

How to Determine Savings via the US Foreign Trade Zones Program

ATCC 2026 Conference



AGENDA

1 FTZ PROGRAM OVERVIEW



2 INFORMATION NEEDED FOR ANALYSIS



3 COSTS OF FTZ SETUP & OPERATION



4 CALCULATING SAVINGS



5 SAVINGS EXAMPLES



6 GROWTH OF FTZ USAGES



7 FTZ IMPLEMENTATION TIMELINE



TOPICS



FTZ Program Overview

Who

- The Foreign-Trade Zone Board, an independent agency, housed within the U.S. Department of Commerce

- Comprised of the Secretaries of Commerce and Treasury.

FTZ Board Staff

- ✓ Executive Secretary
- ✓ 5 Examiners

What

- An FTZ is a designated & secured location that is inside the United States borders, but is “outside the Commerce of the United States.”
- Companies can use special procedures that help encourage U.S. activity and Value-Added activities in competition with foreign alternatives.

Where

All 50 states + Puerto Rico have at least 1 FTZ & most have many more.

No. of Zone Sites

1. Texas	45
2. Louisiana	19
3. South Carolina	19
4. Puerto Rico	17
5. Illinois	15

When

The Foreign Trade Zone Act 1934 - Pres. FDR's New Deal Legislation

1936: FTZ No. 1 NYC

1950: Act amended to allow manufacturing

1953: 1st Subzone San Francisco

1977: General Motors becomes the 1st auto plant

1980: Duty on Foreign content only

1988: Act amended for Petroleum Production

2000: Weekly Entry for all Zones

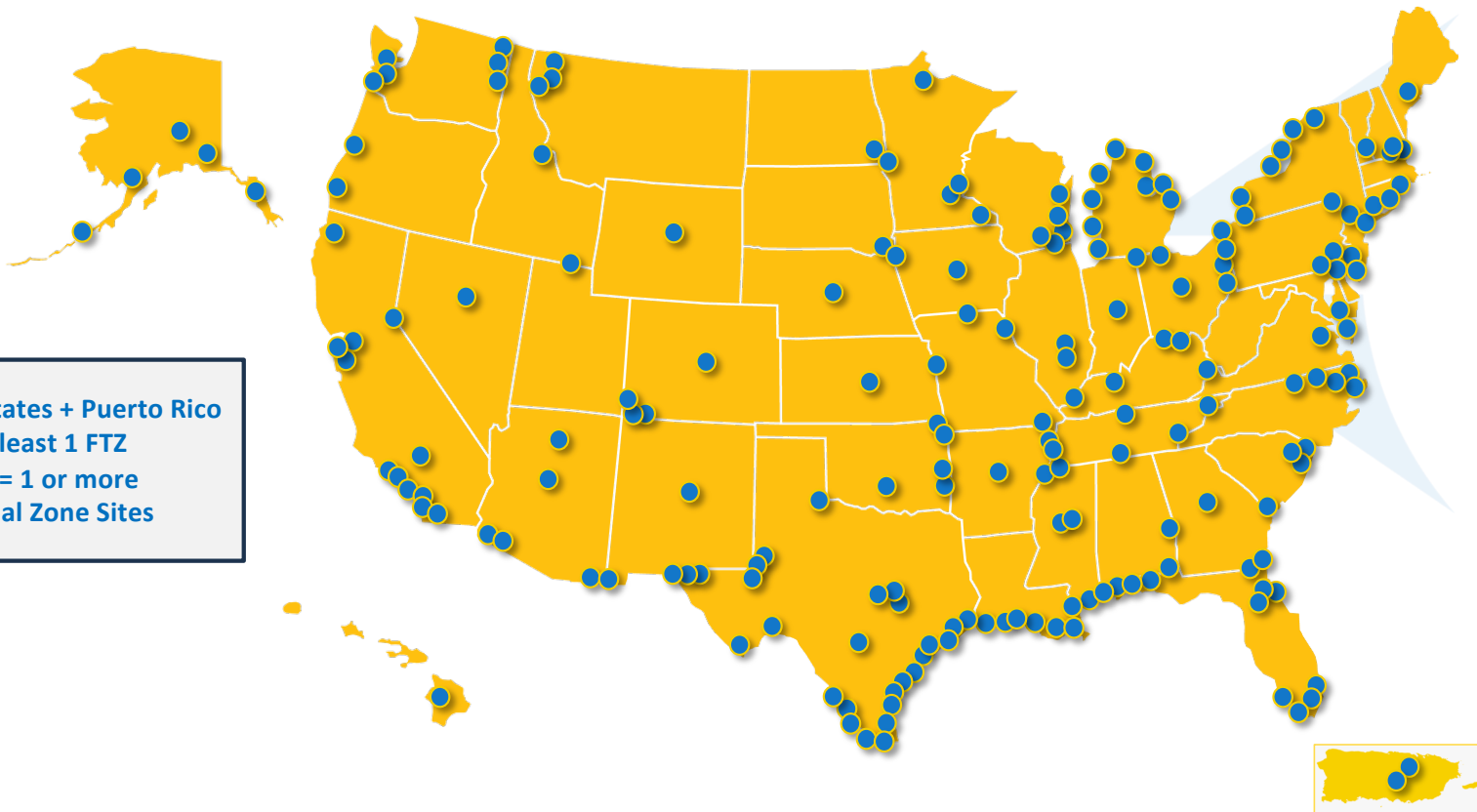
Why

- For every job created at a company operating under Zone Procedures an additional 3 jobs are created in the community in which they locate.
Direct: 500,000
Indirect: 1,500,000
- Investments in facilities & infrastructure are made in the U.S. as opposed to overseas.

