
EDC STANDING COMMITTEE
08/30/10

MEETING AGENDA

- I. Foreign Trade Zone
- II. EDC Marketing Plan Outline

Foreign-Trade Zone #121 at Albany, NY

In 1985, CDRPC was granted the authority to establish a Foreign-Trade Zone (FTZ #121) covering Albany, Rensselaer, Saratoga and Schenectady counties by the Foreign-Trade Zones Board of the U.S. Department of Commerce (Board Order No. 307, 07/18/85). Authority was expanded to cover Fulton County in 1996 (Board Order No. 922, 09/25/97). In mid 2010, the Foreign-Trade Zones Board approved the reorganization and expansion of FTZ #121 under the new Alternative Site Framework (ASF) (Board Order No. 1964, 07/08/10). FTZ #121 now serves 10 counties: Albany, Columbia, Greene, Fulton, Montgomery, Rensselaer, Saratoga, Schenectady, Warren and Washington.

What is a Foreign-Trade Zone?

A Foreign-Trade Zone is a secured, designated location in the United States, in or near a U.S. Customs Port of Entry, where foreign and domestic merchandise is generally considered to be in international commerce (i.e., outside of the U.S. Customs territory).

The purpose of Foreign-Trade Zones is to stimulate international trade and create jobs and investment in the United States rather than abroad. Foreign merchandise may enter a Foreign-Trade Zone without a formal Customs entry or the payment of Customs duties or government excise taxes. If the final product is exported, no U.S. Customs duties or excise taxes are levied. If the final product is imported into the United States, Customs duties and excise taxes are due only at the time of transfer from the FTZ. If authorization has been granted, the duties paid are the lower of those applicable to the final product itself or its component parts (inverted tariff option).

A site which has been granted zone status may not be used for zone activity until the site has been separately approved for FTZ activation by local U.S. Customs and Border Protection officials. Once approved, zone activities remain under the supervision of Customs and are subject to spot checks and periodic inspections at any time. Although FTZs are considered in international commerce, FTZ sites and facilities remain within the jurisdiction of local, state and/or federal governments and agencies.

What Activities are Permitted in Zones?

Merchandise entering a Zone may be:

Stored	Displayed	Tested
Sampled	Repaired	Cleaned
Salvaged	Destroyed	Relabeled
Repackaged	Manipulated	Mixed
Processed	Assembled	Manufactured

Manufacturing, processing and any activity that results in a change of the tariff classification must be specifically approved by the FTZ Board.

Retail trade is prohibited in zones.

What Kind of Merchandise can be Placed in a Zone?

Any merchandise that is not prohibited from entry into the U.S. may generally be admitted into a Zone. Although FTZs are considered in international commerce, FTZ sites and facilities remain within the jurisdiction of local, state and/or federal governments and agencies. If applicable, import licenses or permits from other government agencies may still be required. Products may be excluded if agencies determine that zone facilities are inadequate for storage and handling requirements. Products which are deemed detrimental to public health, interest or safety may be excluded by the Foreign-Trade Zones Board. Similarly, the Board may place restrictions upon the zone status and type of operation that may be performed upon certain merchandise.

What are the Advantages of Using a Foreign-Trade Zone?

The benefits associated with zone use will vary depending upon the type of operation involved and authority granted by the Foreign-Trade Zones Board and Customs. Zones may provide some or all of the following benefits:

Duty Exemption: no duties or quota charges on re-exports (exception applies for exports to Canada and Mexico under NAFTA). By using a Foreign-Trade Zone, the company avoids the lengthy Customs duty drawback process. No duty is paid on goods destroyed in the zone, which can benefit a company with fragile imports or with manufacturing processes that result in large amounts of scrap.

Duty Deferral: Customs duties and federal excise tax deferred on imports until they leave the zone and enter the U.S. Customs territory. (Zone merchandise may move in-bond, Zone-to-Zone transfers without payment of duty.) Unlike bonded warehouses or temporary importing under bond programs, there is no limit on the length of time that merchandise may remain within the Zone, whether or not duty is owed.

