



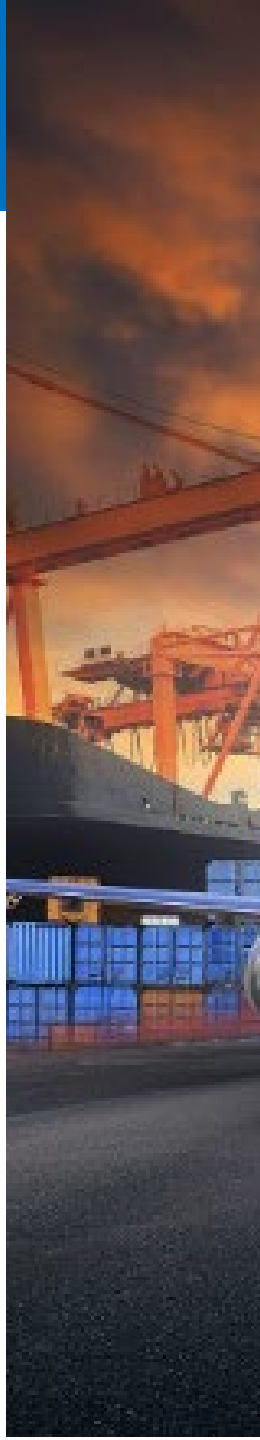
# The FTZ Program 2022 Update: It's all about the Duty---AGAIN!

**Presented by:**  
**Curtis D. Spencer**  
**President of IMS Worldwide, Inc.**



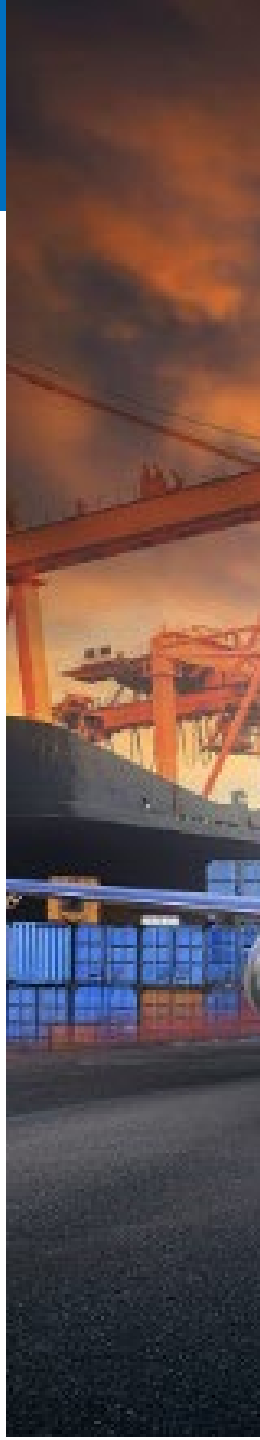
# Agenda

- Introduction to IMSW
- How an FTZ is Used
- Duties are back to “Front and Center” on the Benefits List!
- Questions & Answers

