

**SUPPORTING STATEMENT
U.S. DEPARTMENT OF COMMERCE
INTERNATIONAL TRADE ADMINISTRATION
FOREIGN-TRADE ZONE APPLICATION
OMB CONTROL NO. 0625-0139**

A. JUSTIFICATION

1. Explain the circumstances that make the collection of information necessary.

The Foreign-Trade Zones Act (enacted in 1934) established the Foreign-Trade Zones Board (comprised of the Secretaries of Commerce and Treasury) to issue grants of authority for and regulate foreign-trade zones (FTZs) in the United States (19 U.S.C. 81a-81u). The purposes of the program are to help encourage exports and to assist firms engaged in domestic operations (ranging from warehousing to manufacturing) to compete internationally. State and local officials use FTZs as part of their economic development efforts to maintain and increase employment by attracting international trade-related activity. There are now 256 U.S. port communities with zones, serving over 3,500 firms.

FTZs are granted by the FTZ Board and supervised by U. S. Customs and Border Protection (CBP). Foreign-trade zone facilities are located in port of entry areas for warehousing, processing and manufacturing operations involving foreign goods prior to their formal Customs entry. Each FTZ is operated by a public or private corporation as a “public utility” – this requires “uniform treatment under like conditions” for all potential users of a FTZ and that “rates and charges” be “fair and reasonable.”

Foreign-trade zones provide procedures that allow firms to bring in foreign goods and materials for duty and quota-free export operations; and, while a Customs entry must be made on goods entering the domestic market, savings can result from flexibility as to when and how duties and quotas are charged.

Most operations within approved FTZ sites do not require specific approval from the FTZ Board. However, companies seeking to conduct manufacturing activities either in established FTZ space or in subzone sites must submit either a request to the FTZ Board for manufacturing authority within a zone or a subzone application before any manufacturing activity can be conducted under zone procedures.

Before a grant of authority can be issued or a zone can be expanded, the FTZ Act and Regulations require that an application with a description of the proposed project be made to the FTZ Board (19 U.S.C. 81b and 81f; 15 CFR §400.24-26). Depending on the type of authority being requested, applicants are required to complete one of four different applications: General-Purpose Zone Application; Special-Purpose Subzone Application;

Reorganization/Expansion of General-Purpose Zone; and, Request for Manufacturing Authority.

It is also required that applications contain detailed information on facilities, financing, operational plans, proposed manufacturing operations, need, and economic impact. FTZ manufacturing is primarily conducted in foreign-trade “subzones,” and can involve issues related to domestic industry impact. Thus, manufacturing applications must include specific information on the Customs tariff-related savings that result from zone procedures and the economic consequences of permitting such savings. These proposals often involve the possibility of applying a lower finished product duty rate to foreign-sourced components, and domestic industries sometimes oppose applications on the grounds that zone procedures would encourage imports of the components and thus would not be in the public interest. In these cases, the FTZ Board needs complete and accurate information on the proposed operation and its economic effects in order to weigh the potential positive and negative effects and, ultimately, to restrict any operation that would have a net negative economic effect. (The Act and Regulations authorize the Board to restrict or prohibit operations that are detrimental to the public interest.)

2. Explain how, by whom, how frequently, and for what purpose the information will be used. If the information collected will be disseminated to the public or used to support information that will be disseminated to the public, then explain how the collection complies with all applicable Information Quality Guidelines.

Information submitted in FTZ applications is used by Board members (the Secretary of Commerce and CBP/Treasury officials) and their staffs; by the Commerce Examiner and by a local CBP official (Port Director) as the examiner's advisor; and, by the FTZ Staff in the initial review of the request. The information is essential for determining compliance with the Act and Regulations and formulating a recommendation or making a decision. Determining whether a proposal is in the public interest (positive net economic effect) often requires specific detailed information that only an applicant can provide.

While the information submitted in FTZ applications is used primarily by the FTZ Board members and FTZ staff in reviewing the request for FTZ benefits, the applications can also reviewed by firms, industries, and associations during the public comment period that compete with products to be produced in zones or compete with foreign parts to be used in zone manufacturing. These firms and groups need the information in zone applications so they can analyze the proposal and determine whether it

might adversely affect them. If they believe that there would be such adverse effects, these firms or groups would formulate comments to the Board (indicating why the proposal should not be approved) using the information presented in the application.

The information collection complies with ITA's Information Quality Guidelines, which seek to maximize the quality, objectivity, utility and integrity of information collections disseminated by ITA to the public. The information collection is useful to its intended users and is also easily accessible. The usefulness and accessibility of the collected information is demonstrated by the applications being used by firms, industries and associations for the purpose of compiling relevant data used in the submission of subsequent applications to the Board.

3. Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological techniques or other forms of information technology.

The information collection does not involve the use of any automated or electronic forms of information technology at this time.

4. Describe efforts to identify duplication.

The FTZ Board has taken a number of steps to eliminate duplication. For example, applicants are allowed to refer to information already on file with the Board. This greatly reduces time required for applications for zone expansions/reorganizations and subzones. In addition, applicants are also permitted to eliminate any duplication within the application itself by referring to the existing information. While there is an application format in the regulations, applicants are given flexibility as to how information is presented. They are also allowed to refer to existing documents and present such documents to satisfy certain requirements for applications.

5. If the collection of information involves small businesses or other small entities, describe the methods used to minimize burden.

The size of the FTZ project usually determines the size of and, therefore, the effort which goes into, an application. In this way, small businesses inherently have a lesser burden than larger businesses applying for FTZ status. In addition, the FTZ staff has implemented a simplified application process for small- and medium-sized manufacturers which has simplified and expedited the application process for certain types of manufacturing authority.

6. Describe the consequences to the Federal program or policy activities if the collection is not conducted or is conducted less frequently.

The information which is submitted in FTZ applications is not already available to the government -- it involves material and information that can only be furnished by the applicant. If the FTZ Board did not receive this information from applicants, it could not conduct properly its obligatory analysis under the FTZ Act and Regulations.

7. Explain any special circumstances that require the collection to be conducted in a manner inconsistent with OMB guidelines.

Our collection of information must diverge from the PRA guidelines in two ways.

1) FTZ applicants must submit a larger number of copies than indicated in the PRA guidelines. Specifically, the FTZ Regulations indicate that applicants should submit an original and 12 copies of their application. However, the FTZ Board's Executive Secretary has exercised his authority and reduced the required number of copies to 8. The 8 copies are necessary because applications are actually submitted to 3 agencies - Commerce, Treasury and CBP. The FTZ Staff distributes the 8 copies as follows:

1 - Examiner assigned to review the application (FTZ Staff).

2 - One copy each for the two Board members.

1 - CBP Washington Headquarters staff.

1 - CBP Port Director as the technical advisor to the Examiner.

1 - Commerce District Office for public inspection in area of proposed zone.

1 - Import Administration public reading room for public inspection in D.C. area.

1 - For lending to the public outside the D.C. and field office areas.

Because zone projects involve industry issues that are nationwide in scope, the FTZ Staff must make the applications available to persons who do not have access to the FTZ Staff's Washington office or to a field office. To that end, the FTZ Staff lends applications to interested parties for a limited time. This copy is also used by Commerce's industry analysts, which are often asked to assist in the reviews.

In addition, the National Association of Foreign-Trade Zones (NAFTZ), which represents most of the persons and organizations affected by this requirement, has indicated that its members would prefer to submit the required copies rather than have the government do it so that they can better control the application process. They have expressed concern that the government's reproduction of applications might delay the application process and increase the user fees (which currently range from \$1,600 to \$6,500 per application).

Finally, the application contains material which would not be readily reproducible by the FTZ Staff, including maps, photographs, drawings, blueprints, booklets, and other documents.

2) Although the PRA guidelines indicate a three year record-keeping period, FTZ applicants must retain a copy of their application for as long as they maintain FTZ status. This is because it is the responsibility of the FTZ grantee to ensure that their facility and the activity conducted therein complies with the authority they have been granted, the specific parameters of which are established in their application. These parameters (the zone's scope of authority) vary substantially from zone to zone.

8. Provide a copy of the PRA Federal Register notice that solicited public comments on the information collection prior to this submission. Summarize the public comments received in response to that notice and describe the actions taken by the agency in response to those comments. Describe the efforts to consult with persons outside the agency to obtain their views on the availability of data, frequency of collection, the clarity of instructions and recordkeeping, disclosure, or reporting format (if any), and on the data elements to be recorded, disclosed, or reported.

The Federal Register notice soliciting public comments on the information collection was published on March 24, 2008 (73 FR 15477-15478). No public comments were received.

The FTZ Board consults regularly with the National Association of Foreign-Trade Zones (NAFTZ), which represents most of the affected persons and organizations, as well as selected consultants who regularly work on FTZ applications.

9. Explain any decisions to provide payments or gifts to respondents, other than remuneration of contractors or grantees.

There is no remuneration linked to FTZ applications.

10. Describe any assurance of confidentiality provided to respondents and the basis for assurance in statute, regulation, or agency policy.

