



United States International Trade Commission

Performance and Accountability Report

Fiscal Year 2008

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Message from the Chairman

November 17, 2008

I am pleased to present the *FY 2008 Performance and Accountability Report* for the United States International Trade Commission. The report provides an overview of our fiscal year (FY) 2008 financial management and program accomplishments.



The Commission has three important mandates: (1) to administer U.S. trade remedy laws in a fair and objective manner; (2) to provide the President, the United States Trade Representative, and the Congress with independent analysis, information, and support on matters of tariffs, international trade, and U.S. competitiveness; and (3) to maintain the Harmonized Tariff Schedule of the United States. In doing so, the Commission contributes to the development of sound and informed U.S. trade policy. The Commission carries out these mandates primarily through its import injury investigations, intellectual property-based import investigations, industry and economic analysis program, tariff and trade information services, and trade policy support.

For FY 2008, an independent financial audit, monitored by the Office of the Inspector General (IG), resulted in an unqualified (clean) opinion for the Commission's financial statements. Improved financial performance is one of the five government-wide initiatives in the President's Management Agenda, and the results of the independent audit are a clear indication that the Commission continues to make the integrity of our financial information, as well as the systems and controls needed to produce the information, a high priority.

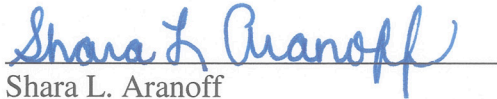
In addition, the Commission met the majority of its quantitative performance goals for the fiscal year. Strategic goals and strategies are reviewed annually and are designed to promote the mission of the agency. I would like to highlight the following noteworthy accomplishments for the past year:

- Forty-three import injury investigations were completed and 43 instituted during FY 2008. These investigations included original antidumping and countervailing duty investigations as well as five-year reviews.
- Thirty-eight intellectual property-based import investigations were completed and 50 instituted during FY 2008. These complex investigations frequently involved products or processes related to telecommunications, pharmaceuticals, or microelectronic devices.
- Fourteen fact-finding and probable effects investigations were completed and 10 instituted during FY 2008. These studies were conducted at the request of the United States Trade Representative or the Congress to assess the impact of proposed changes in trade policy and trade negotiations.

- Historically high levels of customer usage were registered at the Commission's DataWeb and Tariff Database Web sites.

As I review these financial and programmatic accomplishments, I can certify with reasonable assurance that the Commission's systems of management control, taken as a whole, are substantially consistent with Section 2 of the Federal Managers' Financial Integrity Act. In addition, I am confident that the Commission's financial and performance information reliably and accurately reflects our efforts to reach our goals.

The Commission's Web site, which provides comprehensive information about our activities and access to the Harmonized Tariff Schedule, is located on the Internet at <http://www.usitc.gov>. I invite readers of this report to visit our Web site to learn more about the Commission and its most recent activities.



Shara L. Aranoff
Chairman



Management Discussion and Analysis

Mission and Organization

The United States International Trade Commission (Commission/ITC) is an independent, quasi-judicial Federal agency with broad investigative responsibilities on matters of trade. The agency investigates the effects of dumped and subsidized imports on domestic industries and conducts global safeguard investigations. The Commission also adjudicates cases involving alleged infringement by imports of intellectual property rights. Through such proceedings, the agency facilitates a rules-based international trading system. The Commission also serves as a Federal resource where trade data and other trade policy-related information are gathered and analyzed. The information and analysis are provided to the President, the Office of the United States Trade Representative (USTR), and Congress to facilitate the development of sound and informed U.S. trade policy. The Commission makes most of its information and analysis available to the public to promote understanding of international trade issues.

Mission

The mission of the Commission is to (1) administer U.S. trade remedy laws within its mandate in a fair and objective manner; (2) provide the President, USTR, and Congress with independent analysis, information, and support on matters of tariffs, international trade, and U.S. competitiveness; and (3) maintain the Harmonized Tariff Schedule of the United States (HTS).

The Commission has five major operations that serve its external customers:

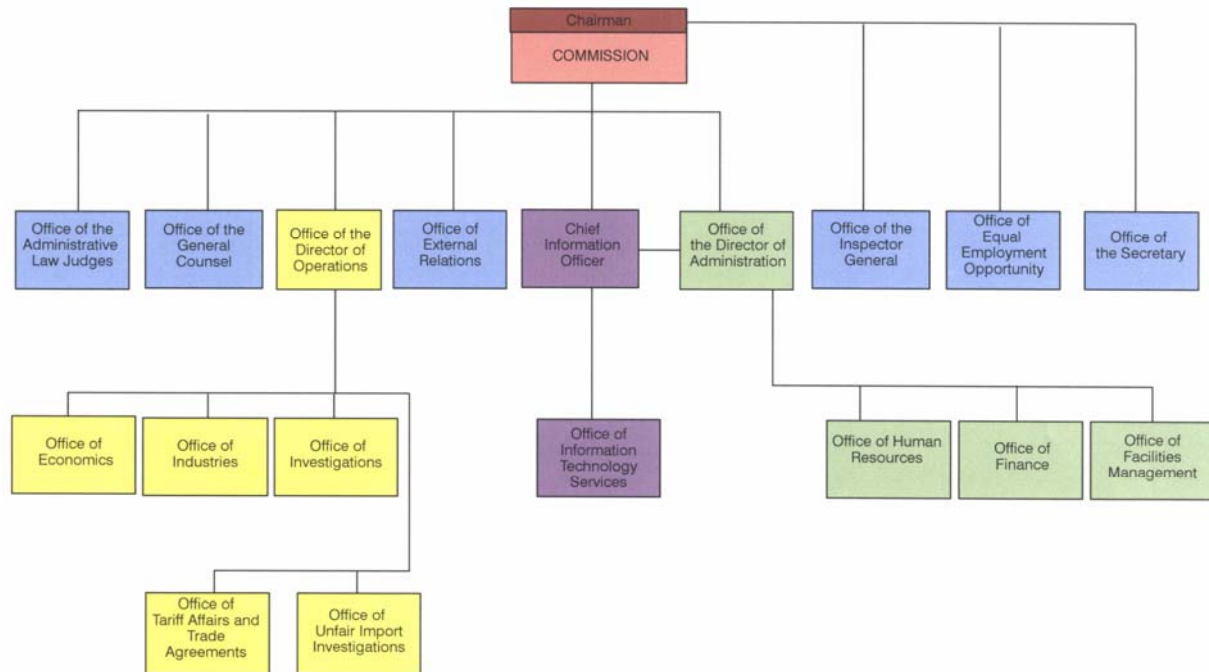
- Import Injury Investigations,
- Intellectual Property-Based Import Investigations,
- Industry and Economic Analysis,
- Tariff and Trade Information Services, and
- Trade Policy Support.

Import injury investigations and intellectual property-based import investigations are distinct investigative regimes with specific and detailed procedures provided in authorizing legislation. The Industry and Economic Analysis Program, Trade Information Services, and Tariff and Trade Policy Support are based upon general authorizing legislation with broad procedural discretion delegated to the Commission. Each of these operations is discussed in greater detail in the Performance Section of this report.

Resources and Location

As of September 30, 2008, the Commission operated on a budget execution plan of \$68.4 million and a permanent staff of 343 on-board. The Commission is located at 500 E St., SW, Washington, DC 20436.

Organization



Commissioners

The six Commissioners are appointed by the President and confirmed by the Senate for terms of nine years, unless appointed to fill an unexpired term. The terms are set by statute and are staggered so that a different term expires every 18 months. A Commissioner who has served for more than five years is ineligible for reappointment. No more than three Commissioners may be members of the same political party. The Chairman and the Vice Chairman are designated by the President and serve for a statutory two-year term. The Chairman may not be of the same political party as the preceding Chairman, nor may the President designate two Commissioners of the same political party as the Chairman and Vice Chairman.

Office of the Administrative Law Judges

The Commission's administrative law judges hold hearings and make initial determinations (ID) in investigations under section 337 of the Tariff Act of 1930. These investigations require formal evidentiary hearings in accordance with the Administrative Procedure Act (5 U.S.C. 551 et seq.). After the Commission has instituted an investigation, the matter is referred to the Office of the Administrative Law Judges which is headed by a Chief Administrative Law Judge. Cases are assigned on a rotating basis to one of the Commission's five administrative law judges, who, after an extensive discovery process, hold a hearing. The judge considers the evidentiary record and the arguments of the parties and makes an initial determination, including findings of fact and conclusions of law, which may be reviewed by the Commission. Temporary relief may be granted in certain cases.

Office of the General Counsel

The General Counsel serves as the Commission's chief legal advisor. The General Counsel and the staff attorneys provide legal advice and support to the Commissioners and staff on investigations and research studies, prepare briefs and represent the Commission in court and before dispute resolution panels and administrative tribunals, and provide assistance and advice on general administrative matters, including personnel, labor relations, and contract issues.

Office of the Director of Operations

The Commission's core of investigative, industry, economic, nomenclature, and technical expertise is found within the Office of Operations. Under the supervision of the Director,

- The Office of Economics conducts investigations primarily under section 332 of the Tariff Act of 1930, section 131 of the Trade Act of 1974, and section 2104 of the Trade Act of 2002. The Office of Economics also provides expert economic analysis for title VII, safeguard, and market disruption investigations, as well as other industry and economic analysis products;
- The Office of Industries conducts investigations primarily under section 332 of the Tariff Act of 1930, section 131 of the Trade Act of 1974, and section 2104 of the Trade Act of 2002. The Office of Industries maintains technical expertise related to the performance and global competitiveness of U.S. industries and the impact of international trade on those industries for these and title VII, safeguard, and market disruption investigations;
- The Office of Investigations conducts countervailing duty, antidumping duty, review, and safeguards investigations to fulfill the Commission's investigative mandates, including those specified in the Tariff Act of 1930, the Trade Act of 1974, the North American Free Trade Agreement (NAFTA) Implementation Act of 1994, and the Uruguay Round Agreements Act (URAA) of 1994;
- The Office of Tariff Affairs and Trade Agreements carries out the Commission's responsibilities with respect to the HTS and the International Harmonized System; and
- The Office of Unfair Import Investigations participates as a full party representing the public interest in adjudicatory investigations, usually involving patent and trademark infringement, conducted under section 337 of the Tariff Act of 1930.

Office of External Relations

The Office of External Relations develops and maintains liaison between the Commission and its diverse external customers. The office is the point for contact with the USTR and other executive branch agencies, Congress, foreign governments, international organizations, the public and the media. The Commission's Trade Remedy Assistance Office, a component of

Office of External Relations, assists small businesses seeking benefits or relief under U.S. trade laws.

Office of the Chief Information Officer

The Office of the Chief Information Officer (CIO) provides information technology leadership, a comprehensive services and applications support portfolio, and a sound technology infrastructure to the Commission and its customers. CIO staff addresses information technology policy and information security, and provides project management skills. Within the CIO, the Office of Information Technology Services (ITS) provides services for dockets, e-business, information security and infrastructure, and networking.

Office of the Director of Administration

The Office of Administration prepares the Commission's budget, manages its financial systems, provides human resource services, including collective bargaining with union representatives, provides procurement and facilities management services, and is responsible for all agency physical security matters. Component offices include Finance, Facilities Management, and Human Resources.

Office of Inspector General

The Office of Inspector General conducts all audits, inspections, and investigations related to the Commission's programs and operations and recommends and comments on proposed legislation, regulations, and procedures that affect the agency's efficiency and effectiveness. The accomplishments of the Inspector General are detailed in semiannual reports submitted to Congress in May and November.

Office of Equal Employment Opportunity

The Office of Equal Employment Opportunity (EEO) administers the Commission's affirmative action program. The Director advises the Chairman and Commission managers on all equal employment issues, evaluates the sufficiency of the agency's EEO program, and recommends improvements or corrections, including remedial and disciplinary action, establishes and maintains a diversity outreach program, and monitors recruitment activities to ensure fairness in agency hiring practices.

The Office of the Secretary

The Office of the Secretary coordinates hearings and meetings of the Commission and is responsible for official record keeping, including petitions, briefs, and other legal documents.

Overview of Financial Results

The Commission received an unqualified audit opinion on its FY 2008 financial statements. To accomplish this, the Commission maintained a small, dedicated in-house staff and used the Department of Interior's National Business Center for other accounting and payroll services. This efficient and effective arrangement enabled the Commission to act consistently with Federal financial management provisions, including those related to financial management systems, accounting standards, and the U.S. Government Standard General Ledger.

Overview of Financial Statements

- *Summary of the Balance Sheet*

As of September 30, 2008, the Commission's assets totaled \$12.2 million, of which \$9.5 million represented the Commission's fund balance with the Treasury. The Commission's liabilities totaled \$7.1 million, resulting in a net position of \$5.1 million.

- *Summary of the Statement of Net Cost*

The Commission's net cost of operations for FY 2008 was \$72.0 million.

- *Summary of the Statement of Changes in Net Position*

Net position is affected by changes to its two components: cumulative results of operations and unexpended appropriations. The Commission's statement of changes in net position reported a difference between budgetary financing sources and net cost of operations of -\$1.1 million.

- *Summary of the Statement of Budgetary Resources*

The statement of budgetary resources reported that the Commission had \$70.3 million in available resources for the fiscal year, of which \$70.0 million had been obligated. Net outlays totaled \$67.6 million.

- *Summary of the Statement of Custodial Activity*

The statement of custodial activity reported \$250,000 in penalties collected and \$250,000 in accrual adjustments.

Limitations of Financial Statements

The Commission's financial statements were prepared in conformity with the hierarchy of accounting principles approved by the Federal Accounting Standards Advisory Board and the Office of Management and Budget (OMB) Circular A-136 Financial Reporting Requirements, June 3, 2008. They were prepared pursuant to the requirements of Chapter 31 of the United States Code, Section 3515(b). The Commission is fully

committed to the principles and objectives of the Chief Financial Officers Act of 1990, the Federal Financial Management Improvement Act of 1996, and the Accountability of Tax Dollars Act of 2002.

Responsibility for the integrity and objectivity of the information presented in the financial statements rests with the Commission's management, which uses additional financial reports, prepared from the same books and records, to monitor and control budgetary resources. The financial statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

Overview of Performance Results

The development of annual performance goals and the evaluation of performance results are integral to the process by which the Commission fulfills its mission. This section discusses the relationship of this report to other planning documents, provides an overview of the agency's current Strategic Plan and its FY 2008 performance, and discusses issues related to data verification and validation.

Relationship to Other Planning Documents

In accordance with the Government Performance and Results Act (Results Act), the Commission issues a Strategic Plan and annual Performance Plans. The Strategic Plan establishes general goals and objectives for the Commission. To enhance the effectiveness of strategic planning and budget development, the Commission has aligned its budget formulation and execution with its Strategic Plan. The annual Performance Plan is combined with the Commission's budget justification for that year to form a performance budget. This Performance and Accountability Report (PAR) relates directly to these planning documents and is prepared in a manner that is consistent with the provision of the Results Act governing program performance results. It delineates the extent to which the agency has accomplished the goals established in the FY 2008 Performance Plan and the broader-based goals articulated in the Strategic Plan. The Performance Plan for FY 2008 sets out performance goals and indicators for that year that correspond to the general goals and strategies in the Strategic Plan. The Performance Plan defines the level of performance to be achieved by the agency in the year. The FY 2008 Budget Justification also briefly describes the operational processes, skills, and technology, as well as the human capital, information, and other resources required to meet the performance goals.

The agency views human capital and information technology as essential to fulfilling its mission. As such, the Commission regularly updates its Strategic Human Capital Management Plan, which identifies programs and activities that will further efforts to develop and maintain a workforce with the requisite knowledge and skills to fulfill its mission over the long term. The Commission also periodically issues an Information Resource Management (IRM) Strategic Plan, in accordance with the Information Technology Management Reform Act of 1996 (Clinger-Cohen Act) and the Paperwork Reduction Act of 1995. The IRM Strategic Plan contains goals and performance measures that relate to the general goals of the current Strategic Plan and facilitate the agency's IRM efforts.

Overview of the Strategic Plan

The Commission issued the sixth edition of its Strategic Plan in September 2006 for FY 2006–FY 2011. The Commission has one program activity set forth in the Budget of the United States. The Commission has one strategic goal, which is to effectively conduct five strategic operations:

- Import Injury Investigations,
- Intellectual Property-Based Import Investigations,
- Industry and Economic Analysis,
- Tariff and Trade Information Services, and
- Trade Policy Support.

These operations define the functions of the Commission, emphasizing the benefits that the Commission provides in facilitating an open trading system based on the rule of law and the economic interests of the United States. Within each operation, the Strategic Plan identifies a general goal and strategies to enable the agency to meet these goals. The Commission's annual performance goals relate directly to these general goals and strategies.

Performance Results in Brief

The PAR describes, for a specific fiscal year, the extent to which the Commission has met the performance goals established in the Performance Plan for that year. The report also discusses any instance in which the agency did not meet a goal, and indicates the actions the agency is taking to ensure that goals are met in the future. The current report covers the Commission's performance in FY 2008 and also discusses for comparison purposes the agency's performance in FY 2004–FY 2007.

The annual performance goals created for FY 2008 relate closely to performance goals established for previous fiscal years. Where possible, the Commission developed or identified quantitative indicators for these annual goals and for those in ensuing years. In many cases, benchmarks for these indicators were established in FY 1999 and reported in the Commission's Program Performance Report for that year.

In FY 2008, the Commission met or exceeded 82 percent of the performance goals it set for that year. This represents an 11 percentage point improvement over its FY 2007 performance and is notable in light of the high level of activity across the five strategic operations.

With the exception of two goals relating to intellectual property-based import investigations, the Commission met its performance goals that specified meeting established statutory and administrative deadlines. The Commission's caseload activity associated with intellectual property-based import investigations has increased substantially. Notably, in FY 2008, the number of new section 337 proceedings increased by 51 percent over the number instituted in FY 2007. Continued record growth in this area coupled with the retirement of two administrative law judges at the end of FY 2007 contributed to the Commission's inability to meet certain goals in this area.

Investigative and reported activity in other Operations was also elevated throughout much of FY 2008. New import injury investigations increased 29 percent over the number commenced in FY 2007. Although the number of new industry and economic analysis investigations declined in FY 2008, the unusually large number of investigations instituted in FY 2007 carried over into FY 2008, leading to high levels of active investigations during much of this year. The agency completed 14 such investigations during the year. The Commission also completed and

forwarded to Congress reports on 708 miscellaneous tariff bills that were introduced in the House of Representatives during the 110th Congress. Also during the year, the Commission responded to 129 requests from the Office of the United States Trade Representative, the Committee on Ways and Means of the House of Representatives, and the Senate Committee on Finance for technical assistance on a wide range of trade-related topics.

The Commission continued to make significant progress in developing analytical methods and data that contributed to various industry and economic analysis reports, as well as to technical assistance provided to the executive branch and Congress. The agency's accomplishments included completing investigations on such diverse topics as: the effects of animal health, sanitary, food safety, and other measures on U.S. beef exports; industrial biotechnology; and economic growth and development in the Caribbean region. The Commission continued to improve its economic modeling capability by expanding its model of the U.S. economy to include detailed labor market information. The agency also made significant progress on its ongoing research on the quantification of nontariff measures (NTMs) and various aspects of China's economic development and global trade relationships.

The Commission's efforts to achieve goals associated with making information available to the public electronically met with mixed results during FY 2008. The agency met and exceeded all goals associated with making information available on the Electronic Document Information System (EDIS). This represents a significant and notable improvement in performance over FY 2007 and is the direct result of staffing, procedural, and programmatic changes implemented by the agency during FY 2008. In addition, the Commission is in the process of re-engineering EDIS in order to improve its overall performance and expects to release the new version in FY 2009.

While the Commission continued efforts to improve the content of its Web site, the agency did not meet the goals established for this area. Users of the site continued to report difficulties primarily with navigation and searchability. To improve user satisfaction and meet its performance goals, the agency is redesigning the entire Web site. Although deployment of the redesigned site originally was scheduled for FY 2008, resource constraints due to higher priority projects delayed this project. The Commission now expects deployment to occur in FY 2009.

The Performance Section of this report provides a comparison of actual FY 2008 performance to the goals established for that fiscal year and, where appropriate, to baseline measures established in previous fiscal years. The discussion is organized by operation. For each operation, the strategies, corresponding performance goals and performance indicators, and results are discussed in detail.

Finally, the report identifies each specific goal that was not fully achieved and discusses corrective measures that the Commission has undertaken to achieve them. The Commission believes that the performance data in this report are complete and reliable.

Reviews and Evaluations

The Commission performs a review of the Strategic Plan on an annual basis. This includes an assessment of the agency's general goals and strategies and how well the agency implements and achieves them. As noted above, the agency revised the Strategic Plan and issued a sixth edition in FY 2006. During FY 2009, the Commission will once again review and revise the Strategic Plan. The Commission has also reviewed the goals in the FY 2009 Performance Plan in light of agency performance in FY 2008, and has determined that the performance goals in its FY 2009 Performance Plan are appropriate.¹

The Commission performs an annual verification and validation of measured performance indicators. For each operation, a senior agency manager serves as operation coordinator. Under the general oversight of the Strategic Planning Committee, the operation coordinators and offices supplying the data are responsible for verification and validation.

