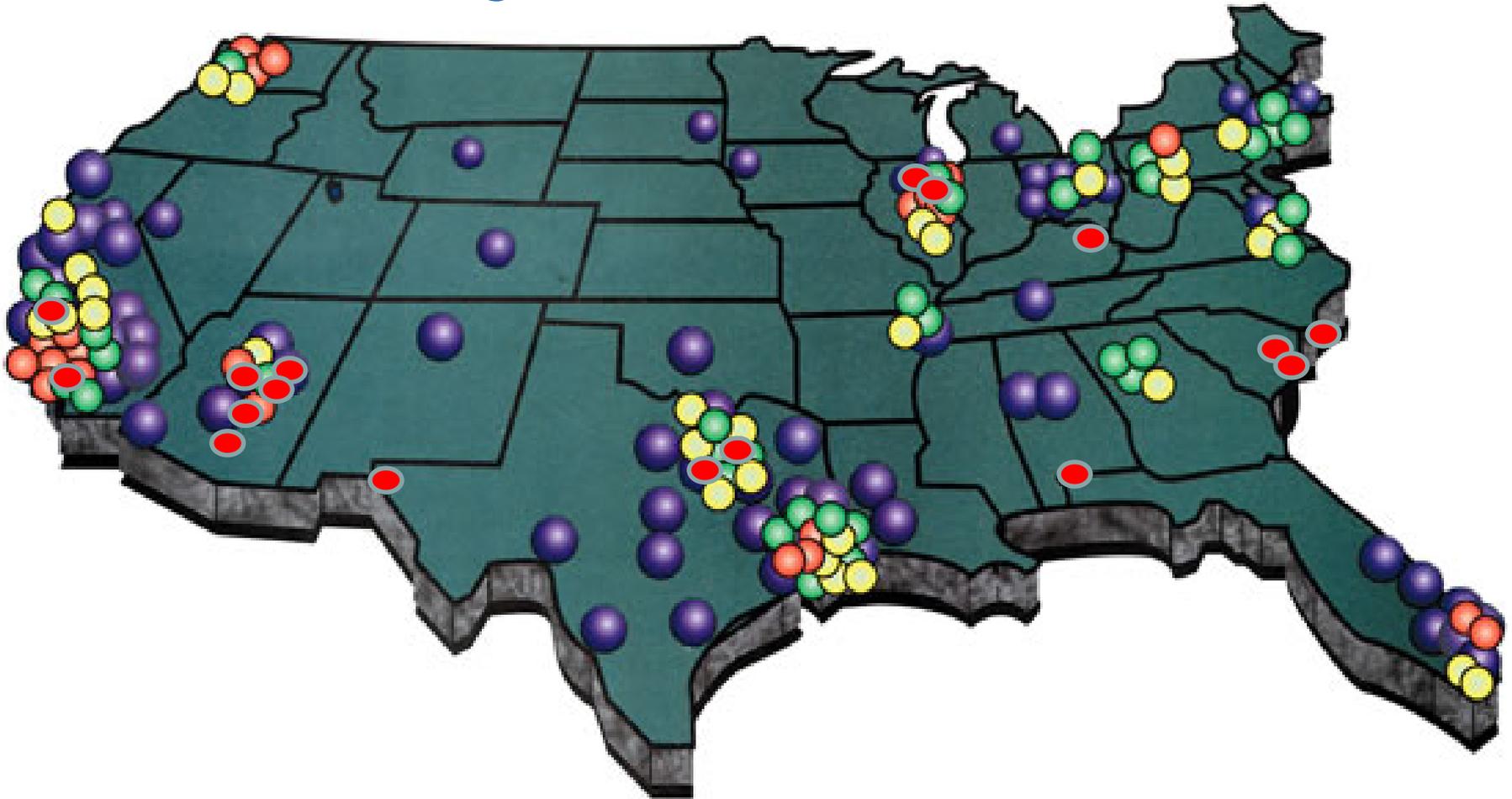




FTZ's and Economic Development in a Trump World!

Curtis Spencer, President
IMS WORLDWIDE INC.

IMSW Overview of National FTZ and Strategic Development Projects 1977-2018



IMSW's FTZ Users – total = 363





What is an FTZ?

