



Using the FTZ Program to Cut Costs in 2010 The Year of Cost Reductions!

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What is an FTZ?

- A Foreign-Trade Zone (or Free Trade Zone) is a Federal Program, started in 1934 and in use in all 50 states today.
- The FTZ allows Federal Taxes and Fees to be lowered, eliminated, or exempt from payment.
- State taxes are lowered in TX and AZ.
- Anyone – any business who qualifies can get it.



Why should I use an FTZ?

- Because, today, you can't afford to leave \$1 Million, \$250,000 or even \$100,000, on the table anymore!!!!
- Of course, your firm has to qualify, has to be importing (even duty-free!) at a sufficient level to qualify
- Customs has "fixed" 3 key Operational issues that now make the Zone Operations "livable" in a JIT world.



Using the an FTZ to Cut Costs

- **MPF & Broker Savings**
- **Manufacturing, Pick and Pack, Retail Packaging of Sets**
- **Returns, Product Safety, Customs Fines.**



How does an FTZ Cut Costs?

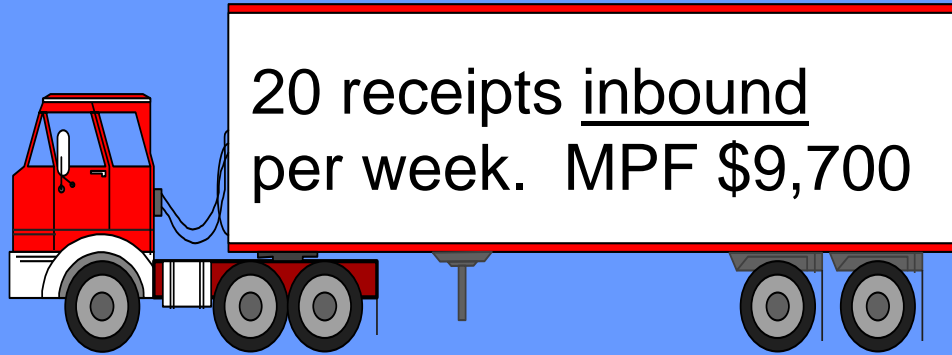
The FTZ importing process **costs less:**

- **\$300,000 to \$1,000,000 on AVERAGE:**
 - Duty Deferral
 - Duty Elimination
 - Duty Reduction
- **State Tax Reduction (TX, AZ)**
- **Merchandise Processing Fee Elimination**
- **let me explain this last step....**

Explaining Customs: The Importing Process



- CBP charges Fees to process paperwork.
- Like the PFC you pay on all Flights, the MPF fee is charged per ENTRY.
- An entry is equal to 1 Bill of Lading (BL).
- A BL = 1 Container (sometimes 2-3).
- These MPF fees Customs charges are approx \$200 - \$500 per Entry = \$10,000's per week typically.
- FTZ - Weekly Entry reduces this to \$500/WEEK!!



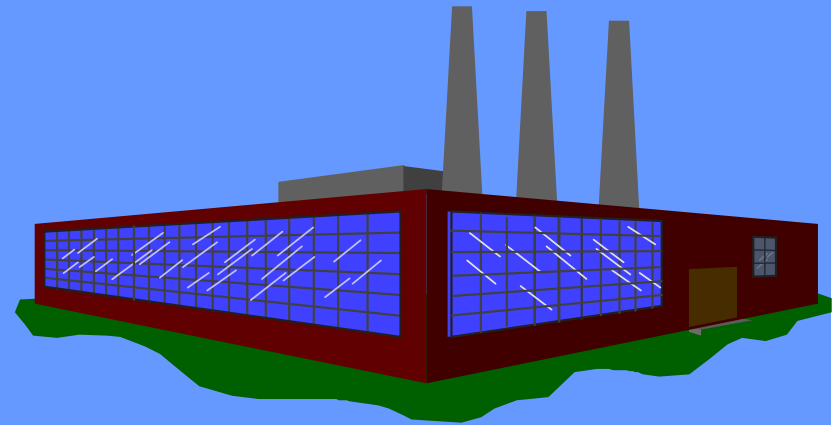
Shipments into Site

In a single week an FTZ importer can save \$9,200/week in MPF Fees, or

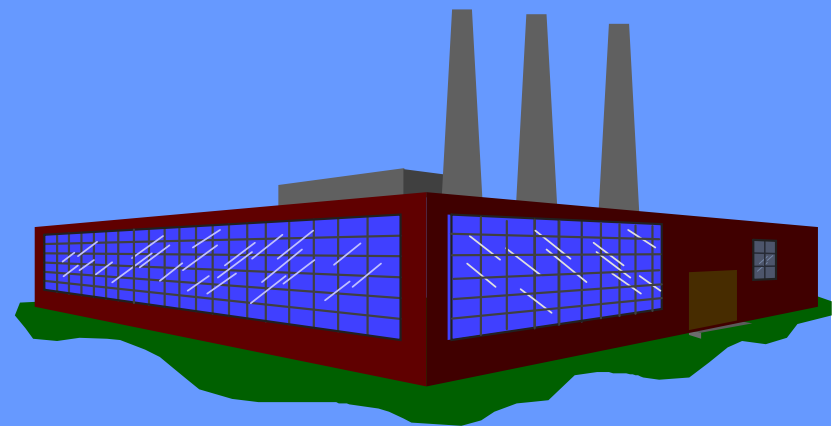
\$479,180 per YEAR!



