

SUPPORTING STATEMENT – PART A
U.S. Department of Commerce
U.S. Census Bureau
Annual Survey of Manufactures (ASM)
OMB Control No. 0607-0449

A. Justification

1. Necessity of the Information Collection

The Census Bureau is requesting a revision of the currently approved collection for the ASM. The Census Bureau has conducted the ASM since 1949 under the mandatory requirements of Title 13, United States Code, Sections 131, 182, 224, and 225, to provide key measures of manufacturing activity during intercensal periods. In census years ending in "2" and "7," we mail and collect the ASM as part of the Economic Census covering the Manufacturing Sector.

The ASM statistics are based on a survey that includes both mail and nonmail components. The mail portion of the survey consists of a probability sample that will be redesigned for the 2014 ASM using a methodology similar to the one that was used for the 2009 ASM. However, the industry strata for the 2014 ASM sample will be based on the 2012 North American Industry Classification System (NAICS), which combines many of the six-digit codes in the Manufacturing Sector. For the 2009 ASM, approximately 51,000 manufacturing establishments were selected from a frame of approximately 117,000 establishments. The frame contained all manufacturing establishments of multiunit companies (companies with operations at more than one location) and the largest single-location manufacturing companies within each industry. We expect the number of establishments in the 2014 ASM sample to be about the same as the number in the 2009 ASM sample. The 2009 ASM nonmail component contained approximately 211,000 small and medium-sized single-location companies. No data are collected from companies in the nonmail component. Data are imputed based on models that incorporate the administrative records of the Internal Revenue Service (IRS), the Social Security Administration (SSA), and the Bureau of Labor Statistics (BLS). Though the nonmail companies account for nearly two-thirds of the universe, they account for less than 7 percent of the manufacturing output.

The Census Bureau plans to revise the information collected in several areas of the MA-10000 (L). The MA-10000 (L) is the only form the Census Bureau plans to revise. The first revision is to the inventory section of the form, which covers items 9, 10 and 11 of the MA-10000 (L). The primary objective of the revision

to the inventory section is to improve reporting and to avoid confusion for respondents that do not use the Last-In, First-Out (LIFO) method of valuation for inventories. In previous reporting cycles, reporting on these items were filled with errors that revolved around non-LIFO respondents reporting data in the LIFO-related items due to misunderstanding what was being requested. After research, it was determined that grouping all of the LIFO-related items together and moving them to the end of the inventory section will greatly decrease confusion for the large majority of respondents that do not use the LIFO valuation method. The second revision is to remove the data collected for depreciation, which is item 16B of the MA-10000 (L). The removal of item 16B will simplify what respondents are required to report and will remove an item that does not have the supplemental variables that it needs for editing and imputation.

Therefore, the Census Bureau plans to make the following changes to form MA-10000 (L):

a. Question 9:

To improve efficiency and understanding, the last in, first-out (LIFO)-related items 9B5 and 9B6 are no longer in this section.

b. Question 10:

Previously, item 10, titled “Inventories by valuation method”, queried for both LIFO and non-LIFO valuation methods together. Research done by the U.S. Census Bureau’s Response Improvement Research Staff found that these methods should be collected separately. The new version of item 10 replaces the former item 10A, and focuses ONLY on non-LIFO valuation methods.

c. Question 11:

Although this is a new item, this section houses the LIFO-related items that were removed from the items 9 and 10. This item begins with a Yes/No question that allows respondents to skip to item 12 if there is no applicable LIFO data. Pieces removed from items 9 and 10, the amount subject to LIFO (previously item 10A) and LIFO reserve (previously item 9B5), are a part of item 11, along with a total that will tie back to the inventory total in item 9B4.

d. Question 16:

Item 16B, normal depreciation charges for tangible assets, is being removed. In addition to it being one of the most poorly reported items that we collect, depreciation is highly correlated to and dependent on assets, which is not collected for the ASM. As a result, we are not able to accurately impute or edit data for this item.

2. Needs and Uses

This survey is an integral part of the Government's statistical program. Its results provide a factual background for decision making by the executive and legislative branches of the Federal Government. Federal agencies use the annual survey's input and output data as benchmarks for their statistical programs, including the Federal Reserve Board's Index of Industrial Production and the Bureau of Economic Analysis' (BEA) estimates of the gross domestic product. The data also provide the Department of Energy with primary information on the use of energy by the manufacturing sector to produce manufactured products. These data also are used as benchmark data for the Manufacturing Energy Consumption Survey, which is conducted for the Department of Energy by the Census Bureau. The Department of Commerce uses the exports of manufactured products data to measure the importance of exports to the manufacturing economy of each state. Within the Census Bureau, the ASM data are used to benchmark and reconcile monthly and quarterly data on manufacturing production and inventories.

