

## Supporting Statement

### Annual Capital Expenditures Survey (ACES) Forms ACE-1(S), ACE-1(M), ACE-1(L), and ACE-2

#### A. Justification

##### 1. Necessity of the Information Collection

A major concern of economic policymakers is the adequacy of investment in plant and equipment. Data on the amount of business expenditures for new plant and equipment and measures of the stock of existing facilities are critical to evaluating productivity growth, the ability of U.S. business to compete with foreign business, changes in industrial capacity, and overall economic performance. The ACES survey is the sole source of detailed comprehensive statistics on investment in buildings and other structures, machinery, and equipment by private nonfarm businesses in the United States.

Data users tell us that they need comprehensive and consistent data on investment by all private nonfarm businesses, by industry, by kind of investment, *i.e.*, whether in new or used structures or equipment. The objectives of the ACES survey are:

- (a) to provide estimates of capital expenditures for all private nonfarm sectors of the economy by 3-digit and selected 4-digit North American Industry Classification System (NAICS) levels;
- (b) to base the survey on a probability sample that yields measures of the statistical reliability of the survey estimates;
- (c) to develop a base survey to benchmark more frequent surveys on capital expenditures that do not have complete industry coverage;
- (d) to produce annual enterprise-level data with the level of detail, coverage, and quality which previously was only available as part of the quinquennial economic census;
- (e) to provide detail on capital expenditures for estimating the national income and product accounts, estimating the productivity of U.S. industries, evaluating fiscal and monetary policy, and conducting research using capital expenditures data; and

(f) to provide industry analysts with capital expenditures data for market analysis, economic forecasting, product development, and business planning.

The Census Bureau conducts this survey under the authority of Title 13 of the United States Code, Sections 182, 224, and 225.

This request is for a continuation of a currently approved collection and will cover the 2010 through 2012 ACES (conducted in fiscal years 2011 through 2013). Changes from the previous ACES authorization are the elimination of detailed capital expenditures by type of structure and type of equipment. These data, collected every five years, were collected in the 2008 ACES and will not be collected again until the 2013 ACES.

We will collect and publish data based on the 2007 NAICS. Industries in the survey will comprise 3-digit and 4-digit 2007 NAICS codes.

The Census Bureau will primarily use mail out/mail back survey forms to collect data. Companies can respond via Centurion (The Bureau's online reporting system), by mail, or by using our toll-free number to reply via secure facsimile machine. Employer companies will be mailed one of three forms based on the diversity of their operations, i.e., the number of industries in which they have payroll. All employer forms will have the 3-digit or selected 4-digit NAICS industries imprinted on the form to minimize the need for industry self coding.

Companies that operate in only one industry will receive an ACE-1(S) form. These companies will not be asked to report capital expenditures by industry, thus eliminating the need for industry self coding. Companies that operate in more than one but less than nine industries will receive an ACE-1(M) form. Companies that operate in nine or more industries will receive an ACE-1 (L) form.

All ACE-1 forms request sales and receipts information to calculate industry investment to sales ratios and to assist in verifying that consolidated company data are being reported. Asset and depreciation information, also collected, assists in measuring changes in the Nation's capital stock estimates.

Capital expenditures data are also collected annually from a sample of non-employer businesses using Form ACE-2. This collection is intended to better represent the total capital expenditures activity of all firms.

The survey Forms ACE-1(S), ACE-1(M), ACE-1(L), ACE-2 and accompanying instructions were developed through consultation described in Section 8, Consultation Outside the Agency.

## 2. Needs and Uses

The ACES is an integral part of the Federal Government's effort to improve the quality and usefulness of National economic statistics. Federal agencies, including the Census Bureau, use these data to improve and supplement ongoing statistical programs:

The Census Bureau uses the data to improve the quality of monthly economic indicators of investment. The Bureau's Value of New Construction Put in Place survey currently uses the ACES data to benchmark its industrial buildings data. The Bureau of Economic Analysis (BEA) uses the data in refining and evaluating annual estimates of investment in structures and equipment in the national income and product accounts, compiling annual input-output tables, and computing gross domestic product by industry. The Federal Reserve Board uses the data to improve estimates of investment indicators for monetary policy. The Bureau of Labor Statistics uses the data to improve estimates of capital stocks for productivity analysis.