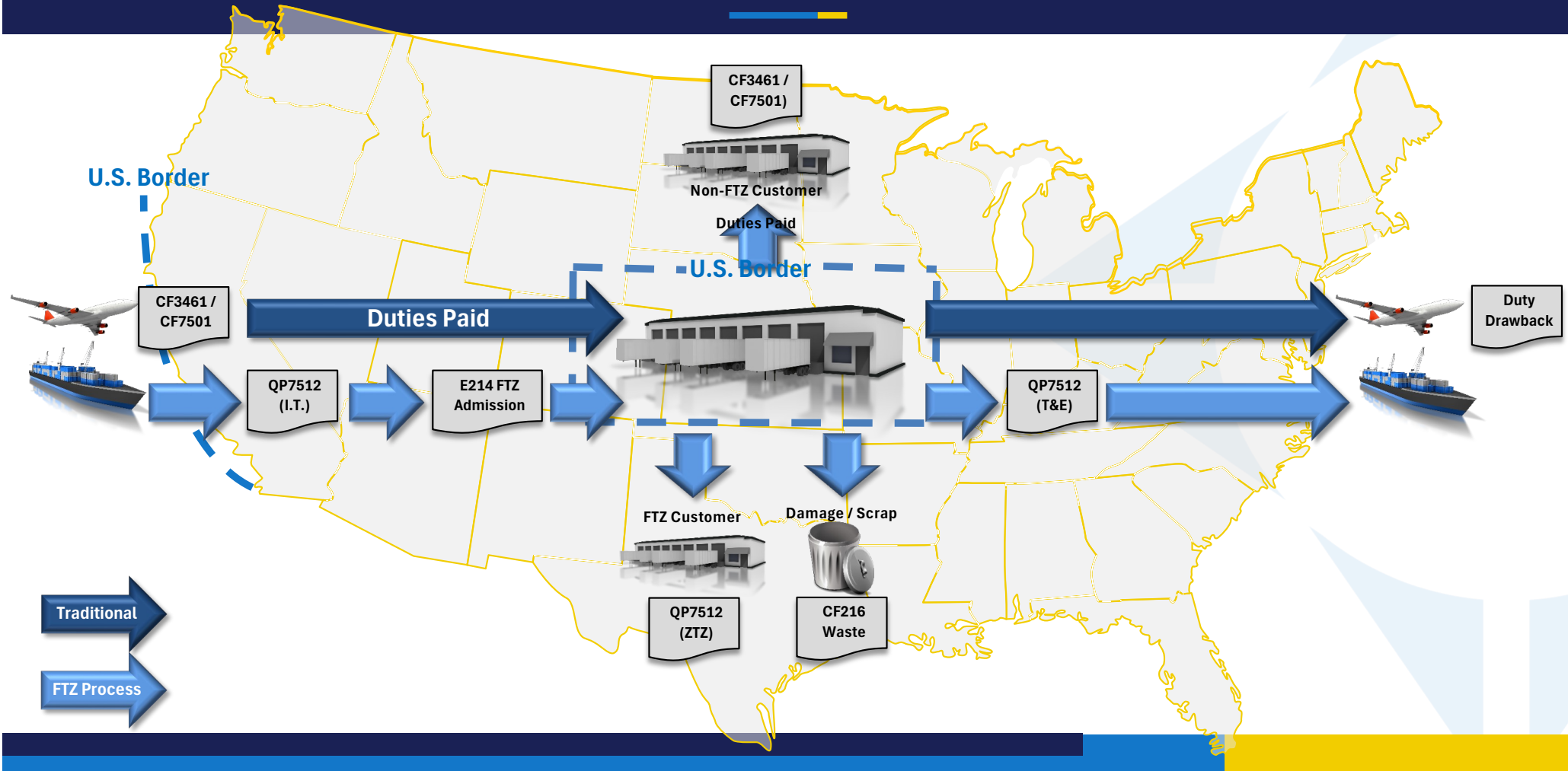
FTZ Program Overview

Where are the FTZ?

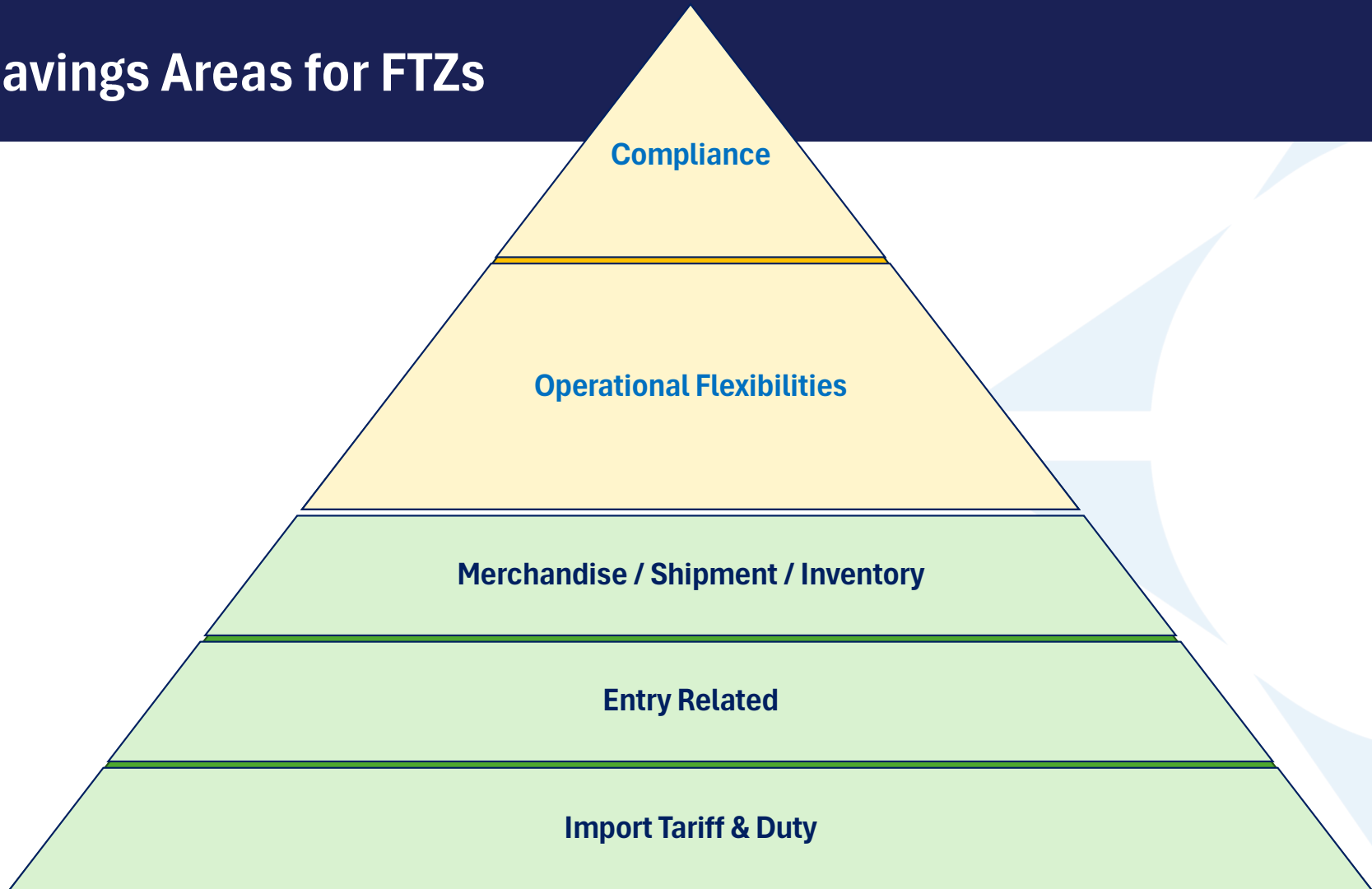
- All 50 States + Puerto Rico have at least 1 FTZ
- Each ● = 1 or more individual Zone Sites