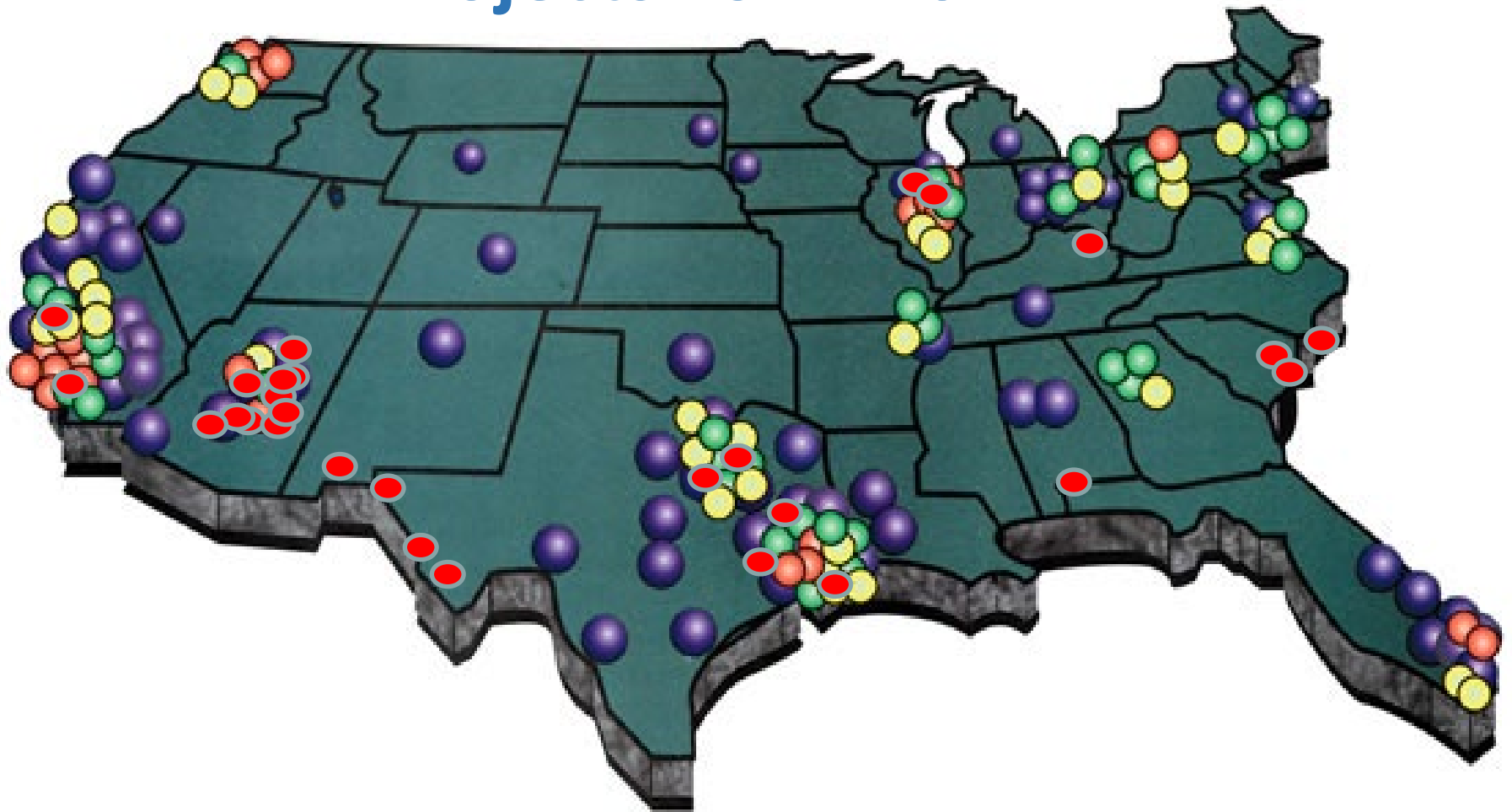


# About IMS Worldwide Inc.

- IMSW has completed over 403 FTZ Projects during 45 years. We have conducted 50 Logistics/Drayage studies for Industrial RE firms, RRs and land-owners.
- We work with Large Gateway Zones (Houston, LA, Miami, Dallas, Chicago, PHX, El Paso and NJ).
- We work with Fortune 1000 companies: Target, The Limited, Dell, Red Bull, Ball Corp, LUCID, Home Depot, Abbott Labs, TJX, Dicks Sporting Goods, CEVA, FedEx, UPS, Yusen, NFI, Nippon Express, etc.
- We work with the largest REITs in the USA: Prologis, Duke, Majestic, Clarion, USAA, Div-Capital/IIT, etc.



# IMSWW Overview of National FTZ and Strategic Development Projects 1977-2022



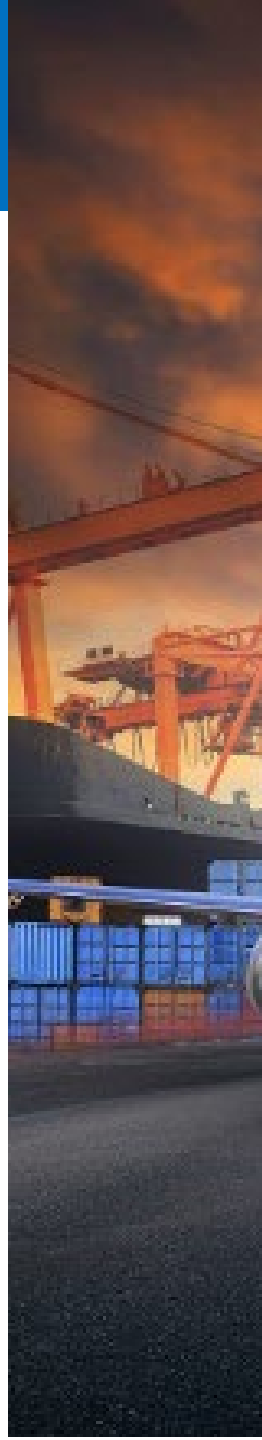
# What is an FTZ?

- 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, and sovereign Native American Nations are 'entitled' to an FTZ.
- Anyone – any business ***who qualifies*** can get it.

