Supporting Statement
U.S. Department of Commerce
Bureau of Economic Analysis
Quarterly Survey of Transactions in Selected Services and Intellectual Property with Foreign Persons (Form BE-125)
OMB Control Number: 0608-0067

A. Justification

1. <u>Explain the circumstances that make the collection of information necessary.</u>

The Bureau of Economic Analysis (BEA) produces the International Transactions Accounts (ITAs) of the United States. These accounts provide a comprehensive and detailed view of economic transactions between the United States and other countries. In addition, they provide input into other U.S. economic measures and accounts, contributing particularly to the National Income and Product Accounts (NIPAs) and Input-Output accounts. The ITAs are used extensively by both government and private organizations for national and international economic policy support and for analytical purposes. The services transactions accounts are contained within the current account of the ITAs and are divided into several major components. The services and intellectual property transactions covered by this survey accounted for 41 percent of U.S. exports and 36 percent of U.S. imports of services in 2017.

BEA is making one change to the reporting requirements and several modifications to the data collected on the current BE-125 survey that will allow BEA to align its statistics more closely with international economic accounting guidelines, increasing the quality and usefulness of BEA's published statistics on trade in services.

BEA is adjusting the reporting requirements of the survey so they are applied based on a "combined" threshold for sales and/or purchases of the covered types of services and intellectual property transactions. U.S. persons with transactions in excess of $6 million in combined sales or $4 million in combined purchases, will be required to disaggregate all transaction types by country and by relationship to the foreign transactor (foreign affiliate, foreign parent group, or unaffiliated) on the mandatory schedule(s).

BEA is making the following modifications to the data collection instrument:

1) **Research and development services will be broken out into two categories**: 1) provision of customized and non-customized R&D services and 2) other R&D services, including testing.
2) **Engineering, architectural, and surveying services will be broken out into three categories**: 1) architectural services; 2) engineering services; and 3) surveying, cartography, certification, testing, and technical inspection services.
3) **Management, consulting, and public relation services will be broken out into three categories**: 1) market research services; 2) public opinion polling services; and 3) other management, consulting, and public relations services. Trade exhibition and sales convention services will be collected separately.
4) **Database and other information services will be broken out into two components**: 1) news agency services and 2) other information services.

5) **Computer services will be expanded into three categories**: 1) computer software, including end-user licenses and customization services; 2) cloud computing and data storage services; and 3) other computer services.
6) **Several service categories previously collected under "Other selected services" will be collected separately.** These services include contract manufacturing services, disbursements for sales promotion and representation, photographic services (including satellite photography), space transport services, trade exhibition and sales convention services, agricultural services, and waste treatment and depollution services.
7) **Mandatory Schedule C will be modified to only collect related goods details for construction services.** On the current BE-125 survey, exports (sales) of three service types are collected on a separate schedule, Schedule C, to allow for reporting of information on the gross operating revenues and related goods exports and foreign expenses. The three categories are: 1) construction services; 2) engineering, architectural, and surveying services; and 3) mining services. On the modified BE-125 survey, only construction services will be collected on Schedule C. Mining services, as well as the three new categories that will replace engineering, architectural, and surveying services, will be collected on Schedule A.

BEA estimates the changes will increase the average number of hours per response from 19 hours to 21 hours for those reporting data. This change represents an estimated 0.75 hour increase in burden associated with the proposed transaction code expansions set forth, as well as an estimated increase in burden of 1.25 hours as a result of the application of a "combined" reporting threshold. Most quarterly respondents are large enough that they are already required to report detail on the mandatory schedules. The additional mandatory reporting for individual transactions previously below the reporting thresholds, resulting from the application of a "combined" threshold, should have a minimal impact on reporting burden for these reporters. However, there are an estimated 375 additional reporters that will now be required to complete one or more of the mandatory schedules, who previously were not required to do so. Based on the average number of services reported by these companies, BEA has estimated that their quarterly burden will increase approximately 1.25 hours as a result of this change to the reporting requirements.

The reporting thresholds of the current BE-125 survey will be retained. The effort to keep current reporting thresholds unchanged is intended to minimize respondent burden while considering the needs of data users. Existing language in the instructions and definitions will be reviewed and adjusted as necessary to clarify survey requirements.

The survey will be mandatory under the authority of the International Investment and Trade in Services Survey Act (P.L. 94-472, 22 U.S.C. 3101-08, as amended), hereinafter "the Act". It is the subject of this supporting statement. The BE-125 quarterly survey will be required from U.S. persons whose sales of covered services or intellectual property to foreign persons exceeded $6 million for the previous fiscal year or are expected to exceed that amount during the current fiscal year, or whose purchases of covered services or intellectual property from foreign persons exceeded $4 million for the previous fiscal year or are expected to exceed that amount during the current fiscal year.

