

# **ZONES OF OPPORTUNITY: OHIO'S FOREIGN TRADE ZONES**

*OEDA Annual Summit*

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# WHAT IS A FOREIGN TRADE ZONE?

Angela Atwood

# What is a Foreign-Trade Zone?

- A **Foreign-Trade Zone (FTZ)** is a site that is legally considered outside of the United States for the Customs purpose of duties. Goods may be brought into the site duty-free and without formal Customs entry.
- Created by the ***U.S. Foreign-Trade Zones Act of 1934***
  - New Deal legislation
  - Maintain and create jobs and investment in the United States

# Foreign-Trade Zone Stats

- All 50 states plus Puerto Rico have established FTZs
- Over **2,700** companies use FTZs
- Approximately **420,000** people are employed at facilities operating with FTZ status
- Over **\$798 billion** of annual trade activity
- Exports from FTZs are over **\$99 billion**

# Ohio FTZ Projects

**FTZ No. 8** – Toledo

**FTZ No. 40** – Cleveland

**FTZ No. 46** – Cincinnati

**FTZ No. 100** – Dayton

**FTZ No. 101** – Clinton County

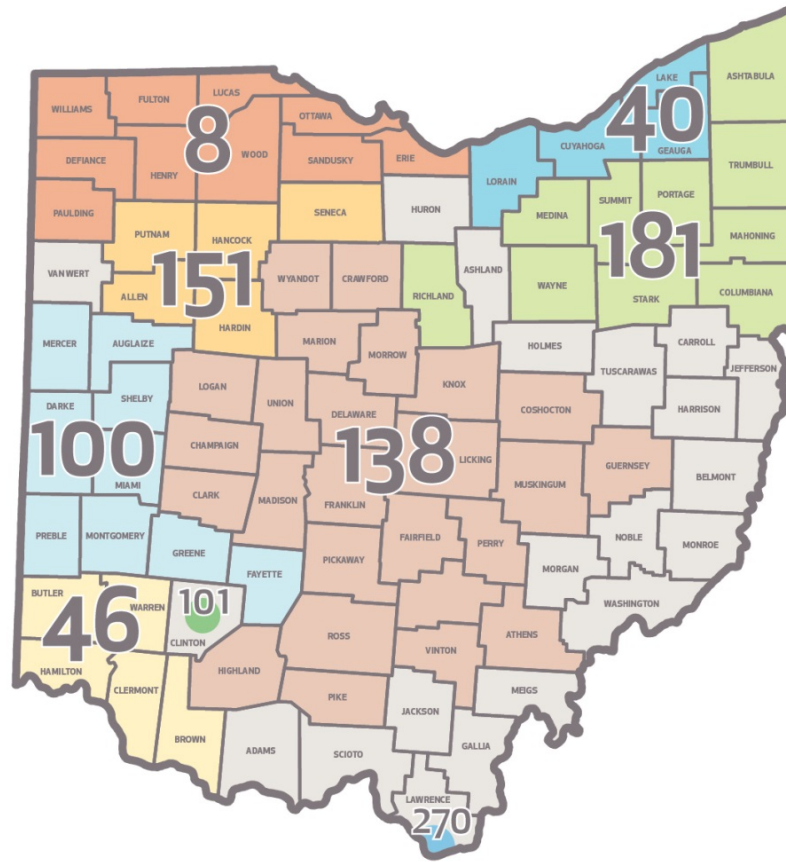
**FTZ No. 138** – Columbus

**FTZ No. 151** – Findlay

**FTZ No. 181** – Akron

**FTZ No. 270** – Lawrence County

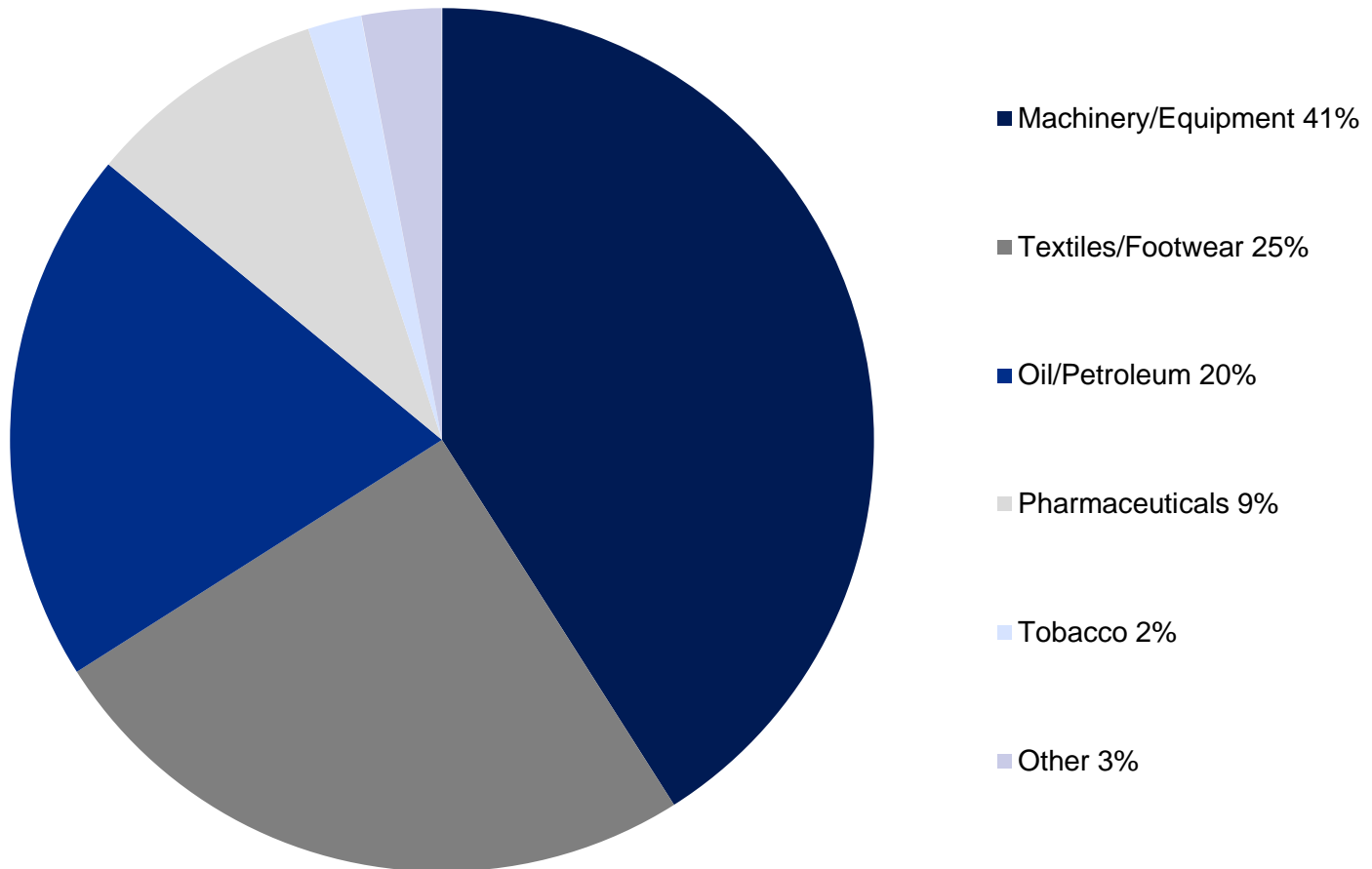
# Ohio FTZ Projects



# Ohio Foreign-Trade Zone Stats

- There are **9** established FTZ projects
- **72** companies use FTZs
- Over **28,000** people are employed at facilities operating with FTZ status
- **\$10-25 billion** of annual merchandise received
- Exports are between **\$250-500 million**