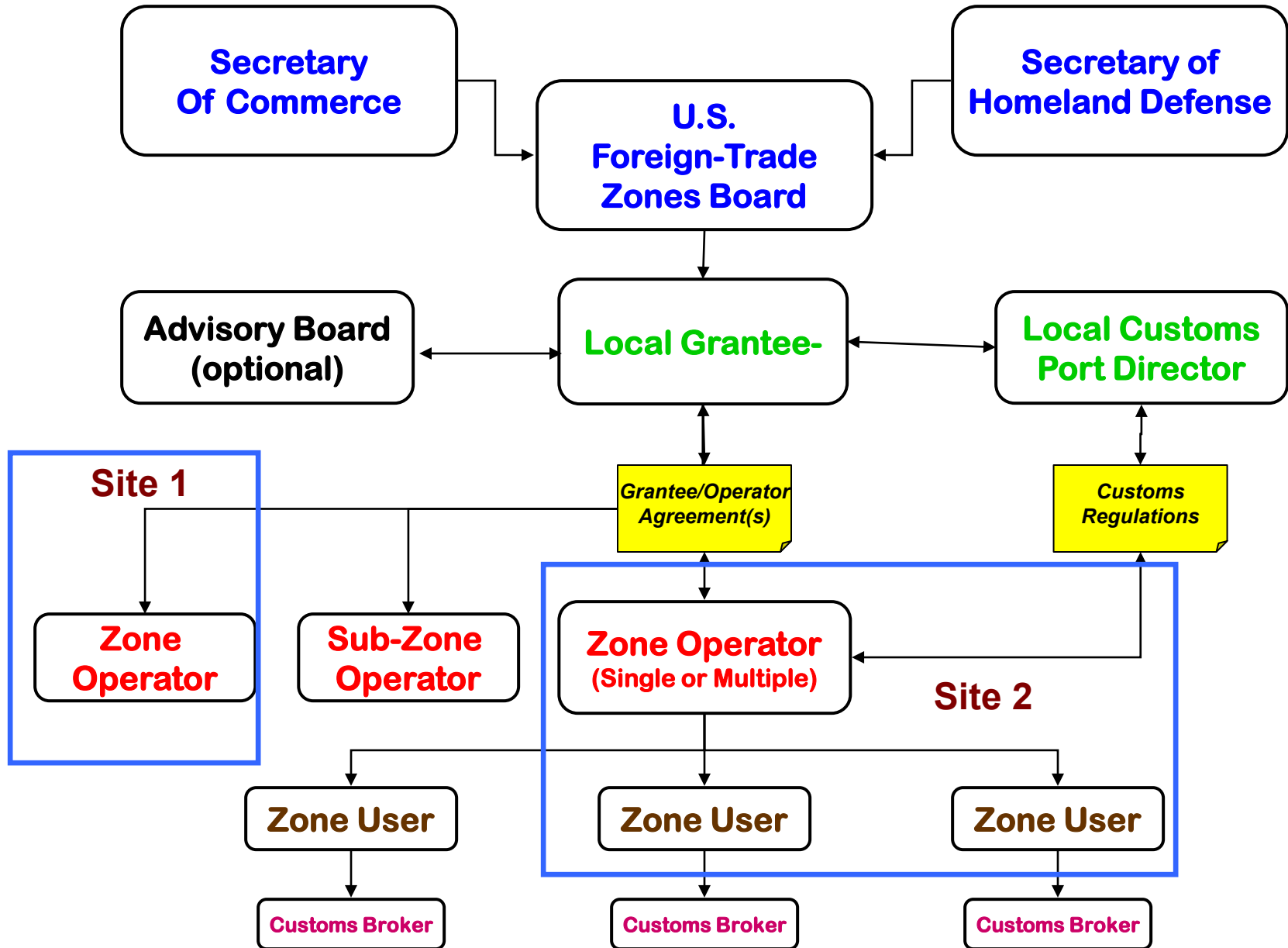


# What is the Structure of an FTZ?

- Federal Approvals (Commerce and DHS)
- Local Approvals/Sponsorship (the Grantee and Customs)
- Operators (In-house or Third-Party Operators)



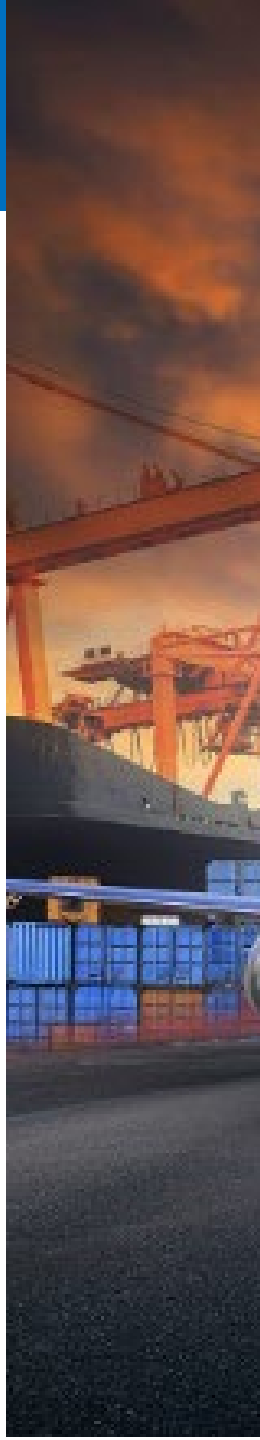
# FTZ Authority Structure



# Who Uses an FTZ?

## FTZs are used by:

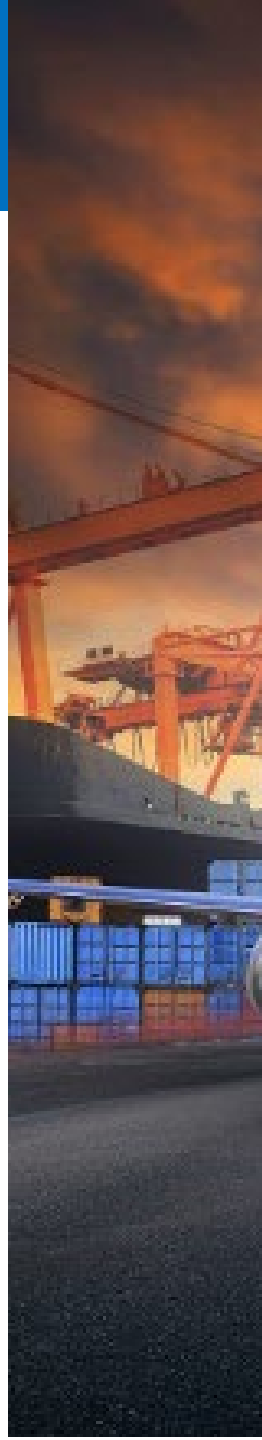
- Manufacturers (oil, auto, solar, appliance, R&D, pharma, etc)
- Importers (consumer goods providers, e-commerce retailers)
- 3PLs (Third Party Logistics Providers)
- REITs/Developers (as a benefit to their customers)
- EDC (Economic Development Agencies to encourage business activity)





