

# U.S. Foreign-Trade Zone Opportunities

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Ports of Indiana

August 4, 2010

# U.S. FOREIGN-TRADE ZONES

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- Logical extension of historic/global free zones
- 1934 “New Deal” Legislation – Jobs/Investments
  - Unique Legal Structure
  - FTZ Board
  - Changes - Customs Laws – “Public Interest Criteria”
- Maintains/creates jobs investment in the U.S. as opposed to in a foreign country by Customs/tax financial savings
- Not a Customs program
- FTZs are within U.S. boundaries, uniquely not within the Customs territory

# WHO IS ELIGIBLE?

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- Foreign-trade zones stimulate American economic growth and development because they encourage companies to continue and to expand their operations in the United States.
- Foreign-trade zones are located in all 50 states and Puerto Rico.
- A company must have a facility in the United States that imports either parts, materials or components for manufacturing and finished goods or parts for distributions.
- The finished good is then exported or sold in the United States market.

# WHAT IS A FOREIGN-TRADE ZONE?

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- Foreign-trade zones are restricted-access sites that are considered outside the U.S. Customs territory, but are physically located in the United States.
- Companies that operate in foreign-trade zones can defer, reduce, or eliminate Customs duties on foreign products admitted into zones for storage, exhibition, assembly, manufacture, and processing.

# WHO BENEFITS?

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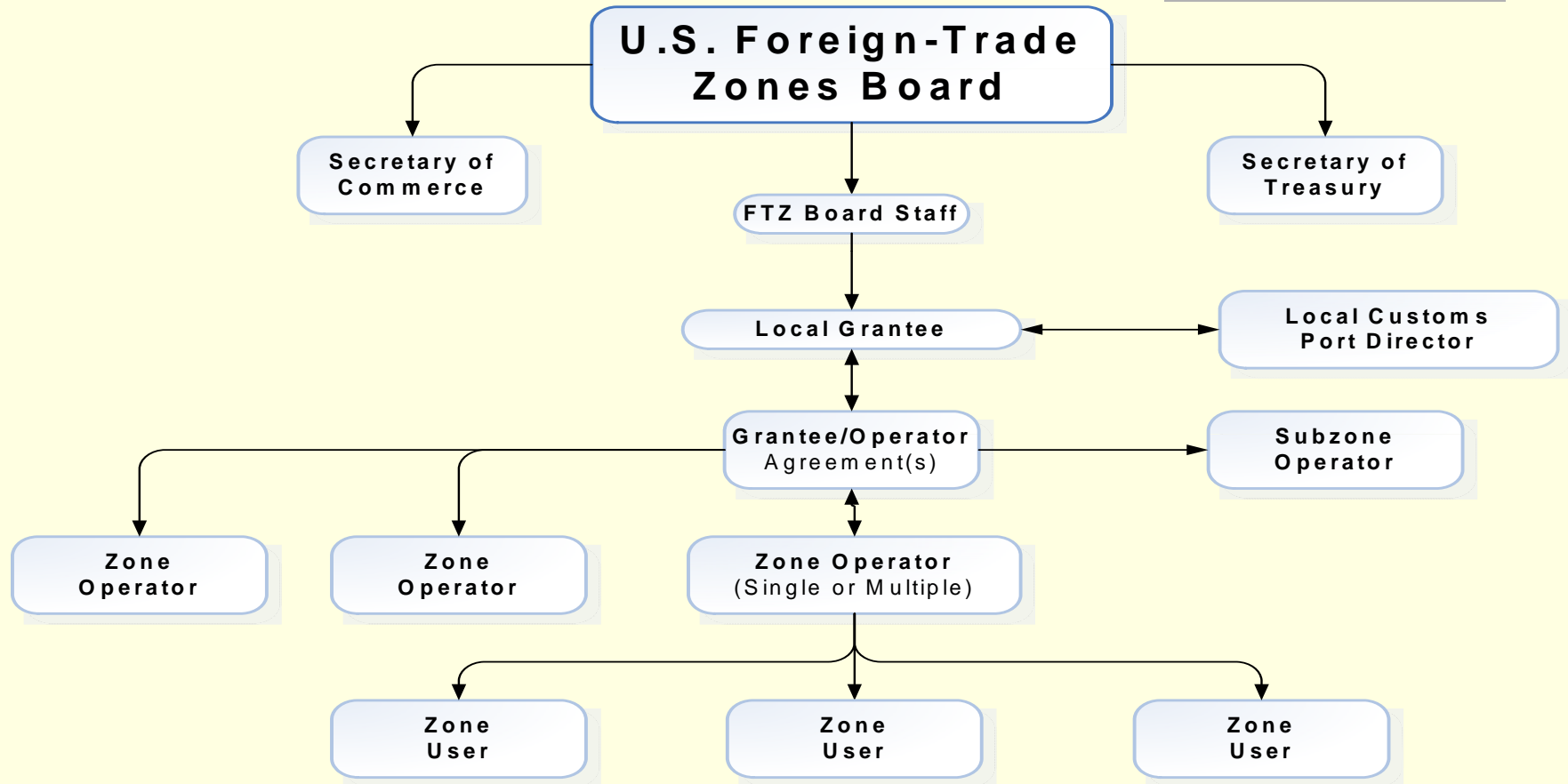
- Companies that Import and Export Merchandise
- Warehouse Operators
- Manufacturers
- Third Party Logistics Providers

# FTZ BOARD

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- Secretary of Commerce — Mr. Gary Locke (Chairman)
- Secretary of Treasury — Mr. Timothy Geithner
- Executive Secretary — Mr. Andrew McGilvray
- Department of Homeland Security Liaison — Ms. Janet Napolitano (Secretary)
- Customs and Border Protection Role (Supervisors) — Mr. Alan Bersin

# U.S. Foreign-Trade Zones Program



# RAPID DEVELOPMENT

## 1970

- 10 General-Purpose Zones
- 3 Subzones
- 1,401 jobs
- \$104 million (received)
- 11% domestic material

## 2010

- 274 General-Purpose Zones\*
- 659 Subzones\*
- 330,000 jobs\*\*
- \$692.6 billion (received)\*\*
- 57% domestic material\*\*

\*Data as of July 29, 2010

\*\*FY 2008 (latest) FTZ Board statistics published in December, 2009

# REASON FOR RAPID DEVELOPMENT

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- Globalization
- Customs Duty Planning-Financial Savings
- 1950 - Manufacturing Statutory Amendment, Public Law 566, 81<sup>st</sup> Congress (approved June 17, 1950)
- 1952 – Foreign-Trade Subzones, Board Order No. 29 (17 Fed. Reg. 53160 - June 5, 1952)
- 1980 - Manufacturing Valuation Section 146.48(e), Customs Regulations
- State/Port Authority/Local Development Agency Involvement

# INDIANA ZONES AND SUBZONES

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- 6 General-Purpose Zones
- 24 General-Purpose Zone Sites
- 32 Subzones



