

2011
SUPPORTING STATEMENT
(0572-0076)

RUS Specification for Quality Control and Inspection of Timber Products

This is a revision of a currently approved information collection package and is associated with a final rule.

TERMS OF CLEARANCE DATED 3-6-2009: Prior to resubmission of this information collection request for renewal, the Agency should validate estimates of burden taking into account changes in the sector and new regulations.

AGENCY RESPONSE TO THE TERMS OF CLEARANCE: RUS published a proposed rule to eliminate the requirement of borrowers to send in an annual summary reporting reserve stock notices and treaters to send in annual notices. Public comments were received which were considered by the Agency in completing the final rule. The burden changes have been noted in Questions 12 and 15.

A. Justification

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

The Rural Utilities Service (RUS) is a credit agency of the U.S. Department of Agriculture. It makes mortgage loans and loan guarantees to finance electric, telecommunications, and water and waste facilities in rural areas. Loan programs are managed in accordance with the Rural Electrification Act (RE Act) of 1936, 7 U.S.C. 901 et seq., as amended.

RUS has a tremendous amount of interest in loan security and protection of the Government's interest over the long term life of a loan, which is generally secured by a first mortgage and amortized over a period of up to 35 years. Therefore, RUS necessarily has a strong interest in the business, financial, and operating aspects of its borrowers. Prior to receiving loan funds, an RUS borrower must enter into a loan contract with RUS. In accordance with Article V, Section 5.14 of the loan contract, "the borrower shall use design standards, construction standards and lists of acceptable materials in conformance with RUS Regulations."

In order to ensure the security of loan funds, adequate quality control of timber products is vital to loan security on electric power systems where hundreds of thousands of wood poles and crossarms are used. Since RUS and its borrowers do not have the expertise or manpower to quickly determine imperfections in the wood products or their preservatives treatment, they must obtain the services of an inspection agency to insure that the specifications for wood poles and crossarms are being met. 7 CFR 1728.202 and RUS

Bulletin 1728H-702 provide RUS borrowers with policy guidance on the quality control and inspection of timber products.

2. Indicate how, by whom, and for what purpose the information is to be used. Except for a new collection, indicate the actual use the Agency has made of the information received from the current collection.

RUS has revised these bulletins to eliminate the requirement of borrowers to send in an annual summary report and treaters to send in reserve stock notices. A proposed rule was published in the Federal Register (73 FR 56513) on September 29, 2008. The Agency has reviewed the comments and is finalizing a final rule for publication in the *Federal Register*.

RUS used this information in verifying acceptability of poles and crossarms purchased by RUS borrowers. RUS cross references borrowers and treating plants so that if during an inspection trip by an RUS staff member a plant is found in violation of the specification, RUS could quickly determine which borrowers purchased from the plant and take appropriate action to correct the violation. The information required by this collection is as follows:

Annual Summary of Purchases from Borrowers

Each RUS borrower is no longer required to submit to the Director of the Electric Staff Division in January of each year a list of plants from which it obtained poles or crossarms during the preceding calendar year.

Use of Inspection Agencies to Inspect Poles

7 CFR 1728.202 provides that the purchaser or the treating company may obtain the services of an inspection agency or a third party oversight organization to perform certain inspection services. This inspection is the industry standard and would normally be performed even if RUS did not specify it. This requirement is necessary because timber, by nature, is non-uniform. RUS borrowers design their systems based on assumptions about the strength and durability of the poles they purchases. These assumptions are only valid if limitation are imposed on the defects in the wood and if minimum levels of preservation are retained in the wood in its treatment. Since RUS borrowers are generally not experts in wood quality, it is essential that this verification work be contracted to someone who is. Also, treating plants are frequently a great distance from the borrower service area.

Reserve Stock Notices from Treaters

The Treaters of the timber products no longer notify RUS each year that they will be treating poles for the upcoming year.

Test Reports from Inspectors

7 CFR 1728.202(i) requires that copies of test reports on various preservatives must accompany each charge (a charge being a load of poles treated at the same time in a pressure cylinder). This is the standard operating procedure in the treated wood industry. However, RUS feels it is important enough to justify requiring it in this specification. Test reports are needed so that the purchaser, the inspector, and RUS will be able to spot check the general accuracy of the tests.

3. Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological collection techniques or other forms of information technology, e.g. permitting electronic submission of responses, and the basis for the decision for adopting this means of collection.

The Rural Utilities Service is committed to meeting the requirements of the E-Government Act, which requires Government agencies in general to provide the public the option of submitting information or transacting business electronically to the maximum extent possible. RUS' final rule will reduce the burden on respondents and may eliminate the need for developing an electronic method for collecting data.

4. Describe efforts to identify duplication. Show specifically why any similar information already available cannot be used or modified for use for the purposes described in Item 2 above.

There is no duplication of services since the poles are only inspected once.

5. If the collection of information impacts small businesses or other small entities (item 5 of OMB Form 83-1), describe any methods used to minimize burden.

