

**SUPPORTING STATEMENT  
U.S. Department of Commerce  
Bureau of Industry and Security  
National Security and Critical Technology  
Assessments of the U.S. Industrial Base  
OMB Control No. 0694- 0119**

**A. Justification**

**This is a request to extend the Office of Management and Budget’s approval of this generic clearance information collection.**

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

Under authority of Section 705 of the Defense Production Act of 1950, as amended and related Executive Order 12656, the Bureau of Industry and Security (BIS) conducts surveys and assessments of critical U.S. industrial sectors and technologies. Undertaken at the request of various research and development (R&D), and planning agencies within the Department of Defense and the Armed Services, BIS research and analysis provide needed information to benchmark industry performance and raise awareness of diminishing manufacturing capabilities.

Many Defense agencies can no longer afford to conduct such comprehensive surveys and assessments themselves, nor do they possess the legal authority to require industry responses. This has made BIS’s survey authority and experience a cost-effective tool for monitoring the U.S. defense industrial base. BIS has a long history of assisting government agencies and industries to better understand economic trends and trade issues that impact vital sectors and technologies.

Typically, such assessments are conducted under individual information collection authorizations obtained by BIS from the Office of Management and Budget (OMB), a process that can require a considerable amount of time to obtain. In all cases, the reason for OMB authorization is to obtain permission (under the Paperwork Reduction Act) to collect sensitive business information, generally through the use of a mandatory survey of an industry sector or technology deemed critical to the nation’s security. It is not unusual for BIS to submit similar survey instruments in support of each unique assessment, the primary difference is what particular industry/technology is being targeted. The use of a generic clearance process (fast-track) allows BIS to conduct the assessments in a shorter timeframe.

Most surveys, under this generic clearance, include questions to obtain essential employment, financial, production, R&D, investment, export control and other needed data. Some surveys include a few non-standard questions, depending on the industry and the needs of the client.

BIS will invoke the Defense Production Act of 1950 (DPA), as amended, to collect and protect the business confidential information submitted by the survey respondents. Executive Order 12656 delegates to the Department of Commerce the authority to assess the capabilities of the U.S. industrial base to support the national defense; to develop policy alternatives to improve the international competitiveness of specific domestic industries; and the capabilities of these industries to meet U.S. defense program needs.

By conducting these studies in cooperation with experts from the private sector, academia and other government agencies, BIS ensures that the final assessments provide useful findings and recommendations for government policy-makers and industry leaders.

**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.**

Based on historical data, BIS's Office of Technology Evaluation (OTE) anticipates the need to annually conduct 3,000 surveys, averaging 8 hours each to complete, of domestic facilities engaged in activity that is deemed critical to national security. This may include both prime contractor and subcontractor entities, and limited public entities. A greater number of shorter surveys, or a reduced number of longer surveys may be required. .

The data obtained from the surveys, which is not available from other sources, will be used to prepare an assessment of the economic status and competitiveness of the targeted industry sector or technology. Factors including employment, financial, production, R&D, investment, export control, competitive outlook, and foreign sourcing are reviewed.

BIS typically conducts a survey and furnishes a final report within 12 to 18 months of the formal request.

The Section 515 Information Quality Guidelines apply to this information collection and comply with all applicable information quality guidelines, i.e., OMB, Department of Commerce, and specific operating unit guidelines.

**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.**

Distribution of surveys and the obligation to respond will be accomplished and conveyed electronically through the Internet. However, respondents will be offered the option of

receiving the survey in manual form in instances where the respondent's access to the Internet is limited.

All reasonable information technology will be incorporated into the execution of the survey in order to reduce the overall burden on industry respondents.

BIS has conducted a number of industry and technology surveys in recent years and actively pursues the constant refinement and updates of its survey techniques to minimize the burden on the respondents.

#### **4. Describe efforts to identify duplication.**

In partnering with other agencies including the Census Bureau and private organizations involved with the targeted industry, BIS will avoid duplication of information being gathered. The vast majority of information that BIS will collect from each targeted industry is not obtainable elsewhere.

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

Most technology and industry sectors have a spectrum of large, medium and small (less than 500 employees) businesses. For small firms, BIS has developed and implemented exemption thresholds to relieve these entities from the obligation of responding to portions of the survey instrument. For example, small businesses may only have to provide one year of financial data while the remaining survey respondents provide four years.

Moreover, BIS makes every effort to minimize the information collection burden that a survey will impose on the public prior to submission to OMB. BIS circulates a draft survey in a "field test" to government experts and representatives of companies within the target industry.

Comments received are factored into the survey form. The survey form, usually in Excel format is constructed for clarity and ease of completion, thus reducing the overall burden on industry, especially small businesses.

In addition, to minimize the time needed to complete the survey form, questions are clearly labeled and grouped by subject. Most of the data requested is common business management information, requiring a minimal amount of time to gather and insert. There are a minimal number of open-ended questions (typically the most time-consuming and low-yield format). BIS surveys typically ask for three years of actual historic data, and estimated data for 1 year into the future.

