

SUPPORTING STATEMENT
U.S. Department of Commerce
U.S. Census Bureau
Annual Retail Trade Survey
OMB Control No. 0607-0013

PART A. JUSTIFICATION

1. Necessity of Information Collection

The Annual Retail Trade Survey (ARTS) provides the only continuing official measure of annual total retail sales, e-commerce sales, end-of-year inventories, sales/inventory ratios, purchases, inventory valuation methods, gross margin, and end-of-year accounts receivables for retailers and annual sales and e-commerce sales for accommodation and food services firms in the United States.

The data collected in the annual retail survey provide a current statistical picture of the retail and food services and accommodations portions of consumer activity. Also, the estimates compiled from this survey provide valuable information for economic policy decisions and actions by government and are widely used by private businesses, trade organizations, professional associations, and others for market research and analysis. The sales and receipts are used by the Bureau of Economic Analysis (BEA) in determining the consumption portion of the Gross Domestic Product (GDP).

Sales by retailers and food services firms during 2006 amounted to \$4.3 trillion. Receipts from accommodation firms in 2006 were \$158.6 billion. The sales and receipts estimates produced from the ARTS are critical input to the accurate measurement of total economic output in the United States. The estimates of sales made by retail and accommodation and food services firms represent all operating receipts, including receipts from wholesale sales and services rendered by establishments that primarily sell at retail. The sales estimates include sales made on credit as well as on a cash basis, but exclude receipts from sales taxes and interest charges from credit sales. Also, excluded is non-operating income from such services as investments and real estate.

E-commerce sales made by retail and accommodation and food services firms represent sales and other operating receipts for goods and services where an order is placed by the buyer or price and terms of the sale are negotiated over an Internet, Electronic Data Interface (EDI) network, electronic mail, or other online system.

The estimates of merchandise inventories owned by retail firms represent all merchandise located in retail establishments, warehouses, offices, or in transit for distribution to retail establishments. The estimates of merchandise inventories exclude fixtures and supplies, not held for sale, as well as merchandise held on consignment which are owned by others. Inventories are an important component in BEA's calculation of the investment portion of GDP.

Purchases represent the total cost of merchandise purchased for resale during the year whether or not payment for the merchandise was made during the year. Also included are the cost of freight, delivery, and other transportation costs. Purchases exclude expenditures for supplies and equipment intended for company use rather than resale. Purchases are used for computing the National Income And Product Accounts and the GDP.

Retail accounts receivables are amounts owed to retailers by their customers for purchases made on credit as of the end of the year. Credit paper discounted or sold to others and amounts charged off as bad debts are excluded.

This request is for the clearance of ten report forms, the SA-44, SA-44A, SA-44C, SA-44E, SA-44N, SA-44S, SA-45, SA-45C, SA-721A, SA-721E, SA-722A and SA-722E. These ten forms enable us to collect information on a North American Industry Classification System (NAICS) basis and to request similar data items. A variety of forms are needed to address the size of the firm, kind-of-business, or data items requested.

The U.S. Census Bureau conducts this mandatory survey under the authority of an Act of Congress, Title 13, United States Code, Sections 182, 224 and 225.

2. Needs and Uses

The BEA is the primary Federal user of the data collected in the ARTS and the information collected is critical to the quality of several of BEA's key programs. The data on retail sales are used to prepare detailed annual personal consumption expenditures estimates; merchandise inventories, valuation methods and merchandise purchases are used to prepare annual estimates of change in the business inventory component of GDP. Sales, merchandise purchases, inventories, inventory valuation and sales tax data are used to prepare estimates of GDP by industry and to derive industry output for the input-output accounts.

In addition, the results of the ARTS are used to benchmark estimates of monthly retail sales, e-commerce sales, and inventories from the Current Retail Sales and Inventory Survey (OMB Approval #0607-0717), which are key economic indicators that provide timely input for computation of the national accounts.

Accounts receivable balances are used by the Federal Reserve Board in measuring consumer credit.

Private businesses use these estimates to determine market share and to perform other analysis. It is extremely important to both the public and the private sectors that accurate and timely measures of consumer spending be made readily available.

If the survey was not conducted BEA would lack comprehensive data from the retail sector. This would adversely affect the reliability of the National Income And Product Accounts and the GDP.

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

A fax 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. Use of this technology increases the response options, and decreases the number of more costly telephone follow-up inquiries.

An automated system is used for check-in of returned forms and telephone follow-up scheduling for delinquents. This allows for a more timely identification of completed questionnaires and fewer follow-up calls to respondents.

An Internet response option is also provided using the Census Bureau's Census Taker system. Census Taker is a software system that provides a secure and user friendly means of collecting data via the Internet. Approximately 25% of responses come through this system.

4. Efforts to Identify Duplication

Research with other government agencies, trade associations, and data users via telephone conversations, meetings, trade journal articles, and written correspondence indicates that these data are not available from other sources on an ongoing basis.

Monthly sales and inventory data are collected in the Current Retail Sales and Inventory Survey (OMB Approval #0607-0717), which request sales and inventory data from a smaller sample on a monthly basis. Annual estimates can only be derived from the monthly surveys for these firms. However, the end-of-year inventories and the annual estimates derived from the monthly survey are often substantially revised on the annual report because of early reporting and end-of-year audits by the firms. Monthly sales and inventory data, if reported, are often estimates subject to revision. In addition, dollar volume non-response in the voluntary monthly survey is approximately 22 percent for sales and 30 percent for inventories. Dollar volume nonresponse rates in the annual survey are about 6 percent for sales, and 6 percent for inventories.

