Steve Boecking Consulting, LLC

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Steve Boecking
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Global Logistics in the Real World

- Global Supply Chain Routes
- Foreign-Trade Zones (FTZ)
- Real World Example
Global Logistics in the Real World

- Global Supply Chain Routes
- Foreign-Trade Zones (FTZ)
- Real World Example
DON'T LAUGH!

WITHOUT FREIGHT, WE WOULD ALL BE NAKED, HUNGRY AND HOMELESS!

FREIGHT IS EVERYTHING

NASCONETWORK.COM
Global Supply Chain Routes

MOST POPULAR OCEAN ROUTES TODAY
Intermodal Routes to Major Inland Ports
Shanghai to North American Port Destinations - 2006

Legend
- Seaport
- Ship Transit
- Intermodal Rail
- Transshipment
- Transit Days

West Coast Delays now up to 7 days
The Need for Inland Ports

MAJOR US PORTS – SHARE OF IMPORT CONTAINERS

- LA / LB: 38%
- NY / NJ: 16%
- Sea / Tac: 9%
- Savannah: 9%
- Norfolk: 9%
- Oakland: 6%
- Houston: 5%
- Baltimore: 2%
- Jacksonville: 2%
- Charleston: 4%
- Houston: 5%
- Charlotte: 4%
- Baltimore: 2%
- LA / LB: 38%
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- Oakland: 6%
- Houston: 5%
- Jacksonville: 2%
- Charleston: 4%
- Baltimore: 2%
The Need for Inland Ports

<table>
<thead>
<tr>
<th>Port</th>
<th>Container Volume (MM TEU)</th>
<th>Expected Growth</th>
<th>3% Growth</th>
<th>5% Growth</th>
<th>6% Growth</th>
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<tr>
<td></td>
<td>2015</td>
<td>2040</td>
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<tr>
<td>LA / LB</td>
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<td>5.2</td>
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<td>5.2</td>
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<tr>
<td>Seattle / Tacoma</td>
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<td>4.7</td>
<td>7.5</td>
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<td>3.1</td>
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<tr>
<td>Houston</td>
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<td>4.8</td>
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<td><strong>Total</strong></td>
<td><strong>27.5</strong></td>
<td><strong>56</strong></td>
<td><strong>89</strong></td>
<td><strong>112</strong></td>
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</table>

**Notes:**
- 3X = 3X the present level
- 4X = 4X the present level
Sources: Population, employment, and real estate growth forecasts by Robert Lang and Arthur Nelson of the Metropolitan Institute at Virginia Tech and Phil Hopkins of Global Insight; Business 2.0, November 2005
## Texas Top Trading Partners (Billions)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Trading Partner</th>
<th>Trade</th>
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<tr>
<td>1</td>
<td>Mexico</td>
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<td>3</td>
<td>Canada**</td>
<td>$43.00</td>
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<tr>
<td>4</td>
<td>Korea</td>
<td>$18.40</td>
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<td>5</td>
<td>Germany</td>
<td>$8.50</td>
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<tr>
<td>6</td>
<td>Japan</td>
<td>$8.40</td>
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<tr>
<td>7</td>
<td>Saudi Arabia</td>
<td>$7.60</td>
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<td>8</td>
<td>Venezuela</td>
<td>$7.50</td>
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<tr>
<td>9</td>
<td>Brazil</td>
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<tr>
<td>10</td>
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<tr>
<td>11</td>
<td>UK</td>
<td>$6.20</td>
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</tbody>
</table>

*source: Dallas Regional Chamber and US Census Bureau

**Canadian oil sands imports removed
<table>
<thead>
<tr>
<th>Rank</th>
<th>Trading Partner</th>
<th>Trade</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>China</td>
<td>$24.70</td>
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<tr>
<td>2</td>
<td>Korea</td>
<td>$9.60</td>
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<tr>
<td>3</td>
<td>Japan</td>
<td>$4.50</td>
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<tr>
<td>4</td>
<td>Taiwan</td>
<td>$3.20</td>
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<tr>
<td>5</td>
<td>UK</td>
<td>$2.60</td>
</tr>
<tr>
<td>6</td>
<td>Malasia</td>
<td>$2.50</td>
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<tr>
<td>7</td>
<td>Thailand</td>
<td>$2.10</td>
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<tr>
<td>8</td>
<td>Germany</td>
<td>$2.00</td>
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<tr>
<td>9</td>
<td>Singapore</td>
<td>$1.90</td>
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<tr>
<td>10</td>
<td>Mexico</td>
<td>$1.30</td>
</tr>
<tr>
<td>11</td>
<td>Canada**</td>
<td>$1.20</td>
</tr>
</tbody>
</table>

