

SUPPORTING STATEMENT - PART A  
U.S. Department of Commerce  
U.S. Census Bureau  
Quarterly Survey of Plant Capacity Utilization  
(OMB Control No. 0607-0175)

A. Justification

1. Necessity of the Information Collection

The U. S. Census Bureau on behalf of the Federal Reserve Board (FRB) and the Defense Logistics Agency (DLA), within the Department of Defense (DOD), requests an extension of approval for the Quarterly Survey of Plant Capacity Utilization (QPC), OMB number 0607-0175. The survey provides information on use of industrial capacity in manufacturing and publishing plants as defined by the North American Industry Classification System (NAICS). The Survey of Plant Capacity Utilization began in the 1970's as an annual survey that collected fourth quarter data only. The annual survey continued through 2006. In 2007 the FRB requested that the survey be converted to a quarterly survey due to the necessity for quarterly data rather than annual. The survey is the only source of capacity rates at industry levels. Changes in capacity utilization are considered important indicators of investment demand and inflationary pressure. For these reasons, the estimates of capacity utilization are closely monitored by government policy makers and private sector decision makers.

The Census Bureau conducts the survey under the authority of Title 13, United States Code, Section 8(b), 50 U.S.C. Section 98, et. seq, and 12 U.S.C. Section 244. This survey utilizes a multi-mode data collection process that includes internet reporting, fax, telephone and mail. The survey collects the value of quarterly production and the value of production that could be achieved if operating under "full production" capability and "emergency production" capability. The ratio of the actual to the full is the basis of the estimates of full capacity utilization rates and similarly, the actual to the emergency for the emergency capacity utilization rates. The survey also collects information by shift, on work patterns at the actual production level.

Appendix A is a copy of the MQ-C2 form and instructions. Response to the quarterly survey is voluntary.

2. Need and Uses

The FRB is the primary user of the current QPC data and expressed the need for these quarterly data. FRB publishes measures of industrial production (IP), capacity, and capacity utilization in its G.17 statistical release, which has been

designated by the federal government as a Principal Federal Economic Indicator. Utilization rates from the QPC are a principle source for the measures of capacity and capacity utilization. The indexes of IP are either estimated from physical product data or estimated from monthly data on inputs to the production process, specifically production worker hours and an indicator of capital input. For many years, data on electric power use was used as the indicator of industry capital input. The deregulation of electricity markets led to the deterioration in the coverage and quality of the electricity data. As a result, in November 2005, the FRB discontinued its use of the industrial electric power data in the current estimates of IP. In order to maintain the quality of the IP index, the collection of these quarterly data, including the utilization rate data and the workweek of capital, are critical indicators of capital input use and industry output.

The FRB uses these data in several ways. First, the QPC data is the primary source of the benchmark information for the capacity indexes and utilization rates published by the FRB. Second, the QPC utilization rate data and the capital workweek data are used as an indicator of capital use in the estimation of monthly IP. Third, the QPC utilization rate data and the workweek data are used to improve the projections of labor productivity that are used to align IP with comprehensive benchmark information from the Economic Census covering the Manufacturing sector and Annual Survey of Manufactures. Finally, utilization rate data will assist in the assessment of recent changes in IP, as most of the high-frequency movement in utilization rates reflect production changes rather than capacity changes.

The DLA uses the data to assess readiness to meet demand for goods under selected national emergency scenarios.

In addition to the FRB and DLA uses, these data are published on the Census Bureau's website, <http://www.census.gov/manufacturing/capacity/index.html> .

Information quality is an integral part of the pre-dissemination review of the information disseminated 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

The Census Bureau developed a web-based version of the quarterly survey. Electronic reporting allows the Census Bureau to receive the data in a more timely manner and allows for data checks within the instrument to verify reported data are accurate, resulting in less follow-up. Electronic reporting for the 2014 survey year averaged 70% per quarter. Screenshots from the online application

are shown in Appendix A.

We will also continue to use other options such as fax and telephone to retrieve data from our respondents as well as other Census Bureau technologies, such as automated check-in to collect and process the data.

