



ZONE Outlook

GREATER DETROIT FOREIGN TRADE ZONE, INC.

Vol. 4, Issue 3

Greater Detroit Foreign Trade Zone Directors

William J. Adams
Consultant
CHAIRMAN

Martha K. Richardson
Services Marketing Specialists
VICE CHAIR

Eddie R. Munson
KPMG LLP
SECRETARY-TREASURER

Godfrey J. Dillard
Attorney at Law

George W. Jackson, Jr.
Detroit Edison

For more info

GDFTZ's Zone Outlook is published quarterly. For additional information or assistance with your trade needs, please contact:

W. Steven Olinek
Director

Greater Detroit
Foreign Trade Zone, Inc.
8109 East Jefferson
Detroit, MI 48214

313/331-3842 *ph*
313/331-5457 *fx*

www.gdftz.com

U.S. Customs Service Likely to Become Part of New Homeland Defense Department

Since the late 1700s, the U.S. Customs Service has been part of the U.S. Treasury Department. As a result of post 9/11 security issues, it appears that Customs will soon become a part of the new Department of Homeland Defense. Congress is currently debating the issue. But how will this really affect foreign trade zone participants?

While there is good reason for consolidating security functions of many different departments under one umbrella, combining unrelated and non-security functions within one department poses obvious difficulties. For the U.S. Customs Service, the challenge will be maintaining the economic and trade part of its mission, without being overwhelmed by the security concerns of the new Department. "Customs provides a critical economic lifeline for our country," according to Randy P. Campbell, Executive Director of the National Association of Foreign Trade Zones. "And the new Department will need to devote resources to the non-security functions of Customs and other entities consolidated under Homeland Defense."

What will this change mean to a typical operator? If an operator has done a good job over the years of cultivating a favorable working relationship with Customs officials, the impact may be slight. But operators who have not, may see slower movement of merchandise inbound to the U.S. "It's only natural that well-known products and people, developed through a good, long-term working relationship, will obtain the best future results," notes Campbell.

It's not too late to cultivate your Customs officials. "They appreciate you going out of your way to keep them up-to-date on your business and products, particularly with the staff changes Customs has seen in the past year," Campbell states.

In fact, benefit from this consolidation may accrue to zone operators in the future, according to Campbell: "Security of outbound shipping is an issue that zones can facilitate, as countries we ship to are becoming more concerned about their own homeland security."

Hidden Benefits of FTZs

Foreign trade zones have long been extolled for their customs and duties savings, producing hard dollar benefits for the bottom line. But there are many additional advantages that, in some cases, can be even greater than customs and duties savings. According to Jim Westropp, Vice President, Importer Software Services, Inc. of Huntington Beach, California, additional and often overlooked benefits you may get include:

- **Brokerage fee savings through "weekly entries."** Regardless of the number of shipments coming into the zone, importers only need to file one entry a week. If you are paying more than \$100,000 annually in brokerage fees, a zone may be a viable

financial alternative. You may save overall, although you will then need to conduct an ongoing importer self-assessment (ISA) program. However, this self-assessment will better prepare you for the necessary Customs audit.

- **State and local tax savings.** Eighteen states now provide some form of state and local tax exemptions on inventory maintained in a zone.
- **Retaining control of security by obtaining a complete, door-to-door logistics process.** In the Customs-Trade Partnership Against Terrorist (C-TPAT) Initiative environment, it will become increasingly important for

Continued on Back

Did You Know?

About thefts from a Zone...

The potential penalty has increased up to \$250,000 for thefts from a foreign trade zone. An operator is required to immediately report to the Port Director any theft or suspected theft from the zone, including those of domestic status merchandise. Theft of merchandise from a zone is usually considered a theft in interstate or foreign commerce, a Felony under 18 USC 659. Such thefts are punishable by a fine of not more than \$250,000 or imprisonment for not more than 10 years. The fine for an organization can be up to \$500,000. So, even if you have been unaware of it, there is an even larger incentive to encourage security within your zone to prevent theft and pilferage.

About Michigan's maritime importance...

Michigan is home to 40 commercial ports. The Detroit-St. Clair River corridor is one of the busiest international waterways in the world. Annually, 4,000-6,000 commercial vessels transit and approximately 83 million short tons of cargo are transported through this river corridor. As a border waterway, the U.S. and Canada jointly manage the Detroit-St. Clair River corridor. The U.S. Coast Guard

Marine Safety Office (MSO) Detroit is charged with the protection and preservation of the rivers and lakes of Southeastern Michigan, including the Commercial Vessel Safety Program, Port Safety and Port Security.

According to MSO Detroit Commander Patrick Gerrity, in matters of port security, Detroit-area zone operators and all area importers/exporters can assist in the efforts against terrorism by being diligent about checking for anything unusual about the shipments they receive, properly documenting and labeling outgoing cargo, and being alert to the activities around the ports when loading and unloading cargo. "After the attacks against the U.S. on 9/11, we rely even more on the maritime community to be our eyes and ears," says Gerrity. "Working together, we can be part of the solution." His Southeast Michigan Port Security Committee, that consists of more than 72 U.S. and Canadian individuals from all avenues of business, from law enforcement and emergency response personnel to facilities employees, recreational boaters, port authority individuals, etc. is also actively looking at methods and ways to keep our borders secure.

Hidden Benefits (Cont'd)

you to control what's going into shipments, the logistics of getting the product to its destination and the removal of the product at the destination.

- **Savings on the number of days in inventory by compressing your supply chain.** If you can eliminate FOB or CIF freight services, consolidation centers and multiple vendors of the supply chain, you could save significantly in inventory carrying costs.
- **The possible offset of border entry fees, particularly on non-NAFTA goods or to non-NAFTA countries.**



Save the Date

30th Annual Seminar/Conference & Exposition

Ft. Lauderdale, FL
October 20-24, 2002
(Roundtables 10/20)
Marriott Harbor Beach Resort & Spa
(800) 222-6543
\$169 s/d occupancy

8109 East Jefferson
Detroit, MI 48214

GREATER DETROIT
FOREIGN TRADE ZONE, INC.

