

SUPPORTING STATEMENT FOR REQUEST FOR EMERGENCY ACTION–PART A
UNITED STATES INTERNATIONAL TRADE COMMISSION QUESTIONNAIRE
SMALL AND MEDIUM-SIZED ENTERPRISES: CHARACTERISTICS AND PERFORMANCE

A. Justification

1. Request for emergency action

The U.S. International Trade Commission (Commission) is seeking approval on an emergency basis of a questionnaire in connection with its investigation No. 332-510, *Small and Medium-Sized Enterprises: Characteristics and Performance*, which it is conducting at the request of the United States Trade Representative (USTR). The information is needed in connection with a report the Commission must prepare for the USTR. The Commission must transmit the report to the USTR by October 6, 2010, and, in the absence of emergency clearance, the Commission cannot reasonably collect, confirm, compile, and analyze the needed data in order to complete its report by the USTR's deadline.

The Commission received the request on October 6, 2009. The USTR made the request under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)) pursuant to authority delegated to him by the President. Section 332(g) provides that the Commission, whenever requested, "shall put at the disposal of the President" (or the House Committee on Ways and Means or Senate Committee on Finance) "all information at its command, and shall make such investigations and reports as may be requested by the President" or either of said committees or either branch of the Congress. Section 333(a) of the Tariff Act of 1930 authorizes the Commission, in carrying out its functions and duties in connection with any investigation authorized by law, to obtain information, including by subpoena or other order to furnish information. Copies of section 332(g) and section 333(a) of the Tariff Act of 1930 are attached to the supporting statement (attachments 2 and 3).

As indicated above, the USTR asked that the Commission transmit its completed report by October 6, 2010. This deadline necessitates prompt issuance of questionnaires. The Commission cannot reasonably comply with the normal clearance procedures under 5 CFR 1320.10(b) for this investigation. The questionnaires are tentatively scheduled to be mailed on or before February 19, 2010, in order to give respondents sufficient time to fill out the questionnaires, which are due back to the Commission by March 12, 2010. The collection of these data is integral to the successful fulfillment of the request of the USTR.

2. Purpose

The information collected will be consolidated by the Commission in a report and sent to the USTR by October 6, 2010. The information to be collected is critical to the Commission's task in addressing the request letter elements, as it will provide data on firm characteristics and foreign sales for calendar years 2005 through 2009.

In its letter, the USTR requested that the Commission produce three reports on SME exports. In the first of these three reports, which was published on January 19, 2010, the Commission relied on publicly available sources of information, since the request asked for a comprehensive presentation of such data. The second report is primarily focused on a comparison between U.S. and EU SMEs, and will rely on information collected from a series of public hearings and meetings the Commission will conduct over the course of the next several months.

The third report, which will utilize data collected from the questionnaire, is entitled "U.S. Exports

from Small and Medium-Sized Enterprises: Characteristics and Performance." The USTR requested the Commission transmit its report within twelve months of the receipt of the letter, compared to three months and nine months for first and second reports, respectively. This longer time frame was deemed necessary to allow for the collection of more primary data to help address the elements of the request.

According to the request letter, The USITC is to deliver a report that should describe the characteristics of SMEs that export services, the growth in exports of services, and differences between large firms and SMEs that export services; identify gaps in the data and ways in which the gaps might be overcome; identify barriers to increasing exports of both goods and services, particularly those barriers that disproportionately affect SMEs; describe possible linkages between exports and the performance of SMEs; and describe the global operations of SMEs, including an assessment of SMEs' operations as multinational firms or affiliate firms and SMEs' indirect contribution to exports by supplying inputs that large firms use to produce exports. The questionnaire will collect vital information relevant to fulfilling the Commission's statutory duty to provide information related to all of the above mentioned topics.

The questionnaire as drafted makes a response by recipients mandatory. As indicated above, the Commission, pursuant to section 333(a) of the Tariff Act of 1930, is authorized to compel persons, firms, a copartnership, a corporation, or an association to furnish in writing, in such detail and in such form as the Commission may prescribe, information in their possession pertaining to such investigation. Failure to require mandatory responses would likely significantly depress response rates. Without a robust response, the Commission will be unable to furnish the information requested by the USTR and will be unable to satisfactorily discharge its responsibility under section 332(g) of the Tariff Act of 1930.

3. Use of technology

All available information technology has been incorporated into the questionnaire design, including the use of the Microsoft Word form feature that will allow respondents to complete the questionnaire electronically. This interactive Word document will be available for download from the USITC website at <http://www.usitc.gov/documents/usitc.questionnaire.doc>

4. Non-duplication of available data

The Commission's investigation will also rely on existing publicly available data to the extent possible. After a thorough background search of data sources for this investigation, it has been determined that no other industry, government, or academic organizations collect or publish data that are duplicative of the data requested in the questionnaire.