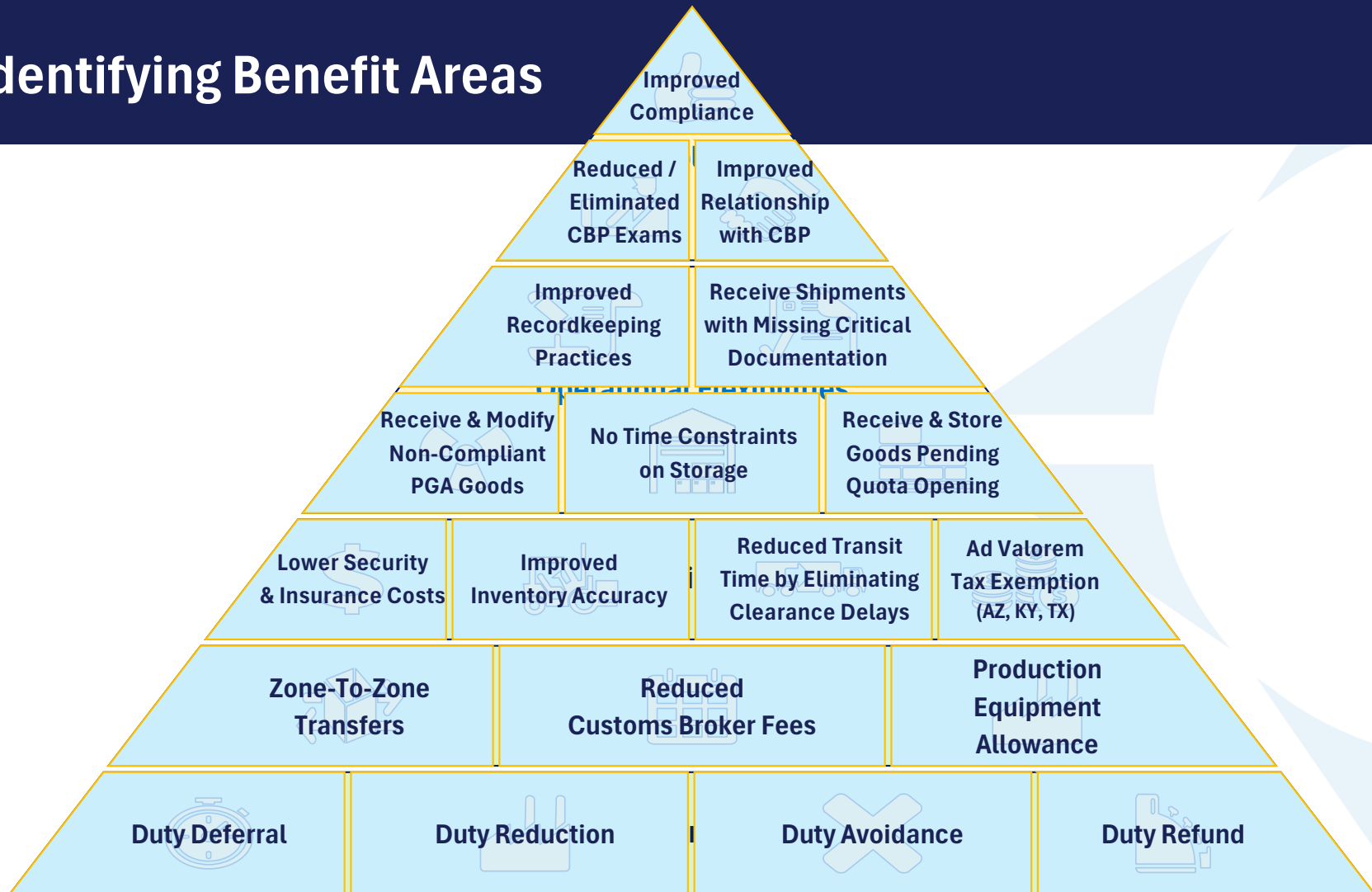
Traditional Clearance vs. FTZ Reporting



Savings Areas for FTZs



Identifying Benefit Areas



Consumption Entry Information Needed

- **Entry Summary Line-Item Details**
- **Time period: Most Recent 12-Months**
- **Data Sources: ACE Portal or CHB report**

Required for Analysis

- | | |
|---------------------|-----------------------------------|
| ✓ Entry Number | ✓ ADD/CVD Duty Paid |
| ✓ Entry Date | ✓ 232/301 Duty Paid |
| ✓ Entry Line Number | ✓ Provisional Tariffs Paid |
| ✓ Entered Value | ✓ Merchandise Processing Fee Paid |
| ✓ Col. 1 Duty Paid | ✓ Harbor Maintenance Fee Paid |

Helpful for Analysis

- | | |
|---------------|-----------------------|
| ✓ HTS Numbers | ✓ Countries of Origin |
| ✓ SPI Code | ✓ Mode of Transport |



