

Sample Completed Subzone Application

The following is a simplified example of a completed application for subzone status. This example was created by the FTZ Board staff to help potential applicants understand the types of information that could be used to respond to individual questions from the FTZ Board's subzone guidelines. Please note that if a case involves more than one industry sector, each sector may need to be addressed separately in the response to certain questions (such as market share, major competitors, etc.).

If you have questions, please contact the FTZ Board staff at (202) 482-2862.

*"Progress is our
Maine objective"*

Haverhill Economic Development Commission
200 Summer Street, Haverhill, ME 01011 ☎ (207) 555-1212

August 10, 2007

Andrew McGilvray
Executive Secretary
Foreign-Trade Zones Board
1401 Constitution Ave., NW, Room 2111
Washington DC 20230

**RE: Foreign-Trade Zone 411, Haverhill, Maine
Subzone Application for Ho-Ho Holiday Paper, Inc.**

Dear Mr. McGilvray,

Please find enclosed the application of the Haverhill Economic Development Commission, grantee of FTZ 411, requesting subzone authority for Ho-Ho Holiday Paper, Inc. This application is submitted in accordance with 15 CFR, Part 400.24 and 400.25.

The Haverhill Economic Development Commission's Board has authorized the submission of this subzone application. We are requesting authority for the establishment of a subzone on behalf of Ho-Ho Holiday Paper, Inc. for the manufacture of gift wrap (foil-backed paper) using imported metal foils for sales in the U.S. and for export. Approval of this application will benefit our local economy and the American economy by helping this U.S. factory compete with global competitors.

Ho-Ho Holiday Paper, Inc. has provided information in the application form about its background and operation, as well as their ability to operate a subzone under the requirements of both the Foreign-Trade Zones Board and U.S. Customs and Border Protection.

We appreciate your consideration of this application. If you have any questions, please do not hesitate to contact us at (207) 555-1212.

Sincerely,



Frederick J. Muggs
Chairman
Haverhill Economic Development Commission

GUIDELINES: Application for Special-Purpose Subzone with FTZ Manufacturing Authority

These guidelines put the requirements of the FTZ Regulations into a relatively simple structure. A sample completed application on our web site gives an idea of the type of information needed for each item. If you have questions, contact the FTZ Board staff at (202) 482-2862.

To help us review your application as quickly as possible, please indicate the question/item number at the beginning of each response. The FTZ Regulations place the burden of proof on the applicant, so please respond to each item completely based on the information available to you. Note that for industry/market information, you may rely on your expert knowledge of the industry in addition to traditional, published resources.

APPLICATION LETTER

including Executive Summary

1. The core of the subzone application is the required letter from the FTZ grantee transmitting the application and its exhibits – namely, the rest of the information outlined in this guideline – to the FTZ Board. The letter from the grantee should identify your company and summarize the subzone sites, proposed FTZ activity, and why approval of that activity would be beneficial for the United States overall. The letter must be currently dated and signed by an authorized officer of the grantee corporation.

ECONOMIC JUSTIFICATION

Company, Sourcing, Market, and Industry Information:

2. Explain in detail why approval of a FTZ manufacturing subzone for your company would be beneficial overall to the United States.

Approval of FTZ manufacturing for Ho-Ho Holiday Paper would be in the public interest because the duty on imported foils (for which there is no domestic source) places our company at a cost disadvantage relative to our foreign-based competitors. With FTZ authority we would be more able to compete with those competitors for both U.S. and overseas sales. As a result, we would be more likely to maintain our U.S. employment and to continue our purchases of other materials from domestic suppliers (thus supporting employment and U.S. value added at those companies). The overall effect would be positive for the U.S. economy.

The combination of low cost foreign producers in the market with increasing raw material costs in the U.S. has put the Ho-Ho Holiday Paper at a disadvantage. Unless costs can be reduced in the production process, we will be forced to either shut down completely or contract manufacturing to a foreign supplier. In either case, U.S. manufacturing operations would cease.

3. Describe problems, challenges or strengths facing your company and the U.S. industry. (For example, have production, employment, and operating profits been falling or rising? Have there been changes in the cost of raw materials? Also address any other relevant factors.)

