



United States International Trade Commission

# **Performance and Accountability Report**

## **Fiscal Year 2006**



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## *Message from the Chairman*

November 15, 2006

I am pleased to present the *FY 2006 Performance and Accountability Report* for the United States International Trade Commission. The report provides an overview of our fiscal year 2006 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 fiscal year 2006 an independent financial audit, monitored by the Office of Inspector General, 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:

- Fifty import injury investigations were completed. These included antidumping/countervailing duty investigations and reviews, as well as one China safeguard investigation.
- Thirty intellectual property-based import investigations were completed. These complex investigations frequently involved products or processes related to telecommunications, pharmaceuticals, or microelectronic devices.
- Fourteen fact-finding and probable effects investigations were completed. These studies were conducted at the request of the U.S. Trade Representative or the Congress to assess the impact of proposed changes in trade policy and trade negotiations.

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

  
Daniel Pearson  
Chairman



# Management Discussion and Analysis

## **Mission and Organization**

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The United States International Trade Commission (Commission) 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:

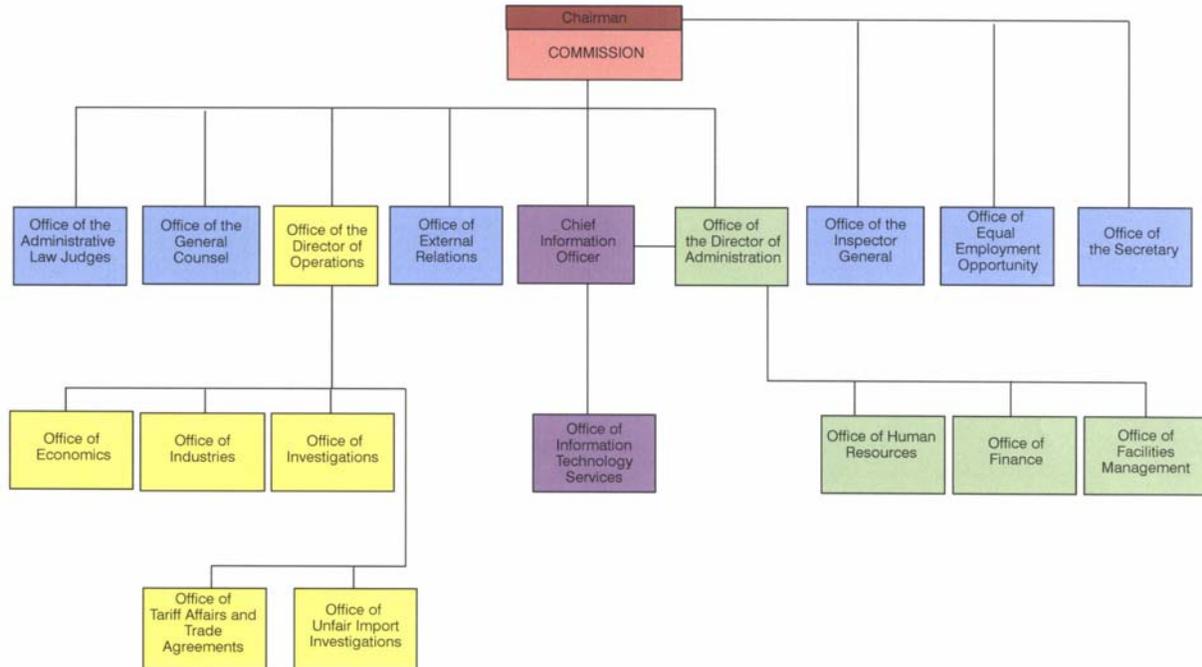
- Import Injury Investigations,
- Intellectual Property-Based Import Investigations,
- Industry and Economic Analysis,
- Tariff and Trade Information Services, and
- Trade Policy Support.

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, 2006, the Commission operated on a budget execution plan of \$64.5 million and a workforce of 364.5 employees. 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 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 Investigations conducts its countervailing duty, antidumping, 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 Implementation Act of 1994, and the Uruguay Round Agreements Act of 1994;

- 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 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 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 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 Administrative Law Judges**

The Commission's Administrative Law Judges (ALJs) hold hearings and make initial determinations 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. Cases are assigned on a rotating basis to one of the Commission's four ALJs, 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.

### **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.

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

## **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 the Chief Information Officer**

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

## **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.

## **Office of Inspector General**

The 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.

## Overview of Financial Results

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The Commission received an unqualified audit opinion on its fiscal year (FY) 2006 financial statements. To accomplish this, the Commission maintained a small, dedicated inhouse 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, 2006, the Commission's assets totaled \$13.9 million, of which \$9.1 million represented the Commission's fund balance with the Treasury. The Commission's liabilities totaled \$7.6 million, resulting in a net position of \$6.3million.

- *Summary of the Statement of Net Cost*

The Commission's net cost of operations for FY 2006 was \$63.5 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 \$547.7 thousand.

- *Summary of the Statement of Budgetary Resources*

The statement of budgetary resources reported that the Commission had \$64.5 million in available resources for the fiscal year, of which \$64.0 million had been obligated. Net outlays totaled \$63.6 million.

- *Summary of the Statement of Financing*

The statement of financing shows 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 fiscal year 2006, the Commission's statement of financing reconciled the difference between the \$63.7 million in obligated resources and the \$62.5 million in the net cost of operations by adjusting for offsetting collections, financing resources not part of the net cost of operations, depreciation, and annual leave liability.

- *Summary of the Statement of Custodial Activity*

The statement of custodial activity reported \$49,000 in penalties collected and \$49,000 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) Bulletin 01-09, "Form and Content of Agency Financial Statements," plus amendments, as superseded by OMB Circular A-136 Financial Reporting Requirements, July 24, 2006. 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

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The development of annual performance goals and evaluation of 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 2006 performance, and discusses issues related to data verification and validation.

### *Relationship to Other Planning Documents*

In accordance with the 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. It delineates the extent to which the agency has accomplished the goals established in the FY 2006 Performance Plan and the extent to which the agency has achieved the broader-based goals articulated in the Strategic Plan. The Performance Plan for FY 2006 sets out performance goals and indicators for that year that correspond to the general goals and strategies in the Strategic Plan, and that define the level of performance to be achieved by the agency in the year. The FY 2006 Performance Budget also described briefly the operational processes, skills and technology, and the human capital, information, and other resources required to meet the performance goals.

The agency views human capital management 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 FYs 2006–2011. 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 its general goals. The Commission's annual performance goals relate directly to these general goals and strategies.

The new edition of the Strategic Plan retains the same structure as the previous edition of the Plan. The sixth edition of the Plan retains, with revisions, the general goals and strategies that were included in the fifth edition, on which the FY 2006 Performance Plan was based. The most significant change in the current Plan is the addition of strategies related to program evaluations. The Commission also has developed annual performance goals pertaining to program evaluations for FYs 2007 and 2008. For the purpose of this report on FY 2006 performance, the general goals and strategies reported below reflect the current Strategic Plan unless otherwise noted.

## ***Performance Results in Brief***

The Performance and Accountability Report 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 2006 and also discusses for comparison purposes the agency's performance in FYs 2002–5.

The annual performance goals created for FY 2006 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 2006, the Commission met or exceeded 75 percent of the performance goals it set for that year. Performance goals that specified meeting established statutory and administrative deadlines generally were met. Of note, the Commission's caseload activity associated with intellectual

property-based import investigations increased substantially in FY 2006, compared with FY 2005. The Commission made 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 enhanced its modeling capabilities related to U.S. trade and production of various sweeteners and undertook a number of projects concerning different aspects of bilateral trade with China. The Commission completed a wide variety of such reports ranging from analyses of specific U.S. product or commodity sectors (e.g., certain lemons and oranges and baby socks) to an assessment of the U.S.–Peru TPA. Moreover, the agency continued efforts to enhance its delivery of tariff-related information and assistance to the executive branch, the Congress, as well as the public.

During the year, the Commission’s efforts to reach goals associated with making information available to the public electronically met with mixed results. The Commission continued its efforts to tailor the information posted to the agency Web site to meet the needs of its customers. The agency also continued efforts throughout FY 2006 to make incremental enhancements to its Web site. The Commission continued to track public feedback regarding the overall Web site, as well as specific sections such as the Industry and Economic Analysis Web page. The survey results suggest that agency efforts during FY 2006 had a positive, incremental effect in terms of improving the content and accessibility of the overall Web site and various sections within it. However, the availability of documents filed in official investigations was hampered by continued difficulties encountered in the operation of the agency’s Electronic Document Information System (EDIS) throughout FY 2006.

The Performance Section of this report provides a comparison of actual FY 2006 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 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 in response. The Commission believes that the performance data included in this report are both 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 new, sixth edition in FY 2006. The Commission has also reviewed the goals in the FY 2007 Performance Plan in light of agency performance in FY 2006, and has determined that generally the performance goals in its FY 2007 Performance Plan are appropriate.<sup>1</sup>

The Commission performs an annual verification and validation of measured performance indicators. For each operation, a senior agency manager serves as operation coordinator. Under

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<sup>1</sup> Adjustments to specific performance goals are discussed below under the respective operation.

the general oversight of the Strategic Planning Committee, the operation coordinators and offices supplying the data are responsible for that verification and validation.

The Commission has not conducted formal 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 (OIG) concerning various aspects of agency operations. Moreover, in past years the Commission conducted informal evaluations of several of its functions. For example, during FYs 2004–5 the Commission evaluated the effectiveness of EDIS. The evaluation led the Commission to implement significant changes in the hardware and software underpinning EDIS and to substantially realign the agency's docket function in 2006, in particular by strengthening the relationship between the docket and information technology staffs. The Commission added strategies pertaining to program evaluation in four of its five strategic operations in the sixth edition of its Strategic Plan. The agency has also developed corresponding annual performance goals for FYs 2007 and 2008 and anticipates conducting evaluations by FY 2008.

## **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 Integration, (4) Expanded Electronic Government, and (5) Strategic Management of Human Capital. 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, cleaning and building maintenance services, audit and financial services, and 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 Fiscal Years 2006 and 2005. 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. Direct overhead costs (Human Resources, Facilities Management, and Finance) account for less than seven percent of total labor costs, and administrative staffing levels have been reduced by 45 percent since FY 1996.

The Commission has a history of absorbing costs whenever possible and minimizing increases in its appropriation request from year to year. Staffing levels remain consistent over the last several years, reflecting Commission ability to provide flexible and responsive staff to meet changing workload demands without increasing staff levels.

### ***Budget and Performance Management Integration***

In FY 2006, the Commission continued to build on its successful program of linking financial resources with strategic goals. Budget execution is structured to permit the allocation of virtually all costs to one of the five operations set forth in the Strategic Plan. Specifically, because personnel costs are 75 percent of total costs, 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 and 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.

<b>Budget and Performance Management Integration: Percentage of Resources Devoted to Each Operation</b>					
<b>Operation</b>	<b>FY 02</b>	<b>FY 03</b>	<b>FY 04</b>	<b>FY 05</b>	<b>FY 06</b>
Import Injury Investigations	29.3	30.4	33.8	32.2	39.5
Intellectual Property-Based Import Investigations	14.0	15.9	15.7	17.9	18.1
Industry and Economic Analysis	35.6	35.7	31.7	33.4	29.7
Tariff and Trade Information Services	8.4	6.0	6.0	7.6	5.6
Trade Policy Support	6.5	6.9	6.9	7.8	6.0
Unallocated Costs	6.2	5.1	5.9	1.1	1.1
<b>Notes:</b> (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 fiscal year 2006 is based on an estimate from the Commission's fiscal year 2007 Budget Justification. (4) Columns may not total exactly 100.0% as a result of rounding for individual operations. (5) Unallocated costs are not distributed across the five operations and include funding for the Office of Inspector General, 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 2006, the Commission continued its e-Government implementation efforts with further improvements to governance and completed or commenced several e-Government investments.

E-Government service improvements included completion of the EDIS-II project such that the system now serves internal and external customers from a single authoritative database for all Commission investigations. Other improvements included further enhancement of the public website to include an on-line job application process and a project to establish an internal on-line resume database. Three new e-Government projects were commenced in support of the objectives of the *IRM Strategic Plan*, including: (1) the planning for the FY 2007-2008 migration to a new financial management system; (2) the leveraging of an existing content management system to handle enterprise architecture archiving needs; and (3) the implementation of an Enterprise Portal Project (EPP) to coordinate the development, delivery, search, and control of all web-based content that is currently made available to internal and external customers through various e-Government applications and services across a number of lines of business.

## ***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 ITC manage its human capital strategically. The *Strategic Human Capital Management Plan* is intended to be an essential component of Commission 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, and in collaboration with the Office of Personnel Management and in line with the President's Management Agenda human capital initiatives, 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 have implemented priority components of the Strategic Human Capital 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
- A position classification study,
- Comprehensive assistance to managers on the development of workforce position descriptions,
- Updated human resources directives, policies and procedures,
- Implementation of electronic Official Personnel Folders.

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.

# Management Controls and Compliance with Laws and Regulations

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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 ITC'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 ITC conducted its assessment of the effectiveness of internal control 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 ITC can provide reasonable assurance that its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2006 was operating effectively and no material weaknesses were found in the design or operation of the internal controls.

In addition, the ITC conducted its assessment of the effectiveness of internal controls over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of OMB Circular A-123. Based on the results of this evaluation, the ITC can provide reasonable assurance that its internal control over financial reporting as of June 30, 2006 was operating effectively and no material weaknesses were found in the design or operation of the internal controls over financial reporting.



