

SUPPORTING STATEMENT - PART A
U.S. Department of Commerce
U.S. Census Bureau
Manufacturers' Unfilled Orders Survey
(Form MA-3000)
OMB Control No. 0607-0561

A. Justification

1. Necessity for Information Collection

The Manufacturers' Shipments, Inventories, and Orders (M3) survey collects monthly data on shipments, inventories, new orders, and unfilled orders from manufacturing companies. The orders, as well as the shipments and inventories data, are widely used and are valuable tools for analysts of business cycle conditions, including members of the Council of Economic Advisers, Bureau of Economic Analysis, Federal Reserve Board, Conference Board, and the business community.

New orders serve as an indicator of future production commitments and the data are direct inputs into the leading economic indicator series. New orders are derived by adding shipments to the net change in the unfilled orders from the previous month. The ratio of unfilled orders to shipments is an important indicator of pressure on manufacturing capacity.

The monthly M3 estimates are based on a relatively small panel of domestic manufacturers and reflect primarily the month-to-month changes of large companies. There is a clear need for periodic benchmarking of the M3 estimates to reflect the manufacturing universe. The Economic Census, which covers the entire manufacturing sector, and the Annual Survey of Manufactures (ASM) provide annual benchmarks for the shipments and inventories data in the monthly M3 survey. The Manufacturers' Unfilled Orders Survey (M3UFO), the subject of this request, provides the annual benchmarks for the unfilled orders data.

The industries selected for the M3UFO survey are those which the U.S. Census Bureau determined to have considerable unfilled orders. The survey is necessary to ensure future accuracy of the unfilled orders and new orders data in the M3 survey and to determine which North American Industry Classification System (NAICS) industries continue to maintain unfilled orders.

The Census Bureau conducts this survey under the authority of an Act of Congress, Title 13, U.S.C., Sections 131 and 182. Section 131 defines the Secretary of Commerce's (Secretary) authority to conduct, compile, and publish the Economic Census. Section 182 provides authority for the Secretary to conduct surveys deemed necessary to furnish annual and other interim current data on the subjects covered by the Census.

This collection is made mandatory under the provisions of Title 13 U.S. C., Sections 224

and 225.

Report forms are mailed to approximately 6,000 companies requesting data for 42 of the M3 Survey's 92 NAICS defense and nondefense industry categories. The form, instructions, and Major Manufacturing Activities List are presented in Appendices A-C, respectively.

2. Needs and Uses

The Census Bureau uses the information provided by this survey to develop universe estimates of unfilled orders for the end of each fiscal year, and then to adjust the monthly M3 data on unfilled orders to these levels. The benchmarked unfilled orders levels are used to derive estimates of new orders received by manufacturers. New orders are derived using the following formula:

$$\text{NEW ORDERS (current)} = \text{SHIPMENTS (current)} + [\text{UNFILLED ORDERS (current)} - \text{UNFILLED ORDERS (prior)}]$$

Information quality is an integral part of the pre-dissemination review of the information released by the Census Bureau (fully described in the Census Bureau's Information Quality Guidelines). Information quality is also integral to the 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

One of the strategic objectives of the Census Bureau is to pursue the least burdensome means of collecting necessary information. Respondents are encouraged to submit their data via Centurion, our Internet reporting system. The M3UFO survey collects approximately sixty percent of its data electronically.

Data received via the Internet are converted to an ASCII file and then downloaded to our company database, thus eliminating data keying. This method of data collection is cost-effective as it reduces the number of forms processed manually.

4. Efforts to Identify Duplication

Research with other government agencies and data users (both government and private sector) via telephone conversations, meetings, and written correspondence indicates that there is no other source of data to provide benchmarks for the unfilled orders data in this survey. The M3 survey is the only monthly source of unfilled orders data that covers all U.S. manufacturing industries. The monthly estimates are the only available data for use as trend series for evaluating current business conditions.

5. Minimizing Burden

This survey does not involve a large number of small businesses. The Census Bureau ensures this by selecting companies with probability of selection proportional to size. Companies with fewer than five employees are excluded from the survey. This sample design is explained further in Section B.2. Additionally, online reporting, through the Centurion instrument, is offered to respondents to minimize burden.

If a company prefers to submit the data in its own format or computer output hard copy, the Census Bureau will accept the format.

6. Consequences of Less Frequent Collection

The M3UFO survey is conducted annually to collect accurate unfilled orders data from respondents. If the M3UFO survey was not conducted annually, the unfilled orders estimates for the M3 benchmark release would be adjusted based on the ASM and Economic Census shipments benchmarks and the relationship of unfilled orders to shipments reported in the monthly M3 survey. This annual adjustment is not an acceptable substitute for the benchmarked data which are collected directly from respondents.

