

SUPPORTING STATEMENT for the BE-15 Annual Survey
Of Foreign Direct Investment in the United States
OMB Control No. 0608-0034

A. Justification

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

The BE-15 Annual Survey of Foreign Direct Investment in the United States is necessary to obtain accurate and up-to-date data on certain aspects of the operations of U.S. affiliates of foreign companies, such as balance sheets, income statements, employment, and trade that are needed in assessing the impact of direct investment on the U.S. economy. The survey is mandatory and is conducted under 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(a) of the Act requires that the President shall, to the extent he deems necessary and feasible, conduct a regular data collection program to secure current information on international capital flows and other information related to international investment and trade in services, including (but not limited to) such information as may be necessary for computing and analyzing the United States balance of payments, the employment and taxes of United States parents and affiliates’, and the international investment and trade in services position of the United States.

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 re-delegated it to the Bureau of Economic Analysis (BEA). The implementing regulations for the direct investment surveys conducted under the Act may be found in 15 CFR Part 801.

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 annual survey provides a variety of measures of the overall operations of U.S. affiliates of foreign parents, including total assets, sales, net income, property, plant and equipment, employment and employee compensation, merchandise trade, sales of goods and services, taxes, and research and development activity. The BE-15 is a sample survey that covers selected U.S. affiliates of foreign parents. The sample data are used to derive universe estimates in nonbenchmark years by extrapolating forward similar data reported in the BE-12, Benchmark Survey of Foreign Direct Investment in the United States, which is taken every five years. The data are disaggregated by industry of the U.S. affiliate, by country of foreign parent or ultimate beneficial owner, and for employment data, by state. The data from the BE-15 annual survey complement data from the other surveys of foreign direct investment in the United States: the BE-12 benchmark survey and the BE-605 quarterly survey. Some specific uses of the data to be collected in the BE-15 survey are discussed in greater detail below.

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

BEA uses BE-15 annual 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 estimate U.S.-affiliate shares of the U.S. economy, both in the aggregate and by industry.

(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 (BITs) 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 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:

The data are used by state governments in assessing the impact of foreign direct investment on individual states and in developing state programs to attract foreign direct investment.

Data on research and development (R&D) expenditures are being linked with R&D data from the Census Bureau and the National Science Foundation 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 use data from the BE-15 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 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 are of high 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, OMB, and the Bureau of Economic Analysis.

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-15 annual 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. BEA has offered electronic filing to respondents when conducting recent annual surveys; about half of the respondents take advantage of electronic filing.

Beginning with the data year 2013, BEA will make the annual survey available early in the calendar year that it covers – by April 2013 for the 2013 survey. BEA will mail a letter to respondents announcing the availability of the survey in eFile. In this way, respondents will be able to prepare for the survey much earlier in the year, and companies with a fiscal year ending early in the calendar year will be able to file closer to their fiscal year end. The letter will be mailed in four waves throughout 2013 according to when a U.S. affiliate's fiscal year ends.

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

The data from the annual surveys are published and analyzed in BEA's monthly journal, the *Survey of Current Business*. All of the data tabulated from the BE-15 survey that are released to the public and analyses of the data, published in the *Survey*, are made available 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-15 survey are on a domestic (U.S.) consolidated basis so that they cover only U.S. companies' 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 intracompany 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.

Some minor duplication may occur between the data reported once a year in BEA's quarterly BE-605 survey and the BE-15 annual survey, for such items as the foreign parent's direct equity in the U.S. affiliate's annual net income (loss) and the foreign parent's equity interest in the U.S. affiliate. However, data collected in the BE-15 survey reflect the interests of all owners of the affiliate, whereas data collected in the BE-605 survey cover only the foreign parent's share of the given item. The only case in which duplication of the annual data reported in the BE-15 and BE-605 may occur is when the U.S. affiliate is wholly owned by a single foreign parent. These data are used to check for consistency between the two surveys, and could not be eliminated without compromising the integrated structure of the form.