# INDIANA ZONES AND SUBZONES

- **FTZ No. 125 – South Bend, Indiana**

**Grantee: St. Joseph County Airport Authority**

*Approved 1986*

- *Received no foreign merchandise in FY 2008*
- Site 1 – 7 acres at North Foundation Drive
- Site 2 – 21 acres at 1507 S. Olive Street

- **Subzone 125A (Lapsed)**

- EWI, Inc., steel body parts for automobiles – South Bend, Indiana

- **Subzone 125B (Lapsed)**

- Coachmen Recreational Vehicle Company, recreational vehicle assembly – Middlebury, Indiana

- **Subzone 125C (Lapsed)**

- Gulf Stream Coach, Inc. and Fairmont Homes, Inc.
  - Site 1 – 234 acre manufacturing and warehousing complex
  - Site 2 – 8 acre components manufacturing facility
  - Site 3 – 6 acre recreational vehicle manufacturing facility

- **Subzone 125D**

- Audiovox Specialized Applications, LLC, manufacturing plant – Elkhart, Indiana

# INDIANA ZONES AND SUBZONES

- **FTZ No. 152**

**Grantee:**            **Ports of Indiana**

*Approved 1988*

- Received no foreign merchandise in FY 2008
- Site 1 – 533,288 square foot warehouse located at 201 Mississippi Street in Gary, Indiana
- Site 2 – 441 acres in Porter County, Indiana
- Site 3 – 390 acres at 6001 West Industrial Highway, Gary, Indiana.
- Site 4 - 50 acres at 700 Chase Street, Gary Indiana, operated by Katoen Natie Midwest, Inc. (expires 6/30/10).
- Site 5 - 152,548 square feet at 240 Waite Street in Gary, Indiana operated by Metro International Trade Services LLC. (temporary site expires 9/1/10).
- Site 6 - 277,455 square feet at 425 W. 151st Street in East Chicago, Indiana operated by Metro International Trade Services LLC. (temporary site expires 9/1/10).

- **Subzone 152A (*Lapsed*)**

- Caterpillar, Inc., diesel engines – Lafayette, Indiana

- **Subzone 152B (*Deactivated*)**

- BP Products North America Inc., oil refining – Whiting, Indiana

# INDIANA ZONES AND SUBZONES

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- FTZ No. 170 – Jeffersonville, Indiana

**Grantee: Ports of Indiana**

*Approved 1990*

- *Received no foreign merchandise in FY 2008*
  - Site 1 – 993 acres at Port Road in Jeffersonville, Indiana
  - Site 2 – 22 acres in Sellersburg, Indiana
  - Site 3 – 2,000 acres at 11452 State Road 62 in Charlestown.
- Subzone 170A
    - Lexmark International, Inc., storage and distribution for computer printers and typewriters – Seymour, Indiana

# INDIANA ZONES AND SUBZONES

- **FTZ No. 177 – Evansville, Indiana**

**Grantee: Ports of Indiana**

*Approved 1991*

- Received no foreign-merchandise in FY 2008
  - Site 1 – 40 acres within the Southwind Maritime Centre
  - Site 2 – 30,000 square foot Central Warehouse facility at 301 E. Indiana Street in Evansville
  - Site 3 – 40,000 square foot Morton Avenue Warehouse, Inc. facility on E. Lynch Road in Evansville
  - Site 4 - 78 acres at the Evansville Regional Airport in Evansville, including a new 41,500 square foot warehouse as a part of the 76 acre industrial park on Oakhill Road, plus 7,500 additional square feet in the airport terminal building.
- **Subzone 177A – Bristol-Myers Squibb Company**
    - Site 1 – 549 acres located at Highway 62 in Mt. Vernon
    - Site 2 – 1 acre, portions of 3 buildings totaling 30,970 square feet) at 2400 West Lloyd Expressway in Evansville
  - **Subzone 177B – Toyota Motor Manufacturing, Indiana, Inc.**
    - Produces light-duty passenger vehicles
  - **Subzone 177C – Pfizer Inc.**
    - Site 1 – 521 acres located at 411 East Dallas Road
    - Site 2 – 3 acres located at 1383 Aberdeen Street
    - Site 3 – 8 acres located at E. Industrial Drive
  - **Subzone 177D – Mead Johnson & Company**
    - Site 1 – 54 acres located at 2400 W. Lloyd Expressway in Evansville

# INDIANA ZONES AND SUBZONES

- **FTZ No. 182 – Ft. Wayne, Indiana**

**Grantee: City of Ft. Wayne, Indiana**

*Approved 1991*

- *Received no foreign merchandise in FY 2008*
- Designated as Customs user fee airport – Fort Wayne/Allen County Airport
- Site 1 – 16,000 square foot public warehouse located at 3402 Meyer Road
- Site 2 – 17,500 square feet of a 41,500 square foot warehouse located at 2122 Bremer Road.
- Site 3 – 443 acres located at Fort Wayne International Airport.
- Site 4 – 41 acres located at 1515 Riverfork Drive West in Huntington.

- **FTZ No. 239 – Terre Haute, Indiana – Lapsed (No Longer a Zone)**

**Grantee: Terre Haute International Airport Authority**

*Approved 1999*

- *Received no foreign merchandise in FY 2008*
- Designated as Customs user fee airport – Terre Haute International Airport
- Site 1 – 1,500 acres located at 581 South Airport Street and the adjacent 28 acres at the southwest corner of the airport, Terre Haute
- Site 2 – 186 acres located at Aleph Industrial Park
- Site 3 – 7 parcels on 92 acres located at Fort Harrison Industrial Park
- Site 4 – 1,476 acres located at Vigo County Industrial Park

# INDIANA ZONES & SUBZONES

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- **FTZ No. 72 — Indianapolis, Indiana**

**Grantee:**            **Indianapolis Airport Authority**  
                                 **Indianapolis International Airport**

*Approved 1981*

- Received \$483.2 million foreign merchandise in FY 2008.
- **Site 1** – 5,493 acres at Indianapolis International Airport located at 4605 Decatur Boulevard, Indianapolis, Indiana.
- **Site 2** – 620 acres located at Anderson Business Development Center in Anderson.
- **Site 3** – 674 acres of distribution/manufacturing facilities in Indianapolis.
- **Site 4** – 154 acres of distribution/manufacturing facilities in Indianapolis.
- **Site 5** – 182 acres located in Plainfield Business Park in Plainfield.

# INDIANA ZONES AND SUBZONES

- **Subzone 72A** (*Deactivated*)
  - Site 1 — Home Avenue Plant at Home Avenue and Firmin Streets.
  - Site 2 — North Plant at Speaker and Washington Streets.
  - By-Pass Plant at 31 By-Pass and East Boulevard.
  
- **Subzone 72B – Eli Lilly and Company**
  - Site 1 – 359 acres consisting of 185 buildings totaling 18,574,228 square feet in Marion County.
  - Site 2 – 2,326 acres consisting of 140 buildings totaling 1,533,687 square feet located at 2010 Eli Lilly Road, Shadeland, Indiana.
  - Site 3 – 751 acres consisting of 166 buildings totaling 1,798,001 square feet located at State Road 63, Clinton, Indiana.
  
