If for any reason the respondent cannot complete the survey in Excel, OTE will work with the respondent on an alternate form of submission. However, due to the high-tech nature of the defense industry, we are expecting almost all firms and organizations 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 cost resolution solutions for obsolete parts, a 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. Without the information gathered from the survey, OTE could not: quantify and assess the obsolescence replacement solutions being utilized and their true costs to the DOD; document differences in industry and government solution behaviors; report on best practices and protocols being utilized; detail overall findings; or formulate workable recommendations for the Government 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.

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 generic 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 (last 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

Alex Melnikow, Defense Standardization Program Office, 703-767-1415
Vance Anderson, Defense Microelectronics Activity, 916-231-1646
Wesley Trunnell, Defense Microelectronics Activity, 916-231-1631
Michael Davis, U.S. Air Force, 405-739-3227
Alan Lee, U.S. Army, 256-450-9164
Laurie Ruiz, U.S. Army, 505-678-0068

Companies

Walter Tomczykowski, ARINC Corporation, 410-266-4535
Henry Livingston, BAE Systems, 603-885-2959
Leslie Lich, Boeing Company, 314-777-7186

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 Cost Resolutions Solution 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 provides 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 U.S.

Department of Commerce 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 of 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 respondents by this Cost Resolutions Solution survey effort will be approximately **3,000 hours**. This is based on distributing surveys to 200 respondents with an average time of 15 hours to complete the survey.

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

The estimated total labor cost to respondents of this information collection is \$90,000. This estimate was calculated by assuming a respondents' average work rate of \$30 per hour multiplied by the total burden hours of 3,000.

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).

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

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

The estimated cost to the Federal government for the survey is \$80,126. 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 \$66,772.

Indirect or overhead costs associated with the project are calculated as 20 percent of the direct employee cost, or \$13,354. 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.

Because the nature of this collection of information falls within BIS's generic 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. This is the first time BIS has used this authority in FY2009 (a total of 24,000 authorized annually), an unused balance to the authority of 21,000 annual burden hours (24,000 minus 3,000) 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 200 companies in July 2009. The analysis and report writing will be prepared in draft form by the end of November 2009. The final report is planned for publication in January 2010.

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. The survey will be sent to 100% of the identified population, therefore statistical sampling methods will not be utilized.