The Commission has not conducted extensive program evaluations as part of its planning. However, the planning process has benefited from audits and inspections conducted by the agency's Office of Inspector General (IG) concerning various aspects of agency operations. Moreover, in past years the Commission conducted more targeted evaluations of several of its functions. For example, during FY 2004–FY 2005 the Commission evaluated the effectiveness of EDIS. This evaluation led the Commission to implement significant changes in the hardware and software underpinning EDIS. Further evaluation led to the agency's current re-engineering effort. The Commission substantially realigned the agency's docket function in 2006 by strengthening the relationship between the docket and information technology staffs, and implemented further staffing, procedural, programmatic changes during FY 2008. Similarly, during FY 2007, the Commission evaluated its Web site in light of survey results and made significant changes in the design. The newly designed Web site will be operational in FY 2009. Finally, the Commission expects to launch an evaluation of its Operation 2 activities in FY 2009.

The Strategic Plan provides program evaluation strategies for four of five strategic operations. In FY 2008, the Commission met its goal to identify program areas for review in two operations. The agency expects to make progress on these reviews during FY 2009.

¹ Adjustments to specific performance goals are discussed below under the respective operation.

Management Initiatives – President’s Management Agenda

The President’s Management Agenda includes five government-wide initiatives intended to improve the quality of its performance and delivery of services to the public: (1) Competitive Sourcing, (2) Improved Financial Performance, (3) Budget and Performance Management Integration, (4) Expanded E-Government, and (5) Strategic Human Capital Management. The Commission has addressed each initiative with an approach to maximize the agency’s value to the public.

Competitive Sourcing

The Commission has successfully controlled its operating costs by maximizing the use of competitively awarded service contracts consistent with Federal Acquisition Regulations, the Federal Activities Inventory Report (FAIR) Act, and OMB Circular A-76. The Commission competitively contracts for information technology services, certain editing and publishing services, mailroom and general labor services, computer room cleaning and building maintenance services, audit and financial services, and physical and electronic security services. More than 10 percent of the regular on-site staff at the Commission consists of private sector contract employees.

Improved Financial Performance

The Commission received an unqualified opinion on its audited financial statements for FY 2008 and FY 2007. The Commission has a long-established record of prudent fiscal management and cost control. Costs have been contained by significantly reducing staffing levels and office space rental requirements. Staffing levels have declined by 20 percent in the last 10 years.

The Commission has a history of absorbing costs whenever possible and minimizing increases in its appropriation request from year to year. Staffing levels remained consistent over the last several years, reflecting the Commission’s ability to provide flexible and responsive staff to meet changing workload demands without increasing staff levels. The tripling of the intellectual property caseload in recent years, however, far exceeds the Commission’s ability to shift resources from other areas. To meet that increased caseload, the Commission has had to request additional funds to provide more court room space and more Administrative Law Judges and support staff.

Budget and Performance Management Integration

In FY 2008, the Commission continued to build on its successful program of linking financial resources with strategic goals. The Commission allocates virtually all costs to one of the five operations set forth in the Strategic Plan. Personnel costs are 69 percent of total costs; therefore,

the Commission utilizes a labor cost reporting system to attribute resources directly to strategic operations in almost all instances.

The tracking and reporting of costs on the basis of the Commission's Strategic Plan has improved the Commission's resource management program. It allows the Commission to relate its expenditures directly to program outputs. This facilitates Congressional oversight and ensures that Commission expenditures are tied to performance of the Commission's mission.

Budget and Performance Management Integration: Percentage of Resources Devoted to Each Operation					
Operation	FY 04	FY 05	FY 06	FY 07	FY 08
Import Injury Investigations	31.1	39.4	34.9	29.7	29.4
Intellectual Property-Based Import Investigations	16.9	18.1	19.5	20.9	21.6
Industry and Economic Analysis	35.4	29.7	31.9	38.0	37.3
Tariff and Trade Information Services	7.6	5.5	6.2	5.2	5.2
Trade Policy Support	7.8	6.0	6.3	6.3	6.6
Unallocated Costs	1.2	1.3	1.1	N/A	N/A
Notes: (1) The source of the data in this table is the Commission's annual Budget Justification. (2) The percentages include both direct and indirect costs. (3) The data for FY 2008 are based on an estimate from the Commission's FY 2009 Budget Justification. (4) Columns may not total exactly 100.0% as a result of rounding for individual operations. (5) Prior to FY 2007, unallocated costs were not distributed across the five operations and included funding for the IG, certain labor costs, union activities, and certain other nonpersonnel costs.					

Expanded E-Government

The Commission considers E-Government goals during the initiation phase of every major information technology (IT) project and in the Commission's investment review process. During FY 2008, the Commission made significant advances through embracing technological solutions that improved customer service and streamlined internal processes.

E-Government service improvements included further enhancements to EDIS which allowed for electronic submission of import injury questionnaires by respondents. The Commission expects to make significant advances during FY 2009 with the release of a re-engineered version of EDIS. Both the Commission and practicing parties will see improvements in overall performance, usability and reliability through the implementation of a new hardware architecture featuring redundancy of most system points, a central home page for all EDIS functions, improvements in the electronic submission process allowing external users to receive electronic notification of document submissions via Really Simple Syndication (RSS) feed, and an

improved document approval interface modeled after the case management paradigm adopted by Docket Services.

Another major E-Government initiative during 2008 was the development of an online search capability of the HTS. This tool, which is scheduled to go into production early in FY 2009, will provide users with a current, accurate and user-friendly means of accessing the HTS data. In addition, it will provide direct, correlated access to the most recent classification rulings on the Customs Ruling Online Search System (CROSS), direct links to HTS Chapter 99 and footnotes, and a thesaurus to reflect common terminology for improved searchability.

Other E-Government service improvements being implemented include the redesign of the public Web site (<http://www.usitc.gov>) to improve user satisfaction, focusing on navigation and searchability aspects; enhanced security solutions to provide for broader remote access to the Commission's public databases, including implementation of two-factor authentication for internal users; further advancement with the Commission's move toward alignment with applicable OMB E-Government initiatives (e.g., e-Payroll, Electronic Human Resource Initiative, Human Resource Line of Business, e-Clearance, and Recruitment One-Stop); and conclusion of work on the migration to a new financial management system in FY 2009. E-Government service improvements also include continued expansion of the content management system to handle enterprise archiving for additional offices in the Commission.

Strategic Human Capital Management

The Commission's ability to accomplish its mission is directly tied to the quality and competency of its workforce. Therefore, it is critically important that the Commission manage its human capital strategically. The Strategic Human Capital Management Plan is an essential component of the Commission's strategic planning. It serves to:

- define human capital goals,
- summarize the projected changes in the workforce assets, and
- identify strategies to achieve the human capital goals and an action plan for implementing the intervention strategies.

Through interviews with Commission managers and customers, collaboration with the Office of Personnel Management (OPM), and keeping in line with the President's Management Agenda human capital initiatives, the Commission developed a vision of the kind of future workforce it needs. The workforce vision serves to guide the strategic human capital planning effort by providing a clear target to guide human capital initiatives and plans.

The Commission is now in the process of implementing or has implemented priority components of the Strategic Human Capital Management Plan to support this vision. These components are:

- additional Occupation Guides for management support positions as well as leadership positions;
- a management and leadership development program, including a 360° assessment component and beyond;

- a philosophy for performance management and pay and associated training which includes the implementation of a newly developed performance management system for agency employees under the General Schedule pay system;
- a position classification study which will include the review of all positions in the Commission;
- comprehensive assistance to managers on developing workforce position descriptions,
- updated human resources directives, policies and procedures;
- implementation of electronic Official Personnel Folders; and
- implementation of the New Employee Orientation Web site.

The purpose of the Strategic Human Capital Management Plan is to help the Commission understand future human capital issues it will likely face and to begin taking steps today to resolve those issues or to be prepared to better respond to them when they arise. These initiatives will ensure that the objectives of key priorities described in the plan are achieved. The Commission expects the Strategic Human Capital Management Plan to be a living, evolving document that will be modified as the Commission reevaluates its mission in light of experience and changing external circumstances. Accordingly, the Commission's Strategic Planning Committee, which is composed of senior managers, began a review of the Strategic Human Capital Management Plan in FY 2008. The Commission expects to complete this effort in FY 2009. The agency is also in the process of applying for OPM certification of its Senior Executive Service (SES) performance appraisal system.

Management Controls and Compliance with Laws and Regulations

The Commission's senior managers are committed to improving both financial management and performance results. This commitment can be demonstrated, to a great extent, by our efforts to ensure that the Commission is in compliance with applicable laws and regulations designed to improve financial and performance accountability.

Statement of Assurance

The Commission's management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). The Commission conducted its assessment of the effectiveness of internal controls over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with OMB Circular A-123, Management's Responsibility for Internal Control. Based on the results of this evaluation, the Commission can provide reasonable assurance that its internal controls over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2008 was operating effectively and no material weaknesses were found in the design or operation of the internal controls.

In addition, the Commission conducted its assessment of the effectiveness of internal controls over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations. Based on the results of this evaluation, the Commission can provide reasonable assurance that its internal controls over financial reporting as of June 30, 2008 were effective and no material weaknesses were found in the design or operation of the internal controls over financial reporting.



Shara L. Aranoff
Chairman

Federal Managers' Financial Integrity Act

The objectives of the Federal Managers' Financial Integrity Act of 1982 (Integrity Act) are to ensure that the Commission's controls and systems provide reasonable assurance that:

- the Commission's obligations and costs are in compliance with applicable laws;
- the Commission's assets are safeguarded against waste, loss, unauthorized use, or misappropriation;
- the revenues and expenditures applicable to the Commission's operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial reports and to maintain accountability over assets; and
- the Commission's programs are efficiently and effectively carried out in accordance with applicable laws and management policy.

The Commission's financial information is audited annually to help ensure that these objectives are being met. Additionally, at the end of each fiscal year, management reviews the operating units' performance data to ensure that performance results can be properly supported.

Government Performance and Results Act

The Government Performance and Results Act of 1993 requires a recurring cycle of performance reporting for Federal agencies. This cycle involves five-year strategic plans, annual performance plans, and annual program performance reports. The Commission's annual performance report is combined with its annual financial statements in this PAR.

Federal Financial Management Improvement Act

The Federal Financial Management Improvement Act of 1996 requires certain Federal agencies to report on their compliance with Federal financial management system requirements, Federal accounting standards, and the U.S. Government Standard General Ledger. In FY 2008, the Commission acted substantially consistent with all three aspects of this Act.

Federal Information Security Management Act

The Federal Information Security Management Act (FISMA) was passed by Congress and signed into law by the President as part of the Electronic Government Act of 2002. FISMA requires each Federal agency to establish and maintain an information security program for all non-national security information and information systems. The Commission's information security program includes a process for planning, implementing, evaluating, and documenting remedial action to address any deficiencies in the information security policies, procedures, and practices of the agency. In addition, FISMA requires each agency's IG to perform an annual independent evaluation of its information security program.

The IG reviewed twenty-one open findings from the prior year. Of these findings, the Commission, by way of the CIO, closed seventeen findings and reported that four findings were open in FY 2008. The four open findings were related to contingency planning and security control testing for EDIS from FY 2004, which continues to require management's attention. The recommendations are designed to help improve the effectiveness of Commission's information security program and encourage timely implementation of the required corrective actions.

The CIO has been proactive in responding to the FISMA requirements and related legislation. CIO has established an ongoing and comprehensive program that evaluates, prioritizes, and addresses information security throughout the Commission. During FY 2008, CIO created an office that employs an expert technical staff that directs and monitors the Commission's information security program, and proactively responds to all major internal and external security threats.

Like many other areas of the Commission, the information security program was not fully funded in FY 2008. While compliance with information security requirements is our goal, the protection of the execution of the Commission's substantive mission is the first priority. The Commission will continue to make every effort to obtain the resources necessary to work toward resolution of all outstanding FISMA recommendations and to make further advancements in strengthening the overall information security program.

Although the IG noted the Commission "made noticeable progress in strengthening information security practices," four recommendations were added to improve the Commission's IT security program implementation. Because of the noticeable progress, the IG's contracted auditor noted the information security program was "generally consistent with the FISMA requirements." The Commission submitted its annual FISMA report to OMB on October 1, 2008.

Accountability of Tax Dollars Act

The Accountability of Tax Dollars Act of 2002 requires the preparation of financial statements by the Federal agencies that were exempted by the Chief Financial Officers Act of 1990. OMB Circular No. A-135 (Revised) (August 23, 2005) on "Form and Content of the Performance and Accountability Report (PAR)" requires that each agency's financial statement be combined with its program performance report into one report, the PAR. This report meets the requirements of the Act.

Improper Payments Information Act

The Improper Payments Information Act of 2002 requires an annual review of agency programs and activities that may be susceptible to significant improper payments. OMB's guidance, issued in 2003, requires the inclusion of improper payments information in the PAR.

The Commission does not administer benefits and assistance payments programs and, thus, does not have any significant problems related to improper payments. The Commission's payments are tied to payroll and standard nonpersonnel costs such as space rental, travel, training, services,

supplies, and equipment. Commission staff and senior managers closely monitor execution of the Commission's expenditure plan. The Office of Finance and the IG regularly review payment procedures.

Prompt Payment Act

The Prompt Payment Act of 1982, as amended, provides government-wide guidelines for establishing due dates on commercial invoices and provides for interest payment on invoices paid late. During FY 2008, the Commission effectively used electronic fund transfers to minimize the number of late payments resulting in interest penalties of less than \$500 with an occurrence rate of less than 2% of invoices.

Inspector General Act

The 1988 amendments to the Inspector General Act of 1978 (IG Act) established the Commission's IG. The IG, who reports directly to the Chairman, is responsible for overseeing audits, investigations, and inspections of the Commission's programs and operations. The following section summarizes the status of the Commission's corrective action for recent IG reports.

Summary of Recent Audit Activity

- *Independent Auditor's Report of the U.S. International Trade Commission's Financial Statements for Fiscal Years 2008 and 2007 and the Commission's Management Challenges (OIG-AR-01-09, November 13, 2008)*

An independent public accounting firm, working under the IG's supervision, performed an audit of the Commission's fiscal years 2008 and 2007 financial statements. The independent auditor found no internal control deficiencies and no reportable noncompliance with laws and regulations. As part of the audit, the IG reported on the top management challenges facing the Commission, as well as recent IG activities relating to each challenge.

- *Evaluation of the U.S. International Trade Commission's Fiscal Year 2008 Information Security Program and Practices (OIG-AR-02-08, September 30, 2008)*

This report presented the results of the work conducted by an independent public accounting firm to address the performance audit objectives relative to the FY 2008 Federal Information Security Management Act of 2002. The report noted that the Commission has made noticeable progress in strengthening information security practices and has also improved annual self-assessment testing on security controls to include assessment of minimum security controls required by the National Institute of Standards and Technology. The audit reviewed twenty-one findings from prior years. The Commission closed seventeen findings from prior years and reported four open for FY 2008. The IG made fourteen new recommendations to improve the Commission's

information security program. The Commission agreed with all of the recommendations, and has provided corrective action plans for each of them.

- *Management Letter for the Fiscal Year 2007 Audit of the U.S. International Trade Commission's Financial Statements (OIG-AR-01-08, January 15, 2008)*

As a result of the audit of the financial statements of the Commission for FY 2007 and FY 2006, the IG issued an unqualified opinion. The independent public accounting firm which performed the audit issued a management letter that identified issues that were not required to be included in the financial statement audit report.

The IG made seven recommendations, which will assist the Commission in correcting the issues. The Commission agreed with the findings and presented actions, which addressed the recommendations.



Financial Section

Message from the Director of Administration

I am pleased to present the United States International Trade Commission's financial statements for FY 2008. The independent accounting firm of Brown & Company CPAs, PLLC, monitored by the IG, issued an unqualified (clean) opinion on the Commission's statements. The audit report and accompanying letter from the IG precede the audited statements and notes.

In addition, the auditors concluded the following:

- The financial statements were fairly presented, in all material respects and in conformity to U.S. generally accepted accounting principles.
- There were no reportable weaknesses in internal control.
- There were no reportable noncompliance issues related to Federal laws and regulations.

The Office of Finance staff is to be especially commended for their hard work and professionalism that produced a clean opinion five years in a row for the Commission.

During FY 2009, we plan to continue the same high level of financial services that resulted in our unqualified opinion and will focus on further improvements in financial management and internal control activities.



Stephen A. McLaughlin
Director
Office of Administration



UNITED STATES INTERNATIONAL TRADE COMMISSION

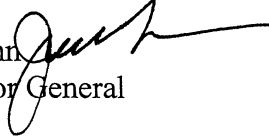
WASHINGTON, DC 20436

November 13, 2008

IG-FF-017

MEMORANDUM

TO: Chairman
Director of Administration

FROM: Judith C. Gwynn 
Acting Inspector General

SUBJECT: Management and Performance Challenges

In accordance with the Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, this office is providing an annual summary and assessment of the most serious management and performance challenges facing the Commission to be included in the U.S. International Trade Commission's Performance and Accountability Report (PAR) for Fiscal Year 2008.

The Inspector General considers three areas to be major challenges facing the Commission:

- Financial Management
- Information Technology Security
- Strategic Management of Human Capital

Our assessment is based on information from several sources, including OIG audit and inspection work, a general knowledge of the Commission's programs and activities, and input from management to obtain their views on what challenges the agency is facing and what efforts the agency has taken to address the challenges.

OMB Circular A-136 permits the agency head to comment on, but not modify, the Inspector General's statements. Agency comments, if any, are to be included in the final version of the PAR which is due November 17, 2008.

The OIG believes the major challenges, in order of priority, facing the Commission are:

Financial Management

During this reporting period, the OIG conducted an audit the Commission's Fiscal Years 2008 and 2007 financial statements with the contracted services of an independent public accounting firm. Based on the results of the audit, we have issued an unqualified opinion. However, we will also issue a management letter to the Commission which will contain several recommendations related to strengthening internal controls over the program.

The challenge to the Commission comes with the implementation of a new automated financial system on October 1, 2008. The system was provided by an established service provider, the National Business Center of the Department of Interior. The upgraded system was much needed and will provide faster, more reliable financial data to the Office of Finance and agency managers. However, with the implementation of any major, new system come certain risks related to reliability, the conversion of legacy data, adequate training of staff and managers, developing new policies and procedures, and ensuring effective internal controls. The Office of Finance and the Commission will be challenged in FY 2009 to stand up a new system, including an integrated procurement feature for the first time, and convincing managers and financial staff the system is usable, reliable, and timely. This period of transition may take one year or longer.

Information Technology Security

The FY 2008 Federal Information Security Management Act (FISMA) audit found that the Commission made significant progress in improving its information security controls and practices by strengthening firewall rules, implementing baseline configurations for network devices and Windows servers, and deploying a centralized logging solution. The Commission had also improved their annual security controls self-assessment testing to include National Institute of Standards and Technology (NIST) required minimum-security control. In addition, we found the Commission had completed corrective action on seventeen recommendations from prior years, and four remain open.

However, the audit report identifies four areas in which the Commission should implement corrective actions to help further ensure that its information security risk management program and practices comply with applicable NIST standards and guidelines and FISMA requirements. The weaknesses identified by the audit present a challenge to the Commission to find the resources to strengthen the program and protect Commission data in a timely manner.

Strategic Management of Human Capital.

The Commission's ability to successfully execute activities in support of its mission depends on a highly skilled and experienced workforce. However, the Commission continues to be challenged by a high vacancy rate. At the end of September 2008, the Commission had a 15 percent vacancy rate. Furthermore, a significant percentage of its workforce is reaching retirement eligibility at a time when there is an increase in work. The increased work includes Title VII investigations (antidumping and countervailing duties under the Tariff Act of 1930) and Section 337 investigations (alleged intellectual property infringement and other unfair acts under 19 U.S.C. Section 1337).

The Commission developed a Strategic Human Capital Management Plan intended to be an essential component of the organization's strategic planning. This plan identified actions needed to accomplish the following goals:

1. Create and sustain an organizational culture that supports and rewards high performance.
2. Attract and retain a high-performing workforce with the technical and professional skills needed.
3. Continuously develop workforce skills in line with changing Commission requirements.
4. Allocate human resources across organizational components to efficiently respond to changing workload requirements.

The Commission completed the first phase of its new performance management system, a huge gain in implementing a pay for performance system. During FY 2008, the Commission completed a one year pilot program of the system with volunteers from the Offices of Operations and Administration. Using information from the pilot program, the Commission plans to address needs not previously considered, such as developing standards and elements for unanticipated occupational groups and ad hoc team leader positions.

For senior level employees, the Commission plans to develop a proposal to obtain certification of a Senior Executive Service (SES) performance appraisal system. As directed by the Office of Personnel Management, “the performance expectations for individual senior employees should (1) reflect expected agency and/or organizational outcomes and outputs, performance targets or metrics, policy/program objectives, and/or milestones; (2) identify specific programmatic crosscutting, external, and partnership-oriented goals or objectives, as applicable; and (3) be stated in terms of observable, measurable, and/or demonstrable performance.”

To attract, retain and continually develop personnel, the Commission implemented several initiatives. The Commission offered relocation expenses, retention bonuses, reimbursement of student loans, professional development and training, and telecommuting to its employees. Approximately 80 percent of Commission staff participated in the telecommuting program. Also, in response to the changes in the Commission’s workload and large vacancy rate, the Director of the Office of Operations has provided cross-training to employees.

Reducing the vacancy rate and retaining a qualified, effective workforce will require a concerted and sustained effort on the part of the Commission managers.

