

Supporting Statement for the BE-11 Annual Survey
of U.S. Direct Investment Abroad
OMB Control Number 0608-0053

A. Justification

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

The BE-11 Annual Survey of U.S. Direct Investment Abroad is necessary to obtain accurate and up-to-date data on certain aspects of the operations of U.S. multinational companies and their foreign affiliates, such as balance sheets, income statements, employment, and trade that are needed in assessing the impact of direct investment on the U.S. and foreign economies. The survey is mandatory and is conducted under the International Investment and Trade in Services Survey Act (P.L. 94-472, 22 U.S.C. 3101-3108, as amended by P.L. 98-573 and P.L. 101-533), hereinafter "the Act."

Section 4(a) of the Act requires that the President shall, to the extent he deems necessary and feasible, conduct a regular data collection program to secure current information on international financial flows and other information related to international investment and trade in services, including (but not limited to) such information as may be necessary for computing and analyzing the United States balance of payments, the employment and taxes of United States parents and affiliates, and the international investment and trade in services position of the United States.

In Section 3 of Executive Order 11961, the President delegated the responsibility for performing functions under the Act as concerns direct investment to the Secretary of Commerce, who has re delegated it to the Bureau of Economic Analysis (BEA). The implementing regulations for the direct investment surveys conducted under the Act may be found in 15 CFR Part 806.

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.

The annual survey provides a variety of measures of the overall operations of U.S. parent companies and their foreign affiliates, including total assets, sales, net income, employment and employee compensation, research and development expenditures, and exports and imports of goods. The BE-11 is a sample survey that covers selected foreign affiliates and their U.S. parent companies. The sample data are used to derive universe estimates in nonbenchmark years by extrapolating forward similar data reported in the BE-10, Benchmark Survey of U.S. Direct Investment Abroad, which is taken every five years. The data are disaggregated by country and industry of the foreign affiliate and by industry of the U.S. parent. The data from the BE-11 survey complement data from BEA's BE-577 quarterly survey of U.S. direct investment abroad, "Direct Transactions of

U.S. Reporter with Foreign Affiliate." A full understanding of U.S. direct investment abroad requires an understanding of both the overall operations of parents and affiliates (covered in the BE-11) and the transactions and positions between parents and affiliates (covered in the BE-577). Some specific uses of the data to be collected are discussed in greater detail below.

(a) Compile and improve the U.S. economic accounts:

BEA uses BE-11 annual survey data on the operations of U.S. parents and foreign affiliates to derive estimates of value added in production by U.S. parents and their foreign affiliates. These estimates can be used to calculate and analyze the affiliates' share of total production in foreign host countries, the parents' share of total U.S. production, and the respective shares of parents and affiliates in the worldwide production of U.S. multinationals. In addition, data for the BE-11 annual survey provide financial statements against which data on transactions between parents and affiliates that are reported on the quarterly BE-577 survey can be checked for consistency.

(b) Support U.S. Government policy on direct investment:

The data are used by several U.S. Government agencies, including the Office of the U.S. Trade Representative, the International Trade Administration of the Commerce Department, the Departments of Treasury and State, the Council of Economic Advisers, and the Federal Reserve Board to support U.S. international economic policy. The annual survey provides detailed information, by country and industry, on assets, sales, employment, and other measures of affiliates' activities that the U.S. Government requires to assess their effects on U.S. and foreign economies.

Bilateral investment treaties (BIT's) are negotiated with interested countries to facilitate and protect U.S. investment interests. During BIT negotiations, data from this and related surveys provide important information on the level and impact of direct investment on the economies of U.S. and foreign countries. The data also help identify areas where U.S. direct investment may be restricted.

(c) Other Government uses:

Several agencies, including the Agency for International Development and the U.S. and Foreign Commercial Service (Commerce), facilitate U.S. private investment, mainly in developing countries, by providing information and assistance to investors. They use data from the annual survey for this purpose. They also use the data to examine the impact of direct investment on developing countries.

(d) Non-government uses:

International organizations and private researchers also use data from the annual survey in assessing the impact of U.S. direct investment abroad on the U.S. and foreign economies. International organizations that regularly make use of BEA data on U.S.

direct investment abroad include the United Nations, International Monetary Fund, Organisation for Economic Co-operation and Development, and World Bank. Numerous private researchers use the data; use by researchers affiliated with the National Bureau of Economic Research has been among the most extensive.