In Section 3 of Executive Order 11961, as amended by Executive Orders 12318 and 12518, the President delegated responsibility for performing functions under the Act concerning trade in services to the Secretary of Commerce, who has re-delegated it to the Bureau of Economic Analysis (BEA). The implementing regulations for the international services surveys conducted under the Act can be found in 15 CFR Part 801.

2. <u>Indicate how, by whom, and for what purpose the information is to be used.</u>

The information will be used by BEA in estimating the services component of the U.S. ITAs. For each country and region, BEA will estimate cross-border transactions in the services and intellectual property transactions covered by the survey. The quarterly collection of data will provide timely indicators of quarterly movements in transactions and provide the basis for quarterly estimates of the universe of transactions in selected services and intellectual property covered by the BE-120 Benchmark Survey of Transactions in Selected Services and Intellectual Property with Foreign Persons. Some specific uses of the data to be collected are discussed in greater detail below.

(a) Compile and improve the U.S. economic accounts:

Data from the BE-125 survey will be used by BEA to estimate the services component of the U.S. ITAs, which also enter the NIPAs and the Input-Output Accounts.

The survey is a sample survey that covers U.S. persons above a size-exemption level. The sample data are used to derive universe estimates in non-benchmark years from similar data reported in the BE-120, Benchmark Survey of Transactions in Selected Services and Intellectual Property with Foreign Persons, which is typically conducted once every five years.

(b) Support U.S. government policy on services trade:

Data from the survey are needed to monitor U.S. trade in services, to analyze the impact on the U.S. economy and on foreign economies, to compile and improve the U.S. economic accounts, to support U.S. commercial policy on trade in services, to conduct trade promotion, and to improve the ability of U.S. businesses to identify and evaluate market opportunities.

The data are used by several U.S. government agencies including the Office of the U.S. Trade Representative, the International Trade Administration of the Commerce Department, the Departments of Treasury and State, the Council of Economic Advisers, and the Federal Reserve Board to support U.S. international economic policy. The data also help identify areas where U.S. trade in services may be restricted.

The United States is a signatory to regional and multilateral commercial agreements that cover trade in services. The data from this and related surveys provide information that can be used both during negotiations and as an aid in monitoring resulting agreements. For example, trade in services are covered both by the General Agreement on Trade in Services, which is the principal World Trade Organization agreement on trade in services, and by the North American Free Trade Agreement among the United States, Canada, and Mexico.

(c) Other government uses:

Several agencies, including the U.S. Commercial Service (Commerce Department), facilitate U.S. trade by providing information and assistance to businesses. They use data from the quarterly survey for this purpose. They also use the data to examine the impact of trade in services on developing countries.

(d) Non-government uses:

International organizations and private researchers also use data from the quarterly survey in assessing the impact of U.S. trade in services on the U.S. and foreign economies. International organizations that regularly make use of BEA data on U.S. trade in services include the United Nations, International Monetary Fund, World Trade Organization, Organization for Economic Cooperation and Development, and World Bank. Numerous private researchers use the data; use by researchers affiliated with the National Bureau of Economic Research has been among the most extensive.

The Section 515 Information Quality Guidelines apply to this information. The information is collected according to documented procedures in a manner that reflects standard practices accepted by the relevant economic/statistical communities. BEA conducts a thorough review of the survey input data using sound statistical techniques to ensure that the quality of the data is high before the final estimates are released. The data are collected and reviewed according to documented procedures, best practice standards, and on-going review by the appropriate supervisor. The quality of the data is validated using a battery of edit checks to detect potential errors and to otherwise ensure that the data are accurate, reliable, and relevant for the estimates being made. Data are routinely revised as more complete source data become available. The collection and use of this information complies with all applicable information quality guidelines, i.e., those of the Office of Management and Budget (OMB), the Department of Commerce, and BEA.

3. Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological collection techniques or other forms of information technology.

BEA offers electronic filing through its eFile system for use in reporting the BE-125 quarterly survey form. The eFile system enables respondents to download the survey forms in PDF format for each reportable U.S. person, enter the required data, and submit the forms securely to BEA. Additionally, BEA utilizes a secure messaging system, accessible through the eFile system, to ensure the confidentiality of correspondence with BE-125 respondents.

In addition, BEA provides links to all its survey forms and reporting instructions on its web site (*www.bea.gov)*. Survey forms may be downloaded, printed, and submitted via fax or mail.