OFFICE OF INSPECTOR GENERAL



UNITED STATES INTERNATIONAL TRADE COMMISSION

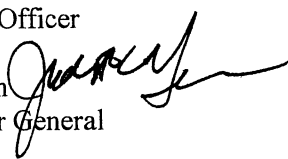
WASHINGTON, DC 20436

November 13, 2008

IG-FF-018

MEMORANDUM

TO: Chairman
Chief Financial Officer

FROM: Judith C. Gwynn 
Acting Inspector General

SUBJECT: Independent Audit Report of the U.S. International Trade Commission
Financial Statements for Fiscal Years 2008 and 2007
Audit Report Number: OIG-AR-01-09

This memorandum transmits the Brown & Company CPAS, PLLC audit report of the U.S. International Trade Commission financial statements for fiscal years (FYs) ended 2008 and 2007. Under a contract monitored by this office, we engaged the independent public accounting firm of Brown & Company to perform the audit. The contract required that the audit be done in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States, and Office of Management and Budget Bulletin 07-04, *Audit Requirements for Federal Financial Statements* (as revised by M-08-24).

Brown & Company issued an unqualified opinion on the U.S. International Trade Commission's financial statements for FYs 2008 and 2007. Also, Brown & Company reported no reportable internal control deficiencies were identified and no reportable instances of noncompliance with laws and regulations were found.

We appreciate the cooperation and courtesies provided to Brown & Company and this office during the audit.

Attachment

cc: Brown & Company CPAS, PLLC



INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Acting Inspector General
U. S. International Trade Commission

We have audited the accompanying balance sheet of the U. S. International Trade Commission (ITC) as of September 30, 2008, and the related statements of net cost, changes in net position, budgetary resources, and custodial activity for the year then ended. These financial statements are the responsibility of ITC management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the ITC as of September 30, 2007, were audited by other auditors whose report dated November 2, 2007, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in U.S. Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ITC as of September 30, 2008 and its net costs, changes in net position, budgetary resources, and custodial activity for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with U.S. Government Auditing Standards and OMB Bulletin No. 07-04, we have also issued separate reports dated November 3, 2008 on our consideration of the ITC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws and regulations. The purpose of these reports is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. These reports are an integral part of an audit performed in accordance with U.S. Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The information in "Management's Discussion & Analysis" (MD&A) is presented for the purpose of additional analysis and is required by OMB Circular No. A-136, revised *Financial Reporting Requirements*, and the Federal Accounting Standards Advisory Board's Statement of Federal Financial Accounting Standards No. 15, Management's Discussion and Analysis. We made certain inquiries of management and compared information for consistency with ITC's audited financial statements. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the MD&A or other accompanying information and, accordingly, express no opinion on them.

This report is intended solely for the information and use of the management of the ITC, OMB and Congress, and is not intended to be and should not be used by anyone other than these specific parties.

Brown & Company

Largo, Maryland
November 3, 2008



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

Acting Inspector General
U. S. International Trade Commission

We have audited the financial statements of the U. S. International Trade Commission (ITC) as of and for the year ended September 30, 2008 and have issued our report thereon dated November 3, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in U.S Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*.

In planning and performing our audit, we considered the ITC's internal control over financial reporting by obtaining an understanding of the ITC's internal control, determined whether internal controls had been placed in operation, assessed control risk, and performed tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 07-04. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982, such as those controls relevant to ensuring efficient operations. The objective of our audit was not to provide an opinion on internal control and therefore, we do not express an opinion on internal control.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be significant deficiencies. Under standards issued by the American Institute of Certified Public Accountants and OMB Bulletin No. 07-04, a significant deficiency is a deficiency in internal control, or a combination of deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness. A material weakness is a significant deficiency, or combination of significant deficiencies, that result in a more than remote likelihood that a material misstatement of the financial statements will not be prevented or detected. Because of inherent limitations in internal controls, misstatements, losses, or non-compliance may nevertheless occur and not be detected. However, we noted no matters involving the internal control and its operation that we considered to be significant deficiencies or material weaknesses as defined above.

We noted certain matters involving internal control and its operation that we will report to ITC management in a separate letter.

The ITC's Management's Discussion and Analysis contains a wide range of information, some of which is not directly related to the financial statements. We do not express an opinion on this information. However, we compared this information for consistency with the financial statements and discussed the methods of measurement and presentation with ITC officials. Based on this limited work, we found no material inconsistencies with the financial statements, U.S. generally accepted accounting principles, or OMB guidance.

This report is intended solely for the information and use of ITC management, OMB and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Brown & Company

Largo, Maryland
November 3, 2008



**INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE WITH LAWS AND REGULATIONS**

Acting Inspector General
U. S. International Trade Commission

We have audited the financial statements of the U. S. International Trade Commission (ITC) as of and for the year ended September 30, 2008, and have issued our report thereon dated November 3, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in U.S. Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*.

The management of the ITC is responsible for complying with laws and regulations applicable to the ITC. As part of obtaining reasonable assurance about whether the ITC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain other laws and regulations specified in OMB Bulletin No. 07-04. We limited our tests of compliance to these provisions and we did not test compliance with all laws and regulations applicable to the ITC.

The results of our tests of compliance disclosed no reportable instances of noncompliance with other laws and regulations discussed in the preceding paragraph that are required to be reported under U.S. Government Auditing Standards or OMB Bulletin No. 07-04.

Providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audit, and, accordingly, we do not express such an opinion. However, we noted no noncompliance with laws and regulations, which could have a direct and material effect on the determination of financial statement amounts.

This report is intended solely for the information and use of the management of the ITC, OMB and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Largo, Maryland
November 3, 2008

U.S. International Trade Commission

Balance Sheets

As of September 30, 2008 and 2007

(In Dollars)

	2008	2007
Assets:		
Intragovernmental		
Fund Balance with Treasury (Note 3)	\$ 9,501,984	\$ 8,911,346
Total Intragovernmental	9,501,984	8,911,346
Accounts Receivable, Net (Note 4)	-	250,000
Equipment (Note 5)	<u>2,748,263</u>	<u>3,499,084</u>
Total Assets (Note 2)	\$ <u>12,250,247</u>	\$ <u>12,660,430</u>
Liabilities:		
Intragovernmental		
Employer Contributions and Payroll Taxes Payable (Note 6)	\$ 151,438	\$ 118,886
Worker's Compensation Liability (Note 6)	20,559	-
Other Post Employment Benefits (Note 6)	6,800	-
Other (Note 6)	<u>252,237</u>	<u>677,366</u>
Total Intragovernmental	431,034	796,252
Accounts Payable (Note 6)	847,150	1,106,831
Accrued Funded Payroll (Note 6)	1,655,216	1,135,211
Withholdings Payable (Note 6)	750,131	689,770
Unfunded Leave (Note 6)	3,371,835	3,100,809
Future Unfunded Worker's Compensation (Note 6)	<u>48,884</u>	<u>-</u>
Total Liabilities	<u>7,104,250</u>	<u>6,828,873</u>
Net Position:		
Unexpended Appropriations	5,839,012	5,433,282
Cumulative Results of Operations	<u>(693,015)</u>	<u>398,275</u>
Total Net Position	\$ <u>5,145,997</u>	\$ <u>5,831,557</u>
Total Liabilities and Net Position	\$ <u>12,250,247</u>	\$ <u>12,660,430</u>

The accompanying notes are an integral part of these statements.

U.S. International Trade Commission Statements of Net Cost

For the Years Ended September 30, 2008 and 2007

(In Dollars)

	2008	2007
Program Costs:		
Total Gross Costs (Note 8)	\$ <u>72,041,015</u>	\$ <u>66,023,976</u>
Net Cost of Operations	\$ <u>72,041,015</u>	\$ <u>66,023,976</u>

The accompanying notes are an integral part of these statements.

U.S. International Trade Commission
 Statements of Changes In Net Position
 For the Years Ended September 30, 2008 and 2007
 (In Dollars)

	2008	2007
Cumulative Results of Operations:		
Beginning Balance	\$ 398,275	\$ 1,127,892
Budgetary Financing Sources:		
Appropriations-Used	67,994,270	62,106,767
Other Financing Sources (Non-Exchange):		
Imputed Financing Costs (Note 9)	<u>2,955,455</u>	<u>3,187,592</u>
Total Financing Sources	\$ <u>70,949,725</u>	\$ <u>65,294,359</u>
Net Cost of Operations	<u>(72,041,015)</u>	<u>(66,023,976)</u>
Net Change	<u>(1,091,290)</u>	<u>(729,617)</u>
Cumulative Results of Operations	<u>(693,015)</u>	<u>398,275</u>
Unexpended Appropriations:		
Beginning Balance	5,433,282	5,179,518
Budgetary Financing Resources:		
Appropriations-Received	68,400,000	62,360,531
Appropriations-Used	(67,994,270)	(62,106,767)
Other Adjustments	-	-
Total Budgetary Financing Sources	\$ <u>405,730</u>	\$ <u>253,764</u>
Total Unexpended Appropriations	\$ <u>5,839,012</u>	\$ <u>5,433,282</u>
Net Position	\$ <u><u>5,145,997</u></u>	\$ <u><u>5,831,557</u></u>

The accompanying notes are an integral part of these statements.

U.S. International Trade Commission Statements of Budgetary Resources

For the Years Ended September 30, 2008 and 2007

(In Dollars)

	2008	2007
Budgetary Resources:		
Unobligated Balance, Brought Forward, October 1	\$ 566,266	\$ 458,171
Recoveries of Prior Year Unpaid Obligations (Note 10)	1,301,016	708,607
Budget Authority:		
Appropriation (Note 1)	68,400,000	62,360,531
Spending Authority From Offsetting Collections Earned:		
Earned		
Collected (Note 10)	21,282	16,395
Subtotal	<u>68,421,282</u>	<u>62,376,926</u>
Cancellations of Expired and No Year Accounts (-)	-	-
Permanently Not Available Pursuant to Public Law	-	-
Total Budgetary Resources	<u>\$ 70,288,564</u>	<u>\$ 63,543,704</u>
Status of Budgetary Resources:		
Obligations Incurred – Direct (Note 12)	69,966,193	62,977,438
Unobligated Balance - Available	322,371	566,266
Total Status of Budgetary Resources	<u>\$ 70,288,564</u>	<u>\$ 63,543,704</u>
Change in Obligated Balance:		
Obligated Balance, Net		
Unpaid Obligations, Brought Forward, October 1	\$ 7,917,714	\$ 8,535,600
Total unpaid obligated balance, net	<u>7,917,714</u>	<u>8,535,600</u>
Obligations incurred, net	69,966,193	62,977,438
Gross Outlays	(67,655,515)	(62,886,717)
Recoveries of prior year unpaid obligations, actual	(1,301,016)	(708,607)
Total, unpaid obligated balance, net, end of period	<u>\$ 8,927,376</u>	<u>\$ 7,917,714</u>
Net Outlays:		
Gross outlays	67,655,515	62,886,717
Offsetting collections	(21,282)	(16,395)
Net Outlays	<u>\$ 67,634,233</u>	<u>\$ 62,870,322</u>

The accompanying notes are an integral part of these statements.

U.S. International Trade Commission
 Statements of Custodial Activity
 For the Years Ended September 30, 2008 and 2007
 (In Dollars)

	2008	2007
Revenue Activity:		
Cash Collections – Penalties (Note 13)	\$ 250,000	\$ 201,000
Accrual Adjustments (+/-)	<u>(250,000)</u>	<u>(201,000)</u>
Total Custodial Revenue	<u>\$ -</u>	<u>\$ -</u>
 Disposition of Collections:		
Transferred to Treasury	(250,000)	(201,000)
(Increase)/ Decrease in Amounts Yet to be Transferred (+/-)	<u>250,000</u>	<u>201,000</u>
Net Custodial Activity	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

United States International Trade Commission
Notes to Financial Statements
September 30, 2008 and 2007

Note 1. Significant Accounting Policies

- A. *Reporting Entity* – The ITC is an independent agency of the U.S. Government created by an act of Congress and is headed by six commissioners, appointed by the President and confirmed by the U.S. Senate for nine-year terms. The President designates the chairman and vice chairman, each of whom serve two-year terms.

The ITC conducts investigations and reports findings relating to imports and the effect of imports on industry, and unfair import practices. The ITC advises the President on the probable economic effect of proposed trade agreements with foreign countries. The ITC also conducts analytical studies and provides reports on issues relating to international trade and economic policy to Congress and the President.

- B. *Basis of Accounting and Presentation* – The ITC’s financial statements conform to U.S. Generally Accepted Accounting Principles (GAAP) as promulgated by the Federal Accounting Standards Advisory Board (FASAB). The American Institute of Certified Public Accountants (AICPA) recognizes FASAB Standards as GAAP for federal reporting entities. These principles differ from budgetary reporting principles. The differences relate primarily to the capitalization and depreciation of property and equipment, as well as the recognition of other long-term assets and liabilities. The statements were prepared in conformity with *OMB Circular A-136 Financial Reporting Requirements, June 03, 2008*.

The financials have been prepared from the books and records of the ITC and include all accounts of all funds under the control of the ITC. Accounting principles generally accepted in the United States of America encompass both accrual and budgetary transactions. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints and controls over the use of federal funds. The accompanying financial statements are prepared on the accrual basis of accounting. The ITC’s fiscal year is October 1 through September 30. FY 2008 and FY 2007 financial statements are presented to allow comparison.

Assets – Intragovernmental assets are those assets that arise from transactions with other federal entities. Funds with the U.S. Treasury represent intragovernmental assets on the ITC’s balance sheet.

Note 1. Significant Accounting Policies--Continued

Financing Sources – The ITC has received a no-year appropriation for operations since FY 1993. Appropriations are recognized as revenue and expensed when related operating expenses are incurred. Differences between appropriations received and expensed are included as unexpended appropriations. Congress appropriated to the ITC \$68,400,000 and \$62,360,531 for salaries and expenses in FY 2008 and FY 2007, respectively.

Fund Balances with the U.S. Treasury – Cash receipts and disbursements are processed by the Treasury. The fund balance with the Treasury represents appropriated entity funds in the custody of the U.S. Treasury and is available to pay current liabilities and finance authorized purchase commitments. The ITC's obligated and unobligated fund balances are carried forward until goods or services are received and payments are made, or until such time as funds are deobligated.

- C. *General Property, Plant, and Equipment* – The ITC capitalizes acquisitions with costs exceeding \$50,000 and useful lives of two or more years. Property and equipment consist of equipment and software. Depreciation expense is calculated using the straight-line method over its estimated economic useful life as follows: software, 7 years; and equipment ranges from 5 to 7 years.

Internal use software development and acquisition costs of \$100,000 or more are capitalized as software development in progress until the development stage has been completed and the software successfully tested. Upon completion and testing, software development-in-progress costs are reclassified as internal use software costs and amortized using the straight-line method over the estimated useful life. Purchased commercial software which does not meet the capitalization criteria is expensed.

- D. *Accrued Annual Leave* – Annual leave is accrued quarterly, although it is not funded until it is used by employees. To the extent current and prior-year appropriations are not available to fund annual leave earned but not taken; funding will be obtained from future salaries and expenses appropriations. Sick, compensatory, and certain other types of leave are not accrued and are expensed when used by the employee.

- E. *Net Position* – Net position is the residual difference between assets and liabilities and is composed of unexpended appropriations and cumulative results operations. Unexpended appropriations represent the amount of unobligated and unexpended budget authority. Unobligated balances are the amount of appropriations or other authority remaining after deducting the cumulative obligations from the amount available for obligation. Cumulative results of operations are the net result of the ITC's operations since inception.

Note 1. Significant Accounting Policies--Continued

- F. *Intergovernmental Activities* – The ITC records and reports only those Government-wide financial matters for which it is responsible and identifies only those financial matters that the ITC has been granted budget authority and resources to manage.
- G. *Use of Estimates* – The preparation of the accompanying financial statements requires management to make estimates and assumptions about certain estimates included in the financial statements. Actual results will invariably differ from those estimates.
- H. *Tax Status* – The ITC, as a federal agency, is not subject to federal, state, or local income taxes and accordingly, no provision for income taxes is recorded.

Note 2. Non-Entity Assets

	2008		
	Entity	Non-Entity	Total
Intragovernmental:			
Fund balance with Treasury	\$ 9,249,747	\$ 252,237	\$ 9,501,984
Total intragovernmental	<u>\$ 9,249,747</u>	<u>\$ 252,237</u>	<u>\$ 9,501,984</u>
Accounts receivable	-	-	-
Advances to Others	-	-	-
Plant, property, and equipment	<u>2,748,263</u>	-	<u>2,748,263</u>
Total	<u>2,748,263</u>	-	<u>2,748,263</u>
Total Assets	<u>\$ 11,998,010</u>	<u>\$ 252,237</u>	<u>\$ 12,250,247</u>

Note 2. Non-Entity Assets--Continued

	2007		
	Entity	Non-Entity	Total
Intragovernmental:			
Fund balance with Treasury	\$ 8,483,980	\$ 427,366	\$ 8,911,346
Total intragovernmental	<u>\$ 8,483,980</u>	<u>\$ 427,366</u>	<u>\$ 8,911,346</u>
Accounts receivable	\$ -	\$ 250,000	\$ 250,000
Advances to Others	-	-	-
Plant, property, and equipment	<u>3,499,084</u>	-	<u>3,499,084</u>
Total	<u>3,499,084</u>	<u>250,000</u>	<u>3,749,084</u>
Total Assets	<u>\$ 11,983,064</u>	<u>\$ 677,366</u>	<u>\$ 12,660,430</u>

Non-Entity funds include copier fees collected from the public for Freedom of Information Act (FOIA), civil penalty fees, and other collections which will be turned over to the U.S. Treasury and are not available for use by the ITC. Non-entity assets are assets that the ITC holds, but does not have authority to use. A part of the fund balance with Treasury is non-entity and the remaining is entity. Entity assets are those assets which the reporting entity holds and has the authority to use in its operations.

Note 3. Fund Balances with Treasury

	2008	2007
A. Fund Balances:		
Appropriated Funds	\$ 9,249,747	\$ 8,483,980
Other Fund Types	<u>252,237</u>	<u>427,366</u>
Total	<u>\$ 9,501,984</u>	<u>\$ 8,911,346</u>
B. Status of Fund Balance with Treasury		
Unobligated Balance Available	\$ 322,371	\$ 566,266
Obligated Balance not yet Disbursed	8,927,376	7,917,714
Non-Budgetary Fund Balance with Treasury	<u>252,237</u>	<u>427,366</u>
Total	<u>\$ 9,501,984</u>	<u>\$ 8,911,346</u>

Fund Balances with Treasury is an intragovernmental asset. The entity fund balance represents funds appropriated by Congress for use by the ITC. No entity funds are restricted; however, in accordance with Section 605 of Title 5 of Public Law 105-277, Congressional approval is required under certain reprogramming or transfer actions.

Note 4. Accounts Receivable, Net

The balance of Accounts Receivable for ITC employees for the parking program is \$0 on September 30, 2008 and September 30, 2007.

A civil penalty was imposed by the ITC in the amount of \$1,000,000 in FY 2003. The balance on this penalty was \$0 and \$250,000 at September 30, 2008, and September 30, 2007, respectively.

Note 5. General Property, Plant, and Equipment, Net

Major classes of general property, plant, and equipment include: 1) office furniture, fixtures, and equipment, and 2) information systems and data handling equipment. Depreciation is recorded quarterly using straight-line method, based on estimated useful lives of seven years and five years, respectively, with a ten percent residual value.

FY 2008	Acquisition Value	Accumulated Depreciation	Net Book Value
Office Furniture, Fixtures, and Equipment	\$1,123,539	\$ 643,147	\$ 480,392
Software	<u>5,144,474</u>	<u>2,876,603</u>	<u>2,267,871</u>
Total	<u>\$6,268,013</u>	<u>\$3,519,750</u>	<u>\$2,748,263</u>

FY 2007	Acquisition Value	Accumulated Depreciation	Net Book Value
Office Furniture, Fixtures, and Equipment	\$1,123,539	\$ 548,932	\$ 574,607
Software	<u>5,144,474</u>	<u>2,219,997</u>	<u>2,924,477</u>
Total	<u>\$6,268,013</u>	<u>\$2,768,929</u>	<u>\$3,499,084</u>

Note 6. Liabilities Not Covered by Budgetary Resources

	2008	2007
Intragovernmental		
Worker's Compensation	\$ 20,559	-
Other	\$ 252,237	\$ 677,366
Total intragovernmental	<u>\$ 272,296</u>	<u>\$ 677,366</u>
Unfunded Leave	\$3,371,835	\$3,100,809
Future Unfunded Worker's Compensation	\$ 48,884	-
	<u>\$3,420,719</u>	<u>\$3,100,809</u>
Total liab. not covered by budgetary	\$3,693,015	\$3,778,175
Total liab. covered by budgetary	<u>\$3,411,235</u>	<u>\$3,050,698</u>
Total liabilities	<u>\$7,104,250</u>	<u>\$6,828,873</u>

Intragovernmental: Worker's Compensation represents amount due to the Department of Labor (DOL) for claims paid on behalf of the ITC. The Federal Employees Compensation Act (FECA) provides income and medical cost protection to covered federal employees injured on the job, to employee who have incurred work-related occupation diseases, and to beneficiaries of employee whose deaths are attributable to job-related injuries or occupational diseases. The FECA program is administered by DOL, which pays valid claims against the ITC and subsequently seeks reimbursement from the ITC for these paid claims, which will be funded in a future period.

Other liabilities consist of a civil penalty imposed by the ITC which, upon collection, is held in trust for the U.S. Treasury. Other liabilities also include copier fees collected from the public for FOIA and other collections.

Unfunded Leave: Accrued Annual Leave is the value of leave accumulated by ITC employees which is funded when used. The current portion is dependent upon such use and is, therefore, not accurately determinable.

Future Unfunded Workers Compensation: represents an estimated liability for future workers compensation claims based on data provided from DOL. The actuarial calculation is based on benefit payments made over the 12 quarters, and calculates the annual average payments. For medical expenses and compensation this average is then multiplied by the liability to benefit paid ratio for the whole FECA program.

