



THE COUNCIL FOR COMMUNITY
AND ECONOMIC RESEARCH

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November 6, 2008

Mr. Paul Bugg
O.I.R.A., Paperwork Reduction Project 0608-0034
Office of Management and Budget
725 17th Street, NW
Washington, DC 20503
via e-mail: Paul_Bugg@omb.eop.gov

RE: Proposed Rule Change: Direct Investment Surveys: BE-15, Annual Survey of Foreign Direct Investment in the United States

Dear Mr. Bugg,

As co-chairs of the state chapter of the Council for Community and Economic Research (C2ER), we are writing you in response to the notice placed by the Bureau of Economic Analysis in the *Federal Register* of September 11, 2008 regarding proposed changes in the annual survey of foreign direct investment in the U.S. (BE-15). In particular, we are concerned about the proposed elimination of all but one of the currently available state-specific data elements.

By way of background, the C2ER state chapter is composed of the research directors in state economic development departments around the nation. Each chapter member is responsible for seeing that the state's governor and economic development leaders have the information needed to design and implement policies and programs that promote a healthy state economy, including those related to foreign investment. Within the larger C2ER membership structure, our members meet regularly to discuss and act on issues of common interest, including the need for current, accurate, and detailed federal economic statistics.

Existing BEA data show that foreign-owned firms are integral to many state economies. Nationwide, foreign-owned firms account for nearly two percent of establishments, more than five percent of employment, seven percent of payroll, and nearly 14 percent of total sales. In some states, these companies represent nearly four percent of establishments, nine percent of employment, 13 percent of payroll, and 31 percent total sales.

The *Federal Register* notice indicates that BEA proposes to eliminate the following state-specific data elements concerning foreign direct investment (FDI): manufacturing employment by state; gross property, plant, and equipment by state; and commercial property by state. Only total employment by state would be retained.

A poll of our chapter's members clearly indicates that the proposed cuts in BEA FDI data will seriously hinder state efforts to attract foreign investment and participate in the global

economy. In many states, BEA FDI data are the only source of foreign investment information. The proposed cuts would make it difficult, in not impossible, to completely understand the economic role of state FDI over time and to create effective policies and programs in response.

More specifically, our members rely on the four BEA state-specific FDI elements to:

- conduct FDI trend analysis to set state industry targets for attracting FDI opportunities with the greatest likely impact on state fiscal and economic priorities;
- track the value of fixed capital investments (property, plant, and equipment), which represent important metrics for state economic development programs;
- develop targeted marketing materials for FDI attraction;
- plan international trade missions for state governors and economic development leaders; and
- organize trade shows and trade-related workshops, seminars and conferences.

The availability of only state FDI total employment is inadequate for these various efforts. The other state FDI data elements are needed to ascertain the impacts of and opportunities for FDI investments in capital-intensive industries such as manufacturing, distribution, and real estate. Further, without the detailed data, state economic developers will have greater difficulty justifying out-of-state or international travel to meet with potential foreign prospects. To give you a more detailed sense of our members' views on the impacts of data elimination, we are attaching excerpts from their responses to our inquiry.

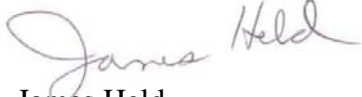
Please know that state economic development agencies have the lead public role in attracting FDI. The federal government has little activity in this regard. State economic development agencies actively recruit and site major FDI investments such as the multinational automakers, pharmaceutical manufacturers, heavy equipment production, financial institutions, and firms in other major industries. An example of how one state—Florida—has aggressively attracted foreign direct investment can be found on the Enterprise Florida website (<http://www.eflorida.com/ContentSubpage.aspx?id=358>).

In sum, BEA's proposed cuts to state data collection activities would have an adverse impact on state foreign direct investment programs and activities and impede efforts to strategically allocate scarce FDI attraction resources, with negative implications for the nation's economy. BEA's state FDI information remains the only reliable source of information most states can access to plan and implement their business recruitment and promotion activities. The economic value generated by BEA's state FDI data is many orders of magnitude of the cost of their collection.

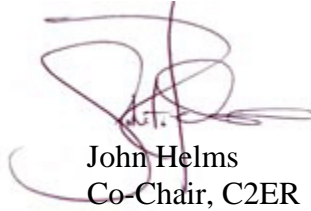
Consequently, we request that OMB ask BEA to retain its existing set of four state-level data elements in the BE-15 survey. We recognize that BEA has finite resources to allocate and that, barring a real budget increase, restoration of the full set of state FDI data would require a cut elsewhere. In the absence of a budget increase, we request that OMB ask BEA to identify other BEA activities for which the positive impacts are not as great.

We would be happy to provide additional information if needed. Thank you for your consideration our concerns and we look forward to your response.

Sincerely,



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