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 a request for a renewal of a currently approved information collection.

1. <u>Explain the circumstances that make the collection of information necessary.</u>

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 (FTZ's) 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 more than 263 U.S. communities with zones, serving over 2,900 firms.

FTZ's are licensed by the FTZ Board and supervised by Customs and Border Protection (CBP). Zone 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), 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 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.

2. <u>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</u>.

The annual reports submitted by FTZ grantees contain information which relates to international trade activity in FTZ's. 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 carried on 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 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 FTZ's.

As noted above, the information submitted in grantees' annual reports helps domestic industry groups monitor zone activity in their evaluation of the effects on their industry sectors. Zone 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 FTZ's (the respondents) in their marketing efforts.

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 which allows zones, and the companies that are using them, to transmit their reports electronically through a web portal. The organizations submitting the reports have indicated that the new system has decreased the reporting burden by automating certain processes and checks that had been done manually in the past.

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 record keeping 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. <u>Explain any special circumstances that require the collection to be conducted in a manner inconsistent with OMB guidelines</u>.

This collection complies with the OMB Guidelines.

8. <u>Provide information 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</u>. <u>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</u>.

The Federal Register notice soliciting public comments on the information collection was published on August 24, 2017 (Volume 82, Number 163, page 40136). No public comments were received.

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

There are no payments or gifts to respondents .

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

Under this collection request, respondents will be able to indicate if the report contains confidential data. If so, 15 CFR §400.54 enables the FTZ Board to assure the confidentiality of the data.

11. <u>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</u>.

Information of a sensitive nature is not requested from grantees.

12. <u>Provide an estimate in hours of the burden of the collection of information</u>.

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: Inactive Zones -- no FTZ activity to report; 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.)

ZONE TYPE	ANNUAL RESPONSE	x	AVERAGE BURDEN	=	TOTAL BURDEN
Large Zones II	92	x	76	=	6,992 hrs.
Large Zones I	55	x	48	=	2,640 hrs.
Med. Zones	31	x	27	=	837 hrs.
Small Zones	10	x	24	=	240 hrs.
Inactive Zones	75	x	1.0	=	75 hrs.
TOTAL	263	x	41.0	=	10,784 hrs.

13. <u>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)</u>.

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. <u>Provide estimates of annualized cost to the Federal government</u>.

EMPLOYEE	COST PER HOUR	AVG. TIME		HOURS	COST
Executive	$62	263 x 15 mins.	=	66 hrs.	$4,026
Professional	$45	263 x 5.00 hrs.	=	1,315 hrs.	$59,175
Clerical	$25	263 x 0.5 hrs.	=	131.5 hrs.	$3,288
TOTAL					$66,489

15. <u>Explain the reasons for any program changes or adjustments</u>.

The reduction in burden hours, despite the increase in respondents, more accurately reflects the actual time spent by zone grantees on the annual report. The 2014 renewal of the information collection authority contained a conservative estimate of the reduction in burden hours based on limited time and experience with the electronic submission system. The current numbers are a better reflection of the actual time and burden of reporting using the electronic submission system. The automatic receipt, tabulation and checks in the electronic submission system has reduced both the burden on reporting zones as well as the cost and time required for the Federal Government to review and publish its report on zone activity. The information collection instrument has not changed since the last OMB approval.

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
(If this collection does not employ statistical methodology, state this information. Delete the following questions.)

This collection does not employ statistical methods.