Customs Brokerage Information Needed


1. What is the Total Annual Volume of Consumption Entries filed by **ALL Customs Brokers** on the company's behalf?

2. What is / are the **CHB Entry-Related Fees charged** per Entry filed?

- ✓ Entry Fee (\$50 to \$150+)
- ✓ Classification Fee (\$5.00 to \$25.00+)
- ✓ Additional Invoice Fee (\$5 to \$25)
- ✓ Additional Line Fee (\$1.50 to \$5.00)
- ✓ Duty Disbursement Fee (\$15 to \$50+)
- ✓ Bond Fee (\$100+)
- ✓ Consolidated Entry Fee (% of Savings)
- ✓ Entry Packet Fee / Copying (\$25+)
- ✓ PGA Filing Fee (\$25+)
- ✓ Special Handling Fee
- ✓ Expedited Processing Fee
- ✓ Entry Complexity Fee
- ✓ Overtime Fee



Operational Information Needed

1. What is the Number of **Inventory Turns** annually at the facility?
2. What is the **Inventory Accuracy** taken during Cycle Counts / Physical Inventories?
3. Is there an established **Inventory Shrinkage** factor utilized?
4. Does the company sell its products to customers located **outside the USA**?
 - ✓ If yes, what percentage of Total Sales do these sales equal?
5. Is any imported merchandise **changed / converted** by manufacturing, kitting, assembly, etc? 
 - ✓ What is (are) the duty rate(s) of the finished good(s) if the company were to import that as opposed to the miscellaneous components / raw materials?
6. What is the **Estimated Loss Percentage** of Imported Merchandise due to:
 - ✓ Shipping Damage
 - ✓ Damage in Inventory
 - ✓ Supplier Quality Issues
 - ✓ Waste & Scrap
 - ✓ Production Repair or Rework
 - ✓ Pre-production Samples
 - ✓ Other Handling Processes resulting in product loss
 - ✓ Destruction / disposal due to product Excess, obsolescence, or expiration
 - ✓ Residual, unusable product remaining in shipment packaging (drums, jugs, super sacks, etc.)
7. What **Interest Rate** does the company use for Cost of Capital?

Costs of Setting Up & Operating as an FTZ

	Year 1 (Non-Recurring)	Years 2+ (Recurring)
Consulting Fees	Distribution Only Site \$40,000 to \$60,000 Production Site \$50,000 to \$150,000	Annual Review / Audit \$0 to \$25,000
Grantee Fees	Application Fee \$0 to \$25,000 Activation Fee \$0 to \$25,000	Operating Fee \$10,000 to \$25,000
FTZ Board Fees	Application Fee (TSF) \$4,000 to \$6,500	\$0
CBP Fees	\$0	\$0
Security Enhancements	\$0 to ???	
FTZ Inventory Control System	Setup & Configuration \$20,000 to \$75,000	License Fee \$25,000 to \$100,000+
FTZ Operator's Bond	\$250 to \$1,500	\$250 to \$1,500
FTZ Headcount	\$0	\$40,000 to \$125,000
FTZ Managed Services	\$0	\$75,000 to \$300,000+
Total Fees & Costs	\$64,250 to \$283,500	\$75,250 to \$451,500+

Methods of Calculating the Savings

Option 1: “Break Through” – Does the anticipated savings exceed the expected costs of setup & operation?

- ✓ Annual Import Duty Expense = \$5,000,000
- ✓ Export Sales = 20%
- ✓ FTZ Approval & Setup Time = 6 months



Annual Import Duty Expense

Annual Export Sales

Est. Duty Savings

Est. Annual Cost (max.)

Net Annual Savings

10-yr Projected Savings

	Year 1 (6 mos.)	Years 2+
Annual Import Duty Expense	\$2,500,000	\$5,000,000
Annual Export Sales	10%	20%
Est. Duty Savings	\$250,000	\$1,000,000
Est. Annual Cost (max.)	-\$283,500	-\$451,500
Net Annual Savings	(\$33,500)	\$548,500
10-yr Projected Savings		\$5.49 mil.