Daniel Pearson  
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. For fiscal year 2006, the Commission acted substantially consistent with all three aspects of this Act.

### ***Federal Information Security Management Act***

The Federal Information Security Management Act (FISMA), which was passed by Congress and signed into law by the President as part of the Electronic Government Act of 2002, requires each Federal agency to conduct an annual self-assessment of its information technology security program and each agency's Inspector General to perform an annual independent evaluation. In addition, each agency is to develop and implement remediation efforts for identified security weaknesses and vulnerabilities and to report on the agency's compliance.

The Office of Inspector General contracted with an outside firm to perform an independent review during fiscal year 2006 and concluded that the Commission made significant progress in strengthening its information technology (IT) security program during the fiscal year 2006, and closed ten recommendations for the previous audit. The commendable accomplishments include:

- Installing a new border firewall and Intrusion Detection System (IDS).
- Certifying and accrediting the general support system (ITCNet), Federal Financial System, and Federal Personnel Payroll System.
- Updating the IRM Strategic Plan to include summaries of the Commission's major applications and general support system.

- Conducting an agency-wide risk assessment.
- Conducting system owner training to ensure system owners have adequate knowledge to fulfill their responsibilities.

The Commission is committed to taking significant further action in order to achieve consistency with U.S. Office of Management and Budget (OMB) Circular A-130, Appendix III *Security of Federal Automated Information Resources* (February, 1996). The Office of the Chief Information Officer (CIO) has hired a full time Information Security Officer to address all areas of information security, including the issues identified in the FISMA audit. The OIG made three recommendations to improve the Commission's IT security. The Commission submitted its annual FISMA report to OMB on October 2, 2006.

### ***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 Bulletin No. 01-09 (September 25, 2001) on the "Form and Content of Agency Financial Statements" requires that each agency's financial statement be combined with its program performance report into one report, the Performance and Accountability Report. 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 Performance and Accountability Report.

The Commission does not administer benefits and assistance payments programs and, thus, does not have any significant problems related to improper payments. Commission payments are tied to payroll and standard nonpersonnel costs such as space rental, travel, training, services, supplies, and equipment. Execution of the Commission's expenditure plan is closely monitored by Commission staff and senior managers, and payment procedures are regularly reviewed by the Office of Finance and the Office of Inspector General.

### ***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 fiscal year 2006, the Commission effectively used electronic fund transfers to minimize the number of late payments resulting in interest penalties of less than \$2,500 with an occurrence rate of less than 4% of invoices.

## ***Inspector General Act***

The 1988 amendments to the Inspector General Act of 1978 (IG Act) established the Commission's Office of Inspector General. 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 OIG reports.

### ***Summary of Recent Audit Activity***

- *Evaluation of the U.S. International Trade Commission's Fiscal Year 2006 Information Security Program and Practices, (OIG-AR-03-06, September 29, 2006)*

The OIG made 3 new recommendations with the goal of improving the Commission's information technology security. Thirteen recommendations remain open from the previous FISMA audit. The Commission submitted its annual FISMA report to OMB on October 6, 2005.

The Office of Inspector General concluded that the Commission made progress in strengthening its IT security program during the fiscal year 2006. Commendable accomplishments included; installing a new border firewall and Intrusion Detection System; certifying and accrediting the general support system (ITCNet), Federal Financial System, and Federal Personnel Payroll System; updating the IRM Strategic Plan to include summaries of the Commission's major applications and general support system; conducting an agency-wide risk assessment; and conducting system owner training to ensure system owners have adequate knowledge to fulfill their responsibilities.

- *Determination of Whether Information Systems were Missing, (OIG-DD-023, September 29, 2006)*

This advisory letter reported that there were no missing information systems from the Commission's inventory, as required by the Office of Management and Budget's Memorandum 06-20.

### ***Summary of Open Recommendations from Previous Audits***

- *Evaluation of ITC's Records Management,( OIG-AR-05-00, March 7, 2001)*

The Commission agreed with all 22 recommendations made by the OIG, implemented 21, but has yet to close one recommendation. The Office of the Chief Information Officer has committed to dedicating resources to satisfy the final recommendation.

### ***Summary of Recent Inspection Activity***

- *Protection of Sensitive Agency Information,( IG-DD-020, September 22, 2006)*

The OIG conducted an evaluation of the Commission's actions to ensure the protection of personally identifiable information in accordance with OMB M-06-16, Protection of Sensitive Agency Information. The OIG found the Commission had addressed most of the requirements in M-06-16, and would continue to strengthen one area.





# Financial Section

## **Message from the Director of Administration**

I am pleased to present the United States International Trade Commission's financial statements for fiscal year 2006. The independent accounting firm of O'Connor and Drew, P.C., monitored by the Office of Inspector General, issued an unqualified (clean) opinion on the Commission's statements. The audit report and accompanying letter from the Office of Inspector General 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 are to be especially commended for their hard work and professionalism that produced a clean opinion three years in a row for the Commission.

During fiscal year 2007, 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



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UNITED STATES INTERNATIONAL TRADE COMMISSION

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WASHINGTON, DC 20436

November 14, 2006

IG-DD-031

MEMORANDUM

TO: Chairman  
Director, Office of Administration  
General Counsel

FROM: Assistant Inspector General for Audit

A handwritten signature in cursive script, appearing to read "Jean Smith".

SUBJECT: Inspector General's Independent Audit Report of the U.S. International Trade Commission's Financial Statements for Fiscal Years 2006 and 2005 and the Commission's Management Challenges  
Audit Report Number: OIG-AR-01-07

I am pleased to provide you with the attached audit report, which presents an unqualified opinion on the U.S. International Trade Commission's financial statements for fiscal years (FY) ended 2006 and 2005. We engaged the independent public accounting firm of O'Connor & Drew, P.C. to perform the audits. The contract required that the audits be done in accordance with *Government Auditing Standards* and OMB Bulletin 06-03, *Audit Requirements for Federal Financial Statements*.

Additionally, as reported in our October 2005 Semiannual Report to the Commission and Congress, the Office of Inspector General (OIG) considers the following to be the top management challenges facing the Commission. The progress made to date by the Commission accompanies each challenge.

**Management Challenge: Competitive Sourcing.** The Commission has competitively contracted for information technology services, certain editing and publishing services, mailroom and general labor services, cleaning and building maintenance services, and security services. Private sector contract employees comprise 14 percent of the on-site personnel. In addition, other services are acquired on an as-needed basis, such as virtually all equipment maintenance services, application systems design and development, and certain audit and financial services.

**Management Challenge: Improved Financial Performance.** In compliance with the Accountability of Tax Dollars Act of 2002, the Commission produced financial statements, notes and a management discussion and analysis for fiscal years ended 2006 and 2005. The OIG's audit resulted in an unqualified opinion on the statements with no material weaknesses or reportable conditions. However, we will be making recommendations to strengthen internal controls related to property, cash, and procurement.

**Management Challenge: Budget and Performance Integration.** The Commission's efforts to link budgeting with strategic planning have allowed Commission managers more effectively to compare changes in workload with changes in cost. Budget formulation and execution activities permit the allocation of virtually all costs to one of the five operations set forth in the Strategic Plan. Specifically, because personnel costs are 75 percent of total costs, the Commission uses the labor cost reporting system to collect work years and cost information and attribute it directly to strategic operations when feasible. In doing so, the Commission is able to determine whether resources are being allocated efficiently. The performance goals and indicators in the Commission's Annual Performance Plan also provide measures by which the agency's activities can be assessed.

**Management Challenge: Expanded Electronic Government.** During fiscal year 2006 the Commission made progress in strengthening its information technology security program. The OIG's recent Federal Information Security Management Act audit found Commission fully implemented 10 of 23 recommendations from our prior year's audit. Of the remaining 13 recommendations, 9 were open and 4 were not evaluated because of on-going work by the Commission. In addition to the nine open recommendations, the audit found three weaknesses, which relate to use of wireless technologies, certification and accreditation of major systems, and the system change control process.

**Management Challenge: Strategic Management of Human Capital.** The Commission has undertaken several initiatives in support of an overall human capital strategy. The Commission developed a Strategic Human Capital Management Plan which is intended to be an essential component of organization'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 strategies. Additionally, the Commission developed a vision of future workforce needs. Using information resulting from these efforts, the Commission has been working on addressing identified needs.



## **INDEPENDENT AUDITORS' REPORT**

Office of Inspector General, U.S. International Trade Commission

We have audited the accompanying balance sheets of the United States International Trade Commission (USITC/Commission) as of September 30, 2006 and 2005, and the related statements of net cost, changes in net position, budgetary resources, financing, and custodial activity (hereinafter referred to as the financial statements) for the years then ended. The objective of our audits was to express an opinion on the fair presentation of the financial statements. In connection with our audits, we also considered the Commission's internal control over financial reporting and tested the Commission's compliance with certain provisions of applicable laws and regulations that could have a direct and material effect on its financial statements.

### **SUMMARY**

We found the following:

- The financial statements referred to above are fairly presented, in all material respects, and in conformity with accounting principles generally accepted in the United States of America,
- The Commission had effective internal control over financial reporting (including safeguarding of assets) and compliance with laws and regulations,
- The Commission's financial management systems substantially complied with the applicable requirements of the Federal Financial Management Improvement Act of 1996 (FFMIA), and
- No reportable noncompliance matters with laws and regulations.

The following sections discuss in more detail (1) these conclusions and our conclusions on Management's Discussion and Analysis and (2) the scope of our audits.

### **Opinion on Financial Statements**

We have audited the accompanying balance sheets of the Commission as of September 30, 2006 and 2005, and the related statements of net cost, changes in net position, budgetary resources, financing, and custodial activity for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the USITC as of September 30, 2006 and 2005, and its net costs, changes in net position, budgetary resources, reconciliation of net costs to budgetary obligations, and custodial activity for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The information in the Management Discussion and Analysis section and the Management Challenges identified by the Inspector General are not required components of the financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America or OMB Bulletin No. 01-09, *Form and Content of Agency Financial Statements*. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it.

### **Internal Control Over Financial Reporting**

Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses under standards issued by the American Institute of Certified Public Accountants. Material weaknesses are conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud, in amounts that would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control and its operation that we considered to be material weaknesses as defined above.

However, we noted other matters involving internal control financial reporting and its operation that we have reported to the management of USITC in a separate restricted use report.

### **Compliance with Laws and Regulations**

The results of our tests of compliance with other laws and regulations, exclusive of the *Federal Financial Management Improvement Act* (FFMIA), disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 06-03, *Audit Requirements for Federal Financial Statements*. However, the objective of our audit was not to provide an opinion on overall compliance with laws and regulations. Accordingly, we do not express such an opinion.

### *Opinion on FFMIA Compliance*

In our opinion, the Commission's financial management systems substantially complied with the three FFMIA requirements: (1) Federal financial management system requirements, (2) Federal accounting standards, and (3) the U.S. Government Standard General Ledger (SGL) at the transaction level, as of September 30, 2006 and 2005.

### *Management's Responsibility*

The Accountability of Tax Dollars Act of 2002 requires each federal agency to report annually to Congress on its financial status and any other information needed to fairly present its financial position and results of operations. To meet the reporting requirements, the USITC prepares annual financial statements.

Management is responsible for the financial statements, including:

- Preparing the financial statements in conformity with accounting principles generally accepted in the United States of America,
- Establishing and maintaining internal controls over financial reporting, and preparing the Management Discussion and Analysis (including performance measures), and
- Implementing, maintaining, and assessing financial management systems to provide reasonable assurance of substantial compliance with the requirements of FFMIA, and
- Complying with applicable laws and regulations.

In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies. Because of inherent limitations in internal control, misstatements due to error or fraud may nevertheless occur and not be detected.

### *Auditors' Responsibility and Methodology*

Our responsibility is to express an opinion on the fiscal year 2006 and 2005 financial statements of USITC based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, and OMB Bulletin No. 06-03. Those standards and OMB Bulletin No. 06-03 require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit includes:

- Examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- Assessing the accounting principles used and significant estimates made by management, and
- Evaluating the overall financial statement presentation.

We believe that our audits provide a reasonable basis for our opinion.

In planning and performing our fiscal year 2006 and 2005 audits, we considered the USITC's internal control over financial reporting by obtaining an understanding of the design effectiveness of the Commission's internal control over financial reporting, determining whether internal controls had been placed in operation, assessing control risk, and performing 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. 06-03 and *Government Auditing Standards*. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982. The objective of our audits was not to provide assurance on internal control over financial reporting. Consequently, we do not provide an opinion thereon.

As required by OMB Bulletin No. 06-03, with respect to internal control related to performance measures determined by management to be key and reported in the Management Discussion and Analysis, we obtained an understanding of the design of significant internal controls relating to the existence and completeness assertion. Our procedures were not designed to provide assurance on internal control over performance measures and, accordingly, we do not provide an opinion thereon.

As part of obtaining reasonable assurance about whether the Commission's fiscal year 2006 and 2005 financial statements are free of material misstatement, we performed tests of the Commission's 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 provisions of other laws and regulations specified in OMB Bulletin No. 06-03, including certain provisions referred to in FFMIA. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws and regulations applicable to the Commission. Providing an opinion on compliance with laws and regulations was not an objective of our audits, and, accordingly, we do not express such an opinion.

Under OMB Bulletin No. 06-03 and FFMIA, we are required to report whether the Commission's financial management systems substantially comply with (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level. To meet this requirement, we performed tests of compliance with FFMIA Section 803(a) requirements.