- **Subzone 72E** (*Lapsed*)
  - Chrysler LLC, auto component manufacturing plant - Indianapolis, Indiana
  
- **Subzone 72F** (*Deactivated*)
  - Chrysler LLC, auto component manufacturing plant - Kokomo, Indiana
  
- **Subzone 72G** (*Deactivated*)
  - Chrysler LLC, auto component manufacturing plant - New Castle, Indiana
  
- **Subzone 72H**
  - Subaru-Isuzu Automotive, produce automobiles and light trucks
  
- **Subzone 72I** (*Deactivated*)
  - Alpine Electronics of America, Inc., produce and distribute audio systems
  - Site 1 – 101 acre manufacturing plant in Greenwood, Indiana
  - Site 2 – 15,000 square foot warehouse located at 1810 S. Lynhurst Drive

# INDIANA ZONES AND SUBZONES

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- **Subzone 72J**
  - Endress + Hauser, Inc., industrial process control instruments – Greenwood, Indiana
- **Subzone 72K**
  - Onkyo America, Inc., electronic hi-fi radio and acoustical products – Columbus, Indiana
- **Subzone 72L**
  - Thomson Multimedia, Inc.
  - Site 1 – 52 acre export distribution facility in Indianapolis
  - Site 2 – 189 acre television distribution facility in Bloomington
  - Site 3 – 30 acre cathode ray storage facility in Indianapolis
- **Subzone 72M**
  - Fujitsu Ten Corp. of America, automotive audio components – Rushville, Indiana
- **Subzone 72N (Deactivated)**
  - Alfa Laval Distribution, Inc., separator and decanter centrifuge equipment – 7601 Winton Drive
- **Subzone 72O (Deactivated)**
  - Tetra Pak Parts Americas, Inc., liquid food processing and packaging equipment – Greenwood, Indiana
- **Subzone 72P (Deactivated)**
  - SMC Pneumatics, Inc., pneumatic automation products and components – Indianapolis, Indiana
- **Subzone 72Q**
  - Rolls Royce, gas turbine engines and engine parts – Indianapolis, Indiana
- **Subzone 72R**
  - Decatur Mold, Tool and Engineering, Inc., plastic injection molds and components – North Vernon, Indiana

# FTZ INDUSTRY USE

- **OIL REFINING** – CITGO, ConocoPhillips, Chevron, Exxon Mobil, Lion Oil Company, Motiva Enterprises, Shell Oil, Sunoco, Tesoro Refining & Marketing Company, U.S. Department of Energy Strategic Petroleum Reserve, and Valero – 94 approved.
  - 2008 Dollar Volume - \$256 Billion
- **MOTOR VEHICLES** – BMW, Chrysler, Ford, GM, Honda, Hyundai, Kawasaki, Kia, Mercedes, Volkswagen, Nissan – 124 approved.
  - 2008 Dollar Volume - \$22 Billion
- **ELECTRONICS** – AZ Electronics, Canon, Dell, HP, Intel, Lucent, Ricoh, and Sony – 74 approved.
  - 2008 Dollar Volume - \$9.9 Billion
- **PHARMACEUTICAL INDUSTRY** – Abbott Laboratories, AstraZeneca, Baxter Health Care, BMS, Eli Lilly, GlaxoSmithKline, IPR Pharmaceuticals, Merck, Pfizer, Sanofi and others – 85 approved.
  - 2008 Dollar Volume - \$4.9 Billion
- **CONSUMER GOODS** – Conair, GE Appliance, Eastman Kodak, Movado Group, Pier 1 Imports, Fuji Photo Film – 56 approved.
  - 2008 Dollar Volume - \$2.1 Billion

# Everybody Does It

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- Oil Refineries
- Motor Vehicles/Parts
- Engine Production
- Pharmaceutical/ Medical Equipment Production
- Chemical Production
- Shipyards/ Offshore Drilling Rig Production
- Information Technology
- Toner Cartridges
- Footwear
- LME Warehouses

# SENSITIVE INDUSTRIES

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- Industry Concerns
  - Steel
  - Textiles
  - Sugar
  - Printer's ink

# PRIMARY FINANCIAL SAVINGS

- Inverted Duty – 6.8% → 0%, 5% → 2.5%
- Cash Flow
- Exports
- Staged Duty Reductions
- Direct Delivery
- U.S. Labor/Overhead/Profit
- Scrap/Waste/Obsolete Material
- Weekly Entry
  - Merchandise Processing Fee Savings
  - Customs Brokerage Expense Savings
  - Paperwork Reduction
- Tax Savings
  - “Bona Fide” Customs Reason

# Easiest Way to Increase Existing FTZ Use

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- Identify and Include All Direct Foreign Sourced Material
- Identify and Include Domestic Purchased Merchandise that is Really Foreign-Sourced Merchandise
- Packaging
- Scrap/Waste/Obsolete
- Kitting

# Packaging

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- Non-Reusable Containers
- Foil/Plastic
- Pumps

# Scrap/Waste/Obsolete

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- Consumer Goods
- Chemicals
- Glassware
- Dinnerware

# Kitting

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- Liquor/Glasses/Cradle
- Cosmetics
- Cell Phones
- Computers
- Home Theatre Kits
- Tool Kits
- Napkins/Rings
- Pen Set
- Audio Rack System
- Surgical Pack
- Clothing Set
- Dinnerware Set
- Glassware Set

# Future Users/Uses

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- Expand Current FTZ Operations
- High Duty Rate Merchandise – Compound/ Chapter 99/ General
- All U.S. Distribution Warehouses
- Spare Parts Warehouses
- Returns/Repair Operations

# HYPOTHETICAL FOREIGN-TRADE ZONE SAVINGS ANALYSIS

<b>Annual Imports of Foreign Parts/Materials</b>	<b>\$100,000,000</b>	<b>\$100,000,000</b>
<b>Average On-Hand Imported Merchandise Inventory</b>	<b>\$25,000,000</b>	<b>\$25,000,000</b>
<b>DIRECT COST SAVINGS</b>		
<b>Inverted Duty</b>		
<b>Value of Foreign Parts/Materials Used in Production</b>	<b>\$100,000,000</b>	<b>\$0</b>
<b>x Average Foreign Parts/Material Customs Duty Rate</b>	<b>6.00%</b>	<b>0.00%</b>
<b>= DUTY EXPENSE</b>	<b>\$6,000,000</b>	<b>\$6,000,000</b>
<b>LESS</b>		
<b>Value of Foreign Parts/Materials Used in Production</b>	<b>\$100,000,000</b>	<b>\$0</b>
<b>x Finished Product Customs Duty Rate</b>	<b>4.90%</b>	<b>0.00%</b>
<b>= DUTY EXPENSE</b>	<b>\$4,900,000</b>	<b>\$4,900,000</b>
<b>= FTZ INVERTED DUTY SAVINGS</b>	<b>\$1,100,000</b>	<b>\$1,100,000</b>

