

SUPPORTING STATEMENT
U.S. Department of Commerce
International Trade Administration
Foreign-Trade Zones Application
OMB Control No. 0625-0139

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 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 258 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:

- 1) General-Purpose Zone Application;
- 2) Special-Purpose Subzone Application;
- 3) Reorganization/Expansion of General-Purpose Zone; and
- 4) Request for Manufacturing Authority.

The Act and the Regulations also require that applications contain detailed information on facilities, financing, operational plans, proposed manufacturing operations, need, and economic impact. FTZ manufacturing (including manufacturing requested as part of a subzone application) can involve issues related to domestic industry impact. Thus, all applications involving manufacturing 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 Treasury officials) and their staffs; by a local CBP official (Port Director); by CBP headquarters, as an advisor to the Board; and, by the FTZ Staff in its 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, CBP and FTZ staff in reviewing the request for FTZ benefits, the applications can also be 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 disseminated to the public by being made available through the posting of the information collection (applications) on our website (www.trade.gov/ftz)

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 information collection is not collected elsewhere as this information is unique to each application.

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 an application process geared towards 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.

This 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 paper copies to three. The three copies are necessary because applications are provided to multiple parties. The FTZ Staff distributes the copies as follows:

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

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 June 21, 2011 (Volume 76, Number 119, pgs. 36080-36081).

Comment: One public comment was received which supported the need for this information collection. The comment also included specific suggestions related to a separate FTZ process

which is overseen by U. S. Customs and Border Protection, and not included in this information request.

Response: The commenter was contacted and ITA clarified with the commenter that some of the suggestions discussed in the comments pertained to another FTZ process which is overseen by CBP which is not related to this information collection.

The FTZ Board consults regularly with companies and organizations submitting applications to obtain feedback on the clarity of application instructions and formats and on ways to further clarify and simplify processes.

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

Not Applicable.

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

No assurance of confidentiality is given as the information collection is considered public information.

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 (63) are as follows:

	<u>Gen-Purpose Zone Appl.</u>	<u>Reorg/Exp Gen-Purp Zone Appl.</u>	<u>Spec-Purpose Subzone Appl.</u>	<u>Request for Mfg Authority</u>
Executive Hours	16	4	10	10
Professional Hours	105	88	87	19

Clerical Hours	27		7		16		5
Hours x # appl	148 x3		99 x20		113 x15		34 x25
TOTAL HRS	444	+	1,980	+	1,695	+	850
							= 4,969 hours

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 three copies is approximately \$31.00 x 63 applications received for a total of \$1,953.00 dollars. Applicants must also pay fees when submitting applications 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.

GEN-PURPOSE ZONE APPLS:	\$3,200 (fee) + \$31 (shipping) x 3 = \$9,693
SPEC-PURPOSE SUBZONE APPLS:	\$6,500 (fee) + \$31 (shipping) x 15 = \$97,965
REORG/EXPANSION APPLS:	\$1,600 (fee) + \$31 (shipping) x 20 = \$32,620
MANUFACTURING APPLS: (no fee)	\$31 (shipping) x 25 = \$775
TOTAL COST:	= \$141,053

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

The annualized cost to the Federal government in salaries to review and process 63 FTZ applications is estimated as follows:

EMPLOYEE	COST PER HR.	GEN PURP HRS.	PURP COST	EXPANSION HRS.	EXPANSION COST	SUBZONE HRS.	SUBZONE COST	MFG HRS.	MFG COST
Executive	\$59	15	\$885	8	\$472	30	\$1,770	10	\$590
Professional	\$43	110	\$4,730	90	\$3,870	150	\$6,450	102	\$4,386
Clerical	\$23	20	\$460	20	\$460	20	\$460	4	\$92
Operational Expense			\$500		\$250		\$600		\$70
COST/APPL x # Appl			\$6,575 x3		\$5,052 x20		\$9,280 x15		\$5,138 x25
TOTAL COST			\$19,725	+	\$101,040	+	\$139,200	+	\$128,450
									= \$388,415

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

The burden hour reduction for general-purpose zone and reorganization/expansion applications is being attributed to a program change (a reduction in the number of copies requested).

For subzone applications, 25% of the burden hours and cost reductions were attributable to a program change (fewer copies needed), and 75% due to an adjustment (decrease in number of applications of this type vs.2008 (-9)).

For manufacturing authority applications, 75% of the burden hours and cost reduction were attributable to a program change, (fewer copies needed) and 25% due to an adjustment (decrease in number of applications of this type vs. 2008 (-2)).

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

The collection is not 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 forms.

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.