The strength of our company is our long-established ties with many U.S. customers. Those ties have helped us to resist cost pressures up to this point. However, as the cost/price pressures on our own customers have intensified, many of them have been willing to shift their purchasing to foreign producers of gift wrap if there is a significant price differential. The equipment required, technical challenges of mastering the production process, and need for direct access to customers in the past meant that there were few new companies entering the industry, and those that did faced similar cost structures. In the past several years, however, technology has enabled new competitors to enter the market with significantly lower cost structures. As a result, our single largest challenge is to reduce our production costs. Otherwise, foreign producers are likely to continue to erode our sales. At the same time, the cost of the base paper, which we source domestically, has increased significantly. To remain competitive we are unable to pass this increased cost along to our customers. To date, the effect of the duty disadvantage on imported foil has been reflected in decreased profits and employment at our company. Any cost savings will enhance our ability to stay competitive in the industry and maintain our U.S. manufacturing operations.

4. List total employment company-wide and total employment at your proposed subzone.

Total employment company-wide: 147 employees (approximate)

Total employment at the plant: 147 employees (approximate)

5. How has your company's and plant's employment changed in the last 5 years?

Severe competition has led to pressures on both pricing and employment. Our company cut 20 employees in 2001 and another 15 last year.

6. Will FTZ-related savings likely lead to increased, stable, or decreased employment at your proposed subzone? Explain.

FTZ savings should help us to stabilize employment at our plant, or to minimize any future employment reductions.

7. Briefly describe the specific manufacturing activity which you are seeking to conduct under FTZ procedures. (As explained at the end of these guidelines, you will provide more detailed information relating to your requested FTZ manufacturing authority in a "Products and Components" attachment.)

Ho-Ho Holiday is seeking authority to conduct foil-to-paper lamination and embossing under FTZ procedures. The imported graphic-arts quality foils come in large rolls (widths range from 25" to 75"; thickness of the foil is approximately .00075"). The foils would be laminated to domestically sourced base papers. The laminated paper is then rotary embossed to create distinctive effects.

8. Discuss why your operation cannot be accommodated in your area's public FTZ facilities. **The heavy-duty laminating equipment used in our fifty-year old plant facility cannot practically be moved to our area's public FTZ facilities.**

9. Does your company have other plants (in the U.S. or overseas) that conduct the same activity or similar activity? If yes to either, please list the other plants' locations and explain.

No.

10. For the products you want to produce under FTZ procedures, list the percentages (or percent ranges) by value of:

U.S. materials = 25%; foreign materials = 45%; and value added at your facility = 30% (est).

11. Are the components that you purchase from abroad also available from U.S. suppliers (if yes, why are you unable to obtain those components domestically)? Explain.

The graphic-arts quality foils that Ho-Ho Holiday uses as inputs were formerly produced by Mirror-Finish, Inc. of Milwaukee, Wisconsin. However, Mirror-Finish was the only U.S. producer and stopped manufacturing these foils in 2002.

12. Will FTZ -related savings affect your company's purchasing patterns? Explain.

The foils that Ho-Ho Holiday requires are only produced abroad and FTZ-related savings will not affect our purchasing patterns.

13. What is the current annual production capacity at the plant for which you are seeking FTZ authority? Are there any planned capacity changes? (Indicate the units of measure used.)

The production capacity of the plant is 10,000,000 lbs. of paper. There are no planned expansions to capacity.

14. What is your company's current share of the U.S. market for the type of products you want to make under FTZ procedures?

10% (approximate)

15. List your major competitors in the U.S. market and their approximate U.S. market shares.

S.C. Ruuj - 40%; Papiers de Luxe - 25%; Jolly Olde Wrap, Ltd. - 10%; Dong Feng Paper Export Co., Ltd. - 10%; Parsons Papers - 5%

16. Are your competitors producing in the U.S. or abroad? Explain and give specific examples.

Almost all of our competitors are producing abroad. The only other domestic producer is Parsons Papers of Rockford, Illinois. Parsons primarily produces non-laminated gift-wrap papers, but also has a line of foil-laminated papers that compete directly with Ho-Ho Holiday. The other major competitors have traditionally been from Europe (S.C. Ruuj of Holland, Jolly Olde Wrap from the U.K., and Papiers de Luxe from Belgium). The last few years have also

seen the global market, in particular, face strong competition from a Chinese-based producer, Dong Feng Paper Export Co. Although Dong Feng's overall market share is still relatively low, they just entered the market in 2005. With a lower cost product, Dong Feng has significantly increased its sales and each year.

17. What is imports' share of the U.S. market for the type of products you want to make under FTZ procedures?

85% (approximate)

18. Has imports' share of the U.S. market changed in the past 5-10 years? How? Why?

Imports market share has increased from approximately 60 percent in 1998 to 85 percent now. The largest single factor is cost. Most foreign producers have cost advantages based on both raw materials and labor. In the last three years, the price of the imported foils has increased 20%, while the price of the finished product has remained unchanged. The duty on the imported foil further increases the cost of U.S. production, putting U.S. laminated paper at a disadvantage. In addition, high demand for paper products in the U.S. combined with decreasing production has increased the cost of U.S.-produced base paper. The cost of the base paper in markets abroad has remained relatively stable, putting further pressure on U.S. companies that source the base paper domestically. The combination of these factors has driven up the cost of U.S. production and allowed an increasing amount of imports to enter the market at prices that are difficult for U.S. producers to match.