*Distribution*

This report is intended solely for the information and use of USITC's management, the USITC's Office of the Inspector General, OMB, and the U.S. Congress, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*O'Connor & Drew, P.C.*

**O'Connor & Drew, P.C.**

**Certified Public Accountants**

October 31, 2006

# U.S. International Trade Commission Balance Sheets

As of September 30, 2006 and 2005

(In Dollars)

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	2006	2005
<b>Assets:</b>		
Intragovernmental		
Fund Balance with Treasury (Note 3)	\$ 9,068,519	\$ 10,866,911
Accounts Receivable (Note 4)	-	347,720
<b>Total Intragovernmental</b>	<u>9,068,519</u>	<u>11,214,631</u>
Accounts Receivable, Net (Note 5)	451,984	501,635
Prepaid Expenses (Note 6)	-	208,000
Advances to Others	1,341	-
Equipment (Note 7)	<u>4,330,846</u>	<u>3,320,719</u>
<b>Total Assets</b>	<u>\$ 13,852,690</u>	<u>\$ 15,244,985</u>
<b>Liabilities:</b>		
Intragovernmental		
Employer Contributions and Payroll Taxes Payable (Note 8)	118,861	110,496
Other (Note 8)	<u>\$ 525,747</u>	<u>\$ 742,786</u>
<b>Total Intragovernmental</b>	<u>644,608</u>	<u>853,282</u>
Accounts Payable (Note 8)	1,911,380	1,884,026
Accrued Funded Payroll (Note 8)	1,112,113	1,080,842
Withholdings Payable (Note 8)	674,225	632,593
Unfunded Leave (Note 8)	<u>3,202,954</u>	<u>2,948,491</u>
<b>Total Liabilities</b>	<u>7,545,280</u>	<u>7,399,234</u>
<b>Net Position:</b>		
Unexpended Appropriations (Note 3)	5,179,518	7,265,523
Cumulative Results of Operations	<u>1,127,892</u>	<u>580,228</u>
<b>Total Net Position</b>	<u>\$ 6,307,410</u>	<u>\$ 7,845,751</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 13,852,690</u>	<u>\$ 15,244,985</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, 2006 and 2005  
(In Dollars)

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	2006		2005
<b>Program Costs:</b>			
Total Gross Costs	\$ 63,234,408	\$	61,248,550
Cost Not Assigned to Programs (Note 10)	254,464		(11,516)
<b>Net Cost of Operations</b>	<b>\$ 63,488,872</b>	<b>\$</b>	<b>61,237,034</b>

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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, 2006 and 2005  
 ( In Dollars )

	2006	2005
<b>Cumulative Results of Operations:</b>		
Beginning Balance	\$ 580,228	\$ (466,557)
<b>Budgetary Financing Sources:</b>		
Appropriations-Used	64,036,536	62,279,819
<b>Other Financing Sources (Non-Exchange):</b>		
Other	-	4,000
<b>Total Financing Sources</b>	<b>64,036,536</b>	<b>62,283,819</b>
<b>Net Cost of Operations</b>	<b>(63,488,872)</b>	<b>(61,237,034)</b>
<b>Net Change</b>	<b>547,664</b>	<b>1,046,785</b>
<b>Cumulative Results of Operations</b>	<b>1,127,892</b>	<b>580,228</b>
<b>Unexpended Appropriations:</b>		
Beginning Balance	7,265,523	8,669,865
<b>Budgetary Financing Resources:</b>		
Appropriations-Received	62,752,000	61,700,000
Appropriations-Used	(64,036,536)	(62,279,819)
Other Adjustments	(801,469)	(824,523)
<b>Total Budgetary Financing Sources</b>	<b>(2,086,005)</b>	<b>(1,404,342)</b>
<b>Total Unexpended Appropriations</b>	<b>5,179,518</b>	<b>7,265,523</b>
<b>Net Position</b>	<b>\$ 6,307,410</b>	<b>\$ 7,845,751</b>

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, 2006 and 2005  
 (In Dollars)

	2006	2005
<b>Budgetary Resources:</b>		
Unobligated Balance, Brought Forward, October 1	\$ 2,194,715	\$ 777,708
Recoveries of Prior Year Unpaid Obligations (Note 11)	297,539	636,623
<b>Budget Authority:</b>		
Appropriation (Note 1)	62,752,000	61,700,000
Spending Authority From Offsetting Collections Earned:		
Earned		
Collected (Note 11)	10,658	14,268
<b>Subtotal</b>	62,762,658	61,714,268
Cancellations of Expired and No Year Accounts (-)	-	(408)
Permanently Not Available Pursuant to Public Law	(801,469)	(824,115)
<b>Total Budgetary Resources</b>	\$ 64,453,443	\$ 62,304,076
<b>Status of Budgetary Resources:</b>		
Obligations Incurred - Direct	63,995,272	60,109,360
Unobligated Balance - Available	458,171	2,194,716
Unobligated Balance - Not Available	-	-
<b>Total Status of Budgetary Resources</b>	\$ 64,453,443	\$ 62,304,076
<b>Change in Obligated Balance:</b>		
<b>Obligated Balance, Net</b>		
Unpaid Obligations, Brought Forward, October 1	\$ 8,429,410	\$ 10,218,945
Uncollected Customer Payments From Federal Sources Brought Forward, October 1	-	-
<b>Total unpaid obligated balance brought forward, net</b>	8,429,410	10,218,945
Obligations incurred	63,995,272	60,109,360
Gross Outlays	(63,591,543)	(61,262,272)
<b>Recoveries of prior year unpaid obligations, actual</b>	(297,539)	(636,623)
<b>Total, unpaid obligated balance, net, end of period</b>	8,535,600	8,429,410
<b>Net Outlays:</b>		
Gross outlays	63,591,543	61,262,272
Offsetting collections	(10,658)	(14,268)
<b>Net Outlays</b>	\$ 63,580,885	\$ 61,248,004

The accompanying notes are an integral part of these statements.

U.S. International Trade Commission  
**Statements of Financing**  
For the Years Ended September 30, 2006 and 2005  
(In Dollars)

	2006	2005
<b>Resources Used to Finance Activities:</b>		
Budgetary Resources Obligated:		
Obligations Incurred	\$ 63,995,272	\$ 60,109,360
Less: Spending Authority From Offsetting Collections/Adjustments (Note 11)	<u>308,197</u>	<u>650,891</u>
Net Obligations	63,687,075	59,458,469
<b>Other Resources:</b>		
Other	-	<u>4,000</u>
Net Other Resources Used to Finance Activities	-	<u>4,000</u>
<b>Total Resources Used to Finance Activities</b>	<b>63,687,075</b>	<b>59,462,469</b>
<b>Resources Used to Finance Items Not Part of the Net Cost of Operations:</b>		
Change in Budgetary Resources Obligated for Goods, Services, and Benefits		
Ordered but Not Yet Provided	(349,461)	(2,821,351)
Resources That Finance the Acquisition of Assets	1,731,961	1,362,575
Resources That Finance Prepaid Expenses	<u>(208,000)</u>	<u>208,000</u>
<b>Total Resources Used to Finance Items Not Part of the Net Cost of Operations</b>	<b>1,174,500</b>	<b>(1,250,776)</b>
<b>Total Resources Used to Finance the Net Cost of Operations</b>	<b>62,512,575</b>	<b>60,713,245</b>
<b>Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period:</b>		
<b>Components Requiring or Generating Resources in Future Periods:</b>		
Increase/Decrease in Annual Leave Liability (Note 10)	254,464	(11,516)
<b>Components Not Requiring or Generating Resources:</b>		
Depreciation and Amortization	706,891	535,305
Revaluation of Assets or Liabilities	<u>14,942</u>	<u>-</u>
<b>Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period</b>	<b><u>976,297</u></b>	<b><u>523,789</u></b>
<b>Net Cost of Operations</b>	<b>\$ <u>63,488,872</u></b>	<b>\$ <u>61,237,034</u></b>

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, 2006 and 2005  
 (In Dollars)

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	2006	2005
<b>Revenue Activity:</b>		
Cash Collections - Penalties	\$ 49,000	250,000
Accrual Adjustments (+/-)	<u>(49,000)</u>	<u>(250,000)</u>
<b>Total Custodial Revenue</b> (Note 13)	<b>0</b>	<b>0</b>
 <b>Disposition of Collections:</b>		
Transferred to Treasury	(49,000)	(250,000)
Increase in Amounts Yet to be Transferred	<u>49,000</u>	<u>250,000</u>
<b>Net Custodial Activity</b>	<u><u>\$ 0</u></u>	<u><u>0</u></u>

The accompanying notes are an integral part of these statements.

**United States International Trade Commission**  
**Notes to Financial Statements**  
**September 30, 2006 and 2005**

**Note 1. Significant Accounting Policies**

- A. *Reporting Entity* – The United States International Trade Commission (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* – 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 Bulletin 01-09, *Form and Content of Agency Financial Statements, as updated by OMB Circular A-136 Financial Reporting Requirements, July 24, 2006*.

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. Fiscal years 2006 and 2005 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 comprised the majority of intragovernmental assets on ITC's balance sheet.

## Note 1. Significant Accounting Policies--Continued

*Financing Sources* – The ITC has received a no-year appropriation for operations since fiscal year 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 \$62,752,000 and \$61,700,000 for salaries and expenses in fiscal years 2006 and 2005, respectively. Congress also rescinded funds in the amount of \$801,469 and \$824,115 for fiscal years 2006 and 2005, respectively.

- C. *Fund Balances with the U.S. Treasury* – Cash receipts and disbursements are processed by the Treasury. 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.
- D. *General Property, Plant, and Equipment* – 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.

- E. *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.
- F. *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 ITC's operations since inception.
- G. *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.



## Note 2. Non-Entity Assets--Continued

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

	<u>2006</u>	<u>2005</u>
A. Fund Balances:		
Appropriated Funds	\$ 8,993,771	\$ 10,624,125
Other Fund Types	<u>74,748</u>	<u>242,786</u>
Total	<u>\$ 9,068,519</u>	<u>\$ 10,866,911</u>
B. Status of Fund Balance with Treasury		
Unobligated Balance		
Available	458,171	2,194,716
Unavailable	-	
Obligated Balance not yet Disbursed	<u>4,721,347</u>	<u>5,070,807</u>
Total	<u>\$ 5,179,518</u>	<u>\$ 7,265,523</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, Intragovernmental

Intragovernmental assets arise from transactions among Federal entities. An overpayment for rent on the ITC leased building resulted in an Intragovernmental Accounts Receivable in the amount of \$347,720 on September 30, 2005. This amount was credited through IPAC in October 2005.

## Note 5. Accounts Receivable, Net

The balance of funds receivable from ITC employees for the parking program is \$984 and \$1,635 on September 30, 2006, and September 30, 2005, respectively.

A civil penalty was imposed by the ITC in the amount of \$1,000,000 in fiscal year 2003. The balance on this penalty is \$451,000 and \$500,000 on September 30, 2006, and September 30, 2005, respectively.

**Note 6. Prepaid Expenses**

The ITC prepaid for parking spaces for employees for FY 2006. Employees who participate in the parking program reimburse the agency at a subsidized rate. The amount prepaid at September 30, 2006 and September 30, 2005 was \$0 and \$208,000, respectively.

**Note 7. 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 annually, at the end of the fiscal year using straight-line method, based on estimated useful lives of seven years and five years, respectively, with a ten percent residual value.

<u>Fiscal Year 2006</u>	<u>Acquisition Value</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Office Furniture, Fixtures, and Equipment	\$ 1,674,594	\$ 924,831	\$ 749,763
Software	<u>5,144,474</u>	<u>1,563,391</u>	<u>3,581,083</u>
	<u>\$ 6,819,068</u>	<u>\$ 2,488,222</u>	<u>\$ 4,330,846</u>

<u>Fiscal Year 2005</u>	<u>Acquisition Value</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Office Furniture, Fixtures, and Equipment	\$ 1,438,444	\$ 924,111	\$ 514,333
Software	<u>3,798,083</u>	<u>991,697</u>	<u>2,806,386</u>
	<u>\$ 5,236,527</u>	<u>\$ 1,915,808</u>	<u>\$ 3,320,719</u>

**Note 8. Liabilities Not Covered by Budgetary Resources**

	<u>2006</u>		
	<u>Entity</u>	<u>Non-Entity</u>	<u>Total</u>
Intragovernmental			
Other	\$ -	\$ 525,747	
Total intragovernmental	<u>\$ -</u>	<u>\$ 525,747</u>	
Unfunded Leave	<u>\$ 3,202,954</u>	<u>\$ -</u>	
Total liab. not covered by budgetary	3,202,954	525,747	\$ 3,728,701
Total liab. covered by budgetary	<u>3,816,579</u>	<u>-</u>	<u>3,816,579</u>
Total liabilities	<u>\$ 7,019,533</u>	<u>\$ 525,747</u>	<u>\$ 7,545,280</u>
	<u>2005</u>		
	<u>Entity</u>	<u>Non-Entity</u>	<u>Total</u>
Intragovernmental			
Other	\$ -	\$ 742,786	
Total intragovernmental	<u>\$ -</u>	<u>\$ 742,786</u>	
Unfunded Leave	<u>\$ 2,948,491</u>	<u>\$ -</u>	
Total liab. not covered by budgetary	2,948,491	742,786	\$ 3,691,277
Total liab. covered by budgetary	<u>3,707,957</u>	<u>-</u>	<u>3,707,957</u>
Total liabilities	<u>\$ 6,656,448</u>	<u>\$ 742,786</u>	<u>\$ 7,399,234</u>

***Intragovernmental:*** 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.

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

**Note 9. Contingencies**

ITC has certain claims and lawsuits pending against it. Provision has been made in ITC's financial statements for losses considered probable and estimable. These amounts are considered by management to be immaterial. Management believes that losses, if any, from other claims and lawsuits would not be material to the fair presentation of ITC's financial statements.

