

Supporting Statement for the BE-12 Benchmark Survey
of Foreign Direct Investment in the United States
OMB Control Number 0608-0042

A. Justification

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

The 2012 Benchmark Survey of Foreign Direct Investment in the United States is necessary to obtain complete and accurate data on the value of foreign direct investment in the United States at year-end 2012, the changes in investments during the year, the return to foreign persons on these investments, as well as data on the operations of the U.S. affiliates of foreign multinational companies, including balance sheets, income statements, employment, trade, and technology that are needed in assessing the impact of foreign direct investment on the U.S. economy. The survey is mandatory and is conducted under the authority of the International Investment and Trade in Services Survey Act (P.L. 94-472, 22 U.S.C. 3101-3108, as amended by P.L. 98-573 and P.L. 101-533), hereinafter “the Act.”

Section 4(b) of the Act provides that with respect to foreign direct investment in the United States, the President shall conduct a benchmark survey covering year 1980, a benchmark survey covering year 1987, and benchmark surveys covering every fifth year thereafter. In conducting surveys of foreign direct investment in the United States pursuant to this subsection, the President shall, among other things and to the extent he determines necessary and feasible—

- (1) identify the location, nature, and magnitude of, and changes in total investment by any foreign parent in each of its U.S. affiliates and the financial transactions between any foreign parent and each of its U.S. affiliates;
- (2) obtain (A) information on the balance sheet of U.S. affiliates of foreign parents and related financial data, (B) income statements, including the gross sales by primary line of business (with as much product line detail as is necessary and feasible) of U.S. affiliates, and (C) related information regarding trade, including trade in both goods and services, between the foreign parent and each of its U.S. affiliates and between each U.S. affiliate and any other person;
- (3) collect employment data showing both the number of United States employees of each U.S. affiliate and the levels of compensation by industry;
- (4) obtain information on tax payments by U.S. affiliates; and
- (5) determine, by industry, the total dollar amount of research and development expenditures by U.S. affiliates, payments or other compensation for the transfer of technology between foreign parents and their U.S. affiliates, and payments or other compensation received by U.S. affiliates from the transfer of technology to other persons.

In Section 3 of Executive Order 11961, the President delegated the responsibility for performing functions under the Act concerning direct investment to the Secretary of Commerce, who has

redelegated it to the Bureau of Economic Analysis (BEA). The implementing rules and regulations for the direct investment surveys conducted under the Act may be found in 15 CFR Part 806.

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.

The benchmark survey covers the universe of foreign direct investment in the United States in terms of value. Foreign direct investment in the United States is defined as the ownership or control, directly or indirectly, by one foreign person of 10 percent or more of the voting securities of an incorporated U.S. business enterprise or an equivalent interest in an unincorporated U.S. business enterprise, including a branch.

The benchmark survey is the most comprehensive survey conducted on foreign direct investment in the United States. It collects both financial and operating data for the U.S. affiliates of foreign companies and data on transactions and positions between U.S. affiliates and their foreign parent groups (which are defined to include all foreign parents and foreign affiliates of foreign parents). The data are disaggregated by industry of U.S. affiliate, by country and industry of foreign parent or ultimate beneficial owner, and, for employment data, by State.

Some specific uses of the data to be collected are discussed in greater detail below.

(a) Compile and improve the U.S. economic accounts:

Data from the BE-12 survey will provide benchmarks for deriving current universe estimates of direct investment from sample data collected in other BEA surveys in nonbenchmark years. In particular, they will serve as benchmarks for the quarterly direct investment estimates included in the U.S. international transactions and national income and product accounts, and for annual estimates of the foreign direct investment position in the United States and of the operations of the U.S. affiliates of foreign companies.

BEA uses BE-12 benchmark survey data to derive estimates of U.S. affiliates' value added. These estimates can be used to calculate and analyze U.S. affiliates' share of U.S. gross domestic product and to evaluate affiliates' profitability and productivity. Data on employment by affiliates are used to link enterprise-level data on foreign-owned companies collected in the benchmark survey to establishment-level data for the same companies collected by the Census Bureau.

(b) Support U.S. Government policy on direct investment:

The data are used by several U.S. Government agencies, including the Office of the U.S. Trade Representative, the International Trade Administration of the Commerce Department, the Departments of Treasury and State, the Council of Economic Advisers, and the Federal Reserve Board to support U.S. international economic policy. The International Trade Administration's SelectUSA office uses the data in advising foreign investors seeking to invest in the United

States. The Treasury Department's Committee on Foreign Investment in the United States uses the data as background in its reports to Congress. Without this information, current data on the amount, types, and financial and operating characteristics of foreign direct investment in the United States would not be available.

