

Supporting Statement
U.S. Department of Commerce
Bureau of Economic Analysis
BE-577, Quarterly Survey of U.S. Direct Investment Abroad:
Transactions of U.S. Reporter with Foreign Affiliate
OMB Control Number 0608-0004

A. Justification

1. Explain the circumstances that make the collection of information necessary.

Data collected on the BE-577 quarterly survey of U.S. direct investment abroad are needed to measure the size and economic significance of direct investment abroad, measure changes in such investment, and assess its impact on the U.S. economy. The survey is mandatory and is conducted under the International Investment and Trade in Services Survey Act (P.L. 94-472, 22 U.S.C. 3101-3108, as amended by P.L. 98-573 and P.L. 101-533), hereinafter “the Act.”

Section 4(a) of the Act requires that the President shall, to the extent he deems necessary and feasible, conduct a regular data collection program to secure current information on international capital flows and other information related to international investment and trade in services, including (but not limited to) such information as may be necessary for computing and analyzing the United States balance of payments, the employment and taxes of United States parents and affiliates, and the international investment and trade in services position of the United States.

In Section 3 of Executive Order 11961, as amended by Executive Orders 12318 and 12518, the President delegated the responsibility for performing functions under the Act concerning direct investment to the Secretary of Commerce, who has redelegate it to the Bureau of Economic Analysis (BEA). The implementing regulations for the direct investment surveys conducted under the Act may be found in 15 CFR Part 806.

BEA proposes to raise the threshold for filing Form BE-577 from \$40 million to \$60 million which necessitates a revision to the OMB clearance and a rule change. The exemption level was last changed in 2006 following the 2004 Benchmark Survey of U.S. Direct Investment Abroad. Additionally, BEA proposes modifications of items on the survey to bring the BE-577 form and related instructions into conformity with the 2009 BE-10, Benchmark Survey of U.S. Direct Investment Abroad.

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.

The quarterly survey of U.S. direct investment abroad is a sample survey that collects data on transactions and positions between U.S. business enterprises (U.S. parent companies) and their “foreign affiliates” (i.e., the foreign business enterprises of U.S. parents). The sample data are used to derive universe estimates by extrapolating forward similar data reported in the BE-10,

Benchmark Survey of U.S. Direct Investment Abroad, which is taken every five years. The data are disaggregated by country and industry of the foreign affiliate. The data from the BE-577 survey complement data from BEA's BE-11 Annual Survey of U.S. Direct Investment Abroad, which provides data on the overall operations of U.S. owned foreign affiliates. A full understanding of U.S. direct investment abroad requires an understanding of both the transactions and positions between parents and their affiliates (covered in the BE-577) and the overall operations of parents and affiliates (covered in the BE-11). 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-577 survey are essential for compiling the quarterly direct investment estimates included in the U.S. international transactions and national income and product accounts, and for estimates of the U.S. direct investment position abroad.

b) Support U.S. Government policy on direct investment:

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 quarterly survey provides detailed information, by country and industry, on direct investment financial and income flows that the U.S. Government requires to evaluate these policies and to assess their effects on the U.S. and foreign economies.

Bilateral investment treaties (BIT's) are negotiated with interested countries to facilitate and protect U.S. investment interests. During BIT negotiations, data from this and related surveys provide important information on the level and impact of direct investment on the U.S. economy and the economies of foreign countries. The data also help identify areas where U.S. direct investment may be restricted.

The United States is a signatory to regional and multilateral commercial agreements that cover direct investment as well as cross border trade, and the data from this and related surveys provide information that can be used both during the negotiations and as an aid in monitoring the resulting agreements. For example, investment issues 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) Non-Government uses:

International organizations and private researchers use data from the BE-577 quarterly survey in assessing the impact of U.S. direct investment abroad on the U.S. economy and foreign economies. International organizations that regularly make use of BEA data on U.S. direct investment abroad include the United Nations, International Monetary Fund, Organisation for Economic Co-operation and Development, and World Bank. Numerous private researchers also

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 the data quality before the final statistics are released. The data are collected and reviewed according to documented procedures including the use of check lists, procedures manuals and on-going review by the appropriate supervisor or project manager. The quality of the data are validated using a battery of computerized 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., OMB, Department of Commerce, and those of the Bureau of Economic Analysis.

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.

BEA offers an electronic filing option that makes use of fillable PDF forms, its eFile system, for use in reporting on the BE-577 quarterly survey forms as an alternative to paper forms. The eFile system enables respondents to download the survey forms in PDF format for each reportable business enterprise, enter the required data, and submit the forms securely to BEA. Currently, approximately 75 percent of BE-577 respondents take advantage of electronic filing.

In addition, BEA places all its survey forms and reporting instructions on its Web site www.bea.gov, which provides an alternative and, for some, more convenient, way to access information about BEA's surveys.

The data from the quarterly survey are published and analyzed in BEA's monthly journal, the *Survey of Current Business*. All of the data tabulated from the BE-577 survey that are released to the public and analyses of the data, published in the *Survey*, are placed on the BEA Web site.

4. Describe efforts to identify duplication.

The BE-577 survey, as proposed, collects data on transactions and positions between U.S. parent companies and their foreign affiliates. U.S. business enterprises that qualify for reporting on this report form are not required to file the same information with other agencies. Similar data are not collected by other agencies and identified as being for U.S.-owned foreign business enterprises.