<b>Cash Flow</b>		
<b>Average On-Hand Imported Merchandise Inventory</b>	<b>\$25,000,000</b>	<b>\$0</b>
<b>x Average (or Individual) Parts/Material Customs Duty Rate</b>	<b>6.00%</b>	<b>\$1,500,000</b>
<b>x Interest Rate</b>	<b>6.00%</b>	<b>0.00%</b>
<b>= FTZ CASH FLOW SAVINGS</b>	<b>\$90,000</b>	<b>\$0</b>
<b>FTZ BORROWINGS REDUCTION SAVINGS</b>	<b>\$1,500,000</b>	
<b>Exports = 20% of Annual Merchandise Imports of Foreign Components</b>	<b>\$20,000,000</b>	<b>\$0</b>
<b>x Finished Product Customs Duty Rate</b>	<b>4.90%</b>	<b>\$980,000</b>
<b>= FTZ EXPORT SAVINGS</b>	<b>\$980,000</b>	<b>\$980,000</b>
<b>Direct Delivery</b>		
<b>Annual Inventory</b>	<b>\$100,000,000</b>	
<b>One Day Transit Time Savings Equal One Days Less Inventory to Support Same Business</b>	<b>÷ 365</b>	<b>\$273,973</b>
<b>= SAVINGS</b>	<b>\$273,973</b>	<b>\$273,973</b>

<b>Foreign vs. U.S. Production</b>		
Value of Foreign Finished Products Imported	\$200,000,000	\$0
x Finished Product Customs Duty Rate	4.90%	\$9,800,000
<b>= DUTY EXPENSE</b>	\$9,800,000	\$9,800,000
<b>LESS</b>		
Value of Foreign Parts/Materials Used in U.S. FTZ Production	\$100,000,000	\$0
x Finished Product Customs Duty Rate (50%)	4.90%	\$4,900,000
<b>= DUTY EXPENSE</b>	\$4,900,000	\$4,900,000
<b>= FTZ U.S. PRODUCTION SAVINGS</b>	\$4,900,000	\$4,900,000
Scrap/Waste/Obsolete/Surplus = 3% of Annual Merchandise Imports of Foreign Components	3.00%	\$3,000,000
x Average Foreign Parts/Material Customs Duty Rate	6.00%	\$180,000
<b>= FTZ SAVINGS</b>	\$180,000	\$180,000

	(Daily Entry)	(Weekly Entry)	
<b>Merchandise Processing Fee = Value of Imported Merchandise</b> <b>(Per CBPF 7501 Customs Entry)</b>  <b>x .21% Ad Valorem (Assumes the \$485.00 Maximum)</b>  <b>x Number of Customs Entries Filed Annually</b>  <p style="text-align: right;"><b>= EXPENSE</b></p>	<b>\$485</b>  <b>1,500</b>  <b>\$727,500</b>	<b>\$485</b>  <b>50</b>  <b>\$24,250</b>	
<b>= FTZ MPF SAVINGS</b>			<b>\$703,250</b>
<b>Customs Broker Entry Fee</b>  <b>x Number of Customs Entries Filed Annually</b>  <p style="text-align: right;"><b>= EXPENSE</b></p>	<b>\$100</b>  <b>1,500</b>  <b>150,000</b>	<b>\$100</b>  <b>50</b>  <b>\$5,000</b>	<b>\$100</b>  <b>0</b>
<b>= FTZ BROKERAGE FEE SAVINGS</b>			<b>\$145,000</b>
<b>State and Local Ad Valorem Taxation = Average On-Hand Imported Merchandise</b>  <b>x Tax Rate</b>  <p style="text-align: right;"><b>= FTZ TAX SAVINGS</b></p>		<b>\$25,000,000</b>  <b>1.00%</b>  <b>\$250,000</b>	<b>\$250,000</b>  <b>\$250,000</b>

## FTZ SAVINGS RECAP

<b>Inverted Duty</b>	<b>\$1,100,000</b>
<b>Cash Flow/Borrowings Reduction</b>	<b>\$1,500,000</b>
<b>Exports</b>	<b>\$980,000</b>
<b>Direct Delivery</b>	<b>\$273,973</b>
<b>Foreign vs. U.S. Production</b>	<b>\$4,900,000</b>
<b>Scrap/Waste/Obsolete/Surplus</b>	<b>\$180,000</b>
<b>Merchandise Processing Fee (Weekly Entry)</b>	<b>\$703,250</b>
<b>Customs Broker Entry Fee (Weekly Entry)</b>	<b>\$145,000</b>
<b>State and Local Ad Valorem Taxation</b>	<b>\$250,000</b>
<b>TOTAL FTZ SAVINGS</b>	<b>\$10,032,223</b>

# FTZ ADVANTAGES

- Cash Flow
- Exports
- Waste/Scrap/Defects/Damage/Obsolescence
- Inverted U.S. Customs Duty Savings
- Nondutiability of Labor, Overhead, and Profit
- Reduced Cycle Time
- Weekly Entries
- Harbor Maintenance Fee
- Taxation
- Production Machinery
- International Returns
- Country-of-Origin Marking/Labeling
- Security
- Antidumping/Countervailing duties
- Spare Parts
- U.S. Quota
- Quality Control
- Inventory Control
- Entireties Provision
- Exhibition
- Insurance Costs
- Zone-to-Zone Transfer
- Temporary Removal Procedure
- Compliance with Federal Laws
- Enterprise Zone Coordination
- Transfer of Title
- Record Identity Accounting
- No Time Limit
- Changing Circumstances
- Direct Delivery

# TYPES OF ZONES

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# TYPES OF FTZ APPLICATIONS/FILINGS

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- General-Purpose Zone
- Subzone
- Manufacturing Requests
- Expansion Applications
- Minor Boundary Modification Requests
- Scope Determinations

# BASIC REQUIREMENTS OF APPLICATION

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- General-Purpose Zone
  - 60 miles/90 minutes from Customs Port of Entry
  - Need for zone services
  - Warehousing only approval
  - For manufacturing, additional data required
  
- Special-Purpose Subzone
  - Operation cannot be accommodated at zone site
  - Operation demonstrates a clear public benefit (i.e., investment, jobs, import substitution, exports)
  - Operation is in the public interest

# BASIC REQUIREMENTS OF SUBZONE APPLICATION

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- Application Data Requirements
  - Company background
  - Product description
  - Industry background
  - Zone benefits to company
  - Public benefits
  - Impact on domestic industry
  - Use of public zone

# FTZ APPLICATIONS, SCOPE ISSUES AND EXPANSIONS

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- Scope of Authority and Expansions
  - Existing Subzones
    - Review approved:
      - Number of buildings
      - Square feet
      - Acres
      - HTSUS Scope of Authority
    - Compare with any possible expansions

# Alternative Site Framework

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# Key Points

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- Goal for Alternative Site Framework (ASF): Improve grantees' ability to bring competitiveness benefits of FTZs to broad range of companies.
- FTZ Staff consulted with grantees and others to develop zone-site management option that is flexible (for users), focused (for oversight purposes), and predictable (for everyone's benefit).
- A zone's approval for a new ASF "plan" involves a public process to enable future site designations (via simplified FTZ Staff minor boundary modification process) across a broad geographic area served by the zone.

