

Mr. Morse

093339



UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D C 20548

INTERNATIONAL DIVISION

MAY 11 1972

Dear Mr. Krause:

The General Accounting Office has completed a survey of certain aspects of World Trade Directory Reports (WTDR), one of the many services offered by the Department of Commerce (Commerce) to assist businessmen interested in selling abroad. The WTDR section of the Bureau of International Commerce is the group in the Department of Commerce responsible for handling requests from businesses for these reports.

The objective of our survey was to find out if WTDR's were fulfilling business needs and were being provided to requestors in a timely manner, also to see whether ways could be found to improve the effectiveness of these reports.

Background

As you know, WTDR's are marketing profiles of foreign firms prepared by U.S. embassies and consulates overseas. The purpose of these reports is to provide U.S. businesses with descriptive and background information on specific foreign firms. Although WTDR's are not intended to be credit reports they do contain certain financial information. The Foreign Credit Insurance Association (FCIA) accepts WTDR's as one of the two reports exporters are required to submit in applying for credit insurance. The typical report also includes information on type of organization, method of operation, lines of products handled, size of firm, sales territory, names of owners and officers, capital, sales volume, general reputation in trade and financial circles, and names of firm's trading connections. WTDR's also serve as the source document for Commerce listings of foreign firms in Trade Lists, a compilation of potential business contacts for U.S. companies.

In fiscal year 1971, about 33,500 reports were prepared and 46,600 copies were provided at \$2 per report. Commerce does not compile data on the cost of preparing and processing WTDR's and available estimates vary considerably. For example, the overseas cost of the service in Hong Kong was estimated by Consulate officials at \$12 per report, Embassy officials in Rome estimated the cost at \$28 per report. A 1966 study by a joint State, Commerce, AID task force reviewing commercial reporting estimated the overseas cost at \$36 per report based on a sampling of 12 posts. We reasoned that since the WTDR section's fiscal year 1971 direct operating costs

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totalled about \$90,000, the \$93,200 received from the sale of WTDR reports roughly covered the domestic portion of the cost of providing the service. This left the overseas portion of the cost of about \$1 million unrecouped and represents the estimated Government subsidy.

The Departments of State and Commerce had not attempted to determine on a cost to benefit ratio the value of the service, but Commerce officials expressed the belief that the increasing number of reports requested indicated that a necessary service was being provided the business community. Further indication of the value of WTDR's was shown by our examination of buyers files at FCIA. Our examination of 71 approved credit applications showed that WTDR's were used as supporting credit reports for export transactions valued at about \$2.8 million.

### GAO's Review

Our review was carried out principally through two telephone surveys. The first involved a telephone survey of 16 WTDR requestors selected from among reports prepared in 1971 by overseas posts in Norway, the Netherlands, Thailand, Taiwan, France, and United Kingdom. The second survey was of 31 WTDR requestors selected from companies seeking credit insurance from the Foreign Credit Insurance Association.

In addition to the telephone surveys, we visited FCIA headquarters in New York and examined files of credit insurance applicants and discussed with FCIA officials their experiences with WTDR's.

### Duplication adds to backlog

It was apparent from our review that a problem existed with respect to the ability of overseas posts and the World Trade Directory Report section to respond quickly to the over 40,000 requests for reports each year. In connection with these requests for reports we noted the section routinely sent FCIA copies of old reports on file when FCIA requested new reports. FCIA advised us that the old reports served no useful purpose to them and could be eliminated. Such action by the WTDR section would result in saving duplication and mailing costs of up to about 10,000 reports per year.

During our recent review of the Trade Opportunities Program exporters also expressed concern with the receipt of old reports. Exporters serviced by the Atlanta office complained about receiving 3-4 year old reports preliminary to receiving updated reports. It is conceivable that these old reports might be of some value to exporters. Further inquiry with a broader range of exporters could disclose, as it did with FCIA, that the cost of duplicating and mailing these reports outweighed their utility. Approximately 17,000 outdated (over one year old) reports per year are mailed to requestors of new reports.

### Delays hinder usefulness

Although overseas posts are supposed to complete and mail the reports within 30 days after receipt of the request, the volume of reports requested and the limited staff available did not always permit meeting this time frame. The chronic situations that exist at some posts in not meeting the time for preparing reports, we believe, are symptomatic of a greater problem concerning the establishment of goals and objectives for the allocation of post resources. This matter is being considered in a separate report on commercial office activities which will be provided Commerce at a later date.

Commerce headquarters handling of requests prior to and after the posts involvement was also affected by a limited staff. Optimum time frames for processing had not been established. Thus, there were no standards against which performance could be judged. In any event, delays of 3 to 4 months and more from the date a company requested a WIDR to the date of receipt were not unusual. Delays were evident not only at posts preparing reports but in Washington as well. In many cases exporters were reluctant or unable to place a dollar value on the adverse effect of these delays, but the following are examples of the comments received.

