



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?

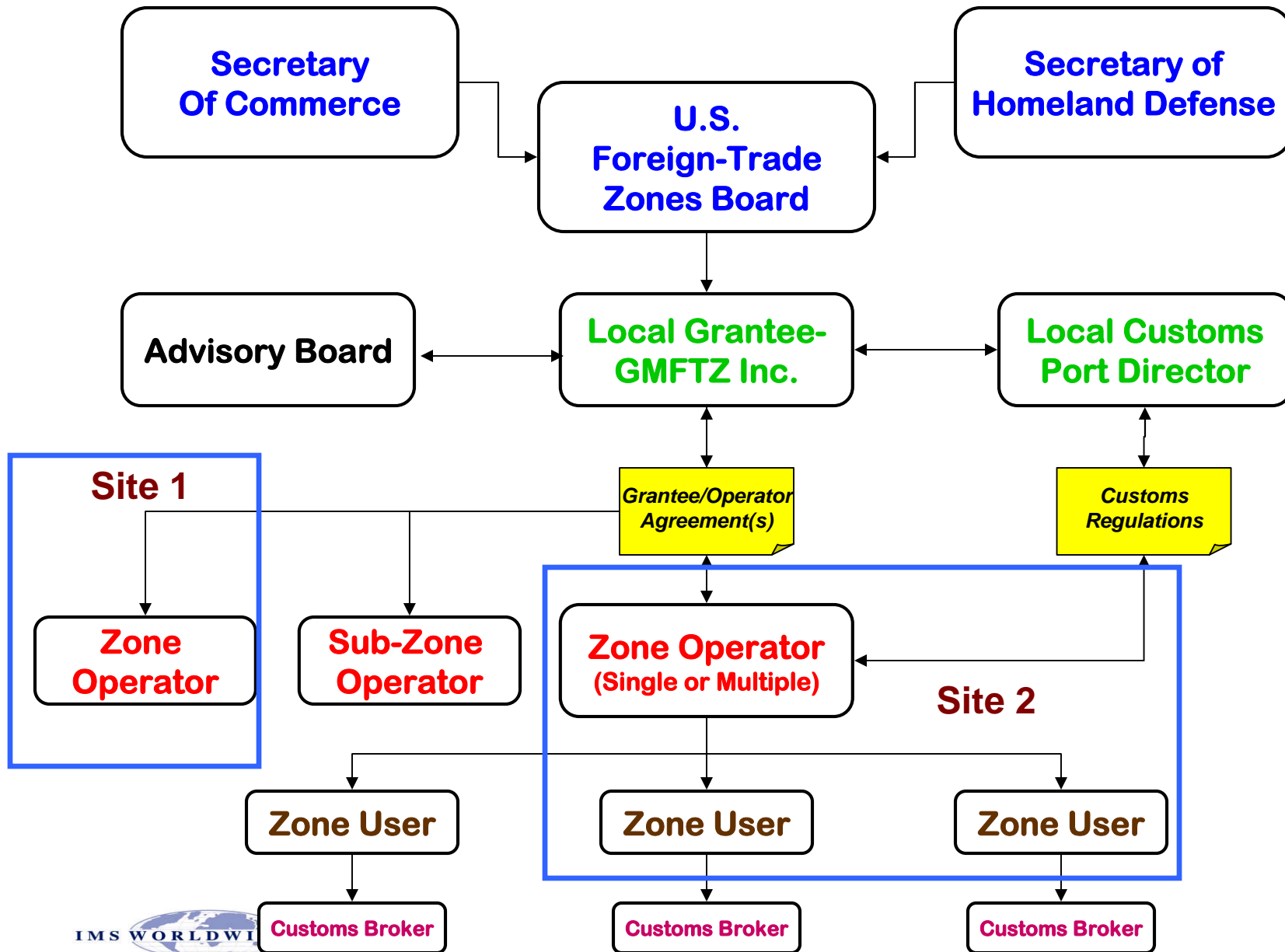
- A Foreign-Trade Zone (or Free Trade Zone) is a Federal Program, started in 1934 and in use in all 50 states today.
- The FTZ allows Federal Taxes and Fees to be lowered, eliminated, or exempt from payment.
- State taxes are lowered in OH, TX and AZ.
- Anyone – any business who qualifies can get it.



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





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).**



So, How does an FTZ help?

- The FTZ **speeds up the supply chain.**
- The FTZ **importing process costs less.**
- The FTZ **security is better** than other methods.

