PROPOSED CHANGES FOR THE 2009 BE-10 BENCHMARK SURVEY OF U.S. DIRECT INVESTMENT ABROAD

The proposed changes to the benchmark survey include 1) changes in survey form design and reporting criteria to simplify the survey forms and improve response rates, and 2) modifications, deletions and additions of specific items on the survey forms. While some items have been combined, items that are most useful to data users will continue to be collected separately. Some items Bureau of Economic Analysis (BEA) is proposing to no longer collect have been difficult for companies to report and the quality of the reported data has proven to be unreliable. Other items noted for deletion include items now collected on BEA's surveys of international services. The changes are discussed below.

1. Changes in survey form design and reporting criteria

   A. To simplify reporting on the 2009 BE-10 benchmark survey, BEA is proposing to discontinue the use of separate forms for banks. For 2009, bank and nonbank U.S. Reporters would file Form BE-10A. A U.S. Reporter that is not a bank, but owns a majority interest in a U.S. bank, would fully consolidate its banking activities; that is, it would report all domestic operations on a fully consolidated basis. The 2004 benchmark survey Form BE-10A BANK would be discontinued. Similarly, Form BE-10B BANK, report for foreign affiliates that are banks, would be discontinued. All foreign affiliates, regardless of industry, would be filed on one of the foreign affiliate forms listed below:

      - Form BE-10B—report for majority-owned foreign affiliates with total assets, sales or gross operating revenues, or net income greater than $80 million, positive or negative—affiliates with assets, sales, or net income greater than $300 million, positive or negative, would file additional items;
      - Form BE-10C—report for (a) majority-owned foreign affiliates with total assets, sales or gross operating revenues, or net income greater than $25 million, positive or negative, but for which no one of these items is greater than $80 million, positive or negative, and (b) minority-owned foreign affiliates with total assets, sales or gross operating revenues, or net income greater than $25 million, positive or negative; or
      - Form BE-10D—schedule for foreign affiliates with total assets, sales or gross operating revenues, and net income less than or equal to $25 million, positive or negative.

   B. Changes to the report forms are discussed in more detail below:

      - Form BE-10A exemption level for reporting only selected items would increase from $150 million to $300 million. In addition to certain identification items, U.S. Reporters with total assets, sales or gross operating revenues, or net income less than or equal to $300 million, positive or negative, would report only the following items on the BE-10A report: total assets, total liabilities, sales or gross operating revenues, net income (loss), and exports and imports. Of the roughly 3,500 U.S. Reporters that are expected to report Form BE-10A in the benchmark survey, BEA estimates 1,500 will be below and 2,000 will be above the $300 million level. U.S. Reporters that are banks are generally large and would file a complete BE-10A report.

- Form BE-10B would replace 2004 benchmark survey Forms BE-10B(LF) and BE-10B(SF) for reporting large majority-owned foreign affiliates. BEA proposes a threshold of $80 million for reporting on the BE-10B form. A complete Form BE-10B would be required to be filed for majority-owned foreign affiliates with total assets, sales or gross operating revenues, or net income greater than $300 million, positive or negative. For majority-owned foreign affiliates with assets, sales, and net income between $80 million and $300 million, fewer items would be required to be reported. Of the roughly 12,800 majority-owned foreign affiliates that are expected to be reported on a BE-10B form in the benchmark survey, BEA estimates that 6,800 will be below and 6,000 will be above the $300 million level.

- Form BE-10C would replace 2004 benchmark survey Form BE-10B Mini for reporting small majority- and minority-owned foreign affiliates and Form BE-10B(SF) for reporting large minority-owned foreign affiliates. BEA proposes a threshold of $25 million for reporting on the BE-10C form. About 1,700 minority-owned foreign affiliates with total assets, sales or gross operating revenues, or net income greater than $25 million, positive or negative, and about 8,000 majority-owned foreign affiliates with total assets, sales or gross operating revenues, or net income greater than $25 million, positive or negative, but for which no one of these items is greater than $80 million, positive or negative, are expected to be reported on Form BE-10C.

