

SUPPORTING STATEMENT
U.S. Department of Commerce
Bureau of Industry and Security

Industrial Base Assessment: Defense Supply Chain Network
OMB Control No. 0694-0119

A. Justification

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

The Bureau of Industry and Security (BIS), Office of Technology Evaluation (OTE), in coordination with the Department of Defense (DOD), Office of Manufacturing and Industrial Base Policy (MIBP) is undertaking an industrial base assessment of the Defense Supply Chain Network. This assessment will produce a sector-by-sector, tier-by-tier (S2T2) evaluation of the defense industrial base with a specific focus on the aircraft, ground systems, missiles, missile defense, services and shipbuilding sectors. Approximately 30 different DOD weapon systems within those six sectors have been selected for study to better understand and define specific supply chains as well as any potential cross-cutting supplier dependences that may arise for two or more weapon systems.

This project is a priority for DOD Deputy Secretary Bill Lynn as current and pending budget cuts at DOD could negatively affect lower tier suppliers and the specific weapon systems they support. Results from this effort will be used to target future DOD budget requirements and identify specific programmatic adjustments that may be necessary in leaner fiscal times. When completed, MIBP and OTE will attempt to identify early warning signs of financial, workforce and other competitive problems for particular firms/products/services that could be impacted by declining defense budgets and the termination of particular weapon systems. Through this data collection, DOD and the Armed Services will be able to highlight companies that provide critical, unique and necessary capabilities for the national security community.

In addition, the completed data collection will also assist DOD in monitoring the activities of prime contractors to ensure that they are conducting successful supply chain management, which can increase innovation and reduce overall costs for weapon systems. Moreover, comprehensive information about the industry's deeper structure will assist weapon system program managers develop strategies to increase competition where necessary and expand opportunities for leading-edge companies in the lower tiers.

Assisting OTE in this survey and assessment are representatives from a variety of agencies, including the Departments of Army, Navy, Air Force, Missile Defense Agency, Intelligence Community and Defense Logistics Agency. A number of private companies are also providing input regarding the supply chain, including Boeing, Lockheed Martin, Northrop Grumman as well as a mix of small and medium size firms.

OTE has authority under Section 705 of the Defense Production Act of 1950, as amended and Executive Order 12656, to conduct assessments and collect information from industry in support of the U.S. defense industrial base. These assessments are normally undertaken in partnership with Department of Defense or with other federal agencies. They usually focus on industrial, financial and economic issues affecting key industrial sectors or critical technologies.

The survey questionnaire, which covers the period 2008 to 2011, is the primary source of information needed for a defense industrial base assessment of this type.

The information gained from the survey will be used to: 1- quantify and assess the research & development, technological and production capabilities of firms that participate in the defense supply chain network for the 30 weapon systems selected; 2- determine financial health, capital investment, workforce levels & challenges, sales levels including exports; understand respondent supply chain relationships; gather information on non-U.S. suppliers/competitors and obsolete components in the defense supply chain, especially at the lower tiers; 3- identify trends and develop findings regarding the defense supply chain network; and 4- provide government representatives with a comprehensive picture of the defense supply chain as a benchmark to plan for potential budget, market and technological challenges which could negatively affect U.S. military capabilities and readiness.

OTE is the focal point for industrial base and critical technology analyses among civilian Federal agencies by virtue of the above mentioned statute and executive order, which includes mandatory data collection authority to carry out these responsibilities. OTE has conducted approximately 45 assessments of this nature in the past 20 years under various related defense industrial base programs. Assessments generally review in detail those industries experiencing employment, international competition, financial, production, investment, foreign sourcing and dependencies and other difficulties which may affect their ability to support the industrial base, including defense and national security programs. The survey instrument is designed to collect information that facilitates this kind of in-depth analysis.

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.

OTE intends to survey approximately 5,000 companies representing approximately 30 different DOD weapon systems from various segments of the aircraft, ground systems, missiles, missile defense, services and shipbuilding sectors. The survey is a one-time only request. Quantitative data obtained from the survey will be compiled into an aggregate database for analysis and eventual publication. This data is needed to assess trends in production and technological developments, sales and exports of dual-use and defense products, international competition, foreign sourcing and dependencies and other factors. Qualitative questions are used in some limited cases to complement the statistical data. Using the aggregated survey data, the overall goal is to enable the private sector and government agencies to monitor trends, benchmark industry and government performance, and raise awareness of the implications of potential challenges to the overall U.S. defense industrial base supply chain network.

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.

To lessen the burden on respondents, OTE is encouraging the firms to provide electronic responses. Each respondent will receive a personalized letter which outlines the requirements of the study and the scope of information required. The letter will also contain directions to the BIS website where the respondent can gain access to the Excel survey application. This approach was used successfully for the 2010 NASA Supply Chain, 2010 Healthcare Infrastructure and 2011 Telecommunications Industry surveys. All three surveys were reviewed and approved by OMB.

The statistical information requested in the survey tracks closely with categories and groups commonly used in the industry and verified by field-testing the OTE survey. Almost all firms will have the information computerized and will be able to retrieve it in the form requested on the survey. Other limited questions will require thought and perhaps discussion among several individuals for proper responses. These questions do not lend themselves to standardized computer automation. However, the questions only require brief responses in the text boxes provided.

4. Describe efforts to identify duplication.

The information sought in the survey is unique and not available from any other source, either public or private. Some of the basic corporate background data requested is submitted by firms in a statistical sample to the U.S. Census Bureau. However, the Census Bureau is precluded by law from releasing information on specific companies.

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

While the majority of DOD direct suppliers are medium and large size firms, this survey will be distributed to a number of small businesses. The electronic survey instrument was designed to minimize the burden on all respondents. If for any reason the respondent cannot complete the survey in Excel, OTE will work with the respondent on an alternate form of submission. However, due to the world class status of the U.S. defense industrial base, we are expecting almost all firms to respond electronically.

