



SOUTHEASTERN WISCONSIN FOREIGN TRADE ZONE No. 41

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Feasibility Study – Determining if an FTZ Can Benefit Your Business



If you are trying to determine whether the Foreign Trade Zone program will benefit your company, you should evaluate the savings and costs by completing a feasibility study. The following, including the Analysis Calculator on the reverse side, is designed to be a general guideline. You may decide to hire an FTZ consultant to assist with a more comprehensive analysis while evaluating your potential participation in an FTZ program. (See list of consultants on our website www.milwaukee.gov/port)

When should a company consider the benefits of a Foreign Trade Zone?

- As part of reviewing your manufacturing, processing, or other operations
- If you are considering relocating or centralizing your distribution center to a new location
- When evaluating ways to reduce or eliminate import duties, customs fees and clearance processes
- If your imported products are later exported (Product exported must either be in the same condition or as part of finished product that is manufactured, kitted or assembled at the company's facility.)
- If you are seeking to make your supply chain more efficient

What should you do during a Feasibility Study?

- Establish the scope of your potential Foreign Trade Zone project
 - Location and suitability of the potential site
 - Operations and Logistics that may benefit from FTZ status
- Conduct a cost-benefit analysis
 - Merchandise Processing Fee Savings
 - Broker Fee Savings
 - Direct Delivery
 - Weekly Entry
- Determine economic development potential
- Check for product-specific limitations
 - Foreign Trade Zone Regulations
 - Custom Laws
- Consider in context with other trade agreements and customs programs
- Examine extent of local and state support as well as views of competitors

Costs Associated with a Foreign Trade Zone Program:

- FTZ Board Fees
- Application Fee
- Zone Grantee Annual Fees
- Consultant Costs
- FTZ Operator's Bond Costs
- Operational Costs
 - Inventory control
 - Recordkeeping needs and technology
 - Physical security

NOTE:

BASIC FTZ ANALYSIS CALCULATOR
WORK SHEET ON BACK SIDE

Basic FTZ Analysis Calculator

Key Elements

Enter Numbers

A	Annual Volume of Consumption Entries (Number of Customs Entries).....	
B	Estimated Annual Value of Imports (Total entered values from Customs entries).....	
C	Average Ad Valorem Duty Rate (on imported merchandise) (Calculate percentage by dividing total duties paid by total entered value).....	
D	Average Ad Valorem Duty Rate (on finished products).....	
E	Estimated Average Broker Fee per Entry	
F	Estimated Annual MPF (Total dollar value of Merchandise Processing Fees).....	
G	Estimated Average Foreign Inventory (Total dollar value of imports divided by total number inventory turns during the year).....	
H	Estimated Annual Value of Re-exports (Dollar value of imported merchandise that is re-exported).....	
I	Estimated Scrap (percentage) (Percentage of scrapped imported merchandise).....	
J	Interest Rate (Cost of Capitol).....	

Estimated Savings

Duty Advantages:

Duty Deferral:

	Formula	First Year	On-Going
Deferred Duties (first year).....	$[G \times C]$		
Cost of Capitol (on-going after first year).....	$[(G \times C) \times J]$		
Duty Reduction* (Inverted Tariff Opportunities)..... <small>* FTZ Board must approve inverted tariff in the FTZ scope of authority</small>	$[(C - D) \times B]$		

Duty Elimination:

	Formula	First Year	On-Going
Re-exports	$[H \times C]$		
Scrap	$[(I \times B) \times C]$		

Weekly Entry Advantages:

	Formula	First Year	On-Going
MPF Savings Opportunity	$[F - (485 \times 52)]$		
Customs Broker Fee Savings Opportunity	$[(E \times A) - (E \times 52)]$		

TOTAL ESTIMATED SAVINGS:		
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