

# AAPA ASF PRESENTATION



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Port of Tacoma*

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# Topics to be Covered



- Benefits of FTZ Usage
- FTZ Case Study For Oxnard Harbor District
- Port of Tacoma FTZ Economic Development Tool
- Traditional Site Framework (TSF)
- Alternative Site Framework (ASF)
  - Why and when created
  - How to participate
  - Who is in program

# FTZ Benefits for Storage of Merchandise



- **Cash Flow Benefit** -- Customs duties and excise taxes are not payable until merchandise is actually released from FTZ and enters U.S. customs territory
- **Duty Elimination** -- Re-exported merchandise is not subject to payment of regular customs duties, countervailing and dumping duties nor excise taxes
- **Duty Elimination** -- Non-conforming merchandise can be returned to foreign supplier or destroyed under Customs' supervision without being subjected to payment of customs duties and/or excise taxes

# FTZ Benefits for Storage of Merchandise



- **Direct Delivery** is available if the FTZ Operator is the owner or purchaser of the imported merchandise
- **Weekly Estimated Entry** is available at the option of the Operator or User
- **Tighter Inventory Record Keeping** -- Zone Users must adopt inventory control procedures in compliance with the Customs Regulations, which enables Users to maintain tighter inventory control over merchandise located within FTZ
- **Re-marking or Re-labeling of Merchandise** -- Merchandise may be remarked or relabeled in to conform to U.S. Customs requirements

# FTZ Benefits for Manufacturing of Merchandise



- **Inverted tariff** -- Components with higher duty rate, utilized in production of articles with lower duty rate, can have their duty rate reduced to duty rate applicable to finished article
- **Lower Valuation** -- The expense of labor, overhead and profit incurred in operations performed in FTZ is not subject to customs duties
- **Eliminate Duties on Exports** -- Articles produced in FTZ that are re-exported without entering the customs territory of the U.S. are never subject to payment of U.S. customs duties, dumping and countervailing duties nor excise taxes

# FTZ Benefits for Manufacturing of Merchandise



- **Eliminate Duty on Waste** -- Any waste or scrap generated in manufacturing performed in FTZ is not subject to customs duties
- **Zone to Zone Transfer** -- Articles can, in various stages of manufacture, be transferred from zone to zone
- **Made in USA** -- Articles produced in an FTZ are considered products of the U.S.

# FOREIGN TRADE ZONE # 205

## Port of Hueneme



# Port of Hueneme FTZ #205 Granted in 1994



- Port Site
- Vehicle processing
- Off-Port facilities





# PORT OF HUENEME



**\$650 million in economic benefit**

**More than 4,000 jobs**



- BMW
- Hyundai
- Jaguar
- Kia
- Land Rover
- Maserati
- Volvo



- Del Monte
- Chiquita

# Ventura County, California



**Manufacturing & Professional  
Services**

**Biomedicine**

**Navy**

**Deep-Water Port of Entry**

**Strong Agriculture Roots**

Joe Vrinig / 2009

# Transportation Assets

- **Two small boat marinas**
- **Three Regional Airports**
- **Rail connections**
- **Deep-Water Port**



# Current State of Ventura County

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- 26,400 *private sector jobs lost since December 2007, over 10% of our base*
- Unemployed workers:
  - January 2002 = 24,200 (6.0%)
  - February 2011 = 44,600 (10.4%)
- Mix of retained occupations & industries increasingly are lower wage and service sector

# Where's the Opportunity? Where Are the Jobs?

- Educ./Health Care/Social Asst. Sector (14.5% of priv., non-farm)
- Professional & Business Services Sector (16%)
- Manufacturing (13.8%)
- **International Trade (Trade & Transport)**
  - **Over 900 export firms in Ventura County**
  - **over \$2.7 billion exports in County economy**
  - **over 90% of consumers in emerging nations**
- Entrepreneurship
  - More than 20,000 small businesses





# Economic Recovery: What We Need to Do?

- Promote the region's strengths to retain & attract skills & business
- Recognize and encourage entrepreneurship
- Connect local business products & services to global markets
- Build workforce skills, keep them here
- Forge new compacts for sustained economic growth:
  - Workers committed to lifelong learning
  - Businesses committed to investing in skills