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

The data obtained from industry surveys is essential for BIS to adequately assess the health and competitiveness of the key U.S. industry sectors. Questions addressing fundamental business activities such as production, technological development, financial performance, and foreign sourcing all contribute to the robustness of the final report. Limited or total shutdown of data collection would seriously impact the ability of BIS to complete what have been unique, comprehensive assessments for the Defense Department and the related industrial community. This could have serious programmatic and in some cases, national security consequences.

An industry survey and assessment represents the beginning of a positive relationship between BIS, the subject industry, and key defense-related agencies. The data, and the findings and recommendations generated from the data, are essential elements to fully understanding the challenges facing U.S. industry. BIS final reports allow industry and government leaders to develop informed strategies to address the many problems facing sectors and technologies.

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

There are no special circumstances that will result in the collection of information in a manner inconsistent with the guidelines of 5 CFR 1320.6.

**8. Provide information 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.**

The notice requesting public comment was published in the Federal Register on September 10, 2009 pp. 46564-46565. While no comments were received, BIS will continue to seek input and guidance from the subject industry. Those comments will be reflected in each submission to OMB under this information collection authorization.

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

This survey will not involve any payment or gifts to respondents, however final copies of the assessment will be provided to the respondents upon request.

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

Both the survey, and the accompanying cover letter, will provide assurances to the respondents that the information collected through the survey will be deemed business confidential and will be treated in accordance with Section 705 of the Defense Production Act of 1950, as amended (50 U.S.C.A. app. Section 2061 et. seq. (1993)). This section prohibits the publication or disclosure of such information unless the President determines that its withholding is contrary to the national defense.

Information submitted will not be shared with any non-government entity, other than in aggregate form, and the Department will protect the confidentiality of such information pursuant to the appropriate exemptions from disclosure under the Freedom of Information Act (FOIA) if it is the subject of a FOIA request. BIS, Office of Technology Evaluation (OTE) has a long and successful track record in protecting confidential business information collected pursuant to the Defense Production Act.

**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.**

Not applicable.

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

BIS estimates that the total annual public burden placed on industry by this survey authority will be approximately **24,000 hours**. This is based on past surveys and the data collected annually in support of several assessments conducted in a typical year. BIS estimates it will receive surveys from approximately 3,000 companies annually, and that each survey will require an average completion time of 8 hours, with a range of 4 to 12 hours. As noted in question 5, BIS has taken actions to minimize the burden of the information collection, especially on small businesses.

This estimate is subject to variations among individual organizations because of differences in record keeping, organization size, and other variables. The estimate is based on past experience of BIS in conducting surveys. BIS has recently conducted surveys of multiple industries, including machine tools, integrated circuits, imaging and sensors, space, counterfeit electronics and small explosives, and the burden estimate of this survey is based on feedback obtained from respondents.

The estimated total cost to respondents of this information collection is \$999,600. In calculating this cost, we estimated that respondents would take an average of 8 hours to complete the survey form and that the average hourly cost to each respondent would be approximately equal to that of a Federal employee working on the assessment. The cost was calculated by determining the total number of burden hours the respondents would require to complete the survey form, assuming a reply rate of 100 percent (3,000 responses out of 3,000 survey forms distributed), and multiplying those hours (estimated at 24,000 hours) by the hourly cost in salary of a Federal employee at the GS-13 level:

$$(\$86,927/2,087 \text{ hours}) = \$41.65 \text{ per hour} \times 24,000 \text{ hours} = \$999,600.$$

**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 Question 12 above).**

Not applicable.

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

The estimated cost to the Federal government for the survey is **\$239,904**. A major portion of this cost is related to the survey questionnaire, which includes survey preparation, collecting and verifying the information, and storing the information for analytical purposes. Other costs will be incurred in preparing the final report summarizing our findings. The direct costs were estimated by determining the total Federal employee hours allocated to each assessment and multiplying the total hours of the employees assigned to the assessment by the gross average hourly pay of a GS-13, step 1 or \$41.65. Since it is estimated that a maximum of 3 such assessments are being conducted by BIS at any one time, the annual costs are calculated as follows:  $[\$86,927/2,087 \text{ hours} \times 40 \text{ hours} \times 40 \text{ weeks} \times 3 \text{ persons}] = \$199,920$ .

Overhead costs associated with the assigned employee costs were derived by increasing the direct costs by 20 percent. A review of the Office of Technology Evaluation's budgets from previous years indicates overhead costs for building maintenance, telephone, and space rental charges generally ran about 20 percent of direct costs.

Assuming three GS-13 employees working an average of 40 hours per week for 40 weeks, the estimated time to complete the study, the costs to the federal government are outlined below:

Employee Salaries (40 weeks x 40 hours x 3 employees)	\$199,920
Federal Government Overhead @20%	<u>\$39,984</u>
Total:	\$239,904

**15. Explain the reasons for any program changes or adjustments.**

The number of respondents, and burden hours per response have been adjusted, based upon recent experience. The total burden hours are unchanged.

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

All data collected will be aggregated before publishing to protect company confidentiality.

**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.**

This item is not applicable. BIS is not seeking authorization to not display the expiration date for OMB approval. All manual and Internet-based surveys will display the authority's expiration date.

**18. Explain each exception to the certification statement.**

Not applicable.

**B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS**

Not applicable. This collection will not employ statistical methods.