**Note 10. Gross Cost by Budget Functional Classification**

The Statement of Net Cost for 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 Statement of Net Cost for financial purposes is designed to summarize Intragovernmental Costs, Costs with the Public, and Costs Not Assigned to Programs. The only cost that is included under the section "Costs Not Assigned to Programs" is the increase/(decrease) in Annual Leave Liability in the amount of \$254,464 and (\$11,516) in fiscal years 2006 and 2005, respectively (see note 12). The total Net Cost was \$63,488,872 and \$61,237,034 at September 30, 2006, and September 30, 2005, respectively.

**Note 11. 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>2006</u>	<u>2005</u>
Spending authority from offsetting collections	\$ 10,658	\$ 14,268
Recovery of prior year obligations	<u>297,539</u>	<u>636,623</u>
	<u>\$ 308,197</u>	<u>\$ 650,891</u>

**Note 12. Explanation of Differences Between Liabilities Not Covered by Budgetary Resources and Components Requiring or Generating Resources in Future Periods**

This represents the net increase/decrease in accrued annual leave reflected on the balance sheet as a liability not covered by budgetary resources. Costs of this nature are incurred in this reporting period and are a component of net cost of operations. Other liabilities not covered by budgetary resources are not a part of net cost of operations or obligations incurred and are not reflected on the Statement of Financing.

### **Note 13. Non-Exchange Revenue – Custodial Activities**

In fiscal years 2006 and 2005, 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 ITC and held temporarily by 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 fiscal year 2003. A receivable was set up in fiscal year 2004, and ITC collected \$549,000 to date, \$500,000 of which has been transferred to Treasury. As of September 30, 2006 and 2005, ITC has a long-term receivable of \$451,000 and \$500,000, respectively.





# Performance Section

## Operation 1: Import Injury Investigations

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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 North American Free Trade Agreement (NAFTA) Implementation Act of 1994; investigations under section 129(a)(4) of the Uruguay Round Agreements Act (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 new investigations generally declined in FY 2005 and FY 2006 compared with the levels experienced in FY 2002 through FY 2004. Institutions and completions of preliminary phase investigations decreased in FY 2005 and FY 2006, as did institutions of final phase investigations, while the number of final phase investigations completed declined in FY 2006 compared to prior years (Table 1-1).

The decrease in workload related to new case filings in FY 2005 and FY 2006 was more than offset by an increase in workload related to five-year "sunset" reviews of outstanding AD and CVD orders, required by the URAA (figure 1-1). This workload is 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.

Initial reviews of these "transition" orders were conducted over a three-year transition period running from July 1998 through June 2001. The second round of these transition reviews is being conducted from January 2004 through January 2007, with the heaviest workload occurring in FY 2005 and FY 2006. Unlike in the first round, a significant number of reviews of non-transition orders are being conducted concurrently with the second-round transition reviews. Performance results for FY 2006 are discussed in detail below.

**Table 1-1: Summary of import injury investigations, FY 2002– FY 2006**

Type and status	FY 2002	FY 2003	FY 2004	FY2005	FY2006
<b>Instituted:</b>					
Preliminary Title VII <sup>1</sup>	15	17	17	7	5
Final Title VII <sup>1</sup>	15	13	14	7	4
Expedited Sunset <sup>2</sup>	2	0	7	12	7
Full Sunset <sup>2</sup>	3	1	10	22	11
Other <sup>3</sup>	5	9	5	5	1
<b>Total</b>	<b>40</b>	<b>40</b>	<b>53</b>	<b>53</b>	<b>28</b>
<b>Completed:</b>					
Preliminary Title VII <sup>1</sup>	15	19	17	6	6
Final Title VII <sup>1</sup>	17	15	10	15	6
Expedited Sunset	3	1	6	6	13
Full Sunset	0	3	1	10	22
Other <sup>3</sup>	6	8	5	4	3
<b>Total</b>	<b>41</b>	<b>46</b>	<b>39</b>	<b>41</b>	<b>50</b>

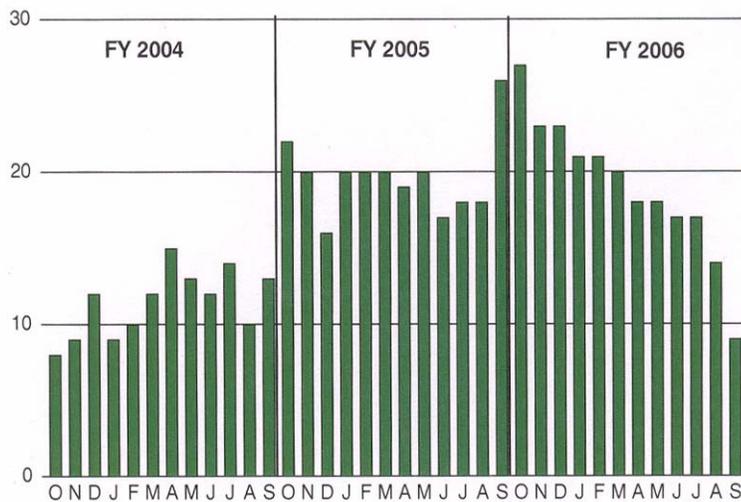
Source: Office of Investigations (INV).

<sup>1</sup> 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.

<sup>2</sup> Does not include investigations that were terminated without a Commission determination.

<sup>3</sup> Includes global safeguard investigations, China safeguard investigations, reopened remands, and other investigations.

**Figure 1-1: Import injury investigations active, by months, for October 2003 through September 2006**



Source: Office of Investigations.

## ***FY 2006 Performance***

In the fifth edition of the Strategic Plan, the Commission established two strategies and corresponding annual performance goals and performance indicators for this operation. The current Strategic Plan retains these strategies. The performance results for FY 2006, discussed below, demonstrate that the Commission met or exceeded all specific performance goals established for the year with one exception. The exception in performance relates to the speed of posting documents for public viewing on EDIS. While posting performance improved during FY 2006, it still fell short of established goals. The Commission continues to make improvements in EDIS in order to close the gap between current performance and its targeted performance goals.

All draft import injury investigation and litigation documents were internally reviewed, and all statutory and administrative deadlines were met. 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 2006.

The current (sixth) edition of the Strategic Plan added the strategy— “Undertake regular independent reviews and assessments of the import injury investigations program, or its components, to identify areas for potential improvement.” Annual performance goals for FY 2007 and 2008 pertaining to this strategy have been developed for the corresponding Performance Plans.

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

**FY 2006 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 Indicator<sup>1</sup>**

- 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 Commission for comment (GC).
- d. Team participation in opinion-writing process (INV).

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<sup>1</sup> 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, comments offered were positive, but difficult to quantify.

During FY 2006, all 71 draft prehearing and final staff reports were circulated to investigative teams and senior staff for review and comment. Similarly, all 48 draft legal issues memoranda and all 48 draft opinions were circulated to investigative teams for review. During FY 2006, 12 draft briefs, as well as 6 draft remand determinations, were prepared, and all were circulated to the Commission for comment. These results are comparable to those in FY 2002 through FY

2005 (Table 1–2). Moreover, during FY 2006, 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 2002–FY 2006<sup>1</sup>**

<b>Item</b>	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
Draft prehearing and final reports	59	65	56	71	71
Draft legal issues memoranda	38	40	37	38	48
Draft opinions	38	40	37	38	48
Draft briefs	--	--	29	20	12

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

<sup>1</sup> Differences in the number of documents issued by INV and GC may occur because: (1) in some investigations INV normally 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 2006 Performance Goal**

100% of documents submitted on time.

**Performance Indicator<sup>1</sup>**

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

<sup>1</sup> The offices shown in parentheses are the staff offices responsible for measurement.

During FY 2006, the Commission met all of its statutory deadlines as all 49 determinations were issued on or before their deadlines. Further, with regard to administrative deadlines, all 27 prehearing reports, all 44 staff reports, all 48 legal issues memoranda, and all 48 draft opinions prepared during the year were issued in accordance with established or amended agreed-upon schedules. During FY 2006, the Commission filed 12 briefs, as well as 6 remand determinations, and all were filed on time.<sup>3</sup> These results are consistent with those in FY 2002 through FY 2005 as the Commission has met this goal throughout the period (Table 1-3).

**Table 1-3: Number of documents issued on time, FY 2002–FY 2006<sup>1</sup>**

<b>Item</b>	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
Determinations	40	45	39	40	49
Prehearing reports	18	21	16	29	27
Staff reports	41	44	39	42	44
Legal issues memoranda	38	40	35	37	48
Draft opinions	38	40	35	38	48
Briefs	--	--	29	20	12

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

<sup>1</sup> Differences in the number of documents issued by INV and GC may occur because: (1) in some investigations INV normally 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.

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<sup>3</sup> The above does not include documents in certain proceedings where the agency did not establish deadlines.

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

**FY 2006 Performance Goals**

- a. Progress is made on improving methods of gathering and processing investigative data, taking into account results of biannual survey regarding investigative procedures.
- b. (1) Semi-annual reviews and revisions of Web site completed.  
  
(2) Establish baseline level for user satisfaction.
- c. (1) 65% of documents filed are made available on EDIS within 24 hours.  
  
(2) 80% 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.  
  
(4) Enable electronic confidential filings through EDIS enhancements pending Commission approval.

**Performance Indicators<sup>1</sup>**

- 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 ITC import injury Web pages (OITS).
- c. Prompt entry of documents into EDIS after filing, and improvements adopted (OITS).

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<sup>1</sup> The offices shown in parentheses are the staff offices responsible for measurement.

During FYs 2002–6, 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 updated and published the *Antidumping and Countervailing Duty Handbook* (Blue Book) (Eleventh Edition) (ITC Publication 3750, January 2005) to reflect current Commission policies and procedures in Title VII investigations and reviews, and posted it on the Web site. In FY 2004, the Commission updated *An Introduction to Administrative Protective Order Practice in Import Injury Investigations* (Red Book). The Red Book was made available to the public in FY 2005 (ITC Publication 3755, March 2005). The Commission will review, and update as necessary, the Blue Book in FY 2007.

Generic questionnaires used in import injury investigations were examined in detail during FY 2003 and were revised to add questions to address issues that occur on a recurring basis and to eliminate unnecessary or ambiguous questions. 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 Title VII investigations. In FY 2006, 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.

The Commission has conducted regular reviews of its Web site over the last several years and, as noted, 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 and subordinate pages provide 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 to 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. Another addition is a separate information page devoted to the Commission's role under the Continued Dumping and Subsidy Offset Act of 2000 (also known as the "Byrd Amendment").

During FY 2006 the Commission's Office of Information Technology Services 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 that conducts a survey using a random sample of visitors to this section of the [www.ITC.gov](http://www.ITC.gov) Web site. The satisfaction score is a weighted average of responses to survey questions. The result of this effort yielded a baseline satisfaction score of 77. Through improvements in Web site usability, the Commission is

seeking to improve upon this baseline measure in FY 2007, increasing the level of satisfaction by at least 2 percent. To this end, a newly established agency Web advisory committee, meeting monthly, provides feedback on Web site usability, and proposes actions for improving users' satisfaction.

As early as FY 1989, the ITC began imaging critical documents for an investigative document archive used in internal research. In FY 1994, the Commission created a Document Imaging Committee that proposed an imaging system for all documents filed with the Commission that would enable document research and retrieval on a self-service basis. The Commission approved that recommendation in the fall of FY 1995 and by FY 1996 the Electronic Document Information System (EDIS) was installed and operational. In FY 1998, worldwide users were provided Internet access to the public documents through an upgrade known as EDIS On-Line. A further enhanced version of EDIS was internally released in December 2002. Public access to the improved version of EDIS was made available in January 2003.

While the Commission has 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 still remains an issue. In FY 2006, 47 percent of documents in Operation 1 were made available on EDIS within 24 hours, and 69 percent were made available within 48 hours, well below the respective goals of 65 percent and 80 percent. In addition, until recent upgrades and changes were made to EDIS in FY 2005 and FY 2006, many users considered the search tools slow and the filing tools cumbersome.

The version of EDIS released in FY 2006 provides a simplified and intuitive interface designed to improve public access to documents and 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 internally released the new confidential e-filing tool, 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.

In order to improve EDIS performance further, a working group continues to meet to discuss and review proposed EDIS enhancements. The working group consists of representatives of the major operation groups within the ITC including INV, GC, OUII, SE, OITS, Commissioner offices, and the Office of the Administrative Law Judges. The group meets bi-weekly to examine issues related to processing documents through EDIS with the goal of improving the accuracy of the administrative record, the timeliness of document availability on EDIS, and making the system more user friendly.

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. On December 4, 2002, the Commission published a notice in the Federal Register (67 FR 72221) inviting public comment on specific ways in which it could improve its conduct of AD and CVD duty injury

investigations. Based largely on comments submitted by the trade bar, the Commission implemented a number of changes, including earlier and more frequent APO releases in preliminary phase investigations, the addition of opening statements by parties in preliminary phase conferences, and the creation of producer and importer questionnaire checklists to reduce common reporting errors. Also, on November 19, 2003, the Commission published a notice in the Federal Register (68 FR 65164) amending its interim rules for investigations relating to alleged market disruption from imports from China, to enhance the agency's ability to conduct such proceedings, and inviting public comment on the amended interim rules. Finally, in 2004-2005 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, Nov. 5, 2004, and 70 FR 8510, Feb. 22, 2005).