Duty Reduction (Inverted Tariff): Where zone manufacturing results in a finished product that has a lower US Harmonized Tariff rate than the rates on foreign inputs, the finished product may be entered into the U.S. Customs territory at the duty rate that applies to its finished condition. Moreover, duty is not owed on labor, overhead or profit attributable to zone production operations.

Other Cash Flow Benefits: Harbor Maintenance Fee is paid quarterly instead of at the time imports arrive. Merchandise Processing Fees are paid at the time goods leave the zone.

Merchandise Processing Fee (MPF) Reduction: MPF is only paid on goods entering the U.S. Customs territory. Zone users are able to file a single entry for all goods shipped from a zone in a consecutive seven day period instead of one entry file for each shipment (excluding merchandise subject to live entry). MPF fees are charged at 0.21% of the Total Estimated Value (TEV) of the shipment, with a maximum fee of \$485 per entry. Fewer entry filings can also reduce Brokerage fees.

Streamlined Logistics: Upon approval from Customs, imports may be directly delivered to the zone. Users may also request permission to break and affix Customs seals. A single entry may be filed for seven consecutive days worth of entries and exports.

Quota Avoidance: In most instances, imports subject to quota may be retained within a Foreign-Trade Zone once a quota has been reached allowing zone users access to potentially discounted inputs and the ability to admit merchandise as soon as a new quota year starts. Additionally, except for certain textiles, inputs subject to quota may be manipulated or manufactured while in the zone into a product not subject to a quota.

Other Benefits: Better inventory control and security lead to better compliance with CBP requirements; Customs supervision may result in lower security and insurance costs. Duty payable on FTZ merchandise does not need to be included in the calculation of insurable value, again lowering insurance costs. Reduced transportation costs may also result from streamlined logistics.

What are the Differences Between a Foreign-Trade Zone and a Bonded Warehouse?

A Foreign-Trade Zone is considered outside the Customs territory and Customs entries are filed when goods are removed from the Zone. Firms using an FTZ may file weekly entries, saving on administrative work and potentially MPF. Bonded Warehouses are within the Customs territory and entries must be filed at the time goods enter the warehouse.

A customs bond is not required for goods entering an FTZ; all admissions are covered under an FTZ operator's Customs Bond, whereas Customs Bonds are required for all Bonded Warehouse entries.

Foreign and domestic merchandise may be placed within an FTZ, whereas only foreign merchandise may be placed in a Bonded Warehouse. Goods can be stored indefinitely in an FTZ, whereas merchandise may only be stored within a Bonded Warehouse for a maximum of 5 years.

Goods may be manufactured in an FTZ and firms may take advantage of inverted tariff and scrap, thereby lowering duty. Manufacturing is not permitted in a Bonded Warehouse and the total value of the merchandise is determined for duty purposes at the time goods enter the Warehouse. Duty is paid on the value of the entire shipment including any damaged goods or scrap.

An FTZ has full control of merchandise allowing 24 hour a day movement and manipulation. Movement of goods into and out of an FTZ is relatively unrestricted. Customs has primary control of goods within a Bonded Warehouse and goods can only be inspected and transferred during regular working hours, moreover, movement is much more limited within a Bonded Warehouse and specific Customs authorization is required for every movement.

What are the Costs Associated with Using a Foreign-Trade Zone?

Applications for Usage-Driven sites, Subzones and Manufacturing are subject to fees, which vary according to the type of site and authority sought (see Foreign-Trade Zones Board website for application fees: <http://www.ia.ita.doc.gov/ftzpage/applications.html>). Applications are free for firms seeking warehousing and distribution authority within an established Magnet Site. Additionally, FTZ #121 charges administrative fees for sponsoring applications, preparing grantee agreements, and activations. FTZ #121 also charges an annual fee based on the type of operation and site activity. *{add zone #121 fee schedule}*

Any company interested in pursuing zone procedures should perform a cost-benefit analysis. Although costs will vary depending upon the type of operation and industry, there are costs associated with all Zone operations which will include such items as: annual fees, annual report preparation time, inventory software and security. Industry experts vary on the amount of estimated savings that must be reached to make Zone operations worthwhile. *{add links for ftz savings calculator, simplified manufacturing calculator and the HTS}*

What are the types of zone sites available in FTZ #121?