19. How would approval of your proposed manufacturing under FTZ procedures affect your domestic competitors?

Approval of FTZ manufacturing for Ho-Ho Holiday would reduce our costs and make us more competitive with the full range of competitors (foreign and domestic).

20. Are the purchasing patterns of competing domestic manufacturers similar to your company's?

The other domestic producer, Parsons Papers, must also import graphic-arts quality foils.

21. If you are granted authority to manufacture under FTZ procedures, would the other U.S. manufacturers be likely to seek access to zone procedures? Explain.

Approval of FTZ manufacturing for Ho-Ho Holiday could put additional pressure on Parsons Papers to either manufacture under FTZ procedures or to exit the laminated gift-wrap market, given the unfavorable duty situation on imported foils.

22. What are the competitive factors in your industry? Any other factors unique to your industry?

The major competitive factors in the industry are price and quality. As technology has improved, it has allowed low cost producers located abroad to enter the market with a product that matches the quality of U.S.-produced gift-wrap. As a result, the importance of the pricing factor has increased. It now is the single largest factor influencing the ability to sell gift-wrap in this market. Competitive pressures have been eroding the price of the laminated paper, even as the cost of materials has increased. Delivery time can also be a factor on certain custom orders, but such orders represent a very small fraction of the overall market (less than half of one percent).

23. What percent of your production of the products you want to make under FTZ procedures is sold to export markets?

25% (approximate)

24. Do you know your approximate share of the world-wide market for the products you want to make under FTZ procedures? If yes, list it.

2% (approximate)

25. List your major competitors in the world market and their approximate world market shares.

Dong Feng Paper Export Co., Ltd. -20%; S.C. Ruuj -10%; Papiers de Luxe - 10%; Jolly Olde Wrap, Ltd.- 5%

26. Briefly describe your company's background and current situation (including annual sales value or other indicator(s) of company's size and scope of operations).

Ho-Ho Holiday Paper is a privately owned company founded in 1955 that specializes in foil laminations and rotary embossing. Our finished products are luxury gift-wrap papers. The company is headquartered in Haverhill, Maine and has 147 employees. Annual sales are approximately \$50 million dollars. Ho-Ho imports approximately \$3 million dollars worth of rolled, graphic arts quality metal foils annually. Those foils are laminated to base paper and then rotary embossed. The finished gift-wrap paper is sold in small rolls to a variety of distributors and retailers. Ho-Ho Holiday sometimes also secures contracts to manufacture gift-wrap papers that are shipped in bulk rolls to certain customers.

27. Please list the main internet address(es) for information about your company and product(s).

www.ho-ho-paper.com

28. Are you aware of any studies or reports that have been done recently regarding your industry or industry sector? If yes, please list the titles and authors/publishers below – you do not need to submit the studies/reports with the application. Note: The FTZ Staff may later ask for your assistance in obtaining a copy of these publications as part of the Staff's case-related research.

In 2002, C.K. Consulting, Inc. published a study ("It's A Wrap!") analyzing the entire gift-wrap industry, including gift-wrap substitutes like gift bags. We have a copy of this study, which we can make available to the FTZ Staff, if requested.

FTZ-Related Savings:

29. What are the total estimated annual FTZ-related savings associated with the proposed subzone activity you are describing in this application?

\$150,000

30. Provide the percentage breakdown for your total estimated FTZ savings into the following categories: Logistical/Paperwork; Inverted Tariff; Exports; Duty Deferral; and Scrap/Waste.

Logistical/Paperwork 5%

Inverted Tariff 60%

Exports 30%

Duty Deferral 0%

Scrap/Waste 5%

31. Provide any additional explanation or special features of the above savings that may be relevant to the review or implementation of zone procedures (e.g., formulas, Customs rulings, scrap as percentage of imported product).

Approximately 10 percent of our imported raw materials end up as scrap.

32. Provide an estimated cost figure for operating your proposed subzone each year. (Components of your annual operating cost could include record keeping/inventory control, fees to the zone grantee, etc.)

