

SUPPORTING STATEMENT

2007 Business Expenses Supplement to the Annual Wholesale and Retail Trade Surveys

Forms SA-42A(SUP), SA-42(ESUP), SA-44(ESUP), SA-44(ASUP), SA-45(ESUP), SA-45(ASUP), SA-721A(SUP), SA-721E(SUP), SA-722A(SUP), SA-722E(SUP)

Part A. Justification

1. Necessity of Information Collection

The 2007 Business Expenses Supplement (BES) will supplement basic economic statistics produced by the 2007 Economic Census of Wholesale Trade, Retail Trade, and Accommodation and Food Services Industries with estimates of detailed operating expenses. Further, it will provide measures of value produced for wholesale trade and retail trade. Essential measurement of the Nation's economy requires compilation of comprehensive and reliable data on both economic outputs (e.g., sales) and inputs (e.g., utilities and advertising expenses). This supplement is the sole source of comprehensive expenses input data for covered industries. The Census Bureau will collect the information by means of a mail canvass with electronic reporting option directed to a sample of business units that represent one or more domestic establishments in covered industries. Results will be presented primarily in electronic reports containing statistical summaries by industry for the United States.

This information collection is part of the 2007 Economic Census, which is required by law under Title 13, United States Code (U.S.C.). Section 131 of this statute directs the taking of a census of businesses, including the distributive trades, service establishments, and transportation, at 5-year intervals. Section 224 makes reporting mandatory. Section 193 authorizes surveys that collect supplementary statistics related to the main topic of the censuses. Finally, Section 195 permits the use of statistical sampling methods.

Information on business operating expenses was compiled in the 2002 Business Expenses Survey covering wholesale distributors, retail trade, accommodation and food services, and selected service industries. Data on operating expenses for selected service industries are currently compiled by the Census Bureau's Service Annual Survey

There will be several variations of the prototype report form shown in attachment C used in this information collection. These vary primarily in the general reporting instructions for company vs. sub-company reporting units, as discussed below. However, the item content is identical on all the forms.

2. Needs and Uses

The economic census is a primary source of facts about the structure and functioning of the Nation's economy. It provides essential information for government, industry, business, and the general public. For the 2007 Business Expenses Supplement, the Federal

government is the primary user of the resulting data. In particular, the Bureau of Economic Analysis (BEA), the Federal agency that produces gross domestic product (GDP) estimates and maintains the national economic accounts, uses information from the business expenses supplement. The benchmark input-output (I-O) accounts at BEA use the BES data to produce national estimates of value added, gross output, and intermediate inputs. These national estimates serve as a benchmark for the annual industry accounts, which provide the control totals for the GDP-by-state accounts. Additionally, data from the benchmark I-O and annual I-O accounts are used by the GDP-by-state accounts to remove purchased services from Census Bureau source data on manufacturing, mining, and construction because BEA's concept of value added excludes such services. Previously, BEA's GDP-by-state accounts used only the national benchmark I-O table as a source for the purchased services. BEA recently made advances in its annual I-O accounts program, enhancing the reliability of those statistics. Thus, the GDP-by-state estimates now incorporate the purchased services as measured by both the annual and benchmark I-O accounts.

The U.S. Federal Reserve Board, in turn, uses the BEA's national accounts for analyzing productivity trends and industry-level price changes. The Bureau of Labor Statistics uses the data for measurement of industry productivity. The Economic Research Service of the U.S. Department of Agriculture uses the data for analysis of national food marketing systems. Industry, business, and academia use the data for evaluating value added and profit margins occurring within the business sector.

A specific objective of this supplement is to continue implementation of recommendations made in the Gross National Product Data Improvement Project (Creamer) Report (the Advisory Committee on Gross National Product Data Improvement, 1977), prepared under the auspices of the Office of Management and Budget; recommendations made in the Boskin report on the Quality of Economic Statistics (President's Council of Economic Advisers, 1983); the "Mid-Decade Strategic Review of BEA's Economic Accounts" (Survey of Current Business, February 1995); and recommendations of BEA's advisory council.

Information quality is an integral part of the pre-dissemination review of the information disseminated by the Census Bureau (fully described in the Census Bureau's Information Quality Guidelines). Information quality is also integral to the information collections conducted by the Census Bureau and is incorporated into the clearance process required by the Paperwork Reduction Act.

3. Use of Information Technology

The Census Bureau has considered improved information technology as a means of further reducing respondent burden for the Business Expenses Supplement

An automated system is used to check-in returned forms. This system allows for more timely identification of completed questionnaires, and therefore reduces telephone follow-up with respondents. In addition, an automated system will be used for scheduling and

processing telephone follow-up calls to delinquent respondents.