Bilateral investment treaties (BIT's) are negotiated with interested countries to facilitate and protect U.S. investment interests. During BIT negotiations, data from this and related surveys provide important, up-to-date information on the level and impact of direct investment on the U.S. economy.

The United States is a signatory to regional and multilateral commercial agreements that cover direct investment as well as cross-border trade, and the data from this and related surveys provide information that can be used both during the negotiations and as an aid in monitoring the resulting agreements. For example, investment issues are covered both by the General Agreement on Trade in Services, which is the principal World Trade Organization agreement on trade in services, and by the North American Free Trade Agreement among the United States, Canada, and Mexico.

(c) Other Government uses:

Employer identification numbers and data on employment are used to link the enterprise-level data on U.S. affiliates of foreign-owned companies collected in the benchmark survey to establishment-level data for all U.S. companies collected by the Census Bureau, to obtain more detailed and precise data by industry and by state for foreign-owned enterprises.

The data are also used by state governments in assessing the impact of foreign direct investment on individual states, in advising foreign investors seeking to invest in the United States, and in developing state programs to attract foreign direct investment.

Data on research and development (R&D) expenditures are linked with National Science Foundation R&D data to provide a more complete picture of R&D associated with U.S. and foreign multinational corporations (MNCs). The data link will provide information on types of R&D conducted by MNCs and the location, by state, of their R&D conducted in the United States.

(d) Non government uses:

International organizations and private researchers also use data from the benchmark survey in assessing the impact of foreign direct investment on the U.S. economy. International organizations that regularly make use of BEA data on foreign direct investment include the United Nations, International Monetary Fund, Organisation for Economic Co-operation and Development, and World Bank. Numerous private researchers also use the data; use by researchers affiliated with the National Bureau of Economic Research (NBER) has been among the most extensive.

The Section 515 Information Quality Guidelines apply to this information. The information is collected according to documented procedures in a manner that reflects standard practices accepted by the relevant economic/statistical communities. BEA conducts a thorough review of the survey input data using sound statistical techniques to ensure the data quality before the final estimates are released. The data are collected and reviewed according to documented procedures including the use of check lists, procedures manuals and on-going review by the appropriate supervisor or team leader. The quality of the data are validated using a battery of computerized edit checks to detect potential errors and to otherwise ensure that the data are accurate, reliable, and relevant for the estimates being made. Data are routinely revised as more complete source data become available. The collection and use of this information complies with all applicable information quality guidelines, i.e., those of the Department of Commerce, the Office of Management and Budget (OMB), and BEA.

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.

BEA will offer an electronic filing option that makes use of fillable PDF forms, its eFile system, for use in reporting on the BE-12 benchmark survey forms, as an alternative to paper forms. The eFile system enables respondents to download the survey forms in PDF format, enter the required data, and submit the forms securely to BEA.

In addition, BEA places all its survey forms and reporting instructions on its web site (www.bea.gov), which provides an alternative and, for some, more convenient, way to access information about BEA's surveys.

The data from the benchmark survey are published and analyzed in BEA's monthly journal, the *Survey of Current Business*. All of the data tabulated from the BE-12 survey that are released to the public and analyses of the data, published in the *Survey*, are placed on the BEA web site.

4. Describe efforts to identify duplication.

Similar data collected by other Government agencies and segregated as being for foreign-owned U.S. companies are not comparable to the data collected by BEA. For example, although the Securities and Exchange Commission (SEC) maintains information on the nationality of major stockholders in publicly traded U.S. companies, most of the foreign-owned U.S. companies in BEA's reporting universe are not publicly traded. For those that are publicly traded, the data available from the SEC are not in the form or detail required by BEA. For example, data reported to the SEC are on a worldwide consolidated basis. In contrast, data collected in the BE-12 survey are on a domestic (U.S.) consolidated basis, and cover only U.S. affiliates' domestic operations.

For tax purposes, the Internal Revenue Service (IRS) collects information on foreign-owned U.S. companies, but it covers only "foreign-controlled" companies—those owned at least 50 percent by foreigners. BEA's data are based on a 10-percent ownership criterion—the current international standard for defining direct investment. Consolidation rules also differ significantly. Corporate tax returns of foreign corporations' U.S. subsidiaries are generally filed with the IRS at a much more deconsolidated level than are reports by U.S. affiliates to BEA.

