



THE FTZ CONCEPT

The West Valley's Own FTZ

Curtis Spencer, President

IMS WORLDWIDE INC.

Member of the 9th and 10th

COAC committee



What is an FTZ?

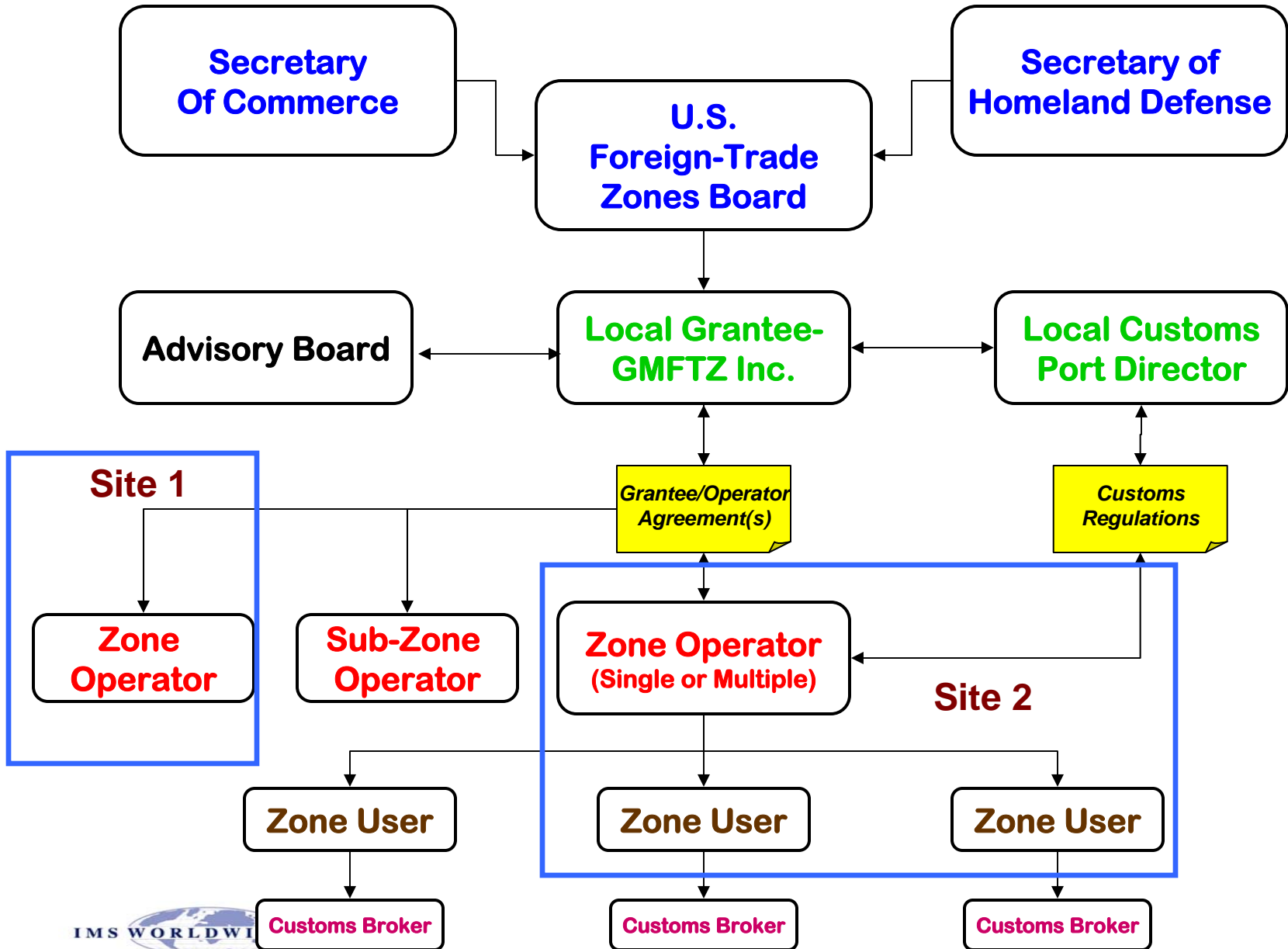
- A Foreign-Trade Zone (or Free Trade Zone) is a Federal Program, started in 1934 and in use in all 50 states today.
- The FTZ allows Federal Taxes and Fees to be lowered, eliminated, or exempt from payment.
- State taxes are lowered in OH, TX and AZ.
- Anyone – any business who qualifies can get it.



What is the structure of an FTZ?

- **Federal Approvals (Commerce and DHS).**
- **Local Approvals/Sponsorship (the Grantee and Customs).**
- **Operators (In-house or 3rd Party Operators).**

GMFTZ Authority Structure





Role of the Greater Maricopa FTZ

- Private, non-profit corporation authorized to establish and operate a General Purpose FTZ
 - provides support to Cities & Landowners
- Saves City money by City not having to pay upfront or ongoing costs
- GMFTZ will administer, market and promote the Zone's development & provide support to Users/Operators
- Membership for City on advisory board of GMFTZ

Sites in the New GM FTZ Inc. Zone





So, 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!

