

SUPPORTING STATEMENT
U.S. Department of Commerce
U.S. Census Bureau
Manufacturers' Unfilled Orders Survey (Form MA-3000)
OMB Control No. 0607-0561

Part A - Justification

Question 1. Necessity of the Information Collection

The Manufacturers' Shipments, Inventories, and Orders (M3) survey collects monthly data on shipments, inventories, new orders, and unfilled orders from manufacturing companies. The orders and shipments data are used widely and are valuable tools for analysts of business cycle conditions, including members of the Council of Economic Advisers, Bureau of Economic Analysis, Federal Reserve Board, Department of the Treasury, and the business community.

New orders serve as an indicator of future production commitments; the data are direct inputs into the leading economic indicator series. New orders, as reported in the monthly survey, are derived by adding shipments to the net change in the unfilled orders from the previous month. The ratio of unfilled orders to shipments is an important indicator of pressure on manufacturing capacity.

The monthly M3 estimates are based on a relatively small panel of domestic manufacturers and reflect primarily the month-to-month changes of large companies. There is a clear need for periodic benchmarking of the M3 estimates to reflect the entire manufacturing universe.

The Annual Survey of Manufactures (ASM) provides annual benchmarks for the shipments and inventories but because the data are collected at the establishment level rather than the corporate level on the ASM and most companies retain records on unfilled orders at the corporate level, data collection of unfilled orders proved to be unsuccessful. In order to collect the appropriate and relevant data, the M3 discontinued the practice of collecting the data from the ASM, necessitating a separate survey for unfilled orders beginning in 1976. Over the life of the M3 Survey, there have been four surveys specifically designed to collect unfilled orders. These surveys were conducted in 1976, 1986, 2000, and 2008. After analyzing the results of the 2008 survey, the Census Bureau determined the need for an annual data collection of unfilled orders data. The U.S. Census Bureau plans a reinstatement with a change to an expired collection "Manufacturers' Shipments, Inventories, and Orders (M3) Supplement: 2006-2007 Unfilled Orders Benchmark Survey," to be renamed the "Manufacturers' Unfilled Orders Survey."

The Manufacturers' Unfilled Orders Survey will be used as a benchmark for the M3 Survey each year. The Census Bureau will use these data to develop universe estimates of unfilled orders as of the end of the calendar year and adjust the monthly M3 data on unfilled orders to these levels on the NAICS basis. The benchmarked unfilled orders levels will then be used to derive estimates of new orders received by manufacturers. The survey data will also be used to determine whether it is necessary to collect unfilled orders data for specific industries on a monthly basis; some industries are not asked to provide unfilled orders data on the M3 Survey.

The Census Bureau will conduct the survey on a mandatory basis under authority of Title 13, United States Code, Sections 131, 182, 193, and 224. Report forms will be mailed to approximately 6,000 companies requesting data for 47 of 89 NAICS industry categories for the M3 survey. The proposed form, instructions, and Major Manufacturing Activities List are presented in Appendix A.

Question 2. Needs and Uses

The Census Bureau will use the information provided by this survey to develop universe estimates of unfilled orders as of the end of each year, and then adjust the monthly M3 data on unfilled orders to these levels. The benchmarked unfilled orders levels will be used to derive estimates of new orders received by manufacturers. New orders are derived using the following formula:

$$\text{NEW ORDERS (current)} = \text{SHIPMENTS (current)} + \text{UNFILLED ORDERS (current)} - \text{UNFILLED ORDERS (prior)}$$

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.

Question 3. Use of Information Technology

One of the strategic objectives of the Census Bureau is to pursue the least burdensome means of collecting necessary information. To ease respondent burden, we permit companies to submit their data through an Internet Reporting System or by fax. The respondents that choose to report via the Internet will type in the URL and login using their username and password to report their data. This method of data collection is cost-effective as it reduces the number of forms mailed.

Question 4. Efforts to Identify Duplication

The Census Bureau makes a concentrated effort on a continual basis to identify possible duplications, both within the agency and outside the agency, and to eliminate them whenever possible. The M3 survey is the only monthly source of unfilled orders data that cover all U.S. manufacturing industries. There is no current source of data to provide a benchmark for the unfilled orders data in this survey.