Respondents' submissions generally do not contain confidential data. If it were necessary for grantees to submit proprietary data, 15 CFR §400.52 would enable the FTZ Board to assure the confidentiality of the data. (In such cases, the FTZ staff would first attempt to find a non-confidential alternative that would be acceptable to the respondent.)

11. Provide additional justification for any questions of a sensitive nature, such as sexual behavior and attitudes, religious beliefs, and other matters that are commonly considered private.

Information of a sensitive nature is not requested from applicants.

12. Provide an estimate in hours of the burden of the collection of information.

The estimated burden hours for the collection of information for FTZ applications are as follows (because of the wide variance in burden hours, each of the four types of applications is treated separately):

	<u>NEW ZONE</u>	<u>EXPANSION</u>	<u>SUBZONE</u>	<u>TEMP/MFG</u>
Executive Hours	16	4	17	11
Professional Hours	105	92	93	21
Clerical Hours	27	9	18	6
Hours x # appl	151 x3	105 x20	128 x24	38 x27
TOTAL HOURS	453	+ 2,100	+ 3,072	+ 1,026
				= 6,651 hrs

13. Provide an estimate of the total annual cost burden to the respondents or record-keepers resulting from the collection (excluding the value of the burden hours in #12 above).

FTZ applications must be submitted in hard-copy format to the FTZ Board via package delivery carriers. The average shipping cost to submit the original application and eight copies is approximately \$73 x 74 applications received for a total of \$5,402 dollars. Applicants must also pay user fees when submitting each application, as follows: expansion of general-purpose zone - \$1,600 dollars; new general-purpose zone - \$3,200 dollars; special-purpose subzone - \$6,500 dollars. There is no fee to submit manufacturing request applications.

NEW ZONE APPLICATIONS: \$3,200 (fee) + \$73 (shipping) x 3 = \$9,819

SUBZONE APPLICATIONS: \$6,500 (fee) + \$73 (shipping) x 24 = \$157,752

EXPANSION APPLICATIONS: \$1,600 (fee) + \$73 (shipping) x 20 = \$33,460

MANUFACTURING APPLICATIONS: \$73 (shipping) x 27 = \$1,971
TOTAL COST: = \$203,002

14. Provide estimates of annualized cost to the Federal government.

The annualized cost to the Federal government in salaries to review and process 74 FTZ applications is estimated as follows:

<u>EMPLOYEE</u>	<u>COST PER HR.</u>	<u>NEW ZONE HRS.</u>	<u>COST</u>	<u>EXPANSION HRS.</u>	<u>COST</u>	<u>SUBZONE HRS.</u>	<u>COST</u>	<u>TEMP/MFG HRS.</u>	<u>COST</u>
Executive	\$55	20	\$1,100	8	\$440	30	\$1,650	4	\$220
Professional	\$40	110	\$4,400	105	\$4,200	150	\$6,000	102	\$4,080
Clerical	\$21	40	\$840	25	\$525	45	\$945	4	\$84
Operational Expense			\$500		\$250		\$600		\$70
COST/APPL x # Appl			\$6,840 x3		\$5,415 x20		\$9,195 x24		\$4,454 x27
			\$20,520	+	\$108,300	+	\$220,680	+	\$120,258

TOTAL COST:

= \$469,758

15. Explain the reasons for any program changes or adjustments reported in Items 13 or 14 of the OMB 83-I.

There has been a decrease in the number of applications (71) received by the FTZ Board, which is reflected in the lower adjusted total burden hours. While the total burden hours are lower, the average number of burden hours per application has increased to 90 hours to reflect a program change which requires applicants to provide additional supporting information to the FTZ Board regarding their site selection processes. Applicants must also provide more detailed information than in the past which demonstrates a need for the expansion of the foreign-trade zone project.

Due to the migration of this request into ROCIS and only one information collection (IC) item was part of this migration, an additional three ICs were added, which is a program change.

Adjustments for the General-Purpose Zone Application respondents/responses was reduced from 145 to 3 (-142); burden hours reduced from 9,180 to -8,727; and increase of cost to \$9,189.

Program changes increases for three additional ICs in respondents/responses = 71; burden hours = 6,198; and cost = \$ 193,183.

In the previous submission the user fees and delivery cost were not included which increase the cost to \$203,002.

16. For collections whose results will be published, outline the plans for tabulation and publication.

The information will not be published.

17. If seeking approval to not display the expiration date for OMB approval of the information collection, explain the reasons why display would be inappropriate.

The OMB number and expiration date will be displayed on the form.

18. Explain each exception to the certification statement identified in Item 19 of the OMB 83-I.

No exceptions to the certification statement are claimed.

B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

This collection of information does not employ statistical methods.