A few data items on the BE-15 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-15. The focus of the BE-15 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-15 are outside the scope of the regulatory reports. For example, the BE-15 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-15 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-15 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 needed to determine 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.

Few small U.S. business enterprises are subject to the reporting requirements of this survey. The smallest U.S. affiliates--those with total assets, sales or gross operating revenues, and net income of \$40 million or less (positive or negative)--are specifically exempted from the survey. If such entities receive a form, they need only file a BE-15 Claim for Exemption to indicate that they do not meet the requirements for filing Form BE-15A, BE-15B, or BE-15C.

U.S. affiliates with total assets, sales or gross operating revenues, and net income between \$40 million and \$120 million (positive or negative) will file Form BE-15C, the least burdensome of the BE-15 forms. In addition, BEA may select some companies in this size range to be exempt from filing the BE-15 for a given year, further reducing burden on these respondents. In years when these companies are not required to file, BEA will send a letter indicating that they are not required to file for that year and asking them to verify their contact information.

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

The objectives stated in A.2. above could not be accomplished if the collection were conducted less frequently. Measures of the operations of foreign-owned U.S. companies on an annual basis are essential to understanding the impact of foreign direct investment on the U.S. economy over time. There can be wide swings in the operations caused by changes in foreign ownership, new entrants to the universe, mergers and acquisitions, divestitures, and other economic phenomena. Monitoring these changes, assessing their impact, and formulating the appropriate government response would not be possible if data were collected less frequently. Data collected at 5-year intervals, such as benchmark surveys, are not sufficient for these 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-15 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.

The public notice soliciting comments on the information collection prior to its submission to OMB appeared on page 58979 (Vol. 77, No. 186) of the September 25, 2012, issue of the Federal Register. BEA received no comments.

BEA maintains a continuing dialogue with survey respondents and 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. BEA last conducted consultations with a broad group of Government and non-Government data users during the design of the 2012 BE-12 benchmark survey.

In reaching decisions on what questions to include in the survey, BEA considered the Government's need for the data and resources for processing the data, the burden imposed on respondents, the quality of the likely responses (e.g., whether the data are readily available on respondents' books), and BEA's experience in previous annual and related benchmark surveys.

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.”

Section 5(c) of the Act (22 U.S.C. 3104) provides that the information collected 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 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.

The BE-15 survey as proposed is expected to result in the filing of approximately 4,000 reports. About 1,700 U.S. affiliates are expected to file on Form BE-15A; 1,100 on Form BE-15B; and 700 on Form BE-15C. An additional 500 U.S. affiliates are expected to file on the BE-15 Claim for Exemption from filing on Form BE-15A, BE-15B, and BE-15C. The following criteria are applied to determine which form a respondent must file:

Form BE-15A—Report for majority-owned U.S. affiliate with total assets, sales or gross operating revenues, or net income greater than \$300 million (positive or negative).

Form BE-15B—Report for a) majority-owned U.S. affiliate with total assets, sales or gross operating revenues, or net income greater than \$120 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 \$120 million (positive or negative). BEA may select some companies in this size range to file the shorter Form BE-15C rather than Form BE-15B for a given year.

Form BE-15C—Report for U.S. affiliates with total assets, sales or gross operating revenues, or net income greater than \$40 million (positive or negative) but not greater than \$120 million (positive or negative). BEA may select some companies in this size range to be exempt from filing the BE-15 for a given year. For the years in which a Form BE-15C is not required to be filed, BEA will send a letter to the U.S. affiliate indicating that it is not required to file for that year and requesting verification of its address and other related identification information.

BE-15 Claim for Exemption from filing Form BE-15A, Form BE-15B, or Form BE-15C.

