

Department of Commerce
U.S. Census Bureau
OMB Information Collection Request
Manufacturers' Unfilled Orders Survey (MA-3000)
OMB Control No. 0607-0561

Part A – Justification

1. Necessity of the Information Collection

The data collected in the Manufacturers' Unfilled Orders (M3UFO) Survey will be used to benchmark the new and unfilled orders information published in the monthly Manufacturers' Shipments, Inventories, and Orders (M3) Survey. The 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 panel of approximately 5,000 reporting units that represent approximately 3,100 companies and provide an indication of month-to-month change for the Manufacturing Sector. These reporting units may be divisions of diversified large companies, large homogenous companies, or single-unit manufacturers. The M3 estimates are periodically benchmarked to comprehensive data on the manufacturing sector from the Annual Survey of Manufactures (ASM), the Economic Census (shipments and inventories) and the M3UFO survey, which is the subject of this notice. Unfilled orders data are not collected in the ASM or the Economic Census. To obtain more accurate M3 estimates of unfilled orders, which are also used in deriving M3 estimates of new orders, we conduct the M3UFO survey annually to be used as the source for benchmarking M3 unfilled orders data. Additionally, the M3UFO data are used to determine which North American Industry Classification System (NAICS) industries continue to maintain unfilled orders; this is done in order to minimize burden, and only request unfilled orders as part of the monthly M3 survey from industries that still 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 Attachments 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:

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

This information is then published in the monthly results of the M3 survey which 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.

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 70 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.

A facsimile reminder system called the Paperless Facsimile Image Reporting System (PFIRS) improves data quality and minimizes reliance on labor intensive telephone

follow-up. Using this system, delinquent respondents are reminded by facsimile rather than by phone to return their response.

A print on-demand system referred to as DocuPrint is used to prepare all questionnaires. The benefit of this system is its ability to print a specific document or set of related documents (upon request) and overlay variable data in predetermined locations throughout the documents. This process reduces the time and cost of preparing mailout packages, while allowing each form to be individually tailored to provide industry and even company specific instructions to clarify reporting criteria.

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 Supporting Statement B Section 2. To additionally minimize burden, online reporting through the Centurion instrument is offered to respondents and if a company prefers to submit the data in its own format or computer output hard copy, the Census Bureau will accept these formats as well.

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 developed a cooperative rapport with respondents and analysts.

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

The specific representative to whom we provide data and have discussed the M3 programs is:

| <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 April 13, 2018, the Census Bureau published a notice in the Federal Register, Volume 83, No. 72, Page 16050 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 few 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 \$100,020, which is based on the response burden of 3,000 hours at approximately \$33.34 per hour (median hourly salary for accountants and auditors; Occupational Employment Statistics - Bureau of Labor Statistics May 2017 National Occupational Employment and Wage Estimates; \$33.34 represents the median hourly wage of the full-time wage and salary earnings of accountants and auditors SOC code 13-2011).

<https://www.bls.gov/oes/current/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 cost to the Federal Government for this program is expected to be relatively fixed over the upcoming three years at approximately \$425,000 per year, all borne by the Census Bureau. This estimate includes data collection, data processing, data review, benchmark publication, equipment, overhead, staff, etc.

15. Reason for Change in Burden

There is no change in burden.

16. Project Schedule

The Census Bureau will mail the 2018 M3UFO survey form in March 2019, 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, the follow-up letter and the past due letter can be found in Attachments D-F, 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 |
| | Publication |
| | Available in the next benchmark report that incorporates the 2017 Economic Census Data |

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 Attachment C.