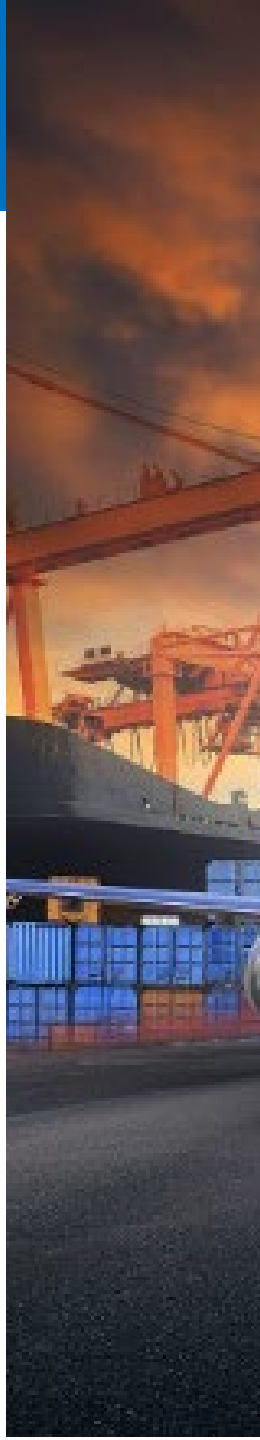
# Retail Importers Using FTZ's

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



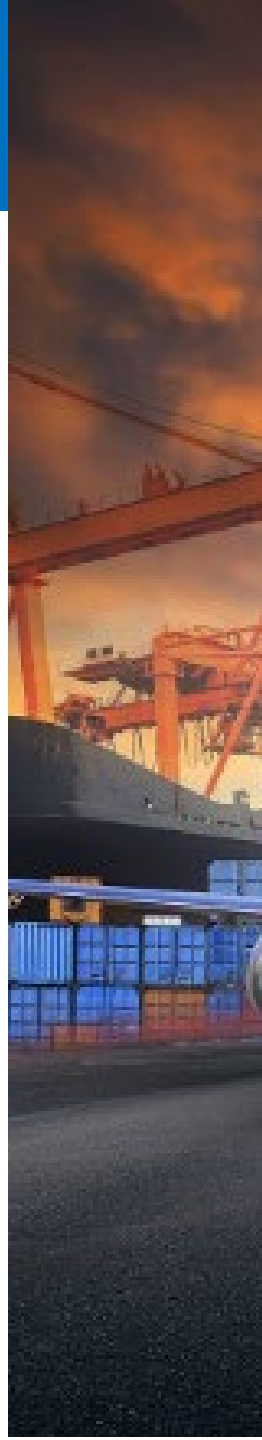
# Retail Importers Using FTZ's

- Gymboree
- Helen of Troy
- Sharp Electronics
- Dick's Sporting Goods
- REI
- RED BULL
- Pioneer Electronics
- Thompson Consumer Electronics
- Conair
- JJ Baker
- Oneida



# Retail Importers Using FTZ's

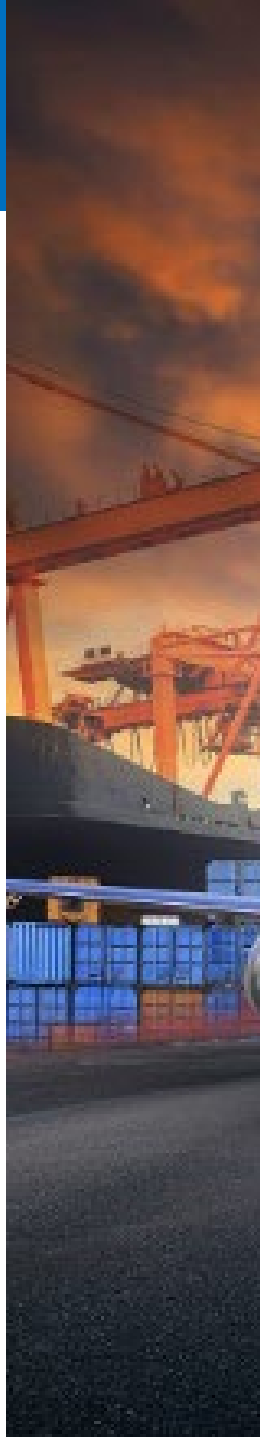
- Nine West
- Coach Leather Goods
- Mercury Marine
- Sony (3) Adding 7 DC's in LA
- LA Gear
- Lexmark Printers
- Keds
- Clarion
- Abercrombie & Fitch
- AMAZON.COM
- SubZero



# What Does an FTZ Do?

- The FTZ **speeds up the supply chain.**
- The FTZ **importing process costs less.**
- The FTZ **security is better** than other methods.
- FTZs Create JOBS! Higher Paying Jobs!