\$50,000

33. A small number of states (e.g., Texas, Ohio) assess local taxes on business inventories. The Foreign-Trade Zones Act allows states to exempt merchandise from such taxes in FTZs. Does your state have an inventory tax or "personal property tax" for which collections will be affected by your proposed FTZ manufacturing authority? If yes:

a. Explain and give an estimated amount for projected annual FTZ-related savings:

AND

b. Attach correspondence from the affected parties (e.g., local school board) indicating their views on the impact of your proposed activity.

No

SITE DESCRIPTION(S)

34. Give each site of your proposed subzone an identifying number and then list the site's

address, acreage, existing buildings (including their functions), square footage of enclosed space, existing and planned activities at the site, and any planned expansions.

SITE # 1

Address: 10 Water St., Haverhill, ME 01011

Site Acreage: 1.2

Sq. Ft. of Enclosed Space: 20,000

Description of Buildings: Factory building constructed in 1950

Current or Planned Activities: Foil lamination and related manufacturing activities

Do you own this site? Yes X No ___

SITE # 2

Address: 40 Water St., Haverhill, ME 01011

Site Acreage: 1.5

Sq. Ft. of Enclosed Space: 14,000

Description of Buildings: Warehouse building constructed in 1951

Current or Planned Activities: Warehousing of inputs for foil lamination and related activities

Do you own this site? Yes ___ No X

35. For each site, you must provide in a "Legal Descriptions" attachment the appropriate legal description (with labels tying each description to the relevant site number).

36. Is your proposed subzone "adjacent" to a U.S. Customs and Border Protection port of entry, or have you discussed with CBP an alternative oversight procedure? Explain.

Yes, our proposed subzone is adjacent to the Portland, Maine port of entry. The sites are located 25 miles from the boundary of the port of entry.

Environmental Impact:

37. For your proposed subzone site(s), indicate local zoning and status of any applications for construction approvals.

Local zoning is for commercial and industrial use. There are no applications for construction approvals.

38. Are there any land use issues relating to your proposed site(s)? Will the use of FTZ procedures change the physical aspects of the plant or its operation? If yes, explain.

There are no land use issues. Use of FTZ procedures will not change the physical aspects of the plant or its operation.

39. Is FTZ status or the use of FTZ procedures a requirement or a precondition for the proposed activity or construction at the plant? If yes, explain.

FTZ status/use of FTZ procedures are not a precondition for the operation of our plant.

MAPS

Items required for a "Maps" attachment:

40. Provide a local/state map indicating the location of the subzone site(s).

41. For each site of your proposed subzone, you must provide a detailed street map.

42. For each subzone site, you must provide a detailed drawing of that site showing zone boundaries in red with dimensions.

OPERATION AND FINANCING

43. Do you own each of the sites listed above for your proposed subzone? (If no, provide a "Site Ownership" attachment with documentation demonstrating your right to use the sites in question.)

Yes ___ No X

44. Describe the physical security measures that you will use for your subzone sites.

The sites are completely enclosed with chain-link fences, have alarm systems for the buildings, and are patrolled by security guards 24 hours a day.

45. Do you commit to work with Customs & Border Protection, as appropriate, to meet future CBP requirements for its automated systems (e.g., ACS, ACE)?

Yes X No ___

LEGAL AUTHORITY FOR APPLICATION

46. Submit one of the of following two alternatives:

a. Provide a reference to an application from the same grantee within the last five years which included copies of: 1) the state's enabling legislation and 2) pertinent sections of the zone grantee's charter or organization papers (with evidence of current standing for grantees that are non-public corporations). Indicate there has been no change in those documents since submission of the earlier application.

In February 2005, FTZ # 411 submitted an expansion application (FTZ Board Docket # 89-2005), which included a copy of the state's enabling legislation and pertinent sections of the grantee's charter. There has been no change in those documents since that time.

OR

b. In an attachment called "Legal Authority for Application," include: 1) a recently certified copy of the state enabling legislation regarding FTZs and 2) pertinent sections of the zone grantee's charter or organization papers, along with evidence of current standing for grantees that are non-public corporations.

47. In the "Legal Authority for Application" attachment, include a recently certified copy of a resolution authorizing the grantee official to sign the application.

PRODUCTS AND COMPONENTS

48. Describe in detail the specific manufacturing activity – including the main products and components – which you are seeking to conduct under FTZ procedures.

Ho-Ho-Holiday Paper uses graphic-arts quality foils that come in large rolls, in widths ranging from 25" to 75". The thickness of the foil is approximately .00075". The rolls of foil are unrolled and smoothed at our plant before being introduced into the laminating machine. Some foils are also buffed before lamination (depending on the final intended decorative effect). The foils are then laminated to domestically-sourced base papers. The laminated paper is then rotary embossed to create distinctive effects. Finally, some of the laminated and embossed paper is sprinkle-coated to achieve additional decorative effects (the particular order or specification determines whether the paper undergoes this final sprinkle-coating step).

