

SUPPORTING STATEMENT
U.S. Department of Commerce
International Trade Administration
Annual Report from Foreign-Trade Zones
OMB CONTROL NO. 0625-0109

A. JUSTIFICATION

1. Explain the circumstances that make the collection of information necessary.

The Foreign-Trade Zones Act (enacted in 1934) established the Foreign-Trade Zones Board (comprised of the Secretaries of Commerce and Treasury) to issue grants of authority for and regulate foreign-trade zones (FTZs) in the United States (19 U.S.C. 81a-81u). 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 internationally. State and local officials use FTZs as part of their economic development efforts to maintain and increase employment by attracting international trade-related activity. There are now 256 U.S. port communities with zones, serving over 3,500 firms.

FTZs are granted by the FTZ Board and supervised by U. S. Customs and Border Protection (CBP). Foreign-trade zone facilities are located in ports of entry areas for warehousing, processing and manufacturing operations involving foreign goods prior to their formal Customs entry. Each FTZ is operated by a public or private corporation as a “public utility” – this requires “uniform treatment under like conditions” for all potential users of a FTZ and that “rates and charges” be “fair and reasonable.”

The foreign-trade 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 and quotas are charged.

Most operations within approved FTZ sites do not require specific approval from the FTZ Board. However, companies seeking to conduct manufacturing activities either in established FTZ space or in subzone sites must submit a request to the FTZ Board for manufacturing authority before any manufacturing activity can be conducted. Under zone procedures, pursuant to 15 CFR. Sec. 400.28(a)(2), requires the FTZ Board or the Assistant Secretary of Commerce for Import Administration to approve any manufacturing activity that occurs within foreign-trade zones.

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, is mandated to provide an annual report on zone operations to Congress. The form

ITA-359P is used to collect the annual report information. The annual report submitted by each grantee summarizes the activity that takes place within each zone, including the amount of merchandise moved in and out of the zone, the value of the merchandise moved and any value-added activity (labor, profit, overhead) with respect to any operations within the zone. The annual report also contains information regarding the number of people employed within the zone sites, along with the amount of customs duties collected and specific details about each grantee's FTZ, such as the number of sites, percent of activated space, as well as the number of subzones, if applicable.

Pursuant to FTZ Board practice the minimum retention period is 5 years for supporting documentation underpinning each grantee's annual report.

2. 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.

To enable the FTZ Board to collect the information needed for its report to Congress, the FTZ Act therefore requires each FTZ grantee to submit annually to the FTZ Board a report on the operations within the grantee's zone.

Congress uses the contents of the FTZ Board's annual report to evaluate the level and types of activity occurring within FTZs, the actions of the FTZ Board, and the overall impact of the FTZ program.

The public uses the information regarding activities in the 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 FTZs.

Zone procedures allow Customs cost savings and, as a result, certain domestic industry groups (e.g., steel, textiles, auto parts) have expressed concern that these procedures can encourage imports under some circumstances. The FTZ Board uses the information contained in the reports to monitor and analyze the ongoing operations and their impact on domestic industry. The importance of the FTZ Board conducting oversight of FTZ operations and their impact on industry has been emphasized in reports on the FTZ program by the Department of Commerce Inspector General and the General Accountability Office, for example. The annual report information also helps FTZs (the grantees) in their marketing efforts.

The information collection complies with ITA's Information Quality Guidelines, which seek to maximize the quality, objectivity, utility and integrity of information collections disseminated by ITA to the public. The information collection is useful to its intended users and is also easily accessible.

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 information collection does not involve the use of any automated or electronic forms of information technology at this time. The FTZ Board is exploring the possibility of offering a web-based reporting system for the submission of annual reports in the near future.

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.

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 a smaller volume of data to aggregate for inclusion in the annual report. Therefore, smaller entities inherently tend to 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.

If the information were submitted less frequently, there would be a great time lapse between occurrence of activity and the reporting of that activity. Such a lapse 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. Explain any special circumstances that require the collection to be conducted in a manner inconsistent with OMB guidelines.

This collection complies with OMB Guidelines.

8. 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. 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.

The Federal Register Notice soliciting public comments on the information collection was published on December 26, 2007 (72 FR pg. 72987-72988).

Public comments were received from the National Association of Foreign-Trade Zones (NAFTZ) on February 25, 2008. The comments from NAFTZ included recommendations regarding the collection or definition of certain data elements for the annual report which the FTZ Board will fully consider in its overall assessment of the information collection process.

NAFTZ also supports evaluation of web-based alternative(s) for the collection of the annual report data. A web-based reporting system would likely reduce the reporting or data-submission burden for outside parties and the Agency as well as increase the accuracy of the information provided. The FTZ Board regularly participates in educational seminars conducted by NAFTZ, including roundtable sessions which enable us to obtain their views on the information collection process used for compiling the annual report.