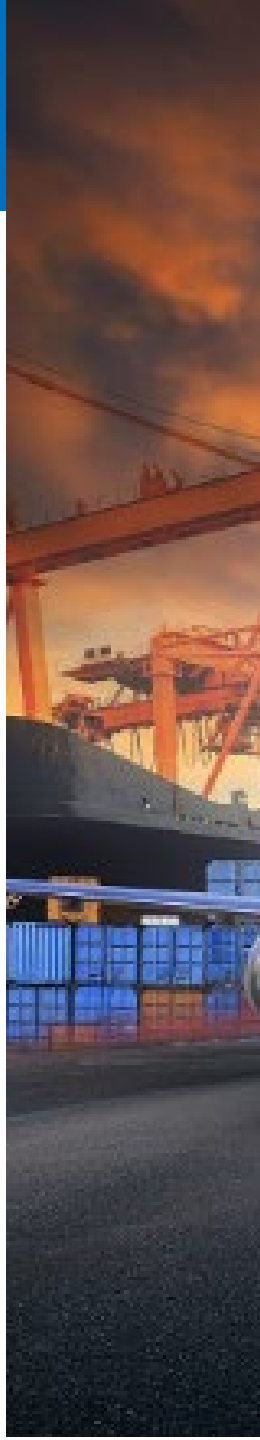
**FASTER - CHEAPER - BETTER**



# How Does an FTZ Cut Costs?

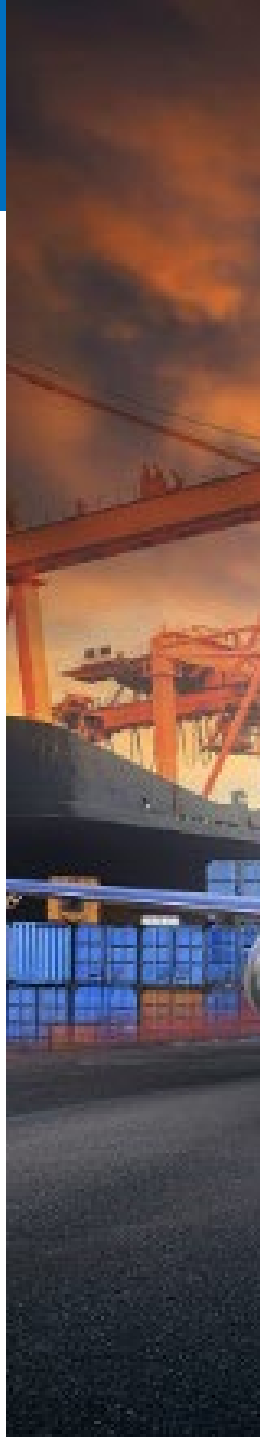
The FTZ importing process **costs less:**

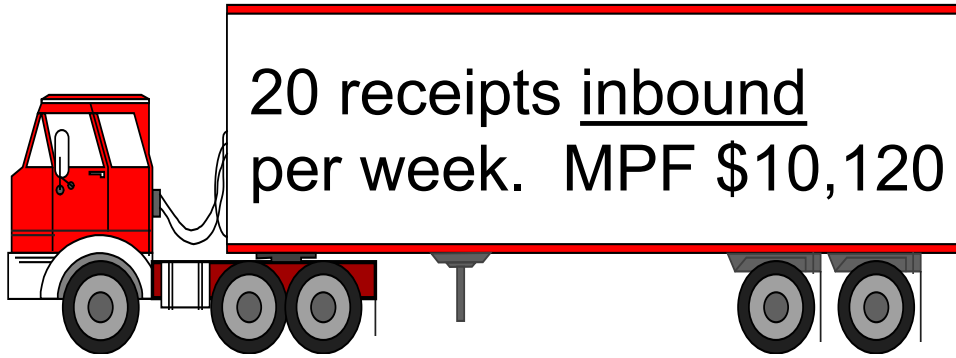
- **\$300,000 to \$1,000,000, Fed Benefits on AVERAGE:**
  - Duty Deferral
  - Duty Elimination
  - Duty Reduction
- **State Tax Reduction (TX, AZ)**
- **Merchandise Processing Fee Elimination**  
*(Let me explain this last step item)*



# Using an FTZ to Cut Cost

- **MPF & Broker Savings**
- **Manufacturing, Pick and Pack, Retail Packaging of Sets**
- **How Higher Duties are driving FTZ Use.**





