



**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](mailto: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.

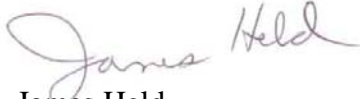
Please know that state economic development agencies have the lead public role in attracting FDI. The federal government has little activity in this regard. State economic development agencies actively recruit and site major FDI investments such as the multinational automakers, pharmaceutical manufacturers, 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.

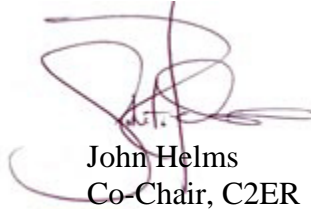
Consequently, we request that OMB ask BEA to retain its existing set of four state-level data elements in the BE-15 survey. We recognize that BEA has finite resources to allocate and that, barring a real budget increase, restoration of the full set of state FDI data would require a cut elsewhere. In 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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Co-Chair, C2ER  
State Chapter Partner Roundtable  
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cc: David Galler, US Bureau of Economic Analysis [David.Galler@bea.gov](mailto:David.Galler@bea.gov)

## **Appendix 1: Email Comments for BEA from State Economic Development Agencies**

### **C2ER Email to members soliciting comments from State Economic Development Agencies, September 21, 2008**

The Council for Community and Economic Research (C2ER) needs your help to ensure that your state has publicly available data on Foreign Direct Investment. The US Bureau of Economic Analysis (BEA) announced recently that it plans to make cuts in its data collection activities as a result of recent budget cuts. BEA recently announced the proposed cuts in the Federal Register. The attached file has a summary of the anticipated impact on data availability. We need your help to determine if these proposed cuts would affect your state's ability to track foreign direct investment activity. C2ER is also working with the State International Development Organization, the Brookings and others in preparing an appropriate response.

On behalf of the C2ER State Chapter (co-chaired by Jim Held of NY and John Helms of MS), we are gathering information from you and your colleagues in all 50 states as part of an effort to prepare a thoughtful response.

First, will these cuts impact your state's international trade programs or policy decision making process?

Second, more detailed input on how these proposed cuts would affect your agency or organization would be greatly appreciated so that we can incorporate this information in our response. Furthermore, you may wish to prepare your own response to the Federal Register notice (<http://edocket.access.gpo.gov/2008/pdf/E8-21070.pdf>).

Thanks in advance for your help. We would greatly appreciate your feedback by October 1 to incorporate into our letter and our in-person communications with BEA. We will share the results of our analysis to all that are interested, simply let me know if you wish a copy of what we learn.

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Kenneth E. Poole, Ph.D.  
Executive Director,  
Council for Community and Economic Research  
703-522-4980, ext. 16

<b>List of BEA's Current State Data Tables on Foreign Direct Investment</b> <a href="http://www.bea.gov/international/di1fdiop.htm" style="color: white;">http://www.bea.gov/international/di1fdiop.htm</a>	
CURRENT TABLES PROVIDING DATA BY STATE	PROPOSED BEA ACTION
II.A 10. Number of Affiliates With Property, Plant, and Equipment or Employment, State, by Country of Ultimate Beneficial Owner (UBO)	Data would be cut
II.D 11. Gross [Value of] Property, Plant, and Equipment of Affiliates, State, by Use	Data would be cut
II.G 19. Employment and Manufacturing Employment of Affiliates, by State	Data would remain for all affiliates MFG employment data would be cut
III.A 10. Number of Affiliates With Property, Plant, and Equipment or Employment, State, by Country of Ultimate Beneficial Owner	Data would be cut
III.D 11. Gross [Value of] Property, Plant, and Equipment of Affiliates, State, by Use	Data would be cut
III.D 12. Gross [Value of] Property, Plant, and Equipment of Affiliates, State, by Industry of Affiliate	Data would be cut
III.D 13. Gross [Value of] Property, Plant, and Equipment of Affiliates, State, by Country of Ultimate Beneficial Owner	Data would be cut
III.D 17. [Value of] Commercial Property of Affiliates, State, by Country of Ultimate Beneficial Owner	Data would be cut
III.G 7. Employment of Affiliates, State, by Industry of Affiliate	Data would remain
III.G 8. Employment of Affiliates, State, by Country of Ultimate Beneficial Owner	Data would remain
III.G 13. Manufacturing Employment of Affiliates, State, by Country of Ultimate Beneficial Owner	Data would be cut
III.G 18. Number of Affiliates With Employment, State, by Employment Size Class	Data would remain

Two relevant data websites that use this BEA data...

