3,700 foreign affiliates, U.S. companies will now report significantly fewer data items than on the last (1993) annual survey.

For fiscal year 1997 only, these proposed rules will require the largest nonbank foreign affiliates owned between 10 and 20 percent to be reported on Form BE–11C, along with affiliates owned between 20 and 50 percent. In all years, reporting on Form BE–11C is required if an affiliate is owned between 20 and 50 percent by all U.S. Reporters combined and if its assets, sales, or net income exceed $20 million. Primarily to reduce reporting burden of the survey, affiliates owned less than 20 percent do not have to be reported. However, U.S. direct investment abroad is defined by law to include all foreign business enterprises owned 10 (not 20) percent or more, directly or indirectly, by a U.S. person. BEA conducts periodic benchmark surveys of U.S. direct investment abroad (the BE–10), covering all foreign affiliates owned 10 percent or more. A benchmark survey for the year 1994 is now being conducted; the next survey will cover the year 1999. In order to maintain reliable estimates of data for the universe of all foreign affiliates in nonbenchmark years, reporting for the largest affiliates owned between 10 and 20 percent is needed for at least one year between benchmark surveys. Although the U.S. ownership percentages in these affiliates are low, some of the affiliates are very large and have a sizable impact on the estimates. Under these proposed rules, reporting of Form BE–11(C) for nonbank foreign affiliates owned directly and/or indirectly, at least 10 percent by one U.S. Reporter, but less than 20 percent by all U.S. Reporters of the affiliate combined, and for which assets, sales, or net income exceed $100 million would be required for fiscal year 1997 only. A similar one-year requirement was imposed in the 1987 annual survey (between the 1982 and 1989 benchmark surveys) and in the 1992 annual survey (between the 1989 and 1994 benchmark surveys).

These new rules, if approved, will be effective with the survey covering fiscal year 1995. The 1995 forms will be mailed out in March 1996 and will be due May 31, 1996. The last BE–11 survey covered the year 1993. (A BE–11 survey is not conducted in a year, such as 1994, when a BE–10 benchmark survey is conducted.)

BEA is proposing a number of other changes to the report forms themselves—such as modifications, additions, and deletions. These changes, however, do not require rule changes and are not reflected in these proposed rules. The major changes are the addition of five items on Form BE–11A to facilitate the estimation of U.S. parent companies' gross product in the United States annually; the addition of three items on Form BE–11B(LF) to collect affiliates' equity investment in other foreign affiliates needed to arrive at the correct values for affiliates' income and owners' equity; and the addition of an item on Form BE–11B(LF) (which is also included on new Form BE–11B(SF)) to collect property, plant, and equipment (PP&E) expenditures. Projected and actual expenditures for PP&E had been collected on the BE–133 B and C surveys, which were discontinued in June 1993. At that time, respondents were informed that an item on actual expenditures would be added to the annual survey. All the items being added are currently only available on benchmark surveys.

Other changes to the survey include the collection of ''total sales,'' rather than ''sales of services,'' by transactor on Form BE–11A; the collection of research and development expenditures on a performed ''by'' basis (the basis used by the National Science Foundation), rather than a performed ''for'' basis, on Form BE–11A and Forms BE–11B (LF) and (SF); the addition of an item on Forms BE–11B (LF) and (SF) to obtain information on an indirectly-owned foreign affiliate's foreign parent's identify and ownership interest in its subsidiary; and the replacement on Form BE–11C of one item, on U.S. ownership in the affiliate, with two items—one on direct ownership interest and the other on indirect ownership interest.

The reporting burden for the 1995 BE–11 (OMB Control No. 0608–0053) survey is estimated at 88,940 hours, 16,360 less than the estimate currently in the OMB inventory. The reduction in burden is more than accounted for by raising the exemption level from $15 million to $20 million and by instituting the BE–11B short form, partly offset by natural growth in the universe and the addition of new items.

A copy of the proposed survey forms may be obtained from: Office of the Chief, Direct Investment Abroad Branch, International Investment Division (BE–69(A), Bureau of Economic Analysis, U.S. Department of Commerce, Washington, DC 20230; phone (202) 606–5566.

Executive Order 12612

These proposed rules do not contain policies with Federalism implications sufficient to warrant preparation of a Federalism assessment under E.O. 12612.

Executive Order 12866

These proposed rules have been determined to be not significant for purposes of E.O. 12866.

Paperwork Reduction Act

These proposed rules contain a collection of information requirement subject to the Paperwork Reduction Act. A request for review of the forms has been submitted to the Office of Management and Budget under section 3504(h) of the Paperwork Reduction Act.

The public reporting burden for a U.S. company for this collection of information can range from 4 hours for the smallest and least complex U.S. Reporter that has one affiliate, to approximately 3,000 hours for a large U.S. Reporter that has up to 150 affiliates with a wide range of activities; the average burden per Reporter is 62 hours. The estimated burden includes time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Comments from the public regarding the burden estimate or any other aspect of this collection of information should be addressed to: Acting Director, Bureau of Economic Analysis (BE–1), U.S. Department of Commerce, Washington, DC 20230; and to the Office of Management and Budget, Washington, DC 20503, Attention: Desk Officer for the Department of Commerce. (OMB Control No. 0608–0053).

Regulatory Flexibility Act

The Assistant General Counsel for Legislation and Regulation, Department of Commerce, has certified to the Chief Counsel for Advocacy, Small Business Administration, under the provisions of the Regulatory Flexibility Act (5 U.S.C. 605(b)), that these proposed rules, if adopted, will not have a significant economic impact on a substantial number of small entities. The exemption level is set in terms of the size of a U.S. company's foreign affiliates. Only if the affiliate's assets, sales, or net income exceeds $20 million must it be reported. Usually, the U.S. parent company (the one required to file the report) is many times larger.

In addition, by raising the exemption level from $15 million to $20 million, U.S. parent companies will no longer have to report for affiliates between $15 and $20 million. This change should reduce the reporting burden on smaller U.S. businesses that own these affiliates.