# Ventura County's leadership position

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- **Need for a regional strategy targeting:**
  - Business retention & expansion
  - Business attraction
  - Support for entrepreneurship
- **Promoting an asset based strategy, featuring:**
  - Quality of life
  - Financial stability
  - Diverse economic base
  - Attractive price points relative to real competition
  - Quality education system & abundant workforce skills





# Foreign Trade Zone #86

**JACK HEDGE**  
DIRECTOR  
REAL ESTATE AND ASSET  
MANAGEMENT

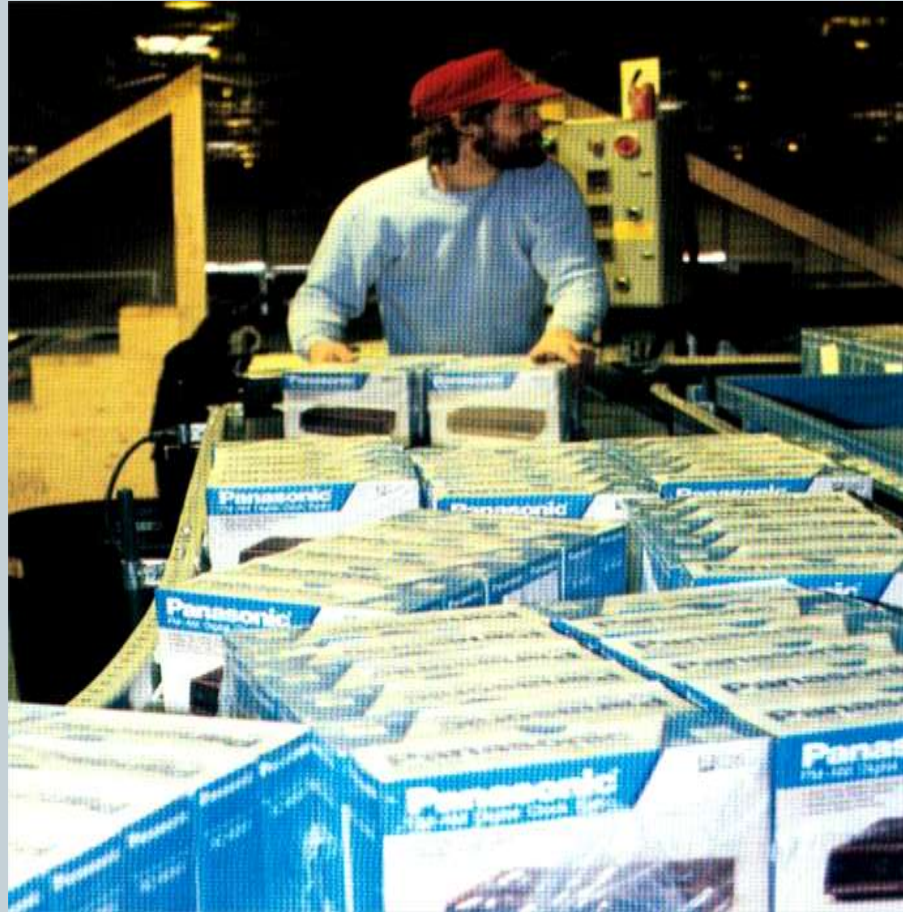




# The Port's Major Imports



# FTZ #86: In the Beginning 15 Acres, One Building, and Panasonic





# 1980s: Modules for Alaska's North Slope



# **Auto Warehousing in Tacoma**





# FTZ #86 Today: Locations, Locations, Locations

## Foreign Trade Zone #86:

The Next Step in the Evolution of Your Global Supply Chain

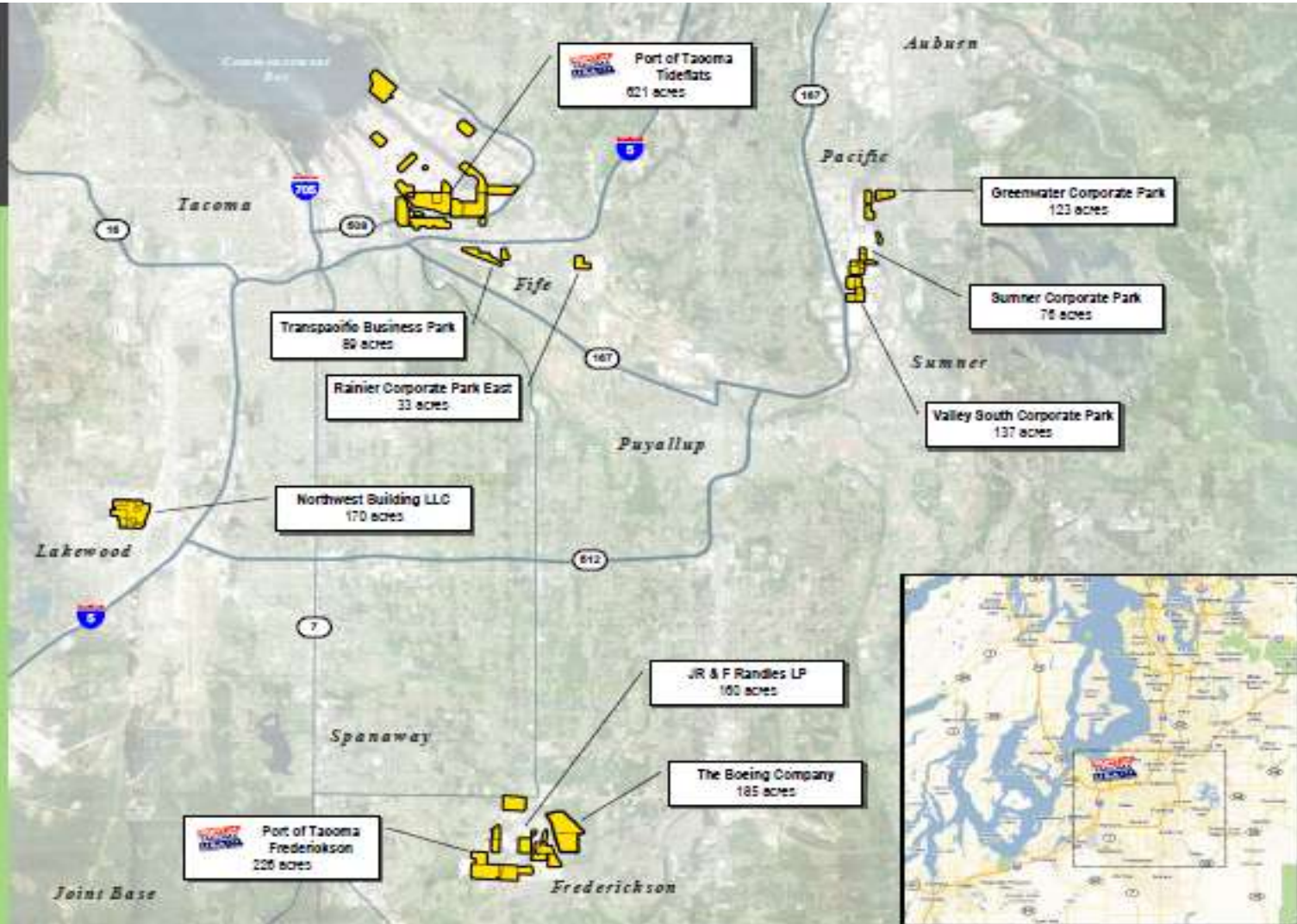
- Port of Tacoma received FTZ #86 designation in 1983
- The Port's FTZ covers more than 2,250 acres, making it one of the largest FTZs on the U.S. West Coast
- More than \$1.3 billion of goods and merchandise moved through FTZ #86 properties in 2010
- FTZ #86 includes 19 Port-owned parcels on 821 acres in the Tacoma Tideflats area
- All Port parcels are zoned for warehousing, manufacturing or heavy industrial uses
- Many of the sites within the Port Industrial Area are rail-served and located adjacent to or near Port terminals



Your Port of Choice  
[www.portoftacoma.com](http://www.portoftacoma.com)

For more information on FTZ #86, please contact  
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[janiceburg@portoftacoma.com](mailto:janiceburg@portoftacoma.com)  
phone: (252) 383-6041 ext. 550

Port of Tacoma  
P.O. Box 1007, Tacoma, WA 98401  
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# Warehouse/DCs in FTZ #86