Aluminum foil in rolls is the only imported component. The finished product that will come out of the FTZ manufacturing process is called foil-backed paper.

49. Pursuant to the definition of "primary" components below, do you have components/inputs that are subject to antidumping ("AD") or countervailing duty ("CVD") duties? Are any of the components subject to quantitative restrictions (quotas)? Are you aware of any other trade-related issues affecting any of the components? If yes to any of these questions, explain.

No.

Instructions for "Products and Components" attachment:

In a "Products and Components" attachment, you will list the "scope" of finished products and imported components/inputs that you propose for manufacturing under FTZ procedures. There are two categories of scope that you may include in your application -- the primary scope and an optional secondary scope:

Your primary scope should include: 1) the range of finished products and foreign-status components which your company plans to use in manufacturing under FTZ procedures and 2) finished products and foreign-sourced components that you believe that there is a significant likelihood that your company will need to use for FTZ manufacturing. For each primary finished product, provide an item description, 6-digit HTSUS number, and current U.S. duty rate. For each primary input, provide the same information plus an indication of which finished product(s) the input is used for.

You may also provide information in your "Products and Components" attachment to establish a secondary scope of authority for products and foreign-status components for which your company has no current manufacturing plans but which it may ultimately need to use in manufacturing under FTZ procedures. The intent of allowing a secondary scope is to give companies short-term flexibility to react quickly to new marketplace opportunities. As such, you would be able to use products and components from your secondary scope, but you should notify the FTZ Board once this activity becomes significant. Depending on the circumstances, an application for "expansion of authority" could be needed. In the absence of an expansion application, products and components listed in the secondary scope should not account for a significant amount of your company's FTZ-related savings.

A commitment to self monitor your company's use of the secondary scope by including the following language will facilitate processing of your application as well as reduce the potential need for FTZ Board and CBP monitoring of any approved activity:

"The applicant understands that the finished products and components listed in its secondary scope: 1) are not items for which the company currently has definite plans for manufacturing under FTZ procedures and 2) may not constitute a significant amount of the company's overall FTZ savings (unless the company has submitted an application to the FTZ Board to expand its primary scope to include the products and components at issue)."

For a secondary scope, the applicant should provide the following information for any finished products and components: item description, 4-digit HTSUS number, and current U.S. duty rate.

Primary Scope

Finished Products

<u>Description</u>	<u>HTSUS (6-digit)</u>	<u>Duty Rate</u>
Foil-backed paper	7607.20	Free

Inputs

<u>Description</u>	<u>HTSUS (6-digit)</u>	<u>Duty Rate</u>
Aluminum foil in rolls	7607.11	5.8%

Attachment I

Legal Descriptions

FACTORY – SITE 1

That certain lot of land, with all buildings and improvements thereon, situated on the east side of Water Street in the City of Haverhill, State of Maine, laid out and designated as lot numbered two (2) on that plat entitled, "HAVERHILL HARBORSIDE SUBDIVISION OF LAND OWNED BY HO-HO HOLIDAY PAPER, INC. SCALE 1" = 50' NOVEMBER 1964", which said plat is recorded Plat Card 223 in the Land Evidence Records of the City of Haverhill and in Plat Book 4 at page 14 and (copy) on Plat Card 96 in the Land Evidence Records of the City of Haverhill.