For purposes of calculating the number of respondents and burden per respondent, the “respondent” is deemed to be the U.S. affiliate of a foreign parent. The average response time, including affiliates filing the BE-15 Claim for Exemption, is estimated at 19.5 hours, producing an estimated respondent burden of 77,825 hours for the survey. Respondent burden on the 2011 BE-15 survey was estimated to be 68,750 hours. Respondent burden is estimated based on the estimated burden in the last BE-15 annual survey and other BEA surveys, feedback from respondents, growth in the number of U.S. entities that meet or exceed the reporting thresholds on the BE-15 annual survey and, to a small extent, on 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 as little as 20 minutes for a company reporting on the BE-15 Claim for Exemption to as much as 470 hours for a large and complex company that reports on Form BE-15A.

BEA estimates that the burden on Form BE-15A will range from 3½ hours for a U.S. affiliate with no consolidated subsidiaries and activities in a few states to 470 hours for a U.S. affiliate with 10 or more subsidiaries included in the full consolidation and with activities in several states. The average burden for the BE-15A is estimated at 42½ hours. The total burden for the 1,700 BE-15A forms that BEA expects to be filed is estimated at 72,250 hours.

BEA estimates that the burden on Form BE-15B will range from 75 minutes for a smaller U.S. affiliate filing only a limited number of data items to 9 hours for a U.S. affiliate having several subsidiaries included in the full consolidation, and with activities in several states. The average burden is estimated at 3½ hours. The total burden for the 1,100 BE-15B forms that BEA expects to be filed is estimated at 3,850 hours.

BEA estimates that the burden on Form BE-15C will range from 1 hour to 3½ hours, with an average burden of 1¾ hours. The total burden for the 700 BE-15C forms that BEA expects to be filed is estimated at 1,225 hours.

Respondents that receive a Form BE-15A, BE-15B, or BE-15C but are exempt from filing are required to file a BE-15 Claim for Exemption. BEA estimates that the burden on the Claim for Exemption will range from 20 minutes to 75 minutes, with an average burden of 1 hour. Approximately 500 U.S. affiliates are expected to file on the Claim for Exemption, producing an estimated total burden of 500 hours.

The 72,250 burden hours for Form BE-15A, the 3,850 hours for Form BE-15B, the 1,225 hours for Form BE-15C, and the 500 hours for the BE-15 Claim for Exemption give a total burden estimate of 77,825 hours. The estimated respondent burden currently shown in the RISC/OIRA Consolidated Information System (ROCIS) is 68,750 hours. The increase in the estimated respondent burden is due almost entirely to an increase in the number of U.S. entities that meet or exceed the reporting thresholds on the BE-15 annual survey. This was partially offset by program changes that together were responsible for a decrease in burden. The change in the reporting threshold for Form BE-15A from \$275 million to \$300 million reduced burden because companies that have between \$275 million and \$300 million of assets, sales, or net income (loss) will file the shorter Form BE-15B instead of Form BE-15A. This decrease was slightly offset by a small increase in burden due to the addition of questions to Form BE-15C. The estimated annual cost to respondents is \$3,113,000, based on the estimated reporting burden of 77,825 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 77,825 hours (see A.12 above), the total additional annual cost burden 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 \$2,500,000, which consists of \$1,500,000 for salaries and related overhead, and \$1,000,000 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 revision of a currently approved collection. The estimated respondent burden for this collection is estimated to be 77,825 hours; the estimated respondent burden for the previous (2011) survey is 68,750 as currently shown in the inventory maintained by OMB. The increase in the estimated respondent burden of 9,075 hours (77,825 hours - 68,750 hours) is due almost entirely to an increase in the number of U.S. entities that meet or exceed the reporting thresholds on the BE-15 annual survey.

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

Advance summary estimates of employment, capital expenditures, and sales will be released 16 months after end of the year that the estimates cover. This allows time for companies to complete and submit the survey and for BEA to review and validate the survey data and to tabulate the results. Preliminary data will be posted on BEA's web site (www.bea.gov) and in an article in the *Survey of Current Business* 4-6 months later. Final data will be published about a year after the preliminary data.

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-15 information collection is consistent with the certification in all aspects.