The Section 515 Information Quality Guidelines apply to this information. The information is collected according to documented procedures in a manner that reflects standard practices accepted by the relevant economic/statistical communities. BEA conducts a thorough review of the survey input data using sound statistical techniques to ensure the data quality before the final estimates are released. The data are collected and reviewed according to documented procedures including the use of check lists, procedures manuals and on-going review by the appropriate supervisor or team leader. The quality of the data are validated using a battery of computerized edit checks to detect potential errors and to otherwise ensure that the data are accurate, reliable, and relevant for the estimates being made. Data are routinely revised as more complete source data become available. The collection and use of this information complies with all applicable information quality guidelines, i.e., OMB, Department of Commerce, and those of the Bureau of Economic Analysis.

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.

BEA offers an electronic filing option that makes use of fillable PDF forms, its eFile system, for use in reporting the BE-11 annual survey forms as an alternative to paper forms. The eFile system enables a U.S. Reporter to download the survey forms in PDF format for each reportable business enterprise, enter the required data, and submit the forms securely to BEA. BEA has offered electronic filing to respondents when conducting recent annual surveys; approximately 20 percent of the respondents take advantage of electronic filing.

In addition, BEA places all its survey forms and reporting instructions on its Web site (www.bea.gov), which provides an alternative and, for some, more convenient, way to access information about BEA's surveys.

The data from the annual surveys are published and analyzed in BEA's monthly journal, the *Survey of Current Business*. All of the data tabulated from the BE-11 survey that are released to the public and analyses of the data, published in the *Survey*, are placed on BEA's Web site.

4. Describe efforts to identify duplication.

Data collected in the BE-11 annual survey on the operations of U.S. parents and their foreign affiliates are collected by BEA only.

The BE-11 survey eliminates duplication that might otherwise occur when the U.S. Reporter is also required to file the BE-15, Annual Survey of Foreign Direct Investment in the United States, or BE-12, Benchmark Survey of Foreign Direct Investment in the United States. If the U.S. company not only owns a foreign affiliate but is itself foreign-owned, then only items that are not reported on Form BE-15 (or Form BE-12 in the benchmark year) must be completed. For the information requested in the remainder of Form BE-11A, BEA obtains the data from that company's Form BE-15 or Form BE-12. (Forms BE-11B(LF), (SF), (FN) and (EZ), and Form BE-11C, which are for reporting individual foreign affiliates, would still be completed in full by the U.S. Reporter.)

In cases of possible duplication between the BE-11 data for U.S. parent companies and data for U.S. companies reported to other Government agencies, data may be defined quite differently. For example, data reported to the Securities and Exchange Commission are on a worldwide consolidated basis. In contrast, data reported on Form BE-11A are on a domestic (U.S.) consolidated basis, so that they cover only U.S. companies' domestic operations; data reported on Forms BE-11B(LF), (SF), (FN) and (EZ) and Form BE-11C cover their foreign operations. Thus a company's domestic and foreign operations can be analyzed separately, and their separate contributions to the company's overall operations and to the U.S. and foreign economies can be assessed. These are major components of any analysis of U.S. direct investment abroad.

A few data items on Form BE-11B(FN) are collected by bank regulatory agencies. However, for several reasons, the regulatory data cannot be substituted for the data that BEA collects on the BE-11B(FN). The focus of Form BE-11B(FN) is information needed to analyze production and employment by U.S. multinational companies in the banking industry. BEA's respondent pool is broader, including not only the foreign affiliates of U.S. banks but also the foreign bank affiliates of U.S. nonbanks. In addition, many key data items collected on the BE-11B(FN) are outside the scope of the regulatory reports. For example, Form BE-11B(FN) collects data on a number of items needed to measure the value added in production by bank foreign affiliates. These items are not collected on regulatory reports. The BE-11B(FN) also collects key aggregates from financial statements, such as total assets, operating revenues, and net income, and information on organizational structure, including voting rights. These items are also collected in connection with bank regulation (see Form FR 2314, Form FFIEC 030, and Form FR Y-10). The duplicated items proposed to be collected on the BE-11B(FN) are limited to a few readily available key aggregates, and have little effect on respondent burden. It is important that BEA collect these items directly because several items are key to determining whether a respondent must report on BEA's surveys and several are used in conjunction with non-duplicated items to make calculations of key economic variables. Also, it is BEA's judgment that the cost and delay that would be associated with attempting to obtain these items from regulatory reports and join them with other items collected through its own survey would not be practical or cost effective.