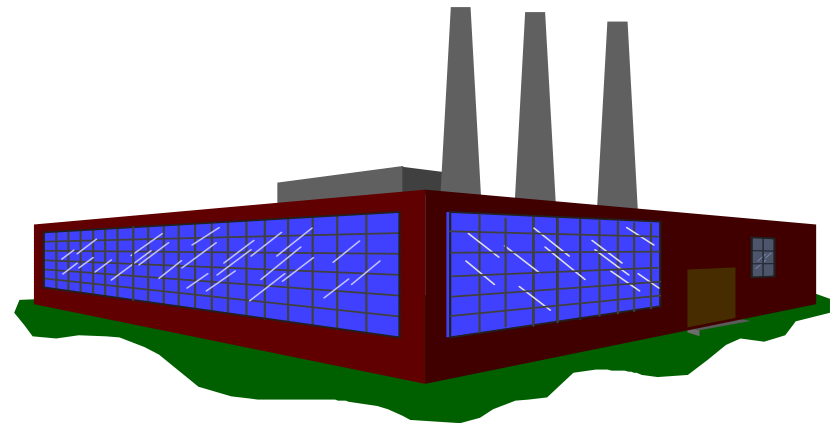
Shipments into Site

**In a single week an FTZ importer can save  
\$9,694/week in MPF Fees, or**

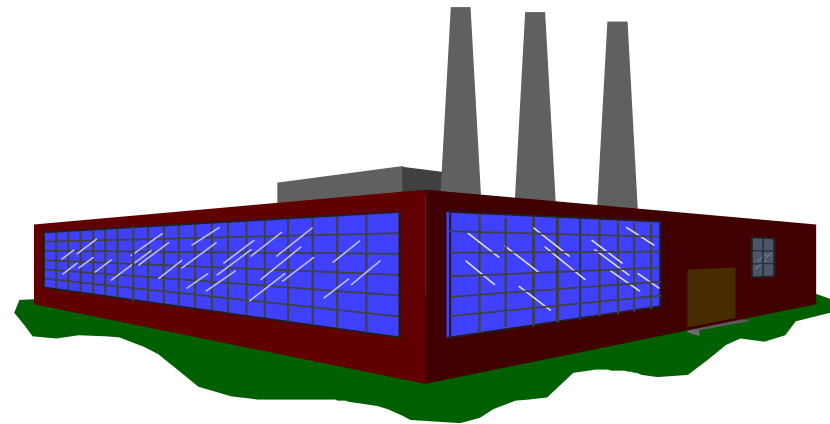
**\$504,088 per YEAR!**



Shipments into commerce  
with weekly entry.



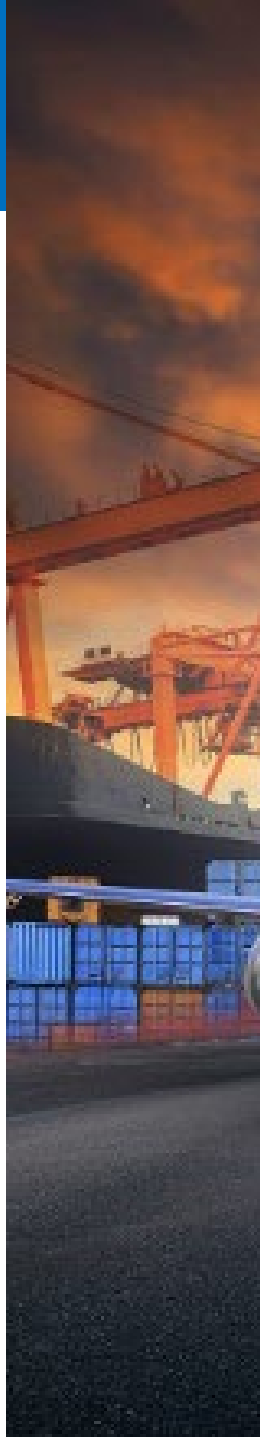
**Pre-Foreign-Trade  
Zone**



**Foreign-Trade Zone**

# Using an FTZ to Cut Cost

- **MPF & Broker Savings**
- **Manufacturing, Pick and Pack, Retail Packaging of Sets**
- **How Higher Duties are driving FTZ Use.**





# An FTZ Allows Users to Lower Duty Rates

1. If the FTZ Users imported components and parts carry ANY duty at all,

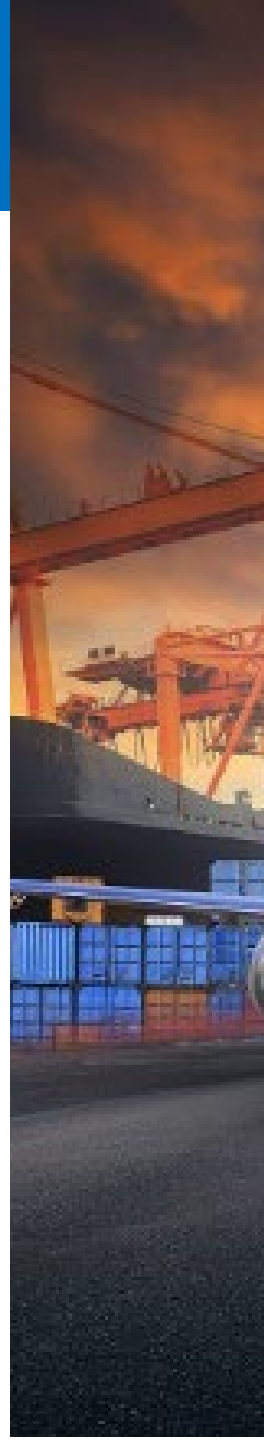
**And**

2. The finished product which the FTZ User is manufacturing or assembling can be imported by a competitor directly at 0% Duty