The ASM is the only source of complete establishment statistics for the programs mentioned above.

The ASM furnishes up-to-date estimates of employment and payrolls, hours and wages of production workers, value added by manufacture, cost of materials, value of shipments by class of product, inventories, cost of employer's fringe benefits, operating expenses, and expenditures for new and used plant and equipment. The survey provides data for most of these items at the two- through six-digit NAICS levels. We also provide geographic data by state at a more aggregated industry level.

The survey also provides valuable information to private companies, research organizations, and trade associations. Industry makes extensive use of the annual figures on product class shipments at the U.S. level in its market analysis, product planning, and investment planning. State development/planning agencies rely on the survey as a major source of comprehensive economic data for policymaking, planning, and administration.

The Ownership or Control forms will be used to update the Business Register, the basic input to the sampling frame for many of our current surveys. This enables us to update establishments in the Census Bureau's Business Register that are incorrectly identified as being single-establishment firms.

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) at: <http://www.census.gov/quality/guidelines/index.html>. Data 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

Companies may satisfy their reporting requirement for this information collection by providing data in electronic formats, via the Internet using standards prescribed by the Census Bureau. Respondents with multi-unit locations will be able to respond electronically using Surveyor, and those with single locations will be able to respond electronically using Centurion, the U.S. Census Bureau's Internet reporting option. Explanatory materials included in the mail package will notify respondents that they can access the electronic reporting tool by going to www.census.gov/econhelp/asm. Advantages to using the electronic reporting tools include: reduced time and expense to report, improved data quality through automatic data checks, the ability to exit the form and resume at a later time without losing the data already entered, the ability to save a paper or electronic version (pdf) of the completed form, and the ability to upload data from an Excel spreadsheet version.

4. Efforts to Identify Duplication

The Census Bureau makes a concerted effort on a continuing basis to investigate possible duplications both within the agency and outside the agency and to eliminate them whenever possible.

One of the key features of the ASM is the ability, with the Office of Management and Budget (OMB) approval, to add and delete questions based on the importance of the economic situation at the time. In the past, we have added questions to the ASM form such as exports, age of plant, fuel consumed by type, and so forth. If it were not for this feature, these data items would need to be collected in separate surveys.

The Congress granted the Census Bureau limited access to the information in the IRS and SSA files, which includes employment and payroll data. The Census Bureau uses this information as input to models that impute other data items in lieu of mailing reports to many small businesses. Other items, such as the cost of materials, are not identical to information requested by Internal Revenue Service (IRS). Even though there are similarities in the requested data, IRS does not insist on consistency and accuracy of each entry on the tax form as long as the taxable net income and the taxes paid are correct. Furthermore, IRS will accept a figure on the cost of goods sold that includes labor as well as materials and supplies used. However, the Census Bureau requires consistency in the data from firm to firm in order to publish valid statistical aggregations.

5. Minimizing Burden

Similar to the 2009 ASM, the 2014 ASM will exclude most small and medium-sized single-location companies from the mail portion of the survey. About 211,000 establishments (nearly two-thirds of the manufacturing universe) were excluded from the sampling frame used to select the 2009 ASM mail panel. This is significantly higher than previous cycles of the survey (prior to 2004) and is motivated by the desire to reduce the reporting burden on this segment of the universe. In addition, small firms that are included in the mail portion of the survey are sent short forms, MA-10000(S) to minimize reporting burden. See Section B2a for more detail. No sample is selected from the nonmail stratum; information for these establishments is imputed and incorporated in the published estimates. While the overall reporting burden for the ASM would not be reduced, it would be directed away from the smallest companies in the population.

6. Consequences of Less Frequent Collection

The Manufacturing Sector is of vital importance to the Nation's well being. Consequently, current information regarding the changing structure of manufacturing is extremely important to our economic growth. The Congress recognized that fact when it authorized the changeover from the biennial census program to the quinquennial economic census covering the manufacturing sector with an ASM in interim years. Less frequent collection of the data would adversely affect our ability to recognize and react to changes in the economy.