4. Describe efforts to identify duplication.

Data on U.S. international transactions in selected services and intellectual property are available only from surveys conducted by BEA.

The Census Bureau conducts economic surveys of establishments in services industries and includes on those surveys broad questions pertaining to revenues derived from sales to foreign persons. While these surveys do not identify the type of service or the country of the foreign customer, both of which are required by the ITAs, BEA has used information reported on Census Surveys to expand the mailing lists for several of its surveys.

5. <u>If the collection of information involves small businesses or other small entities, describe the methods used to minimize burden</u>.

The reporting threshold for this survey are set at level that will exempt most small businesses from reporting.

A BE-125 survey will be required only from U.S. persons whose sales to foreign persons of covered services or intellectual property exceeded $6 million for the previous fiscal year or are expected to exceed that amount during the current fiscal year, or whose purchases from foreign persons of covered services or intellectual property exceeded $4 million for the previous fiscal year or are expected to exceed that amount during the current fiscal year. While the survey does not collect data on total sales or other measures of the overall size of the businesses that respond to the survey, historically the respondents to the existing quarterly survey of selected services and intellectual property have been comprised mainly of major U.S. corporations.

To reduce reporting burden, respondents may provide estimates of their transactions with foreign persons where precise data cannot be obtained without undue burden.

6. <u>Describe the consequences to the Federal program or policy activities if the collection is not conducted or is conducted less frequently</u>.

The data are needed on a quarterly basis to closely monitor U.S. international trade in services and intellectual property, especially in the current economic environment, when such trade is changing rapidly in size, variety, and complexity. The quality and accuracy of the ITAs and NIPAs, which are quarterly accounts, are improved by conducting quarterly surveys. In addition to quarterly estimates, monthly estimates must be derived from these data for inclusion in the joint BEA-Census Bureau monthly news release on trade in goods and services. The quality of the monthly estimates would be diminished if the data were collected less frequently.

Quarterly surveys also provide more accurate and timely current information on U.S. trade in services and intellectual property for use in connection with trade policy and promotion and for other economic uses.

7. <u>Explain any special circumstances that require the collection to be conducted in a manner inconsistent with OMB guidelines</u>.

No aspects of the Quarterly Survey of Transactions in Selected Services and Intellectual Property with Foreign Persons require a special justification.

8. Provide a copy 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.

This submission follows a public request for comments in the *Federal Register* July 5, 2018 (Vol. 83, page 31364 – 31365). No comments were received.

BEA maintains a continuing dialogue with respondents and with data users, including its own internal users through the Bureau's Source Data Improvement and Evaluation Program, to ensure that, to the extent possible, the required data serve their intended purposes, that the survey instructions are clear, and that unreasonable burdens are not imposed.

In November and December 2016, BEA solicited input from its data users, including other government agencies, through a series of site visits and a webinar. During these presentations, BEA staff presented an overview of potential changes to the services data collected and published by BEA, including the proposal to expand upon the existing service categories collected on this survey. These presentations also provided an opportunity for data users to suggest other services-related data that are of particular interest. From these consultations, BEA developed a list of changes to the services data collected on this and other BEA surveys.

BEA also engaged with staff from the Data Collection Methodology and Research Branch (DCMRB) in the Economic Statistical Methods Division (ESMD) of the U.S. Census Bureau to undertake a cognitive review of the BE-125 survey and the BE-120 benchmark survey (administered as a "census" survey and required of all reporters with transactions in the covered services). In consultation with BEA, DCMRB developed a comprehensive survey methodology research plan to prepare for a revised data collection instrument. The plan activities, which aligned with best practices in survey development and pretesting, included an expert review of the BE-120 and BE-125 forms, respondent debriefings, and multiple rounds of cognitive interviews consisting of approximately 30 in-person interviews with survey respondents. Census staff prepared findings and recommendation reports that summarized the results of the expert reviews and cognitive interviews. BEA used this information to redesign the BE-120 survey and to develop the changes to the BE-125 survey discussed in this document. The information gathered during this process substantiates the feasibility of implementing the changes in reporting requirements and services categories being proposed for implementation beginning with BE-125 reporting for first quarter 2019.

9. Explain any decisions to provide payments or gifts to respondents, other than remuneration of contractors or grantees.

No payments or gifts to the respondents will be made.

10. Describe any assurance of confidentiality provided to respondents and the basis for assurance in statute, regulation, or agency policy.