<http://trade.gov/investamerica/index.asp>

<http://www.ofii.org/insourcing-stats.htm>

**Email response from the Maryland Dept of Business & Economic Development's International  
Division, October 1, 2008**

As is the case with many states, Maryland is grappling with budget shortfalls that seriously limit its marketing resources devoted to attracting investment from foreign businesses. As such, it is more important than ever that states engage in activities yielding the highest return on investment. Maryland has already made many of these changes to the best of its ability, closing over half of its foreign offices over the past two years, reducing their total number from eleven to five.

In determining the highest-ROI countries to target, however, having the correct intelligence is crucial. BEA-provided data on FDI inflows helps Maryland understand developing trends in international investment, and act on this information appropriately. In fact, BEA data has already encouraged us to explore opening an office in a high-activity investing country that we had not previously considered. In helping us to maximize the return on our activities, BEA can help contribute directly to American job creation and economic growth by continuing to collect FDI data.

**Initial comments by Arizona Dept. of Commerce's Trade and Investment Office on proposed cuts,  
September 22, 2008**

Any cuts to state data collection activities by the BEA would have an adverse impact on state and local current foreign direct investment programs and activities and would further hamper efforts to strategically dedicate what are already scarce resources to carry out their mission. States and most major cities rely heavily on the state data collected by BEA and uses the information to enhance local monitoring efforts although in the absence of any local tracking activity, the data provided by BEA in essence becomes the only reliable source of information states can access to plan and implement their recruitment and promotion activities.

With the recent introduction of "Invest in America" initiative by the Department of Commerce, states for the first time are looking to the federal government to assist them in maximizing their outreach efforts to global markets and with it, the expected belief that federal resources would be more readily available to support state's foreign direct investment strategies. Any reduction in data collection is in direct conflict with the goals and objectives of "Invest in America" and comes at time when states are redirecting substantial parts of their economic development resources to foreign direct investment programs. In Arizona, the reductions would seriously cripple our statewide efforts in recruiting foreign investments, weaken our research and analysis capacity and significantly impair any future economic development strategy as it relates to global marketing and recruitment.

States are not in a position and do not have the tools to collect the data at a local level. The U.S. Treasury department is not willing to share information at the most basic level i.e. origin of investment by country, number of companies and /or dollar value which makes it even more crucial for states to continue accessing the publicly available data. Economic development organizations and other organizations representing trade and investment interests throughout the country are equally disadvantaged when it comes to collecting and analyzing this data, which only adds to the frustration already felt by states, and where access to information about foreign direct investment trends and flows is of the utmost importance if one is to succeed in the new global economy.

Kent Ennis, Deputy Director, Arizona Dept. of Commerce

**Additional comments from Arizona Dept. of Commerce, September 22, 2008**

The changes (below) will clearly impact the quality and detail of the data. We won't get a much detail (manufacturing employment by state is a big loss), the data will only be collected every other year, and due to greater sampling, will be less reliable. Although it may impact our ability to make good decisions from a competitive sense, every other state will be similarly impacted. With all the financial issues facing the feds right now, I'm surprised the changes are so mild.

The following data items will no longer be collected: Selected balance sheet items; the breakdown of sales of services to foreign persons into sales of services to the foreign parent group, to foreign affiliates owned by the affiliate, and to other foreign persons; the breakdown of employment and employee

compensation by occupational classification; the breakdown of total employee compensation into wages and salaries and employee benefit plans; data on the composition of external finances; research & development employees; imports of goods intended for further manufacture; manufacturing employment by state; gross property, plant, and equipment by state; commercial property by state; and wholesale and retail trade items.

Reporting thresholds will be raised and greater use will be made of sampling, allowing smaller companies to file every other year rather than annually. BEA proposes to (1) increase the threshold for reporting on Form BE-15A from \$125 million to \$275 million; (2) increase the threshold for reporting on

Form BE-15B from \$30 million to \$120 million; and (3) increase the threshold for reporting on Form BE-15(EZ) from \$30 million to \$40 million.

Lisa Danka, Arizona Dept. of Commerce



**Email comments from Illinois Dept of Commerce and Economic Opportunities, October 1, 2008**

In Illinois we do not use the BEA FDI data very much. Our use is primarily to rank IL with the other states. We generate most of our FDI data from D&B. We are able to get a list of foreign owned establishments and their employment in IL and with our new subscription we can also identify foreign locations of IL based companies.

