

Questions from the Operators Annual Report Webinar on February 24, 2012

Questions are in BLACK and responses are in RED:

Q1. Regarding activated acres, what if it's a small warehouse and only activated about 1,000 square feet. Do we just convert it to acres in decimals?

A1. In this case you can convert the square feet to acres and report the decimal.

Q2. Regarding the number of zone users, if one company operates the warehouse, is that "1" or is it asking about how many customers utilize the FTZ?

A2. If a company is operating a warehouse and providing FTZ services to other companies in that warehouse, then the number of customers would be the number of zone users reported. If a company is operating on its own behalf, then the number of zone users reported would be "one".

Q3. For Question 21 in the MFG operator format (Question 11 in the WHS operator format and Question 38 in the MFGO operator format): How do you show a Zone to Zone transfer – merchandise does not go to the U.S. market and is not Exported?

A3. In the "Total Value of Merchandise" section you should not report zone to zone transfers – only entries (shipments to the U.S. market) and exports.

Q4. Is the submission deadline still March 1?

A4. The completed annual report from each zone to the FTZ Board is due on March 31. By that deadline, each grantee must have received and reviewed each operator's annual report. In order to complete their report on time, grantees will generally provide a deadline to operators for their submissions. The deadline set by the grantee will vary by zone, but you should have the report submitted by the date the grantee provides. If you are having any problems with the report and are concerned about meeting the deadline, contact the grantee.

Q5. In regards to questions 10 and 13 in the MFG operator report, the grantee has my company set up as manufacturing but we have not manufactured anything during the year (just have done warehousing and distribution). What are you looking for as an answer?

A5. If a company has received approval from the FTZ Board for manufacturing or processing authority, they will be assigned a "manufacturing operator's" account type for the submission of the annual report. If you have this account type, but did not conduct any manufacturing activity during the year, you can let us know that through the annual report submission.

In response to Question 10 in the MFG report (which asks about the level of production) you would indicate that the current production level is "0" and then provide the level of production approved by the FTZ Board.

In Question 13 of the MFG operator report (Question asks for the percent of total production that is exported), you would report the percent of total shipments that are exported.

Q6. For Question 13 in the MFG operator format (Question 5 in the WHS operator format and Question 20 in the MFGO operator format), the FTZ Board's explanation asks for % of exports (even those made indirectly) and to include shipments that you know will be exported in the future. Do Questions 15 and 21 in the MFG report (Questions 6 and 11 in the WHS report and Questions 32 and 38 in the MFGO report) refer only to the value of exports made directly from the zone?

A6. The response to Question 15 in the MFG report (exports in the Movement of Merchandise section) only includes direct exports from the zone.

If you are aware of indirect exports and have the value of those shipments available, we would ask that you include the value of both direct and indirect exports in the response to Question 21 in the MFG report (the total value of shipments). In the Total Value of Shipments section we are trying to better capture the actual value and movement of merchandise from zones, so if you do have the value of all merchandise that is ultimately exported from the zone, we would like it included in this response.

Q7. On the question of percentage of exports (Question 13 in the MFG report, Question 5 in the WHS report and Question 20 in the MFGO report), does it have to be equivalent to the amount entered on the merchandise forwarded (exported)?

A7. In the percent of total exports from the zone question, we are asking that both direct and indirect exports be included. In the Movement of Merchandise section, we are only asking for the value of direct exports from the zone. As a result, it is very likely that the responses will not match, but since we are asking for different information, the responses do not need to match.

Q8. Please can you explain the value of shipments including value of merchandise as well as value added- labor, profit, overhead (Question 11 in the WHS report, Question 21 in the MFG report and Question 38 in the MFGO report)?

A8. In the past, in subzone reports we had requested that the value-added in the zone be provided in the annual report. Very often, the actual value of merchandise is higher when it leaves the zone than when it came into the zone and the numbers in the prior annual report format's Movement of Merchandise section would not reflect this true value. In response to comments from the zone user community, we revised the question to better reflect the true value of shipments from zones. As a result, we did add this question to all of the operators' reports. What we are trying to capture is a true reflection of the value of merchandise as it leaves zones, so that we can better tell the story of FTZs and the impact of FTZ activity.

If you have the sales value of merchandise as it leaves the zone then you can use that figure here. Otherwise, use the numbers you provided in the Movement of Merchandise section and add the value added to those numbers. Value added at the zone would include any labor, profit or overhead costs.

Q9. Could you please review the difference between section 21.1 Value of Shipments to the U.S. Market and 21.3 Total Value of Shipments (calculated) in the MFG report (11.1 and 11.3 in the WHS report, 38.1 and 38.3 in the MFGO report)? Is it a requirement to report both dutiable and commercial value?

