

**SUPPORTING STATEMENT**  
**U.S. Department of Commerce**  
**International Trade Administration**  
**Annual Report from Foreign-Trade Zones**  
**OMB CONTROL NO. 0625-0109**

**A. JUSTIFICATION**

**This is to request a revision/extension of the Office of Management and Budget approval.**

**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 license and regulate foreign-trade zones (FTZs) in the United States. 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 with facilities located abroad. State and local officials use FTZ's as part of their economic development efforts to maintain and increase employment by attracting international trade-related activity. There are now 250 U.S. communities with zones, serving over 3,000 firms.

FTZs are licensed by the FTZ Board and supervised by Customs and Border Protection (CBP). FTZ facilities are located in port of entry areas for warehousing, processing and manufacturing operations involving foreign goods prior to their formal customs entry. Managed by public and private corporations (referred to as FTZ "grantees") under public utility principles (published and non-discriminatory rates), FTZs 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. Specific FTZ Board approval is required for all manufacturing conducted under zone procedures within FTZs.

The Foreign-Trade Zones Act (Section 81p) requires that each FTZ grantee submit an annual report on zone operations to the FTZ Board. The FTZ Board, in turn, provides an annual report on zone operations to Congress, interested parties, and the public.

The revision to this information collection is based on reporting requirement format – from a hard copy process to electronic-based submission (details in Question 3).

**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.**

The annual reports submitted by FTZ grantees contain information which relates to international trade activity in FTZs. This information is used by the Congress and the FTZ Board to determine the economic effects of the FTZ program. The public uses the information regarding activities in zones to evaluate the effects on their industry sectors. Information from the reports is also used by the FTZ Board and other trade policy officials to determine whether zone activity is consistent with U.S. international trade policy, and whether it is in the public's interest. Commerce officials use the information on various product groups in their responses to Congressional and industry concerns on the economic impact of individual zone operations. The information submitted in grantees' annual reports constitutes the only complete source of compiled information on FTZs.

FTZ procedures allow customs cost savings and, as a result, certain domestic industry groups (e.g., titanium, textiles) have expressed concern that these procedures can encourage imports under some circumstances. These groups insist that the information contained in the reports is necessary to monitor and analyze the ongoing operations and their impact on domestic industry. These groups have indicated they would oppose any reduction in the current reporting requirements for FTZ grantees. In fact, the FTZ Board periodically has been asked to increase monitoring of FTZ activity.

The annual report information also helps FTZs (the respondents) in their marketing efforts.

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 use of individual annual reports by the National Association of Foreign Trade Zones in developing its own annual state-by-state study.

**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 FTZ staff has developed an online submission system, Online FTZ Information System (OFIS), which will provide a secure site to allow zones, and the companies that are using them, to transmit their reports electronically through a web portal. The system is available at the following address: <http://ita-web.ita.doc.gov/FTZ/OFISLogin.nsf>. OFIS is expected to substantially decrease the reporting burden on zones by automating certain processes and checks that has been done manually in the past, e.g., 21 hours per grantee for Large Zone II.

Prior to the development of OFIS, companies using FTZs manually entered information on activity and shipments through the zone into a Word document for submission to their zone grantee. The grantee then summed the data for each operator and prepared a report to the FTZ Board. The staff of the Board then manually retyped data elements from each grantee into a spreadsheet to prepare the Board's annual report to Congress. Prior to finalizing the numbers, several checks were performed on the data to verify that the numbers added up correctly and did not contain errors. In many cases, follow up to correct data submitted needed to occur, delaying the process and the Board's final report. In OFIS, companies can directly input data and the system will automatically check for discrepancies and errors in the numbers reported. Those numbers will then be available to the grantee and the system will automatically sum the reports from all companies, greatly reducing burden on the grantee. When ready, the grantee will then hit "Submit" to send the report to the FTZ Board. The FTZ Board staff will then no longer need to manually enter and check the numbers for each zone, reducing significantly the time and burden needed to prepare the Board's report to Congress.

In addition to reducing the burden on FTZ grantees and the companies that are using zones by automatically compiling and checking data, the automated process will dramatically reduce the cost of the collection to the federal government and the time needed for the FTZ Board to publish its report on zone activity.