## General Purpose Operators



# ASF Application Process/Timeline



FEDERAL REGISTER  
THE DAILY JOURNAL OF THE UNITED STATES GOVERNMENT

## Foreign-Trade Zone 86-Tacoma, WA Application Alternative Site Framework

A Notice by the [Foreign-Trade Zones Board](#) on 12/10/2010

An application has been submitted to the Foreign-Trade Zones (FTZ) Board (the Board) by the Port of Tacoma, grantee of FTZ 86, requesting authority to reorganize the zone under the alternative site framework (ASF) adopted by the Board ([74 FR 1170](#), 1/12/09 (correction [74 FR 3987](#), 1/22/09); [75 FR 71069-71070](#), 11/22/10). The ASF is an option for grantees for the establishment or reorganization of general-purpose zones and can permit significantly greater flexibility in the designation of new “usage-driven” FTZ sites for operators/users located within a grantee’s “service area” in the context of the Board’s standard 2,000-acre activation limit for a general-purpose zone project. The application was submitted pursuant to the Foreign-Trade Zones Act, as amended ([19 U.S.C. 81a-81u](#)), and the

**December—2010**

Application submitted

**June—2011**

Application approved





# ASF Advantages



- **INCREASED FLEXIBILITY**
- **INCREASED PREDICTABILITY**
- **REDUCED COSTS**
- **LESS PAPERWORK**
- **COST SAVINGS**

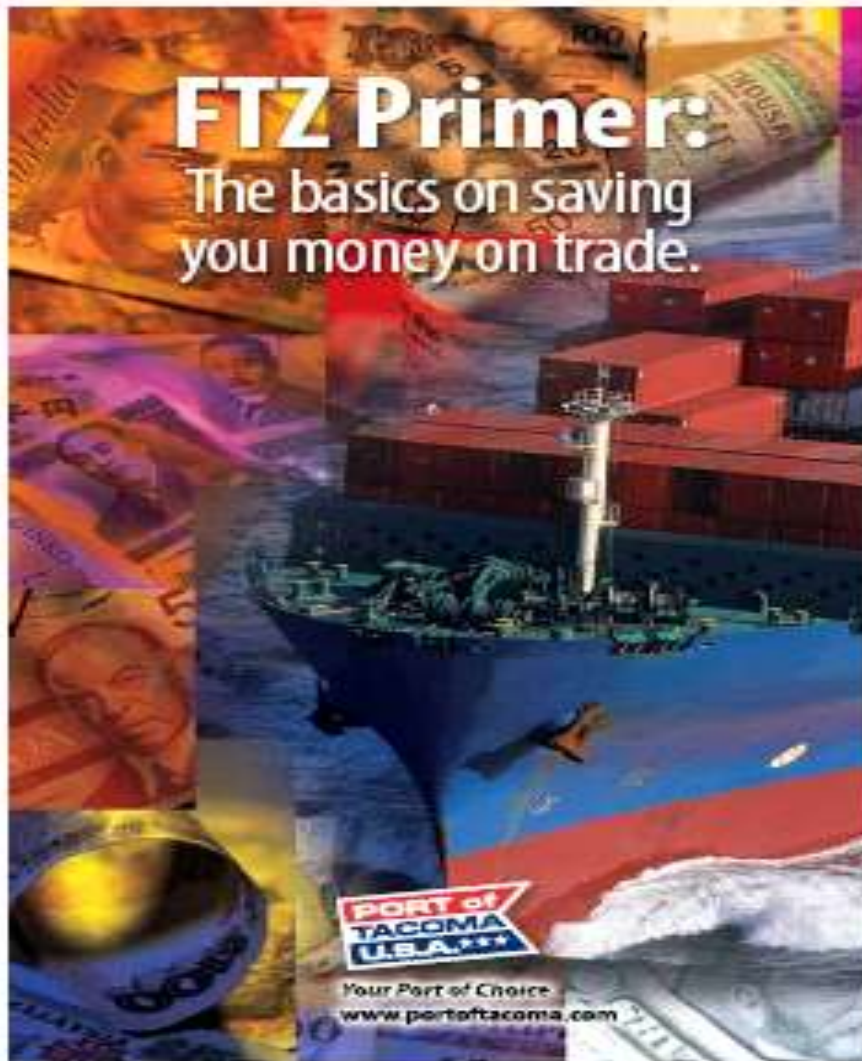


# ASF: The Opportunities



- More cargo
- More port-related jobs
- More job opportunities in your community
- A stronger economic development tool
- Partnerships with the real estate community

# FTZ/ASF Promotion



**FTZ Primer:**  
The basics on saving  
you money on trade.

**PORT of  
TACOMA  
USA\*\***

Your Port of Choice  
[www.portoftacoma.com](http://www.portoftacoma.com)

The advertisement features a collage of images including US dollar bills, a large cargo ship, a lighthouse, and a person's face. The text is overlaid on the collage.