Question 5. Minimizing Burden

This survey will not involve a large number of small businesses. The Census Bureau will ensure this by selecting companies with probability of selection proportional to size. Companies with fewer than 5 employees will be excluded from the survey. This sample design is explained further in section B.2.

If a company prefers to submit the data in its own format or computer output hard copy, the Census Bureau will accept the format.

Question 6. Consequences of Less Frequent Collection

The Census Bureau plans to conduct this survey every year to provide an annual benchmark of unfilled orders. The Annual Survey of Manufactures (ASM) provides annual benchmarks for the shipments and inventory data in the M3 survey, but there is no benchmark for unfilled orders. This survey will collect the data necessary to develop universe estimates of unfilled orders as of the end of the calendar year and adjust the monthly M3 data on unfilled orders to these levels on the NAICS basis. The benchmarked unfilled orders levels will also be used to derive estimates of new orders received by manufacturers. If this survey continues to be conducted less frequently, the unfilled orders estimates will be based on the ASM shipments data and the unfilled orders to shipments ratio reported in the monthly M3 survey, which is not an acceptable substitute for the benchmark data.

Question 7. Special Circumstances

There are no special circumstances.

Question 8. Consultations Outside the Agency

On October 6, 2009 the Census Bureau published a notice in the Federal Register, Volume 74, No. 192, Page 51255 inviting the public to comment on the plans to submit this request. No comments were received during the 60-day comment period.

Question 9. Paying Respondents

No payments or gifts are given to respondents to report on this survey.

Question 10. Assurance of Confidentiality

The information collected on this survey will be mandatory under Title 13, Section 224, United States Code. Title 13, United States Code, Section 9 guarantees the confidentiality of the information collected on the survey. The Census Bureau informs respondents of this in a letter signed by the Chief of the Census Bureau's Manufacturing and Construction Division and on the form itself.

Question 11. Justification for Sensitive Questions

There are no sensitive questions.

Question 12. Estimate of Hour Burden

The estimate of respondent burden is 3,000 work hours. The survey will involve approximately

6,000 respondents with an average response time of one-half hour. For multi-divisional companies, the response time is expected to be approximately 1 hour per company. For single divisional companies, the response time is expected to be approximately 15 minutes per company. This estimated time of response is based on the previously conducted "Manufacturers' Shipments, Inventories, and Orders (M3) Supplement: 2006-2007 Unfilled Orders Benchmark Survey" (Form MA-3000).

The estimated cost to the respondents is \$94,950. This estimate is based on an average hourly wage of \$31.65 times the annual burden hours (3,000). The average hourly wage is that of a level one accountant in the manufacturing sector, according to the Occupational Employment and Wages, 2008 publication, published by the Bureau of Labor Statistics.

Question 13. Estimate of Cost Burden

The Census Bureau does not expect respondents to incur any cost 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.

Question 14. Cost to Federal Government

The total cost to the Federal Government is expected to be \$475,000, all funded by the Census Bureau.

Question 15. Reason for Change in Burden

The increase in burden is attributable to the information collection being submitted as a reinstatement.

Question 16. Project Schedule

The Census Bureau will mail the form in April 2010, requesting that the respondents return the form within 30 days. The first follow-up letter will be mailed 30 days after the initial mailing in an attempt to obtain data from companies that did not respond. A copy of the initial mail and follow-up letters are attached in Appendix B. Thirty days after the follow-up letter, a telephone follow-up of the largest non-respondents will be conducted. Based on previous response rates, the Census Bureau expects at least an 80 percent response rate at the time the final report is prepared.

The Census Bureau will edit and analyze the data, then tabulate and use the results to determine the industries from which monthly orders data should be collected. Census Bureau systems will be used to process the survey. The following is a schedule for data collection, processing and

publication:

Data Collections and Publication Schedule

<u>Activity</u>	<u>Days following initial mailing</u>
Mail follow-up	30 days
Phone call follow-ups	60 days
Analyst review and edit returns	Throughout the mailing cycle
Review of tabulated data	120-180 days

<u>Activity</u>	<u>Date</u>
Incorporate into benchmark publication	May 2011

Question 17. Request to Not Display Expiration Date

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

Question 18. Exceptions to the Certification

There are no exceptions.

Question 19. Industries Affected

The survey will cover manufacturing industries defined by NAICS codes. The Census Bureau will only mail to companies with activity in the current NAICS industries that report unfilled orders. A list showing the affected industries appears in Appendix A.