One result is that for items such as total assets and sales, for which intercompany transactions and positions can be significant, there is duplication in the IRS data that is not present in the more highly consolidated BEA data.

BEA has examined information on foreign direct investment available from these and other agencies and, because the information is narrower in scope and purpose than that collected by BEA, has not identified significant duplication.

A few data items on the BE-12 survey are collected by bank regulatory agencies. For several reasons, the regulatory data cannot be substituted for the data that BEA collects on the BE-12. The focus of the BE-12 survey is information needed to analyze production and employment by U.S. affiliates of foreign companies. Many key data items that are collected on the BE-12 are outside the scope of the regulatory reports. For example, the BE-12 survey collects data on a number of items needed to measure the value added in production. These items are not collected on regulatory reports. The BE-12 also collects key aggregates from financial statements, such as total assets, operating revenues, and net income, and information on organizational structure, including voting rights. These items are also collected in connection with bank regulation (see Form FR 2314, Form FFIEC 030, and Form FR Y-10). The duplicated items collected on the BE-12 are limited to a few readily available key aggregates, and have little effect on respondent burden. It is important that BEA collect these items directly because several items are key to determining whether a respondent must report on BEA's surveys and several are used in conjunction with non-duplicated items to make calculations of key economic variables. Also, it is BEA's judgment that the cost and delay that would be associated with attempting to obtain these items from regulatory reports and join them with other items collected through its own survey would not be practical or cost effective.

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

A BE-12 report is required of any U.S. company in which a foreign person owned or controlled, directly or indirectly, 10 percent or more of the voting securities if an incorporated U.S. business enterprise, or an equivalent interest if an unincorporated U.S. business enterprise. Most small business are not foreign owned and therefore would not be required to submit a BE-12 survey. However, for those small businesses that are foreign owned, the reporting burden is estimated to be small.

The amount of information required to be reported by each U.S. affiliate is determined by the size of the affiliate's assets, sales, or net income or loss. To minimize the reporting burden on smaller U.S. companies that are foreign owned and are required to report, BEA proposes to increase the threshold for reporting on Form BE-12A (the longest form) from \$175 million to \$300 million and on Form BE-12B from \$40 million to \$60 million. All affiliates below \$60 million will file on Form BE-12C (the shortest form). The smallest affiliates only file a few items on Form BE-12C; BEA proposes to raise the threshold for filing an abbreviated BE-12C from \$15 million to \$20 million.

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

This is a benchmark survey designed to yield universe data. By law, the survey must be taken once every five years. The benchmark survey data are updated between benchmark years by means of quarterly and annual sample surveys that are more limited in scope and coverage. A period beyond the normal benchmark interval would require reliance on universe estimates linked to an aging base. The reliability of the estimates becomes increasingly questionable as the base ages. This problem is particularly serious during a period of rapid change in the universe. Conducting the survey less frequently would also reduce the timeliness of the detailed information, collected only in benchmark surveys, which is needed for policymaking purposes.

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

No aspects of the proposed BE-12 data collection require a special justification.

8. Provide a copy 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.

This submission supports a proposed rulemaking, which will solicit comments on this survey. BEA maintains a continuing dialogue with respondents and with data users, including its own internal users through the Bureau's Source Data Improvement and Evaluation Program, to ensure that, as much as possible, the required data serve their intended purposes and are available from existing records, that instructions are clear, and that unreasonable burdens are not imposed.

In June 2011, BEA sent for comment a list of proposed changes for the 2012 survey (Attachment 1), to a group of respondent companies and to a broad group of Government and non-Government data users. (See Attachment 2 for a list of data users invited to comment on the proposed changes.) The list of proposed changes indicated proposed reporting criteria and data items that BEA proposes to add, delete, or modify for the 2012 survey.

No written comments were received from any of the potential respondent companies.

Written responses were received from one non-Government data user and several Government data users representing the U.S. Bureau of Labor Statistics, the U.S. Census Bureau, and the Federal Reserve Bank of New York. BEA carefully considered these comments in the design of the survey.