- Form BE-10D would replace the 2004 BE-10A Supplement A schedule for reporting the smallest majority- and minority-owned foreign affiliates. About 22,000 minority-owned and majority-owned foreign affiliates with total assets, sales or gross operating revenues, and net income less than or equal to $25 million, positive or negative, are expected to be reported on Form BE-10D. A U.S. Reporter would submit one or more pages of the form depending on the number of affiliates that are required to be filed on Form BE-10D.

C. Comparison of 2004 and 2009 reporting thresholds by form (thresholds are based on value of assets, sales, and net income, positive and negative).

<table>
<tr><th>Form for 2004</th><th>Reporting threshold 2004</th><th>Form for 2009</th><th>Reporting threshold 2009</th></tr>
<tr><td>BE-10A</td><td>U.S. Reporters
Non-bank
(abbreviated form for reporters under $150 million)</td><td rowspan="2">BE-10A</td><td rowspan="2">U.S. Reporters
(abbreviated form for reporters under $300 million)</td></tr>
<tr><td>BE-10A BANK</td><td>U.S. Reporters
Bank</td></tr>
<tr><td>BE-10B (LF)</td><td>$150 million
majority-owned affiliates</td><td rowspan="2">BE-10B</td><td rowspan="2">$80 million
majority-owned affiliates
(additional items for affiliates over $300 million)</td></tr>
<tr><td>BE-10B (SF)</td><td>$25 million
minority-owned and majority-owned affiliates</td></tr>
<tr><td>BE-10B BANK</td><td>bank affiliates</td><td>BE-10B/C/D</td><td>select form according to size of affiliate</td></tr>
<tr><td>BE-10B Mini</td><td>$10 million
minority-owned and majority-owned affiliates</td><td>BE-10C</td><td>$25 million
minority-owned and majority-owned affiliates</td></tr>
<tr><td>BE-10A
Supplement A</td><td>under $10 million
minority-owned and majority-owned affiliates</td><td>BE-10D
(schedule)</td><td>under $25 million
minority-owned and majority-owned affiliates</td></tr>
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2. Changes in data collected

A. Modifications

1) Balance sheet items (Affiliate) - other current receivables, allowance for doubtful accounts, other current assets, equity investments in other foreign affiliates using cost method, other equity investments, other noncurrent assets, current liabilities and long-term debt, other noncurrent liabilities will no longer be collected as separate items[1]

- Cash; current trade accounts and trade receivables; inventories; land; property, plant, and equipment; accumulated depreciation; equity investment in other foreign affiliates; other assets; total assets; current trade accounts and trade payables; other liabilities; and total liabilities will continue to be collected

[1] The original proposal sent to selected data users and respondents for comment indicated that BEA would no longer collect cash, current trade accounts and trade receivables, and trade accounts and trade payables. In response to comments BEA received, it will continue to collect these items.

2) Balance sheet items (U.S. Reporter) - other current assets, noncurrent receivables, other noncurrent assets, other current liabilities and long-term debt, other noncurrent liabilities will no longer be collected as separate items[2]
   - Cash; current receivables; inventories; net property, plant, and equipment; equity investment in unconsolidated U.S. enterprises; equity investments in foreign affiliates; other assets; total assets; trade accounts and trade notes payable; other liabilities; and total liabilities will continue to be collected
3) U.S. exports of "capital equipment and other goods charged to fixed asset accounts" will be combined with the "other" export line (Affiliate)
   - U.S. exports of "goods intended for further processing, assembly, or manufacture" and "goods for resale without further processing, assembly, or manufacture" will continue to be collected
4) Derivatives will no longer be included in the debt balances between the U.S. Reporter and their foreign affiliates (Affiliate)
   - An instruction will be added to direct reporters to exclude derivatives when reporting intercompany debt balances to avoid duplication of data collected on the Treasury International Capital Form D. Derivatives have been excluded from the quarterly BE-577 companion survey.
5) Liabilities owed to and receivables due from the U.S. Reporter according to the books of the U.S. Reporter (Affiliate) - timing differences between the data according to the books of the U.S. Reporter and the data according to the books of foreign affiliate are no longer significant
   - Liabilities owed to and receivables due from the U.S. Reporter according to the books of the foreign affiliate will continue to be collected
6) The breakdown of total employee compensation between wages and salaries and employee benefit plans (U.S. Reporter, Affiliate) - total compensation is generally the item used to compare wage data by country. Definitions of the components of wages and salaries and employee benefit plans are not uniform across countries and are often not uniform for all industries within a country.
   - Total compensation will continue to be collected

