

SUPPORTING STATEMENT - PART A
U.S. Department of Commerce
U.S. Census Bureau
Survey of Plant Capacity Utilization
(Form MQ-C2)
(OMB Control No. 0607-0175)

A. Justification

1. Necessity of the Information Collection

With support from the Federal Reserve Board (FRB) and the Department of Defense (DOD), the U. S. Census Bureau requests a revision of approval for the Survey of Plant Capacity Utilization (SPC), OMB number 0607-0175. The survey is conducted quarterly. The survey provides information on use of industrial capacity in manufacturing and publishing plants as defined by the North American Industry Classification System (NAICS). It is the only source of capacity rates at industry levels. Changes in capacity utilization are considered important indicators of investment demand and inflationary pressure. For these reasons, the estimates of capacity utilization are closely monitored by government and private policy makers.

The Census Bureau conducts the survey under the authority of Title 13, United States Code, Section 182. We use a mail-out/mail-back form. We also offer an electronic version of the form for reporting via the Internet. The survey collects the value of quarterly production and the value of production that could have been achieved if operating under “full production” capability. The ratio of the actual to the full is the basis of the estimates of full capacity utilization. The survey also collects information by shift, on work patterns at the actual production level

In the summer of 2009 the DOD expressed interest in the collection of the value of production that could have been achieved if operating under “emergency production” capability. The ratio of the actual to the emergency is the basis of the estimates of emergency capacity utilization. This same item was collected on the annual MQ-C1 form (prior to 2007) but was dropped in 2007 due to program changes at the DOD. Appendix A is a draft copy of the 2009 MQ-C2 form and instructions with proposed revisions included. Response to the quarterly survey is voluntary.

2. Need and Uses

The FRB is the primary user of the current SPC data and have expressed the need for these quarterly data. The FRB publishes measures of industrial production (IP) that are either estimated from physical product data or estimated from monthly data on inputs to the production process, specifically production worker

hours and an indicator of capital input. For many years, data on electric power use was used as the indicator of industry capital input. The deregulation of electricity markets led to the deterioration in the coverage and quality of the electricity data. As a result, in November 2005, the FRB discontinued its use of the industrial electric power data in the current estimates of IP. In order to maintain the quality of the IP index, the collection of these quarterly utilization data, such as the workweek of capital, become critical indicators of capital input use and industry output.

The FRB will use these data in several ways. First, the SPC data is the primary source of the benchmark information for utilization rates. Second, the capital workweek data will be used as an indicator of capital use in the estimation of monthly output (IP). Third, the workweek data will also be used to improve the projections of labor productivity that are used to align IP with comprehensive benchmark information from the Economic Census covering the Manufacturing sector and Annual Survey of Manufactures. And finally, the utilization rate data will assist in the assessment of recent changes in IP, as most of the high-frequency movement in utilization rates reflect production changes rather than capacity changes.

The Defense Logistics Agency uses the data to assess readiness to meet demand for goods under selected national emergency scenarios.

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 developed a web-based version of the quarterly survey. Electronic reporting allows the Census Bureau to receive the data in a more timely manner and allows for data checks within the instrument to verify reported data are accurate, resulting in less follow-up. Electronic reporting for the 2008 survey year averaged 43% per quarter.

We will also continue to use other options such as fax and telephone to retrieve data from our respondents as well as other Census Bureau technologies, such as automated check-in to collect and process the data.

3. Efforts to Identify Duplication

The Census Bureau maintains ongoing contact with other government agencies that use these statistics to avoid duplication. The SPC data is the only source of detailed information on manufacturing utilization rates and the only source of data

on the workweek of capital.

The Institute for Supply Management conducts a semiannual survey of utilization rates, but the sample is very small and it is neither a probability sample nor is it representative of NAICS industries.

5. Minimizing Burden

If a respondent requests to report in a format other than the paper form, we will accept the alternative. We offer this option in the instructions.

All plants with fewer than 5 employees are excluded from the survey. We plan to select a new sample every 3-5 years. While the total burden is not decreased, the burden on individual plants is decreased.