# Key Points

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- ASF framework modifies current practice only where necessary for flexibility, focus, and predictability.
- As under traditional framework, FTZ space can only be designated or modified through FTZ Board or FTZ staff action (with concurrence of CBP Port Director).
- ASF participation starts with grantee's application for FTZ Board action to reorganize zone under ASF.
- Framework is a “package deal” – grantee would either manage its zone sites under traditional framework or opt for ASF framework in its entirety.

# Terms and Concepts

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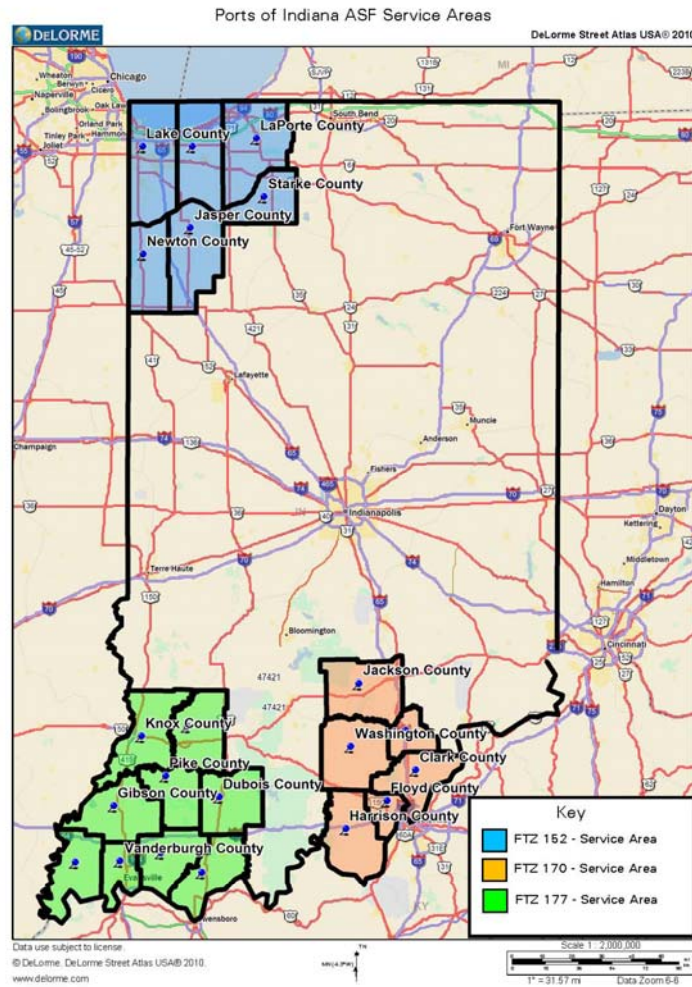
- “Service Area” is the geographic area where grantee intends to propose general-purpose FTZ sites.
  - Most commonly will be specific counties.
  - The reason to define Service Area up front is to eliminate need for full FTZ Board processes (Federal Register notices, public comment periods, etc.) when new potential zone users appear and need FTZ designation quickly.
  - Defining Service Area is not primarily about establishing exclusive territorial jurisdictions (particularly since areas “adjacent” to different CBP ports of entry may overlap).
  - Additional considerations will be discussed later.

# ASF Service Area

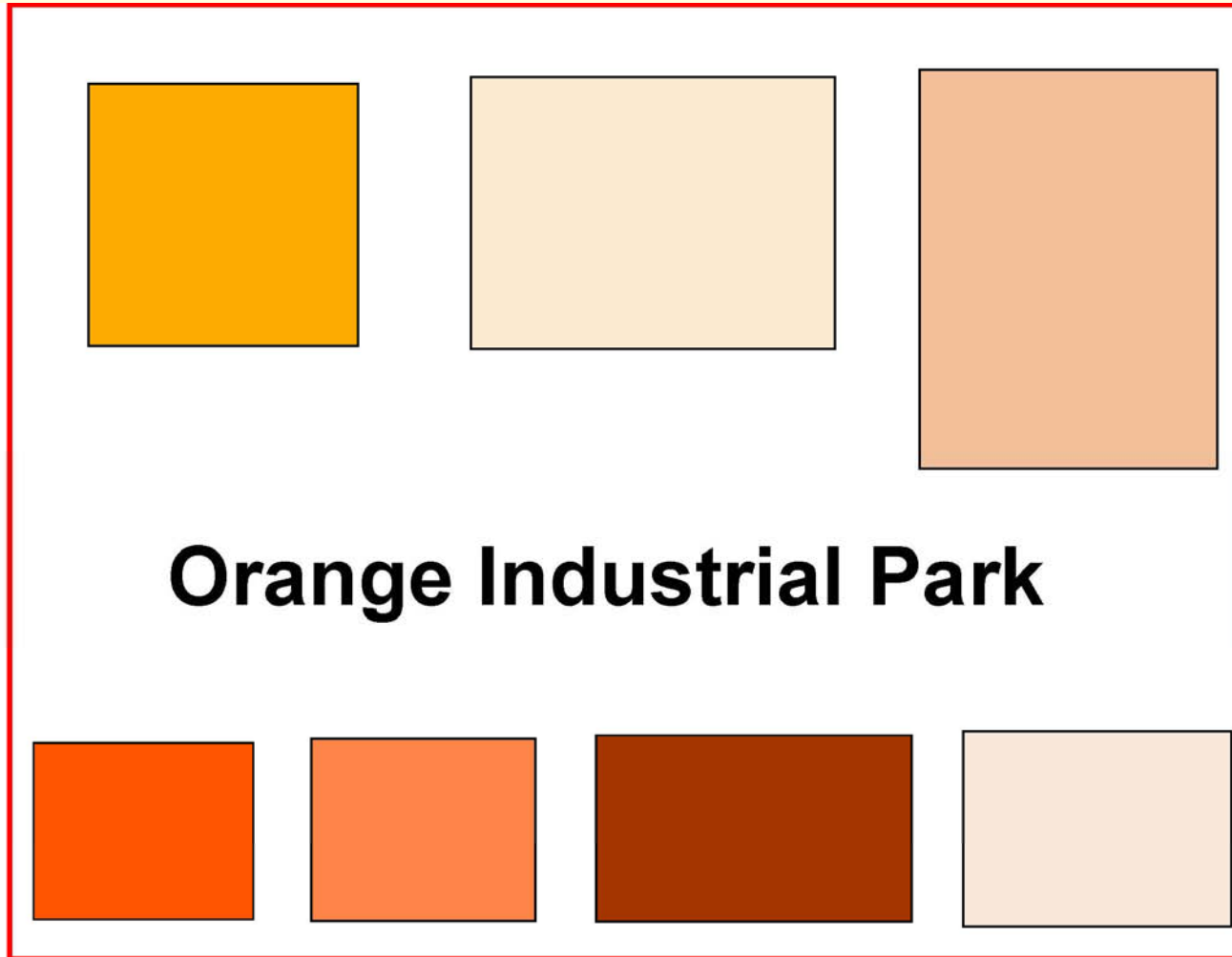
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- FTZ 152 – Service Area
  - Lake, Porter, La Porte, Newton, Jasper and Starke Counties, Indiana
- FTZ 170 – Service Area
  - Jackson, Washington, Harrison, Floyd, Clark and Scott Counties, Indiana
- FTZ 177 – Service Area
  - Vanderburgh, Dubois, Pike, Gibson, Knox, Daviess, Spencer, Warrick and Posey Counties, Indiana