Magnet Sites are located at designated ports and industrial parks. These are open to multiple users and some will build to suit. Although manufacturing and processing activities can occur within these sites, the most common activities involve warehousing and distribution. No Foreign-Trade Zone Board application is needed to establish a warehousing or distribution operation within a magnet site. Manufacturing and processing activities require the firm to file a detailed application with the Foreign-Trade Zones Board for authorization. Manufacturing applications typically take 9-12 months to process and must demonstrate a significant public benefit.

Usage-Driven Sites can be established anywhere within the 10-county service area and are designated for a company ready to pursue FTZ activity. The designation is tied to a specific company and is limited to the space needed by the company for zone activities; however it is expected that there are other industrial/commercial spaces nearby that might benefit from Zone use at some time in the future. Usage-Driven sites allow the FTZ program to be flexible in accommodating firms that cannot move to Magnet Sites. A short application is required to establish the site; the Foreign-Trade Zones Board takes 30-45 days to process these applications. Although manufacturing and processing activities can occur within these sites, the most common activities involve warehousing and distribution. Manufacturing and processing activities require the firm to file a separate, detailed application with the Foreign-Trade Zones Board for authorization. Manufacturing applications typically take 9-12 months to process and must demonstrate a significant public benefit.

Subzones are special-purpose zones, usually at manufacturing plants or distribution facilities that are not located near to other industrial/commercial space. Subzones are approved for use by one company for a specific activity. Applications for subzones



**Economic Development Corporation, Warren County
Business Attraction Marketing Plan Outline
August, 2010**

Market Research

The following industry sectors have been identified by EDC as potential strategic targets for business attraction and investment into Warren County:

Semiconductor & Suppliers – The current development of the \$4.2 billion dollar GLOBALFOUNDRIES Fab 8 in Malta, NY will impact Warren County significantly, specifically:

- Secondary suppliers will locate within a 30 to 50 mile radius of Fab 8.
- Semiconductor industry is on the rebound - revenue expected to exceed \$310 billion this year.
- Intel Corporation projects double digit growth for the next several years.
- Driving global revenues: smart phones, flat panel TV's and other consumer electronics.
- The industry tends to cluster multiple fab development and investments in an area/region.

Microelectromechanical systems (MEMS) – MEMS are a subset of the semiconductor industry and is one of the fastest growing segments of the market.

- In 2010 the industry is \$8 billion and expected to grow to \$18 billion by 2015
- MEMS used in automotive, defense, consumer electronics, and healthcare-medical devices.
- MEMS related medical device include motor controllers, EKG pulsometer, pulse oximeters, image sensors, X-ray, imaging, endoscopy, defibrillators, blood pressure monitors, digital hearing aids, electrocardiogram (ECG), MRIs, blood gas analyzers and ultrasound systems.
- MEMS production can be incorporated within an existing fab or can be a free standing "foundry" fab.
- A typical MEMS fab can be small to mid-sized facilities i.e. 30,000 SF to 60,000 SF.

Medical Devices – Medical device industry is one of the most rapidly growing industry sectors in healthcare due to demographics, technology advancements.

- In 2006, total medical device industry was \$86 billion in the U.S. and \$220 billion worldwide.
- Integration of nanotechnology into medical devices is growing.
- Research at Rensselaer Polytechnic Institute (Troy), GE Global Research (Schenectady) and the College of Nanoscale Science and Engineering at UAlbany have all targeted nanobioscience.
- Glens Falls MSA features an established cluster of companies and highest location quotient in U.S.

Target Markets

Semiconductor

- Suppliers, contractors and support services firms affiliated with GLOBALFOUNDRIES Fab 8.
- Ancillary/related companies i.e. photovoltaic, LED, MEMS, specialty chip design, lithography
- Companies seeking proximity to R & D in Capital Region utilizing nanotechnology.