The non-Government data user was concerned about the impact on data quality of the increase in reporting thresholds and the loss of data items that are useful to researchers studying foreign direct investment, in particular, several balance sheet items, the composition of external finances, and gross property, plant, and equipment by state. All of these changes are proposed in order to align the benchmark survey with available resources, which were reduced beginning in 2008 and led to the elimination of these and other data items on the BE-15 annual survey and now on the BE-12 benchmark survey. Many of these items are difficult for respondents to provide because

they are not readily available in accounting records. Therefore, these are the most labor intensive to process because BEA staff must work closely with the respondent companies to ensure that they provide accurate responses. BEA is not able to reinstate most of these items at this time. However, BEA has decided to retain the balance sheet item on cash holdings of U.S. affiliates, which was originally proposed to be eliminated. The data user indicates that this item would be useful for the analysis of the liquidity holdings of U.S. firms. This item can be processed without a significant increase in workload, since this information is readily available in accounting records.

One data user expressed concern about eliminating data on the number of employees covered by collective bargaining agreements, which may be useful for research purposes. BEA proposes to eliminate this item because the quality of the data provided by respondents for this item has been poor. This item has been collected on all of the previous benchmark survey forms since 1980. Over time, it has become increasingly difficult for respondents to provide this information at the enterprise level. Given the quality of the responses BEA has received, it is not considered a reliable statistic.

Data users were also concerned about eliminating the breakdown of sales of services to foreign persons into sales of services to the foreign parent group, to foreign affiliates owned by the U.S. affiliate, and to other foreign affiliates, given the recent interest in this type of information. BEA proposes to delete these items because similar information is collected in more detail on BEA's surveys of cross-border trade in services.

There was one comment expressing support for the new questions on contract manufacturing.

One data user suggested that it might be helpful to collect the level of fair value measurement input to assess how these values are derived. Because BEA is asking only for the amount of fixed assets, total assets, and total liabilities that are valued at fair value, information on the level of fair value measurement input would not be of much use at such an aggregated level. BEA is interested in a measure of how extensive fair value accounting is in the data, but does not have the resources for a significant expansion in data collection.

A data user questioned how clearly "banking" would be defined in the new questions on banking activities since banks provide a variety of financial services. BEA is defining banking as activities in international surveys industry codes 5221 (depository credit intermediation) and 5229 (nondepository branches and agencies). Definitions of these two codes are available in BEA's industry code guide: www.bea.gov/naics2007. BEA will use the information collected to estimate banks' implicit service fees, basically the difference between interest received and interest paid on banking activities. BEA is adding this question to the survey because banks may have interest receipts and payments that are not related to a banking activity, which should be excluded from the calculation of their implicit service fees.

There was a suggestion that in the questions on the intercompany lending of finance companies, BEA should be referring to "financial intermediaries" rather than "finance companies." In the text of the question, BEA will be very specific. The survey will ask U.S. affiliates if 1) their foreign parent is in the finance industry (including banking and excluding insurance), and 2) if

the U.S. affiliate is a bank or a securities broker or dealer. If an affiliate answers yes to both questions, then they will be directed to skip the intercompany lending questions (or to fill them out for just their insurance or real estate units). These questions are intended to avoid duplication with the Treasury International Capital System and are exactly the same as questions that were added to the quarterly survey of foreign direct investment in the United States for the same purpose.

Other comments were related to specific accounting issues and how they may affect the data. BEA has been staying abreast of changes in accounting standards and makes every effort to keep its forms and instructions up to date. BEA is carefully reviewing its instructions to make sure that for the issues that were raised in the comments, adequate guidance is provided for respondents.

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

No payments or gifts to respondents are made.

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

BEA provides respondents with assurance that it will keep the reported data confidential. The following statement is taken directly from the reporting instructions for the survey.

“Confidentiality – The Act provides that your report is CONFIDENTIAL and may be used only for analytical or statistical purposes. Without your prior written permission, the information filed in your report CANNOT be presented in a manner that allows it to be individually identified. Your report CANNOT be used for purposes of taxation, investigation, or regulation. Copies retained in your files are immune from legal process.”

Sec. 5(c) of the Act (22 U.S.C. 3104) provides that the information may be used only for analytical and statistical purposes and access to the information shall be available only to officials and employees (including consultants and contractors and their employees) of agencies designated by the President to perform functions under the Act. The President may authorize the exchange of the information between agencies or officials designated to perform functions under the Act, but only for analytical and statistical purposes. No official or employee (including consultants and contractors and their employees) shall publish or make available any information collected under the Act in such a manner that the person to whom the information relates can be specifically identified. Reports and copies of reports prepared pursuant to the Act are confidential, and their submission or disclosure shall not be compelled by any person without the prior written permission of the person filing the report and the customer of such person, where the information supplied is identifiable as being derived from the records of such customer.