- ...a shipment of \$20,000 was cancelled,
- ...shipments were delayed,
- ...sales were lost to competitors,
- ...completion of a \$25,000 transaction was delayed at least 5 months, and
- ...planning for overseas marketing strategies is set back.

For comparative purposes exporters pointed out that 2 to 4 weeks would be considered timely even though in some cases credit information requested through U.S. correspondent banks could be obtained in 48 hours via telegraphic means. Ten of the 31 exporters contacted selected Commerce's service instead of private sources because of the completeness of the information provided and attractiveness of the \$2 charge per report.

### More attention needed on processing

We did not analyze completely the processing procedures but it appears that management actions could be taken to become more responsive on the preparation and transmission of reports, as indicated below.

The Paris post received during fiscal year 1970 about 264 requests for reports which the post had already submitted to Commerce within the

past year. WTDR's less than one year old are considered current. Of the 12 reports we examined we were told that in five instances Commerce sent the post a second request while the post was either still working on an earlier request or the completed report had not been filed. This indicates that records of requests sent to the posts and of WTDR's received by Commerce need to be improved. In five other instances reports were apparently simply overlooked by the file clerks. In the other two instances we were unable to establish what had happened. The same situation of duplicate requests being made of posts applied to the post in London.

During fiscal year 1971, 175 requests were received by the London post from Commerce where the previous report was still current. In the case of duplicate requests posts are directed to return the WTDR request to Commerce along with a copy of the preceding report. Returning the request with a copy of the preceding report, however, imposes an unnecessary work burden on the posts which better handling procedures in the WTDR section could avoid.

#### Questionable use

We noted about 35 requests made of the Paris post in fiscal year 1971 by a U.S. company apparently seeking to have credit checks made on prospective employees. Another company told us they used WTDR's to check on foreign firms handling their competitors' products. These situations raised the question of whether WTDR's were being used for other than directly related export expansion purposes. Commerce might reduce the burden placed on the section and overseas posts by clarifying the purposes for which WTDR requests will be honored. If WTDR requests, such as those described here, are not consistent with the intent of the service these requests should be screened out. Effective screening, however, is dependent on a method for identifying purposes. This might be facilitated by amending the request form as covered in recommendation #1 below.

#### Need for special handling procedures

Another matter that came to our attention during discussions with exporters was that oftentimes requestors needed fast action on reports in order to consummate business transactions. In some cases exporters are concerned principally with the commercial officers evaluation of foreign firms. In other cases exporters need only specific information such as the credit worthiness of the foreign company. Although Commerce procedures permit telegraphic communication in these cases, even Foreign Credit Insurance Association personnel, probably the biggest single users of the WTDR service, did not generally use the service. Greater familiarity by exporters with this aspect of the WTDR service could reduce the request for complete reports in some cases and expedite the flow of information to requestors.

## Recommendations and Suggestions

Based on the foregoing, we recommend that your office:

1. Institute a method, perhaps by amending the request form, for identifying the purposes for which reports are to be used. Amending the request form would permit Commerce and posts to treat requests for export purposes on an expedited basis, while weeding out those requests which appear questionable. This would also identify requests that
  - required only a simple "go or no go" type evaluation by commercial officers, or
  - only selected bits of information.
2. Consider raising the standard \$2 charge and establishing variable fees depending on whether the requestor needs a complete report, a commercial officers' evaluation, or only selected bits of information. (See recommendation #5.)
3. Institute, on a broader scale, use of telegraphic means to communicate with posts on requests for imminent export transactions.
4. Establish optimum time frames for processing incoming requests and outgoing reports and make periodic checks to detect adverse trends in processing procedures.
5. Institute a measurement system that will permit determination of the benefits achieved versus the cost of providing the service. The measurement system could be predicated on a statistical sampling basis and consider the accomplishment of program objectives against fees charged to offset operating costs. Appropriate criteria for measuring effectiveness of WTDR's could include (a) the number of reports made for export transactions, (b) the dollar value of transactions supported, and (c) the number of new market areas and new companies reported on.
6. Undertake a detailed study of processing procedures with a view to more responsive servicing of customer requests.

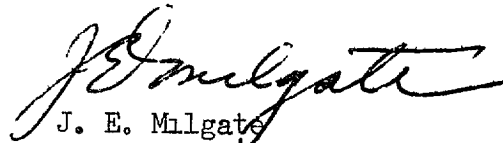
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We would appreciate receiving your comments and any actions taken or proposed on the matters discussed here. Copies of this letter are

being sent to the Assistant Secretary for Domestic and International Business, the Assistant Secretary for Administration, and the Director, Bureau of International Commerce.

We appreciate the consideration and cooperation given our staff during the survey. We would be happy to discuss with you further any of the matters contained in this letter.

Sincerely yours,

  
J. E. Milgate  
Associate Director

Mr. Edward J. Krause, Director  
Office of International Trade Promotion  
Bureau of International Commerce  
Department of Commerce