# Ohio Foreign-Trade Zone Stats





# Who Are The Players?

- **Foreign-Trade Zones Board** – Secretary of Commerce and the Secretary of Treasury. These officials or their designee are empowered to issue to appropriate applicants the Grant of Authority to establish, maintain and operate FTZ projects.
- **Foreign-Trade Zones Board Staff** – Officials in the Department of Commerce, International Trade Administration responsible for overseeing the administration of Foreign Trade Zones. The Executive Secretary heads up this office.
- **Port Director of Customs and Border Protection (CBP)** – Customs official with responsibility for overseeing the activation and operations of zone projects within his customs port of entry.

# Who Are The Players?

- **Grantee** – Entity to whom the privilege of establishing, operating, and maintaining a foreign-trade zone has been granted.
- **Operator** – Entity that operates a zone or subzone under the terms of an Agreement with the Grantee.
- **User** – Entity using a zone or subzone for storage, handling, or processing of merchandise

# WHAT'S THE ADVANTAGE?

Randy P. Campbell

# What Is A Foreign-Trade Zone

- A Secure Area Located in or near a Port of Entry
- Legally Outside the Customs Territory
- **In a Zone**
  - Merchandise may be assembled, exhibited, cleaned, manipulated, manufactured, mixed, processed, relabeled, repackaged, repaired, salvaged, sampled, stored, tested, displayed, & destroyed
  - Retail Trade is Prohibited

# What Operations Can Take Place In A Zone

## Merchandise may be:

- stored
- exhibited
- broken up
- repacked
- assembled
- distributed
- sorted
- graded
- cleaned
- mixed with foreign and domestic merchandise
- destroyed
- title transferred
- otherwise manufactured or manipulated without being subject to U.S. Customs laws

# Enhanced Cash Flow

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- Duty Deferral
- Duty Elimination
- Duty Reduction (Inverted Tariff)

# Duty Deferral



Switches from Japan with entry duty rate of 5% are stored in FTZ



Duty is NOT paid until the switches are sold and are removed from the zone

# Duty Elimination



Switches from Japan with entry duty rate of 5% are stored in FTZ



No duty is paid if the switches are exported from the U.S.



# Duty Reduction (Inverted Tariff)



Switches from Japan with entry duty rate of 5% are brought into FTZ



Switches are manufactured into treadmills. Treadmills have a Duty rate of 2%. Switches enter as treadmills at 2%.

# Other Benefits

- Eliminates certain quota and visa issues
- No Time Constraints on Storage
- Shorter Transit Time - Direct Delivery
- Weekly Entries
- Weekly Exports
- Improved Inventory Control
- Duty deferral on production equipment

# Weekly Entry

- **One entry/week**
- **Broker Fee Savings**
- **MPF Savings**

Wow! I like this once a week entry



# Reduced Broker Fees

- Assumption: Broker Fee = \$75.00/entry
- Non-FTZ
  - Avg. entries/yr. = 260
  - $\$75.00 \times 260 = \$19,500.00$
- FTZ
  - Entries/yr. = 52
  - $\$75.00 \times 52 = \$3,900.00$

**Savings = \$15,600**

# Reduced MPF

- Merchandise Processing Fee (MPF)
- MPF required on imports
  - Exception: Canada & Mexico
- MPF is 0.345%
- MPF caps at \$485.00/entry

# Reduced MPF Best Case Scenario

- Non-FTZ
  - Avg. no. of entries/yr. = 260
  - Multiplied by \$485.00 = \$126,100.00
- FTZ
  - Avg. no. of entries/yr. = 52
  - Multiplied by \$485.00 = \$25,220.00

**Savings = \$100,880**

# Calculating FTZ Costs

- Application and Activation Costs
  - FTZ Board Fees
  - Grantee Fees
  - Consultant Fees
- FTZ Inventory System (if needed)
- FTZ Operator Bond
- FTZ Administrator (1/2 time)
- Grantee Annual Fees

