



Mercedes-Benz

May 25, 2011

Mr. Andrew McGilvray
Executive Secretary
Foreign-Trade Zones Board
International Trade Administration
U.S. Department of Commerce
1401 Constitution Avenue, NW.
Room 2111
Washington, DC 20230

Re: Docket Number ITA-2010-0012, RIN 0625-AA81

Dear Mr. McGilvray:

I am pleased to submit the following comments on the proposed changes to the Foreign-Trade Zones Board regulations which were published in your Federal Register Notice of January 30, 2010.

Mercedes-Benz U.S. International, Inc. (MBUSI) has been manufacturing automobiles in Tuscaloosa, Alabama since 1997. Since the beginning of our production, we have operated our facility using FTZ procedures under our designation as Subzone 98A. The City of Birmingham, Alabama serves as our Zone project's Grantee, and the Birmingham Foreign-Trade Zone Corporation serves as the Zone Project Administrator.

Our initial \$300 million investment in Alabama was aimed at producing the Mercedes-Benz M-Class vehicle for both U.S. and foreign markets. Over the years Zone procedures have made an important contribution to our operating margins and to our ability to compete for production share within the worldwide family of Daimler production facilities.

Initially, the M-Class was the only vehicle produced at the Alabama plant. More than 570,000 vehicles were built during the original M-Class' eight-year lifecycle – from 1997 to 2004. That success led to a \$600-million plant expansion. Today, three vehicles are built at the Tuscaloosa facility – the second-generation M-Class, the R-Class Sports Tourer, and the GL-Class luxury SUV. At year-end in 2010, MBUSI had built 125,432 vehicles that shipped to the domestic and foreign markets. In total, MBUSI has built more than 1.2 million vehicles and MBUSI is the sole worldwide production location for these three products.

Vehicles built in Tuscaloosa are sold in more than 135 countries, with approximately 35% of total plant production devoted to exports. For the past several years, our subzone has ranked in the top 5 nationwide for percentage of subzone production devoted to exports, and for dollar volume of exports produced under Zone procedures.

The proposed changes to the Foreign-Trade Zones Board regulations would have some important consequences for our FTZ manufacturing operation, some of which would be positive, others negative.

Given our heavy emphasis on export production, I am happy to see the proposed regulations attempt to streamline or expedite the granting of authority for export manufacturing authority. In general terms, this attempt may not be of practical use to us; however, in some specific instances, it could be significant. I will explain.

Normally, any time we win new production within the worldwide family of Daimler facilities, we have more than ample time to examine and respond to any changes in our scope of existing manufacturing authority under the Board's current regulations. In short, we have time, if necessary, to apply under the existing regulations and obtain the expanded scope of authority that we need well in advance of any production changes. As an example, in expanding the number of vehicles that we produce under Zone procedures, we had plenty of time to apply for expanded production capacity and receive our grant of authority (Board Order 1300) well before our production volume actually increased.

However, the proposed streamlined procedures – those involving the exemption from the application process for certain export manufacturing – may come into play depending on the possible limitations of the proposed “retrospective” notification process for new or changed production. In terms of what might best be described as our traditional bill-of-materials, I can't imagine a situation in which the processes and timelines in today's FTZ Board regulations would put us in a time crunch to obtain expanded FTZ manufacturing authority before we ramp up new production. However, as you know, new technologies – most of which involve electronics – are being used in the automotive industry. As a result, the rate at which new kinds and classes of parts may be added to our bill-of-materials has accelerated. The retrospective notification procedure may be of use in situations in which a manufacturer's bill-of-materials changes quickly. However, if my understanding is correct, the proposed regulations may impose some requirements for using the retrospective notification procedure which may make it unattractive for FTZ manufacturers or, at a minimum, cause them to take some time in evaluating the advisability of using that particular procedure. For FTZ manufacturers (like MBUSI) the proposed regulations would provide the benefit of enabling our operation to at least obtain the equivalent of “export only” FTZ benefits should there be any “surprise” changes to our bill-of-materials.

There are several proposed changes to the regulations that I believe would have a negative effect on of Zone operations. These proposed changes relate to “public utility” and “uniform treatment” issues. Under the current Board regulations, our user Agreement is between MBUSI and the Birmingham Foreign-Trade Zone Corporation, the Zone Project Administrator. This contractual relationship enables us to avoid the time-consuming protocols necessary for matters required to be placed upon the City Council's agenda, and helps us streamline any process that involve the participation of the City of Birmingham as Grantee. This has enabled us to receive prompt service (e.g. grantee letters of concurrence for minor boundary modifications, alterations of activated areas,

etc.) from the City's Office of Economic Development. We appreciate this arrangement and would prefer not to be obliged by FTZ Board regulations to contract directly with the City and take a new contract before the City Council.

We also like paying our user fees directly to the Birmingham Foreign-Trade Zone Corporation. This assures that all user fees will be directed to the party with the expertise (and motivation) to help us solve compliance or technical issues at the port level should we need local help.

With regard to so-called "conflicts of interest" I recognize that there may be cases in which a local party may take unfair advantage of its relationship with the Grantee. This is certainly not the case in our Zone project; on the contrary, as noted in my letter of January 31, 2008 in response to public comments solicited by the Board (see attached letter), the sister company (Foreign-Trade Zone Corporation) of the City's Zone Project Administrator serves as an important part of the family of FTZ service providers with whom we contract for certain Zone-related services. As you may already know, we use the professional services of noted legal and consulting firms for Zone and Customs-related matters. As you certainly know, we choose the sister company of the Grantee's Zone Project Administrator to help us with applications and requests to your office. We have freedom of choice in hiring FTZ service providers and we want to maintain that freedom of choice. Unfortunately, the proposed regulations, if enacted as drafted, would deny us the choice of using the sister company of the City's Zone Project Administrator for certain Zone-related services. I want you to know that I strongly believe that 1): the proposed regulation concerning preclusion of conflicts of interest goes too far, and 2): MBUSI has adequate resources to make an assessment and correct the situation at the local level without putting an unnecessary burden on your office.

I hope these comments are of help to you as you go about the important work of designing ways in which to improve the Foreign-Trade Zones program.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael K. Rafferty". The signature is written in a cursive style with a large, sweeping flourish at the end.

Michael K. Rafferty
Mercedes-Benz U.S. International, Inc.
(205)507-3412