MEMS – microelectomechanical systems

- Potential MEMS uses in medical devices particularly of interest to Warren County.
- MEMS uses in homeland security/defense growing and a potential niche for the region.

Medical Devices

- Additional companies, service providers, suppliers to existing medical device cluster
- Potential crossover technologies between medical device and nanotechnology.

Products

Warren County has shovel ready sites, available buildings and spaces capable of housing technology based light industrial uses i.e. R & D, office, assembly, manufacturing and distribution including:

Certified Shovel Ready Parks

- Queensbury Business Park
- Tech Meadows at Glens Falls

Private Business Parks

- Carey Business Park
- Quaker Ridge
- Chester Industrial Park

Major Existing Buildings

- Manufacturing facility/site, Exit 18 - Queensbury

Mission Statement

EDC will seek to attract technology based companies in areas of semiconductor, medical device and microelectromechanical systems (MEMS) to Warren County. EDC will accomplish this through the use of market strategies including but not limited to networking, trade shows, and personal sales calls.

Market Strategies

Networking

EDC has built and expanded networks that will provide entry points for potential new business customers for Warren County. Organizational networks utilized by EDC that generate leads for new business recruitment include:

- New York State Empire State Development (ESD)
- New York State Economic Development Council (NYSEDC)*
- Center For Economic Growth (CEG)*
- Saratoga Economic Development Corporation (SEDC)
- College of Nanoscale Science and Engineering (CNSE)
- Local and Regional Developers
- Commercial and Industrial Real Estate Brokers* (CIRESB)

**Denotes EDC is affiliated with as a member organization*

Industry Contacts/Organizations/Trade Groups –

Sematech - Non-profit consortium that performs basic research into semiconductor manufacturing.

MEMS Industry Group – Industry association for the MEMS and microstructures industry.

MedTech - Association of pharma/biotech and medical technology companies, suppliers, and research universities.

Collateral

Flash drive –Enhanced presentation featuring sites and buildings plus Warren County quality of life.

Airport Corridor Development Map – Aerial plan outlining areas/sites/projects completed, in progress and future opportunity zones to be used to recruit developers, site locators, investors, and prospective incoming companies.

In Person Sales Calls/Outreach Missions

EDC will focus on strategic connections/contacts in targeted industries i.e. medical device, microelectronics that result from meetings arranged by industry consultants, CEG, SEDC, and others.

Trade Shows/Events/Meetings

In 2011, EDC will be attending or represented at the following trade shows, conferences and events:

- Industrial Asset Management Council, Albuquerque – April 2011 (Corporate Real Estate)
- MDM East, NYC – June 2011 (Medical Device)
- Bio International, Washington D.C. – June 2011 (Biotech/Biomed)
- Semicon West, San Francisco – July 2011 (Microelectronics)
- Semicon Europa, Dresden – October 2011 (Microelectronics)
- SIA Annual Awards Dinner – November 2011 (Microelectronics)

Web Site

EDC's website projects will include:

- Search engine optimization
- Updating property database, facts, graphics

Social Media

EDC uses Linked In as its primary social media outlet. EDC will expand the number of members in the EDC Warren County group in 2010-2011. EDC is continuing to evaluate the use of Facebook and Twitter.

Positioning and Branding

Warren County has a unique identity as an entrepreneurial business hub situated within unparalleled four season recreation and lifestyle environment that features safe, livable communities. EDC plans to position Warren County as a centrally accessible region to major markets with affordable shovel ready sites, skilled workforce, and a thriving medical device cluster just 30 minutes from GLOBALFOUNDRIES \$4.2 billion Fab 8.

Marketing Goals

- Obtain a medium to large sized technology based company with 50 or more jobs into Warren County by 2013.
- Increase Warren County's awareness and brand especially in targeted sectors
- Design and approve a flex style building in QBP by 2 Qtr 2011
- Increase traffic to EDC website by 25% in 2011
- Increase EDC Warren County's Linked In group members to 250 by 2012
- Develop separate database of tech based contacts