#### **4. Describe efforts to identify duplication.**

The information submitted is not duplicative of any other effort. Each grantee submits information regarding its own locally operated project, and reports only on its project. Therefore, there is no overlap between reports or with other collections.

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

FTZ grantees vary significantly in size. Due to the nature of their operations, the smaller of these organizations generally have less reporting to conduct and a smaller volume of data to aggregate. Therefore, smaller entities would have fewer burden hours than larger entities.

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

The Foreign-Trade Zones Act requires the annual collection of this information from FTZ grantees. Apart from this legal requirement, annual submission of this information is necessary for practical reasons. If the information were submitted less frequently, there would be too great a lag between occurrence of activity and the reporting of that activity. Such a lag would mean that Congress, the Department, and the public would be unable to evaluate zone operations in a timely or meaningful manner. Less frequent reporting would also have a substantial negative

impact on trade policy officials' and domestic industries' ability to monitor and evaluate zone activities from a public interest perspective.

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

This collection complies with the OMB guidelines.

**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 June 27, 2011 (Volume 76, Number 123, page 37315). No public comments were received.

The FTZ Board consults regularly with grantees and companies that use foreign-trade zones, as well as other interested outside parties on the annual report process in order to ensure that the information collection requirements are well understood and that it does not impose an undue burden on respondents. The FTZ Board also participates in roundtable sessions throughout the year which enables us to obtain respondents' views on the information collection process used for compiling the annual report.

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

There are no payments or gifts to respondents.

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

Under this collection request, respondents will be able to indicate if the report contains confidential data. If so, 15 CFR §400.52 enables the FTZ Board to assure the confidentiality of the data.

**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 grantees.

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

The estimated burden hour for the collection of information for FTZ annual reports is detailed below. (Because of the wide variance in burden hours, grantees are broken out into four separate groups based on the annual value of merchandise received: Small Zones -- less than \$10 million; Medium Zones -- \$10 to \$100 million; Large Zones, Type I -- \$100 million to \$1 billion; and Large Zones, Type II -- over \$1 billion.)

<b>ZONE TYPE</b>	<b>ANNUAL RESPONSE</b>		<b>AVERAGE BURDEN</b>	<b>=</b>	<b>TOTAL BURDEN</b>
Large Zones II	28	x	189	=	5,292 hrs.
Large Zones I	28	x	99	=	2,772 hrs.
Med. Zones	45	x	62	=	2,790 hrs.
Small Zones	62	x	29	=	1,798 hrs.
<b>TOTAL</b>	<b>163</b>	<b>x</b>	<b>91.75</b>	<b>=</b>	<b>12,652 hrs.</b>

**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 Question 12 above).**

Annual reports can only be submitted electronically, so there would be no quantifiable way to measure any cost burden, if any, which results from the collection.

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

The annualized cost to the Federal government to review, process and compile the annual reports is estimated as follows:

<b>EMPLOYEE</b>	<b>COST PER HOUR</b>	<b>AVG. TIME</b>	<b>=</b>	<b>HOURS</b>	<b>COST</b>
Executive	\$59	163 x 17.66 mins	=	48	\$2,832
Professional	\$43	163 x 9.12 hrs	=	2200	\$64,500

Clerical	\$23	163 x 1.84 hrs	=	300	\$6,900
TOTAL					\$74,232

**15. Explain the reasons for any program changes or adjustments.**

The program change decrease in burden hours (from 14,674 to 12,815) is due to the usage of the new OFIS electronic submission system. The adjustment decreases: burden hours to remove recordkeeping requirement (from 163 hours to 0) mistakenly reported in previous submission; and cost burden (from 1,296 to 0) because grantees will no longer use courier service to submit reports.

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

The information collected from the zone grantees is tabulated by the Foreign-Trade Zones Board staff and published in an annual report to Congress as required by the Foreign-Trade Zones Act (Section 81p). The Annual Report is made available to zone grantees and the public through the FTZ Staff's web site.

**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.**

No exceptions to the certification statement are claimed.

**B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS**

This collection does not employ statistical methods.