

**SUPPORTING STATEMENT  
DEPARTMENT OF COMMERCE  
FOREIGN-TRADE ZONE APPLICATIONS  
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 261 U.S. communities with zones, serving over 2,700 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 any “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.

The designation of a specific location as a foreign-trade zone site or subzone requires approval from the FTZ Board. In addition, companies seeking to conduct manufacturing activities in established FTZ space must submit a request to the FTZ Board for authorization before the activity can be conducted under zone procedures.

In February 2012, the FTZ Board published revised regulations, including an overhaul of application formats and processes. The application formats covered by this information collection include the application for a new foreign-trade zone (both alternative site framework and traditional site framework (ASF and TSF)), application to expand an existing foreign-trade zone (both alternative site framework and traditional site framework (ASF and TSF)), application for a subzone, production notification, application for production authority, and application for minor boundary modification (both alternative site framework and traditional site framework (ASF and TSF)), and the

application for a waiver. Overall, the revised regulations simplified and shortened application 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 §400.21-26). An application is also required if a party providing services to the “grantee of a zone” seeks authority to be exempted from a specific regulatory bar on key conflicts of interest. Depending on the type of authority being requested, applicants are required to complete one of several different types of documents: new zone application (traditional site framework (ASF) or alternative site framework); application for reorganization/expansion (traditional site framework or alternative site framework(TSF)); subzone application; application for minor boundary modification (traditional site framework or alternative site framework); notification for production authority; application for production authority; and application for waiver. The Act and the Regulations also require that applications contain varying degrees of information (depending on the type of application) on facilities, financing, operational plans, proposed manufacturing operations, need, and economic impact. FTZ manufacturing can involve issues related to domestic industry impact. Thus, applications for manufacturing authority 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 during the public comment period by firms – or associations representing firms – that compete with products to be produced in zones or compete with foreign parts to be used in zone manufacturing. These firms and associations 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 and simplify the applications submitted. Most recently, the FTZ Board has revised its regulations in a manner that significantly simplified the application requirements for many program users. These steps greatly reduce the time required to prepare and submit zone applications. As specifically provided in the revised regulations, the application forms convert the information required in the regulations into simple question and answer formats. Simplified formats reduce the time and other expenses required for companies to access the FTZ program.

**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 Board's revised regulations implement a dramatically simplified and expedited application

process for manufacturing authority, which is particularly beneficial to small- and medium-sized manufacturers.

**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 one way:

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 applicant to ensure that the activity conducted within a zone complies with the authority approved by the FTZ Board. The specific details of each approval are described in the applications and 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 November 25, 2015 (80 FR 73715). 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.**

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 applicants to submit proprietary data, the regulations (15 CFR §400.54(c)) 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 type of application is treated separately):

	NEW ZONE (ASF/TSF)	REORG/EXP (ASF/TSF)	SUBZONE	PRODUCTION NOTIF.
Executive Hours	16	4	0.5	0.5
Professional Hours	105	88	3	4
Clerical Hours	10	7	1	1
Total Hours	131	99	4.5	5.5
x # appl	x 2	x 18	x 21	x 48
TOTAL HOURS	262	+ 1,782	+ 94.5	+ 264

	PROD. APPL.	MINOR MOD. (ASF/TSF)	WAIVERS
Executive Hours	10	0.5	7.5
Professional Hours	19	2	1
Clerical Hours	5	1	.5
Hours	34	3.5	9
x # appl	x 5	x 151	x 3
TOTAL HOURS	+ 170	+ 528.5	+ 27 = 3,128 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 one copy is approximately \$31.00 x 211 applications received for a total of \$6,541.00 dollars. Applicants must also pay fees when submitting applications as follows: expansion of zone - \$1,600 dollars; new zone - \$3,200 dollars; subzone - \$4,000 or \$6,500 dollars. There is no fee to submit production notifications, production applications, minor boundary modifications or waivers.

NEW ZONE APPLICATIONS: \$3,200 (fee) + \$31 (shipping) x 2 = \$6,462 (ASF/TSF)

EXPANSION APPLICATIONS: \$1,600 (fee) + \$31 (shipping) x 18 = \$29,358 (ASF/TSF)

SUBZONE APPLICATIONS: \$4,000 (fee) + \$31 (shipping) x 15 = \$60,000  
\$6,500 (fee) + \$31 (shipping) x 6 = \$39,186

PRODUCTION NOTIFS + APPLS: (no fee) + \$31 (shipping) x 48 = \$1,608

MINOR MODS (ASF/TSF): (no fee) + \$31 (shipping) x 151 = \$4,681

WAIVERS: (no fee) + \$31 (shipping) x 3 = \$93

TOTAL COST: = \$141,388

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

The annualized cost to the Federal government in salaries to review and process 248 FTZ applications is estimated as follows:

EMPLOYEE	COST PER HR.	NEW ZONE HRS./COST (ASF/TSF)	EXPANSION HRS./COST (ASF/TSF)	SUBZONE HRS./COST	PROD NOTIF HRS./COST
Executive	\$59	15 \$885	8 \$472	1 \$59	2 \$118
Professional	\$43	110 \$4,730	90 \$3,870	5 \$215	10 \$430
Clerical	\$23	6 \$138	4 \$92	1 \$23	1 \$23
COST/APPL		\$5,753	\$4,434	\$297	\$571
x # Appl		x 2	x 18	x 15	x 48
TOTAL COST		\$11,506	+ \$79,812	+ \$4,455	+ \$27,408

EMPLOYEE	COST PER HR.	PROD APPL HRS. COST	MINOR MOD HRS. COST (ASF/TSF)	WAIVER HRS. COST
Executive	\$59	30 \$1,770	1 \$59	10 \$590
Professional	\$43	150 \$6,450	5 \$215	5 \$215
Clerical	\$23	3 \$69	1 \$23	1 \$23
COST/APPL		\$8,289	\$297	\$2,828
x # Appl		x 5	x 151	x 3
TOTAL COST	+ \$41,445	+ \$44,847	+ \$2,484	= \$211,957

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

The total annual cost burden to respondents and record keepers has been adjusted to account for the increase in the number and types of applications being submitted (Item 13). The cost to the Federal Government (Item 14) has also been adjusted to reflect the change in the number and types of applications being submitted.

With the FTZ Board's simplification of application processes in recent years, there has been a corresponding increase in the submission of minor boundary modifications and production notifications. These application formats significantly reduced the time and burden required for companies to access the FTZ program and allowed companies, both large and small, that previously had not considered using the program to apply.

**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 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 does not employ statistical methods.