The sample is selected from the Economic Census rather than the Annual Survey of Manufactures (ASM). This reduces the probability of ASM plants being selected for multiple surveys and spreads the burden across a larger number of plants.

6. Consequences of Less Frequent Collection

Less frequent collection would result in the inability to monitor short term effects on growth rates, productivity changes, and price changes.

7. Special Circumstances

We are requesting response to the quarterly data in 20 days. In order to meet the timely release of the quarterly estimates, 75 days from mailing, and allow for follow-up, we feel it is necessary to collect the data in 20 days rather than the 30 days we allow for annual collections. Based on response from the 2008 survey year, respondents can provide this data in 20 days.

8. Consultations Outside the Agency

The Census Bureau announced its intention to conduct the quarterly survey in the Federal Register on April 10, 2009 (volume 74 page 16358). No comments were received from this announcement.

We are in continual contact with John Stevens, Chief, Industrial Output Section, Division of Research and Statistics (202) 452-2206 at the FRB to discuss the scope and content.

We are also in contact with Frank Taylor, Executive Officer at the Defense National Stockpile Center (703) 767-6530 and Eleanor Schwartz at the Institute for Defense Analysis (703) 845-2142 to discuss the DOD interest.

During the data collection process, we consult with respondents to determine how well they can provide the information requested, where any potential reporting problem may lie and the amount of time needed to complete the form.

9. Paying Respondents

No payments or gifts are given to respondents of the survey.

10. Assurance of Confidentiality

The law, Title 13 Section 9, United States Code, guarantees the confidentiality of the information collected in this survey. We inform respondents in a letter signed by the Director of the Census Bureau, on the form itself, and in the instructions sent to all participants that responses are confidential. Appendix B is a copy of the 2009 cover letter. We inform the respondents in the instruction manual that the survey is voluntary..

11. Justification for Sensitive Questions

There are no sensitive questions.

12. Estimate of Hour Burden

The number of quarterly respondents will be approximately 7,500. The estimated time per response is 2 hours for a total annual burden of 60,000 hours.

The estimated annual cost to the respondents is \$1,822,200. This estimate is based on the mean hourly wage of \$30.37 for an accountant times the total annual burden hours of 60,000.

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. Further, 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 annual cost to the Federal Government is \$1,200,000. The cost of the

quarterly survey is shared equally by the FRB and DOD.

15. Reason for Change in Burden

The burden inventory will increase 7,500 hours, from 52,500 to 60,000. The increase is due to a program change. The change is a result of consultation with the DOD and their interest to add a new item to the form. Item 5 on the form (Appendix A) reflects this new item.

16. Project Schedule

The Census Bureau will mail the MQ-C2 at the end of each quarter. We will ask that the respondents return the quarterly form within 20 days. Establishments that do not respond within that time period receive a follow-up. The resulting estimates for the quarterly will be published in the Current Industrial Reports Series approximately 75 days after the quarter ends.

The following is a tentative schedule for data collection, processing and publication for the quarterly survey.

Data Collection and Publication Schedule

| Activity | Date |
|-----------------------------------------|--------------------------|
| 1 st quarter mailing | March current year |
| First quarter follow-up | 20 days after mailout |
| 1 st quarter release of data | June current year |
| 2 nd quarter mailing | June current year |
| Second quarter follow-up | 20 days after mailout |
| 2 nd quarter release of data | September current year |
| 3 rd quarter mailing | September current year |
| Third quarter follow-up | 20 days after mailout |
| 3 rd quarter release of data | December current year |
| 4 th quarter mailing | December current year |
| Fourth quarter follow-up | 20 days after mailout |
| 4 th quarter release of data | March of subsequent year |

17. Request to Not Display the Expiration Date

The expiration date and OMB number will be displayed on the forms.

18. Exceptions to the Certification

There are no exceptions.

19. Industries Affected

The survey will cover all manufacturing and publishing industries defined by the North American Industry Classification System (NAICS). For the quarterly survey, industry groups will be represented. These are NAICS industries or combinations thereof. These industry groups were defined by the FRB. Emphasis is placed on priority industries as defined by the FRB. See Section B Collection of Information Employing Statistical Methods for a more comprehensive breakdown of scope and sampling strategy.