FASTER - CHEAPER - BETTER

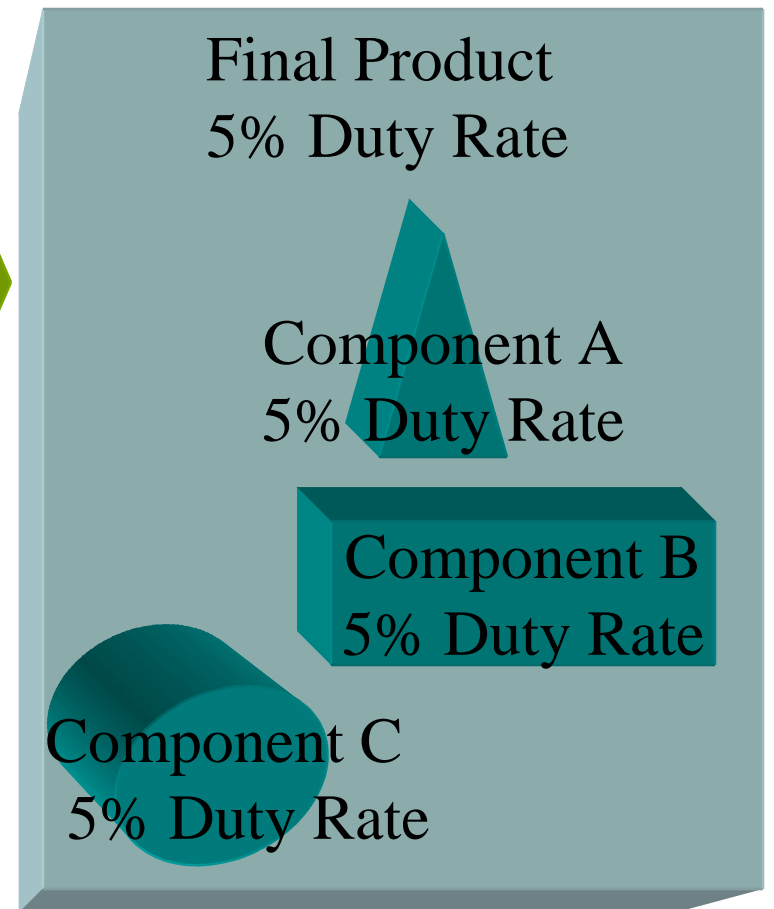
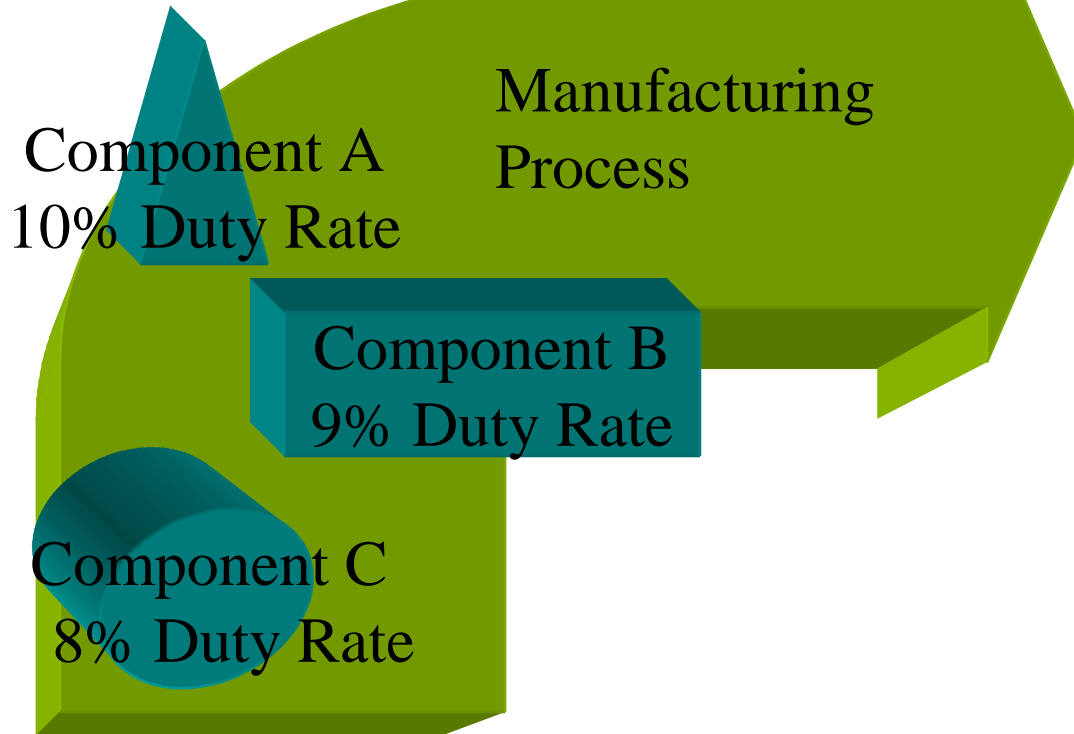
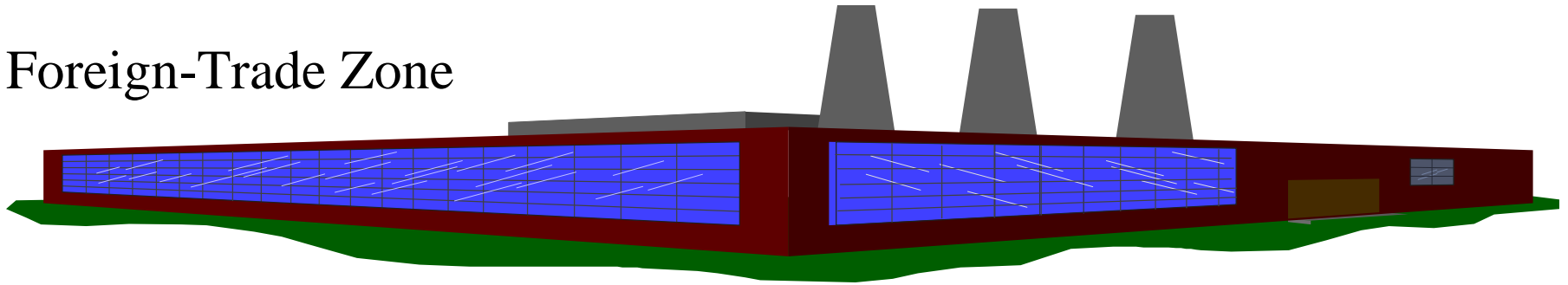
Duty Reduction