**The FTZ User CAN GET THE SAME BENEFIT!**

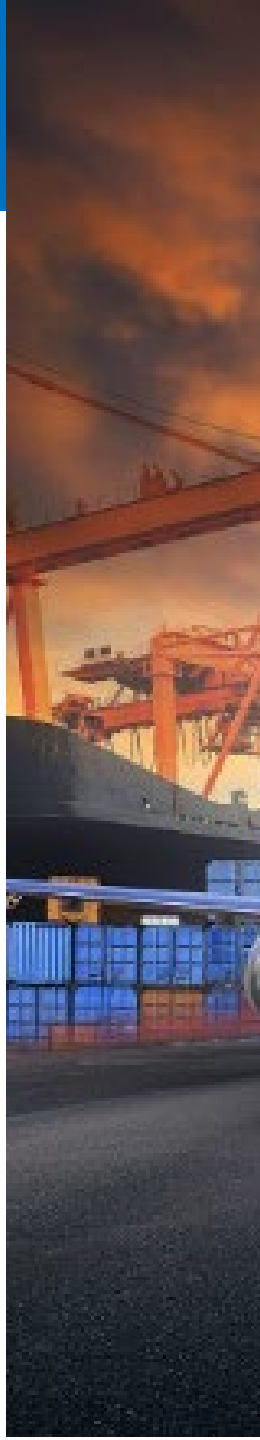
**Whether it's Aluminum Cans, Red Bull, doors and gates, Subzero Fridge!, TVs, satellite dishes, solar panels, or Integrated Circuits.**

- Some Restrictions Apply!!



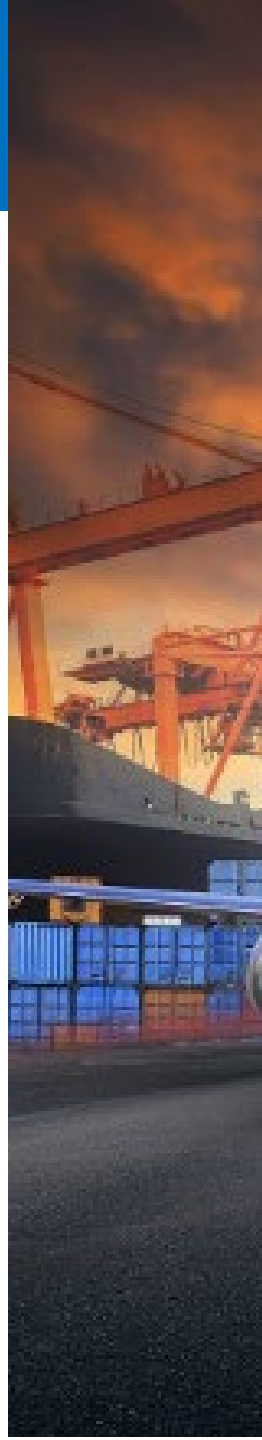
# An FTZ Allows Users to Lower Duty Rates

- This “rule” works for Pick-&-Pack too!
- Example: Speakers carry 4.9% duty. DVD players are 0%. Home Theater Systems (i.e.. Combined: speakers + DVD players) are dutiable at ZERO%
- Therefore, the FTZ User claims 0%.
- **For every \$10 Million in Speakers, the FTZ User saves \$490,000!**



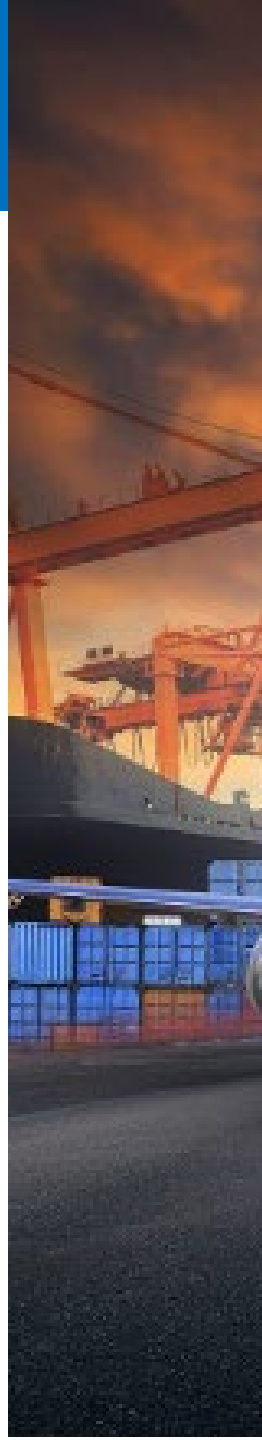
# Using an FTZ to Cut Cost

- **MPF & Broker Savings**
- **Manufacturing, Pick and Pack, Retail Packaging of Sets**
- **How Higher Duties are driving FTZ Use.**



# Why so much emphasis on FTZ's?

- ECONOMICS! FTZ's PAY FOR THEMSELVES!
- FTZ status (approved/activated) gives a huge Federal and Local incentive to the businesses that use it.
- Trump/Biden Import Tariffs (China, also steel, aluminum, solar cells, etc.) have made many companies consider FTZ as a way to mitigate the new, higher duties.
- Qualifying is the issue. Federal regulations are strict, but not too strict.
- The importing community has now embraced the FTZ process nationally!