7. Special Circumstances

There are no special circumstances.

8. Consultations Outside the Agency

The M3UFO survey is a supplemental collection to the M3 survey. As such, consultations with M3 survey respondents and data users are applicable to the M3UFO survey.

Consultations with survey respondents take place regularly through company visits and telephone calls. These contacts cannot be listed because of their confidential status under Title 13. Through these contacts we gain considerable insight into the operations of manufacturers and have develop a cooperative rapport with respondents and analysts.

We also have continuing contact with the BEA within the Department of Commerce relative to the adequacy, accuracy, and timeliness of the data. Comments generally show satisfaction with the data.

Specific representative to whom we provide data and have discussed the M3 programs are:

<u>Organization</u>	<u>Representative and Telephone Number/E-Mail</u>
Bureau of Economic Analysis	Michael Armah (202) 606-9721 Michael.armah@bea.gov

On July 1, 2015, the Census Bureau published a notice in the Federal Register, Volume 80, No. 126, Page 37583 inviting the public to comment on the plans to submit this request. No comments were received during the 60-day comment period.

9. Paying Respondents

No payments or gifts are given to respondents to report on this survey.

10. Assurance of Confidentiality

Title 13, United States Code, Sections 224 and 225 make the collection mandatory. Section 9 of the same law guarantees the confidentiality of the information collected on the survey. The Census Bureau informs respondents of this in a letter signed by the Director of the Census Bureau, and on the form itself.

11. Justification for Sensitive Questions

There are no sensitive questions.

12. Estimate of Hour Burden

The survey involves approximately 6,000 respondents. According to information provided by respondents over the last five years, the estimated average time to complete the questionnaire is thirty minutes. For multi-divisional companies, the response time is expected to be approximately one hour per company. For single divisional companies, the response time is expected to be approximately fifteen minutes per company. This time translates into an estimated annual burden of 3,000 work hours.

<u>Sample Size</u>	<u>Annual Responses</u>	<u>Total Responses</u>	<u>Hours</u>	<u>Total Burden</u>
6,000	1	6,000	0.5	3,000

The estimated annual cost to respondents is approximately \$95,100, which is based on the response burden of 3,000 hours at approximately \$31.70 per hour (median hourly

salary for accountants and auditors; Occupational Employment Statistics - Bureau of Labor Statistics May 2014 National Occupational Employment and Wage Estimates; \$31.70 represents the median hourly wage of the full-time wage and salary earnings of accountants and auditors SOC code 13-2011).
<http://stats.bls.gov/oes/2014/may/oes132011.htm>

13. Estimate of Cost Burden

The Census Bureau does not expect respondents to incur any cost other than that of their time to respond. The information requested is of the type and scope normally carried in company records and no special hardware or accounting software or system is necessary to provide answers to this information collection. Therefore, respondents are not expected to incur any capital and 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

The total annual cost to the Federal Government is expected to be roughly \$400,000. This estimate includes data collection, data processing, data review, benchmark publication, equipment, overhead, staff, etc. This is all funded by the Census Bureau. We expect this cost to remain fixed throughout the clearance.

15. Reason for Change in Burden

There is no change in burden.

16. Project Schedule

The Census Bureau will mail the 2015 M3UFO form in March 2016, requesting that the respondents return the form within 30 days. The first follow-up letter will be mailed 30 days after the initial mailing in an attempt to obtain data from companies that do not respond. Thirty days after the follow-up letter, a telephone follow-up will be conducted for the largest non-respondents. Copies of the initial mail-out letter and the follow-up letter are attached in Appendices D and E, respectively.

The Census Bureau edits and analyzes the data, then tabulates and uses the results to determine the industries from which monthly orders data should be collected. The following is a schedule for data collection, processing and publication:

Data Collections and Publication Schedule:

<u>Activity</u>	<u>Days following initial mailing</u>
Mail follow-up	30 days
Phone call follow-ups	60 days
Analyst review and edit returns	Throughout the mailing cycle
Review of tabulated data	90-150 days
Incorporate into benchmark publication	May 2017

17. Request to Not Display the Expiration Date

The expiration date and the OMB number are displayed at the top of the MA-3000 form and Centurion online reporting instrument.

18. Exceptions to the Certification

There are no exceptions.

19. North American Industry Classification System (NAICS) Codes Affected

The survey covers manufacturing industries defined by NAICS codes 331-339. The Census Bureau only mails to companies with activity in the current NAICS industries that report unfilled orders. Under NAICS, the M3UFO survey collects data for 42 industry groups. A list showing the affected industries appears in Appendix C.