5. Minimizing Burden

To reduce respondent burden on small firms, administrative data will be the source of tabulated data for approximately 1,200 small, single-establishment firms that have been classified in the Accommodation and Food Services NAICS sector, in lieu of mailing survey forms to these firms.

Firms that are canvassed are not required to maintain additional records to satisfy data items on the survey, nor do we expect them to incur extra expense because the data we request are generally available on existing company records. Instructions on the questionnaire state that although book figures are preferred, carefully prepared estimates are acceptable.

6. **Consequences of Less Frequent Data Collection**

Less frequent data collection of the annual estimates would result in less accurate monthly sales and end-of-month inventory estimates because the monthly estimates are benchmarked to the annual estimates. The monthly data collected in the Current Retail Sales and Inventory Survey are used extensively by government and private economists to evaluate current economic conditions and to develop economic, fiscal, and monetary policies.

7. **Special Circumstances**

There are no special circumstances.

8. **Consultations Outside the Agency**

The Census Bureau issued a pre-submission notice published in the Federal Register dated April 15, 2008 located in Vol. 73, No. 73, on page 20244.

One comment was received from BEA expressing support for the ARTS (Attachment 1). The BEA is the Census Bureau's main source of consultation on the ARTS, and quarterly status meetings are conducted to address any program issues.

One comment was received questioning the need for the survey.

9. **Paying Respondents**

We do not provide any payment or gift to respondents.

10. Assurance of Confidentiality

Data collected in this survey are maintained in strictest confidence under the authority of an Act of Congress, Title 13, United States Code, Section 9, which states that data collected on our report forms (Attachment 2) may be seen only by persons sworn to uphold the confidentiality of Census Bureau information and may be used for statistical purposes only. Additionally, all reports are immune from legal process. This assurance of confidentiality is conveyed to the respondent via a cover letter (Attachment 3) that accompanies each mailing. The report forms also inform the respondent that this survey is required by law.

11. Justification for Sensitive Questions

The ARTS requests only routine business information that is kept strictly confidential. The data collected are generally available from existing company records and are not of a sensitive nature.

12. Estimate of Hour Burden

There are approximately 20,971 respondents who report annually. The estimated burden is approximately 11,845 hours, computed on the basis of an average of approximately 34 minutes per response. The estimated cost to respondents is approximately \$311,050 which is based on the response burden of 11,845 hours at approximately \$26.26 per hour. According to the Bureau of Labor Statistics publication, "Occupational Employment and Wages, May 2007," \$26.26 represents the national median hourly wage of the full-time wage and salary of accountants and auditors. We do not expect any other costs to be incurred because of the ready availability of the data.

	Mail		
<u>Form</u>	<u>Count</u>	<u>Hours</u>	<u>Burden</u>
SA-44	7465	0.67	5002 Hrs
SA-44A	6840	0.54	3694 Hrs
SA-44C	2058	0.67	1379 Hrs
SA-44E	343	0.72	247 Hrs
SA-44N	434	0.69	299 Hrs
SA-44S	260	0.69	179 Hrs
SA-45	3	0.60	2 Hrs
SA-45C	21	0.60	13 Hrs
SA-721A	181	0.29	53 Hrs
SA-721E	1226	0.29	356 Hrs
SA-722A	289	0.29	84 Hrs
SA-722E	<u>1851</u>	0.29	<u>537 Hrs</u>
Total	20,971		11,845 Hrs

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 hardware or accounting software or system is necessary to provide answers to this information collection. Therefore, respondents are not expected to incur any capital and start-up costs or system maintenance costs in responding. Furthermore, purchasing of outside accounting or information collection services, if performed by the respondent, is part of usual and customary business practices and not specifically required for this information collection.

14. Cost to Federal Government

The total cost to the Federal Government for the ARTS in fiscal year 2008 is expected to be \$2,174,610, all borne by the Census Bureau.

15. Reason for Change in Burden

The burden hours estimate is 328 hours less than the previously approved ARTS. This decrease is due to the change in the number of respondents, which varies from year to year. The peak period for number of respondents is at the beginning of a new sample. The current sample was selected for the 2005 ARTS. The number of respondents will probably drop each year due to companies that are now deemed out-of-scope or out-of-business. Our next sample is not scheduled to be implemented until the 2011 ARTS.

16. Project Schedule

Report forms are mailed to respondents approximately three to four weeks after the reference year has ended. At least 30 business days are provided for companies to complete the form. A series of mail and telephone follow-up occurs throughout the year until an appropriate response level is achieved. Data are tabulated at the two-, three-, four-, and selected five-digit NAICS levels. Summary data are analyzed to ensure the estimates are consistent with other economic series and meet publication standards. Estimates are published annually by the U. S. Census Bureau approximately 14 months after the end of the reference year.

17. Request to Not Display Expiration Date

We wish to continue to display the expiration date.

18. Exceptions to the Certification

There are no exceptions to the certification statement.

19. NAICS Codes Affected

The following are the 3-digit NAICS codes for the businesses affected by the information collection:

NAICS

<u>Code</u>	<u>Description</u>
441	Motor Vehicle and Parts Dealers
442	Furniture and Home Furnishings Stores
443	Electronics and Appliance Stores
444 Dealers	Building Material & Garden Equipment & Supplies
445	Food and Beverage Stores
446	Health and Personal Care Stores
447	Gasoline Stations
448 451	Clothing and Clothing Accessories Stores Sporting Goods, Hobby, Book and Music Stores
452	General Merchandise Stores

453	Miscellaneous Store Retailers
454	Nonstore Retailers
721	Accommodation
722	Food Services and Drinking Places