*source: Dallas Regional Chamber and US Census Bureau
**Canadian oil sands imports removed
Global Supply Chain Routes

- Pre-Panamax capabilities: (1914)
  - 1,000 feet long
  - 110 feet wide
  - 41 foot depth
  - **4800 TEU ships**

- Post-Panamax capabilities: (2016)
  - 1,400 feet long
  - 180 feet wide
  - 60 foot depth
  - **12,000 TEU ships**

- The canal has doubled its capacity with the two new sets of locks
- Samsung is designing a 13,200 TEU ship that will fit through the new locks
Global Logistics in the Real World

- Global Supply Chain Routes
- **Foreign-Trade Zones (FTZ)**
- Real World Example
Foreign-Trade Zones (FTZ)

- Consulting
- Activation
- Training
- Operation
- Reporting
- Compliance

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What is a Foreign-Trade Zone (FTZ)?

- “A Foreign-Trade Zone is a restricted-access site, in or adjacent to a Customs port of entry, ...” Regulations of the FTZ Board (19 CFR Part 400)
- FTZ’s are considered “outside the US Customs Territory”
- Foreign and domestic merchandise can be stored or manufactured before formal Customs entry procedures
- FTZ’s are a trade program established by the US Congress to create jobs and facilitate international trade in the US.
Imported Products Held in FTZ Duty-Free!

Domestic Shipments Duty Deferred

Exported Products No US Duty Paid!

FTZ
Foreign-Trade Zones *(what can you do?)*

- Storage
- Distribution
- Production
- Assembly
- Inspection
- Testing
- Repackaging
Foreign-Trade Zones *(who should use them?)*

**Imports**
- Do you import into the US?

**Inverted Duty**
- Do you change the HTS# of the product?

**Export**
- Do you export the imported product?

**High Duty Rates**
- (over 7%?)

**Merchandise Processing Fee**
- Do you pay over $25k / yr in MPF?

**Inventory Tax**
- Does your state impose Inv. Tax?
Foreign-Trade Zones (*benefits?*)

- Defer, Reduce, Eliminate Duty
- Reduce Import Expense
- Reduce Inventory Tax
- Improve Supply Chain
- Quota Management
- Repair Labeling Errors
- High Security
FTZ Example Data

- Annual Imports - $100,000,000
- Average Duty Rate – 3.0%
- Inventory Turns – 6
- % Inventory Exported or Scrap – 6%
- Customs Entries / Year – 300
- Annual FTZ Expenses – $75,000
- Warehouse Square Footage – 200,000.
Duty Deferral

US Customs

Non Duty Paid Merchandise

Duty Paid Merchandise

Warehouse -Without FTZ

$103 $103 $103 $103 $103
$103 $103 $103 $103 $103

Two Months

Warehouse -With FTZ

$100 $100 $100 $100 $100
$100 $100 $100 $100 $100

USA

$103

EXPORT/SCRAP

$103

USA

$103

EXPORT/SCRAP

$100
Foreign-Trade Zones (FTZ)

Average Duty Rate = 3.00%

Inventory: $16,500,000
Duty: $500,000

$16,500,000
$500,000
Duty Elimination

US CBP

Clear Customs 3% Duty

Manufacturing Plant-Without FTZ

$206 $103 $309

$200 $100

$309
Duty Elimination

US CBP

Manufacturing Plant-Without FTZ

Clear Customs 3% Duty

$206 $103 $309

Manufacturing Plant-With FTZ

Clear Customs 0% Duty

$200 $100 $300

Do Not Clear Customs!
Merchandise Processing Fee

- MPF is a US Customs fee on every entry
- 0.3456% of the value of the product, with a maximum of $485 per entry
- FTZ allows Weekly Entry Process (WE)
- *With WE, the FTZ Operator ships product 24/7/365, then files one entry per week*
Merchandise Processing Fee

