

1 SUPPORTING STATEMENT FOR REQUEST FOR EMERGENCY ACTION—PART A  
UNITED STATES INTERNATIONAL TRADE COMMISSION QUESTIONNAIRE

Remanufactured Goods: An Overview of the U.S. and Global Industries, Markets, and Trade

**Part A. Justification**

**1. Request for emergency action**

The U.S. International Trade Commission (USITC or Commission) is seeking approval on an emergency basis for use of a questionnaire in connection with a report it is preparing for the U.S. Trade Representative (USTR). The Commission's report, *Remanufactured Goods: An Overview of the U.S. and Global Industries, Markets, and Trade* (Inv. no. 332-525) (henceforth referred to as "Remanufactured Goods"), was requested by the USTR on June 28, 2011. The USTR requested that the Commission transmit its report to him by October 28, 2012. Questionnaires are the primary method by which the Commission will collect information and data in connection with this request. 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 USTR's deadline.

Pursuant to section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)) and the authority delegated by the President of the United States to the USTR under Executive Order 12661, the Commission, whenever requested, "shall put at the disposal of the President "[...] all information at its command, and shall make such investigations and reports as may be requested by the President [...]." 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 as supplementary documents.

As indicated above, the USTR requested that the Commission transmit its report to him by October 28, 2012. 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 to respondents on or before January 25, 2012 in order allow sufficient time to fill out the questionnaires, which are due back to the Commission by February 24, 2012.

**2. Purpose**

The information collected from questionnaires will be aggregated by the Commission and presented in a report to the USTR. The information to be collected is critical to the Commission's task in addressing the elements of the USTR's request. In his letter, the USTR requests that the Commission prepare a report that 1) provides an overview of the U.S. remanufactured goods industries and markets, 2) estimates U.S. and global trade in remanufactured goods to the extent possible, and 3) examines factors affecting trends in remanufactured goods trade.

More specifically, the USTR requested that the Commission's report cover the 2009–11 period, and, to the extent practicable, estimate levels of employment, investment, sales, and trade; describe factors affecting sales, trade, and investment in U.S. remanufactured goods; and assess foreign direct investment in U.S. remanufacturing. The questionnaires will collect information and data in response to each of these elements.

In his letter, the USTR specified that the Commission's report be based on a review of available data and other information, including the collection of primary data through a survey of enterprises engaged in remanufacturing. The use of a questionnaire to collect relevant information is thus an integral part of the

USTR's request and will aid the Commission to fulfill its statutory duty to provide information requested by the USTR.

The questionnaire as drafted mandates a response from recipients. Pursuant to section 333(a) of the Tariff Act of 1930, the Commission is authorized to compel persons, firms, a partnership, 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 Adobe Form Fillable software that will allow respondents to complete the questionnaire electronically. This interactive Adobe Form, which incorporates quality control functions, submission buttons, and summation functions, will be available for download from the USITC website at <http://www.usitc.gov/documents/usitc-reman.pdf>. While recipients will not be required to submit their questionnaire response electronically, they will be able to provide their responses via electronic submission of the questionnaire through a secure upload system or via email.

### **4. Non-duplication of available data**

To the extent possible, the Commission's investigation will rely on existing publicly available data. The Commission's staff has consulted with academic experts from Boston University (BU) and the Rochester Institute of Technology (RIT), reviewed a variety of relevant industry publications, and obtained a partial database of remanufacturing firms from RIT. Commission staff is also using a subscription-based database (ORBIS) to obtain data on firm characteristics and investment for manufacturing firms in general. In addition, Commission staff has reviewed relevant U.S. government publications for publicly available information regarding remanufacturing activity, including reports published by the Office of the USTR and the U.S. Department of Commerce. Through a thorough review of existing publicly available data, the Commission has determined that these data are not sufficiently detailed enough to address all the elements of the USTR's request letter. Further, 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.

