

From: [Melissa Irmen](#)
To: [FTZ](#)
Cc: [Jeff Tafel](#)
Subject: OMB Control Number 0625-0109 Comments
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[2024 NAFTAZ Comments FTZ Annual Report.pdf](#)

Hello,

Attached, please find comments regarding the Annual report From Foreign-Trade Zones, OMB Control Number 0625-0109, submitted by the National Association of Foreign-Trade Zones. Please let me know if you have any questions or need additional information.

Thank you,

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June 10, 2024

Via email: FTZ@trade.gov

Ms. Sheleen Dumas
Department PRA Clearance Officer
Office of the Under Secretary for Economic Affairs
600 17th Street NW
Washington, DC, 20508

Ms. Dumas,

On behalf of the National Association of Foreign-Trade Zones (NAFTZ) and its members, I am writing in response to the Federal Register Notice of April 10th, 2024, from the Office of the Management and Budget regarding the Request for Comments on Annual Report from Foreign-Trade Zones (Docket number FR Doc. 2024-07609).

NAFTZ is the collective voice of all constituents of the U.S. Foreign-Trade Zones (FTZ) program, representing grantees, users, operators, and service providers (collectively - FTZ constituents) engaged in the program, which is a vital component of the U.S. economy. The FTZ Annual Report is currently the only vehicle by which FTZ constituents can present their international trade activity and accordingly, the program's impact on the U.S. economy. In our comments below we suggest additional ways to increase the utility of the report in evaluating the effect on industry sectors, assisting grantees in marketing efforts, and providing the public a means of evaluating the impact of the FTZ program to their local, state, and national economies.

Our comments are organized as outlined in the request for comments. We then suggest ways in which the U.S. FTZ Annual Report can be enhanced to further support congress's goals of promoting U.S. jobs and manufacturing through the U.S. FTZ program.

a) **Assessment of Necessity and Practical Utility of Proposed Information Collection for Departmental Function**

The FTZ Annual Report serves as the primary conduit through which grantees, facilitated by operators predominantly providing the required data and information within each grantee's zone, fulfill their annual reporting obligations to the FTZ Board, as mandated by the FTZ Act (19 U.S.C. 81(p)). These comprehensive reports represent the sole repository of compiled data on international trade activity within U.S. Foreign Trade Zones (FTZs). Annually, the U.S. FTZ Board meticulously prepares and submits a report to Congress, offering a detailed overview of the activities conducted within these zones throughout the year. This report is not only instrumental for congressional deliberations but also for the Department in evaluating the economic impact, public interest, and alignment with U.S. international trade policy of the FTZ program. Moreover, the information gleaned from these reports is invaluable for grantees in refining their marketing strategies and for the public in assessing the influence of U.S. FTZs on various industry sectors.

The FTZ Board Annual Report to Congress stands as the singular bastion of information gathering, compiling, and reporting on international trade activity within U.S. Foreign Trade Zones (FTZs). With no alternative channels in existence, this report serves as an indispensable source for understanding the economic impact on the local, state, and national economies of the FTZ program. Crucially, it provides Congress and the public with vital insights to assess whether the economic advantages accruing to the U.S. economy from FTZ operations outweigh the administrative burdens borne by the federal government in managing the FTZ program. This exclusive repository of data plays a pivotal role in guiding informed decisions regarding the program's efficacy and its broader impact on the nation's economic landscape.

b) **Assessment of Time and Cost Estimates for Proposed Data Collection: Methodology and Assumptions Analysis**

In the Department's assessment, the time and cost estimates for information collection have been substantially underestimated due to the exclusion of a significant number of respondents. The Department's methodology relies on an estimate of only 261 respondents. However, as previously stated, FTZ operators bear the responsibility of collecting, compiling, and reporting most of the information requested by the Department.

In the 2022 Annual Report to Congress, the FTZ Board noted the existence of over 1,200 active zone operations. It's important to highlight that both active and inactive zone operators are mandated to report annually for this information collection, yet they have not been factored into the Department's data estimates. Thus, to accurately reflect the estimated number of respondents, time per response, and total annual burden hours, both active and inactive zone operators should be considered in the assumptions.

c) Enhancing Quality, Utility, and Clarity of Collected Information: Evaluation and Strategies

Though the FTZ Board's Annual Report to Congress is crucial for evaluating the program's effects on the U.S. economy, its alignment with U.S. international trade policy, and its public utility, there remains room for enhancing the report. Below, we elaborate on strategies to improve the collection and reporting of information.

a. Include a new field to record the quantity and names of all FTZ operators and users in warehouse and distribution zones.