# ASF Service Area



# Example of Magnet Site



# “Magnet” Site

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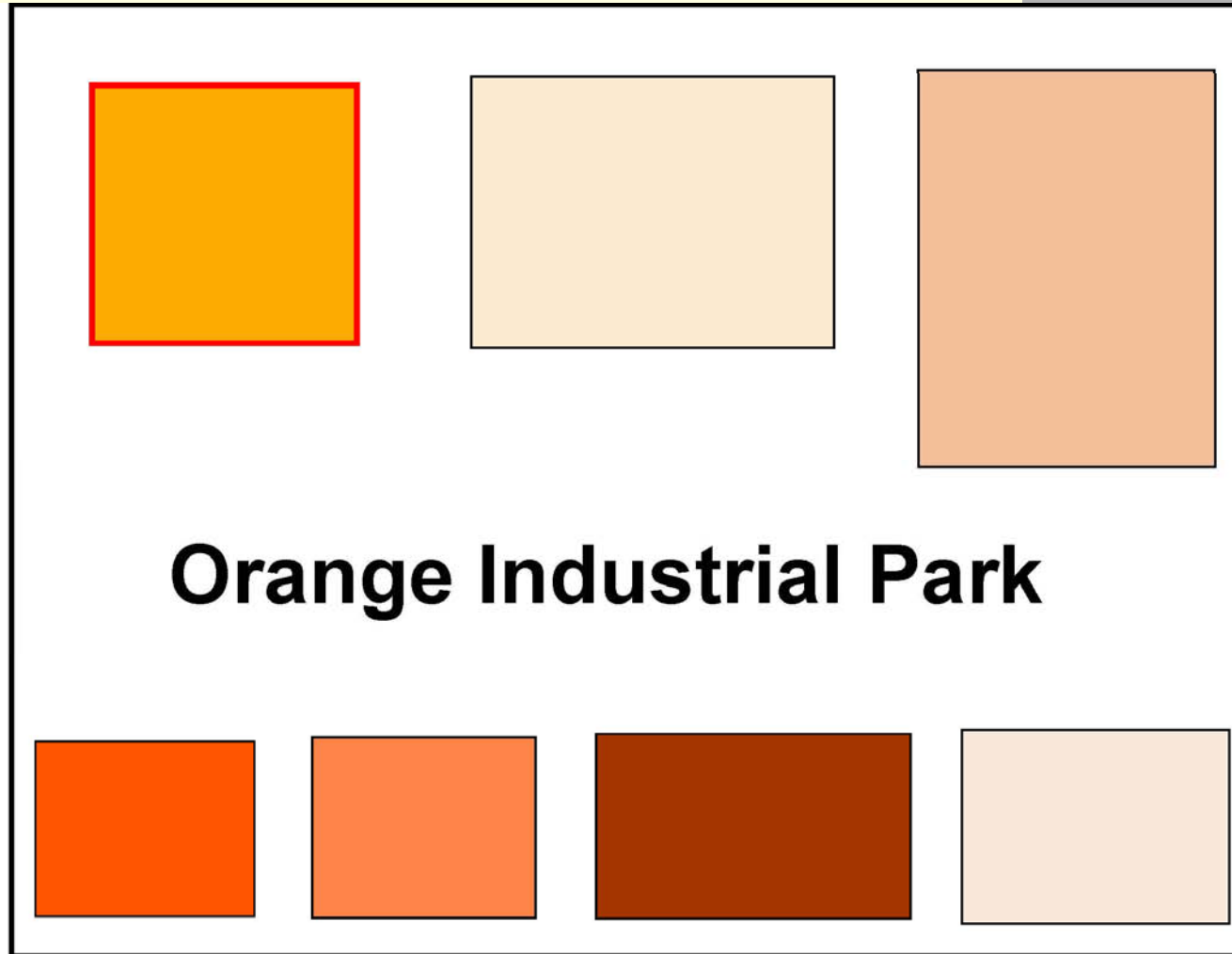
- A “Magnet” site is one selected by grantee based on ability to attract multiple potential FTZ operators/users.
  - Designated only via FTZ Board (Customs ITA/Treasury review) action.
  - Similar to traditional FTZ site (industrial park, port facility, etc.) designated in advance – essentially speculatively – to attempt to draw FTZ operators/users.

# “Usage-Driven” Site

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- A “Usage-Driven” site is designated for a company ready to pursue conducting FTZ activity.
  - Can be designated via simplified boundary modification.
  - Designation tied to the specific company and limited to the space needed by the company.
  - Under ASF, site is general-purpose if adjacent space has potential for future FTZ use.

# Example of a Usage-Driven Site



# Activation Limit

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- “Activation Limit” is cap on amount of space that can simultaneously be in CBP “activated” status.
  - 2,000-acre activation limit for each zone has long been standard FTZ Board practice.
  - Under ASF, the 2,000-acre activation limit is allotted to individual sites (creating site-specific activation limits).