## Imagine a place where you could save money for your company.

It may sound like some sort of questionable off-shore investment strategy, but actually it's a program sanctioned by the federal government.

Importers and exporters can defer or reduce duty in a Foreign Trade Zone (FTZ)— areas that are technically outside of the United States or the U.S. Customs territory—but geographically, they could be right down the street.

Today, the Port of Tacoma is one of the largest foreign trade zones on the West Coast, handling more than \$1 billion of goods in 2010.

FTZ #86 gives importers and exporters options to ship, store, manipulate and add value to goods while delaying—or even avoiding—paying U.S. Customs duties.

### **FTZ: land and opportunity**

With more than 2,500 acres of land on multiple sites, FTZ #86 offers options for warehouse and office space, large paved areas, property zoned for manufacturing and 62 acres of rail-served industrial-use sites on sites ranging from 1.65 to 180 acres.



# FTZ #86/ASF: Media Coverage

## Ports & Terminals

### [PSA wins Dammam terminal concession](#)

Global terminal operator PSA International said Wednesday it has won a concession from the Saud...

### [Redwood City rises on scrap metal exports](#)

Port of Redwood City in California reported cargo tonnage for the fiscal year ending June 30 of...

### [New chairman at Port of New Orleans board](#)

The Port of New Orleans Board of Commissioners elected J. Wayne Mumphrey as chairman last Wedne...

### [Callao terminal signed over to APM Terminals](#)

APM Terminals assumed administration and management

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Source: **American Shipper+** Date Posted: **6/10/2011 9:47:47 AM**

## Tacoma to reorganize FTZ

The Washington state Port of Tacoma has received approval to reorganize its Foreign Trade Zone No. 86 under the U.S. Commerce Department's new Alternative Site Framework (ASF) program.

"Obtaining the ASF designation makes our FTZ a more effective marketing tool," said Jack Hedge, the port's director of real estate and asset management, in a statement. "We will now be able to dramatically increase our flexibility and speed in designating and adjusting sites within our FTZ to meet our customers' needs."

Under the new ASF program:

- The application the port and the company need to complete for FTZ designation has been greatly simplified.
  - A company is able to obtain the FTZ designation more quickly -- within 30 days instead of six months to a year.
  - The entire process can be completed with less expense than in the past.
- FTZs give importers and exporters a flexible way to ship, store and add value to goods while delaying, reducing or in some cases eliminating payment of U.S. Customs duties.

With the ASF application approval, FTZ No. 86 now consists of 11 industrial parks or property that cover more than 2,235 acres of both port land and privately owned land. FTZ No. 86 was first established in 1983, and has been expanded three times over the years, the port authority said.

Mazda and Kia both use Tacoma's FTZ to process imported vehicles. In addition, Puget Sound International Norvanco International and Pacific Distribution Services provide FTZ warehousing services to companies involved in the import, manipulation and distribution of a wide range of products.

Tacoma's FTZ ranks third among 35 West Coast FTZs and 18th out of 272 U.S. FTZs in terms of dollar value of foreign merchandise admitted into the zone. According to the port authority the total dollar value of foreign merchandise that moved through FTZ No. 86 tripled to \$1.3 billion in fiscal year 2010.



# Partnerships: Norvanco's website



## Foreign Trade Zone (FTZ)

### THE SUPPLY CHAIN BENEFITS OF A FOREIGN TRADE ZONE

Foreign Trade Zones were created by federal legislation in 1934 and were designed to foster economic stimulus by way of investment and employment opportunities in U.S. manufacturing. Historically under-utilized until the 1970's, when larger companies such as auto manufacturers began using the program to gain advantage from manufacture in the Zone of products made from components with HS tariff classifications carrying high duty rates. Still applicable today, this Foreign Trade Zone scheme allows finished products to be imported from the Zone at a lower duty rate, effectively reducing landed cost and enabling more competitive positions for U.S. manufactured products. The purpose of this document is to illustrate the more salient benefits of a Foreign Trade Zone and impact on the importer supply chain.

### INCREASED SUPPLY CHAIN EFFICIENCY THROUGH THE FOREIGN TRADE ZONE (FTZ) PROCESS



## REQUEST SERVICE

### INFORMATION

Tell us how we can help your business succeed and you'll be entered in our quarterly drawing for a flat panel TV!