# Additional Information

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## Toledo/Lucas County Port Authority

**FTZ#8**

**Telephone:** (717) 873-0569

**Email:** [rcampbell@toledoportauthority.org](mailto:rcampbell@toledoportauthority.org)

**Website:** [www.CampbellTradeGroup.com](http://www.CampbellTradeGroup.com)



# IDENTIFYING PROSPECTIVE USERS

Susan E. Thomas

# Economic Development

- Encourage and facilitate global competitiveness
- Help attract offshore activity and encourage retention of domestic activity
- Assist state/local economic development efforts

# FTZ 46 & 47

- Grantee
  - Greater Cincinnati Foreign Trade Zone, Inc. (1979)
    - Northern Kentucky Foreign Trade Zone, Inc.
    - 10-member Board of Directors
- Management
  - Port of Greater Cincinnati Development Authority

# Foreign Trade Zones No. 46 & 47

- **FTZ No. 46 (OH)** – Brown, Butler, Clermont, Hamilton, and Warren counties
- **FTZ No. 47 (KY)** – Boone, Campbell, and Kenton counties

# Zone Users

## Ohio (FTZ 46)

- GE Aviation
- Honda America Manufacturing
- Milacron
- StandardAero
- Motion Technologies, Inc.
- Festo Corporation

## Kentucky (FTZ 47)

- GE Engine Services
- Levi Strauss
- Marathon Petroleum\*
- Trancy Logistics

# Top 10 Industries for Foreign Trade Zones

- Oil / Petroleum
- Consumer electronics
- Machinery / equipment
- Chemicals
- Plastics / Rubber
- Vehicle Parts
- Pharmaceuticals
- Petrochemicals
- Consumer products
- Ships / boats

# Zone Marketing – Finding Users

Real Estate Brokers

Economic Development Professionals (e.g. BR&E Program)

International Organizations

Supply Chain Organizations

Industry Organizations (e.g. Edison Centers; Techsolve)

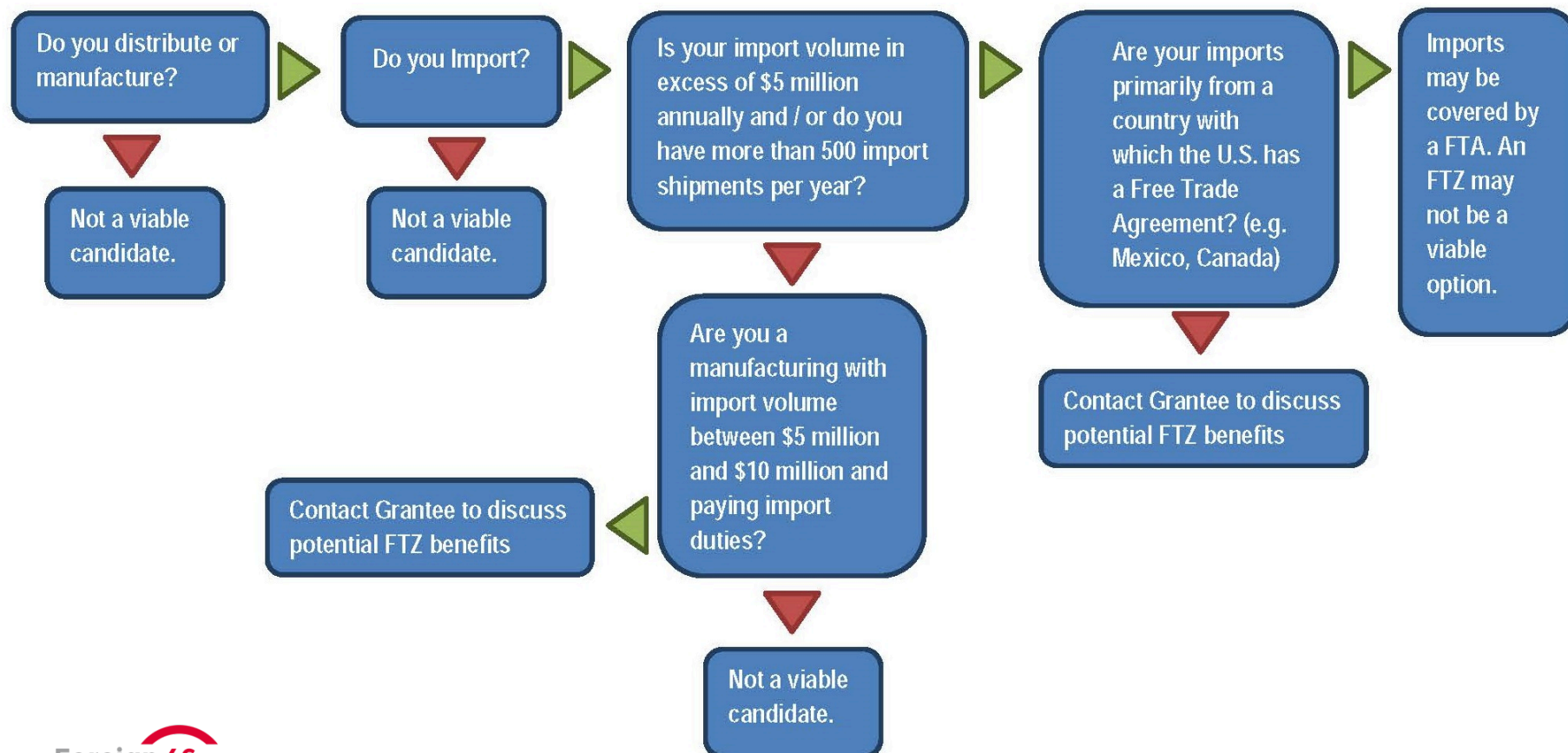
Professional Service Providers (e.g. Banks, Accountants)