A survey to obtain feedback from participants in the Commission's import injury investigations has been conducted biannually, beginning in FY 1999. The most recent survey was sent in early FY 2006 to approximately 300 firms and individuals on the Secretary's existing mailing lists for Title VII and safeguard investigations. While relatively few firms responded to the survey, feedback was very favorable. The only suggestions submitted by respondents were to improve public access to information in EDIS and to make questionnaires available in a format in which they can readily be completed electronically. The Commission is taking steps to address both of these requests.

## 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 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 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.*

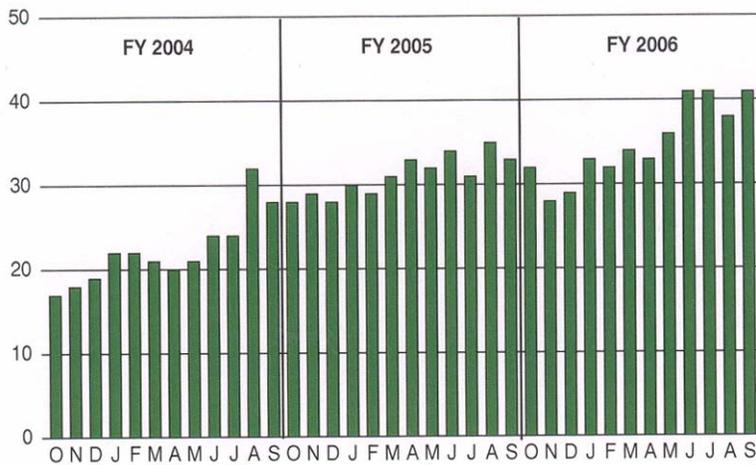
During FY 2006, 70 section 337 investigations and ancillary proceedings were active at the Commission. This number includes 34 investigations instituted in FY 2006 based on new complaints of violations of the statute, as well as six ancillary proceedings. The number of investigations active during FY 2006 represents an increase of nearly 20 percent over the number of active investigations in FY 2005, and is more than 50 percent higher than the number active in FY 2002. Table 2-1 and figure 2-1 show the workload trends for intellectual property-based import investigations and ancillary proceedings in FY 2006. Performance results for FY 2006 are discussed in detail below.

**Table 2-1: Summary of intellectual property-based import investigations and ancillary proceedings, FY 2002–FY 2006**

Status	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Instituted	16	21	27	29	40
Completed	26	24	16	28	30

Source: Office of Unfair Import Investigations.

Figure 2-1: Intellectual property-based import investigations and ancillary proceedings active, by months, for October 2003 through September 2006



Source: Office of Unfair Import Investigations.

### ***FY 2006 Performance***

The Commission established three strategies and corresponding annual performance goals for this operation.<sup>4</sup> Despite the exceptionally heavy section 337 workload throughout FY 2006, virtually all statutory and key administrative deadlines for section 337 proceedings continued to be met. Moreover, for those investigations that went to a final decision on the merits in FY 2006, the average time required to reach a final decision was consistent with the time frames for completion of investigations experienced in the three-year period preceding the lifting of statutory time limits by the URAA in December 1994. With regard to ancillary proceedings, the one consolidated ancillary proceeding decided in FY 2006 was concluded well in advance of the goal for this type of proceeding. As previously detailed in the section of this report pertaining to Operation 1, timeliness goals for EDIS were not met in FY 2006. However, to improve EDIS performance, the Commission implemented various system modifications. The Commission also developed baseline measures for the current level of satisfaction of users of the ITC's intellectual property infringement Web pages during FY 2006. With regard to the enforcement of exclusion orders, during FY 2006 a Commission working group reviewed and analyzed, and reported to the Commission on, the results of a survey sent out in the fourth quarter of FY 2005 regarding the effectiveness of outstanding exclusion orders. To assist U.S. Customs and Border Protection (CBP) in preparing for the enforcement of new exclusion orders, during FY 2006 the Commission also began providing the Intellectual Property Rights Branch of CBP with quarterly scheduling reports regarding section 337 proceedings.

<sup>4</sup> The sixth edition of the Commission's Strategic Plan retains the general goal and three strategies that were included in the fifth edition of the Strategic Plan for this Operation.

**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 2006 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<sup>1</sup>**

- a. Investigations are instituted, and 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 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).

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<sup>1</sup> The offices shown in parentheses are the staff offices responsible for measurement.

**Statutory and administrative deadlines**

In FY 2006, the Commission met virtually all statutory and key administrative deadlines. Specifically:

- Deadlines for decisions on institution of investigations were met for all new complaints in FY 2006;
- Deadlines for establishing target dates were met by the ALJs in all but one section 337 investigation instituted in FY 2006;

- Deadlines for filing briefs in court were met in all appeals from Commission determinations in section 337 investigations during FY 2006;
- Deadlines for issuance of final IDs and target dates for Commission decisions were met for all section 337 investigations completed in FY 2006; and
- No TEO IDs or determinations were due in FY 2006.

These results compare favorably with those achieved in previous years, particularly given the marked increase in section 337 investigations and related court litigation in FY 2006. In FY 2001, the Commission met all statutory and key administrative deadlines, with the exception of the establishment of a target date in one investigation. In FY 2002 and 2003, the Commission met all statutory and key administrative deadlines. In FY 2004, all deadlines were met again, with the exception of the establishment of target dates in two investigations. In FY 2005, the Commission also met all statutory and key administrative deadlines.

### **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. Although completion times have varied over this period, and the caseload has grown substantially, the average time for completion has been less than 15 months in each of these years.

**Table 2-2: Length of investigations, FY 2002 – FY 2006**

Fiscal Year	Investigations Completed <sup>1</sup>	Completion Time (in months)		
		Shortest	Longest	Average
2002	8 (2 instituted in 2000, 6 in 2001)	12.0	18.0	14.8
2003	10 (3 instituted in 2001, 3 in 2002, 4 in 2003)	5.0	19.0	11.2
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

Source: Office of Unfair Import Investigations.

<sup>1</sup> 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.

The Commission's section 337 caseload increased substantially in FY 2001, and has remained at a relatively high level ever since, with more than 40 section 337 matters active during each of the last five years. To insure the continued expeditious resolution of section 337 investigations, during FY 2002, the Commission hired a fourth administrative law judge. FY 2006 proved to be a year of dramatic growth in the section 337 area, with the institution of 40 new investigations and ancillary proceedings and the pendency of 70 section 337 proceedings during the course of the year. In comparison to FY 2002, the number of new matters increased by 150 percent in FY 2006, and the number of active cases increased by more than 50 percent.

Despite the heavy workload, for those investigations that went to a final decision on the merits during FY 2006, on average, the Commission reached a final decision in 12 months, as compared to the 13.5 month average for the three-year period preceding the lifting of statutory time limits by the URAA. However, if two investigations that concluded on the basis of the grant of early summary determination motions and two others where the respondents defaulted are removed from the calculation, the average length of investigations where a decision on the merits was reached in FY 2006 was 14.7 months.

Target dates set for new investigations that commenced during FY 2006 ranged from 12 to 18 months, with an average of 14.3 months. In FY 2005, the target dates set for investigations that commenced that year averaged 13.4 months.

### **Length of ancillary proceedings**

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

The Commission commenced two ancillary proceedings in FY 2001, an exclusion order modification proceeding and a consolidated enforcement and advisory opinion proceeding. The Commission completed the exclusion order modification proceeding in FY 2002. This proceeding was concluded in 14 months and, thus, took twice as long to complete as the FY 2002 goal for completing modification proceedings, which was seven months. However, this modification proceeding was self-initiated by the Commission and resulted in the partial vacatur of an exclusion order that had been outstanding since 1983.

A consolidated enforcement and advisory proceeding that was begun in FY 2001 was completed in FY 2003. This ancillary proceeding required 23 months to complete, and thus exceeded both the performance goal for completing enforcement proceedings and the goal for completing advisory opinion proceedings. Three factors contributed to its length. First, the hybrid nature of the proceeding added to its complexity. Second, the proceeding was remanded to the presiding administrative law judge for several months for reconsideration of the issue of infringement in light of an intervening Supreme Court decision. Third, the parties to this proceeding proved to be unusually litigious. At the end of FY 2003, the enforcement proceeding commenced in FY 2002 and an advisory opinion proceeding commenced earlier in the year were pending.

The Commission did not commence any ancillary proceedings during FY 2004. The Commission concluded an advisory opinion proceeding that was commenced in FY 2003. This proceeding was completed in 6.8 months, significantly less time than the 11 month goal for completing advisory opinion proceedings.

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 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 is still pending.

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

FY 2006 Performance Goals

- a. (1) Semi-annual reviews and revisions of Web site completed.  
(2) Establish baseline level of satisfaction with ITC intellectual property infringement Web pages.
- b. (1) 65% of documents filed electronically are made available on EDIS within 24 hours.  
(2) 80% 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.  
(4) Enable electronic confidential filings through EDIS enhancements pending Commission approval.

**Performance Indicators<sup>1</sup>**

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

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<sup>1</sup> 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 CBP and the Commission's 337-related Notices were added.

During FY 2006, the section 337 Investigational History database was again regularly updated and supplemented. To facilitate public access to current exclusion orders, links to a full text PDF of each exclusion order were added to the list of outstanding exclusion orders on the Commission's Web site. Also, to make it easier for the public to locate, review and download publications that pre-date EDIS, the listing of more than 200 of these publications on the Commission's Web site was substantially enhanced and reformatted during FY 2006.

During FY 2006, OITS undertook to measure visitors' level of satisfaction with the ITC's intellectual property infringement Web pages. Data for gauging satisfaction were gathered through a tool that conducts a survey using a random sample of visitors to this section of the ITC.gov Web site. The satisfaction score is a weighted average of responses to survey questions. The result of this effort yielded a baseline satisfaction score of 65.<sup>5</sup> Through improvements in Web site usability, the Commission is seeking to improve upon this baseline measure in FY 2007, increasing the level of satisfaction by at least 2 percent. To this end, a newly established Web advisory committee, meeting monthly, provides feedback on Web site usability, and proposes actions for improving users' satisfaction.

## **Document entry**

In accordance with the Performance Plan, a Commission working group met more than quarterly during the year to examine issues relating to the processing of documents through EDIS. Based on proposals from the working group, the Commission released several EDIS enhancements that improved public access to documents and made document filing easier. The 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. This goal was achieved through the release of the new confidential e-filing tool for use by Commission staff, reducing the internal transference of paper documents.

Operations 1 and 2 contain similar performance goals relating to the Commission's EDIS system. As noted in the earlier discussion of Operation 1, the Commission has met the basic goals of providing an electronic option for information exchange between the Commission and the public and real-time access to information and updates via the Internet. However, documents have not been made available on EDIS as quickly as desired, and the Commission has encountered difficulties in capturing the data needed to accurately measure the time between the receipt of filings and their availability on EDIS. In FY 2006, progress was made regarding the collection of data to measure the availability of documents on EDIS. During the year, 44 percent of documents in Operation 2 were made available on EDIS within 24 hours, well below the FY 2006 goal of 65 percent. While for five months of the year, the 80 percent goal of availability

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<sup>5</sup> See the section on Operation 4 for additional information regarding survey results for the Commission's overall Web site.

within 48 hours of filing documents was met or exceeded for Operation 2 documents, overall 74 percent of such documents were made available within this time frame during FY 2006.

### **Strategy 3: Actively facilitate enforcement of exclusion orders**

#### **FY 2006 Performance Goals**

- a. Issue seizure and forfeiture orders approximately 30 days after the time has run for filing a protest with CBP.
  
- b. (1) Enforcement working group analyzes responses to survey regarding effectiveness of outstanding exclusion orders, prepares recommendations in view of survey results, and meets at least semi-annually to discuss remedy issues.  
  
(2) Scheduling information regarding section 337 proceedings is provided to CBP on a quarterly basis.

#### **Performance Indicators<sup>1</sup>**

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

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<sup>1</sup> The offices shown in parentheses are the staff offices responsible for measurement.

### **Issuance of seizure and forfeiture notices**

The Commission established the goal for issuance of seizure and forfeiture orders of no more than 30 days after the end of CBP's waiting period in FY 2001.<sup>6</sup> As described in previous annual Performance Reports, the agency did not consistently meet this goal during FYs 2001–3 despite changes in procedures that were implemented in FY 2002.

The Commission did not issue any seizure and forfeiture orders in FY 2004. During FY 2004, the Commission received six notification letters from CBP regarding the attempted entry of excluded goods. These six letters concerned the same investigation and the same importer. The

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<sup>6</sup> So that the Commission does not issue seizure and forfeiture orders during the period when protests of CBP's action may be lodged, there is a 90-day waiting period before issuance of Commission seizure and forfeiture orders.

importer filed a protest of these exclusions with CBP. When the protest was denied, the importer appealed CBP's decision. The Commission also received over 200 notification letters from CBP concerning attempted entries by individual consumers of goods that violated the exclusion order issued in the *Sildenafil* investigation (337-TA-489).

During FY 2005, the Commission received thousands of notification letters from CBP concerning the *Sildenafil* investigation and individual consumers. In view of CBP's 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, which each 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. In this case, the notification letter from CBP was not received by the Commission until 130 days after it was issued by CBP.

In FY 2006, the Commission again received thousands of notification letters from CBP 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 CBP 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 CBP). The other two letters were received much later in the fiscal year, and remained pending at year end. In addition, the appeals from CBP's 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.