Shipments into commerce with weekly entry.



Pre-Foreign-Trade Zone



Foreign-Trade Zone



Retail Importers Using FTZ's

- Dell
- HP
- Onkyo
- Winnebago
- Skechers
- Reebok
- Adidas
- IKEA (3)
- Black and Decker (4)
- Academy Sport Goods (2)
- Laufen Tile (3 DC's)
- Arizona Tile



Retail Importers Using FTZ's (primarily for MPF savings)

- Gymboree
- Helen of Troy
- Sharp Electronics
- J C Penney's
- JVC Electronics
- Pioneer Electronics
- Thompson Consumer Electronics
- Conair
- JJ Baker
- Oneida



Retail Importers Using FTZ's

- Nine West
- Coach Leather Goods
- Mercury Marine
- Sony (3) Adding 7 DC's in LA
- LA Gear
- Lexmark Printers
- Keds
- Clarion



But my Broker Doesn't recommend I use an FTZ!?

- **Well, there are very few reasons “not to use an FTZ” if you really qualify, but....**
- **The Broker usually makes its money on “transaction-based billing”. If you use Weekly Entry, most Broker’s still believe they are being “cut-out” of this revenue stream.**
- **Self-Filers, and those that use Brokers demonstrate significant savings, AND,**
- **With the E-214, the Broker can be “protected” against any lost revenue streams.**

Customs “Fixes” to FTZ Operational Issues



- CBP allows Weekly Entry: Much easier on “Out-Bound” process of sending goods out of the Zone. Weekly “approval,” then your shipping occurs 24/7!
- Direct Delivery (for those that qualify) makes In-Bound Receipt of goods occur 1-2 days FASTER using the FTZ!!
- FTZs are allowed Electronic Filing of Forms – (E-214) with no paperwork required other than OGA importing requirements, matching normal import procedures!



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An FTZ allows me to alter Duty Rates!

- If my parts (imported) carry ANY duty at all:
- AND— my finished product -- which I manufacture or assemble can be imported by a competitor directly---at 0% Duty---
I CAN GET THE SAME BENEFIT!
- Whether it's crude oil, TVs, satellite dishes, solar panels, refrigerators, **WHATEVER!!**
- **Some Restrictions Apply!!**



An FTZ allows me to alter Duty Rates!

- This “rule” works for Pick-&-Pack too!
- Example: Speakers carry 4% duty. DVD players are 0%. Home Theater Systems (ie. both boxes= speakers + DVD players) are dutiable at ZERO%
- Therefore I claim 0%.
- **For every \$10 Million in Speakers, I save \$400,000!!**



Using the an FTZ to Cut Costs

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Returns w No Fines/Penalties

- **US returns handled easily in an FTZ, and keep their domestic duty-paid status.**
- **Foreign Returns/Repairs handled as “still outside the US” so no duty, no paperwork, no drawback, no TIB, etc.**
- **Able to “sort-out” country of origin, MID, all types of potential CBP nastiness, without FINES!!.**



FIX CPSC, FDA, LACEY ACT!?!

- **Inside an FTZ, I have the time, place and ability to “fix” import issues without penalty!**
- **This is especially HUGE now, as sometimes, the Feds don’t really know how they are going to regulate such issues.**
- **Able to “sort-out” labeling, source, genus, family, and other “eligibility issues” within the FTZ environment, with no Penalty or admissibility issues.**



How do I Qualify for FTZ?

- Understanding the FTZ process is Step 1.
- Determine if you meet ONE or more of.....
- **300,000 ft or more of DC space with imports, OR,**
- **\$100 Million in import value per year, OR,**
- **1,000 Customs Entries or more, OR,**
- **You import parts/components and manufacture, assemble or pick & pack!**



BINGO-You Qualify!

- Call IMS Worldwide 281-554-9099.
- Use the www.imsww.com website.
- IMSW will determine if there is a savings of more than 2:1 or more (we do the cost-benefits analysis, for free!).
- **We do a detailed Ops and Cost/Benefits Feasibility to get exact numbers....**



What is the process to get an FTZ?

- Local Sponsorship of the Grantee
- Make an application to the FTZ Board
- Activation of the user/importer/tenant
- Normal processing time for all this = 12 mos.
- Much faster ways, cheaper ways, but on a case by case basis.....



Bottom Line?

- FTZ process is now a “site requirement” 40-50%
- FTZ pays for itself at 250-300% ROI in the first year of implementation---if you Qualify.
- FTZ status is becoming a real factor in speeding up the supply chain, which for many of your customers is WAY more important than supply chain costs
- **Old Paradigm FTZ use, operations, and marketing etc. are the # 1 impediment to current FTZ use!!**

CONCLUSIONS!

- FTZ's Cut Costs by lowering Parts/Component's Costs!
- FTZ's Cut Costs by MPF Savings – Add Velocity!
- FTZ's Cut Costs by saving fines/penalties brought on by non-ordinary Customs Issues.

BOTTOM LINE:

- This Recession is REQUIRING CUTS in Supply Chain Costs
- FTZs are much easier to administer now.
- You can't afford NOT to participate, IF you qualify!