Liabilities Covered by Budgetary Resources: These current liabilities are accounts payable, employer contributions, payroll taxes, accrued funded payroll, withholdings payable, other post employment benefits, and liabilities payable to the public.

Note 7. Contingencies

The ITC has certain claims and lawsuits pending against it. During FY 2008, ITC settled two cases involving EEO complaints for a total sum of \$272,000. ITC management and legal counsel believe that losses, if any, from other claims and lawsuits will not be material to the fair presentation of the ITC’s financial statements.

Note 8. Gross Cost by Budget Functional Classification

The Statement of Net Cost for the ITC uses a Budget Functional Classification (BFC) code. BFC codes are used to classify budget resources presented in the Budget of the United States Government per OMB. The total Net Cost was \$72,041,015 and \$66,023,976 at September 30, 2008, and September 30, 2007, respectively.

Note 9. Other Financing Sources – (Non-Exchange)

Imputed Financing. The amounts remitted to OPM for employees covered by the Federal civilian benefit programs generally do not cover the actual cost of the benefits those employees will receive after they retire. As a consequence the ITC has recognized an "imputed financing" equal to the difference between the cost of providing benefits to ITC's employees and the contributions the ITC remitted for them.

Note 10. Spending Authority from Offsetting Collections/Adjustments

Spending authority from offsetting collections consists of refunds of prior year expenditures reported to U.S. Treasury as collections. Adjustments include deobligation of prior year funds.

	<u>2008</u>	<u>2007</u>
Spending authority from offsetting collections	\$ 21,282	\$ 16,395
Recovery of prior year obligations	<u>1,301,016</u>	<u>708,607</u>
	<u>\$ 1,322,298</u>	<u>\$ 725,002</u>

Note 11. Explanation of Difference between the Statement of Budgetary Resources and the Budget of the United States Government

For FY 2007 there are no material difference between amounts reported in the Statement of Budgetary Resources and the actual amounts reported on the President’s Budget. The President’s Budget with actual numbers for FY 2008 has not yet been published.

Note 12. Undelivered Orders at the End of the Period

Total Obligations Incurred—Direct (Category A) reported on the Statement of Budgetary Resources was \$69,966,193 and \$62,977,438 at September 30, 2008 and September 30, 2007, respectively.

Note 13. Non-Exchange Revenue – Custodial Activities

In FY 2008 and FY 2007, the ITC functioned in a custodial capacity with respect to revenue transferred or transferable to recipient government entities or the public. These amounts are not reported as revenue to the ITC.

The ITC collects a civil penalty for the United States pursuant to 19 U.S.C. §1337(f)(2) in connection with violations of cease and desist orders. A person who violates a cease and desist order can be assessed a civil penalty of up to \$100,000 for each day on which a violation occurs or up to twice the domestic value of the goods imported or sold in violation of the order. Payments are made to the ITC and held temporarily by the ITC in a custodial capacity until remitted to the U.S. Department of the Treasury.

A civil penalty was imposed by the ITC for \$1,000,000 in FY 2003. A receivable was set up in FY 2004 and ITC has collected \$1,000,000 to date. During the last two fiscal years, \$250,000 was collected during FY 2008 and \$201,000 was collected during FY 2007. Collections from the receivable result in an accrual adjustment, decreasing the receivable amount and a comparable adjustment decreasing the amounts yet to be transferred to the Treasury. All collections were remitted to Treasury in the fiscal year in which they were received. ITC posted a receivable of \$0 and \$250,000 as of September 30, 2008 and September 30, 2007, respectively.

Note 14. Reconciliation of Net Costs of Operations to Budget

A reconciliation of net costs of operations to budget is presented below to show the relationship between accrual-based (financial accounting) information in the statement of net cost and obligation-based (budgetary accounting) information in the statement of budgetary resources. This reconciliation ensures that the proprietary and budgetary accounts in the financial management system are in balance. For FY 2008, the ITC reconciled the difference between the \$68.6 million in obligated resources and the \$72.0 million in the net cost of operations by adjusting for offsetting collections/adjustments, imputed financing, financing resources not part of the net cost of operations, depreciation, and revaluation of assets. The details of this reconciliation are as follows:

Note 14. Reconciliation of Net Costs of Operations to Budget--Continued

	2008	2007
Resources Used to Finance Activities:		
Budgetary Resources Obligated:		
Obligations Incurred	\$ 69,966,193	\$ 62,977,438
Less: Spending Authority From Offsetting Collections/Adjustments (Note 10)	<u>1,322,298</u>	<u>725,002</u>
Net Obligations	68,643,895	62,252,436
Other Resources:		
Imputed Financing From Costs Absorbed by Others	<u>2,955,455</u>	<u>3,187,592</u>
Total Resources Used to Finance Activities	71,599,350	65,440,028
Resources Used to Finance Items Not Part of the Net Cost of Operations:		
Change in Budgetary Resources Obligated for Goods, Services, and Benefits		
Ordered but Not Yet Provided	649,625	145,670
Resources That Fund Expenses Recognized in Prior Periods	-	102,145
Resources That Finance the Acquisition of Assets	-	-
Resources That Finance Prepaid Expenses	-	-
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	<u>649,625</u>	<u>247,815</u>
Total Resources Used to Finance the Net Cost of Operations	70,949,725	65,192,213
Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Periods		
Increase in Annual Leave Liability	271,025	-
Worker's Compensation	69,444	-
Components Requiring or Generating Resources in Future Periods	<u>340,469</u>	<u>-</u>
Components Not Requiring or Generating Resources:		
Depreciation and Amortization	750,821	776,657
Revaluation of Assets or Liabilities	-	55,106
Total Components of Net Cost of Operations That Will Not Require or Generate Resources in Current Period	<u>1,091,290</u>	<u>831,763</u>
Net Cost of Operations	<u><u>\$ 72,041,015</u></u>	<u><u>\$ 66,023,976</u></u>



Performance Section

Operation 1: Import Injury Investigations

Operation 1 covers the conduct of the Commission's antidumping (AD) and countervailing duty (CVD) investigations and reviews under title VII of the Tariff Act of 1930 and global safeguard and market disruption investigations under sections 202, 204, 406, 421, and 422 of the Trade Act of 1974. In addition, the Operation includes activities such as investigations under sections 302 and 312 of the NAFTA Implementation Act of 1994; investigations under section 129(a)(4) of the URAA; and the appellate litigation of challenges to the Commission's determinations.

The Commission's Strategic Plan establishes the following general goal for this operation:

Facilitate a rules-based international trading system by producing high quality and timely import injury determinations based on:

- *an effective exchange of information between the Commission and interested persons,*
- *an appropriate investigative record, and*
- *fair and equitably-implemented procedures.*

Operation 1 workload related to original Title VII investigations increased dramatically from FY 2007 to FY 2008, as preliminary and final phase institutions rose by a combined 53 percent and completions grew by 250 percent. Remands with reopened records also increased. New case filings remained constant from FY 2007 to FY 2008, at a level well above the levels of FY 2005 and FY 2006, which were lower than historical levels (Table 1-1).

Institutions and completions of five-year "sunset" reviews of outstanding AD and CVD orders, required by the URAA, declined slightly from FY 2007 to FY 2008. FY 2007/2008 levels, particularly completions, were down from the peak levels of the preceding year (Figure 1-1). This workload has been somewhat cyclical in nature because of the large number of orders in place before the World Trade Organization (WTO) Agreement entered into force with respect to the United States. The heaviest workload related to the second round of these "transition" orders occurred in FY 2005 and FY 2006. Reviews of orders currently in place are relatively evenly dispersed over time.

The Commission did not conduct any safeguard investigations in FY 2008. Performance results for FY 2008 are discussed in detail below.

Table 1-1: Summary of import injury investigations, FY 2004–FY 2008

Type and status	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Instituted:					
Preliminary Title VII ^a	17	7	5	13	13
Final Title VII ^a	14	7	4	6	16
Expedited Sunset ^b	7	12	7	6	5
Full Sunset ^b	10	22	11	7	6
Other ^c	5	5	1	2	3
Total	53	53	28	34	43
Completed:					
Preliminary Title VII ^a	17	6	6	9	18
Final Title VII ^a	10	15	6	3	12
Expedited Sunset	6	6	13	6	4
Full Sunset	1	10	22	10	7
Other ^c	5	4	3	3	2
Total	39	41	50	31	43

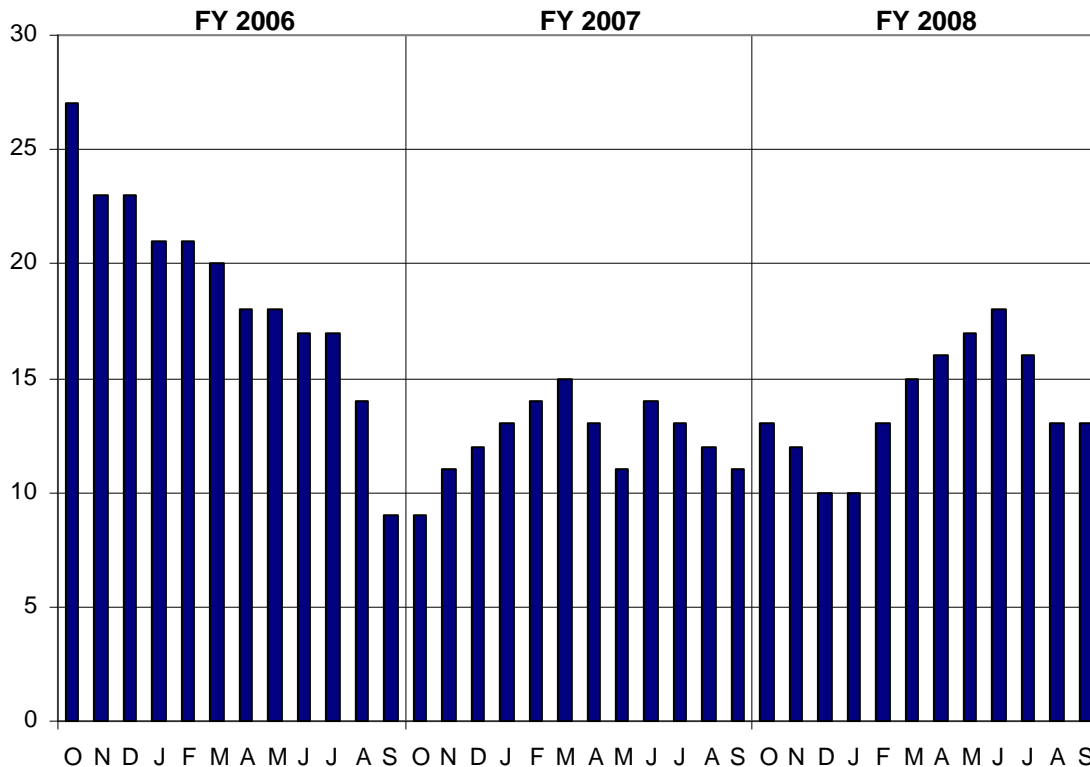
Source: Office of Investigations (INV).

^a The data shown for preliminary and final phase Title VII investigations group AD and CVD investigations together since these investigations generally run concurrently and are handled by the same investigative team.

^b Does not include investigations that were terminated without a Commission determination.

^c Includes global safeguard investigations, China safeguard investigations, remands with reopened records, and other investigations.

Figure 1-1: Import injury investigations active, by months, for October 2005 through September 2008



Source: Office of Investigations.

FY 2008 Performance

The current Strategic Plan establishes three strategies and corresponding annual performance goals and performance indicators for this operation. The performance results for FY 2008, discussed below, demonstrate that the Commission met or exceeded all specific performance goals established for this operation for the year with one exception. That exception relates to the overall satisfaction score received for the Operation 1 Web pages as determined via a user survey. In contrast, the Commission showed significant improvement in its performance numbers with regard to the speed of posting documents for public viewing on EDIS, allowing it to meet its performance goals in this area for the first time.

All draft import injury investigation and litigation documents were internally reviewed, and investigative teams participated fully in opinion meetings. All statutory and administrative deadlines were met with respect to issuing determinations, reports, memoranda, opinions, and briefs.

Measures were taken to improve methods of collecting and processing investigative data in order to develop more accurate and complete administrative records, and to better provide information

to the public. The Commission redesigned its Web site and made the new site available to the public in FY 2005. Further enhancements to the content of the site were made in FY 2007. Semiannual reviews of the Web site were completed in FY 2008, and a working group met quarterly to consider and report on issues related to electronic filing and maintenance of records on EDIS.

Strategy 1(a): Conduct appropriate internal review of draft investigation and litigation documents

FY 2008 Performance Goals

- a. 80% positive response from Commissioners on sufficiency of information in the record.
- b. 100% of draft staff reports circulated for review.
- c. 100% of draft legal issues memoranda, draft opinions, and draft briefs circulated for comment.
- d. 100% team participation in opinion meetings and in comments on opinion drafts, absent compelling reason for non-participation.

Performance Indicators^a

- a. Commissioner comments on sufficiency of the information in the record (INV/GC).
- b. Draft staff reports to investigative teams and senior staff for review (INV).
- c. Drafts of legal issues memoranda and opinions to teams for comment on factual accuracy and confidentiality, and draft briefs to the Commission for comment (GC).
- d. Team participation in opinion-writing process (INV).

^a The offices shown in parentheses are the staff offices responsible for measurement.

Commissioners were polled concerning the completeness, reliability, and usefulness of data in all import injury investigations conducted during the year. As in previous years, the performance goal was met.

During FY 2008, all 61 draft prehearing and final staff reports were circulated to investigative teams and senior staff for review and comment. Similarly, all 42 draft legal issues memoranda and all 44 draft opinions were circulated to investigative teams for review. During FY 2008, 19 draft briefs, as well as 4 draft remand determinations, were prepared, and all were circulated to the Commission for comment. These results are comparable to those in FY 2004 through FY 2007 (Table 1–2). Moreover, during FY 2008, there was full and active team participation in all opinion writing meetings and in the opinion review process.

Table 1-2: Number of documents circulated for review, FY 2004–FY 2008^a

Item	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Draft prehearing and final reports	56	71	71	47	61
Draft legal issues memoranda	37	38	48	30	42
Draft opinions	37	38	48	30	44
Draft briefs	29	20	12	23	19

Source: Office of Investigations and Office of the General Counsel.

^a Differences in the number of documents issued by INV and GC may occur because: (1) in some investigations INV is tasked with preparing more documents; and (2) in some investigations the parallel INV reports and/or GC memoranda/draft opinions may be outside the designated period.

Strategy 1(b): Meet statutory, court, and administrative deadlines

FY 2008 Performance Goal

100% of documents submitted on time.

Performance Indicator^a

Reports and determinations (INV) and memoranda and draft opinions issued, and briefs (GC) submitted, on time.

^aThe offices shown in parentheses are the staff offices responsible for measurement.

During FY 2008, the Commission met all of its statutory deadlines as all 44 determinations were issued on or before their deadlines. Further, with regard to administrative deadlines, all 21 prehearing reports, all 40 staff reports, all 42 legal issues memoranda, and all 44 draft opinions prepared during the year were issued in accordance with established or amended agreed-upon schedules. During FY 2008, the Commission filed 19 briefs, as well as 4 remand determinations, and all were filed on time.² These results are consistent with those in FY 2004 through FY 2007 as the Commission has met this goal throughout the period (Table 1-3).

² The above does not include documents in certain proceedings where the agency did not establish deadlines.

Table 1-3: Number of documents issued on time, FY 2004–FY 2008^a

Item	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Determinations	39	40	49	30	44
Prehearing reports	16	29	27	12	21
Staff reports	39	42	44	34	40
Legal issues memoranda	35	37	48	30	42
Draft opinions	35	38	48	30	44
Briefs	29	20	12	23	19

Source: Office of Investigations and Office of the General Counsel.

^a Differences in the number of documents issued by INV and GC may occur because: (1) in some investigations INV is tasked with preparing more documents and (2) in some investigations the parallel INV reports and/or GC memoranda/draft opinions may be outside the designated period.

Strategy 2: Effectively develop investigative records and provide information on investigations to participants and the public

FY 2008 Performance Goals

- a. Progress is made on improving methods of gathering and processing investigative data.
- b. (1) Semiannual reviews and revisions completed.
(2) 1 point improvement over FY 2007 level.
- c. (1) 75% of documents filed are made available on EDIS within 24 hours.
(2) 85% of documents filed are made available on EDIS within 48 hours.
(3) Working group meets quarterly to consider and report on issues related to electronic filing and maintenance of records on EDIS.

Performance Indicators^a

- a. More effective information management methods adopted (INV/SE/GC).
- b. Review of Web site and revision of content as appropriate (INV); level of satisfaction reported by users of the ITC import injury Web pages (ITS).
- c. Prompt entry of documents into EDIS after filing, and improvements adopted (ITS).

^a The offices shown in parentheses are the staff offices responsible for measurement.

During FY 2004–FY 2008, the Commission generally met its goals to provide information to participants and the public. The Commission makes a variety of materials related to import injury investigations available in paper form, as well as on its Web site, in a manner consistent with established guidelines. This information is reviewed and updated regularly. In FY 2005, the Commission made available to the public *An Introduction to Administrative Protective Order Practice in Import Injury Investigations, 4th edition* (Red Book) (ITC Publication 3755, March 2005). In FY 2007, the Commission updated and published the *Antidumping and Countervailing Duty Handbook* (Blue Book) (Twelfth Edition) (ITC Publication 3916, April 2007) to reflect current Commission policies and procedures in Title VII investigations and reviews, and posted it on the Web site. The Commission reviewed the Red Book in FY 2008 and will review, and update as necessary, the Blue Book in FY 2009. In FY 2008, the Commission released the *EDIS Coding Manual* to provide more definitive guidelines for filing documents in order to reduce errors that slow the release of documents to the public.

Generic questionnaires used in sunset reviews were examined in detail during FY 2004 and were updated and revised consistent with the changes made to the questionnaires used in original Title VII investigations. In FY 2006, generic questionnaires used in original investigations and sunset reviews were amended to ensure that U.S. producers are aware of their responsibility to eliminate any intercompany profits or losses arising from the purchase of materials or other inputs from affiliated companies, and to require producers to provide details surrounding large non-recurring items that could distort the financial data. In FY 2008, all generic questionnaires were converted from WordPerfect to Microsoft Word to allow data entry in form fields to enable recipients to complete questionnaires electronically and to print and submit them in paper form, or to submit them in electronic format. In the process of converting the format of the questionnaires, all generic questionnaires were reviewed to clarify or eliminate ambiguous or unnecessary questions.

The Commission has conducted regular reviews of its Web site over the last several years and in FY 2005 made a newly redesigned Web site accessible to the public. In connection with this project, substantial efforts were made to expand the content relating to import injury investigations and to improve the ease of navigation through this content. Separate sections of the Web site are devoted to Title VII investigations and reviews and safeguard investigations. Each section provides links to publications and other documents of general interest to the public in that particular area, including relevant statutes, the Commission's *Rules of Practice and Procedure*, the Blue Book, the Red Book, Import Injury Investigations Case Statistics, information on outstanding AD and CVD orders, and statutory timetables, as well as links to EDIS, the Sunset Reviews Web site, and Web sites of related government agencies. A major innovation for import injury investigations was the addition of separate pages for each active and recently completed investigation and review. These pages feature scheduling information, contact information for assigned staff, relevant *Federal Register* notices, questionnaires, transcripts, service lists, news releases, public reports including Commission opinions, and other documents that relate to a particular investigation or review.

During FY 2006 the Commission's ITS undertook to measure visitors' level of satisfaction with the Commission's import injury investigations Web pages. Data for gauging satisfaction were gathered through a tool, the Foresee Government Satisfaction Index, which conducts a survey using a random sample of visitors to this section of the <http://www.usitc.gov> Web site. The satisfaction score is a weighted average of responses to survey questions. The result of this

effort yielded an average baseline satisfaction score of 68.5 for Operation 1 pages of the Web site in FY 2006. In FY 2007, the satisfaction score improved to 71.0. Through improvements in Web site usability, the Commission originally sought to improve upon the previous year's measure by increasing the level of satisfaction by at least 2 percent. This performance metric was modified going into FY 2008 from a percent increase to a point increase to more closely align with the satisfaction rating scale which is 0-100 points and to provide a more equal metric throughout the rating scale. To support this improvement initiative, an agency Web advisory committee meets regularly to provide feedback on Web site usability and to propose actions for improving users' satisfaction.

During FY 2008, ITS continued to measure visitors' level of satisfaction with the ITC's import injury investigations Web pages using the survey results. The resulting overall satisfaction score for Operation 1 Web pages was 66.25. This represents a decline in the satisfaction score from the FY 2007 level, and did not meet the performance goal of increasing by 1 point in the rating scale. The ITS learned through the survey results that the primary difficulties encountered by users dealt with navigation and searchability of the Web site. To improve the satisfaction score to meet the performance goal, ITS is redesigning the entire Web site with a focus on improving the search and navigation capabilities. The redesigned Web site will be deployed in FY 2009.

Since 1998, EDIS has provided access to documents filed with the Commission to worldwide users. While the Commission met its goal of providing an electronic method of information exchange between the Commission and the public including real-time access to updates, the speed of availability of documents on EDIS had been an issue in previous years. The Commission undertook implementation of staffing, procedural and programmatic changes to improve the availability of the documents while still ensuring their accuracy and security. In FY 2007, the ITS began implementing a newly adopted case management paradigm for handling investigation documents to more efficiently process them and make them available to the public. With regard to measuring the time from filing to availability of a document submitted to EDIS, the numbers show that dramatic improvement has been made as a result of these efforts and the performance measurement goals were met. In FY 2008, the Commission completed processing of 80 percent of the documents for Operation 1 within 24 hours, exceeding the goal of 75 percent. The Commission completed processing 92 percent of the documents within 48 hours, exceeding the goal of 85 percent. By comparison, in FY 2007, 56 percent of documents in Operation 1 were made available on EDIS within 24 hours, and 77 percent were made available within 48 hours. In FY 2006, only 47 percent and 69 percent of documents were processed within 24 and 48 hours, respectively. Thus, in FY 2008, there was a 24-percentage point improvement over the previous year in the number of documents processed within 24 hours and a 15-percentage point improvement in the number of documents processed within 48 hours.