Methods of Calculating the Savings

Option 2: Detailed Review

No	Entry No	Entry Line	Entry Type	Entry Dt	C/E	C/O	SPI	MOT	MID	HTS Nbr	Duty Rate	Entered Value	Summed Total Duty (Col. 1)	Summed Sec 232 Duty	Grand Total Duty	MPF	HMF
1	SCS30372008	1	01	01-Jan-19	SE	SE		21		4016996050		\$5,268.00	\$131.70		\$131.70	\$28.22	\$0.00
2	SCS30382783	1	01	01-Jan-19	SE	IN		21		4007000000		\$9,979.00	\$0.00		\$0.00	\$90.84	\$0.00
3	SCS30382783	2	01	01-Jan-19	SE	SE		21		8474900010		\$7,182.00	\$0.00		\$0.00		\$0.00
4	SCS30382783	3	01	01-Jan-19	SE	SE		21		4016996050		\$4,698.00	\$41.65		\$41.65		\$0.00
5	SCS30382783	4	01	01-Jan-19	SE	SE		21		4016996050		\$4,698.00	\$41.65		\$41.65		\$0.00
6	SCS30402037	1	01	01-Jan-19	FI	FI		11		8474900020		\$12,422.00	\$0.00		\$0.00	\$222.78	\$80.39
7	SCS30402037	2	01	01-Jan-19	FI	FI		11		8474900020		\$12,422.00	\$0.00		\$0.00	\$222.78	\$80.39
8	SCS30402037	3	01	01-Jan-19	FI	FI		11		8474900020		\$13,692.00	\$0.00		\$0.00	\$222.78	\$80.39
9	SCS30402474	1	01	01-Jan-19	FI	FI		11		8474900020		\$9,000.00	\$0.00		\$0.00	\$31.18	\$11.25
10	SCS30402581	1	01	01-Jan-19	FI	FI		11		8474900020		\$73,452.00	\$0.00		\$0.00	\$254.44	\$91.82
11	SCS30402805	1	01	01-Jan-19	CZ	CZ		11		8474900020		\$29,572.00	\$0.00		\$0.00	\$164.83	\$59.48
12	SCS30402805	2	01	01-Jan-19	CZ	CZ		11		8474900020		\$18,010.00	\$0.00		\$0.00		\$0.00
13	10194964144	1	01	01-Jan-19	CN	CN		11		99038801		\$0.00	\$0.00	\$8,313.00	\$0.00	\$0.00	\$0.00
14	10194964144	1	01	01-Jan-19	SE	SE		11		8474900020		\$33,252.00	\$0.00		\$0.00	\$115.18	\$41.57
15	30046292785	1	11	02-Jan-19	FI	FI		40		8474900020		\$1,535.00	\$0.00		\$0.00	\$2.10	\$0.00
16	30067958256	1	01	02-Jan-19	CA	CA		30		8474900020		\$44,000.00	\$0.00		\$0.00	\$0.00	\$0.00
17	SCS28623404	1	01	02-Jan-19	BR	BR		40		8483300090		\$23,111.00	\$20,029.80		\$1,039.99	\$175.04	\$63.17
18	SCS28623404	2	01	02-Jan-19	BR	BR		40		8474900020		\$20,269.00	\$0.00		\$912.11		\$0.00
19	SCS28623404	3	01	02-Jan-19	BR	BR		40		8474900020		\$7,151.00	\$0.00		\$0.00		\$0.00
20	SCS30465455	1	11	02-Jan-19	BR	BR		40		8474900020		\$515.00	\$0.00		\$0.00	\$2.10	\$0.00
21	SCS30465455	2	11	02-Jan-19	BR	BR		40		8483300090		\$832.00	\$37.44		\$37.44		\$0.00
22	SCS30467642	1	01	02-Jan-19	SE	SE		11		8474900020		\$8,220.00	\$0.00		\$0.00	\$55.77	\$20.14
23	SCS30467642	2	01	02-Jan-19	SE	SE		11		8479909496		\$705.00	\$0.00		\$0.00		\$0.00
24	SCS30467642	3	01	02-Jan-19	SE	CN		11		99038801		\$1,135.00	\$283.75		\$283.75		\$0.00
25	SCS30467642	3	01	02-Jan-19	SE	CN		11		8479909496		\$0.00	\$0.00		\$0.00		\$0.00
26	SCS30467642	4	01	01-Jan-19	SE	SE		11		8474900020		\$1,880.00	\$0.00		\$0.00		\$0.00
27	SCS30467642	5	01	01-Jan-19	SE	SE		11		8474900020		\$1,200.00	\$0.00		\$0.00		\$0.00
28	SCS30467642	6	01	02-Jan-19	SE	SE		11		8474900020		\$1,200.00	\$0.00		\$0.00		\$0.00
29	SCS30489671	1	01	02-Jan-19	DE	DE		11		8479909496		\$420.00	\$0.00		\$0.00	\$26.22	\$6.45
30	SCS30489671	2	01	02-Jan-19	DE	DE		11		8479909496		\$0.00	\$0.00		\$0.00		\$0.00
31	SCS30489671	3	01	01-Jan-19	DE	DE		11		8479909496		\$0.00	\$0.00		\$0.00		\$0.00
32	SCS30489671	4	01	01-Jan-19	DE	DE		11		8479909496		\$0.00	\$0.00		\$0.00		\$0.00
33	SCS30502000	1	01	02-Jan-19	FI	EE		11		8474900020		\$2,883.00	\$0.00		\$0.00	\$508.70	\$253.90
34	SCS30502000	2	01	02-Jan-19	FI	EE		11		8474900020		\$2,883.00	\$0.00		\$0.00		\$0.00

12 Months Totals

Entered / Imported Value \$104,994,582

Import Duty Paid \$631,755

Provisional Duties Paid \$3,258,180

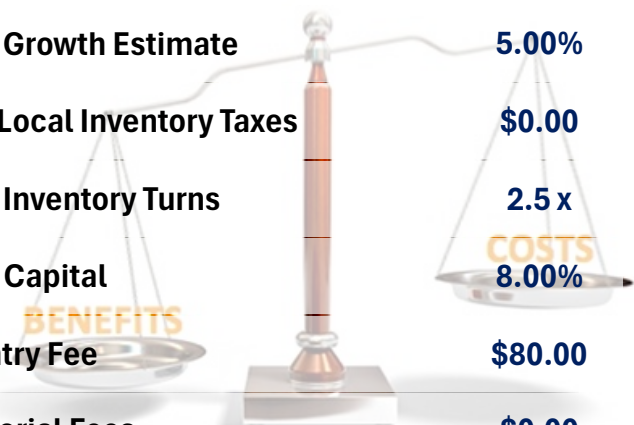
Total Duties Paid \$3,889,835

Merchandise Processing Fee Paid \$289,090

Harbor Maintenance Fee Paid \$106,960

Other Information Needed

% of Merchandise Re-Exported	40.00%
% Damaged / Rejected Merchandise	0.00%
% of Waste / Scrap from Production	0.00%
% of Unusable / Residual Merchandise	0.00%
Annual Growth Estimate	5.00%
State / Local Inventory Taxes	\$0.00
Annual Inventory Turns	2.5 x
Cost of Capital	8.00%
CHB Entry Fee	\$80.00
Accessorial Fees	\$0.00



Monthly Accumulations

Monthly	Entries	Entered Value	Total Duty (Col. 1)	Sec 232 Duty	Grand Total Duty	MPF	HMF	Entry Fees
1	337	\$ 9,440,827.00	\$ 50,061.57	\$ 330,025.30	\$ 380,086.87	\$ 26,333.12	\$ 8,864.85	\$ 26,960.00
2	288	\$ 6,768,296.00	\$ 40,564.42	\$ 280,168.25	\$ 320,732.67	\$ 20,526.93	\$ 6,242.88	\$ 23,040.00
3	300	\$ 11,550,098.00	\$ 35,069.61	\$ 476,985.85	\$ 512,055.46	\$ 26,137.46	\$ 12,301.63	\$ 24,000.00
4	319	\$ 7,636,286.00	\$ 45,916.03	\$ 282,555.00	\$ 328,471.03	\$ 23,514.97	\$ 7,505.98	\$ 25,520.00
5	334	\$ 10,959,047.00	\$ 68,830.64	\$ 276,928.20	\$ 345,758.84	\$ 26,892.75	\$ 11,720.88	\$ 26,720.00
6	299	\$ 9,767,525.00	\$ 58,386.21	\$ 310,807.10	\$ 369,193.31	\$ 23,076.70	\$ 9,605.00	\$ 23,920.00
7	309	\$ 9,109,550.00	\$ 52,314.08	\$ 230,943.49	\$ 283,257.57	\$ 25,648.33	\$ 9,529.55	\$ 24,720.00
8	296	\$ 6,543,136.00	\$ 48,576.78	\$ 210,567.39	\$ 259,144.17	\$ 19,911.30	\$ 6,491.97	\$ 23,680.00
9	323	\$ 10,249,357.00	\$ 60,586.91	\$ 223,064.65	\$ 283,651.56	\$ 26,196.34	\$ 10,705.12	\$ 25,840.00
10	292	\$ 9,512,003.00	\$ 75,845.12	\$ 315,588.70	\$ 391,433.82	\$ 27,421.43	\$ 10,253.48	\$ 23,360.00
11	269	\$ 6,101,139.00	\$ 30,325.49	\$ 170,102.30	\$ 200,427.79	\$ 19,807.80	\$ 5,946.08	\$ 21,520.00
12	325	\$ 7,357,318.00	\$ 49,985.00	\$ 150,445.80	\$ 200,430.80	\$ 23,622.15	\$ 7,791.04	\$ 26,000.00
Totals	3,691	\$ 104,994,582.00	\$ 616,461.86	\$ 3,258,182.03	\$ 3,874,643.89	\$ 289,089.28	\$ 106,958.46	\$ 295,280.00



