

# Introduction to Foreign-Trade Zones U.S. Customs User Fee Airports

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City Council of Gallup, New Mexico

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**MILLER**  
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A LAW FIRM SERVING A DIVERSE CLIENTELE IN IMPORT, EXPORT, FOREIGN-TRADE ZONE, AND INTERNATIONAL TRADE LAW.

# Introduction and Summary

- The City of Gallup, New Mexico is interested in establishing a Foreign-Trade Zone (“FTZ”), which provides unique benefits for businesses with import operations.
- Because Gallup is approximately 2 hours away from the nearest U.S. Customs Port of Entry in Albuquerque, U.S. Customs and Border Protection (“CBP”) Officers are not available to provide supervision at the Foreign-Trade Zone.
- By establishing a U.S. Customs User Fee Airport (“UFA”) at the Gallup Municipal Airport, a CBP Officer would be located at the airport, who would be able to provide supervision at the FTZ.



# U.S. Foreign-Trade Zones

- Maintains / creates jobs and investment in the U.S. as opposed to a foreign country by Customs / Tax financial savings
- Import Substitution
- Not a Customs program
- FTZ Board – Secretary of Commerce, Secretary of Treasury
- FTZs Are Within U.S. Boundaries, Uniquely Not Within the U.S. Customs Territory
- Supports Reshoring Initiative



# Rapid Development

## 1970

- 7 General-Purpose Zones
- 3 Subzones
- 1,401 Jobs
- \$105 million Receipts
- 11% Domestic Material
- \$15.1 million Exports

\*Data as of August 2022  
from *Federal Register* Notices  
\*\*FY 2021 (latest) FTZ Board  
statistics published in August 2022

## 2022

- 298 Zone Projects\*
- 875 Subzones\*
- 480,000 Jobs  
\*\*(374,400 Production)
- Receipts \$835.6 billion
  - \$369.8 billion (received – warehouse / distribution operations)\*\*
  - \$465.8 billion (received – manufacturing / production operations)\*\*
  - 65% Domestic Material (77% Production)
- \$123.4 billion Exports

# Primary Industry Use

## Warehousing

- Consumer Electronics
- Vehicles
- Consumer Products
- Electrical Machinery
- Other Electronics
- Textiles/Footwear
- Pharmaceuticals
- Oil/Petroleum
- Machinery/Equipment
- Other Metals/Minerals

## Production Operations

- Oil/Petroleum
- Pharmaceuticals
- Vehicle Parts
- Consumer Electronics
- Machinery/Equipment
- Vehicles
- Electrical Machinery
- Chemicals
- Aircraft/Spacecraft
- Other Metals/Minerals

# FTZ Financial Impact

## PRIMARY FINANCIAL SAVINGS

- Inverted Duty – 6.8% → 0%, 5% → 2.5%
- Cash Flow/Holding Cost
- Exports
- Staged Duty Reductions
- Direct Delivery
- U.S. Material/Labor/ Overhead/Profit
- Scrap/Waste/Obsolete Material
- Zone to Zone Transfers
- Weekly Entry
  - Paperwork Reduction
  - Customs Brokerage Expense Savings
  - Merchandise Processing Fee Savings
- Harbor Maintenance Fee
- Production Machinery
- Tax Savings
  - “Bona Fide” Customs Reasons
- Trade Remedy Management

## PRIMARY FINANCIAL EXPENSES

- Grantee Fees
- FTZ Employee Management Expenses (Potential Offset)
- FTZ Software / Inventory Systems Expenses
- Legal Consulting
- Ongoing Training
- Internal Audits / Process Improvements

# User Fee Airports

- UFAs are established by entering a Memorandum of Agreement with U.S. Customs and Border Protection (“CBP”), under which, for a fee, CBP provides Customs services at the airport, including the posting of a CBP employee.
- UFAs are authorized by statute in 19 U.S.C. §58b.
- The Secretary of Homeland Security is authorized to designate an airport a UFA.
- There are currently 63 UFAs in existence. 19 CFR § 122.15.
- Estimated expense of a CBP Officer is \$200,000 per year.
- The airport must satisfy Airport Technical Design Standards (“ATDS”), which are FAA required standards that have been developed with input from CBP.
- The Governor of the state in question must approve the UFA designation.

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- We would be happy to answer any questions.