

Explaining the FTZ Value Proposition

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What is an FTZ?

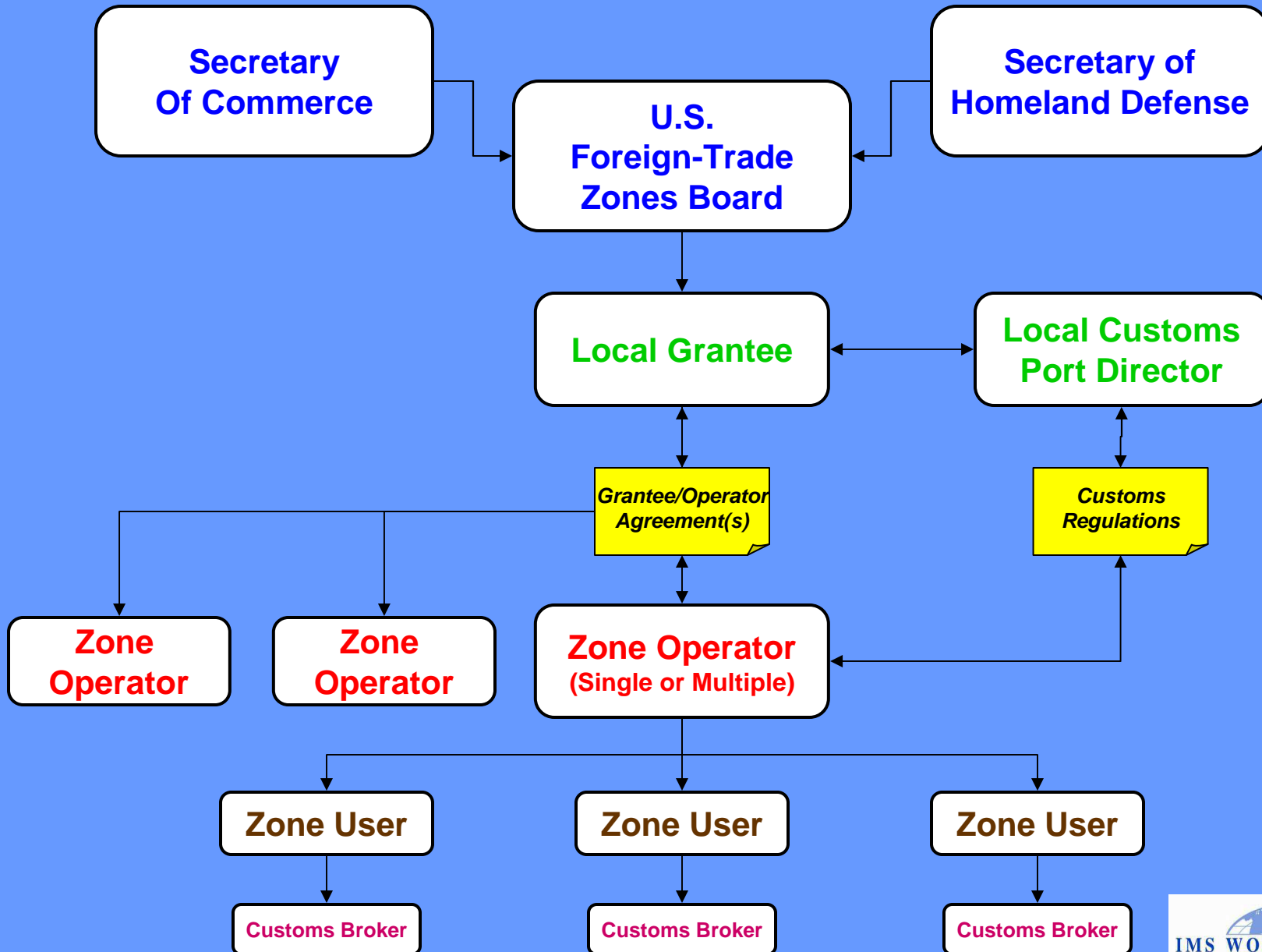
- A Foreign-Trade Zone (or Free Trade Zone) is a Federal Program, started in 1934 and in use in all 50 states today.
- The FTZ allows Federal Taxes and Fees to be lowered, eliminated, or exempt from payment.
- State taxes are lowered in OH, TX and AZ.
- Anyone – any business who qualifies can get it.



What is the structure of an FTZ?

- **Federal Approvals (Commerce and DHS).**
- **Local Approvals/Sponsorship (the Grantee and Customs).**
- **Operators (In-house or 3rd Party Operators).**

FTZ Authority Structure





Who Uses the FTZ?

- **FTZs are used by:**
 - **Importers (retail, consumer goods companies).**
 - **3PLs (3rd Party Logistics Providers).**
 - **REITs (as a benefit to their customers).**



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

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



Retail Importers Using FTZ's

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



3PLs Supporting FTZ's

- EXEL Logistics
- EGL Global Logistics
- APL Logistics
- Ryder Logistics
- Nippon Express Logistics
- USF Worldwide/Logistics
- Airborne/DHL Logistics
- NYK Logistics
- DSC Logistics
- PacAm



Developers Using the FTZ

- ProLogis
- IDI
- AMB Properties
- Majestic Realty
- First Industrial
- Centerpoint Prop.
- ING Clarion
- Hillwood/Perot
- McDonald Development
- Carson Companies
- The Allen Group
- Kennedy Advisors
- Oakmont Industrial Group
- DP Partners
- Liberty Prop Trust
- RREEF
- Duke
- Watson Land Company
- Johnson Development



So, How does an FTZ help?