I am interested in the following services (check all that apply):

- Foreign Trade Zone
- Distribution

## Links

- [About Us](#)
- [Our Process](#)
- [What to Expect](#)
- [Warehousing & Distribution](#)
- [Vendor Compliance](#)
- [EDI](#)
- [Green Gateway](#)
- [Customhouse Brokerage](#)
- [Transportation Management](#)
- [Foreign Trade Zone](#)
- [Value Added Services](#)
- [Information Technology](#)

## Foreign Trade Zone

### INCREASE SUPPLY CHAIN EFFICIENCY AT FINANCIAL PERFORMANCE



Foreign Trade Zones allow finished products to be imported at a lower duty rate.

- » [Customs Duty Deferral](#)
- » [Harbor Maintenance Fee Deferral](#)
- » [Lower Merchandise Processing Fees](#)

[Learn More](#)

## eVista

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Unlimited access to information on all aspects of your product and shipping activities.

- » [Shipment Information](#)
- » [Inventory](#)
- » [Order Status](#)

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# Traditional Site Framework



- Until 2009 TSF was only framework available
- TSF consisted of General Purpose Zone Sites and Subzones
- Company had to either locate within existing GPZ site or Grantee had to expand boundaries of GPZ or file Subzone for company
- Very inflexible plan and from a timing perspective impractical for companies looking for FTZ usage

# Alternative Site Framework



- Why ASF was adopted by FTZB on January 12, 2009
  - Goal : Improve Grantees' ability to bring competitiveness benefits of FTZs to broad range of companies.
  - FTZ Staff consulted with Grantees and others to develop zone-site management option that is flexible (for users), focused (for oversight purposes), and predictable (for everyone's benefit). For a Grantee, ASF dramatically reduces burden and increases flexibility and predictability on designation of FTZ sites to meet companies' needs in their region.
  - Approval for a new ASF "plan" involves a public process to enable future site designations (via simplified FTZ Staff minor boundary modification process) across a broad geographic area served by the zone.

# Alternative Site Framework



- How to participate:
  - ASF participation starts with Grantee's application for FTZ Board action to reorganize zone under ASF.
  - Framework is a "package deal" – Grantee would either manage its zone sites under TSF or opt for ASF framework in its entirety.

# Alternative Site Framework



- “Service Area” is the geographic area where Grantee intends to propose general-purpose FTZ sites.
  - Most commonly will be specific counties.
  - Each county in proposed Service Area must concur in writing
  - Must meet adjacency (60 miles/90 minutes from CBP POE)
  - The reason to define Service Area up front is to eliminate need for full FTZ Board processes (Federal Register notices, public comment periods, etc.) when new potential zone users appear and need FTZ designation quickly.