The version of EDIS released in FY 2006 provides a simplified and intuitive interface designed to improve public access to documents and to make document filing easier. On balance, the feedback received from users has been generally positive. Beginning in FY 2006 electronic filing initiatives included confidential e-filing. The goal of confidential e-filing was to reduce the cost and process time of paper filings while providing a secure, timely, and comprehensive electronic docket. To that end, the Commission released the new confidential e-filing tool for internal users, reducing the internal transference of paper documents. The search enhancements include refined search options for tailoring research, faster retrieval times, comprehensive document retrieval options, and targeted search results.

During FY 2008, further improvements to EDIS were implemented to allow for the electronic submission of import injury questionnaires and to improve the response time of updates to document metadata. A working group continues to meet quarterly to discuss and review proposed EDIS enhancements, focusing on business process decisions related to improving the accuracy and availability of the administrative record and ensuring all business requirements are met.

In order to improve user satisfaction with EDIS further, the Commission undertook an effort beginning in FY 2007 and continuing through FY 2008 to re-engineer EDIS with improvements in performance, reliability, document processing efficiency, ease of use, and accuracy being the primary goals. The Commission expects to make significant advances during FY 2009 with the release of the re-engineered version of EDIS. Both the Commission and practicing parties will see improvements in overall performance and usability through the implementation of a central home page for all EDIS functions, improvements in the electronic submission process to reduce rejections, an improved document processing scheme to complement the case management paradigm, and the addition of electronic notification to external users of document submissions via RSS feed.

In recent years, the Commission has actively sought advice from participants in import injury investigations and other interested persons concerning ways in which it might more effectively interact with the public in executing its statutory responsibilities. In FY 2004–FY 2005, the Commission published notice of a rulemaking to update certain procedures in import injury investigations, and provided the public with an opportunity to comment (69 FR 64541, November 5, 2004, and 70 FR 8510, February 22, 2005). In 2008, the Commission published notice of a proposed rulemaking to amend the period for submitting responses to notices of institution of five-year reviews and provided the public with an opportunity to comment on this proposal and other proposals that would not require rule changes, including seeking additional information from interested parties and from purchasers in the adequacy phase of five-year reviews (73 FR 40992, July 17, 2008).

Strategy 3: Undertake regular independent reviews and assessments of the import injury investigations program or its components to identify areas for potential improvement.

FY 2008 Performance Goal

Determine subject area to be covered by first independent review.

Performance Indicator^a

Independent, objective review identifies areas for potential improvement (INV).

^a The office shown in parentheses is the staff office responsible for measurement.

A subject area for the first independent review and assessment of the import injury investigations program or its components was identified in FY 2008. The Commission expects to evaluate its information collection processes and products. Annual performance goals for FY 2009 and 2010 pertaining to this strategy have been developed for the corresponding Performance Plans.

Operation 2: Intellectual Property-Based Import Investigations

The Commission adjudicates complaints brought by domestic industries under section 337 of the Tariff Act of 1930 that allege infringement of U.S. intellectual property rights (IPR) and other unfair methods of competition by imported goods. In doing so, the Commission strives to produce high-quality, detailed analyses of complex legal and technical subject matter and issue determinations that can be successfully defended during judicial appeals.

These investigations are conducted in accordance with the Administrative Procedure Act, which affords the parties the opportunity to conduct discovery, present evidence, and make legal arguments before the administrative law judges (ALJs) and the Commission. The procedures protect the public interest and provide the parties with timely adjudication of investigations.

The Commission's Strategic Plan establishes the following general goal for this operation:

Facilitate a rules-based international trading system by conducting intellectual property-based import investigations in an expeditious and transparent manner and providing for effective relief when it is warranted.

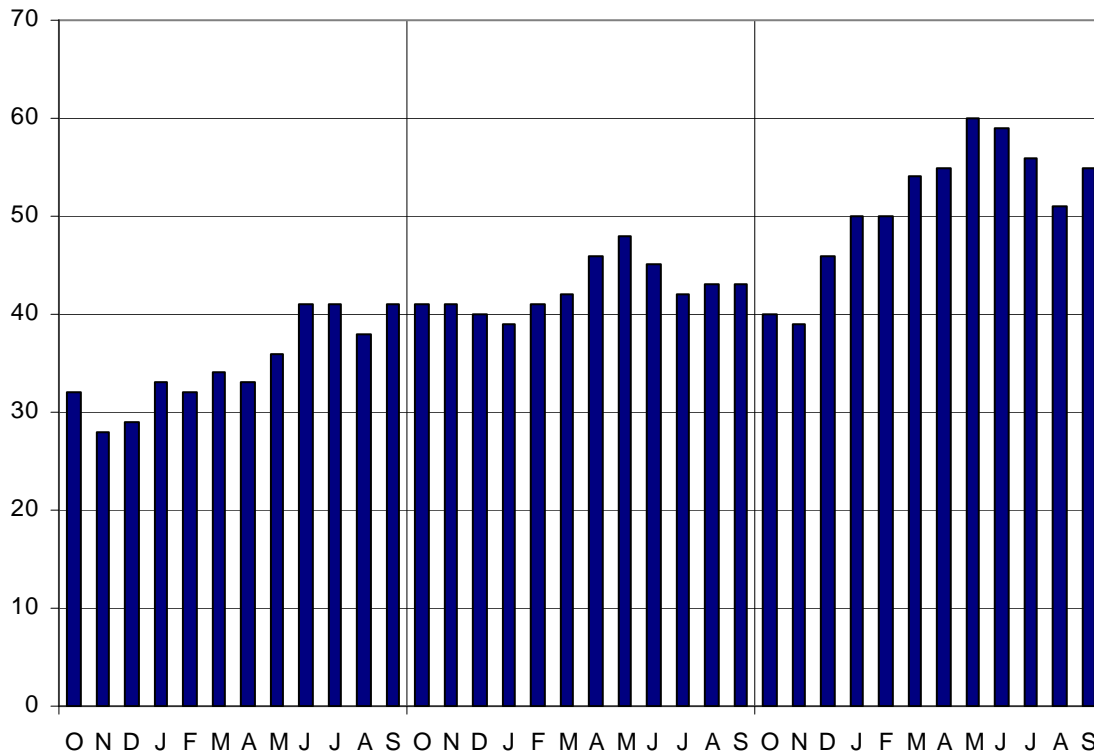
In FY 2008, the number of new section 337 filings continued to climb and the level of activity in this area reached record levels. Specifically, 88 investigations and ancillary proceedings were active at the Commission during FY 2008. This number includes 43 investigations instituted based on new complaints alleging violations of the statute, as well as 7 ancillary proceedings related to prior section 337 investigations. The number of new section 337 proceedings in FY 2008 was more than four times the number commenced in FY 2000, and was 51 percent higher than the number commenced in FY 2007. Table 2-1 and figure 2-1 show the workload trends for intellectual property-based import investigations and ancillary proceedings in FY 2008. Performance results for FY 2008 are discussed in detail below.

Table 2-1: Summary of intellectual property-based import investigations and ancillary proceedings, FY 2004–FY 2008

Status	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Instituted	27	29	40	33	50
Completed	16	28	30	37	38

Source: Office of Unfair Import Investigations.

Figure 2-1: Intellectual property-based import investigations and ancillary proceedings active by months, for October 2005 through September 2008.



Source: Office of Unfair Import Investigations.

FY 2008 Performance

The Commission has established three strategies and corresponding annual performance goals for this operation. FY 2008 was an exceptionally busy year in the section 337 area in many respects. Not only did new filings and the overall caseload rise to record levels, but the Commission also substantially amended the procedural rules governing section 337 investigations to update certain outdated provisions, improve other provisions of the rules and increase the efficiency of section 337 investigations. FY 2008 was also a year of transition in the Commission’s Office of Administrative Law Judges. With the retirement of two ALJs in the last quarter of FY 2007, the Commission began FY 2008 with only three ALJs handling section 337 investigations. A fourth ALJ started working at the Commission early in the year, and another new ALJ came on board in the final quarter of FY 2008. Despite these circumstances, statutory and key administrative deadlines for section 337 proceedings were generally met during FY 2008, although a few deadlines for establishment of target dates were missed. However, the average length of investigations that went to a final decision on the merits in FY 2008 reached 16.7 months, as compared to the 13.5 month average for completions during the three-year period preceding the lifting of statutory time limits by the URAA in December 1994. With

regard to ancillary proceedings, the Commission was able to conclude two advisory opinion proceedings that began in FY 2007 and FY 2008 in less than four months. With regard to EDIS performance, as noted in the section of this report pertaining to Operation 1, in FY 2008 the Commission's docketing service adopted a new case management system which significantly improved the processing of documents, making them publicly available more quickly. As a result, timeliness goals for EDIS were met in FY 2008. Technological improvements were also made which greatly reduced the number of missing documents available for public search to near zero. The goal of a 1 point improvement in the level of satisfaction of users of the ITC's intellectual property infringement Web pages, however, was not met in FY 2008. With regard to the enforcement of exclusion orders, the enforcement working group met with U.S. Customs and Border Protection (Customs) twice during FY 2008 to discuss enforcement-related matters. The Commission also continued to provide Customs with scheduling reports regarding section 337 proceedings. The Commission met timeliness goals for the issuance of seizure and forfeiture orders in response to notification letters from Customs.

Strategy 1: Meet statutory and key administrative and court deadlines, conclude section 337 investigations expeditiously, and reduce the average time to conclude ancillary proceedings

FY 2008 Performance Goals

- a. 100% of actions occur on time.
- b. 100% of actions occur on time.
- c. 100% of actions occur on time.
- d. Conclude investigations in time frames that are consistent with the URAA.
- e. Average length of ancillary proceedings is:
 - (1) modification– 6 mos.
 - (2) advisory– 12 mos.
 - (3) enforcement– 12 mos.
 - (4) consolidated ancillaries– 15 mos.

Performance Indicators^a

- a. Investigations are instituted, target dates are set, and court briefs are filed, on time (OUII/GC).
- b. Final IDs and final determinations are issued on their target dates (GC).
- c. In temporary exclusion order (TEO) proceedings, TEO IDs and determinations are issued on time (GC).
- d. Length of investigations into alleged section 337 violations (OUII/GC).
- e. Length of ancillary proceedings (OUII/GC).

^a The offices shown in parentheses are the staff offices responsible for measurement.

Statutory and administrative deadlines

Statutory and key administrative deadlines were met in FY 2008 except that the deadline for establishing a target date was missed in three investigations. Specifically:

- Deadlines for decisions on institution of investigations were met for all new complaints in FY 2008;
- Deadlines for establishing target dates were met by the ALJs in all but three section 337 investigations instituted in FY 2008;
- Deadlines for filing briefs in court were met in all appeals from Commission determinations in section 337 investigations during FY 2008;
- Deadlines for issuance of final IDs and target dates for Commission decisions were met for all section 337 investigations completed in FY 2008.
- No TEO IDs or determinations were due in FY 2008.

In FY 2004, the Commission met all statutory and key administrative deadlines with the exception of the establishment of target dates in two investigations. In FY 2005, the Commission met all statutory and key administrative deadlines. In FY 2006, all deadlines were met with the exception of the establishment of a target date in one investigation. In FY 2007, the Commission continued to meet its deadlines and issued virtually all documents on time, but deadlines for the establishment of two target dates, as well as deadlines for the issuance of four final IDs, were missed. These missed deadlines occurred during a year when two of the Commission's ALJs retired and, as a result, a substantial number of pending investigations had to be transferred to other judges with heavy dockets. Both of the missed deadlines for the establishment of target dates occurred in matters that were being handled by retiring judges. Two of the missed due dates for final IDs passed during periods when proceedings in those investigations had been stayed, and the final ID in another of these investigations was issued less than a week after the original deadline.

In FY 2008, despite continued increases in the section 337 caseload and related appellate court activity, the Commission continued to meet its deadlines and issued virtually all documents on time. As noted above, however, deadlines for the establishment of three target dates were missed. In two of these instances, the target date was set within a week after the deadline, and in the third instance, the target date was set within two weeks of the deadline.

Length of investigations

The 12- to 18-month time limits that had been specifically included in section 337 for completion of investigations were removed from the statute by the URAA. However, in accordance with the amended statute, the Commission has sought to continue to complete these investigations as expeditiously as possible. Between January 1, 1992, and December 31, 1994 (the three-year period before statutory time limits were removed by the URAA), the average time for completion of an investigation was 13.5 months for investigations in which the Commission rendered a final decision on the merits of the existence of a violation.

Table 2-2 provides summary information regarding the length of investigations during each of the last five years. From FY 2004 through FY 2006, the average time for the completion of investigations that were decided on the merits was less than 15 months. However, the average time for completion rose to 16.6 months in FY 2007 and to 16.7 months in FY 2008.

Table 2-2: Length of investigations, FY 2004–FY 2008

Fiscal Year	Investigations Completed ^a	Completion Time (in months)		
		Shortest	Longest	Average
2004	10 (2 instituted in 2002, 7 in 2003, 1 in 2004)	6.0	24.0	14.9
2005	12 (3 instituted in 2003, 9 in 2004)	10.0	19.0	14.1
2006	12 (2 instituted in 2004, 9 in 2005, 1 in 2006)	3.5	19.0	12.0
2007	12 (3 instituted in 2005, 9 in 2006)	8.0	23.5	16.6
2008	15 (5 instituted in 2006, 9 in 2007, 1 in 2008)	6.0	28.0	16.7

Source: Office of Unfair Import Investigations.

^a Investigations in which the Commission rendered a final decision on the merits of the existence of a violation. Thus, these data do not include, for example, cases which settled before a final decision.

Target dates set for new investigations that commenced during FY 2008 ranged from 14 to 20 months, with an average of 15.8 months. In FY 2007, the target dates set for investigations that commenced that year ranged from 13 to 19 months, with an average of 15.9 months

The increase in the amount of time taken to reach a final decision on the merits in section 337 investigations in FY 2007 and FY 2008 is attributable, in large part, to the exceptionally heavy section 337 workload in recent years. Between FY 2000 and FY 2005, the number of new matters commenced each year increased substantially from 12 to 29, while the number of matters active during these years grew from 25 to 57 per year. Then, in the following year, FY 2006, the caseload grew dramatically, with 40 new investigations and ancillary proceedings and a total of 70 proceedings active during the course of the year. In FY 2007, 33 new investigations and ancillary proceedings were commenced and the number of section 337 proceedings pending during the course of the year reached 73. FY 2008 proved to be another year of dramatic growth, in which 50 new investigations and ancillary proceedings were commenced and the number of section 337 proceedings pending during the course of the year rose to 88. Indeed, the number of new section 337 matters commenced in FY 2008 was 85 percent higher than the number commenced just four years earlier, and the number of active cases in FY 2008 was double the number of cases active four years ago.

In addition to the rising caseload, the retirement of two of the Commission's four ALJs in FY 2007, as well as the absence of another ALJ for a period of months during the year, placed great strains on the Office of Administrative Law Judges in FY 2007 and 2008. Personnel changes in the office required, *inter alia*, the transfer of pending matters among the ALJs. As a result of considerable difficulties encountered in recruiting qualified replacements for the retiring ALJs, the Commission ended FY 2007 with only three judges. The Commission hired a fourth ALJ in early FY 2008, and a fifth ALJ was hired in the last quarter of FY 2008. Thus, during most of FY 2008, as the number of new investigations grew at an unprecedented rate, the Commission operated with four ALJs, only two of whom had more than six months of section 337 experience at the start of the year. To help meet the demands of the expanded section 337 caseload, the

Commission appointed a Chief ALJ in July 2008 and recently hired a sixth ALJ, who is scheduled to begin work in the first quarter of FY 2009.

Length of ancillary proceedings

The ancillary proceedings that are the focus of this performance goal are advisory opinion, modification, and enforcement proceedings.

During FY 2004, the Commission did not commence any ancillary proceedings, but it did conclude an advisory opinion proceeding that began in FY 2003. This proceeding was completed in 6.8 months. Although this proceeding was concluded relatively quickly, with the marked rise in the section 337 caseload that began in FY 2001, it has become increasingly difficult to reduce the length of ancillary proceedings without delaying the resolution of new investigations, which the Commission is required to complete at the earliest practicable time. Given current and projected section 337 caseload, the Commission reassessed the goals established for completion of ancillary proceedings during FY 2004, and modified certain of those goals for FY 2005 and FY 2006. Specifically, while the 6-month goal remained for modification proceedings, a 12-month goal was set for both advisory opinion and enforcement proceedings, and a 15-month goal was established for consolidated ancillary proceedings, such as those that involve advisory opinion or modification proceedings, as well as enforcement proceedings.

The Commission concluded two enforcement proceedings in FY 2005. One was completed nine months after institution, *i.e.*, three months before the performance goal set for this type of proceeding. The other enforcement proceeding was concluded in 27 months. That proceeding was complicated by the litigious nature of the parties and the need to suspend the proceeding for more than three months due to an epidemic of severe acute respiratory syndrome that was occurring in areas of China where discovery had to be completed.

The Commission concluded two consolidated enforcement and advisory opinion proceedings in FY 2006. One such proceeding was completed in less than ten months, considerably ahead of the 15-month goal set for concluding this type of proceeding. The other consolidated proceeding was terminated on the basis of a settlement agreement five months after it was instituted. The Commission commenced only one ancillary proceeding in FY 2006, an enforcement proceeding that was still pending at the end of that year.

In FY 2007, the Commission concluded the enforcement proceeding that it had commenced in FY 2006. The proceeding was concluded based on a settlement agreement approximately five months after it was commenced. One ancillary advisory opinion proceeding was instituted in FY 2007 and remained pending at the end of the fiscal year.

During FY 2008, the Commission concluded one advisory opinion proceeding that had been commenced in FY 2007. This proceeding was completed in 1.8 months. One advisory opinion proceeding was commenced and completed after 3.8 months in FY 2008. One enforcement proceeding was instituted in FY 2008 and remains pending at the end of the fiscal year. A set of consolidated enforcement proceedings was instituted in FY 2008 and remains pending at the

close of FY 2008. One consolidated advisory opinion and enforcement proceeding was instituted in FY 2008 and remains pending at the end of the fiscal year.

Strategy 2: Effectively provide information regarding investigations to the public as well as to investigative participants

FY 2008 Performance Goals

- a. (1) Semiannual reviews and revisions of Web site completed.
(2) 1 point improvement over FY 2007 level.
- b. (1) 75% of documents filed are made available on EDIS within 24 hours.
(2) 85% of documents filed are made available on EDIS within 48 hours.
(3) Working group meets quarterly to consider and report on issues related to electronic filing and maintenance of records on EDIS.

Performance Indicators^a

- a. Review of Web site and revision of content as appropriate (OUII/GC); level of satisfaction reported by users of the ITC intellectual property infringement Web pages (ITS).
- b. Prompt entry of documents into EDIS after filing, and improvements adopted (ITS).

^a The offices shown in parentheses are the staff offices responsible for measurement.

Review of Web site

During the past five years, the Commission has conducted regular reviews of its Web site and has added substantially to its section 337 Resources Web page. Enhancements include regular updates to the section 337 Investigational History Database and revisions to the section 337 Frequently Asked Questions pamphlet. Also, a redesign of the Commission's Web site was completed during FY 2005 to improve usability, navigation, and search capabilities. The section 337 Resources page was substantially overhauled as part of this effort, and links to the Intellectual Property Rights Branch of Customs and the Commission's 337-related Notices were added. A new redesign of the Commission's Web site was begun in FY 2008 to make even further improvements in navigation and searchability.

During FY 2007, the Commission created and posted on its Web site "Guidelines for Filing Prosecution Histories and Technical References on DVD/CD Media" to make it easier for the public to file lengthy prosecution histories, which are now being supplied on disk by the U.S. Patent and Trademark Office, and other lengthy patent-related materials that are required to be submitted with section 337 complaints. The listing of *Federal Register* notices in current section

337 investigations was also reformatted to make it easier for the public to search and locate such notices.

The section 337 Investigational History database was regularly updated and supplemented in FY 2008 and a link to the amended procedural rules for section 337 proceedings was added to the 337 Web page. It is anticipated that additional enhancements will be made to the 337 Web page in FY 2009 as part of the broader redesign of the Commission's Web site.

During FY 2008, ITS continued to measure visitors' level of satisfaction with the ITC's intellectual property infringement Web pages. The result of this effort yielded a satisfaction score of 53.5 for Operation 2 pages of the Web site, which is a drop from the satisfaction scores obtained in FY 2006 and 2007 and, as indicated, does not meet the performance goal of a 1 point improvement in the score. This decline appears to be attributable to the small sample size of the survey for Operation 2 and a period during the year in which some documents were not available in a timely manner on the EDIS public search Web page due to programmatic issues with EDIS. With regard to usage, for the FY 2008 quarters for which data were available, the number of visits to the Operation 2 pages of the Web site increased by roughly 9,000 visits or about 14 percent from FY 2007 to FY 2008. In collaboration with the Web Advisory Committee, which meets regularly to provide feedback on Web site usability and proposes action to improving users' satisfaction, the ITS is seeking to improve upon its FY 2008 satisfaction measure, relative to other Government agencies. Toward this goal, ITS has undertaken a redesign of the entire Commission Web site to improve the look and feel, navigability, and searchability of the Web site which were found to be unsatisfactory based on user feedback from the survey. Also, the release of the re-engineered EDIS is expected to provide noticeable improvements to a user's ability to file and search for Operation 2 documents and is expected to lead to further satisfaction score improvements.