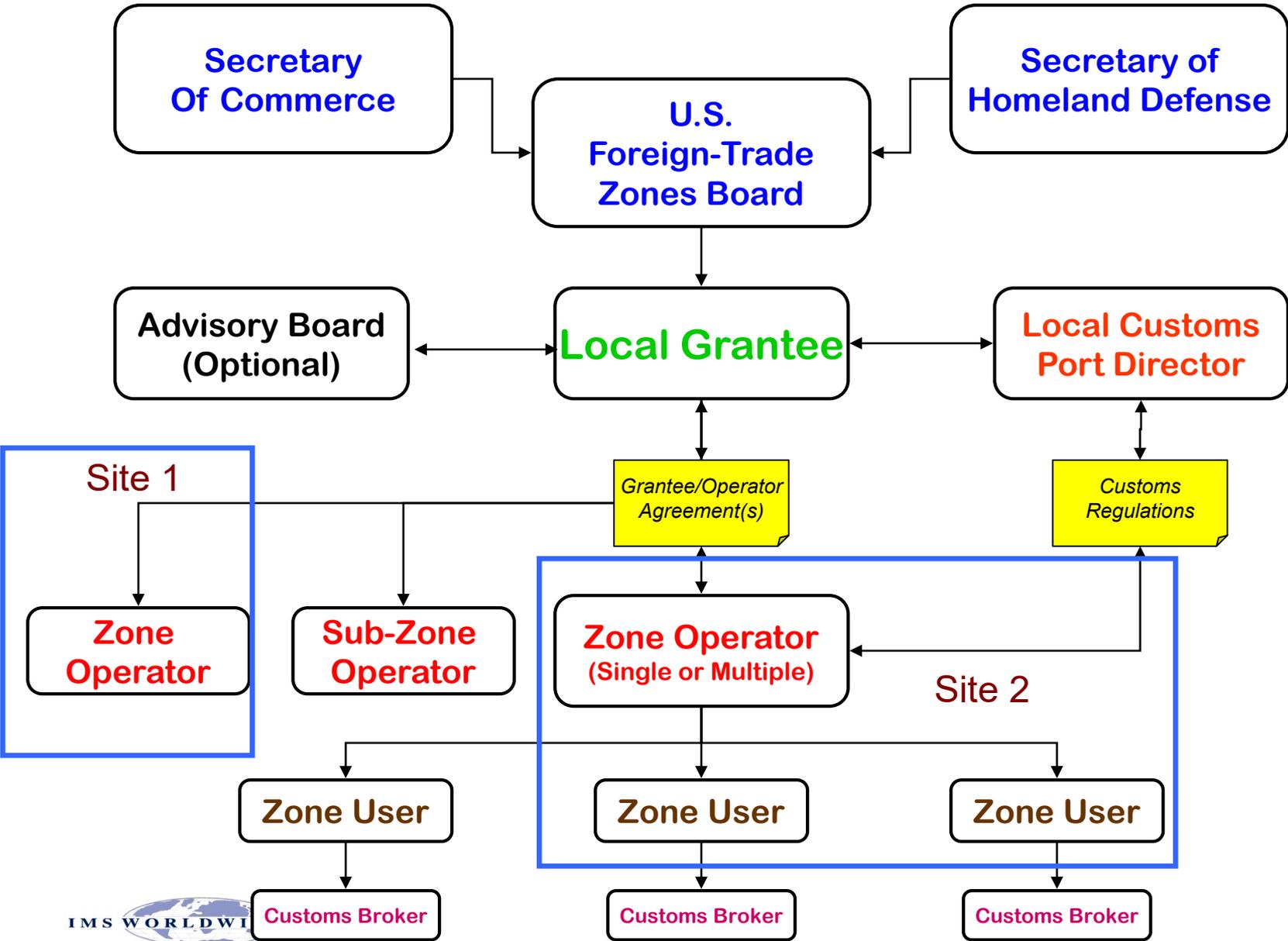
- Foreign-Trade Zones are based on a Federal Program started in 1934 and are in use in all 50 states today.
- An FTZ allows Federal Taxes and Fees to be lowered, eliminated, deferred or exempted from payment.
- State taxes in FTZ's are lowered in TX and AZ.
- I'll bet each one of the attendees here has a Zone or is close to one!