Cash Flow Savings

Duty Deferral

	Total Duty (Col. 1)	Sec 232 Duty	Grand Total Duty
<i>Cashflow Savings on Duty via Deferral</i>			
Interest Rate	8.00%		
Int. / Day	0.0219%		
Turns / Year	2.50		
Days / Turn	146.00		
Int. / Turn	3.20%		
Annual Duty	\$ 616,461.86	\$ 3,258,182.03	\$ 3,874,643.89
Cashflow Savings via Duty Deferral	\$ 19,726.78	\$ 104,261.82	\$ 123,988.60

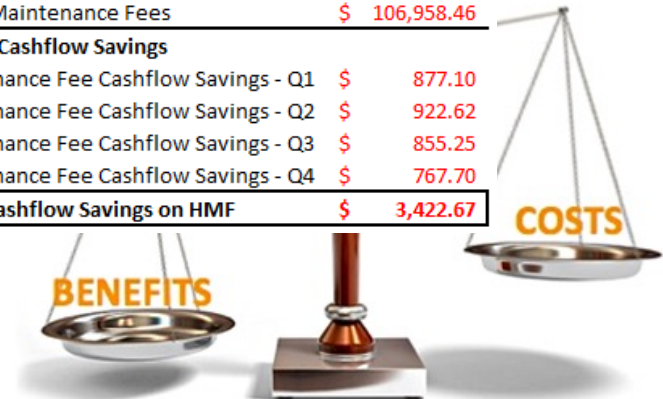
Savings on HMF

Cashflow Savings by Paying HMF Quarterly

Interest Rate	8.00%
Int. / Day	0.0219%
Days / Turn	146
Int. / Quarter	3.20%
Harbor Maintenance Fee Paid - Q1	\$ 27,409.36
Harbor Maintenance Fee Paid - Q2	\$ 28,831.86
Harbor Maintenance Fee Paid - Q3	\$ 26,726.64
Harbor Maintenance Fee Paid - Q4	\$ 23,990.60
Annual Harbor Maintenance Fees	\$ 106,958.46

Cashflow Savings

Harbor Maintenance Fee Cashflow Savings - Q1	\$ 877.10
Harbor Maintenance Fee Cashflow Savings - Q2	\$ 922.62
Harbor Maintenance Fee Cashflow Savings - Q3	\$ 855.25
Harbor Maintenance Fee Cashflow Savings - Q4	\$ 767.70
Total Cashflow Savings on HMF	\$ 3,422.67



