

GUIDELINES: Application for Distribution Subzone

These guidelines put the requirements of the FTZ Regulations into a relatively simple structure. A sample completed application on the ITA web site gives an idea of the type of information needed for each item. If you have questions, contact the FTZ Board staff at (202) 482-2862.

To help us review your application as quickly as possible, please indicate the question/item number at the beginning of each response. The FTZ Regulations place the burden of proof on the applicant, so please respond to each item completely based on the information available to you. Note that for industry/market information, you may rely on your expert knowledge of the industry in addition to traditional, published resources.

APPLICATION LETTER including Executive Summary

1. The core of the subzone application is the required letter from the FTZ grantee transmitting the application and its exhibits – namely, the rest of the information outlined in this guideline – to the FTZ Board. The letter from the grantee should identify your company and summarize the subzone sites, proposed FTZ activity, and why approval of that activity would be beneficial for the United States overall. The letter must be currently dated and signed by an authorized officer of the grantee corporation.

ECONOMIC JUSTIFICATION Company, Sourcing, Market, and Industry Information:

2. Explain in detail why approval of a subzone for your company would be beneficial overall to the United States.

3. Describe problems, challenges or strengths facing your company and the U.S. industry. (For example, have production, employment, and operating profits been falling or rising? Also address any other relevant factors.)

4. List total employment company-wide and total employment at your proposed subzone.

5. How has your company's and plant's employment changed in the last 5 years?

6. Will FTZ-related savings likely lead to increased, stable, or decreased employment at your proposed subzone? Explain.

7. Briefly describe the activity which you are seeking to conduct under FTZ procedures. Include any value added activities that may occur at the facility(ies) (such as testing, repackaging, or repair). List the types of products that you will be distributing and provide projected four-digit

HTSUS headings and duty rates (or ranges) for those products. (If you intend to perform any value added activity -- such as some types of "kitting" -- that would constitute either "processing" (15 CFR Sec. 400.2(k)) that involves inverted tariffs or quota merchandise or "manufacturing" (15 CFR Sec. 400.2(g)), your application should follow the guidelines for manufacturing subzones.)

8. Discuss why your operation cannot be accommodated in your area's public FTZ facilities.

9. Does your company make these types of products in the U.S.? Explain.

10. Does your company have other facilities (in the U.S. or overseas) that conduct the same or similar distribution activity? If yes to either, please list the other locations and explain.

11. For the products you intend to admit to the proposed subzone, list the percentages (or percent ranges) by value of:

U.S. materials = _____%; foreign materials = _____%; and value added at your facility (labor, profit, overhead, etc.) = _____%.

12. Are the products that you import also available from U.S. manufacturers? Explain.

13. Will FTZ -related savings affect your company's purchasing patterns? Explain.

14. Indicate the current size of the facility(ies) for which you are seeking FTZ status. Are there any planned changes to the size of the facility? (Indicate the units of measure used.).

15. What is your company's current share of the U.S. market for the type of products you want to import under FTZ procedures?

16. List your major competitors in the U.S. market and their approximate U.S. market shares.

17. Are your competitors producing in the U.S. or abroad? Explain and give specific examples.

18. What is imports' share of the U.S. market for the type of products you want to import under FTZ procedures?

19. Has imports' share of the U.S. market changed in the past 5-10 years? How? Why?

20. How would approval of your proposed FTZ activity affect your domestic competitors?

21. If you are granted authority for subzone status, would other U.S. facilities in your industry be likely to seek access to zone procedures? Explain.

22. What are the competitive factors in your industry? Any other factors unique to your industry?

23. What percent of your proposed FTZ activity is export-related?

24. Do you know your approximate share of the world-wide market for the products you want to import under FTZ procedures? If yes, list it.
25. List your major competitors in the world market and their approximate world market shares.
26. Briefly describe your company's background and current situation (including annual sales value or other indicator(s) of company's size and scope of operations).
27. Please list the main internet address(es) for information about your company and product(s).
28. Are you aware of any studies or reports that have been done recently regarding your industry or industry sector? If yes, please list the titles and authors/publishers below – you do not need to submit the studies/reports with the application. Note: The FTZ Staff may later ask for your assistance in obtaining a copy of these publications as part of the Staff's case-related research.

FTZ-Related Savings:

29. What are the total estimated annual FTZ-related savings associated with the proposed subzone activity you are describing in this application?
30. Provide the percentage breakdown for your total estimated FTZ savings into the following categories: Logistical/Paperwork; Exports; Duty Deferral; and Scrap/Waste.
31. Provide any additional explanation or special features of the above savings that may be relevant to the review or implementation of zone procedures (e.g., formulas, Customs rulings, scrap as percentage of imported product).
32. Provide an estimated cost figure for operating your proposed subzone each year. (Components of your annual operating cost could include record keeping/inventory control, fees to the zone grantee, etc.)
33. A small number of states (e.g., Texas, Ohio) assess local taxes on business inventories. The Foreign-Trade Zones Act allows states to exempt merchandise from such taxes in FTZs. Does your state have an inventory tax or "personal property tax" for which collections will be affected by your proposed FTZ authority? If yes:
 - a. Explain and give an estimated amount for projected annual FTZ-related savings:

AND
 - b. Attach correspondence from the affected parties (e.g., local school board) indicating their views on the impact of your proposed activity.

SITE DESCRIPTION(S)

34. Give each site of your proposed subzone an identifying number and then list the site's address, acreage, existing buildings (including their functions), square footage of enclosed space, existing and planned activities at the site, and any planned expansions.

35. For each site, you must provide in a "Legal Descriptions" attachment the appropriate legal description (with labels tying each description to the relevant site number).

36. Is your proposed subzone "adjacent" to a U.S. Customs and Border Protection port of entry, or have you discussed with CBP an alternative oversight procedure? Explain.

Environmental Impact:

37. For your proposed subzone site(s), indicate local zoning and status of any applications for construction approvals.

38. Are there any land use issues relating to your proposed site(s)? Will the use of FTZ procedures change the physical aspects of the plant or its operation? If yes, explain.

39. Is FTZ status or the use of FTZ procedures a requirement or a precondition for the proposed activity or construction at the plant? If yes, explain.

MAPS

Items required for a "Maps" attachment:

The original application may contain full-sized maps, all copies must contain legible, letter-sized (8 1/2" X 11") reductions

40. Provide a local/state map indicating the location of the subzone site(s).

41. For each site of your proposed subzone, you must provide a detailed street map.

42. For each subzone site, you must provide a detailed drawing of that site showing zone boundaries in red with dimensions.

OPERATION AND FINANCING

43. Do you own each of the sites listed above for your proposed subzone? (If no, provide a "Site Ownership" attachment with documentation demonstrating your right to use the sites in question.)

44. Describe the physical security measures that you will use for your subzone sites.

45. Do you commit to work with Customs & Border Protection, as appropriate, to meet current and future CBP requirements for its automated systems (e.g., ACS, ACE)?

LEGAL AUTHORITY FOR APPLICATION

46. In an attachment called "Legal Authority for Application," submit:

- a. A certified copy of the state enabling legislation regarding FTZs

AND

- b. The sections of the grantee's charter (or organization papers) that are pertinent to FTZs.

47. A certified copy of a resolution authorizing the grantee official to sign the application letter. The resolution should indicate the nature of the application.

Note: If the application involves one of the small number of grantees that are non-public corporations, it also will need to include evidence of the corporation's current legal standing.