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





What does an FTZ do?

- Speeds up the supply chain.
- Reduces importing process costs.
- Improves security.
- Creates jobs.
- **Cuts costs.**



How does an FTZ Cut Costs?

The FTZ importing process **costs** via:

- Duty Deferral
- Duty Elimination
- Duty Reduction

- State Tax Reduction in TX & AZ.

- Merchandise Processing Fee Elimination.



Shipments into Site

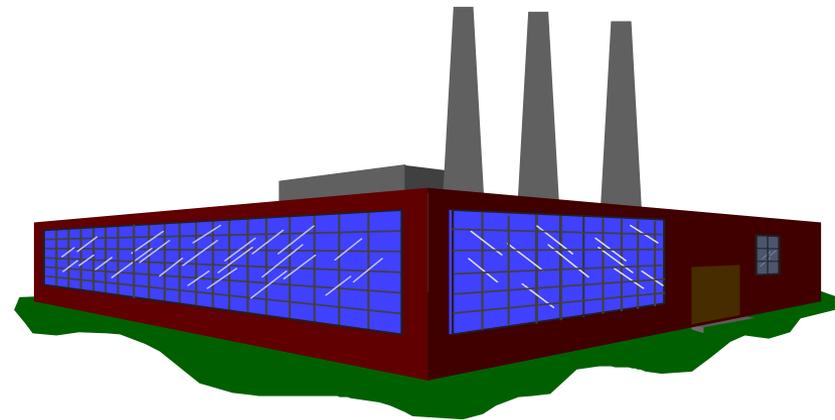
In a single week an FTZ importer can save \$9,200/week in MPF Fees, or

~~\$479,180 per YEAR!~~

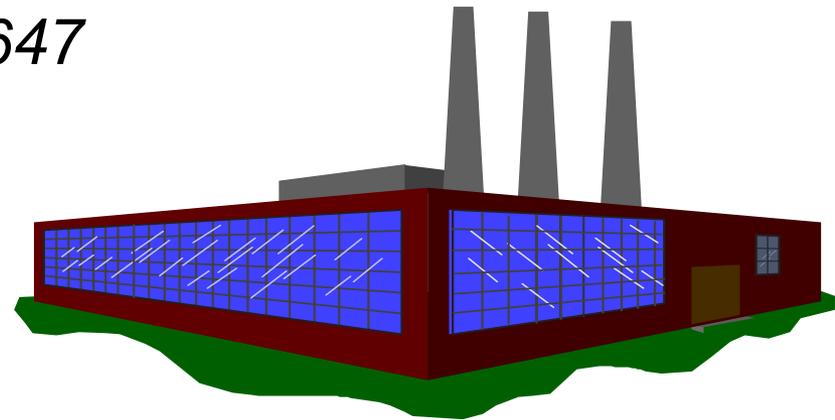
NOW MPF IS HIGHER! \$790,647



Shipments into commerce with weekly entry



Pre-Foreign-Trade Zone



Foreign-Trade Zone



Who Uses the FTZ?

- **Manufacturers,**
- **Importers (retail, consumer goods companies),**
- **3rd party logistics providers,**
- **Industrial land developers - to attract users.**

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, auto parts, satellite dishes, solar panels, refrigerators, **WHATEVER!!**
 - **Some Restrictions Apply!!**

Manufacturing Example: Home Theater systems

	Non-FTZ	FTZ
Duty	\$7,500,000.00	\$7,500,000.00
MPF	\$552,000.00	\$25,220.00
Xtra cost - Speakers 4.9%	\$490,000.00	\$0.00
Broker Entry Fees	\$71,428.57	\$ 13,000.00
Broker Admission Fees	\$0.00	\$ 35,700.00
FTZ Admin Fees	\$0.00	\$ 61,500.00
Total Costs	<u>\$8,613,428.57</u>	<u>\$7,635,420.00</u>
Client Net FTZ Savings	\$0.00	<u>\$978,008.57</u>



Two types of FTZ sites:

- Magnet and Usage Driven
- Magnet Sites are pre-approved, ready to go, Industrial Parks. However, if you are NOT located in TX or AZ, Magnet sites have gone the way of the Travel Agent: Obsolete!
- Usage Driven Sites are specific, company only sites.
- Usage Driven Sites are very quick to get approval, (30 days local, 30 days Federal).

