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

Tokyo, Hong Kong, Seattle/Tacoma, Prince Rupert, Oakland, Pusan, Shanghai, Singapore, Hong Kong, Los Angeles, Long Beach, Houston, Norfolk, Lazaro Cardenas, Soo Jy, South.
Intermodal Routes to Major Inland Ports
Shanghai to North American Port Destinations -2006

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

MAJOR US PORTS – SHARE OF IMPORT CONTAINERS

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

<table>
<thead>
<tr>
<th>Port</th>
<th>Container Volume (MM TEU)</th>
<th>Expected Growth</th>
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<tbody>
<tr>
<td></td>
<td>2015</td>
<td>2040</td>
</tr>
<tr>
<td>LA / LB</td>
<td>10.5</td>
<td>21.4</td>
</tr>
<tr>
<td>NY / NJ</td>
<td>4.3</td>
<td>8.7</td>
</tr>
<tr>
<td>Savannah</td>
<td>2.6</td>
<td>5.2</td>
</tr>
<tr>
<td>Norfolk</td>
<td>2.5</td>
<td>5.2</td>
</tr>
<tr>
<td>Seattle / Tacoma</td>
<td>2.3</td>
<td>4.7</td>
</tr>
<tr>
<td>Oakland</td>
<td>1.5</td>
<td>3.1</td>
</tr>
<tr>
<td>Houston</td>
<td>1.5</td>
<td>3.0</td>
</tr>
<tr>
<td>Charleston</td>
<td>1.2</td>
<td>2.4</td>
</tr>
<tr>
<td>Jacksonville</td>
<td>0.6</td>
<td>1.3</td>
</tr>
<tr>
<td>Baltimore</td>
<td>0.6</td>
<td>1.1</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>27.5</strong></td>
<td><strong>56</strong></td>
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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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<tbody>
<tr>
<td>1</td>
<td>Mexico</td>
<td>$183.20</td>
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<tr>
<td>2</td>
<td>China</td>
<td>$57.00</td>
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<tr>
<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>
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</tr>
<tr>
<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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<td>10</td>
<td>Netherlands</td>
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</tr>
<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
DFW Top Trading Partners (Billions)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Trading Partner</th>
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</thead>
<tbody>
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<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>
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<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>
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<td>10</td>
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<td>$1.30</td>
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<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
Intermodal Routes to Major Inland Ports
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

Steve Boecking Consulting, LLC
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!
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.
Foreign-Trade Zones (FTZ)

Average Duty Rate = 3.00%
Duty Elimination

US CBP

Manufacturing Plant-Without FTZ

Clear Customs 3% Duty

$200  $100

$206  $103  $309

$309
Duty Elimination

US CBP

Manufacturing Plant-Without FTZ

$206  $103  $309

Manufacturing Plant-With FTZ

$200  $100  $300

Do Not Clear Customs!

Clear Customs 3% Duty

Clear Customs 0% Duty
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

Taxable Merchandise 3%

Warehouse - Without FTZ 3%
Inventory Tax

US Customs

Non Taxable Merchandise

Taxable Merchandise 3%

Warehouse -Without FTZ 3%

USA

EXPORT/SCRAP

Warehouse -With FTZ Tax Exempt
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 (Red Circle)
- End Customer
FTZ Savings Summary-Distribution Model

Duty Deferral - $ 30,550
Exports / Scrap - $180,000
MPF - $120,280
Inventory Tax - $557,000
1st Year Gross FTZ Savings - $887,830
Annual FTZ Expenses - <$75,000>
1st Year Net FTZ Savings - $812,830
Net Savings / Square Foot - $4.06

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

Year 1: $1,209,497
Year 2: $901,056
Year 3: $996,425
Year 4: $1,101,489
Year 5: $1,217,222

- FTZ Benefits
- FTZ Expenses
- Net FTZ Savings
FTZ Savings Analysis Distribution

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

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

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

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- 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

170 TEXAS

114 TEXAS

35W

Global Logistics Hub

Alliance Texas
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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<tbody>
<tr>
<td>Bridgestone</td>
<td>GDC Technics</td>
<td>BNSF Railroad</td>
<td>AT&amp;T</td>
<td>AmersourceBergen</td>
<td>BEHR</td>
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<tr>
<td>Ford</td>
<td>RECARO</td>
<td>DB Schenker</td>
<td>LG Electronics</td>
<td>BlueCross BlueShield</td>
<td>Cargill</td>
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<td>Amazon.com</td>
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</tbody>
</table>

*Note: Some companies are represented by their logos and names.*
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Questions?