### **5. Impact on small businesses**

The Commission estimates that very few "small businesses," as specified under the Small Business Administration Rules (13 CFR Part 121) will be required to submit responses. Moreover, to minimize the reporting burden, the questionnaire was designed to be as brief as possible, consistent with information requirements. Check-in-the-box, list selection, and range-type questions are used where appropriate to simplify questionnaire responses. In addition, the questionnaire indicates that carefully prepared estimates are acceptable, which should further reduce the potential burden on smaller firms that may not have sufficient administrative resources or automated record-keeping systems.

### **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 USTR's request 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 requested 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 December 21, 2011. The notice is posted on the Commission’s Internet site at [http://www.usitc.gov/research\\_and\\_analysis/What\\_We\\_Are\\_Working\\_On.htm](http://www.usitc.gov/research_and_analysis/What_We_Are_Working_On.htm).

In November 2011, the Commission field-tested the Remanufactured Goods questionnaire with regard to the availability of data, reporting burden, product coverage and definitions, clarity of instructions, disclosure, and reporting format. The following table provides comments from industry sources acquired through field testing and actions taken in response to those comments.

Questionnaire Page Number(s)	Comments/Suggestions	Adjustments to Questionnaire in Response to Comments/Suggestions
<b>Craig Updyke, National Electrical Manufacturers Association (NEMA)</b> <b>Tel: 703-841-3294</b> <b>Email: <a href="mailto:cra_updyke@nema.org">cra_updyke@nema.org</a></b>		
Page 1	In Header, add “s” to “United State”.	Incorporated suggestion.
Page 3	Under “1. Type of firm...” I would suggest the following addition: "This questionnaire is intended for firms that have manufacturing or remanufacturing activity (or both), including...."	Not incorporated in order to avoid firms not filling out the questionnaire and to improve the response rate.
Page 6	Under Section 2, in the introduction of the questions, correct the typo the last word, "activities"	Incorporated suggestion.
Page 8	Following on 3.3, I would suggest adding a new question, 3.3A: "If you produce remanufactured goods, do these goods typically have lower performance than an original good?"	Did not add a new question 3.3A, but added two options for the user to select: “equal the original working condition of the good,” and “exceed the original working condition of the good.”
Page 12	Page 12: Under Question 4.6, I would suggest giving examples as to what is meant by "U.S. armed services". Non-U.S. respondents may not be clear on the definition. I would suggest the following: "...U.S. armed services (including the U.S. Department of Defense, Army, Navy, Air Force, Marines or reserve elements of these)." Is the question also intended to cover sales to the U.S. Department of Veterans Affairs?	Incorporated suggestion.

Page 15	Under Item 6.1, it is not clear to me, and thus may not be clear to respondents, what is meant by "exports made by intermediate firms." Does this mean distributors?	"Intermediate firms" changed to "...exports made by your firm directly and exports of your firm's products by other firms."
<b>Dr. Nabil Nasr, Rochester Institute of Technology (RIT)</b> <b>Tel: 585-475-5106</b> <b>Email: <a href="mailto:nasr@rit.edu">nasr@rit.edu</a></b>		
General	The title is Manufacturing Activities Questionnaire (should it be: Remanufacturing Activities Questionnaire).	Not incorporated in order to avoid firms not filling out the questionnaire and to improve the response rate.
Page 5	I would recommend changing "7. Consumer Household Appliances" to "Appliances". This allows for incorporating commercial activities as well, since these are the primary activities in this category.	Not incorporated in order to narrow the scope of this sector.
Section 2	The manufacturing definition might confuse companies that consider their actives as just remanufacturing and associate manufacturing to new products only.	Statement now reads "The questions in this section refer to all your firm's manufacturing activities in the United States, not just remanufacturing activities."
Section 3	Should 3.3 be "meet or exceed" instead of just "exceed"?	3.3 now has two options: "equal the original working condition of the good," and "exceed the original working condition..."
Section 8	Some of the major barriers seen by remanufacturing firms are: cost associated with compliance with regulations, cost of doing business (i.e., health care, insurance).	"Health care costs" and "environmental regulations" have been included in the list of factors.
Section 8.4	Is difficult to address with the table format. There seems to be difficult challenges in several countries that are specific to each country. In China, the challenge is related to specific regulations that favor certain domestic companies and block others. In India or Brazil the challenges are different. It might be better to list the countries and provide space for entering data about the challenges in free format.	For question 8.3, users can select the designated foreign country and describe the barriers in a comment box.
General	Regarding warranty, it is uncommon that warranty is not provided. In a survey we conducted a while ago, we had no companies reporting that they did not provide warranties. The only variations in this area are the length of warranty. In most cases the warranty is equal to or longer than the OEM warranty. In some cases it was less. In the automotive side, there is "gold warranty," which is a life-time warranty for premium products.	Comment provided without any suggested change to the questionnaire.
<b>Richard Snodgress, Business Development Manager, Remanufacturing Division, Caterpillar</b> <b>Tel: 309-675-4998</b> <b>Email: <a href="mailto:snodgress_richard_h@cat.com">snodgress_richard_h@cat.com</a></b>		