In addition, industry analysts use the data for market analysis, economic forecasting, product development, and business planning.

Ensuring information quality is an integral part of the pre-dissemination review of information disseminated by the Census Bureau (fully described in the Census Bureau's Information Quality Guidelines). Information quality is also integral to information collections conducted by the Census Bureau, and is incorporated into the clearance process required by the Paperwork Reduction Act.

## 3. Use of Information Technology

Beginning with the 2006 ACES, electronic reporting was offered to all respondents using an encrypted Internet Data Collection System (Census Taker, now Centurion) as a substitute for the paper form mailed to all companies. Based on the 2008 results, we estimate that overall 36 percent or more of the responses (50 percent of employer businesses and 13 percent of non-employer businesses) on the 2010 and later ACES will be collected electronically.

## 4. Efforts to Identify Duplication

The ACES is the only survey that provides annual capital investment data on a consistent basis for all private nonfarm businesses in the United States, by the investing industries, and by new and used structures and equipment. During 1995 and 1996, Census assembled a team of its survey managers to review several Bureau programs that collect investment data and proposed to eliminate all but essential duplication of capital expenditures data on its surveys. This effort revealed that although the collection of selected components of investment data occurred on various Census surveys, none of these surveys aimed at creating

combined comprehensive investment statistics. Most of the programs reviewed serve multiple purposes of which investment data are only a part. The surveys are also conducted at different frequencies; the reporting units vary from enterprise to establishment; and the amount of detail is limited.

In the Annual Survey of Manufactures (ASM), for example, aggregated annual capital expenditures data were available on an establishment basis for manufacturing industries. However, the survey excluded all but essential control totals at the 6-digit NAICS level.

There are no capital expenditures questions on the annual surveys covering the wholesale, retail, and services sectors, which are generally conducted at the Employer Identification Number (EIN) level. To add such questions to all these surveys would be extremely burdensome to respondents. Also, large companies often make decisions about investment not at the establishment or EIN level but at the corporate level.

The 2002 Census of Manufactures and Mineral Industries programs, which are part of the 5-year economic census, also did not collect detailed data on capital expenditures. Only essential control totals for the 6-digit NAICS level were retained.

No capital expenditures questions are included in the Census programs covering the wholesale, retail, and services sectors, with the exception of the information sector. Selected industries in the information sector collect data on capital expenditures for new construction, including renovation because these data are considered essential to that program.

The 2002 Business Expenditures Survey, which is also part of the 5-year economic census, eliminated all data requests for capital expenditures.

To identify other available sources of data, we have also reviewed requirements for reporting to the Securities and Exchange Commission and regulatory requirements for utilities companies. While these sources require data on capital expenditures, they do not provide comprehensive and consistent data, nor are the data presented in the detail provided by the ACES survey.

5. Minimizing Burden

To minimize reporting burden on small businesses, we limit the sample size to the smallest size necessary to provide statistically reliable estimates. We also select a new sample each year to reduce the likelihood of a business being asked to respond to the survey more than once in a 5-year period. Our sampling methodology minimizes the probability of selection for any individual small or mid-sized business. (See Sections B.1 and B.2.a. for additional detail)

6. Consequences of Less Frequent Collection

ACES data are collected annually. Collecting the data less frequently would seriously impair their usefulness as a trend estimator of investment and as a benchmark for the national income and product accounts and estimates of capital stocks. Data on investment by types of structures and types of equipment are collected once in a 5-year period, with the next collection planned for the 2013 survey.

7. Special Circumstances

There are no special circumstances.

8. Consultations Outside the Agency

During development of the ACES survey, the Census Bureau conducted extensive pre-testing, a response analysis survey, and a comprehensive program evaluation. In addition, we maintain ongoing consultations with data users and respondents. Based on these consultations, we modified the survey's information collection instruments and dropped our plan for the annual collection of detailed data on types of structures and equipment.