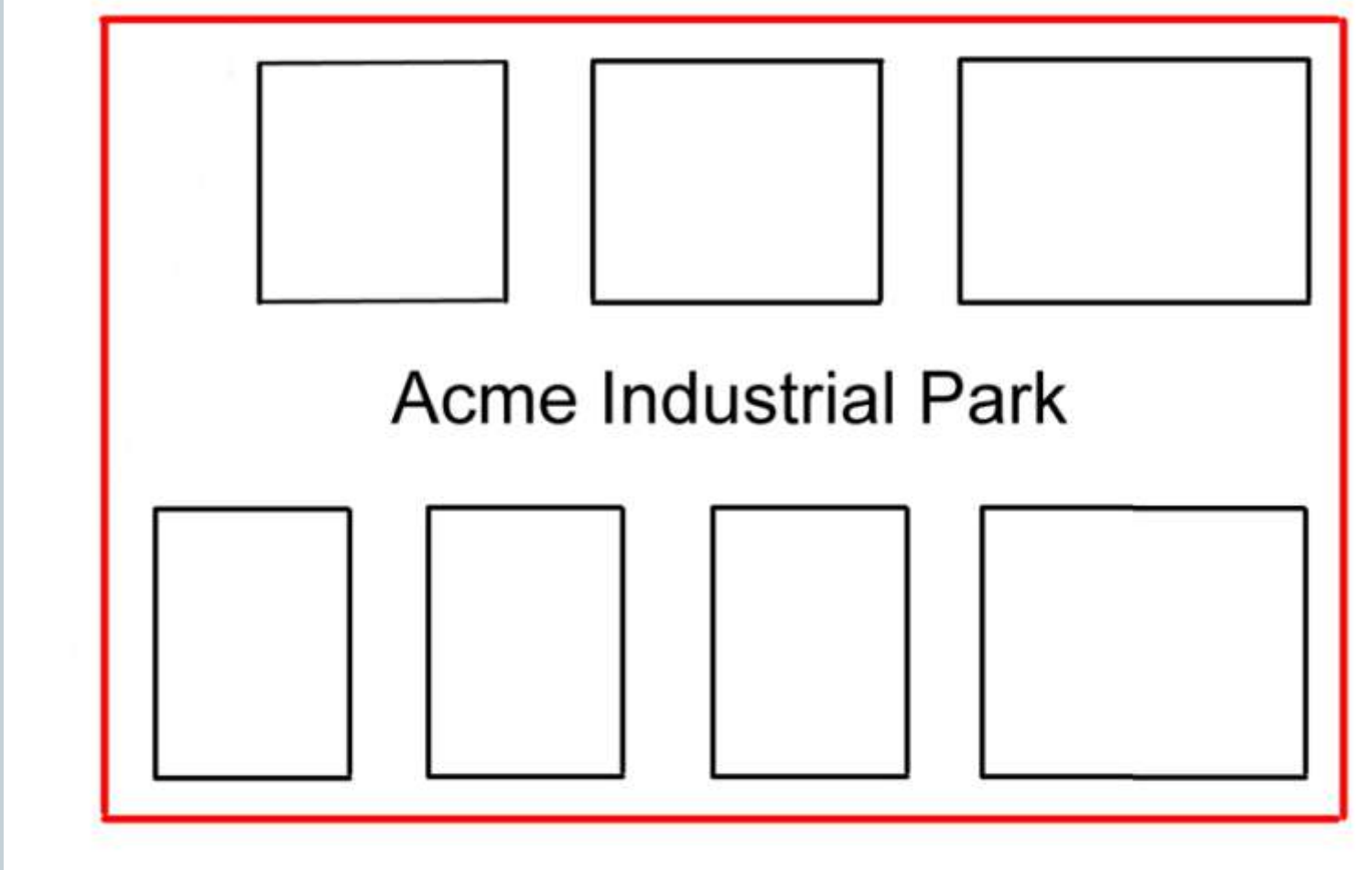


# Alternative Site Framework



- A “Magnet” site is one selected by Grantee based on ability to attract multiple potential FTZ operators/users.
  - Designated only via FTZ Board action.
  - Akin to traditional FTZ site (industrial park, port facility, etc.) designated in advance – essentially speculatively – to attempt to draw FTZ operators/users.
  - Magnet sites are not the true focus of the ASF.

# Magnet Site



Acme Industrial Park

# Alternative Site Framework



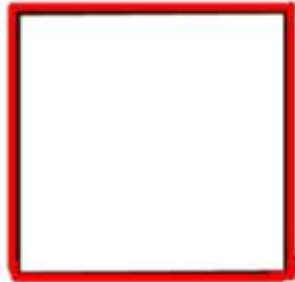
- A “Usage-Driven” site is designated for a company ready to pursue conducting FTZ activity.
  - Can be designated via simplified boundary modification.
  - Designation tied to the specific company and limited to the space needed by the company.
  - Under ASF, site is general purpose if adjacent space has potential for future FTZ use.

# Alternative Site Framework

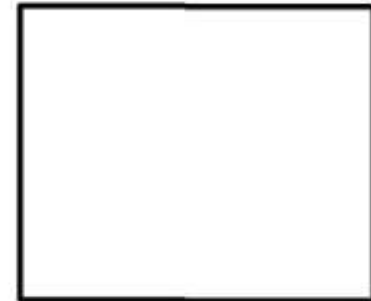


- Ongoing “Sunset” tests remove unused sites.
  - Standard five-year sunset period for Magnet sites (applicant can request longer on case-specific basis).
  - Three-year sunset period for all Usage-Driven sites.
  - Activation/activity during any period serves to reset the sunset deadline by an additional five years (Magnet) or three years (Usage-Driven).

