

CAPITAL DISTRICT DATA

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Understanding Foreign-Trade Zones

In 1985, CDRPC was granted authority to establish a Foreign-Trade Zone (FTZ #121). In mid-2010, the Foreign-Trade Zones Board approved the reorganization and expansion of FTZ #121 under the new Alternative Site Framework. FTZ#121 now serves 10 counties: Albany, Columbia, Greene, Fulton, Montgomery, Rensselaer, Saratoga, Schenectady, Warren and Washington.

A Foreign-Trade Zone is a secured, designated location in the United States, in or near a U.S. Customs Port of Entry, where foreign and domestic merchandise is generally considered to be in international commerce (i.e., outside of the U.S. Customs territory).

The purpose of Foreign-Trade Zones is to stimulate international trade and create jobs and investment in the United States rather than abroad. Foreign merchandise may enter a Foreign-Trade Zone without a formal Customs entry or the payment of Customs duties or government excise taxes. If the final product is exported, no U.S. Customs duties or excise taxes are levied. If the final product is imported into the United States, Customs duties and excise taxes are due only at the time of transfer from the FTZ. If authorization has been granted, the duties paid are the lower of those applicable to the final product itself or its component parts (inverted tariff option).

A site which has been granted zone status may not be used for zone activity until the site has been separately approved for FTZ activation by local U.S. Customs and Border Protection officials. Once approved, zone activities remain under the supervision of Customs and are subject to spot checks and periodic inspections at any time. Although FTZs are considered in international commerce, FTZ sites and facilities remain within the jurisdiction of local, state and/or federal governments and agencies.

What Activities are Permitted in Zones?

Merchandise entering a Zone may be:

Stored	Displayed	Tested
Sampled	Repaired	Cleaned
Salvaged	Destroyed	Relabeled
Repackaged	Manipulated	Mixed
Processed	Assembled	Manufactured

Manufacturing, processing and any activity that results in a change of the tariff classification must be specifically approved by the FTZ Board. Retail trade is prohibited in zones.

What Kind of Merchandise can be Placed in a Zone?

Any merchandise that is not prohibited from entry into the U.S. may generally be admitted into a Zone. Although FTZs are considered in international commerce, FTZ sites and facilities remain within the jurisdiction of local, state and/or federal governments and agencies. If applicable, import licenses or permits from other government agencies may still be required. Products may be excluded if agencies determine that zone facilities are inadequate for storage and handling requirements. Products which are deemed detrimental to public health, interest or safety may be excluded by the Foreign-Trade Zones Board. Similarly, the Board may place restrictions upon the zone status and type of operation that may be performed upon certain merchandise.

What are the Advantages of Using a Foreign-Trade Zone?

Benefits associated with zone use vary depending upon the type of operation involved and authority granted by the Foreign-Trade Zones Board and Customs. Zones may provide some or all of the following benefits:

Duty Exemption: no duties or quota charges on re-exports (exception applies for exports to Canada and Mexico under NAFTA). By using a Foreign-Trade Zone, the company avoids the lengthy Customs duty drawback process. No duty is paid on goods destroyed in the zone, which can benefit a company with fragile imports or with manufacturing processes that result in large amounts of scrap.

Duty Deferral: Customs duties and federal excise tax deferred on imports until they leave the zone and enter the U.S. Customs territory. (Zone merchandise may move in-bond, Zone-to-Zone transfers without payment of duty.) Unlike bonded warehouses or temporary importing under bond programs, there is no limit on the length of time that merchandise may remain within the Zone, whether or not duty is owed.

Duty Reduction (Inverted Tariff): Where zone manufacturing results in a finished product that has a lower U.S. Harmonized Tariff rate than the rates on foreign inputs, the finished product may be entered into the U.S. Customs territory at the duty rate that applies to its finished condition. Moreover, duty is not owed on labor, overhead or profit attributable to zone production



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operations.

Other Cash Flow Benefits: Harbor Maintenance Fee is paid quarterly instead of at the time imports arrive. Merchandise Processing Fees are paid at the time goods leave the zone.

Merchandise Processing Fee (MPF) Reduction: MPF is only paid on goods entering the U.S. Customs territory. Zone users are able to file a single entry for all goods shipped from a zone in a consecutive seven day period instead of one entry file for each shipment (excluding merchandise subject to live entry). MPF fees are charged at 0.21% of the Total Estimated Value (TEV) of the shipment, with a maximum fee of \$485 per entry. Fewer entry filings can also reduce Brokerage fees.

Streamlined Logistics: Upon approval from Customs, imports may be directly delivered to the zone. Users may also request permission to break and affix Customs seals. A single entry may be filed for seven consecutive days worth of entries and exports.