Some minor duplication may occur between the data reported in the BE-11 and the few annual data items reported once a year in Part V of the quarterly Form BE-577, Direct Transactions of U.S. Reporter with Foreign Affiliate. Data collected in the BE-11 survey

reflect the interest of all owners of the affiliate, whereas data collected in the BE-577 cover only the U.S. parent's share of the given item. The only case in which duplication of the annual data reported in the BE-11 and BE-577 may occur is when the affiliate is owned 100 percent by a single U.S. parent. These data are used to check for consistency between the two surveys, and could not be eliminated without compromising the integrated structure of the form.

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

Few small U.S. businesses are subject to the reporting requirements of this survey. Companies that have direct investments abroad tend to be quite large. To reduce the reporting burden on smaller U.S. companies, U.S. Reporters with total assets, sales or gross operating revenues, and net income less than or equal to \$150 million (positive or negative) are required to report only selected items on Form BE-11A, Report for U.S. Reporter, in addition to forms they may be required to file for their foreign affiliates.

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

The objectives stated in A.2. above could not be accomplished if the collection were conducted less frequently. Measures of the operations of U.S. parent companies and their foreign affiliates, on an annual basis, are essential to understanding the impact of U.S. direct investment on the U.S. and foreign economies over time. There can be wide swings in the data caused by new entrants to the universe, mergers and acquisitions, divestitures, and other economic phenomena. Monitoring these changes, assessing their impact, and formulating the appropriate government response would not be possible if data were collected less frequently. Data collected at 5-year intervals, such as on benchmark surveys, are not sufficient for these purposes.

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

No aspects of the proposed BE-11 data collection require a special justification.

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.

This submission supports a proposed rulemaking, which will solicit comments on this survey. BEA maintains a continuing dialogue with respondents and with data users, including its own internal users through the Bureau's Source Data Improvement and

Evaluation Program, to ensure that, as much as possible, the required data serve their intended purposes and are available from existing records, that instructions are clear, and that unreasonable burdens are not imposed.

In June 2008, BEA sent a letter describing the planned program changes to the data it collects and publishes on multinational companies to a broad group of Government and non-Government data users. (See attachment for a list of Government and non-Government data users BEA contacted.) BEA will be reducing the data it collects and publishes in an effort to align its survey program with available resources which have declined as a result of a recent reduction in BEA's budget. For the BE-11 annual survey, the elimination of data items will be delayed until after the 2009 benchmark survey has been conducted, but BEA is proposing to raise thresholds for reporting for the 2008 BE-11 annual survey. When BEA designs the 2009 BE-10 benchmark survey forms, it will conduct consultations with both data users and potential respondent companies.

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

No payments or gifts to respondents are made.

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

Sec. 5(c) of the Act (22 U.S.C. 3104) provides that the information collected may be used only for analytical and statistical purposes and access to the information shall be available only to officials and employees (including consultants and contractors and their employees) of agencies designated by the President to perform functions under the Act. The President may authorize the exchange of information between agencies or officials designated to perform functions under the Act, but only for analytical and statistical purposes. No official or employee (including consultants and contractors and their employees) shall publish or make available any information collected under the Act in such a manner that the person to whom the information relates can be specifically identified. Reports and copies of reports prepared pursuant to the Act are confidential, and their submission or disclosure shall not be compelled by any person without the prior written permission of the person filing the report and the customer of such person, where the information supplied is identifiable as being derived from the records of such customer.

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.

No questions of a sensitive nature are asked.

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

An estimated 1,550 U.S. parent companies will file data for themselves and for about 13,700 foreign affiliates. A parent company must file one form for itself and one form for each affiliate that exceeds the exemption level. As proposed, the survey will consist of an instruction booklet and the following report forms:

1. Form BE-11A - Report for U.S. Reporter;
2. Form BE-11B(LF) (Long Form) - Report for majority-owned nonbank foreign affiliate of nonbank U.S. Reporter with total assets, sales or gross operating revenue, or net income greater than \$225 million (positive or negative);
3. Form BE-11B(SF) (Short Form) - Report for majority-owned nonbank foreign affiliate of nonbank U.S. Reporter with total assets, sales or gross operating revenue, or net income greater than \$60 million (positive or negative), but not greater than \$225 million (positive or negative);
4. Form BE-11B(FN) - Report for foreign affiliate of bank U.S. Reporter and bank affiliate of nonbank U.S. Reporter with total assets, sales or gross operating revenue, or net income greater than \$250 million (positive or negative);
5. BE-11B(EZ) – Report for majority-owned nonbank foreign affiliate of nonbank U.S. Reporter selected to file this form in lieu of filing the BE-11B(SF);
6. Form BE-11C - Report for minority-owned nonbank foreign affiliate of nonbank U.S. Reporter with total assets, sales, or gross operating revenue greater than \$60 million; and
7. BE-11 Claim for Not Filing.

For purposes of calculating the number of respondents and burden per respondent, the “respondent” is deemed to be the U.S. parent company. The respondent burden for this collection of information will vary from one parent company to another, but is estimated to average 99.3 hours per response, producing an estimated annual burden of 153,850 hours for this survey. Reporting burden is estimated based upon the burden in the last BE-11 annual survey and other BEA surveys and the proposed changes to the reporting criteria. The average burden for completing each form is approximately 7 hours for Form BE-11A, 14 hours for Form BE-11B(LF), 10 hours for Form BE-11B(SF), 10 hours for Form BE-11B(FN), 1.5 hours for Form BE-11B(EZ), and 1.5 hours for Form BE-11C. Because each U.S. Reporter files a different number of Forms BE-11B(LF), (SF), (FN), (EZ) and BE-11C, depending on how many reportable foreign affiliates it has, the variation in reporting burden is considerable.

Form BE-11A must be filed by U.S. companies (U.S. Reporters) that have at least one reportable foreign affiliate. BEA estimates that the burden on Form BE-11A ranges from 1 hour to 185 hours and that the average burden is 7 hours. The total burden for 1,550 Forms BE-11A is estimated at 10,850 hours.

Form BE-11B(LF) is required to be filed for majority-owned nonbank foreign affiliates of nonbank U.S. Reporters for which total assets, sales or gross operating revenues, or net income was greater than \$225 million (positive or negative). (A majority-owned affiliate is one in which the combined direct and indirect ownership interest of all U.S. Reporters of the affiliate exceeds 50 percent.) BEA estimates that the burden for the long form will range from 2 hours for an affiliate for which only Part I, items 1 through 17

(identification information), is required to 140 hours for an affiliate for which the complete report is required and that has activities in many industries. The average burden for Form BE-11B(LF) is estimated at 14 hours. The total burden for the 5,300 Forms BE-11B(LF) that BEA expects to be filed is estimated at 74,200 hours. This estimate takes into account the proposed increase in the long-form reporting threshold from \$150 million to \$225 million. The increase in the reporting threshold increases the average size of the affiliates that be reported on the long form.

Form BE-11B(SF) is required to be filed for majority-owned nonbank foreign affiliates of nonbank U.S. Reporters for which total assets, sales or gross operating revenues, or net income was greater than \$60 million (positive or negative), but not greater than \$225 million (positive or negative). BEA estimates that the burden for the short form will range from 2 hours, for an affiliate for which only Part I, items 1 through 17 (identification information), is required to 80 hours for an affiliate for which the complete report is required and that has activities in many industries. The average burden for Form BE-11B(SF) is estimated at 10 hours. The total burden for the 6,000 Forms BE-11B(SF) that BEA expects to be filed is estimated at 60,000 hours. This estimate takes into account the proposed increase in the short-form reporting threshold from \$40 million to \$60 million. The increase in the reporting threshold increases the average size of the affiliates that must be reported on the short form.

Form BE-11B(FN) is required to be filed for foreign affiliates of bank U.S. Reporters and bank affiliates of nonbank U.S. Reporters for which total assets, sales or gross operating revenues, or net income was greater than \$250 million (positive or negative). BEA estimates that the burden for the BE-11B(FN) will range from 2 hours, for an affiliate for which only Part I, items 1 through 18 (identification information), is required to 130 hours for an affiliate for which the complete report is required. The average burden for Form BE-11B(FN) is estimated at 10 hours. The total burden for the 500 Forms BE-11B(FN) that BEA expects to be filed is estimated at 5,000 hours, unchanged from the burden hours estimated when Form BE-11B(FN) was cleared last year.