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

There are no payments or gifts to grantees.

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

The grantees' submissions generally do not contain confidential data. If it were necessary for grantees to submit proprietary data, 15 CFR §400.52 would enable the FTZ Board to assure the confidentiality of the data. (In such cases, the FTZ staff would

first attempt to find a non-confidential alternative that would be acceptable to the respondent.)

11. 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.

Information of a sensitive nature is not requested from grantees.

12. Provide an estimate in hours of the burden of the collection of information.

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: 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.)

(a) Reporting:

| ZONE TYPE | ANNUAL RESPONSE | | AVERAGE BURDEN | = | TOTAL BURDEN |
|----------------|-----------------|----------|----------------|----------|--------------------|
| Large Zones II | 28 | x | 210 | = | 5,880 hrs. |
| Large Zones I | 28 | x | 109 | = | 3,052 hrs. |
| Medium Zones | 45 | x | 73 | = | 3,285 hrs. |
| Small Zones | 62 | x | 37 | = | 2,294 hrs. |
| TOTAL | 163 | x | 429 | = | 14,511 hrs. |

(b) Recordkeeping:

| ZONE TYPE | ANNUAL RESPONSE | | AVERAGE BURDEN | = | TOTAL BURDEN |
|---------------------------|-----------------|----------|----------------|----------|--------------------|
| Large Zones II | 28 | x | 1.0 | = | 28 hrs. |
| Large Zones I | 28 | x | 1.0 | = | 28 hrs. |
| Medium Zones | 45 | x | 1.0 | = | 45 hrs. |
| Small Zones | 62 | x | 1.0 | = | 62 hrs. |
| TOTAL | 163 | x | 4.0 | = | 163 hrs. |
| TOTAL: (a) + (b) = | | | 433 | | 14,674 hrs. |

The proportion of zones, categorized as large zones (II) and small zones due to an apparent decrease in their representation in the zone population, have been adjusted. The majority of zone activity appears to be concentrated in medium to large zones (I) whose numbers we have increased in the zone population and is now better reflected in our adjusted burden hour estimates.

13. 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 #12 above).

The annual reports are submitted in hard-copy format to the FTZ Board via USPS or package delivery carriers. In addition, annual reports are also submitted via email or fax. Approximately two-thirds of the annual reports received (108) are submitted in hard-copy, with an average cost to grantees of approximately \$12 each, or **\$1,296** total. The remaining 55 annual reports are submitted via fax or email to the FTZ Board. While it is likely that the grantees would incur some expense, it would be negligible.

14. Provide estimates of annualized cost to the Federal government.

The annualized cost to the Federal government in salaries to review, process and compile the 163 annual reports is estimated as follows:

| <u>EMPLOYEE</u> | <u>COST PER HOUR</u> | <u>AVG. TIME</u> | | <u>HOURS</u> | <u>COST</u> |
|-------------------|----------------------|------------------|---|--------------|------------------|
| Executive | \$55 | 163 x 17.4 mins | x | = 48 | \$2,640 |
| Professional | \$40 | 163 x 13.50 hrs | x | = 2,200 | \$88,000 |
| Clerical | \$21 | 163 x 3.07 hrs | x | = 500 | \$10,500 |
| TOTAL COST | | | | | \$101,140 |

The updated annualized costs to the Federal Government estimates reflect increases in cost per hour figures for professional and clerical level employees due to salary increases while maintaining the cost per hour figure for executive level employee to reflect no change in salary due to personnel turnover.

15. Explain the reasons for any program changes or adjustments reported in Items 13 or 14 of the OMB 83-I.

The total number of burden hours for this collection has increased by 344 hours (14,330 hours to 14,674 hours) due to an increase in the total number of annual reports received (from 160 to 163).

The cost to grantees' to submit their reports via paid courier services was not included in the previous submission. The cost of \$1,296 has been added.

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). Copies of the annual report are mailed to zone grantees and other interested members of the public. An electronic version of the annual report is also available on the Office of Foreign-Trade Zones web site (www.trade.gov/ftz).

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 identified in Item 19 of the OMB 83-I.

No exceptions to the certification statement are claimed.

TERMS OF CLEARANCE IN THE NOTICE OF ACTION DATED MARCH 25, 2005

'In future submissions, the agency should demonstrate actual, rather than hypothetical or potential, uses of the information collected under this OMB Control Number, including by attaching public documents showing or based on this information.'

The end-product of the information collected is the Annual Report to Congress. The annual reports for 2005 and 2006 are in ROCIS as supplementary documents.

B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

This collection does not employ statistical methods.