Document processing and availability

Operations 1 and 2 contain similar performance goals relating to the Commission's handling of documents within the EDIS system. As noted in the earlier discussion of Operation 1, the Commission provides an electronic option for information exchange between the Commission and the public and real-time access to information and updates via the Internet. However, in past years, documents were not made available for real-time access on EDIS as quickly as desired. The Commission undertook implementation of staffing, procedural and programmatic changes to improve the availability of the documents while still ensuring their accuracy and security. In FY 2007, the ITS began implementing a newly adopted case management paradigm for handling investigation documents to more efficiently process them and make them available to the public.

With regard to measuring the time from filing to availability of a document submitted to EDIS, the numbers show that significant improvement was made as a result of these efforts and the performance measurement goals were met. In FY 2008, the Commission completed processing of 82 percent of the documents for Operation 2 within 24 hours, exceeding the goal of 75 percent, and completed processing of 95 percent of the documents within 48 hours, exceeding the goal of 85 percent. By comparison, in FY 2007, 51 percent of documents were made available within 24 hours and 78 percent were made available within 48 hours. Thus, there was a 31 percent improvement this year in the number of documents processed within 24 hours as

compared to FY 2007 and a 17 percent improvement in the number of documents processed within 48 hours. In FY 2006, 44 percent of documents in Operation 2 were made available on EDIS within 24 hours, and 74 percent of such documents were made available within 48 hours.

In FY 2008, in accordance with the Performance Plan, a Commission working group met in each quarter of the year to examine issues relating to the processing of documents through EDIS. In the past year, the working group focused mainly on issues regarding the re-engineering of EDIS, which is scheduled to be deployed in early 2009, but several enhancements were made to EDIS to improve document availability, including improvements in monitoring document processing and updating documents in the search engine. These enhancements were implemented to fix several problems with document availability on the EDIS Public Search application that contributed to the low satisfaction scores for Operation 2 discussed above.

Strategy 3: Actively facilitate enforcement of exclusion orders

FY 2008 Performance Goals

- a. Issue seizure and forfeiture orders approximately 30 days after the time has run for filing a protest with Customs.
- b. (1) Enforcement working group meets at least semiannually to discuss remedy issues and oversees implementation of any proposals adopted in view of the exclusion order survey.
(2) Scheduling information regarding section 337 proceedings is provided to Customs on a quarterly basis.
(3) OGC and OUII representatives meet with IPR Branch of Customs semiannually to discuss enforcement-related issues.

Performance Indicators^a

- a. Timely seizure and forfeiture notices resulting from Customs letters (GC).
- b. Improve communications regarding enforcement of remedial orders (OUII/GC).

^aThe offices shown in parentheses are the staff offices responsible for measurement.

Issuance of seizure and forfeiture notices

The Commission established the goal of issuing seizure and forfeiture orders no more than 30 days after the end of the Customs waiting period in FY 2001.³ In FY 2002, new procedures were instituted so that seizure and forfeiture orders would be issued at quarterly intervals, viz., on or about December 1, March 1, June 1, and September 1. It was believed that this new procedure, by adding structure to the process, would reduce the average time for issuance of seizure and forfeiture orders.

The Commission did not issue any seizure and forfeiture orders in FY 2004. During FY 2004, the Commission received over 200 notification letters from Customs concerning attempted entries by individual consumers of goods that violated the exclusion order issued in the *Sildenafil* investigation (337-TA-489). The Commission also received six notification letters from Customs regarding the attempted entry of other excluded goods. These six letters concerned the same investigation and the same importer. The importer filed a protest of these exclusions with Customs. When the protest was denied, the importer appealed Customs' decision.

During FY 2005, the Commission received thousands of notification letters from Customs concerning the *Sildenafil* investigation and individual consumers. In view of Customs' decision to return the subject infringing merchandise to the foreign exporters, rather than to detain the goods, the Commission exercised its discretion and did not issue seizure and forfeiture orders to individual consumers. The Commission also received five notification letters involving other investigations, each of which resulted in the issuance of a seizure and forfeiture order. Four of these orders were issued significantly ahead of the performance goal. One order was issued well after the 90 day period for filing a protest had expired. However, in this instance, the notification letter from Customs was not received by the Commission until 130 days after it was issued by Customs.

In FY 2006, the Commission again received thousands of notification letters from Customs concerning the attempted importation of sildenafil by individual consumers. As in FY 2005, the Commission exercised its discretion and did not issue seizure and forfeiture orders to these consumers. The Commission also received three notification letters from Customs concerning one other investigation. A seizure and forfeiture order was issued in connection with the first of these letters in accordance with the goal for issuance of such orders (*i.e.*, within less than 30 days after the time had run for filing a protest with Customs). The other two letters were received much later in the fiscal year, and the goal period for issuance of these orders had not run by the end of FY 2006. In addition, the appeals from Customs' denial of the protest that was filed in 2004 were concluded in February 2006. By the time the appeals were concluded, the importer was no longer in business. Accordingly, the Commission exercised its discretion and did not issue a seizure and forfeiture order to this importer.

During FY 2007, the Commission received one notification letter from Customs in each of three separate investigations. One seizure and forfeiture order was sent out eight days after the time had run for the filing of a protest with Customs, well within the goal for issuance of seizure and

³ So that the Commission does not issue seizure and forfeiture orders during the period when protests of Customs' action may be lodged, there is a 90-day waiting period before issuance of Commission seizure and forfeiture orders.

forfeiture orders. The time for filing a protest had not run with respect to the other two notifications at the end of FY 2007. Five seizure and forfeiture orders were issued in FY 2007 in connection with one other investigation. Two of the notification letters underlying these orders were received in FY 2006; three were received in FY 2007. Two of these orders were issued in accordance with the goal; two were issued slightly outside that time frame (six days and eight days later, respectively); and one was issued 56 days after the period of time for filing a protest had run. As in FY 2005 and FY 2006, the Commission received thousands of notification letters from Customs concerning the attempted importation of sildenafil by individual consumers. The Commission again exercised its discretion and did not issue seizure and forfeiture orders to these consumers.

In FY 2008, the Commission received twelve notification letters from Customs in one investigation. The Commission issued seizure and forfeiture orders in response to all but one of these denial letters significantly in advance of the performance goal. The remaining seizure and forfeiture order was issued 26 days after receipt of the denial letter. The Commission received two notification letters in one investigation and issued the corresponding seizure and forfeiture orders significantly in advance of the performance goal period. The Commission issued one seizure and forfeiture letter within the performance goal period to a commercial importer in response to a notification letter from Customs concerning the exclusion order issued in the *Sildenafil* investigation. The Commission also received thousands of notification letters from Customs concerning individual consumers and the *Sildenafil* general exclusion order. The Commission again exercised its discretion not to issue seizure and forfeiture orders in response to these denial letters in view of Customs' decision to return the infringing goods to the foreign exporter rather than to detain the goods. The Commission received one denial letter in each of three additional investigations. These denial letters resulted in two seizure and forfeiture orders that were issued within the performance goal period. One other letter was received late in the year, and the goal period for issuance of this order had not run by the end of FY 2008.

Communications regarding enforcement of remedial orders

In FY 2004 and FY 2005, a working group met semiannually to consider issues regarding section 337 remedies, including the enforcement of exclusion orders. The working group developed a survey during FY 2004 regarding the effectiveness of outstanding exclusion orders issued by the Commission and enforced by Customs after a finding of violation of section 337. During FY 2005, the survey was finalized, published for public comment, approved by the Office of Management and Budget, and sent to the named complainant or the current intellectual property owner in 52 of the 57 investigations for which an exclusion order was then in place.

In total, 30 entities responded to the survey. The responding firms indicated that infringing goods covered by 12 outstanding exclusion orders were no longer being imported into the United States. Two additional firms reported (in response to another survey question) that imports of covered infringing goods had "effectively stopped" after entry of the exclusion orders they obtained. Of the 27 firms that responded to questions regarding the effect of continuing importations of covered goods on their sales, 11 reported that covered imports had little or no negative effect on their own sales since entry of the exclusion order, and another six reported that covered imports continued to affect their sales to "some" extent, but not to a substantial degree. Only two of these firms reported that covered imports continued to affect their sales to a

“substantial” extent after entry of the order. More than three-quarters of firms that provided information to Customs regarding imports of covered goods reported that they were “satisfied” or “very satisfied” with Customs’ response to the information. During FY 2007, the enforcement working group implemented recommendations that were made in view of the survey results.

In accordance with the performance goals, in FY 2007 and FY 2008 the enforcement working group met on several occasions to discuss enforcement-related matters. In both years, members of this working group also met semiannually with members of the IPR Branch at Customs to discuss issues pertaining to the enforcement of exclusion orders. To assist Customs in planning for upcoming exclusion orders, OUII continued to provide the IPR Branch with quarterly scheduling information regarding section 337 investigations.

Operation 3: Industry and Economic Analysis

The Commission contributes to the public debate on U.S. international trade and competitiveness issues through an extensive industry and economic analysis program. The Commission's analysis of trade and competitiveness issues is authorized by section 332 of the Tariff Act of 1930. The Commission's probable economic effects investigations generally are conducted under the authority of section 131 of the Trade Act of 1974 and section 2104 of the Trade Act of 2002. Through its industry and economic analysis program, the Commission also takes the initiative to provide independent assessments on a wide range of emerging trade issues. One of the Commission's long-range goals is to be a national resource of industry, economic and regional trade expertise for the nation's policymakers and to enhance its position as a recognized leader in independent industry and economic analysis. To this end, the Commission's current Strategic Plan established the following general goal for this operation:

Continually enhance and improve the program of industry and economic analysis that provides the legislative and executive branches, and public, with timely research products that are widely recognized for their contribution to sound and informed trade policy formulation.

Table 3-1 and figure 3-1 show workload trends of the Commission's statutory industry and economic analysis investigations during FY 2004–FY 2008. Table 3-1 shows that the number of investigations instituted during FY 2008 was somewhat lower than in previous years. However, the Commission received an unusually high number of investigation requests in FY 2007. Many of these investigations remained active in FY 2008, leading to an above average level of activity for much of FY 2008 (figure 3-1). In FY 2008, the Commission completed 93 research initiatives including articles, staff papers, and formal presentations. Despite the heavy workload during FY 2008, the Commission met or exceeded 11 of its 15 performance goals for the Industry and Economic Analysis program. Performance results are discussed in detail below.

Table 3-1: Summary of industry and economic analysis program investigations, FY 2004–FY 2008^a

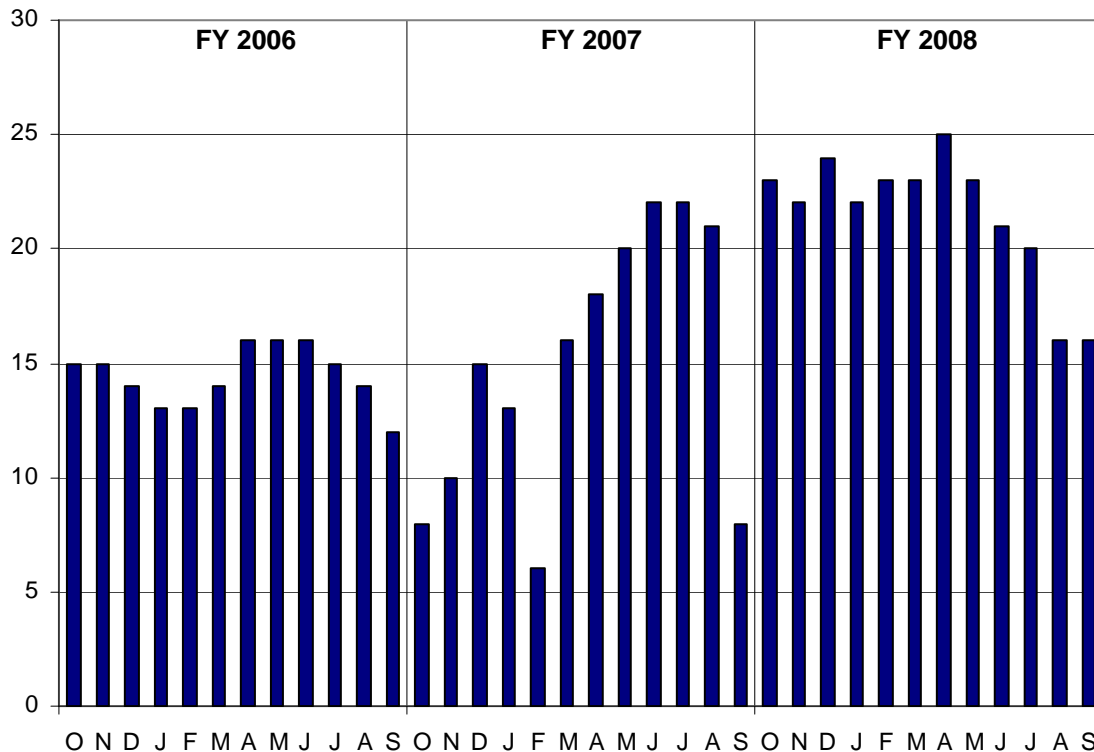
Status ^b	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Instituted	16	17	12	22	10
Active	34	36	26	33	33
Completed	16	21	14	14	14

Source: Office of Operations.

^a Includes investigations conducted under section 332 of the Tariff Act of 1930, sections 131 and 163(c) of the Trade Act of 1974, and sections 2104 and 2111 of the Trade Act of 2002.

^b The data presented for instituted investigations reflect those which were newly instituted in the respective fiscal years. Active investigations refer to all ongoing studies, including the recurring report series. ("Recurring" reports include various annual or biannual reports such as *The Year in Trade: Operation of the Trade Agreements Program*.) For FY 2008, these active investigations include two China-related investigations that were later terminated. Completed investigations do not include those that are part of an ongoing series (i.e., recurring).

Figure 3-1: Industry and economic analysis investigations active, by months, for October 2005 through September 2008^a.



Source: Office of Operations.

^a Investigations are active as of the first of each month and include recurring investigations.

FY 2008 Performance

The Commission established three strategies and corresponding annual performance goals for Operations 3 in the current Strategic Plan. In the first strategy, the Commission sought to improve and develop efficient and effective research methods. There were four performance goals for FY 2008 that relate to this strategy. The Commission met three of these four goals.

The Commission met its goal for FY 2008 of creating a baseline from contacting clients about the usefulness of delivered reports. The Commission met its goal to deliver 100 percent of its reports on time. The goal of a 1 point improvement (from FY 2007) in satisfaction reported by users of the ITC Industry and Economic Analysis Web pages was not met. The Commission’s goal of having two requests that involve new areas or types of analysis was met.

In the second strategy, the Commission sought to identify emerging areas and issues and develop staff expertise. There were nine goals relating to this strategy. The Commission met eight of these nine goals.

In this fiscal year, the ITC had over 90 research initiatives (described in table 3-3). Thus the goal to have more than 60 research initiatives was met. The Commission met its goal of increased use of the ITC Web site to facilitate public provision of information in studies and to disseminate information. This goal included improvements discerned from Web-based surveys to assist with customer satisfaction rates. The Commission met its goal of expanding economic modeling and analytical capabilities and use. The goal of implementing established procedures to validate general equilibrium models used by the Commission to improve model performance was met. The goal of completing work on the analysis of changes in productivity owing to certain new manufacturing processes was met. The goal of beginning analysis of the indirect regulatory costs faced by U.S. industries on their international competitiveness and the impact on long term sectoral trade or investment flows was met. The goal of developing new tools and databases on services and foreign direct investment was met. The goal of integrating NTM estimates into the agency's analysis that will enumerate, describe, and where possible, quantify global nontariff barriers to trade was met. The Commission almost met its goal of completely updating the structure of the USAGE model data from Standard Industrial Classification (SIC)- to North American Industry Classification System (NAICS)-based, but could not fully complete the work by the end of the fiscal year. The Commission met the goal of semiannually reviewing and, as appropriate, revising Operation 3 Web pages.

In the third strategy, the Commission set out to identify appropriate external reviewers and secure timely, constructive and authoritative review of processes, but did not fully meet these goals during FY 2008.

Strategy 1: Continually improve and develop efficient and effective research methods

FY 2008 Performance Goals

- a. Baseline created from interviewing clients on usefulness of delivered reports
- b. 100% of reports on time
- c. 1 point improvement over FY 2007 baseline level.
- d. 2 requests that involve new areas or types of analysis.

Performance Indicators^a

- a. Public statutory reports are mentioned as useful by customers such as USTR and Congress (OP).
- b. Section 332 reports to requesters on time (OP)
- c. Level of satisfaction reported by users of ITC Industry and Economic Analysis Web pages. (ITS)
- d. Customers request new types of analysis or new subject areas (OP).

^a The offices shown in parentheses are the staff offices responsible for measurement.

Client Briefings and Timeliness of Reports

In FY 2008, the Commission sought to conduct more briefings for its clients on delivered statutory reports. The Commission goal was to develop a baseline for understanding and receiving feedback from clients on requested investigations. Of the 14 investigations that were completed this fiscal year, briefings were offered 100 percent of the time. During these briefings, staff answered questions and received feedback on the investigations, providing insights that will help improve future studies and processes. The agency held 14 in-person briefings with the client on 11 studies. For *China: Description of Selected Government Practices and Policies Affecting Decision-Making in the Economy* (December 2007), three congressional briefings were given.

The Commission issued all section 332 and other industry and economic analysis reports to requesters on time or earlier, with 16 reports delivered in FY 2004, 21 reports in FY 2005, 14 reports in FY 2006, FY 2007, and FY 2008.

Industry and Economic Analysis Web Pages

In FY 2008, the Commission continued to use the Foresee Government Satisfaction Index to measure user satisfaction levels with all of its Web pages, including the Industry and Economic Analysis Web pages. The Foresee Index allows the Commission to compare user satisfaction levels across all of its Web pages. The Index identifies areas of strengths and weaknesses in its different operational areas and compares overall Web site performance against those of other government agencies' Web sites with similar or related measures.

The Industry and Economic Analysis Web pages' overall customer satisfaction score was 65 in FY 2008 (table 3-2), a level lower than that of FY 2007, which falls short of the Commission's goal of increasing its overall customer satisfaction by 1 point. However, that level is higher than the score for the overall Commission site, which was 61 percent.⁴

The government-wide satisfaction score for trade-related sites was 79 percent for the same period.⁵ While customer satisfaction with the Operation 3 component Web pages was four percentage points higher than the Commission's overall score (61), it was below the score for overall government-wide trade-related sites.⁶

In addition to providing detailed information for overall satisfaction, results from the Foresee Index distinguished between two broad customer categories: those users who downloaded a report and those who did not (table 3-2). While the overall satisfaction level was 65, respondents who downloaded a report for academic research rated the site higher (69), as did those who downloaded a report for business use (70). However, preparation for trade litigation (72) rated

⁴ The following section on Operation 4 provides more information regarding survey results for the Commission's overall Web site.

⁵ Based on Foresee satisfaction indices reported for Customs, U.S. Department of Agriculture, U.S. Department of Commerce, and USTR.

⁶ This year, the Commission's performance exceeded the benchmark of 63 established for Operation 3 in FY 2005.

highest overall. Users who never downloaded a report rated the site a 63 while those who downloaded a report for reasons other than those listed above rated the pages a 65. These results suggest that many of the agency's key customers (those who download and use our reports for business, trade litigation and academic research) are more satisfied with the Industry and Economic Analysis Web pages than those who have never downloaded a report.

Table 3-2: User survey results, industry and economic analysis Web pages, FY 2008

	Types of users:						Overall users
	Downloaded a report:						
	Never downloaded a report	Used for business	Used for academic research	Other	Used for trade negotiation	Used in preparation for trade litigation	
No. of Respondents:	128	59	35	8	13	2	245
	Percent						
Share of total:	52%	24%	14%	3%	5%	1%	
Searchability Scores:							
Content	74	78	80	67	65	80	75
Functionality	68	72	74	58	58	79	69
Look and Feel	68	71	67	74	61	73	68
Navigation	64	68	63	70	54	70	65
Search	63	68	63	63	73	58	65
Site Performance	75	77	78	74	67	72	75
<i>Overall Satisfaction</i>	63	70	69	65	57	72	65
Future behaviors:							
Likelihood to Return	70	85	86	75	66	72	76
Recommend	64	80	78	72	64	72	70
Primary Resource	66	81	78	71	64	72	72

Source: Foresee Results, Inc., USITC Satisfaction Insight Reports, October 2008.

Moreover, scores for content (75), site performance (75), likelihood to return (76), primary resource (72), functionality (69), recommend (70) and look and feel (68) were all higher than the overall satisfaction level. These numbers also followed a pattern similar to the average satisfaction level associated with various types of users. The lowest overall score was for both navigation and search (65). The Commission will continue to work on improving content-related scores.⁷

⁷ With respect to FY 2008, there were no improvements in content, search, functionality and look and feel. Navigation score was lower and site performance scored higher, whereas the future behavior score rated lower, including recommend and primary resources.

Information Management and Analytical Enhancements

The Commission continues to take steps to enhance information management and analytical methods. The Commission met its goal of increasing the use of the ITC Web site to facilitate public involvement in studies and to disseminate information. In FY 2008, the Commission made substantial revisions to the Industry and Economic Analysis section of its Web site. The Commission streamlined its look and feel and ensured organizational consistency across its sub-pages and will continue to improve the site. However, as noted above, overall user satisfaction with the Web site declined slightly in 2008. The Commission will continue to draw on the Foresee survey results to target improvements in the Industry and Economic Analysis Web site.