To avoid duplication between Form BE-577 and the Treasury International Capital (TIC) System, the BE-577 instructions direct respondents to exclude positions and transactions in financial derivatives contracts that are reported on or derived from TIC Form D, Report of Holdings of and Transactions in, Financial Derivatives Contracts with Foreign Residents, as well

as intercompany debt positions and interest of U.S. bank affiliates that are reported on TIC B forms by depository institutions, by bank holding companies/financial holding companies, and by securities brokers and dealers of liabilities to, and claims on, foreign residents by U.S. residents.

Minor duplication may occur between the data reported in the few annual data items reported once a year in Part VI of the quarterly Form BE-577 and BEA's BE-11, Annual Survey of U.S. Direct Investment Abroad. Data collected in the BE-11 survey reflect the interest of all owners of the affiliate, whereas data collected in the BE-577 cover only a U.S. parent's share of the given item. The only case in which duplication of the annual data reported in the BE-11 and BE-577 may occur is when a foreign affiliate is owned 100 percent by a single U.S. parent. However, such duplication is minor, and it could not be eliminated without compromising the overall quality of the statistics and the integrated structure of the form.

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

Although the BE-577 survey does not itself collect data on the size of the U.S. companies that must respond, data collected on related BEA surveys indicate that about 200 of the estimated 1,750 U.S. parent companies that will be required to respond to the BE-577 quarterly survey are small businesses according to the standards established by the Small Business Administration (SBA). The exemption level for the BE-577 survey is set in terms of the size of a U.S. company's foreign affiliates (foreign companies owned 10 percent or more by the U.S. company); if a foreign affiliate has total assets, sales or gross operating revenues, or net income greater than \$60 million (positive or negative), it must be reported. Usually, the U.S. parent company that is required to file the report is many times larger than its largest foreign affiliate.

The 200 U.S. businesses that meet the SBA small business standards tend to have few foreign affiliates, and the foreign affiliates that they do own are small. With the proposed increase in the exemption level for the BE-577 survey from \$40 million to \$60 million (stated in terms of the foreign affiliate's assets, sales, and net income), small U.S. businesses will be required to file fewer reports for their foreign affiliates than would be required in the absence of this increase.

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

The U.S. international transactions and national income and product accounts are published quarterly. The data collected in this survey are important components of these accounts. BEA would be unable to provide the data needed in preparing these accounts if the information were collected less frequently. Also, the objectives stated in A.2. (above) could not be accomplished if the survey were not conducted or were conducted less frequently than each calendar quarter.

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

No aspects of the proposed BE-577 data collection 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 supports a proposed rulemaking, which will solicit comments on this survey. BEA maintains a continuing dialogue with survey respondents and data users, including its own internal users through the Bureau's Source Data Improvement and Evaluation Program, to ensure that, as much as possible, the required data serve their intended purposes and are available from existing records, that instructions are clear, and that unreasonable burdens are not imposed. When BEA designed the related 2009 BE-10, Benchmark Survey of U.S. Direct Investment Abroad, consultations with a broad group of Government and non-Government data users and potential respondent companies were conducted.

In reaching decisions on what questions to include in the survey, BEA considered the Government's need for the data and resources for processing the data, the burden imposed on respondents, the quality of the likely responses (e.g., whether the data are readily available on respondents' books), and BEA's experience in previous quarterly and related annual and benchmark surveys.

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

No payments or gifts to respondents are made.

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

Section 5(c) of the Act (22 U.S.C. 3104) provides that the information collected may be used only for analytical and statistical purposes and that 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.

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 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.”

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 an estimate in hours of the burden of the collection of information.

BEA expects 14,500 responses quarterly; because reports are filed 4 times per year, BEA expects 58,000 responses annually. The respondent burden for this collection of information is estimated to vary from one-half hour to three hours per response, with an average of one hour per response, including time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Thus the total annual respondent burden for this survey is estimated at 58,000 hours as shown in the RISC/OIRA Consolidated Information System (ROCIS).

The estimated annualized cost to respondents is \$2,320,000 based on the estimated reporting burden of 58,000 hours and an estimated hourly cost of \$40.

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 #12 above).

Other than respondent cost associated with the estimated burden of 58,000 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 would not be needed by respondents in order to prepare their responses to the survey. As a consequence, the total cost of operating and maintaining the technology and capital equipment will 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 project cost to the Federal government for this survey is estimated at \$1.4 million annually, which consists of \$950,000 for salaries and related overhead, and \$450,000 for equipment, supplies, forms design, mailing, printing, and computer processing

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

ROCIS shows a change in burden of -4,000 hours. The burden for this collection is estimated at 58,000 hours, a decrease of 4,000 hours from the overall respondent burden of 62,000 hours currently in the OMB inventory. The decrease in burden is a result of the proposed increase in the reporting threshold.

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

Each quarter BEA mails either pre-labeled survey forms to respondents filing paper forms or a notification letter that reports are due to respondents filing electronically. Reports are due 30 days after the close of the calendar or fiscal quarter, except for the fourth quarter when reports are due within 45 days. Quarterly data are released four times a year as part of the U.S. international transactions accounts approximately 65 days after the close of the quarter.

Annual summations of the quarterly data are released approximately six months after the end of the year. An analysis of the quarterly data appears in the BEA's monthly magazine, the *Survey of Current Business*, about 90 days after the end of the quarter.

All of the data tabulated from the BE-577 survey that are released to the public and analyses of the data, published in the *Survey*, are placed on BEA's Web site www.bea.gov.

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-577 information collection is consistent with the certification in all aspects.