A laser printer facsimile machine connected to an "800" telephone line gives respondents the capability to FAX data to our collection facility in Jeffersonville, Indiana, on a 24-hour basis. This technology provides respondents the option of responding by mail or by FAX, thus expediting receipt of questionnaires and decreasing the number of telephone follow-up inquiries. Additionally, we will provide an electronic reporting option to allow respondents to file electronically via the Internet.

4. Efforts to Identify Duplication

The Census Bureau has made a thorough effort to identify other information collections that may duplicate the content, coverage, and detail planned for the 2007 Business Expenses Supplement.

While payroll data are collected in both the Business Expenses Supplement and the main economic census, the reporting units (except for single-location companies) are different. These differences are reconciled in order to calculate reliable operating ratios between the expenses data from the business expenses supplement and sales/revenue data collected on the annual survey reports and/or the main economic census. It is also critical to ensure the correlation of data collected for payroll and fringe benefits.

In contacts made with professional organizations and other Federal agencies, we have identified no duplicative sources of detailed data on business expenses.

5. Minimizing Burden

This data collection minimizes burden by requesting business expenses information from only a sample of employer firms, instead of including it as part of the census information required of all employer firms in covered industries. The number of firms selected for the business expenses sample will be the minimum needed to satisfy survey requirements, including targets for sampling variability of estimates from the sample. The sample consists of large-, medium-, and small-sized employer firms. Retail firms with no employees (nonemployers) are not mailed and their expenses data are estimated from employer business patterns. To redistribute the reporting burden for small and medium-sized businesses, we exclude from the noncertainty sampling operations particular noncertainty sampling units that were selected in the previous sample. We call this procedure controlled nonselection. It is described in more detail in the sampling methodology section below.

The Census Bureau has made aggressive efforts to minimize expected response time by simplifying questionnaires and instructions and including only specific expense items that are important for the National Economic Accounts. These items and instructions were discussed with individual companies during the 2006/2007 Cognitive Interviews project. In addition, if respondents have questions or need assistance in completing their report, there is a toll-free number to call and a

“frequently asked questions” site on the Internet. Firms canvassed are not required to maintain additional records for the business expenses supplement, nor do we expect them to incur extra expenses to develop data not readily available. Throughout the reporting instructions, there is emphasis that carefully prepared estimates are acceptable where book figures are unavailable. Firms that cannot meet the due date can easily obtain a filing extension by writing the Census Bureau or by telephoning the toll-free assistance line.

6. Consequences of Less Frequent Collection

The Business Expenses Supplement is conducted in conjunction with the economic census in order to facilitate the scheduled benchmarking of the National Economic Accounts. If it were not conducted, or conducted less frequently, the Federal government would lose vital source data and benchmarks for the national accounts, input-output tables, and other composite measures of economic activity, causing a substantial degradation in the quality of these important statistics. Further, business, industry, and the general public would lose an important source of detailed, comprehensive economic information for use in making business, financial, and other economic decisions.

7. Special Circumstances

This information collection will be conducted in a manner consistent with OMB guidelines and there are no special circumstances.

8. Consultations Outside the Agency

In 2003, a sample of businesses responding to the 2002 Business Expenses Survey were contacted for feedback on report form item clarity, use of the estimates, and response time. Results were summarized and used in the development of the report forms for the 2007 Business Expenses Supplement.

In 2005, an interagency team was created by the Bureaus of the Census and Economic Analysis. This team, known as the Core Expenses Group, was comprised of Census Bureau staff responsible for business expenses data collections, including the Business Expenses Survey, and BEA staff responsible for using the resulting summary data. The team goal was to ensure optimum importance and reportability of expense items and consistency across Census collection programs. The resulting team report was a principal source of content for the 2007 Business Expenses Supplement report forms.

During 2007, consultations were held with data users in various government agencies and two professional associations were contacted by mail. Our most detailed and extensive discussions were with the primary data user, the Bureau of Economic Analysis. We also consulted with data users from USDA’s Economic Research Service, the Bureau of Labor Statistics, and the Federal Reserve Board. A complete list of contacts is presented in Attachment A.

Each contact was sent a draft copy of the proposed 2007 Business Expenses Supplement report form. We explained the purpose of the business expenses supplement and asked them for comments and recommendations on form content, especially in terms of reportability by businesses; usefulness of resulting data; and the need for any other important national level statistics in covered trade areas.

On March 29, 2007, on page 14777 of the Federal Register, the Census Bureau published the required notice soliciting public comments on the proposed information collection prior to submission to the Office of Management and Budget.

We received three responses to the mailing and one response to the Federal Register announcement. All responses expressed support for the data we plan to collect. See the letter of support from the Bureau of Economic Analysis in Attachment B.

