



Port of Los Angeles FTZ Workshop 2018

Trey W. Boring
Sr. Vice President
IMS Worldwide, Inc.



Agenda for the Day

- Foreign-Trade Zone (FTZ or Zone) Benefits
- FTZ Updates
 - Trade Actions
 - Punitive Tariffs
- USMCA
 - Rules Coming
- Guidelines and Rules
 - POLA FTZ Application Process and Schedule
- Annual Report Submission



How Do Companies Save Money in an FTZ?

- Duty Deferral
- Duty Elimination
- Duty Reduction
- Customs Fees

Duty Deferral

- Duty is not paid when an item enters the Zone
 - An item enters the Zone in January
- Duty is paid when the item leaves the Zone
 - The item leaves the Zone in April
- Four months of duty deferral

Duty Elimination

- Testing and inspection is conducted in the Zone duty-free
 - All rejected and destroyed items are duty-free
- Exports are duty-free
 - All items exported from the Zone are duty-free

Duty Reduction

- For manufacturing Zones
 - The Zone allows a company to choose the lowest duty rate associated with its components and finished product(s)
- A company imports 3 components
 - A has a duty rate of 10%
 - B has a duty rate of 9%
 - C has a duty rate of 8%

Duty Reduction

- The company's finished product has a 5% duty rate
- The company will pay for the value of the components at the finished product rate
 - A from 10% to 5%
 - B from 9% to 5%
 - C from 8% to 5%
- This reduction means a savings of 3% to 5%



Merchandise Processing Fee Savings

- Each entry into the United States is assessed a Merchandise Processing Fee (MPF)
- Foreign-Trade Zones are allowed one entry per week
- The MPF is collected on that one entry



Briefing on FTZ Updates

- Trade Actions
 - 301
 - 232
- Punitive Tariffs
 - FTZ Rules
 - Admission
- Withdrawals



USMCA

- Rules Coming
 - Acceptance by Countries
 - Congressional Action
 - Regulatory Update
 - Estimated FTZ Impact

Guidelines and Rules

- Application for FTZ Designation
 - Type of Applications
 - Site
 - Production/Manufacturing
 - The Request
 - Sponsorship
 - Explanation of Application Requested

Guidelines and Rules

- Application for FTZ Designation
 - The Review
 - Qualifications of the Site/Process
 - Location of the Site
 - Sensitivity of Commodities
 - The Submission
 - FTZ Board Guidelines
 - Concurrence

Guidelines and Rules

- Activation of the Zone Site
 - Grantee Sponsorship
 - Site information
 - Operations proposed
 - Commitment of Operator
 - Grantee Approval
 - Meets Guidelines
 - Operator Agreement

Guidelines and Rules

- Activation of the Zone Site
 - CBP Application
 - Must meet Regulatory Requirements
 - Security must meet Guidelines
 - Background checks
 - FTZ Operator Bond
 - CBP Approval
 - Bond Amount
 - Background Check
 - Security

The Annual Report

- Do you have your Log In?
 - New Zone Operators need to notify the Grantee if they do not have theirs
- Do you understand the process?
 - The online system has experienced some glitches
 - Do you have all the information you need?
- Anything you think you need from the Grantee?

The Annual Report

Part I – Summary of Activity – Zone Project

- Narrative summary of Zone Activity
 - Growth in shipments, activities and operations
 - Improvements in Zone services and facilities
- Promotion and Marketing Efforts
- Summary of GP Zone Activity

The Annual Report

Part II – Use of Zone by Business Firms

- Number of Businesses Served (Activated)
- Manufacturing and Processing in the GP Zone
 - Ensure that the business was authorized by the FTZ Board
 - Note any restriction and compliance measures



The Annual Report

Part III – Movement of Merchandise

- Number of items handled and Number of Countries of Origin – this Year Versus Last Year
- Merchandise in the Zone at the beginning and end of the Fiscal Year – domestic and foreign
 - Your ending last year should be equal to your beginning this year
 - Domestic merchandise includes domestic origin and foreign duty-paid

The Annual Report

Part III – Movement of Merchandise (cont'd)

- Movement – merchandise received and merchandise forwarded
 - Includes indirect exports as “Forwarded – To Foreign Countries”
 - Beginning Inventory + Total Received – Total Forwarded = Ending Inventory
- Explain discrepancies, e.g. scrap, destruction of merchandise, physical inventory correction



The Annual Report

Part V – Subzone Activity

- Separate guidelines for Oil Refinery Reports
- Report for each Subzone given to the Grantee for inclusion in the Grantee's Annual Report
- Employment and Movement of Merchandise – much the same as the GP Zone numbers
- The data in the Annual Report format must be provided as non-proprietary, both to FTZ Board and the Grantee, if a public agency



The Annual Report

Additional Information Requested by Grantee

- Operators
 - A copy of the current year's Certification letter to CBP
 - Updated contact information
 - Any updates to the Procedures Manual
 - Activated square footage
 - A NEW ACTIVATED AREA MAP

The Annual Report

Additional Information Requested by Grantee

- Developers
 - A recent site plan
 - Update on new construction
 - Update on occupancy
 - Marketing efforts for the year
 - Marketing plans for next year

Questions and Answers

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