Our FDI Manager [also]...didn't foresee any complications. As I mentioned earlier, we use D&B for many of our FDI statistics. We also use the export data from WISER Trade ([www.wisertrade.org](http://www.wisertrade.org)). I'm attaching a copy of our FDI Fact Sheet.

Foreign Direct Investment

Illinois ranks #1 in the Midwest as a destination for foreign investment  
Illinois has attracted 1,576 foreign firms with 5,330 locations  
These firms employ over 281,536 Illinois residents

Foreign Direct Investment Data Source: Dunn & Bradstreet

In general, if a database does not have at least state level data (and preferably sub-state), we do not use it too much. We are mostly interested in how IL is performing compared to our neighboring and competitor states. We also maintain databases to monitor sub-state regional trends. We are just like everyone else – we want as much data for as small of a geography for as recent a time period as possible.

**Comments from the Virginia Economic Development Partnership, September 30, 2008**

Thank you for making me aware of the planned elimination or reduction in BEA's data collection activity for Foreign Direct Investment. Your communication of September 21<sup>st</sup> highlights the importance that states place on this data and our need for continued access to it.

Virginia uses this information to make important marketing and budget development plans and strategies. We review this data in an effort to define markets active in the FDI process and target our precious resources to the appropriate markets. Today, the opportunity for a state to increase its employment and capital investment base is largely through companies from foreign markets. The BEA data helps Virginia target the best locations in which to build our brand.

We also use this data to select industry segments that we target for expansion into the US market. Having access to the types of manufacturing or technology related companies that have invested globally help us know where and how to market Virginia.

The U.S. economy requires new sources of investment to sustain growth and strong employment. The state economic development organizations are the leading organizations in this field. We need the BEA information to make our efforts successful and well focused. Not providing this data to state economic development organizations restricts our capacity to create new jobs and investment for our constituencies, and thus the country as a whole.

Please keep me informed of the status of your efforts to convince BEA to reverse this announced data reduction program.

Sincerely

Paul H. Grossman

Director, International trade and Investment

Virginia Economic Development Partnership

Here is a perspective the Empire State Development (New York) International Division uses the data (September 26, 2008):

In addition to preparing trend analysis for use by the int'l division in setting their FDI attraction targets and focus, the BEA FDI data is incredibly essential to our marketing materials related to FDI attraction. One of the challenges with the existing data is the 2-year time lag (2006 info has just been released), and the fact that detail at the state level has been diminishing over the years. Further cutbacks would be devastating; there is no way states can compile this info without BEA.

Kay Wilkie, Director, International Trade

Email comments from Texas Governor's Office, September 24, 2008

Dear Dr. Poole,

On behalf of the Business Research team here at the Governor's Office of Economic Development and Tourism, I would like to submit the following to you in response to your notice of the BEA's proposed cuts in State Data on Foreign Direct Investment.

The Texas Office of the Governor's Economic Development & Tourism (EDT) division of the Governor's Office markets Texas globally as the premier business location and travel destination. It develops strategies to generate leads and inquiries which over time can be developed into business recruitment prospects, export opportunities and tourism – thereby creating jobs and wealth for Texans. The division relies on the BEA's Texas and national FDI data for national and international economic development purposes. We are deeply concerned with the proposed FDI data cuts, since what currently exists is already limited and there are no comparable sources of FDI data available in the public domain.

Commercial FDI services, such as FDi Markets (FKA OCO Monitor), cannot provide the same reliability or depth of FDI information because they don't have a governmental mandate and therefore rely on public data sources, such as company press releases. We believe that the loss of most of BEA's FDI data, which are important and unique economic data resources, will have a negative impact on the State of Texas – and on the Nation.

It is difficult to quantify the importance of BEA's FDI data to the State of Texas and the Texas EDT, however, we can qualify how we use it. The Texas EDT division, in particular the International Business & Recruitment (IBR) department, uses the BEA's FDI data on a weekly – if not daily – basis. Texas FDI data are used for marketing and recruitment efforts; international trade missions; *Invest in Texas* seminars; workshops; conferences; trade shows; requests from companies, consultants, and individuals; and much more. To facilitate providing Texas FDI data, due the volume of all types of requests the EDT receives, some BEA FDI information is posted to IBR website areas at <http://www.texasone.us/site/PageServer?pagename=IndustryResourceInternational> and [http://governor.state.tx.us/ecodev/business\\_resources/international\\_business\\_and\\_recruitment/](http://governor.state.tx.us/ecodev/business_resources/international_business_and_recruitment/). FDI data are a factor in deciding on the Texas international trade missions and FDI information is included in the packets taken on the missions. The Texas EDT frequently works in conjunction with the U.S. Dept. of Commerce (two DOC staff are "co-officed" with the EDT), Texas communities and companies, and other Texas state agencies, notably the Texas Secretary of State, on the international trade missions – which in 2008 included trips to Argentina, Brazil, China, France, Qatar, and Spain (some details posted at [http://www.texasone.us/site/DocServer/International\\_Calendar\\_TX\\_Wide\\_Open\\_for\\_Business\\_Website.pdf?docID=1901](http://www.texasone.us/site/DocServer/International_Calendar_TX_Wide_Open_for_Business_Website.pdf?docID=1901)).