WAREHOUSE – SITE 2

Title No. HAV 10890
CC 9306

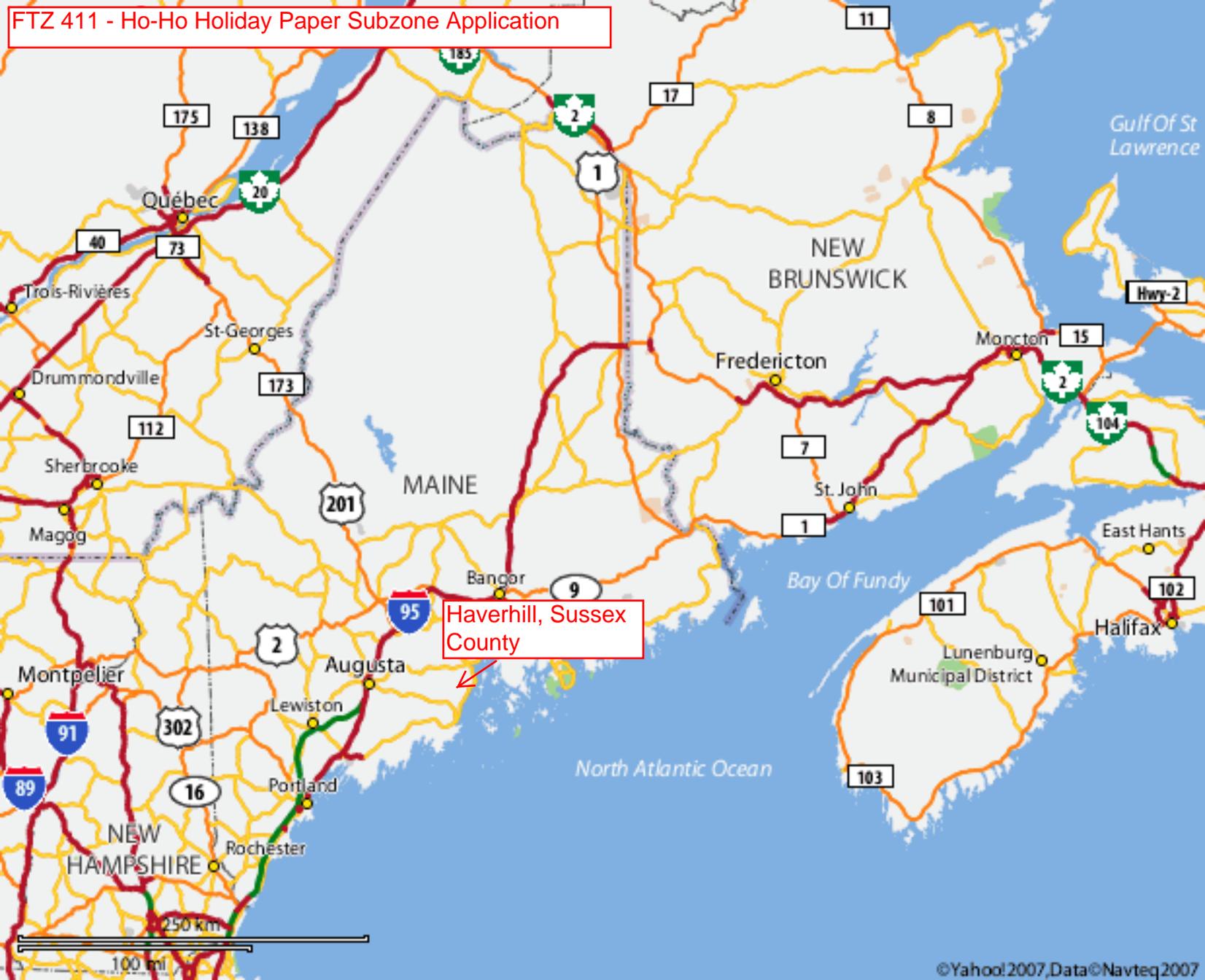
All that certain plot, piece or parcel of land lying and being in the town of Haverhill, County of Sussex, State of Maine encompassing Lots 10 and 11 bounded and described as follows:

BEGINNING at a point on the northerly line of Water Street, said point being the northeastern corner of plot, thence running along the southeasterly line of the property following Water Street 521.29 feet to a point at the corner of Water Street and Freeport Drive, thence running westerly to a point north 76-57-44 west 68.59, thence running north 494.85 feet to a point south 89-52-49 west, thence running east 257.32 feet to the point of beginning.

