

Supporting Statement
Petroleum Refineries in Foreign Trade Sub-zones
1651-0063

A. Justification

- 1. Explain the circumstances that make the collection of information necessary. Identify any legal or administrative requirements that necessitate the collection. Attach a copy of the appropriate section of each statute and regulation mandating or authorizing the collection of information.**

The Foreign Trade Zones Act, 19 U.S.C. 81c(d) makes specific provisions for petroleum refinery sub-zones. This law obviates the need to determine exactly when and where in the manufacturing process crude and other feed stocks become other products. In so doing, it permitted refiners as well as U.S. Customs and Border Protection (CBP) to assess the relative value of such multiple products at the end of the manufacturing period during which these products were produced, when the actual quantities of these products resulting from the refining process can be measured with certainty. Also, the amendment permits the products refined in a sub-zone during a manufacturing period to be attributed to a given crude or other feed stocks introduced into production during the period, to the extent that such products were producible (could have been produced) there from in the quantities removed from the sub-zone.

19 CFR 146.4(d) provides that the operator of the refinery sub-zone is required to retain all records relating to the above mentioned activities for five years after the merchandise is removed from the sub-zone. Further, the records shall be readily available for CBP review at the sub-zone.

In addition to the CFR, instructions are provided in the Foreign Trade Zone Manual which was developed by both CBP and the private sector. This Manual is on CBP.gov. The excerpt pertaining to Petroleum FTZ sub-zone record keeping is attached in ROCIS miscellaneous documents.

- 2. Indicate how, by whom, and for what purpose the information is to be used. Except for a new collection, indicate the actual use the agency has made of the information received from the current collection .**

The data is compiled by each active oil refinery sub-zone and used for weekly entry, and monthly reconciliation purposes. Each sub-zone operator/refinery has developed its own record keeping system. The data reflects all required information necessary to account for admissions into, operations occurring within each phase of the refining operation, and for all withdrawals from said premises. Foreign merchandise is admitted into the zone where it is quantified, classified, and its duty obligation is established. Thereafter it is refined into many diverse articles and either enters U.S. Commerce, which requires the payment of duty, or is exempt

from duty if exported, sold to the military, consumed in the zone, or used in foreign destined flights as fuel. CBP uses this information to collect duty, oversee foreign trade zone (FTZ) activities, target specific shipments and commodities for inspection, review and/or audit.

Failure to have correct and accurate information could result in the wrong rate of duties, taxes and fees being assessed. In addition to the monetary impact, health and safety issues, circumvention of trade agreements, inaccurate trade statistics and, in general, non-compliance with U.S. trade laws could occur.

- 3. Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological collection techniques or other forms of information technology, e.g. permitting electronic submission of responses, and the basis for the decision for adopting this means of collection. Also describe any consideration of using information technology to reduce burden .**

Refineries are allowed to file weekly consumption entries, even though zone withdrawals are made daily. Most of the reporting and record keeping requirements are tied into these weekly entries. The intended purpose is to recognize the inherent complexities of the refining process, and allow attribution on a practical operating basis.

The regulations covering Petroleum Refinery FTZs require accounting for all merchandise (crude oil, other feed stocks) entered, processed and shipped from the FTZ. Virtually, all 81 active Petroleum Refinery FTZs utilize automated systems for data collection, processing, and ultimate reporting to CBP.

The complexity of the FTZ manufacturing operations and applicable attribution tables is greatly facilitated by automated software application packages. The majority of the Petroleum Refinery FTZs utilize one of three commercially available software applications to manage records within the FTZs. The CBP Regulatory Audit Division has reviewed the software applications under previous audits and currently reviews Importer Self-Assessment applicants although specific approval or endorsement has not been given to any software application/vendor.

- 4. Describe efforts to identify duplication. Show specifically why any similar information already available cannot be used or modified for use for the purposes described in Item 2 above.**

This information is not duplicated in any other place or any other form.