In order to assess the extent that relevant data or information may be collected by other agencies, and to make other agencies aware of the USTR request to examine SME's role in U.S. exports, Commission staff have consulted with numerous U.S. government agencies and subagencies, including the Census Bureau, the Bureau of Economic Analysis, the Office of International Trade of the Small Business Administration, the Export-Import Bank, the U.S. and Foreign Commercial Service, and the International Trade Administration. Based on discussion with these agencies and a review of existing publically available data, the Commission determined that data do not exist in a form or at a level of detail that could address all the elements of the request letter from USTR.

5. Impact on small businesses

The Commission estimates that approximately 62 percent of the companies that will receive a questionnaire are likely to be "small businesses," as specified under the Small Business

Administration Rules (13 CFR Part 121). To minimize the reporting burden, the questionnaire was designed to be as brief as possible, consistent with information requirements. Check-in-the-box type questions are used where appropriate to simplify questionnaire response. Also, the questionnaire indicates that carefully prepared estimates are acceptable; this should further reduce the potential burden on smaller firms that may not have sufficient administrative resources or automated record-keeping systems. The Commission will also use a random sample of firms, which will substantially reduce the total reporting burden for small businesses by allowing the Commission to generalize its analysis from the set of reporting firms that is significantly less than the overall population of small businesses.

6. Consequences of non-collection

Due to the lack of suitable data from other sources, without this information collection, the Commission will be unable to fulfill the request of the USTR and therefore will be unable to satisfactorily discharge its responsibility under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)).

7. Frequency of data collection

This is a one-time, nonrecurring data collection.

8a. Consistency with 5 CFR 1320.6 guidelines

No special circumstances exist that require the collection to be conducted in a manner inconsistent with the guidelines of 5 CFR 1320.6. If any respondents do not maintain information in the format requested by the questionnaire, they are permitted to submit carefully prepared estimates based upon available information and their best estimates.

8b. Consultations with affected public

The Commission’s notice of submission to OMB requesting clearance under emergency approval provisions was published in the Federal Register on February 8, 2010. The notice is posted on the Commission’s Internet site (http://www.usitc.gov/research_and_analysis/What_We_Are_Working_On.htm).

In December 2009, the Commission field-tested the business firm questionnaire with regard to the availability of data, reporting burden, product coverage and definitions, clarity of instructions, disclosure, and reporting format. The following representatives of associations and companies were consulted on the content of the questionnaires and all received copies of the questionnaire.

1. Alan Bloodgood, Metron Aviation (703-234-0880)
2. Heidi A. Guglielmino, Office Remedies, Inc (703-481-0285)
3. Kevin Horgan, deKieffer & Horgan (202-783-6900)
4. Chuck Routh, Garvey Schubert Barer (206-816-1305)
5. Paul Salvucci, The Saint Consulting Group (781-749-7290)
6. Marshall Weingarden, Ever-Ready Media Packaging (973-566-9333)

The following table provides comments from industry sources and actions taken during preparation of the questionnaire for business firms.

Page Number(s)	Comments/Suggestions	Adjustments to Questionnaire
Alan Bloodgood, VP Advanced Development and Support, Metron Aviation Tel. 703-234-0880		
Page 9	Change date for employee headcount	Implemented change as suggested.

	question from March 12 to December 31 to conform to common record keeping practices.	
General	Concern about confidentiality of data.	In addition to confidentiality language already included in pages 1 and 2, added additional sentence stating that confidential business information will not be publicly released.
Pages 9 & 11	List cost of marketing as impediment in question II.2 and ask question on share of revenue derived from indirect exports via large firms.	Did not add “cost of marketing” as an impediment on page 11, as this concept is already imbedded in a number of other listed impediments such as “difficulty locating sales prospects.” Altered question I.9 to ask for percentage of revenue derived from such sales.
General	Consider different sets of questions for manufacturing and services.	Did not make any changes. All questions designed to be broadly applicable to both services and manufacturing firms.
Page 13	Specify where Australia, New Zealand, and Africa fall in the regions categories.	Added note at bottom of question specifying this.
Heidi A. Guglielmino, Director, Office Remedies, Inc Tel. 703-481-0285		
General	For questions with a yes or no response, yes should always be on top.	Implemented change as suggested.
Page 11	Add two more spaces for firms to list other impediments.	Implemented change as suggested.
Pages 14-15	Add an “other” option to questions III.4, III.5, and III.6.	Implemented change as suggested.
Page 10	Allow for respondents to specify more than one NAICS code.	Implemented change as suggested.
Kevin Horgan, deKieffer & Horgan Tel. 202-783-6900		
Page 13	Suggested altering regions to separate out China, from the rest of Asia, and separating out the EU from the rest of Europe, and putting Russia into a separate category.	Separated out China and the EU as suggested, but left Russia in the “Other Europe” category.
Chuck Routh, Garvey Schubert Barer Tel. 206-816-1305		
Page 11-12	Avoid questions which require respondents to go back to earlier questions in order to answer them.	Did not make change. Question II.3 refers to the question immediately proceeding it and combining two questions into one would increase complexity.
General	Define term “foreign client.”	Added definition of “foreign client” to page 5.
Page 11	Replace word “impediment” with “problem” in section II.	Did not make change “impediment” more accurately describes items listed.