In 2007, Census Bureau staff conducted over 30 cognitive interviews with a cross section of businesses in covered industries. The focus of these interviews was on clarity, appropriateness, and reportability of the report form expenses items and instructions; fiscal year accounting practices; and ability to submit annual and associated supplemental reports by the due date. Results of these interviews were used to improve the design and content of the report forms.

9. Paying Respondents

The Census Bureau does not pay respondents and does not provide them with gifts in any form to report requested information in this survey.

10. Assurance of Confidentiality

The report forms for this information collection will give respondents the following assurance of confidentiality:

Your report to the Census Bureau is confidential by law (Title 13, U.S. Code). It may be seen only by persons sworn to uphold the confidentiality of Census Bureau information and may be used only for statistical purposes. The law also provides that copies retained in your files are immune from legal process.

Similar guarantees will be included in the cover letters (see Attachment D) that accompany the report forms. The statutory basis for these assurances of confidentiality is Title 13, USC, Section 9. All activities relating to the collection and publication of economic census data satisfy requirements of this law.

11. Justification for Sensitive Questions

This information collection asks no questions of a sensitive nature.

12. Estimate of Respondent Burden

The table below provides an estimate of respondent burden for industry sectors covered by this request. Figures for number of reporting units are based on known sample sizes and assume a 100 percent response rate. Estimates for number of hours per response are based on a post-survey evaluation of a sample of respondents in the 2002 Business Expenses Survey. We requested estimates of the time needed to read the questionnaire and accompanying instructions; to gather, organize, and summarize information; and to record answers on the report form. These estimates were then adjusted for minor changes to the content of the 2007 Business Expenses Supplement.

Overall respondent burden for the 2007 Business Expenses Supplement is estimated to be 76,580 hours. (28,363 responses at 2.7 hours each, on the average). The collection will be conducted during fiscal year 2008.

Business Sectors Covered and Response Burden Estimates				
Sector	NAICS code	Number of reporting units	Estimated hours per response	Estimated annual burden hours
Wholesale distributors	42 pt.	6,850	2.7	18,495
Retail trade	44, 45	17,913	2.7	48,365
Accommodation and food services	72	3,600	2.7	9,720
Totals		28,363	2.7	76,580

13. Estimate of Cost Burden

We do not expect respondents to incur any costs other than that of their time to respond. The information requested is of the type and scope normally carried in company records and no special accounting software is necessary to provide answers to this information collection. Purchasing of outside accounting or information collection services is not needed unless this is part of the usual and customary business practices of the company.

14. Cost to Federal Government

The cost to the government for this work is included in the total cost of the 2007 Economic Census, estimated to be \$503 million.

15. Reason for Change in Burden

Report forms covered by this request are submitted as a new collection.

16. Project Schedule

Data collection – The Business Expenses Supplement will use the same samples as those used in the annual surveys of wholesale and retail trade conducted by the Census Bureau. Businesses in industries covered in the wholesale and retail trade annual surveys, except manufacturer sales branches and offices (MSBOs), agents, and brokers, will concurrently receive a supplemental business expenses report in the initial mailout and, where appropriate, in all mail follow-ups. The original mailout is scheduled for mid-January 2008. The response due date will be approximately thirty days after mailout.

Mail follow-ups will take place in March, April, and June. A reminder telephone follow-up will take place in May of 2008. The mail follow-ups and the first telephone follow-up will be integrated with the annual surveys for wholesale and retail trade. A second, and final, telephone follow-up is scheduled for July through September of 2008. The final telephone follow-up will not be fully integrated with the annual surveys. Close-out for collection operations, including data entry and imaging, will be in October 2008.

Data are collected by the National Processing Center (NPC) in Jeffersonville, Indiana.

Data processing and product release – First-stage editing and reporting unit problem solving will take place on a flow basis during the data collection stage in 2008. The timing of final editing, tabulations, and review, will depend on availability of 2007 annual wholesale and retail trade surveys and economic census data, since final results of these programs are required for final editing and to make benchmarking adjustments to the business expenses estimates. Publication is expected in mid-2009 for preliminary estimates and late 2010 for final census-adjusted estimates.

The expenses data will be issued as part of the 2007 annual wholesale and retail trade survey publications. Statistical tables will summarize data by industry for the United States. Content will include totals and component detail for operating expenses. Plans for final tabulations for wholesale and retail trades also include measures of value produced such as value added. Data from the Business Expenses Supplement will be published electronically via the Internet.

17. Request to Not Display Expiration Date

The assigned expiration date will be displayed on all report forms used in this

information collection.

18. Exceptions to the Certification

There are no exceptions.

19. NAICS Codes Affected

Data for the 2007 Business Expenses Supplement will be collected from employer businesses under the 2002 North American Industry Classification System (NAICS) for sectors listed in question 12 of this supporting statement.