Quota Avoidance: In most instances, imports subject to quota may be retained within a Foreign-Trade Zone once a quota has been reached allowing zone users access to potentially discounted inputs and the ability to admit merchandise as soon as a new quota year starts. Additionally, except for certain textiles, inputs subject to quota may be manipulated or manufactured while in the zone into a product not subject to a quota.

Other Benefits: Better inventory control and security lead to better compliance with CBP requirements; Customs supervision may result in lower security and insurance costs. Duty payable on FTZ merchandise does not need to be included in the calculation of insurable value, again lowering insurance costs. Reduced transportation costs may also result from streamlined logistics.

What are the Costs Associated with Using a Foreign-Trade Zone?

Applications for Usage-Driven sites, Subzones and Manufacturing are subject to fees, which vary according to the type of site and authority sought (see Foreign-Trade Zones Board website for application fees: <http://www.ia.ita.doc.gov/ftzpage/applications.html>).

Operator Fees for All Sites Activated for Warehousing Only	
<i>Annual Fee Schedule for Activated Operators with Warehousing Authority</i>	
< 20,000 sq. ft. of Activated Zone Space	\$1,000
20,000 - 50,000 sq. ft.	\$2,500
>50,000 - 100,000 sq. ft.	\$5,000
>100,000 - 250,000 sq. ft.	\$7,500
More than 250,000 sq. ft.	\$10,000
Includes Traditional General-Purpose Zone, Magnet, Usage Driven, and Subzone Sites	
<i>Special Annual Fees for Operators of Non-Activated Usage-Driven and Subzone Sites</i>	
First Year	\$0
Second Year Forward	\$2,000

Additionally, FTZ #121 charges administrative fees for sponsoring applications, preparing grantee agreements, and activations. FTZ #121 also charges an annual fee based on the type of operation and site activity.

Any company interested in pursuing zone procedures should perform a cost-benefit analysis. Although costs will vary depending upon the type of operation and industry, there are costs associated with all Zone operations which will include such items as: annual fees, annual report preparation time, inventory software and security. Industry experts vary on the amount of estimated savings that must be reached to make Zone operations worthwhile.

What Types of Zone Sites are Available in FTZ #121?

Magnet Sites are located at designated ports and industrial parks and are open to multiple users. Some will build to suit. Manufacturing and processing activities can occur within these sites, but the most common activities involve warehousing and distribution. No Foreign-Trade Zone Board application is needed to establish a warehousing

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Operator Fees for All Sites with Manufacturing Authority	
<i>Special Annual Fees for Non-Activated Operators with Manufacturing Authority</i>	
First Year	\$0
Second Year Forward	\$4,000
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Less than 20,000 sq. ft. of Activated Zone Space	\$1,000
20,000 - 50,000 sq. ft.	\$2,500
>50,000 - 100,000 sq. ft.	\$5,000
>100,000 - 250,000 sq. ft.	\$7,500
More than 250,000 sq. ft.	\$10,000
Includes Traditional General-Purpose Zone, Magnet, Usage Driven, and Subzone Sites	

One-Time Administrative Fees*	
Late Annual Report Information Starting 42 Days Before FTZB Due Date	\$100/day
Grantee Agreement & Activation Fee	\$1,500
Sponsorship of Major Boundary Modification Application	\$6,000
Sponsorship of Scope of Authority Request**	\$4,000
*Administrative Fees do not include any applicable FTZ Board fees or the expense of preparing applications <i>except</i> for Minor Boundary Modification applications.	
**Scope of Authority may include Manufacturing/Processing Authority, Capacity Increases, Source Changes, Manufacturing Process	
Revised 17 Dec 08	Effective 1 Jan 09

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Employment, Unemployment, & Unemployment Rates