RUS has made every effort to ensure that burden on these small entities is the minimum necessary to effectively administer the Agency programs. According to the Table of Small Business Size Standards established by the Small Business Administration (SBA) which is matched to the North American Industry Classification System (NAICS) for industries, all 513 respondents (or 100 percent of the respondents) for this collection are considered small businesses. RUS believes that the burden on both large and small entities is the minimum necessary to attain the objectives set out in Item 2. Furthermore, as stated in Item 2, the use of standard forms offers substantial savings to small entities.

6. Describe the consequences to Federal program or policy activities if the collection is not conducted or conducted less frequently, as well as any technical or legal obstacles to reducing burden.

RUS requires the inspection of poles and crossarms to help ensure the quality of material received by borrowers.

7. Explain any special circumstances that would cause an information collection to be conducted in a manner:

a. Requiring respondents to report information more than quarterly.

There is no requirement to respond more than quarterly.

b. Requiring written responses in less than 30 days.

There is no requirement to respond in less than 30 days.

c. Requiring more than an original and two copies.

There is no requirement for more than an original and two copies.

d. Requiring respondents to retain records for more than 3 years.

Record retention requirements are in accordance with 7 CFR 1767.

e. That is not designed to produce valid and reliable results that can be generalized to the universe of study.

This collection does not involve a survey.

f. Requiring use of statistical sampling which has not been reviewed and approved by OMB.

This collection does not involve statistical sampling.

g. Requiring a pledge of confidentiality.

There is no requirement for a pledge of confidentiality.

h. Requiring submission of proprietary trade secrets.

There is no such requirement.

8. If applicable, identify the date and page number of publication in the Federal Register of the agency's notice soliciting comments on the information collection. Summarize public comments received and describe actions taken by the agency in response to these comments. Describe 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, reporting format (if any), and on data elements to be recorded, disclosed, or reported.

As required by 5 CFR 1320.9(d), a Notice to request public comments was included in the proposed rule and published in the *Federal Register* on September 29, 2008, at 73 FR 56513. No public comments were received *with regard to the collection of information*. RUS, however, did receive comments and recommendations in response to the proposed rule. These comments have been posted in ROCIS as well as a summary of the Agency's response to the comments.

In 2009, the collection package came up for renewal. Since the final rule was not ready for publication before the collection package was due to expire, a 60 day notice for the renewal was published in the *Federal Register* on April 2, 2009, at 74 FR 14955 to keep it active and renewed on its own. No comments were received.

RUS continues to maintain close contact with borrowers on a daily basis through general field representatives and a headquarters staff. Additionally, RUS conducts seminars for its borrowers and suggestions are always considered by the Agency.

9. Explain any decision to provide any payment or gift to respondents, other than reenumeration of contractors or grantees.

There are no such decisions to be made.

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

No assurances of confidentiality have been provided.

11. Provide additional justification for any question of a sensitive nature, such as sexual behavior or attitudes, religious beliefs, and other matters that are commonly considered private.

There are no questions of a sensitive nature.

12. Provide estimates of the hour burden of the collection of information.

The burden hours associated with this information collection is 40,000 hours with 400 hours of record retention and the estimated costs are as follows:

Use of Inspection Agencies to Inspect Poles and Inspection of Reports

This burden consists of the inspection of about 40,000 lots of poles by 25 different inspection agencies (poles are inspected in lots of about 50 poles). A lot of poles takes about 1 hour to inspect, including the time to prepare the accompanying report. It is estimated that it takes 1 minute of record retention time per report.

1 hr X 40,000 responses = 40,000 hours X \$100/hr = \$4,000,000

.01 hr X 40,000 reports = 400 hours total recordkeeping/25 recordkeepers = 16 hours per recordkeeper

13. Provide an estimate of the total annual cost burden to respondents or recordkeepers resulting from the collection of information.

(a) Total capital and start-up cost component (annualized over its expected useful life); and

There are no capital and start-up costs associated with this collection.

(b) Total operation and maintenance and purchase of services component.

There are no operation and maintenance or purchase of services costs association with this collection.

14. Provide estimates of annualized cost to the Federal Government.

There is no cost to the Federal Government involved in these requirements due to the discontinuation of the two (2) forms.

15. Explain the reasons for any program changes or adjustments reported in items 13 or 14 of the OMB Form 83-1.

There has been a reduction of 363 total burden hours. This reduction is due to the elimination of 350 burden hours for the submission of the annual summary purchases notice sent in from 700 respondents, and an additional reduction of 13 burden hours due to the elimination of the annual reserve stock notice from 25 respondents.

16. For collection of information whose results will be published, outline plans for tabulation and publication.

There are no plans to publish information.

17. If seeking approval to not display the expiration date for OMB approval of the information collection, explain the reasons that display would be inappropriate.

No such approval is sought.

18. Explain each exception to the certification statement identified in item 19 on OMB 83-1.

There are no exceptions to the certification statement.

B. Collection of Information Employing Statistical Methods.

This information collection does not employ statistical methods.