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,**
- **\$25 Million in import value per year, OR,**
- **1,000 Customs Entries or more, OR,**
- **You import parts/components (as low as \$10 Million) and manufacture, assemble or pick & pack!**



**BUT WAIT---WHAT ABOUT
THE TARIFF SHERIFF?**

EVERYONE IN THE U.S. IS HAVING TO RE-THINK THEIR SUPPLY CHAINS....

- Mr. Trump vowed to slap duties on up to \$200 Billion of Chinese imports. HE DID. Sept 24th and now a 90 day “Truce” till March 1, 2019
- The Chinese are going to do the same to us! THEY DID
- After the first \$50 Billion, the next \$200 Billion has now hit Consumer Goods:
 - Patio Furniture, HVAC, Footwear, Electronics, Furniture, Sound Systems, cosmetics, tools and Hand-Bags!!
- Our Ag Products, Planes, Hi-Tech goods, and Pharma are all going to be hit hard by China.
- **This isn't “maybe” anymore, it's real and it's now!**
 - *Wall Street Journal, July 12, 2018*

HOW DO WE “INSURE” AGAINST TRUMP TARIFFS?

- The FTZ Program is the only way to carry “insurance” against a Tariff World that changes daily.
- We are being asked Daily, to help customers “tariff engineer” their supply chains to mitigate these Trade Wars.
- It’s not going to get solved by March 1. I PROMISE
- By using the FTZ, you can delay, avoid, and pre-empt Duty Changes in your Supply Chain.
- Companies must take a look at the FTZ Program, because now the duty rate average has risen from 2% into the USA to 10+%.

FTZ AREAS OF EXPANSION

- **Over 6,000 companies use FTZs: Target, Home Depot, Levi's, The Limited, Puma, Adidas and 1,000's of retailers use FTZs in their Supply Chains to Cut Costs!**
- **MPF Savings USED to be the leading “rationale” for using FTZ's; (DCs and FCs) Now, it's avoiding, delaying or eliminating the Dreaded TRUMP TARIFFS!**
- **Manufacturers and Import Distributors are ALL looking at how they mitigate Section 201, 232, and 301 Tariffs. As low as 10% on top of regular tariffs to as high as 55% for washers/dryers after mid-year.**
- **Trump Tariffs are driving companies to seek out FTZ designation to offset rising costs.**

HOW DOES ALL OF THIS AFFECT YOU?

- **We will continue to see “Tariff Stress” on all importer/retailers and manufacturers. This will cause them to front-load inventory in advance of higher tariffs....this has already happened, and now we are in a “Pause” waiting to see how the China/US Trade spat finalizes.**
- **Companies cannot keep adding 10% to their Cost of Goods Sold---it’s not sustainable.**
- **FTZ’s will be growing at a robust rate for at least the next 5 years.**



What can I do with an FTZ?

- Your **Existing + Target Industries/Companies** need to know about the FTZ, why it's important to them, and how it can Cut their Operating Costs and Increase Margins! You can help them do that. Also, FTZ's speed up the supply chain.
- It's not Rocket Science, believe me! If I can do it, you can do it.
- It is also a perfect way to "get out of the Office" meet your constituents/companies and offer them **REAL \$\$\$\$\$!**



What can I do with an FTZ?

- **Step 1:** Start with a list of the largest employees and largest Cap Ex companies in your market; you can do it!
- **Step 2:** Call them! They want to hear what you have to offer the “landed companies” not just the new “Project Zulu”!
- **Step 3** Go meet them, ask for a tour, or if you’ve already had one, bring the Mayor, your Chairman, whomever, so it’s a “get to know you”, let them show off their facility, then you hit them with “How are the Trump Tariffs affecting your Bottom Line?”

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What can I do with an FTZ?

- **Step 4:** IF they say “it’s really hurting, taking a toll, there killing me” then give them our Data Input Form to fill in—either email version or PDF version. (See next slide)
- **Step 5:** “We’ve contracted with a national FTZ consulting company to get you real-time updated info on whether the FTZ program can help you in these turbulent Tariff times.” “The cost to you is Zero. “We, the EDC of ?? Are paying for this service so that we can help our local customers! YOU!”
- **Step 5:** IMSW will sign an NDA - so that your customer knows his info isn’t going to be made public, and we will analyze the FTZ impact for each one -- Pro Bono!