The Texas EDT began purchasing FDi Markets (FKA OCO Monitor) services last year to supplement BEA's FDI data. We use and value both products, finding FDi Markets information primarily useful for

international statistics and for up-to-date/current data. However, FDi Markets does not come close to the reliability and thoroughness of BEA FDI data for U.S. and state level information.

We appreciate the C2ER's efforts in communicating to the U.S. Government the importance of the BEA's FDI data in keeping the states' and nation's economic development efforts strong. Diminishing the BEA's FDI data, which are unique and important economic data resources and tools, in this globally economically challenging time is penny-wise; pound-foolish.

Thank you,

**Julie Rabeux**

Manager, Business Research

Economic Development & Tourism

Office of the Governor

512-936-0176

**Email comments from North Dakota Dept. of Commerce, September 24, 2008**

**From:** Susan Geib [mailto:susan@ndto.com]  
**Sent:** Tuesday, September 23, 2008 5:30 PM  
**To:** Huether, Leigh Ann  
**Cc:** Lucy, Paul J.  
**Subject:** Re: BEA Proposes Cuts in State Data on Foreign Direct Investment

The only thing I can see that is being cut (If i understand it correctly) is the number of affiliates by country and by owner. To me, this is the most valuable information. I really only need:

- What countries and industries/companies are investing in our state
- What is the total amount of investment by country
- What are they investing in (e.g. what industries)

No information affects planning/funding/decision making.

Susan Geib

North Dakota Trade Office

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Email comments from Missouri Economic Research and Information Center, Missouri Dept. of Economic Development, September 23, 2008

These cuts would indeed impact the state of Missouri's ability to track foreign direct investment, especially as it concerns fixed capital (Property, Plant, and Equipment). Fixed capital investment tracking is critical to understanding longer-term foreign investments. Having the ability to track which countries and in which industries these more permanent investments are occurring allows us to better target our development efforts.

The Missouri Department of Economic Development maintains an international marketing group and has staff located in key trade countries. We are always interested in gathering more information about our place in this global economy and the BEA data is an important component of our analysis. To help us compete in the international marketplace for capital and labor, we would hope for more information, not less.

With that in mind I do understand that tough budget decisions are a reality. Of the tables that BEA proposes to cut, it appears table III.G 13 Mfg. Employment might be a subset of table III.G 8 Employment. If that is the case table III.G 13 could be cut since the data would still be available in the larger table III.G 8.

Alan

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Alan Spell, Research Manager  
Missouri Economic Research and Information Center  
**Missouri Department of Economic Development**  
[www.MissouriEconomy.org](http://www.MissouriEconomy.org)

**Email comments from Connecticut Dept. of Economic and Community Development, September 23, 2008**

Dear Mr. Poole,

Your e-mail regarding the BEA foreign direct investment (FDI) data collection cuts was forwarded to me by my director, Mr. Costas Lake, who leads Connecticut's international programs and services, including trade/export promotion and FDI recruitment and retention projects. Connecticut is proud to have so many foreign-owned companies call our state "home". Foreign-owned companies operating in Connecticut make a significant contribution to the state's economy. We are therefore concerned with the impact of the BEA cuts, especially the planned cuts to data such as (1) gross value of property, plant, equipment of affiliates, state by use and (2) the breakdown of employment and employee compensation, because it will limit our ability to paint a complete story of the important role of FDI in Connecticut. Also, as state budgets get tighter, it is increasingly difficult to obtain waivers and permission to travel to companies located outside of Connecticut and the U.S. Not having updated and complete data makes the case harder for why states need to do outreach and talk to foreign-owned companies; without data, we can't adequately convey the role and numbers they play in our economy.

The majority of the FDI data we use comes from the OFII site, but BEA is their source for the info. We use this data in reports to our Governor, legislature, commerce committee, annual report, etc.

Thank you for contacting the states for our input.

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**Laura Jaworski**  
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