A9. For the Value of Shipments to the U.S. Market and Value of Exports, one way of providing the information for the report could be to use the dutiable value of merchandise in the Movement of Merchandise section and the commercial value in the Total Value of Shipments section. Based on your responses to the Value of Shipments to the U.S. Market and Value of Exports the system will automatically calculate the Total Value of Shipments.

Q10. In the warehousing operator format, Question 4.1 states “This operator provided general-purpose zone services to ____ zone users during the calendar year.” I am an exporter. Since I am the operator, would the zone users in this case be the customers that I sell my bonded cargo to?

A10. No. Zone users would be any company that you are operating the FTZ on behalf of. Customers that you are selling the FTZ merchandise to would not be considered zone users. If you are operating on your own behalf, the number of zone users would be “1”.

Q11. Can you explain further on the duties collected (Question 9 in the WHS report, Question 19 in the MFG report and Question 36 in the MFGO report)? How about on marine port duties, etc...

A11. The question asking for the customs duties collected on merchandise should include only the customs duties themselves, and not other fees or charges.

Q12. Is the value of shipments only regarding the FTZ products that are sent out to US and export, or ALL products that leave the FTZ zone? We have FTZ products, but they only make up a small amount of product on our property. Should we include all merchandise leaving or just those relating to the FTZ?

A12. You should generally include all merchandise that is shipped through the activated portion of the zone. If the FTZ merchandise accounts for only a small portion of your total activity and the other activity is unrelated to the zone, call us for further guidance.

Q13. Can the grantee see the saved draft report or do you have to click “submit” for grantee to see the report? Please advise.

A13. The grantee will be able to see a draft report that you have saved. This is an intentional feature of OFIS so that if you have any questions, you can contact the grantee and you will be able to discuss the report while both viewing the saved draft version.

Q14. Regarding Question 10 in the MFG report - I don't think that we were approved for a particular level of production on our original application. We have products that we make 1000's (low value) of a day and others that we make 100 of a month (high value). Different

types of products. Do we report the total number of all the products. Does that look abnormal on the report?

A14. Since the issuance of the FTZ Board's 1991 regulations, all authorized manufacturing activity was limited to the level of production (capacity) including in the company's application to the FTZ Board. You should provide the level of production that was included in your last application to the Board. Most commonly, the capacity was simply expressed in terms of units produced annually. However, in some industries where providing a meaningful units-based level of production was not practicable, the Board allowed for the use of square feet of manufacturing space, or another measure, as a substitute for level of production. If you are unsure what number to provide, contact the FTZ staff.

Q15. Are there any plans to create an interface or electronically upload the data from our automated Inventory Control System into the OFIS system/screens?

A15. We are working on this. Before next year's report, we hope to have a spreadsheet available that would allow data to be downloaded directly from your inventory control system. The spreadsheet would then be uploaded into OFIS. Despite the constraints on our available programming resources, we hope that this will be available before the end of this year (that is, in time for the 2012 annual reports to be submitted).

Q16. We have had no activity in our zone, should I report 0 as "activated Acres?"

A16. If you had no activity and are not activated with CBP, then the number of activated acres would be "0". However, if you maintain activation with CBP but happened to have no zone activity during the year, then you would report the actual number of acres that are activated with CBP.

Q17. Subzone Activity Statement - Is this still required to be submitted or is this now not necessary with the on-line reporting system?

A17. If an operator (including a subzone operator) has no activity, then we do not require a report through OFIS. However, the grantee may still ask that an operator report on its status (including any plans for activation). If that is the case, OFIS can be used for the operator's submission of the report to the grantee.

Q18. Line 21 of the manufacturing operator format: Total Value of Shipments (Includes Value of Merchandise as well as Value Added – Labor, Profit, Overhead, etc.), should we add the "value added" to 21.1 Value of shipments to the US market and leave the value of Export in line 21.2 as the same numbers in Movement of Merchandise section (Question 11 in the WHS report and Question 38 in the MFGO report)?

A18. One way to provide the total value of shipments is to sum the values of merchandise forwarded included in the Movement of Merchandise section with the value added at the facility. Value added could include profit or any labor and overhead costs. Value added should be included in both the Value of Shipments to the U.S. Market and Value of Exports. The Value of

Exports should not be the same as what was reported in the Movement of Merchandise section unless the actual value of the merchandise is the same when it leaves the zone as when it arrived.

Q19. Line 15 of the MFG operator format: Movement of Merchandise 15.13: As you mentioned this number should match the total report in CBP form 7512, please confirm (Question 6.13 in the WHS report and Question 32.13 in the MFGO report).

A19. Correct, the numbers in the Movement of Merchandise section should match the numbers reported to CBP.

Q20. Merchandise destroyed - What should be included in the amount (Question 6.16 in the WHS report, Question 15.16 in the MFG report and Question 32.16 in the MFGO report)?

A20. Merchandise destroyed should include all merchandise that becomes waste and scrap as a result of FTZ operations as well as any merchandise destroyed under the supervision of (or as reported to) CBP.