BEA provides respondents with assurance that it will keep the reported data confidential. The following statement is taken directly from the reporting instructions for the survey:

> "**Confidentiality –** The Act provides that your report to this Bureau is **confidential** and may be used only for analytical or statistical purposes. Without your prior written permission, the information filed in your report **cannot** be presented in a manner that allows it to be individually identified. Your report **cannot** be used for purposes of taxation, investigation, or regulation. Copies retained in your files are immune from legal process. Per the Cybersecurity Enhancement Act of 2015, your data are protected from cybersecurity risks through security monitoring of the BEA information systems."

Sec. 5(c) of the Act (22 U.S.C. 3104) provides that the information collected can be used only for analytical and statistical purposes and access to the information shall be available only to officials and employees (including consultants and contractors and their employees) of agencies designated by the President to perform functions under the Act. The President may authorize the exchange of information between agencies or officials designated to perform functions under the Act, but only for analytical and statistical purposes. No official or employee (including consultants and contractors and their employees) shall publish or make available any information collected under the Act in such a manner that the person to whom the information relates can be specifically identified. Reports and copies of reports prepared pursuant to the Act are confidential, and their submission or disclosure shall not be compelled by any person without the prior written permission of the person filing the report and the customer of such person, where the information supplied is identifiable as being derived from the records of such customer.

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.

No questions of a sensitive nature are asked.

12. Provide estimates of the hour burden of the collection of information.

The quarterly survey is expected to result in the filing of approximately 2,200 reports on a quarterly basis, or 8,800 per year. BEA expects approximately 1,700 to be filed each quarter by respondents that will report mandatory data and 500 other responses - exemption claims and voluntary responses that provide aggregate data only. The average burden for completing the survey with data is estimated at 21 hours, and the average burden for other responses is one hour, resulting in an overall annual respondent burden of an estimated 144,800 hours.

1,700 x 4 (times per year) = 6,800 x 21 hours per response = 142,800 burden hours
500 x 4 (times per year) = 2,000 x 1 hour per response = 2,000 burden hours

This estimate covers the amount of time for respondents to review the instructions, search existing data sources, gather and maintain the data needed, and complete and review the information collection.

Respondent burden is estimated based on the estimated burden in the current BE-125 survey and other BEA surveys, feedback from respondents, and on changes to the form. The actual burden will vary from respondent to respondent depending on the number and amounts of their transactions and the ease of assembling the data.

The estimated cost to respondents is $4,827,632 based on an estimated reporting burden of 144,800 hours and estimated hourly cost of $33.34. The hourly cost reflects the median hourly wage of accountants and auditors from the Bureau of Labor Statistics' May 2017 Occupational Employment Statistics.

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).

Other than respondent cost associated with the estimated burden of 144,800 hours (see A.12 above), the total additional annual cost burden to respondents is expected to be negligible. Total capital and start-up costs are insignificant because new technology or capital equipment will not be needed by respondents to prepare their responses to the survey. The total cost of operating and maintaining the technology and capital equipment will, therefore, also be insignificant. Purchases of services to complete the information collection are also expected to be insignificant.

14. Provide estimates of annualized cost to the Federal government.

The annual project cost to the Federal Government for this survey is estimated at $1,363,120, which consists of $1,213,120 for salaries and related overhead and $150,000 for equipment, supplies, form design, printing, mailing, and computer processing.

15. Explain the reasons for any program changes or adjustments reported.

This request is for an extension with changes of a currently approved collection. The estimated change in the burden hours is an increase of 13,600 hours (from 131,200 to 144,800; the previous approval by OMB, in April 2016, can be viewed at *www.reginfo.gov* by searching OMB control number 0608-0067 under the Information Collection Review tab). The agency estimate of the average time to complete the survey with data has been increased from 19 to 21 hours as a result of the application of a "combined" reporting threshold, and the transaction category modifications (see A.1. for additional information on changes and the estimated impact on burden). There has been no change in the estimated number of respondents meeting the (unchanged) mandatory requirements for filing on a quarterly basis.

16. For collections whose results will be published, outline the plans for tabulation and publication.

The data from this survey will be used to estimate trade in services and intellectual property transactions by major world region and selected countries for the quarterly U.S. ITAs and for a more detailed annual tabulation of U.S. trade in services. These estimates will be published on BEA's web site (*www.bea.gov*). The data will also be used to provide the basis for the estimates of transactions in selected services and intellectual property in monthly estimates of international services transactions, which are included in a joint BEA-Census Bureau news release on U.S. trade in goods and services.

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.

The OMB expiration date will be displayed on the forms.

18. Explain each exception to the certification statement.

The BE-125 information collection is consistent with the certification in all aspects.