Attachment II

Maps

FTZ 411 - Ho-Ho Holiday Paper Subzone Application



Haverhill, Sussex County

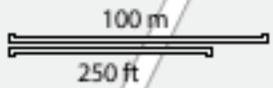


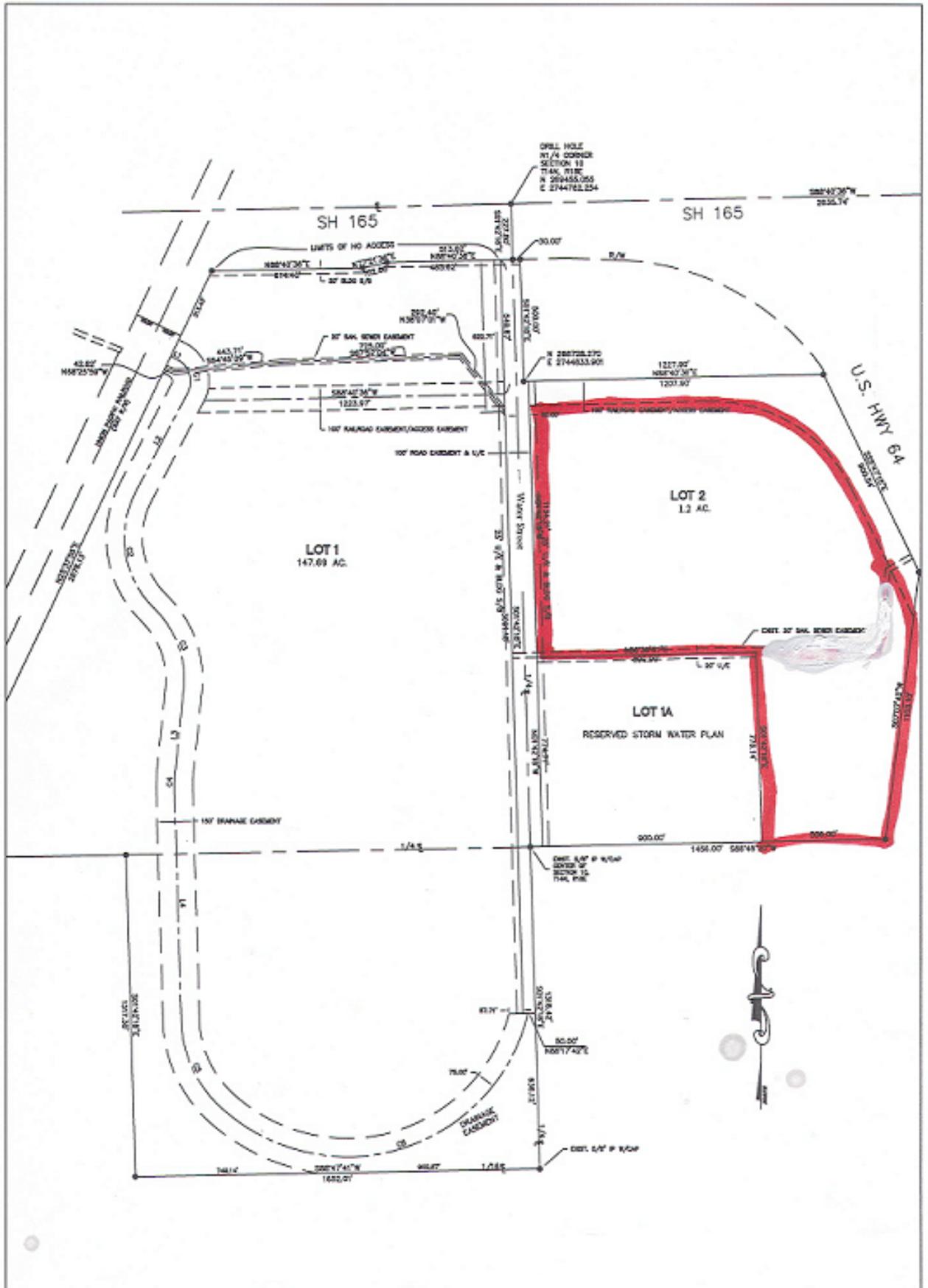
Haverhill, Maine

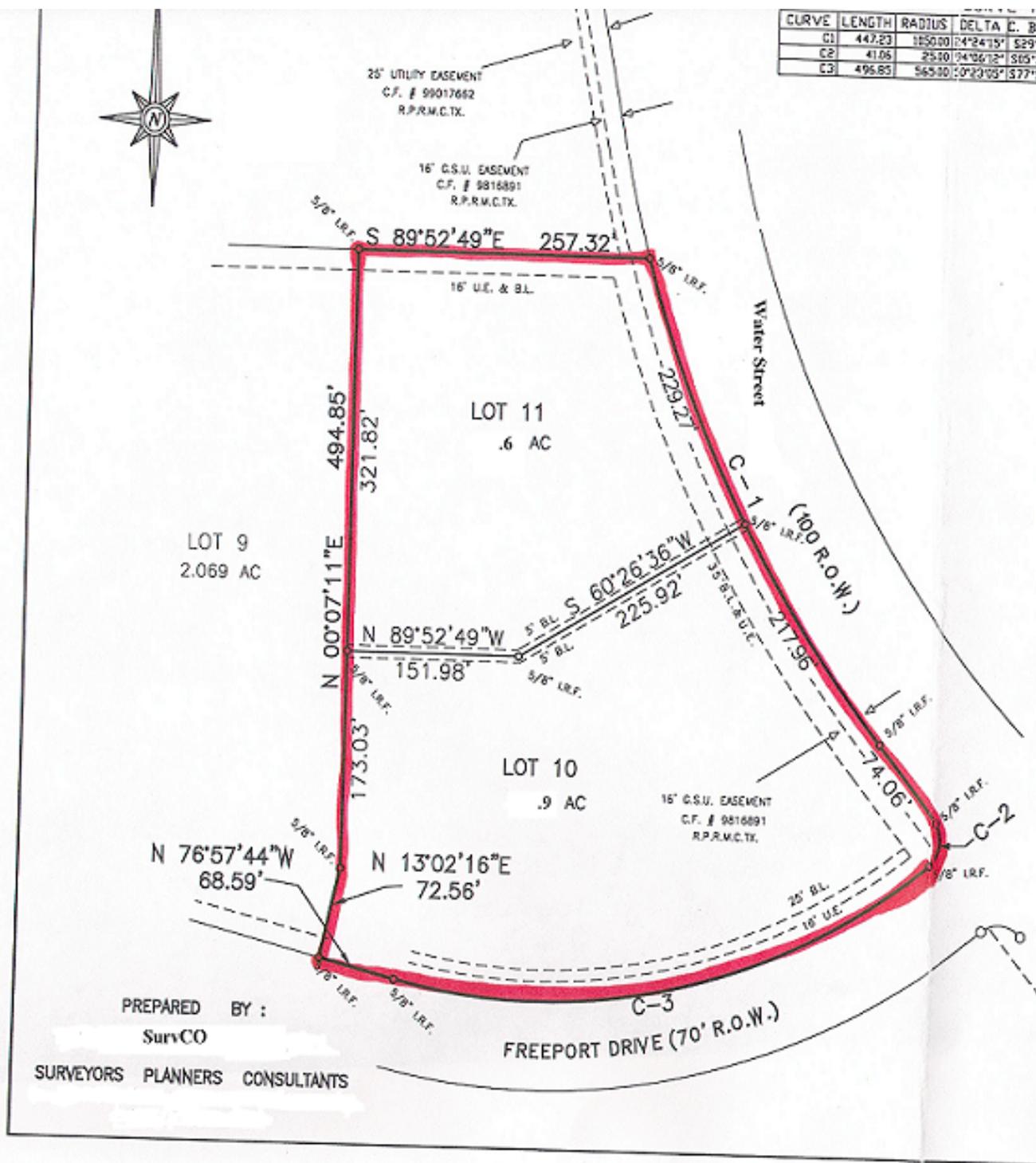


Site 1

Site 2







PREPARED BY :
 SurvCO
 SURVEYORS PLANNERS CONSULTANTS

Attachment III

Site Ownership

Letter from the owner of Site 2
(Site 1 owned by Ho-Ho Holiday Paper)

Andover Properties, LLC
4858 Market St., Suite 312
Lawrence, Massachusetts, 01840
Tel. (207) 555-2121, Fax (207) 555-2111

July 20, 2007

Mr. Frederick J. Muggs
Chairman
Haverhill Economic Development Commission
200 Summer Street
Haverhill, Maine 01011

Dear Mr. Muggs:

I have recently been approached by a representative of Ho-Ho Holiday Paper, Inc., with a request to allow the inclusion of a warehouse owned by Andover Properties, LLC as a site within their foreign-trade subzone. The property owned by Andover consists of a warehouse on 1.5 acres is located at 40 Water St., Haverhill, Maine.

I understand that the approval of foreign-trade zone status for this warehouse means that Ho-Ho Holiday Paper will have access to the benefits offered by the Foreign-Trade Zones program upon meeting the activation criteria established by U.S. Customs and Border Protection.