Number of customer requests that involve new areas or types of analysis⁸

The Commission met its goal of conducting two new areas or types of analysis. Two efforts of particular interest are the modeling conducted for the *Global Beef Trade: Effects of Animal Health, Sanitary, Food Safety, and Other Measures of U.S. Beef Exports*, Inv. 332-488 (September 2008) and a journal article examining nontariff measures in the financial services negotiations under the WTO.

For the *Global Beef Trade* investigation, the Commission developed an innovative approach to link a global general equilibrium (GE) model to a partial equilibrium (PE) model of beef products with trade data at the 6-digit HS level. The advantage of linking a beef PE model to a GE model is twofold: first, the beef PE model accounts for differences in product characteristics and bilateral trade policy measures at the HS six-digit level; second, the GE model provides for linkages with the rest of the economy, especially the rest of agriculture, both within the United States and major exporting countries, and in destination markets.

In response to growing requests from Congress and the Administration for more information and insights on the effect of NTMs on U.S. trade, the Commission has expanded its NTM research program. For example, Commission staff has conducted and published work on estimating the price effects of nontariff impediments to trade in banking services. The tariff equivalent price effects are estimated for banking commitments bound in the WTO Financial Services Agreement and negotiated offers.

In December 2007, Commission staff completed and published a journal article examining the goals of current financial services negotiations and estimated price effects of nontariff impediments affecting trade in banking services. This analysis places particular focus on the WTO's Financial Services Agreement and negotiated offers.

The Commission is also developing new methods of using global unit value data to bridge the gap between different estimates of the price effects of NTMs. The Commission provides an NTM database on its Web site and Commission staff members act as observers in the Multi-Agency Support Team (MAST), which has provided information to the United Nations

⁸ This measure includes all formally requested industry and economic analysis investigations under the Tariff Act of 1930, the Trade Act of 1974, and the Trade Act of 2002.

Conference on Trade and Development's (UNCTAD) Group of Eminent Persons on Nontariff Barriers regarding new multilateral NTM data collection and assessment initiatives.

Strategy 2: Identify emerging areas and issues, and develop staff expertise.

FY 2008 Performance Goals

- a. More than 60 initiatives, as resources and mandatory work permit.
- b. (1) Increased use of the ITC Web site (including EDIS) to facilitate public involvement in studies and to disseminate information. Special efforts in FY 2008 include incorporating improvements discerned from Web-based surveys that will improve customer satisfaction with the site.
(2) Expansion of economic modeling and analytical capabilities. Focus in FY 2008 will be:
 - (1.) implementation of the model validation process to monitor USITC general equilibrium model performance,
 - (2.) complete work on analysis of changes in productivity owing to new manufacturing processes in certain industries,
 - (3.) analysis of the indirect regulatory costs faced by U.S. industries on their international competitiveness and the impact on long term sectoral trade or investment flows,
 - (4.) development of new tools/databases related to services and foreign direct investment to inform trade negotiators,
 - (5.) integration of NTM estimates into the agency's quantitative and qualitative analysis that will enumerate, describe and, where possible, quantify global nontariff barriers to trade, and
 - (6.) completion of updates to the structure of USAGE model data from SIC- to NAICS-based.
- (3) Semiannual Web site review and revision completed.

Performance Indicators^a

- a. Numbers of self-initiated articles, working papers, research notes and presentations at professional meetings/conferences (OP).
- b. Number/type of enhancements in information management and analytical methods (OP).

^a The office shown in parentheses is the staff office responsible for measurement.

Research Initiatives

In the second strategy, the Commission sought to implement innovative analytical methods and to investigate emerging areas and issues, such as examining various aspects of China's trade with the United States and other countries, evaluating the impact of different types of NTMs on U.S. and global trade, and continuing to develop the Commission's modeling capabilities. The Commission met eight out of nine goals relating to this strategy.

The FY 2008 Commission goal to have more than 60 research initiatives was significantly exceeded, as the Commission completed 93 initiatives. Table 3-3 shows the trend in independent staff research over the past five fiscal years. The number of initiatives and overall activity exceeded the goal by 33 initiatives. The change in total initiatives is largely explained by a large number of staff presentations, conference/working papers and research notes/publications. Self-initiated research is tied to Commission priorities and often serves as a testing ground for new analytical techniques. Such research allows the agency to serve its customers' needs more expeditiously by providing the opportunity to collect data and information and to develop deeper expertise that is then available for future statutory work.

Table 3-3: Self-initiated research, FY 2004–FY 2008

Item	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
JICE/IER/ITTR articles	23	7	-	8	10
Industry Summaries	1	1	1	0	0
Staff research studies	0	0	2	1	0
Conference/Working papers	11	6	8	22	21
Research notes/publications	N/T	N/T	N/T	9	15
Formal Staff presentations	34	38	33	45	47
Total	69	51	44	85	93

Source: Office of Operations.

Note: The *Journal of International Commerce and Economics* (JICE) was launched in December 2006. Numbers for FY 2004 and FY 2005 reflect *International Economic Review* (IER) and *Industry Trade and Technology Review* (ITTR) articles. Research notes and publications were not tracked until FY 2007 (N/T).

Increased use of Web site

The Commission also met its goal of increasing use of its Web site to facilitate public involvement in studies and to disseminate information. Reflecting a 17 percent rise, the number of hits on the Industry and Economic Analysis Web page increased from 750,420 in FY 2007 to 883,496 in FY 2008. A special effort was made this fiscal year to review and incorporate improvements discerned from Web-based surveys. The Commission is making greater use of a section called "ongoing investigations" to provide information to the public about its ongoing studies. Revisions were made to the Industry and Economic Analysis Web pages based on Foresee Survey information indicating continued challenges with navigating and searching the Web pages. Improvement efforts will continue in the next fiscal year.

Expansion of modeling and analytical capabilities

The Commission met its goal to expand economic modeling and analytical capabilities. The Commission made significant progress in its model validation project, with contractors from Monash University implementing the model validation process designed to improve the Commission's large scale CGE model's projection capabilities. This work has improved the model's ability to generate historical comparisons, to extract important trends for over 500 sectors of the U.S. economy, and to compare projections to actual outcomes. Another aspect of the work examined the implications of nontraded and newly traded varieties of goods for CGE modeling. In particular, Commission staff incorporated tariff rates on nontraded goods to more accurately represent the restrictiveness of U.S. tariffs and accounted for the effects of long term growth in new varieties of imported goods. These efforts are ongoing.

The Commission conducted work on productivity changes related to new manufacturing processes as a part of the 332 investigation *Industrial Biotechnology: Development and Adoption by the U.S. Chemical and Biofuel Industries* (2008). This effort provided both primary and secondary information regarding the importance of productivity gains related to these emerging manufacturing processes. The Commission collected primary data from about 1,800 biofuel and chemical companies, leading to the creation of a ground-breaking primary data source. Very little publicly-available data exist about the emerging use and economic impact of industrial biotechnology in these industries. Hence, the Commission goal to conduct work on productivity changes related to certain new manufacturing processes was met.

The Commission set a goal to conduct analysis of the indirect regulatory costs faced by U.S. industries on their international competitiveness and their impact on long term sectoral trade or investment flows. Commission staff produced a working paper regarding technical barriers to trade and the impact of conformity assessments systems. This research examined various costs related to regulations imposing conformity assessment requirements such as certification, testing, and inspection, and their impact on a number of U.S. industries.

The development and exploitation of new sources of data related to services and FDI, especially with respect to China's trade, have important implications for model development. The Commission has met this goal. The China trade project is continuing to examine various issues in U.S.-China bilateral trade, making simultaneous use of highly disaggregated official customs trade data from the governments of China, the United States and Hong Kong. Work has continued on two related papers measuring vertical specialization and domestic value-added in China's exports, which provides greater insights into the role of foreign investment in China's trade. In the first paper, Commission staff developed a method to split the Chinese input-output table to allow for different intermediate input usage for processing and normal exports, including the role of foreign invested enterprises. The authors used this method to estimate the domestic value-added in Chinese exports and find significant foreign content, partly due to high levels of FDI. In the second paper, authors use this method to incorporate separate estimates of the vertical specialization of China's exports into the analysis presented in the first paper.

The Commission's goal regarding the integration of NTM estimates into the agency's analysis was met. The Commission continues its work to improve global NTM measurements, both for inclusion in CGE work and for other policy analyses. In the Congressionally-mandated study of

global beef trade, the Commission implemented new methods of accounting for the effects of specific quantitative restrictions to assess their overall impact on the global beef market.

In collaboration with Monash University, the Commission continues work on the highly detailed dynamic USAGE model with updated parameters, greater labor and household detail and an important detailed treatment of the sweeteners and ethanol sectors. The Commission has redefined sectors and commodities in the model's database using the NAICS-based input-output (I-O) accounts for 1997 and 2002, permitting the database to remain consistent with national income data into the future. This work was about 90 percent complete at the end of FY 2008 and is expected to be fully completed by mid-November 2008. Once this work is completed, the Commission will supply to GTAP the 2002 I-O data as balanced in USAGE. In support of the NAICS update effort and other USAGE developments, the Commission has established a working group with other Federal Government users of the USAGE model, principally the International Trade Administration of the U.S. Department of Commerce and the Economic Research Service of the U.S. Department of Agriculture.

The team completed the occupational module for USAGE-ITC to enhance labor market analysis. The USAGE-ITC model is now easily linkable to the GTAP model, as in the project described above and will offer interested parties a new U.S. model with powerful capabilities. Some enhancements to the model will be applied in the upcoming update of the Import Restraints study requested by USTR.

These analyses all broke new ground for the Commission and demonstrate the Commission's responsiveness to customer requests for greater insights on new and difficult issues in international trade that may affect the United States.

Web site review

The Commission met the goal of Web redesign and semiannual review of the Web site. Further work on the Web site continues and is expected to expand. The Commission held regular Web redesign meetings throughout the year, focusing on search and navigation issues as identified through relatively low Foresee survey scores. Thus, the Commission exceeded its goal of a semiannual review through a more extensive review process.

Strategy 3: Undertake regular independent reviews and assessments of the Industry and Economic Analysis program to identify areas for potential improvement

FY 2008 Performance Goals

Procedures developed to: (1) identify appropriate external reviewers and (2) secure timely, constructive, and authoritative review of processes.

Performance Indicators^a

Process developed and executed for the conduct of independent objective reviews and assessments identify areas for potential improvement in the program (OP).

^a The office shown in parentheses is the staff office responsible for measurement.

In the third strategy, the Commission set out to develop procedures to identify appropriate external reviewers and secure timely, constructive and authoritative review of processes. Although the agency did not fully develop such procedures, it made progress in this area. Many program components, including research, working papers, and presentations, have had the benefit of expert review. Experts were identified and provided feedback on several Operation 3 products. For example, a staff study on patenting in industrial biotechnology was reviewed by experts at the U.S. Patent and Trademark Office (PTO) and the Biotechnology Industry Organization. These reviews greatly improved the Commission's understanding and use of complex patent data. The working paper "Technical Barriers to Trade: Reducing the Impact of Conformity Assessment Measures" received very helpful critical review from staff at the Trade Directorate at the Organization for Economic Co-operation and Development (OECD), the National Institute of Standards and Technology, the International Trade Administration at the Department of Commerce, and the World Trade Organization. Several components of our China research efforts have made their way into outside working paper series and publications. For example, two working papers on China have been published and one will be included in a volume published by the National Bureau of Economic Research (NBER). Review by world renowned experts was required for selection for NBER publication.

Often external review led to improved analysis by the Commission staff or other positive outcomes. For example, when a China R&D and patents expert from Brandeis University reviewed a potential *JICE* article, the author was asked to present that work at a day-long training session on China's innovation policies for new U.S. government employees working on China issues (hosted by PTO).

For FY 2009, the Commission modified this goal to reflect that the agency will develop standardized procedures for the use of appropriate external reviewers for a sample of Commission products, securing timely, constructive and expert reviews.

Operation 4: Tariff and Trade Information Services

The Commission maintains an extensive repository of tariff, trade, and related data and expertise. Drawing on these resources, it provides tariff and trade information relating to U.S. international trade and competitiveness to executive branch agencies and the Congress, other governmental organizations, and the public. Tariff and trade information services include the production and maintenance of the HTS, which entails, *inter alia*, the preparation of legislative reports for Congress, participation in the committees of the World Customs Organization (WCO) and providing key support to USTR in the negotiation and implementation of free trade agreements, and other tariff related programs. They also include maintenance of the on-line, interactive Tariff and Trade DataWeb, in which users can access data on tariff classifications and trade flows for specific products; contribution to the development of the International Trade Data System (ITDS); maintenance of U.S. commitments under Schedule XX of the General Agreement on Tariffs and Trade/World Trade Organization (GATT/WTO); maintenance of the electronic version of the U.S. Schedule of Services Commitments under the General Agreement on Trade in Services; and preparation of the electronic database that supports U.S. submissions to the WTO Integrated Database.

The Commission's Strategic Plan establishes the following general goal for this operation:

Provide effective technical expertise and advice on the implementation of U.S. trade policy and related administrative decisions; enhance the availability of high-quality and up-to-date tariff and international trade information to the executive and legislative branches, as well as the broader trade community and the public; and increase the ability of customers to use and understand such information.

Performance results for Operation 4 are discussed in detail below.

FY 2008 Performance

The Commission established three strategies and eight corresponding annual performance goals for this operation in the current Strategic Plan.

In FY 2008, the Commission continued to make significant progress in improving the utility and dissemination of agency trade and tariff information services, meeting or exceeding most of its goals. Specific results are discussed below.

Strategy 1: Increase the utility and improve the dissemination of ITC tariff and trade information services to customers

FY 2008 Performance Goals

- a. (1) 5% increase in number of Trade DataWeb reports provided.
(2) 5% increase in number of Tariff Database reports provided.
- b. Modernization of data and tariff publication process implemented.
- c. 5% increase in usage of the HTS page of the ITC Web site over previous year; semiannual reviews and revisions completed.
- d. 1-point improvement over FY 2007 baseline level [concerning satisfaction feedback from users of ITC tariff and trade-related Web pages].
- e. 100% timely and accurate responses [to email requests for tariff advice].

Performance Indicators^a

- a. Level of use, as appropriate:
 - (1) Trade DataWeb
 - (2) Tariff Database (OP)
- b. More effective information management methods adopted (TATA).
- c. Level of use of HTS page of the ITC Web site; review and revision of content (TATA).
- d. Results of feedback from users of the ITC's tariff and trade Web pages (ITS).
- e. Number of email requests for tariff advice (TATA).

^a The offices shown in parentheses are the staff offices responsible for measurement.

The Commission established baseline statistics for use of various types of nomenclature expertise and trade information in FY 1999. During FY 2004–FY 2008, use of the Commission's expertise and trade information greatly exceeded the established goals in most instances. The Commission also continued to make progress in the area of information management automation.

ITC Trade DataWeb

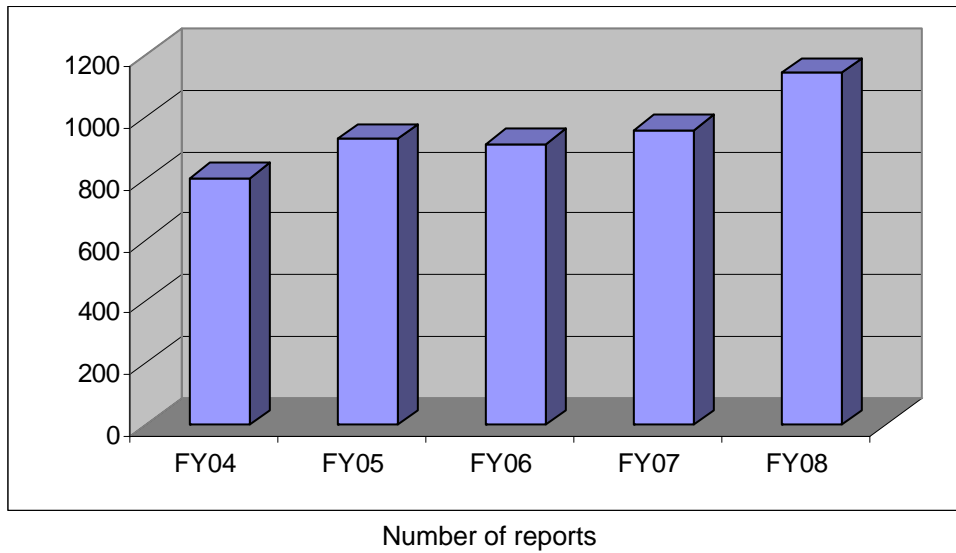
DataWeb reports downloaded by non-ITC users increased during FY 2004–FY 2008 (figure 4-1). During the most recent fiscal year, usage increased by approximately 20 percent to more than 1.1 million visits exceeding the goal established for FY 2008. These data do not include viewing and downloads of various prepared reports. The Commission continued to make improvements to the Web site by developing a site displaying scheduled U.S. tariff rate reductions under numerous free trade agreements and providing a "Tariff Wizard" to assist the trade community in determining future rates. Current tariff rates and trade by source, import program, etc., are also linked directly to the Wizard. In addition, the Commission added a series of help screens to

assist users as they navigate through the site. The Commission received positive feedback regarding these enhancements from users.

For FY 2009, the agency has retained the goal of 5 percent annual growth in usage and will continue its efforts to enhance the site for various types of customers. Since the inception of the DataWeb, non-government use has accounted for the bulk (about 85 percent in FY 2008) of the non-ITC data reports generated (figure 4-2).

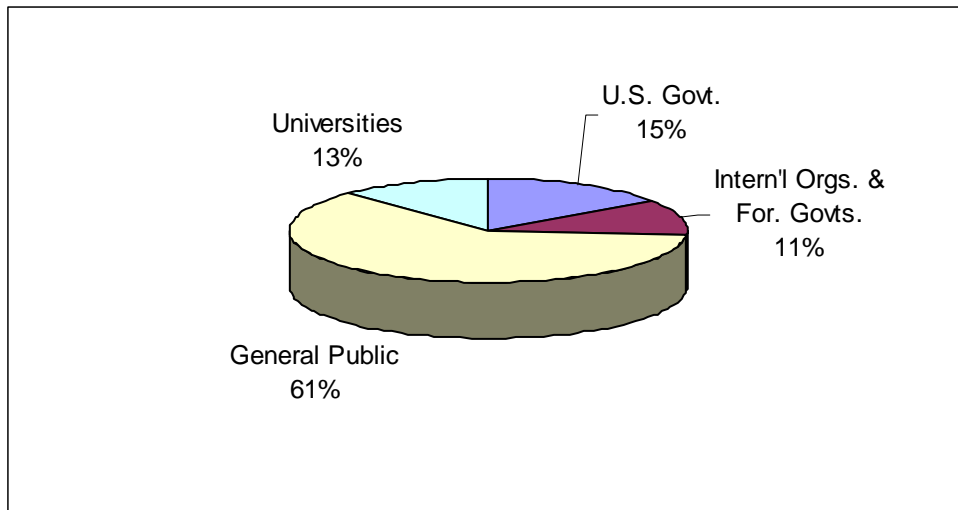
Figure 4-1: DataWeb reports to non-ITC Users, FY 2004–FY 2008

In thousands



Source: Office of Operations

Figure 4-2: DataWeb reports to non-ITC users, FY 2004–FY 2008

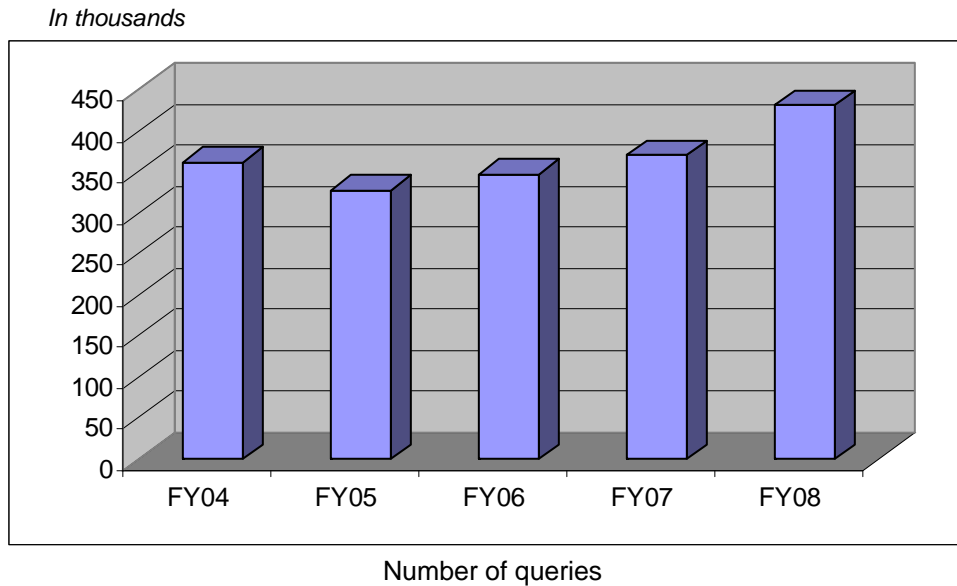


Source: Office of Operations

ITC Tariff Database

As shown in figure 4-3, use of the ITC Tariff Database increased during FY 2007–FY 2008, rising by more than 16 percent, to an estimate of 431,000 data retrievals, which exceeded the performance goal. Over the past 5 years, the Commission also has contributed tariff and trade information and expertise to the tariff reference portal developed by Customs as part of a new government-wide computer system; during FY 2008, the Commission took over and revamped the HTS reference tool and expects to implement it by early 2009.