Normal Entry
Value/Entry = $250,000
MPF % = 0.3456%
MPF $/Entry = $485
Entries/Year = 300
MPF Cost = $145,500

FTZ Entry
MPF $/Entry = $485
Entries/Year = 52
MPF Cost = $25,220

SAVINGS W/FTZ $120,280
Inventory Tax

US Customs → Non Taxable Merchandise → Warehouse - Without FTZ 3% → Taxable Merchandise 3%
Inventory Tax

US Customs → Non Taxable Merchandise

Warehouse -Without FTZ
3%

Warehouse -With FTZ
Tax Exempt

Taxable Merchandise
3%

USA
EXPORT/SCRAP
Improve Supply Chain

Standard
Foreign Country
US Port
Alliance Hub
Warehouse
End Customer
US Customs
Improve Supply Chain

Standard

Foreign Country

US Port

Texas Hub

Warehouse

End Customer

With FTZ

Foreign Country

US Port

Texas Hub

Warehouse

End Customer
Improve Supply Chain

- Standard
  - Foreign Country
    - US Port
      - Alliance Hub
        - Warehouse
          - End Customer

- With FTZ
  - Foreign Country
    - US Port
      - Alliance Hub
        - Warehouse
          - End Customer
# FTZ Savings Summary - Distribution Model

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Duty Deferral</td>
<td>$30,550</td>
</tr>
<tr>
<td>Exports / Scrap</td>
<td>$180,000</td>
</tr>
<tr>
<td>MPF</td>
<td>$120,280</td>
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<tr>
<td>Inventory Tax</td>
<td>$557,000</td>
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<tr>
<td>1st Year Gross FTZ Savings</td>
<td>$887,830</td>
</tr>
<tr>
<td>Annual FTZ Expenses</td>
<td>&lt;$75,000&gt;</td>
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<tr>
<td>1st Year Net FTZ Savings</td>
<td>$812,830</td>
</tr>
<tr>
<td>Net Savings / Square Foot</td>
<td>$4.06</td>
</tr>
</tbody>
</table>

*One-Time-Benefit – (inventory) $470,000*
FTZ Savings Analysis Distribution

- MPF Savings: 14%
- Re-Exports: 17%
- Scrap: 3%
- Duty Deferral: 4%
- Inventory Tax: 62%
FTZ Savings Summary - Production

- Year 1: $4,029,000
- Year 2: $4,002,000
- Year 3: $4,408,000
- Year 4: $4,854,000
- Year 5: $5,345,000

- FTZ Benefits
- FTZ Expenses
- Net FTZ Savings
FTZ Savings Analysis Production

- Duty Elimination: 81%
- Scrap: 1%
- Re-Exports: 0%
- MPF Savings: 3%
- Inventory Tax: 15%
Global Logistics in the Real World

- Global Supply Chain Routes
- Foreign-Trade Zones (FTZ)
- *Real World Example*
26,000 Acres - Master Planned
Global Logistics in the Real World

Fort Worth Alliance Airport

FedEx Express

Union Pacific RR

BNSF Railway
Strategic Advantages

Trade Routes to Dallas / Fort Worth
Alliance Intermodal Rail Facility

- 680,000 annual lifts with 8 intermodal trains/day out of Alliance
- 30 outbound schedules to 17 destinations
- Direct Asian import/export from LA/Long Beach and Oakland, CA and Seattle/Tacoma, WA; standard and expedited schedules
- NAFTA import/export Mexico to Canada
- Mexico to Alliance, 5 days/week includes Monterrey, San Luis Potosí, and Toluca
$10.5 billion invested

$84 billion economic impact

50 million SF developed

525+ corporate residents

63 top ranked companies

60,000 total employees

Fastest growing area of the nation’s fastest growing large city (500,000+)

Population of 2 million within 20 miles of AllianceTexas
- One of the lowest combined tax rates in DFW
- Industrial, retail, R&D/office planned
- Interstate frontage on I-35W
- Dale Earnhardt Way provides direct access to I-35W and SH-114
## Corporate Residents

<table>
<thead>
<tr>
<th>Automobile</th>
<th>Aerospace/Aviation</th>
<th>Logistics</th>
<th>eCommerce/Electronics</th>
<th>Pharmaceutical/Healthcare</th>
<th>Consumer Goods/Services</th>
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<td>Bridgestone</td>
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Questions?
Thank You!

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