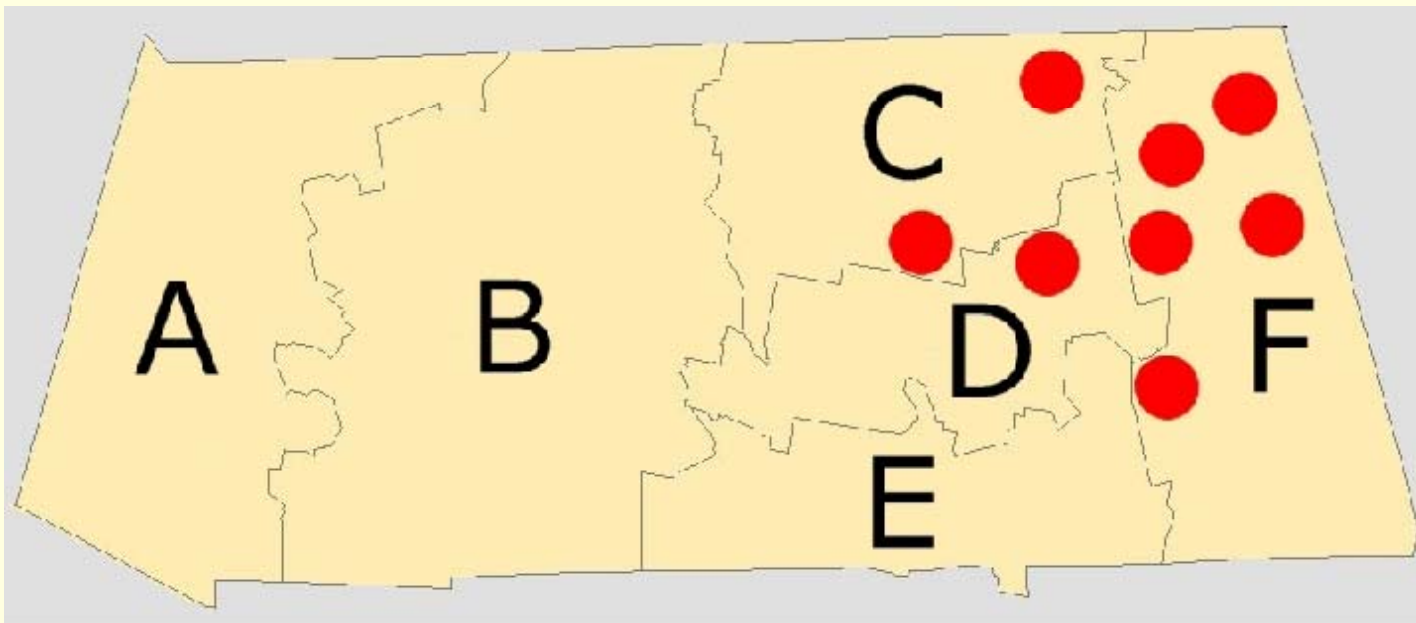
# Sunset Provision

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- Ongoing “Sunset” limits remove unused sites.
  - Standard five-year sunset period for Magnet sites (applicant can request longer on case-specific basis).
    - Activation
  - Three-year sunset period for all Usage-Driven sites.
    - Activity required – (Zone Admission)
- Activation/activity during any period serves to reset the sunset deadline by an additional five years (Magnet) or three years (Usage-Driven).

# Alternative Site Framework

EXAMPLE: Region has an existing FTZ grantee with eight current general-purpose sites in three counties.



# Alternative Site Framework

Site No.	Name and Address	Acreage w/in Boundaries	Activation Limit
1	134 E. Salmon Street	1,600	200
2	548 W. Peach Parkway	285	150
3	5485 Apricot Avenue	52	50
4	12000 S. Coral Circle	120	100
5	72800 Desert Drive	345	200

**Allot parts of overall 2,000-acre activation limit in specific amounts to each proposed site.** The remainder of 2,000-acre activation limit would then be in “reserve” and available for allotment to future sites within Service Area.

# Opportunities & Benefits of ASF Intended & Unintended

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- For Companies
  - Warehousing/Distribution in 30 days
  - Manufacturing under T/IM in 75 days
  - No filing fee
  - Possible production equipment benefit
  - Lower cost entry for companies
    - Free or \$1600 vs. \$6500 for Subzone
    - Costs of Application preparation
    - Simplifies information gathering process

# INFORMATION REQUIRED FOR USAGE-DRIVEN APPLICATION

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1. **Address.** Provide the address of the facility.
2. **Acreage.** Provide the total number of acres of the facility, including any outside land that should be included for potential outside storage in a fenced area.
3. **Company Name & Activity Description.** Include the full company name. Provide a descriptive summary of activities that will occur at the site, including warehousing, packaging, testing, repairs, kitting, manufacturing, and distribution operations and the type of products.
4. **Type of Land.** Is the company located in an industrial park or business district? Yes or No. If yes, please provide the name of the industrial park or business district.

# INFORMATION REQUIRED FOR USAGE-DRIVEN APPLICATION

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5. **Zoning.** Provide the name of the local property zoning designation.
  
6. **Property Owner/Operator Letter.** Provide the name of the property owner. Provide a property owner concurrence letter. Alternately, provide a letter from the operator attesting to its right to use the property as a foreign-trade zone operator.
  
7. **Legal Description.** Provide a legal description of the property (metes and bounds or property ID number). The address of the government office where the legal description can be verified should be provided on the legal description document.

# INFORMATION REQUIRED FOR USAGE-DRIVEN APPLICATION

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- 8. Site Plan.** Provide a site plan of the boundaries of the property that will be designated as a foreign-trade zone. This boundary should be highlighted in a red outline, as required by the Foreign-Trade Zones Board. This site plan should also include sufficient detail to show surrounding street names that are clearly marked. Any other reference points are important. The red outlined area should include an acreage total that matches the acreage total provided. It should also match the legal description provided.

# Opportunities & Benefits of ASF Intended & Unintended

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- For U.S. Customs and Border Protection
  - Clarifies General-Purpose Zone Boundaries
- For Grantee
  - Predictability of Defined Area
  - New marketing opportunities with emphasis on exports
  - Increased local understanding through County process.
- For Property Owner
  - Extends existing time limits on sites

# Alternative Site Framework Applications Filed at the Foreign-Trade Zones Board

Docket	Board Order	Approved	FTZ Number	City & State
Docket 27-2009	Board Order No. 1659	1/15/2010	FTZ 234	Gregg County, Texas
Docket 28-2009	Board Order No. 1668	2/23/2010	FTZ 260	Lubbock, Texas
Docket 29-2009	Board Order No. 1660	1/15/2010	FTZ 39	Dallas/Fort Worth, Texas
Docket 31-2009	Board Order No. 1697	7/8/2010	FTZ 54	Clinton County, New York
Docket 33-2009	Board Order No. 1661	2/5/2010	FTZ 274	Butte-Silver Bow, Montana
Docket 43-2009	Board Order No. 1685	6/4/2010	FTZ 174	Tucson, Arizona
Docket 45-2009	Board Order No. 1696	7/8/2010	FTZ 17	Kansas City, Kansas
Docket 47-2009	Board Order No. 1694	7/8/2010	FTZ 121	Albany, New York
Docket 51-2009	Board Order No. 1680	5/13/10	FTZ 37	Orange County, New York
Docket 58-2009	Board Order No. 1678	5/13/10	FTZ 2	New Orleans, Louisiana
Docket 1-2010		Pending	FTZ 176	Rockford, Illinois
Docket 4-2010		Pending	FTZ 113	Ellis County, Texas

# Alternative Site Framework Applications Filed at the Foreign-Trade Zones Board

Docket	Board Order	Approved	FTZ Number	City & State
Docket 12-2010		Pending	FTZ 170	Jeffersonville, Indiana
Docket 18-2010		Pending	FTZ 196	Fort Worth, Texas
Docket 22-2010		Pending	FTZ 26	Atlanta, Georgia
Docket 24-2010		Pending	FTZ 75	Phoenix, Arizona
Docket 25-2010		Pending	FTZ 144	Brunswick, Georgia
Docket 26-2010		Pending	FTZ 126	Reno, Nevada
Docket 27-2010		Pending	FTZ 177	Evansville, Indiana
Docket 29-2010		Pending	FTZ 125	South Bend, Indiana
Docket 30-2010		Pending	FTZ 5	Seattle, Washington
Docket 32-2010		Pending	FTZ 152	Burns Harbor, Indiana
Docket 33-2010		Pending	FTZ 22	Chicago, Illinois

# Alternative Site Framework Applications Filed at the Foreign-Trade Zones Board

Docket	Board Order	Approved	FTZ Number	City & State
Docket 34-2010		Pending	FTZ 14	Little Rock, Arkansas
Docket 37-2010		Pending	FTZ 38	Spartanburg County, South Carolina
Docket 39-2010		Pending	FTZ 3	San Francisco, California
Docket 41-2010		Pending	FTZ 46	Cincinnati, Ohio
Docket 45-2010		Pending	FTZ 244	Riverside County, California

# Activation Process

Once a company locates in a zone site, it is in a “designated” site. Any individual company must still “activate” with local U.S. Customs and Border Protection to use the FTZ program.