7. Special Circumstances

This information collection will be conducted in a manner consistent with OMB guidelines and there are no special circumstances.

8. Consultations Outside the Agency

Consultations are held on a continuing basis with other government agencies, trade associations, private research groups, and companies for our general statistics items (Attachment A). Consultations with outside consultants were for the purpose of receiving individual opinions and not for the purpose of forming a group opinion.

Further, we published a notice in the Federal Register (79FR, pages 32530-32532) on June 5, 2014 inviting public comment on our plans to submit this request. One comment was received during the 60-day comment period, which was from BEA, strongly supporting this data collection because it is the main data

source for key components of BEA’s economic statistics. We followed up with BEA and thanked them for their support.

9. Paying Respondents

The Census Bureau does not pay respondents or provide gifts in return for complying with the ASM.

10. Assurance of Confidentiality

The report forms for this information collection will give respondents the following assurance of confidentiality:

YOUR RESPONSE IS REQUIRED BY LAW. Title 13, United States Code, Sections 131, 182, 224, and 225 requires businesses and other organizations that receive this questionnaire to answer the questions and return the report to the Census Bureau. By Section 9 of the same law, **YOUR CENSUS 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 (Attachment B) that accompanies the report forms (Attachment C). The statutory basis for these assurances of confidentiality is Title 13, United States Code, Section 9. All activities relating to the collection and dissemination of economic census data satisfy requirements of this law.

11. Justification for Sensitive Questions

This information collection asks no questions of a sensitive nature.

12. Estimate of Hour Burden

The response burden for the 2014-2016 ASM is estimated to be 172,540 work hours. This is based on two factors: (1) the number of respondents who receive each type of report form, and (2) the average time required to complete each form.

Overall respondent burden is estimated as follows:

Forms <u>1/</u>	Number of Responses	Average Time to Complete	Annual Burden Hours
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		(Hours)	
a. MA-10000(L)	48,000	3.5	168,000
b. MA-10000(S)	3,000	1.4	4,200
c. Ownership or Control	17,000	.02	340
Total	<u>68,000</u>	<u>N/A</u>	<u>172,540</u>

1/ These forms are described in more detail in Section B2a.

We base the estimate of the average time required to complete the reports on discussions with many representatives of large and small companies. Respondents have reported the data included in this annual survey with no major difficulty for many years.

These estimates are a slight refinement of the figures listed in the Pre-submission Notice dated June 5, 2014.

The estimated annual cost to respondents is approximately \$6,014,744. We base the annual cost on an average hourly wage of \$34.86 times the annual burden hours 172,540. The average hourly wage is that of an accountant according to the Occupational Employment and Wages, 2013 publication, published by BLS.

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 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

We estimate the total cost to the Government for the ASM program to which these forms relate to be \$6,975,453 in fiscal year 2014 all borne by the Census Bureau. Included in this cost are activities related to sample design, mailout, collection, data capture, analysis and dissemination.

15. Reason for Change in Burden

The burden estimate will not increase due to changes in the form. The revision of the inventories section of the form should reduce confusion and assist respondents with reporting. The removal of the depreciation item will require less data to be reported by respondents.

16. Project Schedule

We will send the mail packages at the end of each year, with the collection phase completed during the summer of the following year. Analytical review of the data will take place in the fall each year. We will publish the basic results starting near the end of the year. The data will be issued within 10 to 15 months after the end of the annual reporting period.

Timetable for the 2014 Annual Survey of Manufactures

	<u>Activity</u>	<u>Start</u> ^{1/}	<u>End</u> ^{1/}
Register.....	Extract mailing list from Business 10/2014.....11/2014		
	Prepare mailing packages.....	10/2014	12/2014
	Mail packages	12/2014	
			12/2014
	Follow-up for nonresponse.....	02/2015	07/2015
	Receive and check in responses.....	01/2015	08/2015
	Perform data entry.....	02/2015	08/2015
	Close out data collection.....	09/2015	09/2015
	Receive, process administrative records.....	09/2015	09/2015
	Edit data, resolve edit problems.....	02/2015	10/2015
	Prepare and analyze tabulations (includes the dissemination of survey results).....	10/2015	11/2015

1/ All dates are approximate

17. Request to Not Display Expiration Date

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

18. Exceptions to the Certification

There are no exceptions.

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

For the 2014 ASM, the survey provides data at the two- through six-digit NAICS levels. We also provide geographic data by state at a more aggregated industry level.