Figure 4-3: Estimated tariff data queries by non-ITC users, FY 2004–FY 2008



Source: Office of Operations

Commission staff continued to work with the interagency ITDS, which is endeavoring to build a single, government-wide, on-line “window” for importing and exporting activities. The Commission’s Director of Operations continued to serve on the ITDS Board of Directors.

Improvements in information dissemination

Formal goals in this area were established in FY 2002, but the Commission had already made progress over the previous few years in providing various types of information to the public via its Web site; further improvements are continually being made. The site displays the most up-to-date texts of the HTS and is updated generally in less than two working days of implementation dates established by the President or Congress. Immediacy of access to the up-to-date, on-line Harmonized Tariff Schedule of the United States Annotated (HTSA) benefits Customs and the trade community, in general. It is viewable, searchable, and downloadable.

In response to congressional requests, the Commission continued to provide an electronic spreadsheet, summarizing information provided in the Commission’s reports on miscellaneous tariff bills introduced in the 110th Congress. The spreadsheet was revised periodically and provided to congressional committee staff. During FY 2008, the Commission completed and forwarded to Congress reports on 708 bills introduced in the House of Representatives in the 110th Congress; the Senate did not request reports on any bills introduced during FY 2008. At the end of FY 2008, another 67 bill reports were pending Commission approval before being sent to Congress. Further, the Commission provided informal technical review of these bills, prior to their introduction in the first half of FY 2008. Feedback from Congress and industry proponents in this regard was very positive.

The Commission undertook periodic reviews of the Web site during FY 2008, resulting in changes to the “Tariff Information Center” pages, which included the up-to-date HTSA, an HTSA archive, and the ITC Tariff Database. In addition, free trade agreement annexes, recent reports on Section 1205 investigations, and copies of Commission-approved miscellaneous tariff bill reports (re: proposed modifications to the HTS, reflecting amendments to the international Harmonized System) were posted on-line. For several years, the Web site has provided a “help” button, whereby users can request by email specific information on tariff classification and related matters.

Formal tracking of the ITC Web site began in FY 2005. As discussed above under Operations 1, 2, and 3, the Commission received feedback from a Foresee E-Government Satisfaction Index random questionnaire, with regard to the ITC Web site. Table 4-1 summarizes the results for the overall Web site and the HTS (tariff information) Group of Web pages.

As indicated in table 4-1, satisfaction ratings for the overall ITC Web site were somewhat below those for other government, trade-related Web sites, but comparable to or above those for private sector sites; however, satisfaction ratings were reportedly lower for all types of Web sites, government and private. The ratings for the individual elements for the HTS group Web pages in FY 2007 were significantly lower than those reported for FY 2007, as were the ratings for “future behaviors”, despite improvements made during FY 2008. The Commission did not meet the goal of improving overall satisfaction by 1 point over the FY 2007 level. However, the level of use of the HTS Web site increased dramatically from FY 2005, tripling to 1.3 million visits in FY 2006, further increasing to 1.7 million visits in FY 2007 and to more than 2.1 million visits in FY 2008. These increases were due, in large part, to increased use by the public of the Commission’s on-line publication of the 2008 HTS, the DataWeb, and the HTS Tariff DataBase. As noted in previous sections, the Commission is enhancing and upgrading its entire Web site and expects to launch a new version during FY 2009.

In addition, Commission staff responded to more than 8,100 automated and other email requests for tariff-related information during FY 2008. This represented an increase of 21 percent over the number of such requests received in FY 2007; the Commission also received several hundred such requests by telephone during FY 2008. The Commission received unsolicited email comments on about 10 percent of our responses, and they were uniformly positive. The benefits of this activity are manifold. It not only enhances and reinforces the working technical and tariff knowledge of Commission staff, but also serves to direct individual requests, as appropriate, to the proper Customs authority, thereby avoiding undue confusion for the requestors. Further, it has fostered frequent contact between Commission staff and the Customs National Import Specialists, which enhances Commission staff’s classification expertise.

Table 4-1: Satisfaction ratings by users of ITC Web site, FY 2008

	Overall ITC	Web site	HTS group Web pages	Other government trade-related sites ^a	Private sector
Elements:					
Content		75	76	79	75
Functionality		66	68	71	66
Look and feel		65	66	68	62
Navigation		58	60	62	56
Search		59	62	64	59
Site performance		72	73	76	71
<i>Overall satisfaction</i>		60	61	68	58
Future behaviors:					
Likelihood to return		76	78	85	76
Recommend		71	72	79	71
Primary resource		69	71	79	70

Source: Foresee Results, ITC Satisfaction Insight Reports.

^a USTR, U.S. Department of Commerce, Customs, and U.S. Department of Agriculture.

During FY 2008, the Commission made great strides in converting the HTSA from a strict word-processing format to a combination text tables/.XML format. This work is aimed at facilitating the presentation of the HTS in database format, which, in turn, would benefit Customs in updating its automated files. It would also enhance the Commission's ability to develop more interactive Web pages for disseminating tariff information. As of the end of FY 2008, the Commission was making final preparations for testing the new software system, in anticipation of using it to prepare and publish the 2009 HTS (effective January 1, 2009). At the same time, the Commission was finalizing the development of an on-line, interactive HTS reference tool, which would facilitate use of the HTS by professional import brokers, Customs offices and the trade community in general. However, the normal word-processing files were being maintained as a backup, in case unforeseen problems arose with the new approach.

Strategy 2: Provide timely, effective, and responsive nomenclature and related technical services to customers

FY 2008 Performance Goal

95% positive results.

Performance Indicator^a

Results of product feedback assessments (TATA).

^a The office shown in parentheses is the staff office responsible for measurement.

During FY 2000–FY 2004, the Commission conducted formal focus group discussions with Congress and the Administration, meeting at least once a year with the Senate Committee on Finance, the House Committee on Ways and Means, and USTR. During that period, the Commission consistently received positive feedback from these key customers concerning its contributions to tariff legislation and trade negotiation activities at the WTO. In particular, USTR was appreciative of the Commission’s efforts in providing trade data and maintaining the U.S. Schedule of Tariff Concessions (Schedule XX) in support of WTO activities.

In FY 2004, in lieu of focus group feedback, Office of External Relations (ER) staff prepared questionnaires for customer feedback. Numerous indices of positive customer feedback were received, including communications from USTR, Congressional Committees, the Department of Commerce, Overseas Private Investment Corporation, Department of Agriculture, the WCO, and the public. In addition, awards and commendations were conferred on staff from private sector groups, and ITC staff members were asked to chair WCO committees and special working parties. No negative comments were received.

For FY 2005, the performance goal for this strategy was reformulated to read as follows: “95% positive results on product feedback assessments.” Though no formal assessment was carried out in this regard during FY 2008, Commission staff was in almost daily contact with USTR, regarding the annual GSP review, revision of rules of origin for NAFTA and other FTAs, other matters regarding several bilateral and regional trade agreements, and other activities. USTR feedback was consistently positive. Similarly, because of heightened miscellaneous tariff legislation activity, Commission contact with the House Ways and Means Committee was continual throughout the fiscal year. Again, feedback was positive.

Among other activities in FY 2008, TATA staff continued to lead the U.S. Delegation to the HS Review Sub-Committee and to participate in the WCO’s Harmonized System Committee and Scientific Sub-Committee. All these activities have contributed to worldwide recognition of the ITC as a significant independent source of tariff and trade information and expertise.

Strategy 3: Undertake regular independent reviews and assessments of the tariff and trade information program, or its components, to identify areas for potential improvement

FY 2008 Performance Goal

Recommend to the Commission major program component(s) for review (TATA).

Performance Indicator^a

Independent, objective review identifies areas for potential improvement.

^a The office shown in parentheses is the staff office responsible for measurement.

By the end of FY 2008, the Commission was very close to testing and implementing new software for preparing and publishing the HTS, with a view to improving the ability to transfer key tariff data between the HTS and certain data bases used by the Commission and Customs. While full implementation during FY 2008 was delayed for various technical reasons, the Commission hopes to prepare the next version of the HTS using the new software early in FY 2009. Once that occurs, the agency expects to evaluate the new approach to determine whether expected improvements in efficiency are actually being realized.

Another major component subject to regular review (every 2 years) at the beginning of each Congress comprises the preparation and submission of miscellaneous tariff bill reports. At the beginning of each Congress, Commission staffers meet with House Ways and Means and Senate Finance committee staff to review expected content, format, and scheduling of the reports, as well as the matrix used for tracking individual bills. Further, on the basis of senior staff and Commission comments on draft bill reports, the content of the reports will also be reviewed internally at the beginning of the next Congress (Spring 2009), with a view, among other things, to improving consistency and accuracy of trade data and customs revenue loss estimates reported to the Congress.

Operation 5: Trade Policy Support

The Commission provides support to trade policymakers in the executive branch and in the Congress by supplying technical expertise and providing objective information on international trade issues. It offers technical support in the form of research, data compilation, informal briefings and meetings, on-site support to interagency committees, support to USTR for WTO litigation and negotiations, testimony at Congressional hearings, and other support activities. The Commission provides “quick response” research for the Congress and the executive branch on trade issues in the form of staff-to-staff assistance. Commission staff also draft Presidential Proclamations and other Presidential documents (e.g., Executive Orders and Presidential memoranda), as well as final decisions by various executive branch agencies that modify the HTS to implement Congressional legislation or trade policy decisions by the executive branch. This Operation also encompasses support for U.S. trade policy formulation and U.S. representation in international fora, and includes formal staff details to The Office of the United States Trade Representative, the Committee on Ways and Means of the House of Representatives, and the Senate Committee on Finance.

The Commission’s Strategic Plan establishes the following general goal for this operation:

Contribute to the development of sound and informed U.S. international trade policy by providing efficient and effective access to Commission expertise. Since many policy decisions are made under tight time frames and in fluid circumstances, the Commission makes its expertise available through technical support and analysis for the executive branch in various international trade fora and directly to the legislative branch in response to inquiries from congressional Members and staff.

Performance results for FY 2008 are discussed in detail below.

FY 2008 Performance

The Commission maintains two strategies and had three corresponding annual performance goals for this Operation. Those performance goals address providing technical assistance on a wide range of issues to the Commission’s statutory customers, enhancing the mechanisms for providing trade policy support, and monitoring the satisfaction levels of the Commission’s customers for products provided by this Operation. In FY 2008, the Commission generally met or exceeded its performance goals for this Operation, as discussed below.

Strategy 1: Provide real-time, efficient, and effective technical analysis and support to organizations involved in trade policy formulation

FY 2008 Performance Goal

- a. 80 trade policy subjects supported.^a
- b. Evaluate electronic delivery methods for recurring requests.

Performance Indicators^b

- a. Number of trade policy issue areas supported by ITC analysis (IND).
- b. Development of innovative methods that improve the quality, scope, and/or timeliness of support, or the efficiency with which it is delivered (IND).

^a Requests for support will be influenced by the annual trade agenda set by the Administration as well as by congressional activity; ability to respond to all requests for support will be dependent on staffing levels and the level of other, higher priority statutory work in Operation Nos. 1, 3, and 4.

^b The office shown in parentheses is the staff office responsible for measurement.

The first performance goal for this Operation, providing substantive assistance on 80 trade policy issues, was exceeded during FY 2008 as it has been in recent years. Data for FY 2005, which did not include assistance related to litigation, show that the Commission responded to 82 issues. In FY 2006, Commission staff provided assistance on 95 issues, including 12 which were related to litigation. Requests for assistance from USTR accounted for 79 of these issue areas, while requests from Congress included 16 issue areas. In FY 2007, the Commission provided information on 119 subjects, including 8 related to litigation. Ninety-one of these subjects were in response to requests from USTR, with the remaining 28 related to requests from our oversight committees. In FY 2008, the Commission responded to requests that involved 129 different trade policy subjects. As in previous years, most requests (about 80 percent) came from the USTR.

The level of activity in this Operation is dependent on requests from USTR, the Senate Committee on Finance, and the House Committee on Ways and Means. The frequency of such requests depends on such variables as the legislative calendar, the free trade agreement (FTA) schedule, the election cycle, and economic trends, all of which can affect the level of activity by policymaking customers. The majority of this assistance comprises quick turn-around data and information requests that are handled in less than a day, reflecting the high level of expertise embodied in Commission staff. However, the Commission also delivered several products that required in-depth work involving time commitments of several work days or even weeks.

Technical assistance is provided primarily to assist the requestors' decision-making processes when they are considering legislation or policy initiatives. Such information may result in requestors developing, supporting, opposing, or revising their stance on an issue. Because of this, unless the customers have publicly acknowledged the Commission's role in their

deliberations, the Commission must describe such work only in general terms. An example of a recently completed technical assistance project, that required significant, in-depth work, involved examination of possible state-level effects of the outcome of a potential trade negotiation. For this project, two different economic models, one that accounts for global trade flows and another that models the U.S. economy, were jointly used. Another example of more in-depth assistance involved working with Ways and Means staff to implement aspects of new House Rules on ethics and earmark reform that related to verifying the beneficiaries of miscellaneous trade bills. Significant time was also spent providing background information that supported the drafting of provisions in a new bill that would affect trade from certain partners.

More in-depth technical assistance projects were completed for USTR as well. Several weeks were spent providing support related to USTR's work on the operation of the Generalized System of Preferences program and the Doha Round multilateral trade negotiations, as well as USTR's development of their position on trade related legislation. Considerable effort was also spent advancing the pilot project implemented in FY 2007 related to developing an electronic platform for archiving trade agreement negotiating documents. The pilot project was undertaken to demonstrate the possibilities and functionality of such a system and to identify the needs and roles of the Commission and USTR.

The pilot project represents the most significant effort to develop and evaluate electronic delivery methods to better meet customer needs, which addresses the second Operation 5 performance goal for FY 2008 to evaluate electronic delivery methods for recurring requests. After the initial phase of the pilot, in which documents used in negotiating a recent bi-lateral free trade agreement were electronically stored on USITC servers, USTR expressed interest in testing a search and retrieval interface that would allow easy access to the stored documents. In order to allow for robust testing, the archive needed to be expanded. As a result, during FY 2008 the Commission electronically archived documents collected during the North American Free Trade Agreement negotiations and continued to refine the pilot interface. The system has been tested in-house and user-friendly attributes, such as help functions and field descriptions, have been added. At the end of the fiscal year, information technology professionals from the two agencies were working to resolve technical and administrative challenges which currently impede access to the system from USTR desktops. Following testing of the system by USTR, an evaluation process will commence to examine a variety of issues, such as final system architecture; additional functional requirements; roles for content identification, entry, and maintenance; funding; and scope of stored material.

The Commission also pursued other initiatives during the fiscal year to develop and evaluate electronic delivery methods. Some of these initiatives were related to recurring requests and others were developed for individual products. In general, delivering Operation 5 products in electronic formats is preferred by our customers, as it provides enhanced functionality. Customers are able to manipulate provided data, store and access information from a variety of locations, and easily integrate information into other documents when electronic delivery formats are used. For example, the Commission is utilizing an electronic format to efficiently address follow-up inquiries from Congressional oversight committees regarding miscellaneous tariff bill reports.

Strategy 2: Undertake regular independent reviews and assessments of the trade policy support program, or its components, to identify areas for potential improvement

FY 2008 Performance Goal

Implement enhancements based on the review of assignment of staff dedicated to USTR and develop a plan for a future review.

Performance Indicator^a

Improvement in the procedures and methods used to produce and deliver support for trade policy formulation (IND).

^a The office shown in parentheses is the staff office responsible for measurement.

Review of support mechanisms

During an evaluation in FY 2007, it was recognized that workload demands in other Operations and anticipated staffing levels in FY 2008 indicated a need to reduce the Commission's commitment to its USTR Detail program, in which Commission personnel are assigned to work full-time at USTR for 9 to 12 month periods. This year's goal for Strategy 2 was to implement enhancements identified during that review that would allow the Commission to continue to deliver a high level of support to the USTR without detailing additional personnel on a full time basis. As anticipated, the overall number of work years devoted by Commission staff to details to USTR declined significantly (54 percent) from FY 2007 to FY 2008. Work years dedicated to details to our oversight committees fell to a lesser degree (28 percent), albeit from a lower base. Consequently, the Commission concentrated its resources on technical support efforts involving more substantial assistance projects developed in-house. The lessons learned by management from this approach will provide additional information for the review of, and planning for, the Detail program in the future.

Innovation of support mechanisms

The Commission expanded its technical support activities in a number of areas, including policy support for U.S. trade negotiations. Commission staff provided on-site support to the U.S. negotiating team for the U.S.-Israel ATAP trade talks, providing objective data and information to the USTR and USDA negotiators during the launching of negotiations in Tel Aviv, Israel, and as technical advisors during the second round of negotiations held in Washington. In addition, the Commission provided extensive follow-up technical assistance to USTR between negotiation rounds.

Other examples of intensified technical assistance include policy support to USTR related to existing and potential trade agreements. In these and other cases, the level of technical assistance provided to USTR by Commission-based staff was substantial and is an example of the type of trade policy support projects that would historically have been handled by Commission staff detailed full time to USTR.

Feedback from USTR on targeted, substantial, technical assistance in lieu of full-time detailed personnel has been generally favorable. According to one lead USTR negotiator, this model of having Commission staff accompany the negotiating team was beneficial to USTR in obtaining valuable policy support during the negotiations. It also benefited the Commission in conducting its statutory investigations related to particular trade agreements.

As noted, the Commission continued to address requests related to a wide variety of trade policy issues. Even though this was combined with the delivery of several complex projects, total work years dedicated to trade policy support overall declined 31 percent. Hours worked by details to USTR and Congress declined 54 percent and 28 percent, respectively, and time spent developing information in-house for these customers was reduced by 29 percent and 3 percent, respectively. These declines were driven by vacancies in both the Office of Operations and External Relations, the dynamic nature of technical assistance requests, increased resource requirements in other Operations, and efforts to improve staff efficiency in this Operation.

Part of the reason for continued success in this area, despite reductions in resources expended, was the ongoing efforts of the Congressional and Executive Liaisons of the Office of External Relations and two senior staff from the Office of Operations who were designated as Technical Assistance Coordinators (TACs) in FY 2007. The TAC assignments are collateral duty, performed in addition to regular assignments. The TACs clarify the requirements and expectations of both USTR and congressional committees at the outset of technical assistance requests, in order to guarantee the development of products that meet the needs of the customer. They take the lead in communicating assignments and coordinating staff work, including work across offices when necessary, and are charged with ensuring consistent quality from project to project. The TACs also provide for a repository of “institutional memory” that allows experience gained on projects to be applied to subsequent work.

Glossary of Acronyms and Abbreviations

AD	Antidumping
AICPA	American Institute of Certified Public Accountants
ALJ	Administrative Law Judge
Blue Book	<i>Antidumping and Countervailing Duty Handbook</i>
BFC	Budget Functional Classification
CGE	Computable General Equilibrium
CIO	Office of the Chief Information Officer
Commission	U.S. International Trade Commission
CROSS	Customs Ruling Online Search System
Customs	U.S. Customs and Border Protection
CVD	Countervailing Duty
DOL	Department of Labor
EC	Office of Economics
EDIS	Electronic Document Information System
EEO	Office of Equal Employment Opportunity
ER	Office of External Relations
FAIR	Federal Activities Inventory Report
FASAB	Federal Accounting Standards Advisory Board
FECA	Federal Employees Compensation Act
FISMA	Federal Information Security Management Act
FMFIA	Federal Managers' Financial Integrity Act
FOIA	Freedom of Information Act
FTA	Free Trade Agreement
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GATT	General Agreement on Tariffs and Trade
GC	Office of the General Counsel
GE	General equilibrium
GTAP	Global Trade Analysis Project
HTS	Harmonized Tariff Schedule of the United States
HTSA	Harmonized Tariff Schedule of the United States Annotated
I-O	Input-output
ID	Initial Determination (by an ALJ)
IER	<i>International Economic Review</i>
IG	Inspector General
IND	Industries
INV	Office of Investigations
IPR	Intellectual Property Rights
IRM	Information Resources Management
IT	Information Technology
ITC	International Trade Commission
ITDS	International Trade Data System
ITS	Office of Information Technology Services
ITTR	<i>Industry Trade and Technology Review</i>
JICE	<i>Journal of International Commerce and Economies</i>
MAST	Multi-Agency Support Team
NAFTA	North American Free Trade Agreement
NAICS	North American Industry Classification System
NBER	National Bureau of Economic Research
NTM	Nontariff Measure
OECD	Organization for Economic Co-operation and Development
OMB	Office of Management and Budget

Glossary of Acronyms and Abbreviations--Continued

OPM	Office of Personnel Management
OUII	Office of Unfair Import Investigations
OP	Office of Operations
PAR	Performance and Accountability Report
PE	Partial equilibrium
PTO	Patent and Trademark Office
RSS	Really Simple Syndication
Red Book	<i>An Introduction to Administrative Protective Order Practice in Injury Investigations</i>
Results Act	Government Performance and Results Act
SE	Office of the Secretary
SIC	Standard Industrial Classification
TAC	Technical Assistance Coordinator
TATA	Office of Tariff Affairs and Trade Agreements
TEO	Temporary Exclusion Order
UNCTAD	United Nations Conference on Trade and Development
URAA	Uruguay Round Agreements Act
USAGE	United States Applied General Equilibrium
U.S.C.	United States Code (of General and Permanent Laws)
USTR	United States Trade Representative
WCO	World Customs Organization
WTO	World Trade Organization
XML	Extensible Markup Language

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