FASTER - CHEAPER - BETTER



Using the an FTZ to Cut Costs

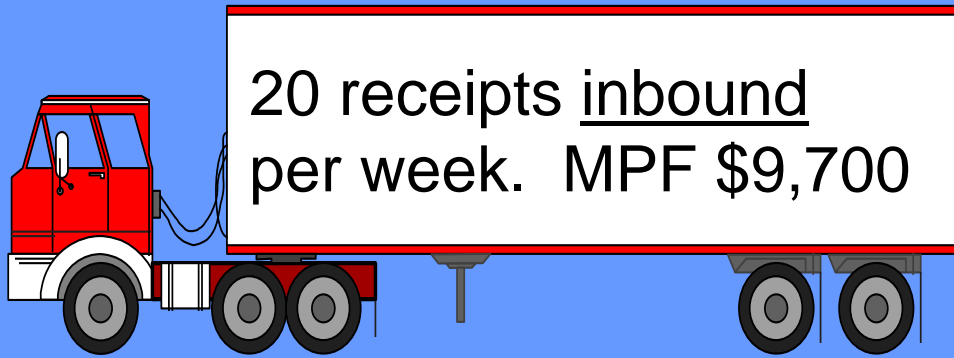
- **MPF & Broker Savings**
- **Manufacturing, Pick and Pack, Retail Packaging of Sets**
- **Local Tax Benefits (ad valorem real property)**



How does an FTZ Cut Costs?

The FTZ importing process **costs less:**

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



20 receipts inbound
per week. MPF \$9,700

Shipments into Site

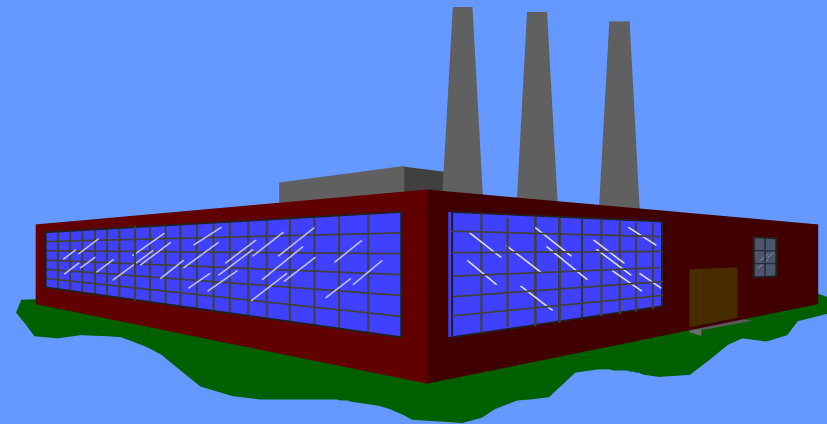
In a single week an FTZ importer can save
\$9,200/week in MPF Fees, or

\$479,180 per YEAR!

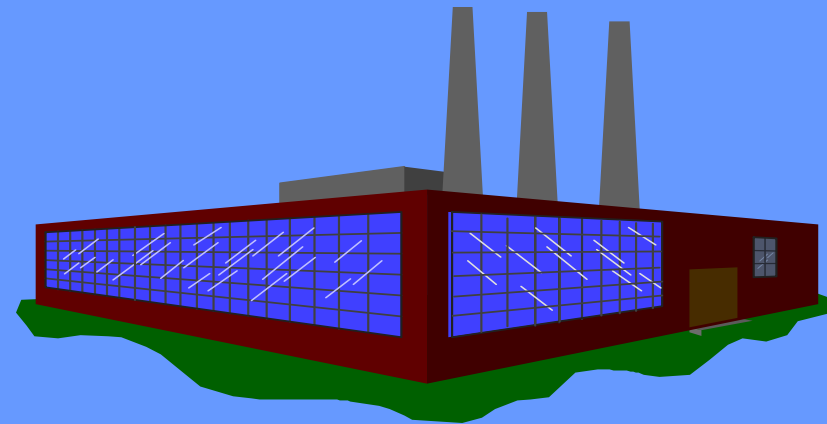


75 shipments out per
week; one entry filed at
End of week. MPF \$485

Shipments into commerce
with weekly entry.



**Pre-Foreign-Trade
Zone**



Foreign-Trade Zone



Who Uses the FTZ?

- **FTZs are used by:**
 - **Manufacturers (oil, auto, solar, appliance, R&D, pharma, etc)**
 - **Importers (retail, consumer goods companies).**
 - **3PLs (3rd Party Logistics Providers).**
 - **REITs – Developers (as a benefit to their customers).**



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 (primarily for MPF savings)

- Gymboree
- Helen of Troy
- Sharp Electronics
- J C Penney's
- JVC Electronics
- 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



Using the an FTZ to Cut Costs

- **MPF & Broker Savings**
- **Manufacturing, Pick and Pack, Retail Packaging of Sets**
- **Local Tax Benefits (ad valorem real property)**



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



An FTZ allows me to alter Duty Rates!

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



Using the an FTZ to Cut Costs

- **MPF & Broker Savings**
- **Manufacturing, Pick and Pack, Retail Packaging of Sets**
- **Local Tax Benefits (ad valorem real property)**



GMFTZ Inc. Tax Policies

- Greenfield sites get 5% Re-Class, existing sites (with development) only get 5% on NEW construction or added value. Protects all current tax entity revenue.
- Same as other Valley cities with Foreign Trade Zones:
 - Mesa
 - Phoenix
- Non-restrictive on type of company that can qualify for local FTZ benefits



Tax/Economic Implications

- Assessed valuation of activated FTZ site reduces to 5% from 20%
- Generates additional tax revenues when compared to agricultural-use sites (\$300 per 10 acres)
- Catalyst for other development not requiring FTZ tax benefits which results in full tax rate on those businesses
- New development brings additional tax revenues sooner
- Many FTZ companies bring higher paying jobs



What is the process to get a new FTZ?

- Creation of a Grantee – The Greater Maricopa FTZ Inc.
- Make an application to the FTZ Board.
Submitted
- Activation of the user/importer/tenant
- Normal processing time for all this = 12-18 months.



Bottom Line?

- FTZ process is now a “site requirement” 40-50%
- 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



THE FTZ CONCEPT

The West Valley's Own FTZ

Any Questions?