In warehouse and distribution zones, a single operator often extends FTZ program advantages to numerous companies. Incorporating data on this aspect would provide a more precise depiction of the multitude and variety of U.S.-based firms benefiting from the program. Including this detail would elevate the quality and utility of the report.

b. Include the number of designated but inactive operators in the annual report.

Inactive FTZ operators, those who had no foreign status merchandise in their zones during the reporting period, are presently omitted from the Annual Report. It serves the public interest to incorporate all companies that have obtained FTZ designation and activation. This transparency could be achieved by introducing a reporting category for 'inactive' operators in both the Warehouse/Distribution Activity and Production Activity sections of the report. Including this information would enhance the quality and utility of the report.

c. Replace the current utilization of the "Movement of Merchandise" section in the report to Congress with values from the "Total Value of Shipments" section.

To accurately portray the economic impacts of storage, distribution, or production activities in an FTZ, it is essential to incorporate the added value to the merchandise upon exiting the zone. Therefore, the values reported to Congress should encompass this value-added component to better reflect the positive economic impact of overhead and manufacturing activities on the U.S. economy by FTZ operators.

e. Enhance reporting by calculating the differences between "Movement of Merchandise" and "Total Value of Shipments" in each category.

Highlighting the value added to merchandise stored or produced in a foreign trade zone is crucial for the program's sustainability. Therefore, calculating and reporting the value added by zone activities in the movement of merchandise to the U.S., movement of

merchandise to foreign countries, and the total value of merchandise would be highly

advantageous.

f. Offer clear guidance on the level of effort operators should dedicate to enhancing the accuracy of indirect export values.

Operators should receive clarification regarding the level of effort expected in determining indirect export values or percentages. Operators may sell their merchandise free on board without knowing its ultimate destination, requiring significant effort to ascertain the exported quantity after transfer to multiple buyers.

g. Expand the breakdown values of foreign merchandise information to include Non-Privileged Foreign, Privileged Foreign, and Zone Restricted categories.

Currently, foreign status information comprises the sum of NPF (Non-Privileged Foreign), PF (Privileged Foreign), and ZR (Zone Restricted). Breaking it down by status would provide insight into the ratio of goods by value benefiting from tariff inversion (the NPF value). Over time, this ratio likely decreased due to measures such as Section 232/301 and ADCVD, and analyzing the breakdown would provide valuable insights into this trend.

h. Expand the of breakdown of exports reporting: Distinguish exports to Canada and Mexico, each segregated by manufacturing and distribution operations.

Expanding the breakdown of export values to Canada and Mexico, distinguishing between manufacturing and distribution operations, will highlight lack of ability for manufacturing U.S. FTZs to export to Canada and Mexico duty-free.

i. Enhancement of Export Reporting: Distinguishing Direct and Indirect Exports for Improved Clarity and Utility

Presently, the values reported under 'exports to foreign countries' encompass both foreign status and domestic status merchandise, frequently comprising foreign components. However, disaggregating direct and indirect exports will provide a ratio, by value, of exports fully leveraging FTZ benefits. Indirect exports would continue to incur Merchandise Processing Fees. By furnishing this granular breakdown, the report's utility and clarity will be significantly augmented.

j. Automatically pre-populate beginning values for current reporting year from previous reporting year's ending values for each operator.

Implementing automatic pre-population of the current reporting year values for domestic, foreign, and total merchandise from the ending values of the same categories in the previous reporting year within the database would reduce the reporting burden and enhance the accuracy of the provided data. Enabling this functionality would elevate the quality of the report and streamline the process for respondents, thereby improving efficiency

k. Reassess and refine the merchandise value ranges currently reported to provide more specific and accurate data.

The current value ranges utilized in the annual report lack specificity, rendering the information less meaningful. By refining the value ranges for summary data at the state and national levels, the report can offer more insightful information without compromising proprietary business details.

l. Ensure that the 'Product Categories Used in Appendices B and D' correspond with an established and recognized classification system.

Product categories should adhere to an established and acknowledged classification system, such as NAICS, SITC, or HS, all of which are utilized by Census. This alignment enables consistency over time, ensuring that changes to categories remain compatible with national trade data.

The NAFTZ welcomes further discussion on these important points. Please feel free to contact me with any questions you may have.

Sincerely,

A handwritten signature in black ink, reading "Jeffrey J. Tafel, CAE". The signature is stylized and cursive.

Jeffrey J. Tafel, CAE
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