

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

**Defense Industrial Base Assessment:
Critical Facilities Survey
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 (DOD), Defense Security Service (DSS) is undertaking a defense industrial base survey and assessment of organizations responsible for the research, design, engineering, development, manufacture, test, and integration of defense and high-technology products, components, and related services.

The principal purpose of this assessment is to provide a baseline understanding of the structure and interdependencies of organizations that participate in DOD acquisition programs and their associated supply chains. This effort will also assist DSS in its mission to provide security oversight and education on behalf of the DOD and other U.S. Government departments and agencies.

Over the longer term, the U.S. Government will be better informed to develop targeted planning and acquisition strategies to ensure the availability and security of the critical supply chain network that supports defense missions and programs.

The DSS has been analyzing the supply chains for various defense products and technologies for a number of years but the activities have not sufficiently captured the intricate depth and breadth of this comprehensive supply chain network. Through its partnership with BIS, DSS will be able to more accurately identify technologies, products, and services deemed essential to defense programs and better detect vulnerabilities among the various, interrelated supply chains.

The OTE survey is designed to provide detailed information on: mergers, acquisitions, divestitures, and joint ventures; products and services; key suppliers and inputs; participation in U.S. Government programs; sales; customers; financials; employment; research and development; security and cyber incidents; and competitive challenges. The resulting database will allow DSS and OTE to benchmark industry performance and trends, identify key sole source dependencies and interdependencies within the supply chain network, as well as raise awareness of diminishing domestic manufacturing and technological capabilities.

While designing the proposed industrial base survey, OTE gathered input and field tested the draft instrument with a variety of companies, government experts, and universities across the country representing different advanced technologies and industrial sectors. This included TTM Technologies, Aerojet Rockeddyne, Applied Research Associates, Teledyne Scientific, Boeing Corporation, DOD Defense Security Service, DOD Intelligence Systems Support, BIS Export Enforcement, and North Carolina State University.

OTE has authority under Section 705 of the Defense Production Act of 1950, as amended, and Executive Order 13603 to conduct assessments and collect information in support of the U.S. industrial base. These assessments are normally undertaken in partnership with the Department of Defense or with other federal agencies. They usually focus on manufacturing, workforce, and the financial and economic issues affecting key industrial sectors or critical technologies.

The enclosed survey questionnaire, which covers a three-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 over 50 assessments of this nature in the past 25 years under various related defense industrial base programs. Assessments generally review in detail those industries with challenges relating to employment, international competition, financial performance, production, supply chain, investment, foreign sourcing and dependencies, and other factors which may affect their ability to support end-users such as defense and national security programs. This critical facilities 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 10,000 companies representing multiple facets of the defense industrial base and the related supply chain network that supports defense missions and programs.

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 internal publication. This data is needed to assess the status of critical suppliers and identify specific issues and challenges facing U.S. defense-related organizations. Qualitative questions are used in some limited cases to complement the statistical data. Using the aggregated survey data, the overall goal is to enable

DSS and other government agencies to better monitor trends, security incidents, benchmark industry performance, and raise awareness of potential supply chain vulnerabilities, any of which could adversely affect military-related production, defense readiness, and the warfighter.

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 U.S. Space Industry ‘Deep Dive’, the 2013 Cost-Metrics, and the 2014 Strategic Materials 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 companies 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 particular questions do not lend themselves to standardized computer automation. However, such 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 companies 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.

A significant portion of companies in the defense and high-technology products, components, and services sectors are medium and large size companies; 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. Based

on previous survey instrument experience, we are expecting almost all companies 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 critical facilities and capabilities, 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 obtain company specific information on: mergers, acquisitions, divestitures, and joint ventures; products and services; key suppliers and inputs; participation in U.S. Government programs; sales; customers; financials; employment; research and development; security incidents; and competitive challenges. The resulting database and analysis will allow DSS and other government agencies to more accurately monitor trends and benchmark industry performance as well as raise awareness of diminishing domestic manufacturing and technical capabilities. If not studied in detail, such supply chain deficiencies could jeopardize U.S. 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 partial list of those individuals who provided input and advice:

Government

Chris Fraser, DOD Defense Security Service, 571-305-6218
Jennifer Gabeler, DOD Defense Security Service, 571-305-6219
Matthew Roche, DOD Defense Security Service, 571-305-6608
Todd Tucker, DOD Defense Security Service, 571-305-6347
Zacharie Hall, DOD Intelligence Systems Support Office, 301-203-7375
Michael Burnett, DOC Export Enforcement, 202-482-4154

Industry

Stacie Miller, Applied Research Associates, 919-582-3410
Barry Ahrens, Teledyne Scientific Company, 919-323-4422
Karen Wilson, Boeing Corporation, 703-465-3673
Carl Davis, Boeing Corporation, 314-232-2880
Curt Robinson, TTM Technologies, 516-637-3997
Stacey Gebeau, TTM Technologies, 858-874-2752
Patrick Carroll, Osterhout Design Group, 415-644-4006
Mike Opelt, Aerojet Rocketdyne, 870-574-3394
Steve Jurney, Aerojet Rocketdyne, 870-574-3114

Organization

John Roth, North Carolina State University, 919-987-3430
Dale Turner, Camden Defense Industry Consortium, 870-836-2210

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: Critical Facilities survey effort will be approximately 104,000 hours. This is based on distributing surveys to approximately 10,400 respondents with an average time of 10 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, company 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 acoustic transducers, strategic materials, microelectronics, the U.S. space industry supply chain, healthcare products, and others.

The estimated total cost to respondents of this information collection is \$3,640,000. This estimate was calculated by assuming a respondent average work rate of \$35 per hour multiplied by the total burden hours of 104,000.

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 \$928,786 over the three-year period. 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, about three-year equivalent, or 156 weeks and taking the three-year annual pay of one GS-15, step 10 and one GS-12, step 10. The direct employee costs are \$773,988.

Indirect or overhead costs associated with the project are calculated as 20 percent of the direct employee costs, or \$154,798. 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 FY2015 (a total of 305,000 authorized hours). An unused balance to the authority of 201,000 annual burden hours (305,000 minus 104,000) will remain if the survey instrument 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 10,400 companies/organizations in July 2015 (3,500 surveys per year). The analysis will be started in October 2016 and a draft report will be prepared by the end of December 2017. The final report is planned for internal publication in March 2018.

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.