

## If you're in foreign trade, get in the zone

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*Tommy Berry is president and CEO of PointTrade Services Inc., a Florida consulting firm that specializes in foreign-trade zones, and international trade and customs. Rockford's foreign-trade zone is at Chicago Rockford International Airport, and companies from around the region can join.*

*A business actively part of a foreign-trade zone operates outside of U.S. Customs territory. Companies that import or export save money from reduced or eliminated duties and excise taxes, defer payment of those charges and/or save time in their supply chains by avoiding customs processes. Berry was in town last week talking to nine interested companies; about 20 companies and industrial parks are registered with the FTZ.*

### Is there more interest from companies looking to join the foreign-trade zone?

Yes, and I think several companies I talked to will use the zone. We've got to do more follow-up work to qualify the savings for them. The savings on what I call the "cocktail napkin" analysis look pretty good for three or four of them.

### Why the increased interest?

The economy has turned south in a very big way. Where you might not have been worried about trying to find some kind of incremental savings, now you're trying to figure out for 2009 what are you going to do. You've either got to cut costs or cut jobs as you're trying to become more profitable. If you can find a savings that may produce several hundred thousands of dollars a year, for a smaller company that's real big money. In this community, it helps stabilize what you've got and it may help them to grow.

About a year ago, the phone started ringing and, in the past six months, the interest in zones nationally has grown threefold because they're trying to save money. They're wondering what can affect the bottom line that won't cost a lot of money to do. Zones take only nine months to a year to make a return (the savings outweighing registration costs and other expenses).

Last year, trade in foreign-trade zones was about \$495 billion, and about 8 percent of all imports went through zones. That's up substantially, and I think it will quadruple in the next five to 10 years.

### What are some of the ways the foreign-trade zone can save local businesses money?

There are reduced fees. When you bring material or a component into a zone, the duty rates are less. You can add value, add U.S. overhead and labor, and save on the rates.

There are supply-chain improvements. In the Midwest, there's usually a day-and-a-half to three-day improvement in your supply chain by avoiding customs. If you're a \$12 million-a-year importer and you're importing \$1 million a month and you have a three-week supply chain to get it here ... if you save a day and a half to three days, that's money you save on inventory you don't have to buy because it gets here faster. You're also able to clear the Food and Drug Administration faster if you deal with those kind of items.

It's also a big reduction in the cost of processing with customs because you can batch together shipments and pay processing fees less often than if you're not in a zone.

### What kinds of businesses locally can benefit from the foreign-trade zone?

The zoning concept is for industries that are engaged in international trade — imports and exports.

### What you need to know

The boundaries of the Rockford foreign-trade zone are 60 miles or 90 minutes from the Rockford port of entry. The port of entry is an area bordered by Rochelle, Freeport, Beloit and Marengo, so companies within 60 miles of those places qualify.

For more information on the program, contact Marge Bevers at Chicago Rockford International Airport, 815-969-4427 or [mbevers@flyrfd.com](mailto:mbevers@flyrfd.com); or visit [flyrfd.com/ftz176.html](http://flyrfd.com/ftz176.html).

Anyone who manufactures, assembles or distributes anything with foreign content has an opportunity. There are very few things that are 100 percent American-made — kids and a few trees and that's about it. The marketplace is global in nature. It's up to Americans to figure out, if they do business outside the United States, how to reduce costs whenever they can.

Local distribution operations also can benefit if they import anything. When you import into the United States, you have to enter and clear customs and pay duties. For every customs entry, you have to pay fees of around \$500 before the products even get to your distribution center.

But if your facility is in a zone, you can bring it in without clearing customs, then clear and pay duties after you've shipped products out. Everything shipped in a seven-day period is considered one entry, with one set of fees. You go from a thousand or so a year to 52 a year. If you have an inventory turn of three months, you may not make the final payment until three months after it got there. That's a huge improvement from a cash-flow perspective.

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