# How to Identify a Prospect

- **Distributors of Imported Products**
  - While volumes vary, generally in excess of \$5-\$10 million annually.
  - From countries with which the U.S. does not have free trade agreements (importers from China are prime FTZ users; importers from Mexico are not.)
  - Distribution to multiple countries is a plus factor.
- **Manufacturers**
  - Analysis is more complicated; same import profile as Distributors.
  - Generally manufacturers with \$5-\$10 million or more in imports from dutiable locations may be strong candidates.



# How to Identify A Prospect



# What to Tell the Prospect

- Foreign-Trade Zone program is a very specialized – your business attorney is probably not an expert
- It requires an investment – application fees; annual fees; costs associated with site activation; inventory control measures & security; professional services
- Cost-Benefit Analysis can reveal the savings and efficiencies available

# Application

- Company Application to Federal FTZ Board
- Execution of Operations Agreement with Grantee
- Security Protocols with Customs and Border Protection (CBP)
  - / CBP site visit(s)
- Company Internal Preparation / ICRM
- Concurrence Letter from Grantee to CBP
- Activation

**Total Timeframe: 3-4 months**

# Ohio FTZ Contacts

**FTZ No. 8** – Randy Campbell / [randycampbell@toledoportauthority.org](mailto:randycampbell@toledoportauthority.org)

**FTZ No. 40** – David S. Gutheil / [David.Gutheil@portofcleveland.com](mailto:David.Gutheil@portofcleveland.com)

**FTZ No. 46** – Melissa Johnson / [mjohnson@cincinnatiport.org](mailto:mjohnson@cincinnatiport.org)

**FTZ No. 100** – Mary Faulkner / [Mary.Faulkner@daytonohio.gov](mailto:Mary.Faulkner@daytonohio.gov)

**FTZ No. 101** – Joe Payne / [joe.payne@atsginc.com](mailto:joe.payne@atsginc.com)

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**FTZ No. 270** – Viviane K. Vallance / [viviane@ledcorp.org](mailto:viviane@ledcorp.org)

# Thank you!

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