Question 2.3	<p>Snodgress stated that CAT would report its total sales as reported in its annual reports. Sales are reported to dealers/distributors, and not to the ultimate end-user. As such, CAT’s reported sales wouldn’t capture any small mark-up between dealers/distributors and end-users.</p> <p>Snodgress mentioned that CAT does sell to other businesses like Ford and Navistar. There is a chance for some double counting if Ford and Navistar received a questionnaire and reported sales that had already been reported by CAT.</p>	Comment provided without any suggested change to the questionnaire.
Question 4.1	Snodgress said that the USITC needs to be clearer what we mean by “production.”	Question now asks firms to report their total shipments “produced in facilities located in the United States,” in bold type face.
Question 7.1	Snodgress said that the valuation of cores is a complex question for CAT. We need to define what we mean by “value.” Suggested using value at 3rd-party market value or estimated independent market value.	Now reads “...value of the cores purchased by your firm from domestic sources that were used in production of remanufactured goods in facilities located in the United States during 2009–11.
Question 7.2	<p>The wording for core suppliers is a little ambiguous. 90 percent of CAT’s core supplies are internally sourced or through dealer networks. In CAT’s case, “returns from dealers” would be the most appropriate.</p> <p>We discussed adding a “dealers” breakout to the question 7.2 in response to CAT’s comment.</p>	Question allows users to rank their main source of cores from 1–3.
<p><b>Paul Daigle, Remanufacturing Business Development Director, Alcatel-Lucent</b>  <b>Tel: 978-952-1653</b>  <b>Email: <a href="mailto:paul.daigle@alcatel-lucent.com">paul.daigle@alcatel-lucent.com</a></b></p>		
Section ii (definitions of Remanufactured Goods)	Add “repaired” in the following: “...been processed and/or <b>repaired</b> , cleaned, inspected, and tested.....”	Not incorporated because a specific definition of remanufactured goods was provided by the USTR.
General	<p>Also, there are cases where we may classify and sell a product “as-is” in which there is no testing capability and really no warranty except for an exchange for another as-is part. I’m not sure if that should be considered remanufactured goods.</p> <p>Under “Cores” – should the word “used” be further defined? For example, if a core goes to a customer (title has transferred) and never gets used and comes back to the OEM, is that “used” goods? Maybe there are legal requirements?</p>	Added a clarification by stating that used goods are typically at the end of their useful life.