# Usage Driven Site



Acme Industrial Park



# Alternative Site Framework



- Issues to be considered:
  - What is scope of the Service Area
  - How many Magnet Sites to be retained
  - How many Magnet Sites to be converted to Usage Driven Sites
  - When to start marketing ASF Designation
  - What if a Company needs FTZ designation while ASF application is pending

# Alternative Site Framework



- As of June 30, 2011, 38 Grantees have reorganized their Zone Project under ASF
- As of June 30, 2011, 18 Grantees have applications pending with the FTZ Board to reorganize their Zone Project under ASF
- More than 25% of the Grantees in the United States have applied to reorganize their Zone Project under ASF in the 2 1/2 years since the Framework was introduced

# States with ASF Zone Projects





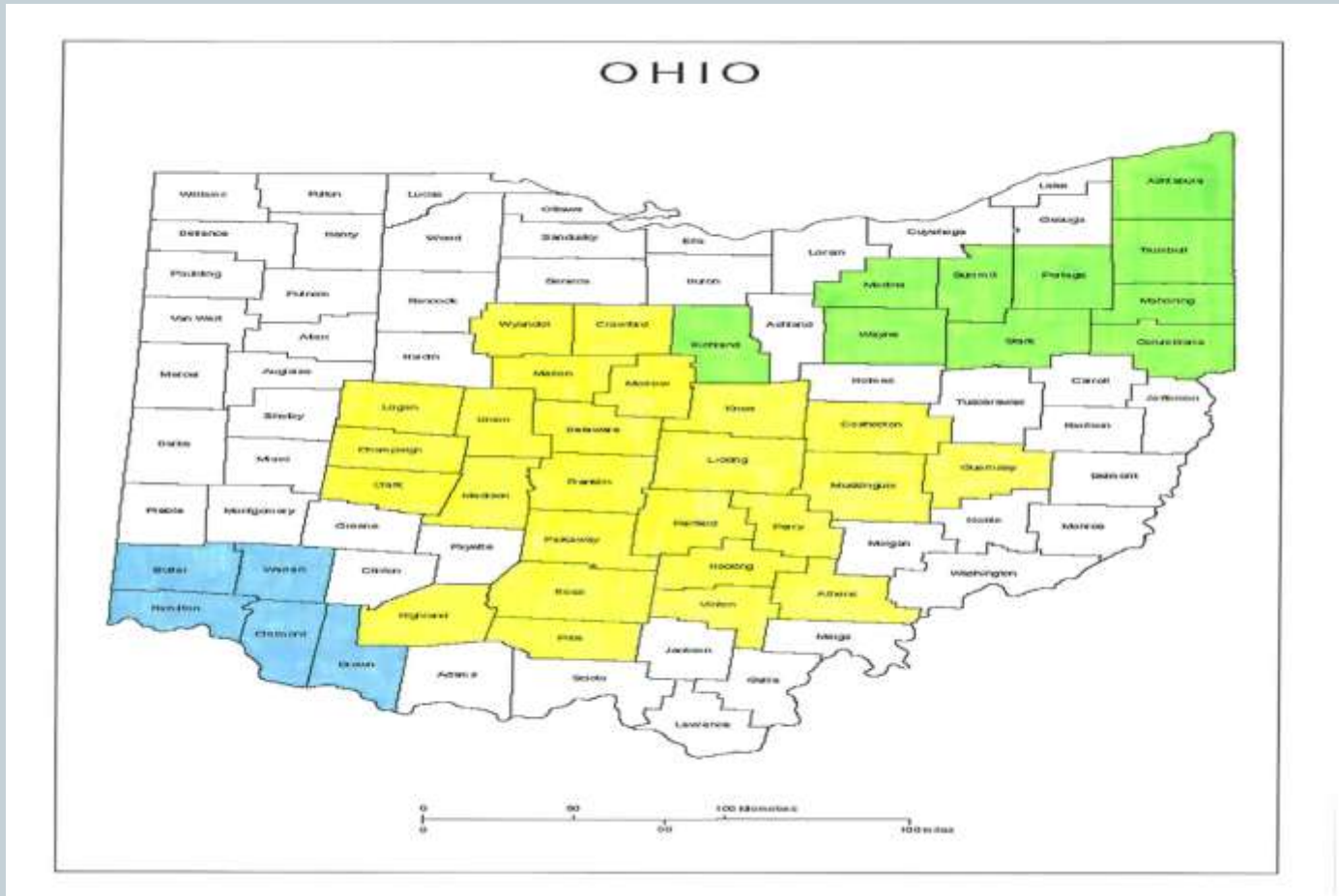
# ASF Zone Projects in State of Washington



# ASF Zone Projects in State of Georgia



# ASF Zone Projects in State of Ohio



# ASF Zone Projects in State of California