### **Communications regarding enforcement of remedial orders**

In FYs 2003, 2004, and 2005, a working group comprising representatives from OUII and GC met semi-annually 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 the CBP 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. Survey questionnaires were not sent regarding the orders in the remaining five investigations because either a current address could not be found for the complainant or intellectual property owner or an enforcement proceeding relating to the order was pending before the Commission.

To encourage increased participation in the exclusion order survey, in the second quarter of FY 2006, follow-up letters were sent to firms that did not initially respond to the survey questionnaires. 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 half of the firms which responded to the survey reported that they had undertaken an investigation to identify infringing imports covered by the exclusion orders they obtained. Moreover, more than three-quarters of firms that provided information to CBP regarding imports of covered goods reported that they were “satisfied” or “very satisfied” with CBP’s response to the information.

During FY 2006, the enforcement working group analyzed the results of the survey and formulated recommendations in light of the survey results. Those recommendations were submitted for consideration by the Commission at the end of FY 2006.

During FY 2006, the enforcement working group also met several times to discuss other enforcement-related matters, including ways to improve communications with CBP. Also, to assist CBP in planning for upcoming exclusion orders, OUII provided the Intellectual Property Rights Branch of CBP with quarterly scheduling information regarding section 337 investigations.

## Operation 3: Industry and Economic Analysis

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The Commission contributes to the public debate on issues concerning U.S. international trade and competitiveness 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 are conducted under the authority of section 131 of the Trade Act of 1974 and section 2104 of the Trade Act of 2002. The Commission, through its industry and economic analysis program, also takes the initiative to explore and 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:

*Deliver innovative, timely, and effective industry and economic studies that are widely recognized for their contribution to sound and informed trade policy formulation.*<sup>7</sup>

Table 3-1 and figure 3-1 show workload trends for the Commission's industry and economic analysis investigations during FYs 2002–6. In addition to conducting these formal investigations, the Commission completed 35 articles, staff papers, and formal presentations in FY 2006. During FY 2006, the Commission met or exceeded 7 of its 12 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 2002–FY 2006**

Status <sup>2</sup>	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Instituted	17	16	16	17	12
Active	36	37	34	36	26
Completed	15	18	16	21	14

Source: Office of Operations

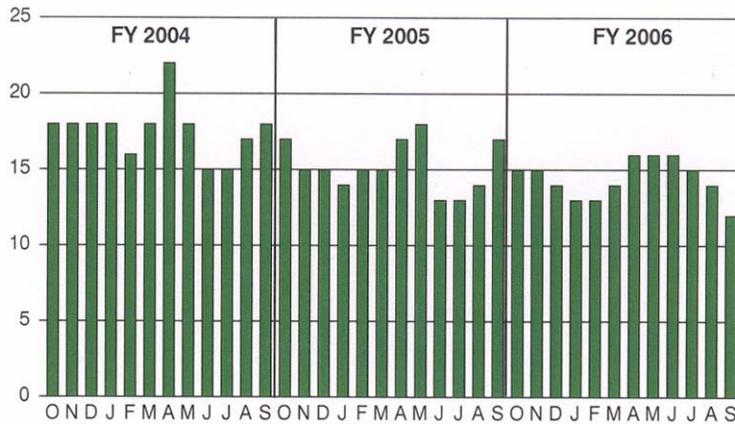
<sup>1</sup> Includes investigations conducted under section 332 of the Tariff Act of 1930, sections 131 and 163(c) of the Trade Act of 1974, and sections 2104 and 2111 of the Trade Act of 2002.

<sup>2</sup> 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. Completed investigations do not include those that are part of an ongoing series (i.e., recurring). Investigations 332-354 and 332-377 were considered inactive and are not included in the total.

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<sup>7</sup> The general goal for Operation 3 in the fifth edition of the Strategic Plan was: "Provide the legislative and executive branches, as well as the public, with unique and timely industry and economic analyses that contribute to sound and informed trade policy formulation."

Figure 3-1: Industry and economic analysis investigations active, by months, for October 2003 through September 2006<sup>1</sup>



Source: Office of Operations.

<sup>1</sup> Investigations are active as of the first of each month and include recurring investigations.

### ***FY 2006 Performance***

The Commission established three strategies for this operation in the sixth edition of the Strategic Plan. The first two strategies generally relate to the two strategies included in the previous edition. The third strategy, which pertains to conducting independent reviews, is new.<sup>8</sup> Annual performance goals related to this strategy have been developed for FYs 2007 and 2008.

In the first strategy, the Commission sought to improve and develop efficient and effective research methods. There were four performance goals for FY 2006 that relate to this strategy. Of these four goals, the Commission met two. The second strategy concerns the implementation of innovative analytical methods and the investigation of emerging areas and issues. Of the eight goals relating to this strategy, the Commission met five. The sections below discuss the agency's accomplishments in these areas and the efforts that are being taken to address those goals which were not met.

<sup>8</sup> The new strategy is: "Undertake regular independent reviews and assessments of the industry and economic analysis program, or its components, to identify areas for potential improvement."

**Strategy 1: Continually improve and develop efficient and effective research methods.**<sup>1</sup>

FY 2006 Performance Goals

- a. 2 percent improvement over FY 2005 level in the number of public statutory reports cited by policy-makers.
- b. 100% of reports on time
- c. Positive results from:
  - (1) 2 percent improvement over FY 2005 baseline level.
  - (2) 2 requests that involve new areas or types of analysis.

Performance Indicators<sup>2</sup>

- a. Public statutory reports are often cited or mentioned as useful by customers such as USTR and Congress. (OP)
- b. section 332 reports to requesters on time (OP)
- c. Positive results from:
  - (1) Level of satisfaction reported by users of ITC Industry and Economic Analysis Web pages;
  - (2) Customers request new types of analysis or new subject areas. (OP)

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<sup>1</sup> This strategy replaced “Develop and provide useful industry and economic analysis to customers.”

<sup>2</sup> The office shown in parentheses is the staff office responsible for measurement.

***Public reports cited and timeliness of reports***

Of the Commission’s public reports, just over 13 percent were cited by policy makers (defined for this report as members of Congress and USTR), thus falling short of the two percent improvement over the level in FY 2005 (25 percent). The Commission delivered 15 public statutory studies (including recurring reports) during FY 2006. Through Web searches, the Commission found evidence of two studies being cited by members of Congress in either press releases, reports to Congress or the public, and used in testimony before Congress and on the floor of one or both houses of Congress. For example, *U.S.-Peru Trade Promotion Agreement: Potential Economy-wide and Selected Sectoral Effects* was widely cited in testimony before Congress (the House Committee on Ways and Means and the Committee on Finance of the U.S. Senate). Also, many State Department embassy Web sites posted Commission press releases. For example, the Hong Kong & Macau Consulate General of the United States posted the Commission’s press release concerning *Conditions of Competition for Certain Oranges and Lemons in the U.S. Fresh Market*. The private sector cited just over 53 percent of our public

reports such as *The U.S.-Oman Free Trade Agreement: Potential Economy-wide and Selected Sectoral Effects*. Other trade and industry news Web sites frequently post Commission press releases regarding newly published Commission reports, as well as information regarding ongoing investigations that may be of interest to the trade and business community. The ongoing review of Web-based record of references to Commission industry and economic analysis studies will continue to allow the Commission to better devise and implement an approach to broaden policy maker and public exposure to our reports. While the Commission did not reach its goal for FY 2006, gaining greater public recognition of the Commission's industry and economic analysis reports by policy makers remains an important goal for the future.

In FY 2006, the Commission issued 13 of 14 nonrecurring section 332 and other industry and economic analysis reports to requestors on time or early. In previous years the Commission met this goal, with 15 reports in FY 2002, 18 reports in FY 2003, 16 reports in FY 2004, and 21 reports in FY 2005 delivered on time. The continuing Commission goal will be to complete all industry and economic analysis investigations on schedule.

In FY 2006, the Commission utilized a Foresee E-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, identifying areas of strengths and weaknesses in its different operational areas, as well as comparing its overall Web site performance with those of other government agency Web sites with similar or related measures.

As shown in table 3-2, the Industry and Economic Analysis Web pages' overall customer satisfaction score was 67 in FY 2006, just above the score for the overall Commission site.<sup>9</sup> The government-wide satisfaction score for trade related sites was 70 for the same period. Thus, customer satisfaction with the Operation 3 component Web pages was below the overall government-wide score, though two percentage points higher than the Commission's overall score. The satisfaction level measured during FY 2005 (63) represented the benchmark from which future Commission performance in this area will be measured. The Commission goal for 2006 was to improve our overall satisfaction score for the Industry and Economic Analysis Web pages by 2 percent over the benchmark level, to 66, which was surpassed. The FY 2007 goal is to have a 2 percent improvement over the FY 2006 level.

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<sup>9</sup> The following section on Operation 4 provides more information regarding survey results for the Commission's overall Web site.

**Table 3-2: User survey results, industry and economic analysis Web pages, FY 2005**

<b>Types of users:</b>							
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	<b>Overall users</b>
No. of Respondents:	64	50	36	8	7	2	<b>168</b>
Share of total:	38%	30%	21%	5%	4%	2%	
<b>Scores:</b>							
Content	74	79	81	86	88	93	<b>78</b>
Functionality	65	76	73	71	81	86	<b>71</b>
Look and Feel	65	70	72	79	58	80	<b>69</b>
Navigation	61	70	66	76	57	87	<b>66</b>
Search	67	64	69	60	60	92	<b>66</b>
Site Performance	76	82	87	79	71	96	<b>80</b>
<i>Overall Satisfaction</i>	<b>62</b>	<b>68</b>	<b>71</b>	<b>65</b>	<b>67</b>	<b>91</b>	<b>67</b>
<b>Future behaviors:</b>							
Likelihood to Return	74	81	83	86	73	96	<b>79</b>
Recommend	68	75	80	76	76	96	<b>74</b>
Primary Resource	68	76	79	78	67	96	<b>74</b>

Source: Foresee Results, USITC Satisfaction Insight Reports.

In addition to the overall satisfaction level, the Foresee results provide more detailed breakouts distinguishing between two broad customer categories: those users who downloaded a report and those who did not download a report (table 3-2). While the overall satisfaction level was 67, respondents who downloaded a report to use for business rated the site higher (68), as did those who downloaded a report for academic research (71) and preparation for trade litigation (91). Users who never downloaded a report rated the pages a 62 and those who downloaded a report for reasons other than those listed above rated the pages a 65. These breakouts 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 never download a report, downloaded a report for trade negotiation reasons, or downloaded a report for other reasons.

In addition, scores for site performance (80), likelihood to return (79), content (78), primary resource (74), recommend (74), and functionality (71) were all higher than the general satisfaction level and followed a pattern across users similar to the average satisfaction level. The lowest overall scores were for navigation (66) and search (66), suggesting that overall user satisfaction was lowered by basic functions of the Web site, rather than the content of the

Industry and Economic Analysis pages themselves. Based on this information, the agency will give priority for improvement of the overall satisfaction score to basic search and navigation issues related to the pages. The Commission will also continue to work on improving those scores related to content.

### ***Web redesign***

The survey results mentioned above were reviewed as part of a mid-year review. The Commission scores for the overall year were higher than for the mid-year review, suggesting improvement in the Web site's reception by customers over the year. The survey information, and mid year reviews, have provided useful insights regarding ways in which the industry and economic analysis program can improve its overall Web presence, and guide Commission actions to improve searchability and navigation. Further, agency staff has conducted ongoing Web review and revision meetings, resulting in a proposed new layout for the Industry and Economic Analysis pages. These changes are to be implemented in FY 2007.

### ***Number of customer requests that involve new areas or types of analysis<sup>10</sup>***

The Commission conducted studies that included new areas and analysis in a number of areas. In one major study, *Export Opportunities and Barriers in African Growth and Opportunity Act-Eligible Countries*, the Commission examined the factors affecting export potential in many African countries using measures such as revealed comparative advantage and market concentration. The study helped illuminate sectors where the AGOA countries may have export potential, but also identified numerous internal and external barriers to increased exports. The Commission also examined the market for fresh oranges and lemons for the first time in *Conditions of Competition for Certain Oranges and Lemons in the U.S. Fresh Market*. In addition, the Commission initiated work using its new, dynamic economy-wide model, with a number of policy-relevant commodity sectors added for upcoming update of *The Economic Effects of Significant U.S. Import Restraints*.

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<sup>10</sup> 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.

**Strategy 2: Implement innovative analytical methods and investigate emerging areas and issues.**

**FY 2006 Performance Goals**

- a. More than 60 initiatives, as resources and mandatory work permit.
- b. (1) Increased use of ITC Web site (including EDIS) to facilitate public involvement in studies and to disseminate information. Special efforts in FY 2006 include roll out of an ITC “Industry and Economic Analysis” Web page, including continued efforts to convert existing and new ITC publications and databases to a Web-based format.  
(2) Expansion of economic modeling and analytical capabilities and use. Of particular note in FY 2006 will be: (a) establishment of procedures to validate the ITC general equilibrium models and follow-on research products to improve model performance, (b) the integration of NTM estimates into the agency's quantitative analysis that will, among other things, enumerate, describe, and where possible, quantify global non-tariff barriers to trade, (c) analysis of changes in productivity owing to new manufacturing processes in certain industries and (d) development and utilization of new tools/databases related to at least 2 sectors of trade negotiations.  
(3) Web redesign and semi-annual review of Web site and revision completed.

**Performance Indicators <sup>1</sup>**

- 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).