We have periodic discussions about the content and nature of the ACES with data users at the BEA, the FRB, the BLS, and the Department of the Treasury. Based on these discussions, in particular with the BEA, we issued the "Technical Note on New Capital Expenditures Survey" to accompany the 1993 survey publication. In addition, we clarified the information collection instruments to minimize any ambiguity in our data collection. Since the issuance of the technical note, we continually review data discrepancies between the BEA's estimate of nonresidential fixed investment and the Census Bureau's estimate of new structures and equipment from the ACES. When appropriate, we modify the ACES collection instruments to minimize these discrepancies.

The Census Bureau consults periodically with the following Federal Government data users:

Bureau of Economic Analysis

Dennis Fixler (202) 606-9607  
Chief Statistician

Brent Moulton (202) 606-9606  
Associate Director for National Economic Accounts

Brian Moyer (202) 606-9612  
Associate Director for Industry Accounts

Nicole Mayerhauser (202) 606-9742  
Chief, Current Industry Analysis Division

Carol Moylan (202) 606-9711  
Chief, National Income and Wealth Division

Robert Kornfeld (202) 606-9285  
Deputy Chief,  
National Income and Wealth Division

Jennifer Ribarsky (202) 606-9743  
Chief, Capital Stock Branch  
National Income and Wealth Division

David Wasshausen (202) 606-9752  
Economist, Capital Stock Branch  
National Income and Wealth Division

Michael Glenn (202) 606-9718  
Economist, Capital Stock Branch  
National Income and Wealth Division

Kevin Muck (202) 606-9963  
Chief, Goods Branch  
Industry Benchmark Division

Federal Reserve Board

John Stevens (202) 452-2206  
Chief, Industrial Output Section

Division of Research Statistics

Norman Morin (202) 452-2476  
Economist, Industrial Output Section  
Division of Research Statistics

Jessica Stahl (202) 452-6452  
Economist, Industrial Output Section  
Division of Research and Statistics

Bureau of Labor Statistics

Michael Harper (202) 691-5600  
Associate Commissioner for Productivity and Technology

Department of the Treasury

Mike McDonald (202) 622-1785  
Financial Economist  
Office of Tax Analysis

Centers for Medicare and Medicaid Services

Jean Stiller (410) 786-0708  
Economist

Information received from any outside individuals or entities was received on an informal basis and not designed to provide a group consensus.

The 2010 ACES presubmission notice was published in the Federal Register on August 26, 2010 (Volume 75, Number 165) Page 52507-52508, inviting public comments on our plans to submit this request. The presubmission notice closed October 26, 2010. We received comments from the BEA (see attachment D) supporting the continued collection of the ACES because the data are crucial to key components of BEA's economic statistics. One additional comment was received regarding the frequency of data collection.

9. Paying Respondents

We do not pay respondents or provide them gifts.

10. Assurance of Confidentiality

The report form for this information collection will provide respondents with the following assurance of confidentiality:

YOUR RESPONSE IS REQUIRED BY LAW. Title 13, United States Code requires businesses and other organizations that receive this questionnaire to answer the questions and return the report to the U.S. Census Bureau. By the same law, YOUR REPORT IS CONFIDENTIAL. It may be seen only by persons sworn to uphold the confidentiality of Census Bureau information and may be used only for statistical purposes. Further, copies retained in respondents' files are immune from legal process.

Similar guarantees will be included in the cover letter that accompanies the report form. The statutory basis for these assurances of confidentiality is Title 13, USC, Section 9. All activities relating to the collection and dissemination of these data satisfy requirements of this law.

11. Justification for Sensitive Questions

No sensitive questions are asked.

12. Estimate of Hour Burden

The estimate of total respondent burden hours for the 2010 through the 2012 ACES (conducted in fiscal years 2011 through 2013) is 153,300 hours per year. This estimate was derived as follows:

	Survey forms	Hours per response	Burden hours
FY 2011 - 2013:	26,900 Form ACE-1(S)	2.0 <sup>1</sup>	53,800
	19,700 Form ACE-1(M)	3.0 <sup>1</sup>	59,100
	650 Form ACE-1(L)	16.0 <sup>1</sup>	10,400
	30,000 Form ACE-2	1.0	30,000
Fiscal year total:			153,300 hours
Average for 47,250 ACE-1 responses:			2.61 hours
Average for 30,000 ACE-2 responses:			1.0 hours
Average for all 77,250 responses:			1.98 hours

<sup>1</sup> The difference in hours per response is due to the expected number of industry categories reported by companies. Highly diversified companies will report a greater number of industries.



