

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

**Defense Industrial Base Assessment: Diminishing Manufacturing Sources  
and Material Shortages – Cost Resolution Values  
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 U.S. Department of Defense, Defense Standardization Program Office (DSPO) is undertaking a defense industrial base survey in support of a Diminishing Manufacturing Sources and Material Shortages (DMSMS) Cost Resolution Values assessment. The principal purpose of this data collection and assessment is to define and break down the costs to implement DMSMS solutions in sufficient detail to allow DSPO to generate a comprehensive, standardized inventory of cost solutions for the core warfighting tools supported by the DMSMS Cost Factors Team.

DSPO is concerned about military budget cuts and the aging equipment the Armed Services will be required to maintain and utilize in combat situations. The older the defense equipment in Service inventory, the more likely DMSMS challenges will persist and the more costly they will be to overcome. Currently, OTE and DSPO are collaborating to both validate the DMSMS solution categories being used and benchmark cost resolutions for 10 different solution categories. Survey respondents will provide the data needed so the DMSMS Guidebook, SD-22, can be updated to meet the cost avoidance and should-cost reporting needs of industry/government program managers and DMSMS Management Teams throughout the Defense Department. OTE was a partner in the previous 2008 Cost Resolution Values Study. DMSMS issues result from the loss, or impending loss, of manufacturers or suppliers of items, raw materials or software. DMSMS resolutions are selected based on the most cost effective mitigation approach before there is any military readiness or operational impacts. The Defense Department has defined standardized solutions to allow DMSMS practitioners to use a common language when discussing related issues. Properly capturing the associated costs to implement those solutions will allow accurate cost estimates for future DMSMS mitigation projects.

The OTE survey is designed to provide information on U.S. Government facilities and defense prime contractors in the U.S. infrastructure which are responsible for DMSMS mitigation. Information collected will allow DSPO to: estimate solution costs for emerging DMSMS issues; develop budgets and Program Objective Memorandum (POM) budget information for resolving DMSMS issues in the future; provide a basis for evaluating quotes for resolving DMSMS issues;

and allow defense programs to provide accurate estimates of DMSMS cost avoidance. When completed, OTE will highlight DMSMS Cost Resolution metrics for organizations that are responsible for maintaining, refurbishing and overhauling defense systems. The requested solutions data will be broken down into 10 main categories: Approved Part; Life of Need Buy; Repair, Refurbishment or Reclamation; Extension of Production or Support; Simple Substitute; Complex Substitute; Development of a New Item; Redesign NHA; Redesign – Complex/System Replacement; and Other DMSMS Solution. The characteristics of each solution (part type, part commodity and operating environment) will also be highlighted.

While DSPO is the lead organization working with OTE, a number of Service Commands and defense prime contractors have also provided input regarding the survey. This includes the Naval Undersea Warfare Center - Division Keyport, Air Force Sustainment Center - Tinker Air Force Base, Naval Surface Warfare Center - Crane Division, as well as Boeing and Lockheed Martin. OTE has authority under Section 705 of the Defense Production Act of 1950, as amended, and Executive Order 13603 (replaced EO 12656), to conduct assessments and collect information in support of the U.S. 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 enclosed survey questionnaire, which covers a two-year period, is the primary source of information needed for a defense industrial base assessment of this type.

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 50 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 200 companies and organizations representing all aspects of the U.S. infrastructure for current and emerging DMSMS issues for the sustainment and

refurbishment of Army, Navy and Air Force defense systems.

The survey is a one-time only request. Quantitative data obtained from the survey will be compiled into an aggregated database for analysis and eventual publication. This data is needed to assess cost resolution trends in DMSMS related activities. 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 effective DMSMS solutions for items, raw material and software before there are any readiness or operational impacts.

**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 firms to provide electronic responses. Each respondent will receive a personalized letter and project overview fact sheet 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 instrument. This approach was used successfully for the 2012 Commercial Electro-Optical Satellite Imagery, the 2012 Underwater Acoustics Transducer and the 2012 U.S. Space Industry ‘Deep Dive’ 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 and organizations 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.**

The majority of organizations conducting DMSMS related activities are large companies and U.S. Military sustainment operations; however, this survey will also 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 high-tech nature of the entities performing DMSMS related activities, we are expecting almost all organizations 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 defense industrial base assessment of Diminishing Manufacturing Sources and Material Shortages – Cost Resolution Values, 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 13603. Without the information gathered from the survey, OTE could not: estimate solution costs for emerging DMSMS issues; develop budgets and Program Objective Memorandum (POM) information for resolving DMSMS issues in the future; provide a basis for evaluating quotes for resolving DMSMS issues; and, allow defense programs to provide accurate estimates of needed DMSMS cost avoidance measures. Overall, OTE would not be able to provide government and industry representatives with a comprehensive overview of the DMSMS cost resolutions value community as a benchmark to plan for projected budget cuts and market challenges which could negatively affect U.S. industrial, intelligence and military capabilities.

**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 2013) to support ongoing 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

Alex Melnikow, OSD-DSPO, 703-767-1415  
Tracy Daubenspeck, US Navy NUWC Div. Keyport, 360-396-2687  
Melissa Hildreth, US Army, 256-313-2630  
Royce Smith, US Air Force, 405-370-0578  
Isaiah Mullis, US Navy NSWC Crane, 812-854-3486

Industry

Vincent Spellane, Lockheed Martin Systems Integration–Owego, 607-751-7678  
Steve Tanemura, Boeing Research & Technology Parts Engineering, 253-657-0535

Organization

Dr. Jay Mandelbaum, Institute for Defense Analysis, 703-845-2000  
David Levin, LMI, 571-633-7925

**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, cover letter and fact sheet provide assurance 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 Defense Industrial Base Assessment: Diminishing Manufacturing Sources and Material Shortages – Cost Resolution Values survey effort will be approximately **3,000 hours**. This is based on distributing surveys to approximately 200 respondents with an average time of 15 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 and type and other variables. The estimate is based on the past experience of OTE, as well as feedback from companies and organizations that have completed OTE surveys. OTE has conducted surveys of various industries and sectors, including the NASA Space Shuttle supply chain network, cartridge and propellant actuated devices, underwater acoustics, 5-axis machine tools, microelectronics, the U.S. space industry supply chain, healthcare products and others.

The estimated total labor cost to respondents of this information collection is \$105,000. This estimate was calculated by assuming a respondent average work rate of \$35 per hour multiplied by the total burden hours of 3,000.

**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 \$186,600. 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 field testing the survey, 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 one-year equivalent, or 52 weeks and taking the one-year annual pay of one GS-15, step 10. The direct employee cost is \$155,500.

Indirect or overhead costs associated with the project are calculated as 20 percent of the direct employee cost, or \$31,100. 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 first time BIS has used this authority in FY2013 (a total of 308,000 authorized hours). An unused balance to the authority of 305,000 annual burden hours (308,000 minus 3,000) will remain if the survey 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 200 companies/organizations in late August 2013. The analysis and report writing will be started in December 2013 and a draft report will be prepared by the end of March 2014. The final report is planned for publication in June 2014.

**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.