Sample Data Input form for FTZ?

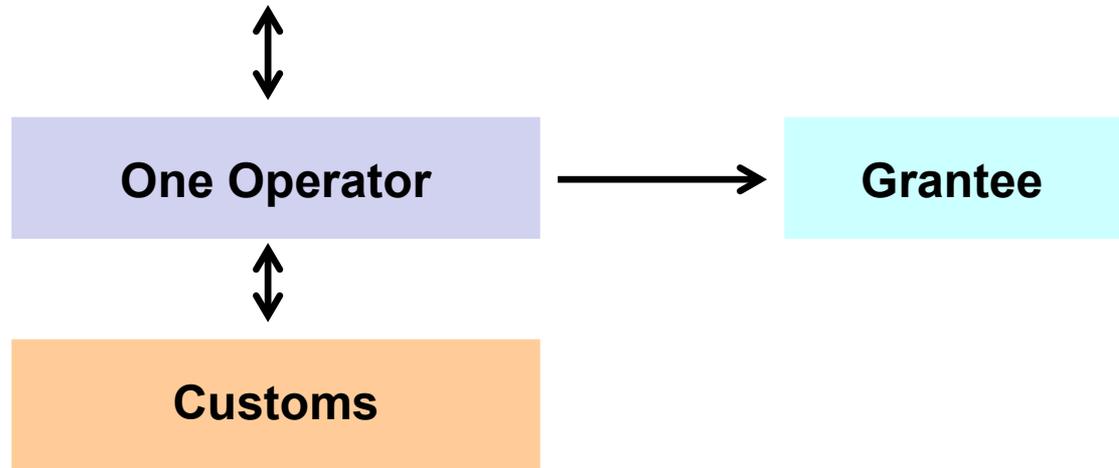
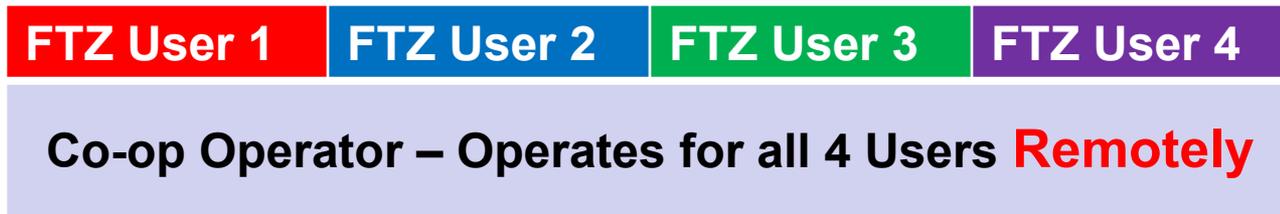
- Number of Customs Entries per week (or month or year) _____per _____
- Total import value (rough estimate only) \$ _____per year.
- Duty rate average, across all imports _____%
- Any exports? yes? no? if yes, what _____%. If yes, do you use Drawback _____?
- Inventory scrap rate (including Return to Vendor) in the warehouse _____%
- Inventory turns per year _____
- Annual Growth rate of imports (sales) _____%
- Do you Manufacture/Assemble? Describe your import parts and finished goods _____



What can I do with an FTZ?

- **Step 7:** Set up a conference call with the Customer after we've provided the FTZ Cost Benefit Analysis for you, and we walk them through it, case by case, formula by formula until we get them to understand.
- **Step 8:** Either the numbers show a HUGE WIN by starting up an FTZ for them, or they show that it's just not enough of a savings.....But wait....
- **We have a solution for smaller companies too!**

FTZ Co-op Model





Bottom Line?

- **Tariffs are here to stay:** We may not like it, but Congress will see the jump in “Taxes Collected” go from \$22 Billion to \$140 Billion and want to KEEP IT!
- **FTZ’s can help your recruiting and your existing business.** Works for new, large companies, and Smaller/Medium sized companies too.
- **IMSW has done over 7,600 Cost Benefit Calculations for Customers. All under NDA, for multiple Grantees.**
- **What are you waiting for?**



FTZ's and Economic Development.

Questions?