- The FTZ **speeds up the supply chain.**
- The FTZ **importing process costs less.**
- The FTZ **security is better** than other methods.

FASTER - CHEAPER - BETTER



So, How does an FTZ help?

The FTZ **speeds up the supply** chain:

- Black and Decker, Skechers, Huffy Bikes, etc. are all getting 1-2 days **FASTER DELIVERY** of their goods **IN-bound!!**
- Each one gets to use “direct delivery” of goods, which speeds up on-dock/airport processing through Customs of their merchandise



So, How does an FTZ help?

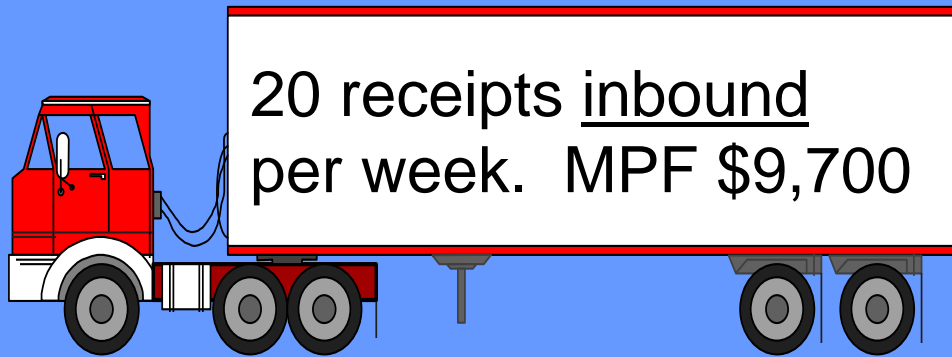
The FTZ importing process **costs less:**

- **\$300,000 to \$1,000,000 on AVERAGE:**
 - Duty Deferral
 - Duty Elimination
 - Duty Reduction
- **Inventory Tax Elimination (Ohio, 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!!



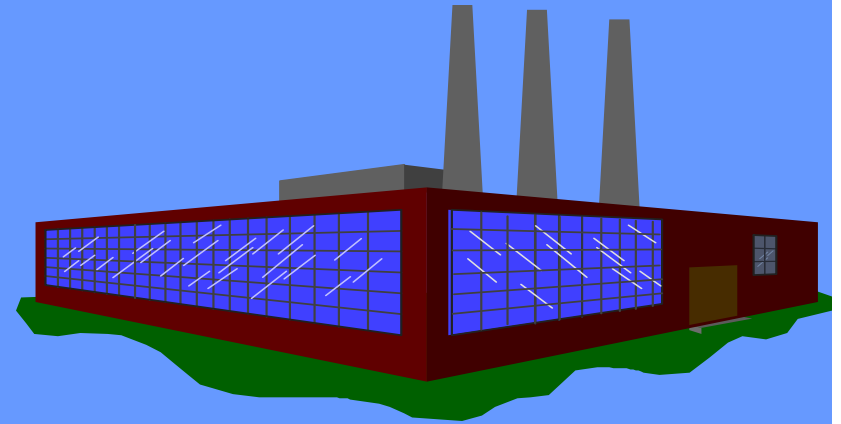
Shipments into Site

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

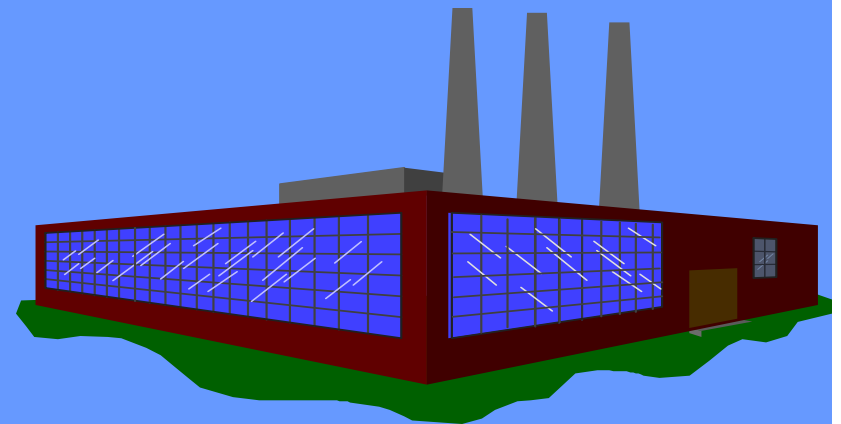
\$479,180 per YEAR!



Shipments into commerce
with weekly entry.



**Pre-Foreign-Trade
Zone**



Foreign-Trade Zone



Last, but not least: Security in a Post 9-11 Importing World

- The FTZ **security is better** than other methods.
- All importers are going to have to live with 24-hour advance notice of info to Customs...AND,
- 100% Inspection – Scanning of containers.
- This focus on Security makes the importer search for ways to “put back the velocity” into their supply chains, and the FTZ is the way!
- As of Jan. 2007, FTZs are “best practices” security for CTPAT members.



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... THEN...



BINGO-You Qualify!

- Call IMS Worldwide 1-800-741-9286
- Use the www.imsw.com website.
- Determine if there is a savings of more than 2:1 or more (we do a cost-benefits analysis, for free!).
- **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.
- Average cost = \$125,000 in consulting fees
- 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 offer superior Velocity now.
- FTZ's offer superior Security now.
- FTZ's offer superior cost reduction vs. standard importing.

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!