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.

No questions of a sensitive nature are asked.

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

An estimated 19,950 respondents are expected to file a benchmark survey form. Average burden per respondent is estimated at 9.7 hours, producing an estimated burden of 194,150 hours for the survey, as shown in the RISC/OIRA Consolidated Information System (ROCIS).

For purposes of calculating the number of respondents and burden per respondent, the “respondent” is deemed to be 1) the U.S. affiliate of a foreign parent and 2) a person not subject to the reporting requirements of the BE-12 survey contacted by BEA concerning their reporting status. Respondent burden is estimated based on the burden in the last BE-12 benchmark survey and other BEA surveys and the proposed changes to the forms.

Burden is expected to vary considerably among respondents because of differences in company size and complexity. The range of estimated burden is from 20 minutes for a company filing a BE-12 Claim for Not Filing to 663 hours for the largest and most complex company reporting on Form BE-12A.

The table below provides details on burden range, average burden, estimated number of respondents, and estimated burden hours by form type.

Estimated Burden for 2012 BE-12

Form Type	Burden range per response	Average burden hours per response	Estimated number of respondents	Estimated burden hours
BE-12A	6.5 hours - 663 hours	96.00	1,750	168,000
BE-12B	1.7 hours - 9.5 hours	6.50	2,000	13,000
BE-12C	25 min. - 3 hours	0.85	15,000	12,750
BE-12 Claim for Not Filing	20 min.	0.33	1,200	400
Total	20 min. - 663 hours	9.73	19,950	194,150

The proposed reporting requirements for the benchmark survey by form are:

1. BE-12A—Required to be filed by majority-owned U.S. affiliates with total assets, sales or gross operating revenues, or net income greater than \$300 million (positive or negative);
2. BE-12B—Required to be filed by a) majority-owned U.S. affiliates with total assets, sales or gross operating revenues, or net income greater than \$60 million (positive or negative) but not greater than \$300 million (positive or negative), and b) minority-owned U.S. affiliates with total assets, sales or gross operating revenues, or net income greater than \$60 million (positive or negative);
3. BE-12C—Required to be filed by U.S. affiliates with total assets, sales or gross operating revenues, or net income less than or equal to \$60 million (positive or negative).

4. BE-12 Claim for Not Filing—Required to be filed by persons that are not subject to the reporting requirements of the BE-12 survey but have been contacted by BEA concerning their reporting status.

The estimated annual cost to respondents is \$7,766,000, based on the estimated reporting burden of 194,150 hours and an estimated hourly cost of \$40.

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 #12 above).

Other than respondent cost associated with the estimated burden of 194,150 hours (see A.12. above), the total additional annual cost to respondents is expected to be negligible. Total capital and start-up costs are insignificant, because new technology or capital equipment would not be needed by respondents in order to prepare their responses to the survey. As a consequence, the total cost of operating and maintaining the technology and capital equipment will also be insignificant. Purchases of services to complete the information collection are also expected to be insignificant.

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

The project cost to the Federal Government for this survey is estimated at \$3.3 million, which consists of \$2.2 million for salaries and related overhead, and \$1.1 million for equipment, supplies, forms design, mailing, printing, and computer processing.

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

This request is for a reinstatement, with change, of a previously approved collection. Currently, there are no burden hours for the BE-12 survey in the inventory maintained by OMB. Therefore, the estimated burden of 194,150 hours (see A. 12 above) for this periodic collection is shown entirely as a program change in the RISC/OIRA Consolidated Information System (ROCIS).

The estimate for the 2012 BE-12 benchmark survey of 194,150 burden hours is less than the respondent burden for the previous (2007) benchmark survey. For the 2007 survey, the estimated burden was 209,650 hours. The decrease in burden largely reflects the elimination of a number of data items from Form BE-12A and Form BE-12B, and increased reporting thresholds which allow more respondents to file on shorter forms.

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

Completed benchmark survey forms are due by May 31, 2013. Summary preliminary data will be published in an article in the *Survey of Current Business* 15 to 18 months after the reports are due; more detailed preliminary data will be posted on BEA's web site (www.bea.gov). Final data will be released about a year later. All of the data, as well as the survey articles will be available on BEA's web site.

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.

The OMB expiration date will be displayed on the forms.

18. Explain each exception to the certification statement.

The BE-12 information collection is consistent with the certification in all aspects.