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<sup>1</sup> 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. There were eight goals relating to this strategy and the Commission met five of these.

The goal to have more than 60 research initiatives was not met. Self-initiated research work is highly dependent on, and tends to exhibit an inverse relationship to the level of other, higher priority investigative work, such as formally requested industry and economic analysis investigations and import injury investigations. Self-initiated research is tied to Commission

priorities, and often serves as a testing ground for new analytical techniques or an opportunity to collect data and information and develop deeper expertise that likely will be used in future statutory work.

Table 3-3 shows the trend in independent staff research over the past five fiscal years. The FY 2006 Commission goal was to have more than 60 initiatives and overall activity in FY 2006 fell short of the goal (44 initiatives). The decline in total initiatives is explained in part by the decline in *International Economic Review* and *International Trade and Technology Review* articles. The new journal, intended to replace the two research publications, was under development in FY 2006, but has yet to be introduced. Agency staff instead focused efforts on multi-author staff research papers and other research activities.

**Table 3-3: Self-initiated research, FY 2001–FY 2005**

Item	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
IER articles	16	25	17	1	N/A
ITTR articles	10	6	6	6	N/A
Industry Summaries	3	6	1	0	1
Staff research papers	0	0	0	0	2
Working papers	12	7	11	6	8
Research notes	0	0	0	0	0
Formal Staff presentations	37	42	34	38	33
Total	78	86	69	51	44

Source: Office of Operations.

Note: IER and ITTR articles were not produced in FY 2006 as the Commission developed a new integrated journal that will replace the IER and the ITTR.

### ***Information Management and Analytical Enhancements***

The Commission has taken steps to enhance information management and analytical methods during recent years. The goal, increasing use of the ITC Web site to facilitate public study involvement and disseminate information, was met. In FY 2006, the Commission has continually updated the Industry and Economic Analysis section of its Web site, including innovative outreach to users. Specifically, the Commission rolled out a new subscription service, where users may choose to receive e-mail updates on new ITC reports or products on up to 99 content areas, such as China or AGOA. As noted above, Foresee survey results for FY 2006 suggest that the overall satisfaction with the Commission’s Industry and Economic Analysis section of the Web site improved relative to FY 2005. The Commission continued to publish selected recurring reports such as *Shifts in U.S. Merchandise Trade 2005* as Web-based products.

Another goal of the Commission was to expand economic modeling and analytical capabilities; this goal was met. The Commission continued to enhance its database development and economic modeling and other analytical capabilities on a number of fronts. In response to feedback from Commission customers and internal Commission review, the Office of Economics, with substantial input from the Office of Industries, developed a highly

disaggregated, policy-detailed sugar sector for its large scale economic model of the U.S. economy (USAGE-ITC model). Aspects of the work on sugar have been adapted and extended to other sectors, namely dairy, beef, and ethanol. Commission staff broke out occupational categories in this framework, and expects to use both the dynamic and occupational components in the agency's update report on *Significant U.S. Import Restraints*, which will be completed in FY 2007.

During FY 2006, Commission staff continued efforts to conduct more in-depth analyses on U.S.-China trade based on interest from USTR and Congress for Commission insights on this relationship. The Commission substantially expanded its databases, knowledge of the relevant issues, and research literature for the analysis of U.S.-China trade. Commission staff is proceeding with a series of studies on China-related issues including topics such as the scope and nature of production sharing; firm ownership and its influence on trade; and reconciliation of data discrepancies. For example, the Commission completed a staff paper "The Effects of Increasing Chinese Demand on Global Commodity Markets" (ITC Publication 3864). During FY 2006, progress continued to be made in quantifying non-tariff measures in logistics, telecommunications, and banking.

The agency's goal to integrate non-tariff measure (NTM) estimates into the agency's quantitative analysis was met. The Commission developed and used NTM estimates regarding the commercial banking sector in the most recent *Recent Trends in Services Trade*. The goal of the establishment of procedures to validate the ITC general equilibrium models to improve model performance was not met, although progress is being made.

The goal to analyze productivity improvements generated by new manufacturing processes was not met as the Commission did not receive an anticipated client request for a formal study. Despite the absence of such a request, research focusing on new process methods in the chemical industry was begun in FY 2006.

The last goal related to this strategy concerned the development and use of new tools/databases related to at least two sectors of trade negotiations. The Commission met this goal through the development of various technical assistance products, rather than in formal reports.

## Operation 4: Trade Information Services

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The Commission maintains an extensive repository of trade, tariff, and related data and expertise. Drawing on these resources, it provides trade information services relating to U.S. international trade and competitiveness to executive branch agencies and the Congress, other governmental organizations, and the public. Trade information services include such activities as production and maintenance of the Harmonized Tariff Schedule (HTS); the on-line, interactive Tariff and Trade DataWeb; and preparation of legislative reports for Congress. Other trade information services requiring Commission resources include contributions 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, preparation of the electronic database that supports U.S. submissions to the WTO Integrated Database, and related information gathering, processing, and dissemination activities.

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

*Provide effective technical expertise and advice on the implementation of 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 to 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 2006 Performance***

The Commission established two strategies and corresponding annual performance goals for this operation in the fifth edition of its Strategic Plan. The sixth edition retained these strategies and added a third— “undertake regular independent reviews and assessments of the trade and tariff information program, or its components, to identify areas for potential improvement.” The agency is currently developing annual performance goals pertaining to this strategy.

In FY 2006, 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 tariff and trade information services to customers**

**FY 2005 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 processes underway.
- c. 5% increase in usage of the HTS page of the ITC Web site; semi-annual reviews of Operation 4-related Web site components and revisions completed.
- d. 2% improvement over FY 2005 level for user feedback regarding HTS Web site.
- e. 100% timely and accurate responses to email requests for tariff advice.

**Performance Indicators<sup>1</sup>**

- 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 ITC Web site; review and revision of content (TATA).
- d. Results of feedback from users of ITC's tariff and trade Web pages (OITS).
- e. Number of email requests for tariff advice.

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<sup>1</sup> The offices shown in parentheses are the staff offices responsible for measurement.

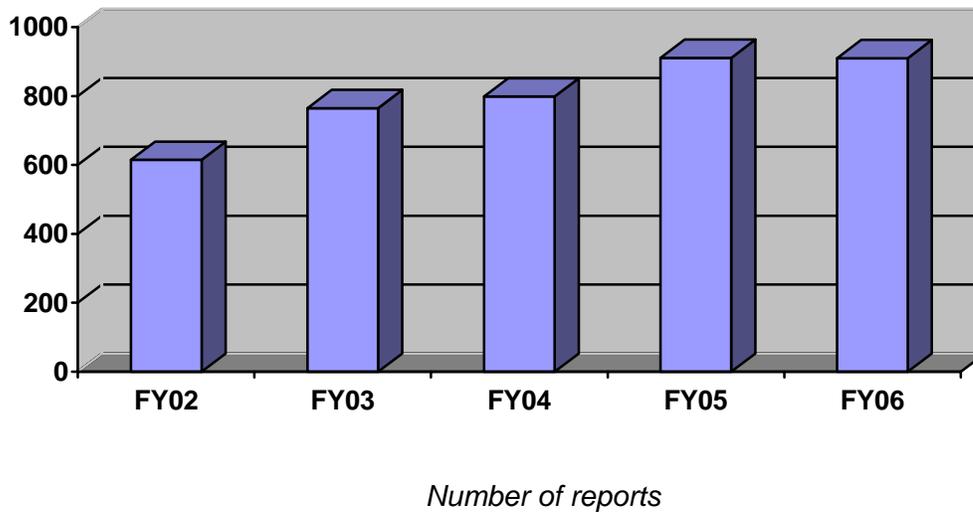
The Commission established baseline statistics for use of various types of nomenclature expertise and trade information in FY 1999. During FYs 2000–2005, use greatly exceeded the established goals in most instances. The Commission also continued to make progress in the area of information management automation.

## ITC Trade DataWeb

DataWeb usage by non-ITC users increased significantly during FYs 2002–6 (figure 4-1), increasing by 47.9 percent, almost 12 percent annually. During the most recent year, usage remained virtually level, with the number of reports delivered to non-ITC users declining by about 0.2 percent, to roughly 910,000. However, these data understate overall usage because they do not include viewing and downloads of various prepared reports.<sup>11</sup> 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. For FY 2007, 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 about 86 percent of the non-ITC data reports generated (figure 4-2).

**Figure 4-1 FY 2002- FY 2006 DataWeb reports to non-ITC Users**

*In thousands*

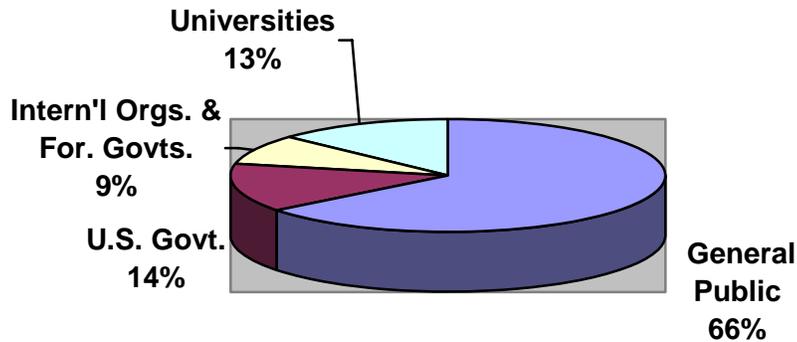


Source: Office of Operations

<sup>11</sup> During FY 2006, the Commission developed and made available prepared reports covering trade in various types of steel products, Trade shifts, and U.S. trade with Sub-Saharan Africa to augment user-defined reports.

**Figure 4-2: DataWeb reports to non-ITC users, FY 2002–FY 2006**

*In thousands*



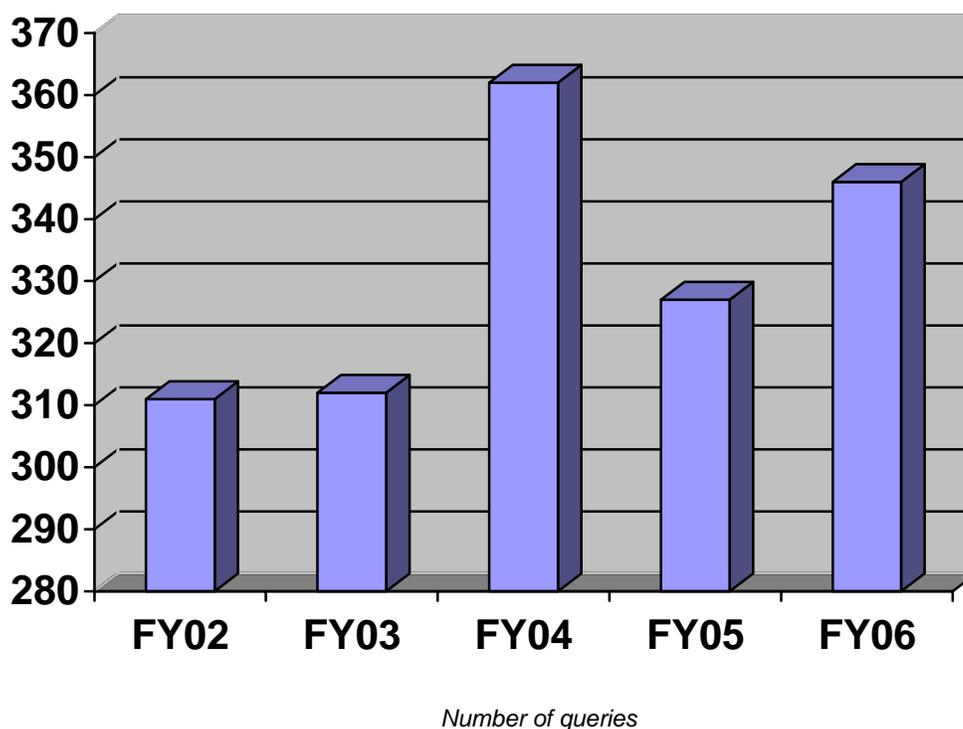
Source: Office of Operations

### **ITC Tariff Database**

As shown in figure 4-3, use of the ITC Tariff Database increased during FYs 2005-6, rising by almost 6 percent, to an estimate of 346,000 data retrievals and meeting the performance goal. During the five-year period, the largest increase occurred in FY 2004. During that year, non-ITC use of the Tariff Database exceeded the Commission's performance goal, as the CBP site linked users directly to the ITC Tariff Database from the Customs Rulings Online Search System. Over the past five years, the Commission also has contributed tariff and trade information and expertise to the tariff reference portal developed by CBP as part of a new government-wide computer system. In addition to providing a dynamic view of the HTS, the reference portal allows government officials to annotate their own online copy of the HTS with regard to specific HTS classification and related trade issues.

**Figure 4-3: Estimated tariff data queries by non-ITC users, FY 2002–FY 2006**

*In thousands*



Source: Office of Operations

Commission staff continued to work with the interagency International Trade Data System (ITDS), which is endeavoring to build a single, government-wide, on-line “window” for importing and exporting activities. The ITC’s Trade and Tariff Information Manager continued to chair the ITDS Data Harmonization Committee, which addressed the trade data needs of 27 Federal agencies.

### **Improvements in information dissemination**

Formal goals in this area were established, beginning 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. For example, in FY 2001, the on-line HTSA, by Chapter, was made more accessible to the public and in a timelier manner. The site displays the latest texts of the HTSA and is updated generally within 2 days of implementation dates established by the President or Congress. Immediacy of access to the up-to-date, on-line HTSA benefits CBP and the trade community, in general. It is viewable, searchable, and downloadable.