## TYPICAL FTZ OPERATIONS: LARGE MANUFACTURER

<b>Assumptions Used in FTZ Cost-Benefits Analysis</b>				
<b>Sample Manufacturing Case - LARGE MFG + DC</b>				
Annual cost, dutiable imports				\$500,000,000
Weighted average duty rate				1.00%
Percent reject or scrap imported merchandise				0.67%
Percent of imported merchandise re-exported				4.00%
Percent of imported merchandise sold to the military				0.00%
Annual cost, imports subject to duty inversion				\$40,000,000
Inverted tariff (finished product duty rate)				0.00%
Affected raw material/component duty rate				4.90%
Inventory turns per year				40
Opportunity cost of capital				5.0%
Drawback system in place?				Yes
FTZ cost advantage (FTZ differential) over drawback				25.0%
Average "Merchandise Processing Fee" per entry				\$485
Average number of entries per year				3000
Annual growth rate, FTZ operating expenses, etc.				3.0%
Annual growth projections from current year				
Year 2				5.0%
Year 3				5.0%
Year 4				5.0%
Year 5				5.0%
Application and activation expense - NOT TX. (estimated)*				\$95,000
Increased operating expenses (accounting/tracking/reporting/systems mod.)				\$225,000
Grantee fees (estimated)				\$9,000

# TYPICAL FTZ OPERATIONS: LARGE MANUFACTURER

## Foreign-Trade Zone Cost-Benefits Projections: Sample Manufacturing Case - LARGE MFG + DC

FTZ Benefits & Expenses By Type		Year 1	Year 2	Year 3	Year 4	Year 5	5-YEAR TOTAL
<b>FTZ Benefits</b>							
Re-Exports <sup>1</sup>		\$50,000	\$52,500	\$55,125	\$57,881	\$60,775	\$276,282
Reject, scrap, & military sales		33,500	35,175	36,934	38,780	40,719	185,109
One-time benefit <sup>2</sup>		---					
Ongoing duty deferral		5,958	6,256	6,569	6,897	7,242	32,922
Inverted Tariffs		1,868,468	1,961,891	2,059,986	2,162,985	2,271,135	10,324,465
Merchandise Processing Fee savings		1,429,780	1,501,269	1,576,332	1,655,149	1,737,907	7,900,437
<b>Total FTZ Benefits</b>		<b>\$3,387,706</b>	<b>\$3,557,091</b>	<b>\$3,734,946</b>	<b>\$3,921,693</b>	<b>\$4,117,778</b>	<b>\$18,719,215</b>
<b>FTZ-RELATED EXPENSES</b>							
Internal FTZ Operation Expenses		\$225,000	\$231,750	\$238,703	\$245,864	\$253,239	\$1,194,556
Grantee fees		9,000	9,270	9,548	9,835	10,130	47,782
<b>TOTAL FTZ-RELATED EXPENSES</b>		<b>\$234,000</b>	<b>\$241,020</b>	<b>\$248,251</b>	<b>\$255,698</b>	<b>\$263,369</b>	<b>\$1,242,338</b>
<b>NET FOREIGN-TRADE ZONE BENEFITS</b>		<b>\$3,153,706</b>	<b>\$3,316,071</b>	<b>\$3,486,695</b>	<b>\$3,665,995</b>	<b>\$3,854,409</b>	<b>\$17,476,877</b>

<sup>1</sup>Export benefits to Canada and/or Mexico subject to applicable free trade agreements.

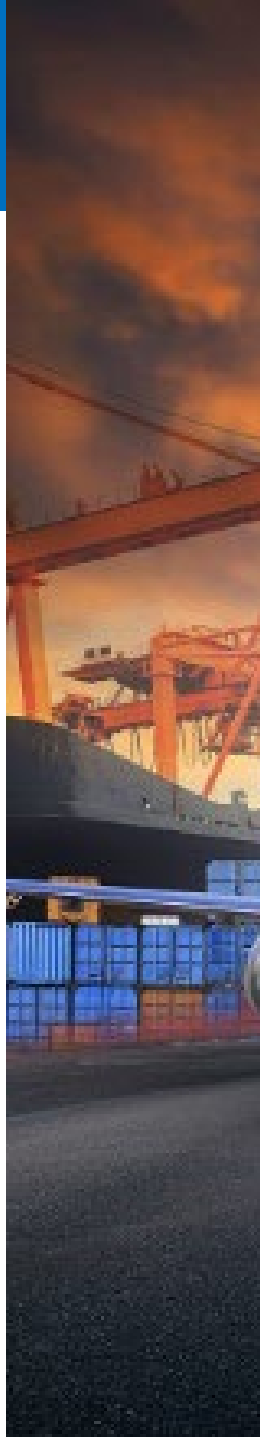
Totals may vary, due to rounding.

Application and activation expense	\$95,000
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<sup>2</sup> One-time benefit available after	1 weeks	\$119,163
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# Bottom Line

- FTZ process is now a “site requirement” over 50% of the time!
- 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







# Any Questions?

**Presented by:**

**Curtis D. Spencer**

**President of IMS Worldwide, Inc.**

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