General	Under the Sector description, in the IT Equipment top product examples box, would it be possible to add another Telecommunications example such as “Base Transceiver Station”.	Incorporated suggestion.
Section 3.1; 3.5	Add “repaired parts” as another activity.	Not incorporated because this activity does not correspond to the definition of remanufactured goods that was provided by the USTR.
Section 3.3	You state “do these goods typically exceed the performance...” I would state “do these goods typically <b>equal</b> or exceed the performance...” The generally accepted definition for remanufactured is very often referred to as “like new”.	Added two options for user to select: “equal the original working condition of the good,” and “exceed the original working condition of the good.”
Section 4.1	Put a “production definition” box that defines exactly what is meant by production and reiterate in that definition that the value of the core should not be included. You did this in section 4.5 for “sales definition” and other sections defining employee, FTE, capital expenditures and so on.	Reads “...produced in facilities located in the United States,” in bold type face.
Section 7.2	You might want to add “secondary or grey market vendors”. The term is commonly used in many remanufacturing sectors. In our sector we define this as vendors who participate in a market where products are bought and sold, legally, outside of the original manufacturer’s authorized channels. For example it’s possible for one secondary market vendor to sell to another secondary market vendor which in turn might sell to an end user or might even sell it back to the OEM as a core.	Not incorporated because the term is vague and may be construed to have a different meaning across a range of disparate industry sectors.
general	Regarding warranty, as I stated earlier there are cases where a product might be sold “as-is” (processed, cleaned, inspected but not repaired or tested) with no implied warranty. By this I mean that we don’t guarantee that the product will work however we will replace it with another “as-is” product if the initial one doesn’t work AND we actually have another “as-is” available to ship. This is not common however.	Comment provided without any suggested change to the questionnaire.
<b>Bill Gager, President, Automotive Parts Remanufacturers Association (APRA)</b> <b>Tel: 703-968-2772, ext. 103</b> <b>Email: <a href="mailto:gager@buyreman.com">gager@buyreman.com</a></b>		
Section 8.2	Add the impediment “Compliance with Federal-State-Local government regulations” to the list of impediments. You have something like that in section 8.3 but not in section 8.2.	Added “environmental regulations.”

## **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 first page of the questionnaire, the Commission provides recipients with an assurance of confidentiality, indicating that: “The Commission has designated as “confidential business information” the information you provide in the response to this questionnaire to the extent that such information would reveal the operations of your firm and is not otherwise available to the public. The Commission will not disclose such confidential business information unless required by law. Information received in response to this questionnaire will be aggregated with information from other questionnaire responses and will not be published in a manner that would reveal the operations of your firm.”

On page 27 of the questionnaire, the Commission states that: “Section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)) provides that the Commission may not release information which it considers to be confidential business information unless the party submitting such 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 undersigned acknowledges that information submitted in this questionnaire response and throughout this investigation may be used by the USITC, its employees, and contract personnel who are acting in the capacity of USITC employees, for the purposes or developing or maintaining the records of this investigation or related proceedings for which this information is submitted, or in internal audits and in investigations relating to the programs and operations of the USITC pursuant to 5 U.S.C. Appendix 3.” The Commission also notes that: “The USTR has asked that the Commission not include any confidential business information in the report it transmits to him.”

## **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 and not all sections will apply to all firms.

The reporting burden is estimated to be:

Number of respondents:	(No.)	7,000
Frequency of response:	(No.)	1
Annual burden per respondent:	(hours)	20
Total burden:	(hours)	140,000

These estimates are based on input from field-testing firms. Field-testers reported that completing the questionnaire, including time to gather necessary information, would take approximately 15–20 hours depending on the size and complexity of the firm. The actual burden experienced by individual firms will likely be lower because not all sections may apply to that firm. Moreover, the total burden is likely to be considerably lower because the total response rate will likely be less than 100 percent. Further, for the use of estimating total burden in this support statement and to allow for follow up contact with respondent

firms for further clarification on their questionnaire, the higher number of burden hours, 20 hours, was used.

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:

$$\text{Cost} = 140,000 \text{ hours} \times \$67.30^* \text{ per hour} = \$9,422,000$$

\*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 20 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.

### **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 \$247,320 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*	= \$228,820
Operational costs**	= <u>\$ 18,500</u>
Total cost	= \$247,320

\*The hourly figure was approximated by dividing the Commission's average salary level (\$140,000) by the number of work hours per year (2,080), which is equivalent to an average cost of \$67.30 per hour. The Commission estimates that 3,400 personnel hours will be spent on the questionnaire, which is approximately 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 firms with respect to remanufactured goods activities. The burden on firms increased because of a request from the USTR to provide a report on U.S.

remanufactured goods industries, markets, and trade. Such data are not publicly available. This is a one-time collection for such data. The USTR's 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 before January 25, 2012. The respondents are requested to respond by February 24, 2012. The report, incorporating questionnaire information, will be transmitted to the USTR on October 28, 2012.

**17. Non-display of expiration date**

Not applicable, the expiration date appears on page 1 of the Commission questionnaire.

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

Not applicable.