I concur with the request for inclusion of the site located at 40 Water St., Haverhill, that is leased by Ho-Ho Holiday Paper in the FTZ subzone application.

Sincerely,



Martin Davidson
President

Attachment IV

Legal Authority

Resolution Attached

There has been no change to the state enabling legislation or to the grantee charter since the expansion application we submitted in 2005.

GRANTEE AUTHORIZATION

The following is a resolution unanimously adopted by the Board of the Haverhill Economic Development Commission:

RESOLVED, that the Haverhill Economic Development Commission is hereby authorized to submit an application to the Foreign-Trade Zones Board for authority to establish, operate, and maintain a special-purpose subzone for the exclusive use of Ho-Ho-Holiday Paper, Inc. in Haverhill, Maine, and said application is hereby approved by the Commission. Any subsequent administrative actions, minor modifications to the Foreign-Trade Zones Board's Order, or expansion of the subzone project to be filed at the Foreign-Trade Zones Board are also specifically authorized.

Witness my hand and seal of the Haverhill Economic Development Commission this second day of July, 2007.

HAVERHILL ECONOMIC DEVELOPMENT COMMISSION

BY: Frederick J. Muggs
Frederick J. Muggs, Chairman

ATTEST:

Viola C. Bailey
Viola C. Bailey, Secretary