These burden hour estimates are based on estimates of the average time required to complete the survey as reported in the response analysis survey conducted during the pre-testing of the ACES, on conversations and correspondence with respondents, and on estimates of time required to complete similar surveys conducted by the Census Bureau. We adjust our estimates to account for the modification of data items collected.

A total of about 47,250 companies will receive Form ACE-1. About 650 of the companies that receive Form ACE-1(L) are highly diversified. We expect them to report expenditures for 9 or more industry categories. Approximately 19,700 companies receiving Form ACE-1(M) are engaged in fewer industries. We expect these companies to report expenditures for 1 to 8 industry categories. The remaining 26,900 companies will receive form ACE-1(S) and generally will be active in one industry. A total of about 30,000 non-employer companies will receive Form ACE-2. No industry level data are requested from these companies.

The total cost to all respondents is estimated to be \$4.4 million annually based on the median hourly wage of \$29.01 for accountants and auditors multiplied by the annual burden hours (153,300).

13. Estimate of Cost Burden

We do not expect respondents to incur any costs other than that of their time to respond. The information requested is of the type and scope normally carried in company records at variable levels of detail and no special hardware or accounting software or system is necessary to provide answers to the survey questions. Therefore, respondents are not expected to incur any start-up costs or system maintenance costs in responding. Further, purchasing of outside accounting or information collection services, if performed by the respondent, is part of usual and customary business practices and not specifically required for this information collection.

14. Cost to Federal Government

We estimate the total cost to the government of the survey to be \$5.2 million per fiscal year 2011, 2012, and 2013, all borne by the Census Bureau. The Business Investment Branch of the Company Statistics Division has planned and allocated resources for the effective and efficient management of this information collection.

15. Reason for Change in Burden

We estimate an additional 5,400 burden hours will be needed. The increase is due to a rise in the number of employer companies serving multiple industries in the universe and sample, resulting in an increase in the number of companies receiving the ACE-1(M) and ACE-1(L) survey forms, with longer completion times.

16. Project Schedule

The survey to collect 2010 data will begin in March 2011. Data collection for 2010 will occur from March 2011 through September 2011. Data will be processed using Census Bureau computer equipment. Census Bureau analysts will review the survey returns and the tabulated data for reasonableness. We estimate that the review process will continue through October 2011. The data will be released in early 2012.

17. Request to Not Display Expiration Date

The assigned expiration date will be displayed on all report forms used in the information collection.

18. Exceptions to the Certification

There are no exceptions to the certification.

19. NAICS Codes Affected

The survey covers all private nonfarm businesses within the following NAICS sectors:

<u>Title</u>	<u>NAICS Sectors</u>
Forestry, Logging, Fishing, Hunting, Trapping, and Agricultural Support Activities	113-115
Mining, Quarrying, and Oil and Gas Extraction	21
Utilities	22
Construction	23
Manufacturing	31-33
Wholesale Trade	42
Retail Trade	44-45
Transportation and Warehousing (except Postal Service)	48, 492,493
Information	51
Finance and Insurance	52
Real Estate and Rental and Leasing	53
Professional, Scientific, and Technical Services	54
Management of Companies and Enterprises	55
Administrative and Support and Waste Management and Remediation Services	56
Educational Services	61
Health Care and Social Assistance	62
Arts, Entertainment, and Recreation	71
Accommodation and Food Services	72
Other Services (except Private Households and Public Administration)	811-813

Companies receiving Form ACE-1 are asked to report information for industry categories at the 3-digit and selected 4-digit NAICS levels. The industry categories for each company are computer-imprinted on the form. We ask each company to review the industries and correct them if necessary using the list of industry categories that appears in the instruction manual.