Weekly Accumulations

Weekly	Entries	Entered Value	Total Duty (Col. 1)	Sec 232 Duty	Grand Total Duty	MPF	HMF	Entry Fees	MPF Poss.		
1	1										
2	1										
3	1	27	1	\$ 2,182,557.00	\$ 5,399.35	\$ 36,090.25	\$ 41,489.60	\$ 4,919.93	\$ 2,288.00	\$ 350.00	\$ 508.70
4	1	28	1	\$ 2,314,019.00	\$ 21,101.88	\$ 101,362.75	\$ 122,464.63	\$ 7,017.39	\$ 2,409.94	\$ 350.00	\$ 508.70
5	1	29	1	\$ 2,234,880.00	\$ 14,265.95	\$ 13,289.95	\$ 27,555.90	\$ 6,263.99	\$ 2,397.12	\$ 350.00	\$ 508.70
6	1	30	1	\$ 1,736,149.00	\$ 8,736.17	\$ 20,873.29	\$ 29,609.46	\$ 5,405.32	\$ 1,758.27	\$ 350.00	\$ 508.70
7	1	31	1	\$ 1,333,339.00	\$ 6,800.24	\$ 90,089.25	\$ 96,889.49	\$ 4,375.50	\$ 1,151.24	\$ 350.00	\$ 508.70
8	1	32	1	\$ 1,493,615.00	\$ 10,971.70	\$ 71,548.50	\$ 82,520.20	\$ 4,508.84	\$ 1,435.59	\$ 350.00	\$ 508.70
9	1	33	1	\$ 1,287,617.00	\$ 8,555.50	\$ 15,297.64	\$ 23,853.14	\$ 3,678.90	\$ 1,259.18	\$ 350.00	\$ 508.70
10	1	34	1	\$ 1,723,922.00	\$ 14,449.25	\$ 58,457.55	\$ 72,906.80	\$ 5,404.58	\$ 1,828.84	\$ 350.00	\$ 508.70
11	1	35	1	\$ 1,515,082.00	\$ 10,610.82	\$ 57,386.20	\$ 67,997.02	\$ 4,576.03	\$ 1,675.57	\$ 350.00	\$ 508.70
12	1	36	1	\$ 2,015,061.00	\$ 17,309.97	\$ 32,547.90	\$ 49,857.87	\$ 5,696.28	\$ 1,634.00	\$ 350.00	\$ 508.70
13	1	37	1	\$ 3,739,650.00	\$ 10,910.58	\$ 81,565.15	\$ 92,475.73	\$ 7,659.41	\$ 4,433.27	\$ 350.00	\$ 508.70
14	1	38	1	\$ 2,348,963.00	\$ 19,156.55	\$ 58,717.55	\$ 77,874.10	\$ 6,886.77	\$ 2,517.93	\$ 350.00	\$ 508.70
15	1	39	1	\$ 1,633,962.00	\$ 12,505.69	\$ 45,848.55	\$ 58,354.24	\$ 5,066.76	\$ 1,501.62	\$ 350.00	\$ 508.70
16	1	40	1	\$ 2,601,158.00	\$ 23,395.88	\$ 50,321.55	\$ 73,717.43	\$ 5,813.32	\$ 2,916.93	\$ 350.00	\$ 508.70
17	1	41	1	\$ 2,169,695.00	\$ 13,929.01	\$ 147,946.15	\$ 161,875.16	\$ 5,915.91	\$ 2,303.32	\$ 350.00	\$ 508.70
18	1	42	1	\$ 1,957,095.00	\$ 13,398.18	\$ 9,318.05	\$ 22,716.23	\$ 6,722.00	\$ 2,200.35	\$ 350.00	\$ 519.76
19	1	43	1	\$ 1,055,178.00	\$ 5,976.76	\$ 53,551.60	\$ 59,528.36	\$ 3,553.89	\$ 1,074.45	\$ 350.00	\$ 519.76
20	1	44	1	\$ 2,513,265.00	\$ 22,499.21	\$ 58,996.35	\$ 81,495.56	\$ 7,239.03	\$ 2,490.54	\$ 350.00	\$ 519.76
21	1	45	1	\$ 1,310,276.00	\$ 3,846.78	\$ 49,830.95	\$ 53,677.73	\$ 4,405.08	\$ 1,242.34	\$ 350.00	\$ 519.76
22	1	46	1	\$ 1,493,120.00	\$ 4,953.48	\$ 26,422.45	\$ 31,375.93	\$ 5,026.04	\$ 1,483.99	\$ 350.00	\$ 519.76
23	1	47	1	\$ 1,388,089.00	\$ 7,462.44	\$ 18,861.65	\$ 26,324.09	\$ 4,267.57	\$ 1,459.94	\$ 350.00	\$ 519.76
24	1	48	1	\$ 1,636,987.00	\$ 11,412.99	\$ 74,827.75	\$ 86,240.74	\$ 5,173.51	\$ 1,646.00	\$ 350.00	\$ 519.76
25	1	49	1	\$ 2,111,822.00	\$ 11,376.35	\$ 62,953.50	\$ 74,329.85	\$ 6,356.35	\$ 2,101.17	\$ 350.00	\$ 519.76
26	1	50	1	\$ 1,547,011.00	\$ 12,032.70	\$ 23,670.05	\$ 35,702.75	\$ 4,948.55	\$ 1,614.86	\$ 350.00	\$ 519.76
--	-	51	1	\$ 1,943,037.00	\$ 11,372.29	\$ 17,023.95	\$ 28,396.24	\$ 6,836.97	\$ 2,163.36	\$ 350.00	\$ 519.76
		52	1	\$ 1,755,448.00	\$ 15,203.66	\$ 46,798.30	\$ 62,001.96	\$ 5,480.28	\$ 1,911.65	\$ 350.00	\$ 519.76
		Totals	52	\$ 104,994,582.00	\$ 616,461.86	\$ 3,258,182.03	\$ 3,874,643.89	\$ 289,089.28	\$ 106,958.46	\$ 18,200.00	\$ 26,574.06



Savings Results

	Year 1	Years 2+
Duty Reduction via Production		
Import Duty Savings		
Subtotal Duty Reduced *	\$ 0	\$ 0
Duty Deferral While In Inventory		
Column 1 Duty	\$ 19,727	\$ 20,713
Provisional Tariffs	104,262	109,475
Subtotal Duty Deferral	\$123,989	\$130,188
Duty Savings via Exports		
Column 1 Duty	\$ 246,585	\$ 258,914
Provisional Tariffs	586,473	615,796
Subtotal Duty Avoided	\$ 833,058	\$874,710
Duty Savings via Waste/Scrap/Loss		
Column 1 Duty	\$ 0	\$ 0
Provisional Tariffs	0	0
Subtotal Duty Avoided	\$ 0	\$ 0



Savings Results

	Year 1	Years 2+
Merchandise Processing Fee Savings		
Actual MPF Paid	\$ 289,089	\$ 303,544
Potential MPF Payable	26,754	27,027
Subtotal MPF Savings	\$ 262,515	\$276,517
Customs Broker Fee Savings		
Actual CHB Fees Paid	\$ 295,280	\$ 310,044
Potential CHB Fee Payable	18,200	19,110
Subtotal Duty Deferral	\$ 277,080	\$ 290,934
Harbor Maintenance Fee Cashflow Savings		
Actual HMF Fees Paid	\$ 106,958	\$ 112,306
Cashflow Savings Estimated	3,423	3,594
Subtotal Duty Deferral	\$ 3,423	\$ 3,594
Total Gross Savings		
All Current Duties Continuing	\$2,309,393	\$2,426,614
Provisional Tariffs Eliminated	\$ 809,329	\$ 850,671