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

In the case of this industrial base assessment of the defense supply chain network a survey is the only method available for OTE to carry out its responsibilities under the Defense Production Act of 1950, as amended, and Executive Order 12656. Without the information gathered from the survey, OTE

could not: 1- quantify and assess the research & development, technological and production capabilities of firms that participate in the defense supply chain network for the 30 weapon systems selected; 2- determine financial health, capital investment, workforce levels, sales levels including exports; understand respondent customers and supply chain relationships; gather information on non-U.S. suppliers/competitors and obsolete components in the defense supply chain especially at the lower tiers; 3- identify trends and develop findings regarding the defense supply chain network; and 4- provide government representatives with a comprehensive picture of the defense supply chain as a benchmark to better prepare and plan for potential budget, market and technological challenges which could negatively affect U.S. military capabilities and readiness.

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

There are no special circumstances that will result in the collection of information in a manner inconsistent with the guidelines of 5 CFR 1320.6. Survey responses will contain business confidential information, which will be protected by the U.S. Department of Commerce, Bureau of Industry and Security.

8. Provide information 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.

The Federal Register notice is not applicable to this collection because it falls within the scope of the BIS generic authority entitled, “National Security and Critical Technology Assessments of the U.S. Industrial Base,” approved under OMB Control No. 0694-0119. This authority is renewed every three years (last renewed in 2010) to support on-going BIS defense industrial base assessment needs.

OTE staff developed the survey in consultation with industry and government experts over a period of several months. The following is a list of those individuals who provided input and advice:

Government

Eugene Gholz, Department of Defense – 571-256-2974
Sydney Pope, Department of Defense – 703-601-5007
Phillip Behrman, U.S. Navy – 301-757-5917
Deborah Peeler, U.S. Air Force – 571-256-0408
Dawana Harris-Bey, Defense Logistics Agency – 571-256-2976

Industry

Glenn Weissinger, Lockheed Martin – 817-777-3725

Denise Scanlan, Formtek – 925-459-0483

Bill Schuster, GeoEye – 703-480-9584

Dana Hullinger, Boeing – 314-233-9779

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

This survey will not involve any payment or gifts to respondents.

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

The survey and its cover letter provide assurances to the respondents that the information collected through the survey will be deemed *business confidential* and will be treated in accordance with Section 705 of the Defense Production Act of 1950, as amended (50 U.S.C.A. app. Section 2061 et. seq.). This section prohibits the publication or disclosure of such information unless the President determines that its withholding is contrary to the national defense. The survey will be administered and the data collected via a secure Internet server. Information submitted will not be shared with any non-government entity, other than in aggregate form, and the U.S. Department of Commerce will protect the confidentiality of such information pursuant to the appropriate exemptions from disclosure under the Freedom of Information Act (FOIA), should it be the subject of a FOIA request. OTE has a long and successful track record of protecting business confidential information collected under the above statute.

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.

This survey will not collect information that could be construed as being of a sensitive nature, such as information concerning sexual behavior and attitudes, religious beliefs, and other matters that are commonly considered sensitive or private.

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

OTE estimates that the total burden placed on the respondents by this Industrial Base Assessment: Defense Supply Network survey effort will be approximately 70,000 hours. This is based on distributing surveys to approximately 5,000 respondents with an average time of 14 hours needed to complete the survey.

This burden estimate is subject to variations among individual respondents because of differences in product/service participation, record keeping, organization size, location in supply chain and other variables. The estimate is based on the past experience of OTE, as well as feedback from companies and organizations that have completed our surveys. OTE has conducted surveys of various industries, including imaging and sensors, NASA supply chain network, U.S. space industry, counterfeit electronics, 5-axis machine tools, microelectronics, encryption products and others.

The estimated total cost to respondents of this information collection is \$2,450,000. This estimate was calculated by assuming a respondent average work rate of \$35 per hour multiplied by the total burden hours of 70,000.

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 Question 12 above).

Not Applicable.

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

The estimated cost to the Federal government for the survey is \$263,044. A major portion of this cost is related to the survey questionnaire, which includes preparation, collecting, verifying and tabulating the information, and analyzing the data. Other costs will be incurred in summarizing the analysis and findings, preparing the final report, and report printing and distribution. The direct employee costs were estimated by assuming the hours spent on the project as about three-quarter's year equivalent, or 39 weeks and taking three-quarters the annual pay of one GS-15, step 10 and one GS-14, step 10. The direct employee cost is \$219,203.

Indirect or overhead costs associated with the project are calculated as 20 percent of the direct employee cost, or \$43,841. A review of OTE budgets from previous years indicates costs for building maintenance, telephone, computers, and space rental charges generally run about 20 percent of total employee costs.

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

Because the nature of this collection of information falls within BIS's generic authority entitled, "DOC/BIS National Security and Critical Technology Assessments of the U.S. Industrial Base," (OMB Control No. 0694-0119), there is no increase in burden hours. This is the third time BIS has used this authority in FY2011 (a total of 149,000 authorized hours remaining). An unused balance to the authority of 79,000 annual burden hours (149,000 minus 70,000) will remain if the assessment is approved under this authority.

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

All data collected will be aggregated before publishing to protect company confidentiality. The surveys will be provided electronically to the 5,000 companies in late June 2011. The analysis and report writing will be started in October 2011, a draft report prepared by the end of December 2011. The final report is planned for publication in February 2012.

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.

Not applicable. BIS will display the expiration date of this information collection authority on all survey and instructional instruments the public receives.

18. Explain each exception to the certification statement.

Not applicable.

B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

Not applicable.