Paul Salvucci, The Saint Consulting Group Tel. (781-749-7290)		
General	The survey was very clear and concise. Almost all the information we had readily available, so it took less than two hours to complete.	No change necessary.
Marshall Weingarden, Ever-Ready Media Packaging Tel. 973-566-9333		
General	More space necessary to elaborate concerns.	Did not make change. Question IV.1 leaves ample room to elaborate additional concerns.

9. Payments or gifts

Not applicable. Questionnaire recipients will not be provided with any payments or gifts for their responses.

10. Assurances of confidentiality

On the third page of the questionnaires, the Commission quotes from statutory language in section 332(g) of the Tariff Act of 1930 that limits the Commission's ability to release confidential business information: "the Commission may not release information which the Commission considers to be confidential business information, unless the party submitting the confidential business information had notice, at the time of submission, that such information would be released by the Commission, or such party subsequently consents to the release of the information." The Commission explains further that the USTR, in requesting the report, asked that the Commission provide only a nonconfidential report, which means that the Commission will not include confidential business information in the report it transmits to the USTR. The definition of confidential business information that Commission applies is set out in 19 CFR 201.6.

11. Sensitive information

Information on issues of a sensitive nature involving persons is not being sought.

12. Respondents' project cost

The Commission has reduced the reporting burden on respondents by limiting the length and complexity of the questionnaire. Furthermore, the questionnaire only contains questions that the Commission believes to be readily available from firms' existing records.

The reporting burden is estimated to be:

U.S. business firm questionnaire		
Number of respondents	(No.)	9,000
Frequency of response:	(No.)	1
Annual burden per respondent:	(hours)	2
Total burden:	(hours)	18,000

These estimates are based on input from field testing firms. The majority of field testers reported that completing the questionnaire, including time to gather necessary information, took approximately one hour and fifteen minutes to one and one half hours. The Commission used the highest burden estimate from field testers, which was two hours. Additionally, the actual burden will likely be considerably lower because the response rate will be less than 100 percent. For example, a 25 percent response rate will reduce the total burden to 4,500 hours.

The Commission has included a notice of the above response burden averages in the questionnaires, along with a request that respondents send comments to the Commission and to OMB. The Commission used the standard format recommended by OMB.

The combined annualized cost to all respondents for the estimated hour burdens identified above is as follows:

$$\text{Cost} = 18,000 \text{ hours} \times \$73.32^* \text{ per hour} = \$1,319,760$$

*This is the same hourly cost estimate used in item 14 below. The Commission projects that this is an accurate hourly cost estimate for personnel who will likely complete the questionnaire.

The Commission estimates that each firm will require 2 hours to complete the requested information, including time to gather and synthesize the information requested. This estimate is based on the experience of field testers. The burden on individual respondents may vary slightly.

13. Annual public response burden

This is a one-time collection of information so, as explained below, the total recurring annual cost burden is zero.

a. Total capital and start-up cost component: The Commission does not expect any capital and start-up costs because all information likely already exists in firms' records storage facilities.

b. Total operation and maintenance and purchase of service component: The Commission does not expect respondents will need to purchase any services in completing the questionnaires.

14. Federal change in burden

The estimated total cost to the Federal Government is \$147,459 as detailed below. No new equipment will be purchased because existing equipment will be used to process the questionnaires.

The estimated number of work hours includes designing the questionnaires, soliciting field test comments, editing results (i.e., contacting respondents after completion of the questionnaires to clarify responses), and compiling and tabulating questionnaire responses.

Personnel cost*	=	\$132,059
Operational costs**	=	<u>\$ 15,400</u>
Total cost	=	\$147,459

*The hourly figure was approximated by dividing the Commission's average salary level (\$150,429) by the number of work hours per year (2,080), which is equivalent to an average cost of \$72.32 per hour. The Commission estimates that 1,826 personnel hours will be spent on the questionnaire, which is 20 percent of the total personnel hours the Commission has budgeted for the study.

**Operational costs include printing, mailing, and consultant fees.

15. Program change justification

The Commission currently imposes no reporting burden on SMEs. The burden increased because of a request from the USTR for a report on exports by small and medium sized enterprises. Such data are not publicly available. This is a one-time collection for such data. The request letter is attached as a supplemental document.

16. Project plan and schedule

After receiving completed questionnaires, Commission staff will edit and review each response for accuracy, resolve any questions with the respondent, and tabulate the returns. Data will be analyzed, compiled in a form that will not reveal the individual operations of any respondent, and prepared for publication. The questionnaire is scheduled to be mailed on or after March 5, 2010. The respondents are requested to respond by March 26, 2010. The report, incorporating questionnaire information, will be transmitted to the USTR on October 6, 2010.

17. Non-display of expiration date

Not applicable.

18. Exceptions to certification statement to form OMB 83-I

Not applicable.