# FTZ ACTIVATION PROCESS

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- 19 C.F.R. § 146.6
- FTZ Operations Manual
- Site Plan
- Purpose of Activation/  
Manufacturing Authority
- Grantee Concurrence
- Background Investigation
- Cargo Security Review
- FTZ Operator's Bond

# APPLICATION FOR ACTIVATION

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- Site Plans
  - A legal description and site plan detailing the area for which activation is requested.
- Purpose of Activation
  - A description of the proposed zone activity.
- Procedures Manual
  - A manual that describes how the zone operation will be conducted.

# APPLICATION FOR ACTIVATION

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- Concurrence of Grantee Organization
  - A letter from the Grantee organization that acknowledges the activation of the operator.
- Background Investigation
  - Certain information on key employees must be submitted for Customs to conduct background investigations.
- Security Inspection
  - A description of the security features of a zone operation.

# APPLICATION FOR ACTIVATION

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- FTZ Operator's Bond
  - A discussion of the required Foreign-Trade Zone Operator's Bond and justification for its approval.
- FIRMS Code
  - Customs must be requested to assign a Facilities Information Resource Management System (FIRMS) Code Upon approval of the activation.

# APPLICATION FOR ACTIVATION

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- Authority to Manufacture (if applicable)
  - A description of the manufacturing process, if manufacturing will occur.
- Statistical Reporting
  - Certain data is required by the Bureau of Census.
- Zone Inventory Management
  - A description of how the merchandise will be tracked as foreign-trade zone inventory.

# APPLICATION FOR ACTIVATION

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- Automated Commercial System Commitment
  - A commitment for establishment of an electronic interface with Customs through the Automated Commercial System (ACS) must be made.
- Request for Specific Authorities
  - There are specific authorities or options that may be requested of Customs, such as the ability to break and affix Customs seals by the Operator, yearly blanket admission authorization, direct delivery and weekly entry.

# Temporary/Interim Manufacturing Authority

This is an extra incentive for a manufacturer to locate in Indiana industrial park zone sites.

# Background

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- Department of Commerce initiative to reduce program costs for small/medium manufacturers (SMMs)
- FTZ Staff directed to benchmark U.S. program with similar programs and procedures abroad
- Researched programs in 77 countries
- Main finding: Some countries provide SMMs with quicker and simpler access to zone procedures

# Temporary/Interim Manufacturing (T/IM) Authority

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- FTZ Board delegates authority to Executive Secretary to approve T/IM cases in certain circumstances
- Applies to any FTZ space (zone or subzone) already existing at time T/IM application is submitted
- T/IM authority for up to two years; non-renewable
- Can make application for permanent authority during T/IM period (incl. simultaneous with T/IM application)

# T/IM Authority

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- Goals for T/IM case processing:
  - 15 day pre-docketing period
  - 75 day processing period from docketing
- 30 day public comment period
- Threshold (pre-filing) requirement to show “eligibility”

# T/IM Applications to Date

Docket No.	Company Name (City, State)	Industry	Zone No.	Date Filed	Date Approved
T-1-2005	Shell Chemicals Yabucoa, Inc. Yabucoa, Puerto Rico)	Petroleum	61I	2/11/2005	4/11/2005
T-2-2005	Southeastern New England Shipbuilding Corporation (Kingstown, Rhode Island)	Shipbuilding	105	3/25/2005	6/8/2005
T-3-2005	Brother Industries (U.S.A.) Inc. (Bartlett, Tennessee)	Toner Cartridges	77B	9/29/2005	12/9/2005
T-4-2005	Perkins Shibaura Engines, LLC (Griffin, Georgia)	Compact Diesel Engines	26	12/8/2005	2/21/2006
T-1-2006	E.I. du Pont de Nemours and Company, Inc. (La Porte, Texas)	Crop Protection	84C	3/24/2006	6/6/2006
T-2-2006	TKD Industries, Inc. (Ronkonkoma, New York)	Cosmetic Kitting	52	6/20/2006	7/31/2006

# T/IM Applications to Date

Docket No.	Company Name (City, State)	Industry	Zone No.	Date Filed	Date Approved
T-3-2006	Norvanco International Inc./ Panasonic Consumer Electronics Co. (Sumner, Washington)	Home Theater Systems	86	9/26/2006	11/6/2006
T-4-2006	Arvin Meritor, Inc. (Montgomery, Alabama)	Automotive Parts	222	10/20/2006	12/1/2006
T-5-2006	Motorola, Inc. (Fort Worth, Texas)	Mobile Phone Kitting	196	11/28/2006	2/20/2007
T-1-2007	Kittel Supplier USA, Inc. (Duncan, South Carolina)	Automotive Parts	38	3/12/2007	5/04/2007
T-2-2007	Perkins Shibaura Engines LLC (Griffin, Georgia)	Compact Diesel Engines	26	4/24/2007	7/09/2007
T-3-2007	Merck Sharpe & Dohme Quimica De Puerto Rico, Inc. (Caguas, Puerto Rico)	Pharmaceutical Products	7	5/10/2007	7/23/2007
T-4-2007	ZF Lemforder Corporation (Duncan, South Carolina)	Automotive Suspension Systems	38	9/26/2007	12/10/2007

# T/IM Applications to Date

Docket No.	Company Name (City, State)	Industry	Zone No.	Date Filed	Date Approved
T-5-2007	Kittel Supplier USA, Inc. (Duncan, South Carolina)	Automotive Parts	38	10/26/2007	1/07/2008
T-1-2008	Tampa Bay Shipbuilding and Repair Company	Shipbuilding	79	04/08/2008	05/29/2008
T-2-2008	KIA Motors Manufacturing Georgia, Inc.	Motor Vehicles	26	05/07/2008	Review Terminated
T-4-2008	CNH America, LLC	Construction Equipment	267	09/30/2008	12/04/2008
T-5-2008	Excalibar Minerals LLC	Barite Milling	122	11/20/2008	02/05/2009
T-1-2009	Volkswagen Group of America Chattanooga Operations, LLC	Motor Vehicles	134	07/10/2009	Review Terminated
T-1-2010	LG Electronics MobileComm USA, Inc.	Cell Phones	22	01/13/2010	Pending

# T/IM Applications to Date

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- Average processing time = 62.5 days
- T/IM Applications have been submitted for:
  - 4 Special-purpose subzones
  - 16 General-purpose zones

# Eligibility for T/IM Consideration

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- Eligibility based on database of select inputs and finished products from preceding five years' cases
- T/IM applications limited to 30 inputs and 10 finished products from database

# Eligibility for T/IM Consideration

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- Non-controversial
- T/IM applications use:
  - Six-digit HTSUS specificity or
  - Four-digit HTSUS and “similar” to already approved activity
  - Input-finished product combinations in database

# CONTACT INFORMATION

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