Employment	Nov 09	Dec 09	Jan 10	Feb 10	Mar 10	Apr 10	May 10	Jun 10	Jul 10	Aug 10	Sep 10	Oct 10	Nov 10
Albany County	147.3	146.9	145.8	146.7	147.7	148.8	149.3	152.0	151.0	151.4	147.8	148.3	147.1
Rensselaer County	76.8	76.9	76.3	76.8	77.3	77.9	78.1	79.6	79.0	79.3	77.4	77.6	77.0
Saratoga County	111.0	111.9	111.0	111.8	112.5	113.3	113.7	115.8	115.0	115.4	112.6	113.0	112.0
Schenectady County	69.9	70.3	69.8	70.2	70.6	71.2	71.4	72.7	72.2	72.5	70.7	71.0	70.4
Capital District Region	405.0	406.0	402.9	405.5	408.1	411.2	412.5	420.1	417.2	418.6	408.5	409.9	406.5
Unemployment	Nov 09	Dec 09	Jan 10	Feb 10	Mar 10	Apr 10	May 10	Jun 10	Jul 10	Aug 10	Sep 10	Oct 10	Nov 10
Albany County	10.1	10.3	11.5	11.1	10.3	9.8	10.0	10.8	11.3	10.9	10.4	10.5	10.9
Rensselaer County	5.8	6.1	7.0	7.0	6.6	5.9	5.8	6.0	6.3	6.1	5.7	5.8	6.0
Saratoga County	7.4	7.9	8.9	9.0	8.4	7.5	7.3	7.3	7.5	7.3	7.1	7.3	7.7
Schenectady County	5.5	5.6	6.2	6.1	5.7	5.3	5.2	5.5	5.6	5.9	5.4	5.4	5.7
Capital District Region	28.8	29.9	33.6	33.2	31.0	28.5	28.3	29.6	30.7	30.2	28.6	29.0	30.3
Unemployment Rates	Nov 09	Dec 09	Jan 10	Feb 10	Mar 10	Apr 10	May 10	Jun 10	Jul 10	Aug 10	Sep 10	Oct 10	Nov 10
Albany County	6.4%	6.5%	7.3%	7.0%	6.5%	6.2%	6.3%	6.6%	6.9%	6.7%	6.6%	6.6%	6.9%
Rensselaer County	7.1%	7.4%	8.5%	8.3%	7.9%	7.0%	6.9%	7.1%	7.4%	7.1%	6.9%	6.9%	7.3%
Saratoga County	6.3%	6.6%	7.4%	7.5%	7.0%	6.2%	6.0%	6.0%	6.1%	5.9%	5.9%	6.1%	6.5%
Schenectady County	7.3%	7.4%	8.2%	8.1%	7.5%	6.9%	6.8%	7.0%	7.3%	7.5%	7.1%	7.1%	7.5%
Capital District Region	6.6%	6.9%	7.7%	7.6%	7.1%	6.5%	6.4%	6.6%	6.9%	6.7%	6.5%	6.6%	6.9%
New York State	8.4%	8.8%	9.4%	9.2%	8.8%	8.1%	8.0%	8.1%	8.4%	8.2%	8.0%	8.0%	8.2%
United States	9.4%	9.7%	10.6%	10.4%	10.2%	9.5%	9.3%	9.6%	9.7%	9.5%	9.2%	9.0%	9.3%

Source: New York State Department of Labor

Employment & Unemployment figures in 1,000s

Types of Zone Sites Available in Foreign-Trade Zone #121

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or distribution operation within a magnet site. Manufacturing and processing activities require the firm to file a detailed application with the Foreign-Trade Zones Board for authorization. These applications typically take 9-12 months to process and must demonstrate a significant public benefit

Usage-Driven Sites can be established anywhere within the 10-county service area and are designated for a company ready to pursue FTZ activity. The designation is tied to a specific company and is limited to the space needed by the company for zone activities near to industrial/commercial spaces. A short application is required to establish the site; the Foreign-Trade Zones Board takes 30-45 days to process these applications. The most common activities

involve warehousing and distribution. Manufacturing and processing activities require the firm to file a separate, detailed application with the Foreign-Trade Zones Board for authorization.

Subzones are special-purpose zones, usually at manufacturing plants or distribution facilities that are not located near other industrial/commercial space. Subzones are approved for use by one company for a specific activity. Applications for subzones require detailed applications that take 9-12 months to process.

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Consumer Price Index

2008-2009 Percent Change in CPI: **-0.3555%**

Unadjusted CPI	Nov 09	Dec 09	Jan 10	Feb 10	Mar 10	Apr 10	May 10	Jun 10	Jul 10	Aug 10	Sep 10	Oct 10	Nov 10
U.S. City Average	216.3	215.9	216.7	216.7	217.6	218.0	218.2	218.0	218.0	218.3	218.4	218.7	218.8
Northeast Urban Average	231.7	231.5	232.3	232.4	233.2	233.6	234.1	233.8	233.9	234.2	234.0	234.7	235.1
% Change From Same Month in Previous Year	Nov 08- Nov 09	Dec 08- Dec 09	Jan 09- Jan 10	Feb 09- Feb 10	Mar 09- Mar 10	Apr 09- Apr 10	May 09- May 10	Jun 09- Jun 10	Jul 09- Jul 10	Aug 09- Aug 10	Sep 09- Sep 10	Oct 09- Oct 10	Nov 09- Nov 10
U.S. City Average	1.8%	2.7%	2.6%	2.1%	2.3%	2.2%	2.0%	1.1%	1.2%	1.1%	1.1%	1.2%	1.1%
Northeast Urban Average	2.0%	2.8%	3.0%	2.5%	2.6%	2.5%	2.6%	1.7%	1.6%	1.4%	1.2%	1.5%	1.5%

Source: U.S. Department of Labor, Bureau of Labor Statistics

1982-84 = 100

Note: Data are NOT Seasonally Adjusted