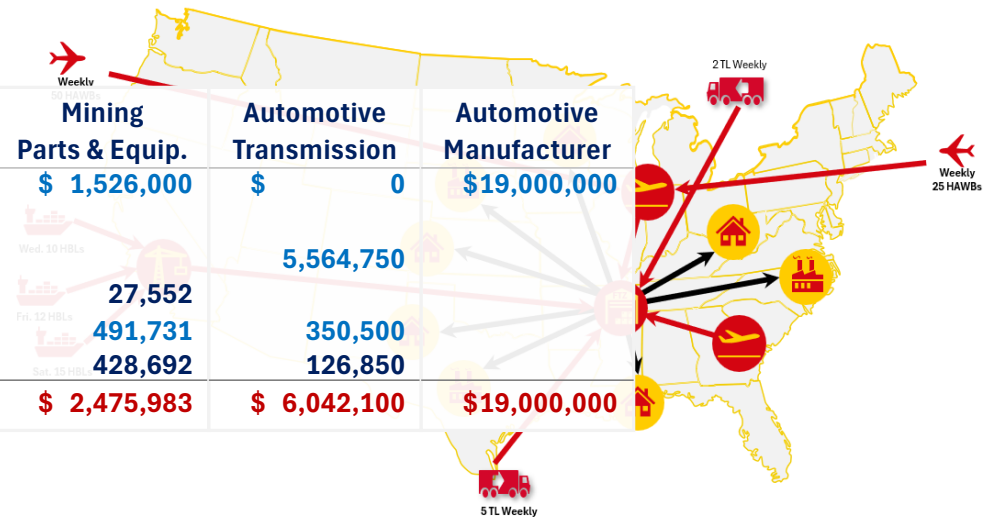
Savings Results

	Year 1	Years 2+
Total Gross Savings		
All Current Duties Continuing	\$2,309,393	\$2,426,614
Provisional Tariffs Eliminated	\$ 809,329	\$ 850,671
FTZ Setup & Operating Costs		
Maximum Estimates	\$ 451,500	\$451,500
Estimated Net Savings (1-Year)		
All Current Duties Continuing	\$1,857,893	\$1,975,114
Provisional Tariffs Eliminated	\$ 357,829	\$ 399,171
Estimated Net Savings (10-Years)		
All Current Duties Continuing	\$18,578,934	\$19,751,135
Provisional Tariffs Eliminated	\$ 3,578,294	\$ 3,991,711



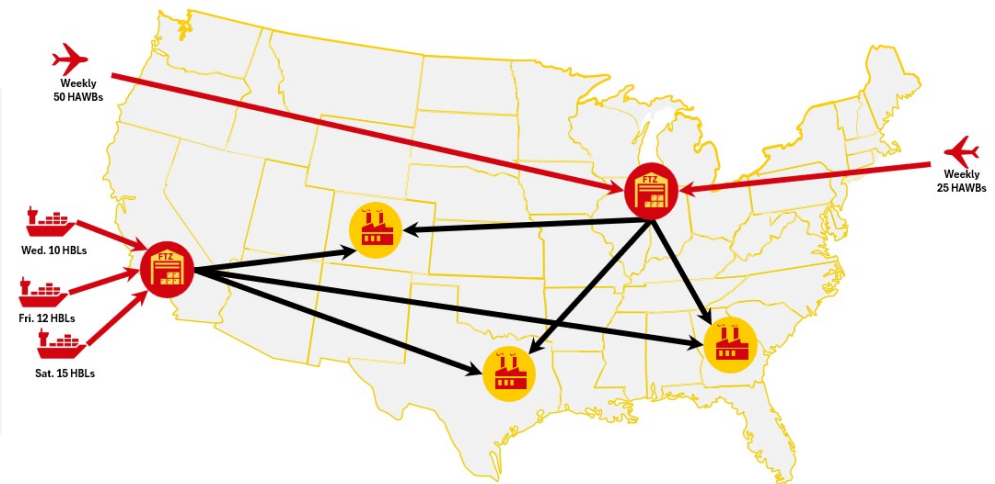
Other Savings Examples: Centralized Facility

Savings Area	Textile & Apparel Co.	Consumer Electronics	Mining Parts & Equip.	Automotive Transmission	Automotive Manufacturer
Duty Elimination on Exports	\$ 976,222	\$ 520,696	\$ 1,526,000	\$ 0	\$ 19,000,000
Duty Elimination on Non-Spec Materials				5,564,750	
Duty Elimination on Zone-To-Zone Transfers		53,516	27,552		
Duty Deferral on Inventory					
Merchandise Processing Fee Reduction	263,849	1,129,423	491,731	350,500	
Brokerage Fees Reduction	121,995	337,436	428,692	126,850	
Total Estimated Savings	\$ 1,361,766	\$ 2,041,100	\$ 2,475,983	\$ 6,042,100	\$ 19,000,000



Other Savings Examples: 3PL FTZ

Savings Area	Consumer Electronics	Consumer Electronics
Duty Elimination on Exports	\$ 0	\$ 0
Duty Elimination on Non-Spec Materials		
Duty Elimination on Zone-To-Zone Transfers		
Duty Deferral on Inventory		
Merchandise Processing Fee Reduction	291,886	6,589,177
Brokerage Fees Reduction	51,600	1,762,700
Total Estimated Savings	\$ 343,486	\$ 8,351,877




Expanding Use of the Program

PAST “ROAD-BLOCKS / INHIBITORS”

1. Lack of understanding of the FTZ Program and the benefits it provides by perspective Users.
2. Inability to properly quantify the savings opportunity to make a fact-based decision.
3. Fear that being an FTZ would bring more focus by CBP as compared for standard importing.
4. On-going “hard” costs to manage the FTZ is break-even with or exceeds the Annual Savings.
5. Historically FTZ’s were not recommended by Customs Brokers and/or other 3PLs to their customers because:
 - (a) they didn’t understand the program and how to sell it; and
 - (b) because Zones reduce Consumption Entry filings, which cut into their sales revenue.

PRESENT

- ✓ Increasing number of knowledgeable and experience consultants / service providers to better explain the program.
 - ✓ Costs of a savings analysis has been greatly reduced, if not ‘free of charge’, providing companies’ information from which they can make a fact-based decision.
 - ✓ Time, effort, and work involved with CBP during application & activation provides CBP with increased knowledge allowing time to focus on other companies.
 - ✓ Many FTZ Operators state they would operate at a deficit if needed to receive level of logistical flexibilities.
 - ✓ Brokers & other 3rd Party Service Providers are currently the fastest growing numbers FTZ applicants.
- 

Implementation Timeline



10 Keys to Successful Transition from Ramp up to Implementation

1. Senior-level support from Company & Users management
2. Buy-in at middle management-level from all departments.
3. Tier 1 FTZ Software Provider Package
4. Thorough & timely I.T. support across all Users
5. Clearly defined Scope of Work
6. Identified Users, including a comprehensive list of activities performed by User
7. Complete understanding of flow of goods among and between Users, including to / from other Internal / External Zone Sites
8. Identification & elimination of as many manual processes impacting inventory transactions as possible
9. Fullest Extent of Automation to FTZ ICRS from Legacy Systems for all Users
10. Thorough training of facility administrative & operational staff specific to their direct & indirect impact on FTZ reportable transactions to CBP





Thank you



**Bill Fisher, LCB, AZS
Consultant**



Bfisher@Mohawkglobal.com

Office: (315) 852-0662

Cell: (901) 219-3502