In response to Congressional requests, the Commission continued to provide an electronic database, summarizing information provided in the Commission’s reports on miscellaneous tariff bills introduced in the 109<sup>th</sup> Congress. The database was revised periodically and provided to Congressional committee staff. During the fiscal year, the Commission completed and forwarded to Congress reports on 800-900 bills introduced in the 109<sup>th</sup> Congress. At the end of the fiscal year, Commission staff was reviewing a proposed omnibus bill targeted for enactment before the end of the calendar year.

Periodic reviews of the Web site were undertaken during FY 2006, resulting in changes to the “Tariff Information Center” pages, which include the up-to-date HTSA and the DataWeb. In addition, access to free-trade agreement annexes and the final report of the Commission’s Inv. 1205-6 (Final), *Proposed Modifications to the Harmonized Tariff Schedule of the United States*, were placed on-line for use by the private sector in preparing their own databases in anticipation of the HS2007 amendments recommended by the World Customs Organization (WCO) for implementation on January 1, 2007. Certain WCO and WTO documents were posted, and presentation of Commission reports on proposed legislation was enhanced to improve availability to the public.

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

**Table 4-1: Satisfaction ratings by users of ITC Web site, FY 2006**

	<b>Overall ITC Web site</b>	<b>HTS Group Web pages</b>	<b>Other Government trade-related sites<sup>1</sup></b>	<b>Private sector</b>
<b>Elements:</b>				
Content	78	79	77	77
Functionality	72	73	74	74
Look and feel	68	68	75	76
Navigation	65	66	70	72
Search	65	65	71	72
Site performance	80	80	80	79
<i>Overall satisfaction</i>	65	66	70	71
<b>Future behaviors:</b>				
Likelihood to return	80	80	81	81
Primary resource	75	75	74	72
Recommend	75	76	76	75

<sup>1</sup> USTR, U.S. Department of Commerce, CBP, and U.S. Department of Agriculture.

Source: Foresee Results, ITC Satisfaction Insight Reports.

As indicated in table 4-1, satisfaction ratings for the overall ITC Web site were slightly below those for other Government, trade-related Web sites, and for private sector sites. Satisfaction with the HTS Group Web pages was slightly higher than with the overall ITC Web site in several categories. The overall ratings for the HTS group pages in FY 2006 were identical to those

reported for FY 2005. Thus, the Commission did not meet the goal of improving satisfaction by 2 percent over FY 2005 levels. However, the level of use of the HTS Web site in FY 2006 more than tripled from FY 2005, to 1.3 million visits and nearly 1.8 million hits. This increase is due, in large part to the Commission's on-line publication of annexes to several new free trade agreements that were implemented during the fiscal year.

In addition, Commission staff responded to some 8,000 automated and other email requests for tariff-related information during FY 2006. This represented an increase of 8% over the number of such requests received in FY 2005. The benefits of this activity are manifold. It not only enhances and reinforces the working technical and tariff knowledge of ITC 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 daily contact between Commission staff and the CBP National Import Specialists. Another outcome of this activity is the substantial number of follow-up emails with positive feedback concerning Commission assistance.

During FY 2006, the Commission accelerated its work on 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 CBP in updating its automated files. It would also enhance the Commission's ability to develop interactive Web pages for disseminating tariff information. As of the end of FY 2006, this work had advanced considerably, to the point that a memorandum was being prepared explaining the new procedure to the Commission and Congress, with a view to obtaining formal support for finishing this work in FY 2007.

**Strategy 2: Provide timely, effective, and responsive nomenclature and similar technical services to customers.**

**FY 2006 Performance Goal**

95% positive results from product feedback assessments from Congress and the Administration.

**Performance Indicator<sup>1</sup>**

Results of product feedback assessments (TATA/ER).

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<sup>1</sup> The offices shown in parentheses are the staff offices responsible for measurement.

The Commission began conducting formal focus group discussions with Congress and the Administration in FY 2000. From that time through FY 2004, Commission representatives met 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 election of ITC staff to chair WCO committees and special working parties, and 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. 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 2006, Commission staff was in almost daily contact with USTR, regarding the annual GSP review, revising NAFTA rules of origin, multiple bilateral trade agreements (*inter alia*, with a view to updating their rules of origin to reflect the upcoming 2007 amendments to the international Harmonized System), and other activities. Feedback from USTR was consistently positive.

Among other activities in FY 2006, the Commission published its final report on Inv. No. 1205-6, proposing amendments to the HTS to reflect the international HS legal amendments for 2007. The Acting Director of the Office of Tariff Affairs and Trade Agreements (TATA) was re-elected to chair the Harmonized System Committee for one more year, and TATA staff members continued to lead the U.S. Delegation to the HS Review Sub-Committee and to participate in the WCO's 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.

Similarly, the Commission had a record year in terms of the number of reports (800-900 during FY 2006) prepared on miscellaneous tariff bills introduced in the 109<sup>th</sup> Congress. The Commission regularly provides technical assistance to Congressional committee staffs and to individual Congressional sponsors, both before and after introduction of such bills. By the end of the fiscal year, Commission staff was reviewing an omnibus package of such bills targeted for possible enactment before the end of calendar year 2006. Feedback from the Congress, bill sponsors, and industry proponents has been very positive.

## Operation 5: Trade Policy Support

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The Commission provides support to trade policymakers in the executive branch and in 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, participation in interagency committee activities, 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 details of staff to executive agencies.

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.*<sup>12</sup>

Performance results for FY 2006 are discussed in detail below.

### ***FY 2006 Performance***

The fifth edition of the Strategic Plan identified two strategies for this operation. The current (sixth) edition replaced the two strategies with— “Provide real-time, efficient, and effective technical analysis and support to organizations involved in trade policy formulation.” The Plan also added the following strategy— “Undertake regular independent reviews and assessments of the trade policy support program, or its components, to identify areas for potential improvement.”

The three FY 2006 performance goals that were established for this operation correspond to the two strategies included in the fifth edition of the strategic plan. The goals address providing technical assistance on a wide range of issues to the Commission’s statutory customers,

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<sup>12</sup> In the fifth edition of the Strategic Plan the general goal for this Operation was: “Contribute to the development of sound and informed U.S. international trade policy by providing effective technical support and analysis to the Executive Branch in international trade negotiations, international trade dispute resolution proceedings, and other international trade fora, and to the Legislative Branch through appropriate committees and subcommittees.”

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 2006, the Commission generally met or exceeded its performance goals for this operation. The strategies and performance goals are discussed below.

**Strategy 1: As appropriate, regularly contribute technical analysis to statutorily designated organizations involved in trade policy formulation**

**FY 2006 Performance Goal**

55 trade policy issue areas supported.

**Performance Indicator<sup>1</sup>**

Number of trade policy issue areas supported by ITC analysis (ER).

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<sup>1</sup> The office shown in parentheses is the staff office responsible for measurement.

The Office of External Relations collects data from each staff office providing assistance to USTR or the Congress. The data are compiled in quarterly reports that are sent to the Commissioners and senior staff at the Commission. The reports provide information on the type and focus of assistance, the recipient of the assistance, and the time expended.

Over the past five fiscal years, these reports have indicated a generally increasing level of participation by Commission staff in terms of the range and complexity of the issues addressed. The frequency of such requests depends on such variables as the legislative calendar, the Free Trade Agreement negotiations undertaken, the election cycle, and economic trends, all of which can affect the level of activity and interest by policy-making customers. Data for the FY 2004 and FY 2005, which did not include assistance related to litigation, show that the Commission responded to 73 and 82 issues, respectively. In FY 2006, Commission staff provided assistance on 95 issues, including 12 which were related to litigation. Requests from USTR accounted for 79 of these issue areas, while requests from Congress covered 16 issues areas.

The major FY 2006 issue areas, in terms of time expended on USTR assistance included WTO dispute settlement and litigation issues, support for negotiations on trade in environmental goods, work to determine ad valorem equivalents in support of the Non-Agricultural Market Access negotiations, assistance to update the pharmaceutical “zero-for-zero” agreement. In addition, the Commission initiated a pilot project to archive documents related to the Malaysia FTA negotiations.

Technical advice and assistance provided to Congressional committees covered many areas, but major work included examinations of U.S.-Mexico sweetener trade, analysis of European Union duty preference programs (especially for textiles and agriculture products), and analysis of the benefits to African countries for agricultural trade based on offers by developed countries at Doha ministerial meetings.

## **Strategy 2: Provide effective trade policy support to customers<sup>1</sup>**

### **FY 2006 Performance Goals**

- a. 95 % positive results from feedback from USTR, Congress, and other agencies.
- b. Annual re-evaluation completed and enhancements adopted as needed

### **Performance Indicators<sup>1</sup>**

- a. Customer satisfaction as measured by results of product feedback assessments from USTR, Congress, and other agencies (ER).
- b. Results of re-evaluation of mechanisms for providing support, including through the agency’s Web site.

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<sup>1</sup> The office shown in parentheses is the staff office responsible for measurement.

## **Product feedback**

Following the practice developed in previous years, Commission staff conducted informal briefing/feedback sessions on some of the more substantial technical assistance projects. Commission staff also placed additional emphasis on enhancing communications with USTR at the outset of technical assistance requests to assure delivery of products that met the customers' needs. The success in FY 2005 of moving to more frequent and narrowly focused meetings prompted Commission staff to permanently replace broader year-end evaluation sessions with more immediate, project specific inquiries. Feedback from USTR on technical assistance products was uniformly positive in FY 2006.

The Commission staff found various means to obtain feedback from House Ways and Means and Senate Finance Committee staffs. Throughout the year, the Commission sought and received regular feedback through e-mails, meetings, and telephone conversations on its assistance to Congress on an array of products. The Commission received uniformly favorable reviews. Senior Committee staff commended a number of technical assistance reports.

## **Review of support mechanisms**

During the past five years, the Commission has examined alternative ways to provide trade policy support in an effort to improve customer satisfaction. In FY 2002 through 2004, efforts were made to provide technical assistance through electronic means, such as e-mail, electronic databases, and CD-ROMs.

In FY 2004, the Commission undertook a complete reevaluation of the contents of the Web site, resulting in a comprehensive expansion and redesign of the site. The new Web site was introduced in early FY 2005 to generally positive response; throughout the year, the Commission continued to refine aspects of the redesigned site to enhance accessibility and further attain the goals of supporting trade policy development.

In FY 2006, much of the agency's technical assistance was provided through conventional means, both in hard copy or CD or electronically. In one instance, at the request of USTR, Commission staff developed and posted U.S. submissions directly to the WTO's Web site. Providing this technical support proved to be more efficient and allowed the agency and USTR to more effectively track the submissions. Staff continued throughout the year to focus on improving the organization of highly technical data and other analytical information to make the products more accessible to various requestors and developed different formats to meet the specific needs of negotiators and congressional staff.



## GLOSSARY OF ACRONYMS AND ABBREVIATIONS

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AD	AntiDumping
AGOA	Africa Growth and Opportunity Act
AICPA	American Institute of Certified Public Accountants
ALJ	Administrative Law Judge
APO	Administrative Protective Order
Blue Book	<i>Antidumping and Countervailing Duty Handbook</i>
BFC	Budget Functional Classification
CAFTA	Central American Free Trade Agreement
CBP	U.S. Customs and Border Protection
CD-ROM	Compact Disk – Read Only Memory
CIO	Chief Information Officer
Commission	U.S. International Trade Commission
CVD	Countervailing Duty
EC	Office of Economics
EDIS	Electronic Document Information System
EEO	Office of Equal Employment Opportunity
EPP	Enterprise Portal Project
ER	Office of External Relations
FAIR	Federal Activities Inventory Report
FAQs	Frequently Asked Questions
FASAB	Federal Accounting Standards Advisory Board
FISMA	Federal Information Security Management Act
FMFIA	Federal Managers’ Financial Integrity Act
FOIA	Freedom of Information Act
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GATT	General Agreement on Tariffs and Trade
GC	Office of the General Counsel
GSA	General Services Administration
HTS	Harmonized Tariff Schedule of the United States
HTSA	Harmonized Tariff Schedule of the United States Annotated
ID	Initial Determination (by an ALJ)
IER	<i>International Economic Review</i>
IG	Inspector General
IND	Office of 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
ITTR	<i>Industry Trade and Technology Review</i>
NAFTA	North American Free Trade Agreement
NTB	Non-Tariff Barrier
NTM	Non-Tariff Measure
OIG	Office of Inspector General
OITS	Office of Information Technology Services
OMB	Office of Management and Budget

## **GLOSSARY OF ACRONYMS AND ABBREVIATIONS-- Continued**

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OPM	Office of Personnel Management
OUII	Office of Unfair Import Investigations
OP	Office of Operations
PAR	Performance and Accountability Report
P.L.	Public Law
Red Book	<i>An Introduction to Administrative Protective Order Practice in Import Injury Investigations</i>
Results Act	Government Performance and Results Act
SE	Office of the Secretary
TATA	Office of Tariff Affairs and Trade Agreements
TEO	Temporary Exclusion Order
URAA	Uruguay Round Agreements Act
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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**If you have any questions or comments, please call Judith Gwynn, Special Assistant to the Chief Information Officer at 202-205-2202 or email her at [Judith.Gwynn@ITC.gov](mailto:Judith.Gwynn@ITC.gov)**

**For additional copies of this report, please call the Office of Financial Management at 202-205-2682 or email [Patricia.Katsouros@ITC.gov](mailto:Patricia.Katsouros@ITC.gov)**