B. Deletions

1) Wholesale and retail trade items: cost of goods purchased for resale and inventory of goods purchased for resale (U.S. Reporter, Affiliate)
2) The breakdown of number of employees and employee compensation by occupational classification (U.S. Reporter, Affiliate)
3) Number of equity shares and price per share (Affiliate)
4) Number of employees who are U.S. citizens (Affiliate)
5) Subsidies received (Affiliate)

[2] The original proposal sent to selected data users and respondents for comment indicated that BEA would no longer collect cash, current receivables and current trade accounts and trade payables. In response to comments BEA received, it will continue to collect these items.

6) Composition of external finances (Affiliate) - a review of direct investment literature revealed little use of these data collected on past benchmark surveys. Payables and receivables of foreign affiliates with persons other than the U.S. Reporter are frequently reported by more than one affiliate in the foreign ownership chain and therefore cannot be used to analyze the source of foreign affiliate financing.
   - Foreign affiliate payables and receivables with the U.S. Reporter will continue to be collected on the benchmark survey in Part III, Investment and Transactions Between the U.S. Reporter and the Foreign Affiliate.

The following items - 7), 8), and 9) are now collected on BEA's surveys of international services

7) Receipts [payments] by U.S. Reporter from [to] foreign affiliate for:
   - Royalties, license fees, and other fees for the use of intangible property (Affiliate)
   - Charges for use of tangible property (including film and television tape rentals) (Affiliate)
   - Allocated expenses and sales of services (total and by type of service) (Affiliate)
8) Receipts from and payments to U.S. persons other than the U.S. Reporter for royalties, license fees, and other fees for the use, sale, or purchase of intangible property (Affiliate)
   - Royalties, license fees, and other fees received from or paid to other foreign affiliates of the U.S. Reporter or other foreign persons will continue to be collected
9) Receipts from and payments to foreign persons other than the U.S. Reporter's foreign affiliates for royalties, license fees, and other fees for the use, sale, or purchase of intangible property (U.S. Reporter)

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C. Additions

1) Ireland and Belgium will be added to the preprinted country listings since there is a significant number of forms received for affiliates in these countries (Affiliate)
2) A question will be added asking if the foreign affiliate has equity in its U.S. parent company (reverse investment). An item will be added to collect voting percent and dollar amount of the investment. (Affiliate)
3) A question will be added to determine if the U.S. Reporter is a bank. Note: a "bank" is a business entity engaged in deposit banking or closely related functions, including commercial banks, Edge Act corporations, foreign branches and agencies of U.S. banks whether or not they accept deposits abroad, savings and loans, bank holding companies, and financial holding companies under the Gramm-Leach-Bliley Act." (U.S. Reporter)

D. Other changes

1) The reporter's primary basis of inventory valuation will no longer be collected (NIWD no longer uses these data) (U.S. Reporter)
2) A question will be added asking for permission to communicate with the reporter by fax (U.S. Reporter)
3) The instruction for 'certain gains (losses)' will be expanded to include "Change in accounting estimate of provision for expected stock option forfeitures under the inception method as defined by FAS 123(R) (Share-based Payment)" (U.S. Reporter, Affiliate)
4) The instructions will be changed to reference the 'Guide to Industry Classifications for International Surveys, 2007'
5) The instruction for partnerships in the Instruction booklet will be expanded to read as follows:

Partnerships – Most partnerships are either general or limited partnerships. The determination of percentage of voting interest in a general or limited partnership is based on who controls the partnership. The percentage of voting interest is NOT based on the percentage of ownership in the partnerships' equity.

A **general partnership** usually consists of at least two general partners who together control the partnership. Unless a clause to the contrary is contained in the partnership agreement a general partnership is presumed to be controlled equally by each of the general partners.
A **limited partnership** usually consists of at least one general partner and one or more limited partners. The general partner usually controls a limited partnership, and therefore, has 100 percent voting interest in the limited partnership. The limited partner(s) has a financial interest but does not usually have any voting rights (control) in a limited partnership. Therefore, unless a clause to the contrary is contained in the partnership agreement, limited partners are presumed to have zero voting interest in a partnership.