

# Step 1: Feasibility Study - Can a FTZ Program Benefit Your Business?

The FTZ program helps U.S. companies improve their competitive edge against overseas competition. If your company imports goods, you may want to consider utilizing the FTZ program. But first, any prospective Zone user should thoroughly evaluate the savings and costs associated with utilizing a FTZ by completing a Feasibility Study. Your company may decide to hire a FTZ consultant to assist with the cost-benefit analysis and other steps associated with evaluating your participation in a FTZ program. (See list of consultants in packet.)

## Feasibility Study

Qualify the potential benefits of the FTZ program to determine which benefits your company may experience as part of your operations. During the feasibility study, you should:

- Conduct a cost-benefit analysis (MPF savings, broker fee savings, direct delivery, weekly entry, etc.)
- Determine economic development potential
- Check for product-specific limitations (FTZ or customs laws)
- Consider in context with other trade agreements and customs programs
- Determine suitability of proposed sites
- Examine extent of local and state support
- Examine views of competitors

Certain costs are associated with obtaining Zone status and should be considered when evaluating whether or not a FTZ program can benefit your company.

## Cost Associated with a FTZ program:

- FTZ Board Fees/CBP Fees
- Zone Grantee Annual Fees (based on number of employees) and Service Fees
- Consultant Costs
- Bond Costs
- Operational Costs (inventory control, recordkeeping needs/technology, physical security, personnel, etc.)

The following estimated savings calculated should only be used to determine preliminary savings opportunities. Additional savings opportunities may also be available. Other factors not captured within this calculator may affect potential savings (e.g., use of special trade programs, industry activity, etc.).

For more information please contact one of the FTZ consultants listed in this packet.

## Step 2: The Application Process

After completing a feasibility study, if you determine that your company would benefit from the FTZ program, the next step is to complete the application process. This may take from three (3) to 18 months for approval. Consultants can assist with both the feasibility and application process.

1. Submit an Application to the FTZ Board which includes an executive summary and exhibits covering Legal Authority, Site Description, Operating & Finance, Economic Justification and Map
2. Formal Filing of Application (docket assigned & Examiner designated)
3. Federal Register Notice of application
4. Public Hearing and Comment Period
5. Examiner's Investigation
6. Preliminary Examiner's Report
7. Final Examiner's Report (if favorable)
8. Interagency Report
9. Final Commerce Review & Action
10. Approval Published in Federal Register

## Step 3: The Activation Process

After a foreign-trade site or subzone has been approved but before operations begin, the new partner must go through a second process called activation. Activation takes place locally under the supervision of the Customs Port Director:

- Submit information for Customs background investigation
- Preparation of FTZ Procedure Manual (operations, inventory control & recordkeeping systems)
- Customs site tour to review security
- FTZ Operator's bond
- Agreed space for activation
- Operators Agreement executed between the GRAA and the Operator
- GRAA provides Grantee letter of concurrence to Customs
- Zone Operator prepares a Zone Schedule outlining rules and fees with copy to GRAA
- Activation Application letter from Operator

## Step 4: Post-Activation Activities

Once activated, users may begin admitting merchandise under the zone status. The operators will need to do the following:

- Schedule periodic spot audits to ensure compliance with FTZ operations (consult with FTZ #176 about frequency)
- Maintain operations and zone status inventory according to FTZ rules and regulations (zone inventory may be commingled unless the specific identification method is used to track inventory)
- Pay the annual service fee to Grantee
- Provide routine reports to the Customs Port Director and an annual report to Grantee