- 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 5 to 3%!

Foreign-Trade Zone





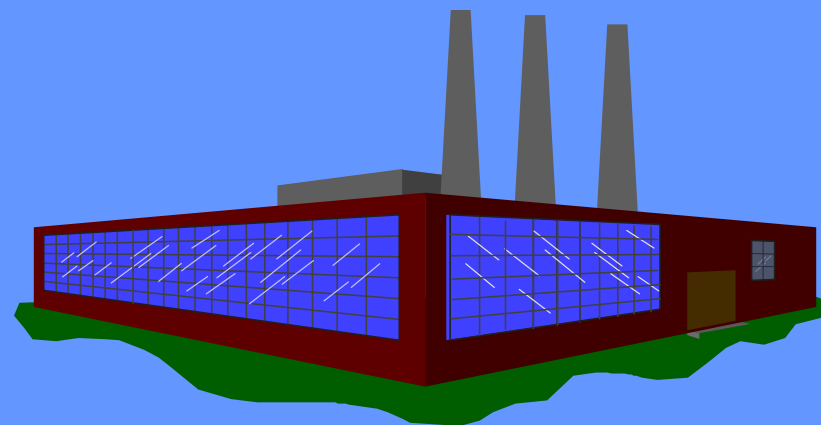
Shipments into Site

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

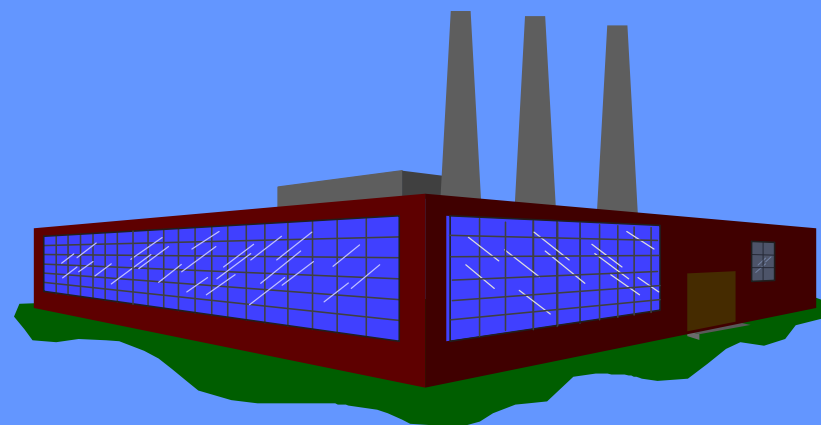
\$479,180 per YEAR!



Shipments into commerce with weekly entry.



Pre-Foreign-Trade Zone



Foreign-Trade Zone



What is the process to get a new FTZ?

- Creation of a Grantee. Greater Maricopa FTZ Inc.
- Make an application to the FTZ Board
- Activation of the user/importer/tenant
- Normal processing time for all this = 12 mos.
- Average cost = \$125,000 in consulting fees
- Much faster ways, cheaper ways, but on a case by case basis



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
- **Old Paradigm FTZ use, operations, and marketing etc. are the # 1 impediment to current FTZ use!!**

Possible Sites in the GM FTZ Inc.



GM FTZ Inc. General Purpose Foreign-Trade Zone Project Estimated Timeline

Formed GM FTZ Inc.

City letter of support

Sites selected and
executed Agreement with
Grantee



Application Preparation

- Tax Policy created and Approved
- Application created
- Application completed and submitted
- Pre-review by FTZ Board
- Docket Application
- Public Hearing

Application Processing

- Public Comment Period Closes
- Board pre-review begins
- Examiner report finished
- Board Approval signatures
- Approved!