- 5. If the collection of information impacts small businesses or other small entities (Item 5 of the OMB Form 83-I), describe any methods used to minimize burden.**

This information collection does not have an impact on small businesses or other

small entities.

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

Without the prescribed accounting for these varied transactions, CBP could not adequately monitor zone activities in oil refineries, which would impact revenue collection. The collection of data is needed to support the weekly entry for consumption, and individual entries for exports, and is used for computing duties and inventories. Inadequate FTZ accounting controls can also result in health and safety issues, circumvention of trade agreements, inaccurate trade statistics and non-compliance with U.S. trade laws.

7. Explain any special circumstances that would cause an information collection to be conducted in a manner:

This information is collected in a manner consistent with the guidelines of 5 CFR 1320.5(d)(2).

8. If applicable, provide a copy and identify the date and page number of publication in the Federal Register of the agency's notice, required by 5 CFR 1320.8(d), soliciting comments on the information collection prior to submission to OMB. Summarize public comments received in response to that notice and describe actions taken by the agency in response to these comments. Specifically address comments received on cost and hour burden.

Public comments were solicited through two Federal Register notices published on April 9, 2009 (Volume 74, Page 16228) and on August 4, 2009 (Volume 74, Page 38664). No comments were received.

9. Explain any decision to provide any payment or gift to respondents, other than remuneration of contractors or grantees.

There is no offer of a monetary or material value for this information collection.

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

There are no assurances of confidentiality provided to the respondents of this information collection.

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. This justification should include the reasons why the agency considers the questions necessary, the specific uses to be made of the information, the explanation to be given to persons from whom the information is requested, and any steps to be taken to obtain their

consent.

There are no questions of a sensitive nature.

12. Provide estimates of the hour burden of the collection of information.

INFORMATION COLLECTION	TOTAL ANNUAL BURDEN HOURS	NO. OF RESPONDENTS	NO. OF RESPONSES PER RESPONDENT	TOTAL RESPONSES	TIME PER RESPONSE
Recordkeeping for Petroleum Refineries	81,000	81	1	81	1000 hours

Public Cost

The annual cost burden is estimated to be \$2,835,000. This estimate is for the number of active oil refineries (81), multiplied (x) by the average annual hours expended per refinery (1,000) = 81,000 hours, multiplied (x) by an average hourly cost of \$35.00= \$2,835,000.

13. Provide an estimate of the total annual cost burden to respondents or record keepers resulting from the collection of information.

The recordkeeping burden and costs are described in Item #12 of this Statement. There are no capitalization costs associated with this collection.

14. Provide estimates of annualized cost to the Federal Government. Also provide a description of the method used to estimate cost, which should include quantification of hours, operational expenses (such as equipment overhead, printing, and support staff), and any other expense that would not have been incurred without this collection of information.

The estimated annual cost to the Federal Government associated with the review of these records by CBP is **\$115,500**.

CBP conducts approximately four (4) reviews per year, multiplied (x) by the average time per review (800 hours)= 3,200 hours, multiplied (x) by the average annual rate at of \$35.00= \$112,000.

CBP Officers performed approximately ten (10) Spot Checks throughout the year,

multiplied (x) by an estimated time per Spot Check (10 hours)= 100 hours,
multiplied (x) an average hourly rate (\$35.00) = \$3,500.

15. Explain the reasons for any program changes or adjustments reported in Items 12 or 13.

There has been no increase or decrease in the estimated annual burden hours previously reported for this information collection.

16. For collection of information whose results will be published, outline plans for tabulation, and publication.

This information collection will not be published for statistical purposes.

17. If seeking approval to not display the expiration date, explain the reasons that displaying the expiration date would be inappropriate.

This is a record keeping function, so it is not appropriate to display the expiration date.

18. "Certification for Paperwork Reduction Act Submissions."

CBP does not request and exception to the certification of this information collection.

B. Collection of Information Employing Statistical Methods

No statistical methods were employed.