4. Efforts to Identify Duplication

The Census Bureau maintains ongoing contact with the FRB and DOD, the primary data users of these statistics, to avoid duplication. The QPC data are the only source of detailed information on manufacturing utilization rates and the only source of data on the workweek of capital.

5. Minimizing Burden

All plants with fewer than 5 employees are excluded from the survey. We select a new sample every 5 years. While the total burden is not decreased, the burden on individual plants is decreased. We accept data over the phone, via fax, and spreadsheets. If respondents do not have all the data available, we will accept what they have, alleviating their burden and maximizing our item response.

6. Consequences of Less Frequent Collection

Less frequent collection would result in the inability to monitor short term effects on growth rates, productivity changes, and price changes.

7. Special Circumstances

In order to meet the timely release of the quarterly estimates-- 75 days from mailing-- and allow for follow-up, we request response to this quarterly survey in 20 days. Based on historic response, respondents can provide these data in 20 days.

8. Consultations Outside the Agency

The Census Bureau announced its intention to conduct the quarterly survey in the Federal Register on February 12, 2015 (volume 80, page 7837) inviting the public to comment on our plans to submit this request. We received no comments in response to the notice.

We are in continual contact with the FRB and the DOD to discuss the scope and content as it relates to their needs. Within the Department of Defense, we are in contact with two agencies; the DLA, the funding agency and the Institute for Defense Analysis (IDA), the agency that analyzes and uses the data.

During the data collection process, we consult with respondents to determine how well they can provide the information requested, where any potential reporting problem may lie and the amount of time needed to complete the form. Consultations with outside consultants were for the purpose of receiving individual opinions and not for the purpose of forming a group opinion.

9. Paying Respondents

We do not pay respondents or provide them gifts.

10. Assurance of Confidentiality

The law, Title 13, U.S. Code, Section 9 guarantees the confidentiality of the information collected in this survey. We inform respondents in a letter signed by the Director of the Census Bureau, on the form itself, and in the instructions sent to all participants that responses are confidential. Appendix B is a copy of the 2015 cover letter and follow-up letter. We inform the respondents in the instruction manual that the survey is voluntary.

11. Justification for Sensitive Questions

There are no sensitive questions.

12. Estimate of Hour Burden

The number of quarterly respondents will be approximately 7,500. The estimated time per response is 2 hours and 5 minutes for a total annual burden of 62,500 hours. The 2 hour and 5 minute estimate is based on informal contact with respondents who verified that this burden was a reasonable estimate.

The estimated annual cost to the respondents is \$2,120,000. This estimate is based on the mean hourly wage of \$33.92 for an accountant multiplied by the total annual burden hours.

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

The total annual cost to the Federal Government for fiscal year 2015 was \$1,252,172. We expect that the cost will remain similar over the period of clearance. The cost is shared equally by the FRB and DLA.

15. Reason for Change in Burden

There is no change from the current OMB inventory.

16. Project Schedule

The Census Bureau will mail the MQ-C2 at the end of each quarter. We will ask that the respondents return the quarterly form within 20 days. Establishments that do not respond within that time period receive a follow-up.

The following is a tentative schedule for data collection, processing and publication for the quarterly survey.

Data Collection and Publication Schedule

Activity	Date
1 <sup>st</sup> quarter mailing	March current year
First quarter follow-up	20 days after mailout
1 <sup>st</sup> quarter release of data	June current year
2nd quarter mailing	June current year
Second quarter follow-up	20 days after mailout
2nd quarter release of data	September current year
3rd quarter mailing	September current year
Third quarter follow-up	20 days after mailout
3rd quarter release of data	December current year
4th quarter mailing	December current year
Fourth quarter follow-up	20 days after mailout
4th quarter release of data	March of subsequent year

17. Request to Not Display the Expiration Date

The expiration date and OMB number are displayed on the form.

18. Exceptions to the Certification

There are no exceptions.

19. Industries Affected

The survey covers all manufacturing and publishing industries defined by the North American Industry Classification System (NAICS) with industry groups being represented. These are NAICS industries or combinations thereof. These industry groups were defined by the FRB. Emphasis is placed on priority industries as defined by the FRB. See Section B Collection of Information Employing Statistical Methods for a more comprehensive breakdown of scope and sampling strategy.