Form BE-11C is required to be filed for minority-owned nonbank foreign affiliates owned at least 20 percent, but not more than 50 percent, directly and/or indirectly, by all nonbank U.S. Reporters of the affiliate combined for which total assets, sales or gross operating revenues, or net income was greater than \$60 million (positive or negative). BEA estimates the burden associated with this form will range from 0.5 hour to 20 hours. The average burden for Form BE-11C is estimated at 2 hours. The total burden for the 900 Forms BE-11C that BEA expects to be filed is estimated at 1,800 hours. This estimate takes into account the proposed increase in the C-form reporting threshold from \$40 million to \$60 million. The increase in the reporting threshold increases the average size of the affiliates that must continue to be reported on the BE-11C form.

Form BE-11B(EZ) is required to be filed for foreign affiliates that are selected to file this form in lieu of filing the BE-11B(SF) (see B.1.). The average burden is estimated at 2 hours; therefore, the total burden for the 1,000 Forms BE-11B(EZ) that BEA expects to receive is estimated at 2,000 hours.

The 10,850 hours for Form BE-11A, the 74,200 hours for Form BE-11B(LF), the 60,000 hours for Form BE-11B(SF), the 5,000 hours for Form BE-11B(FN), the 1,800 hours for Form BE-11C, and the 2,000 hours for Form BE-11B(EZ), give a total burden estimate of 153,850 hour, as shown in the RISC/OIRA Consolidated Information System (ROCIS). The estimated annual cost to respondents is about \$6,154,000, based on the estimated reporting burden of 153,850 hours and an estimated hourly cost of \$40.

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).

Other than respondent cost associated with the estimated burden of 153,850 hours (see A.12 above), the total additional annual cost burden to respondents is expected to be negligible. Total capital and start-up costs are insignificant, because new technology or capital equipment would not be needed by respondents in order to prepare their responses to the survey. As a consequence, the total cost of operating and maintaining the technology and capital equipment will also be insignificant. Purchases of services to complete the information collection are also expected to be insignificant.

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

The project cost to the Federal Government for this survey is estimated at \$2.75 million, which consists of \$1.75 million for salaries and related overhead, and \$1 million for equipment, supplies, forms design, mailing, printing, and computer processing.

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

15. ROCIS shows a change of +30,950 burden hours; +39,328 hours attributable to an “adjustment” are offset by -8,378 hours attributable to a “program change.”

The decreases in respondent burden accounted for by changes in reporting criteria are more than offset by increases in burden associated with growth in the number and average size of U.S. parent companies and foreign affiliates since the survey was last cleared. BEA proposes to increase the exemption level for reporting on the Forms BE-11B(SF) and BE-11C from \$40 million to \$60 million and on Form BE-11B(LF) from \$150 million to \$225 million. Majority-owned nonbank affiliates with assets, sales or gross operating revenues, or net income (loss) over \$60 million but less than or equal to \$225 million would be filed on a short form; majority-owned nonbank affiliates with assets, sales or gross operating revenues, or net income (loss) over \$225 million would be filed on a long form. Minority-owned nonbank affiliates with assets, sales or gross operating revenues, or net income (loss) over \$60 million would be filed on a C form. BEA estimates that about 1,700 majority-owned nonbank affiliates will shift from being reported on the long form to the short form under the \$225 million exemption level. About 3,000 nonbank affiliates will no longer be required to be reported under the \$60

million exemption level; almost 4,000 affiliates were added to the sample since the 2004 BE-10 benchmark survey. BEA is not proposing any changes to the reporting threshold for Form BE-11B(FN); Form BE-11B(FN) is required to be filed for about 500 foreign affiliates of bank U.S. Reporters and bank affiliates of nonbank U.S. Reporters for which total assets, sales or gross operating revenues, or net income was greater than \$250 million (positive or negative).

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

The printed annual survey forms will be mailed to respondents in early March each year. A completed report consisting of Form BE-11A and Form(s) BE-11B(LF), (SF), (FN), (EZ) and/or BE-11C will be due to be filed with BEA not later than May 31. Summary preliminary data will be published in articles in the *Survey of Current Business* 15 to 18 months after the reports are due; more detailed preliminary data will be posted on BEA's Web site (www.bea.gov). Final data will be released about a year later. All of the data, as well as the survey articles, will be available on BEA's Web site.

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.

The OMB expiration date will be displayed on the forms.

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

The BE-11 information collection is consistent with the certification in all aspects.