Foreign Trade Zone #231

An insight into Foreign Trade Zone Operations

General Purpose Sites at:

Port of Stockton East Complex (600 Acres)
Port of Stockton West Complex/Rough and Ready Island (1,400 Acres)
Stockton Metropolitan Airport (1,494 Acres)
  • Prologis Park I Tracy (67 acres)
  • Prologis Park II Tracy (168 acres)
  • Prologis Park Patterson Pass, Tracy (77 acres)
  • Prologis Park Stockton (106 acres)
  • Opus Logistics Center, Stockton (468 acres)

Subzone 231A:

Medline Industries Inc., Lathrop (12.49 acres)

Promoting Success in Global Trade
What is a Foreign Trade Zone?
A Foreign Trade Zone (FTZ) is a designated area in which foreign and domestic merchandise is generally considered by the U.S. government as being outside U.S. Customs territory. Merchandise may be brought into a FTZ without a formal customs entry.

In addition to potential duty savings, many companies will save through the logistical advantages of direct delivery and other supply chain strategies that can be incorporated into the FTZ program.

Many firms take advantage of the weekly entry program, which allows a company to make a single entry paying the Manufacturing Processing Fee once. For a firm that does as few as 10 containers a week, this feature can save up to $500,000.00.

Why Use the Port of Stockton’s Foreign Trade Zone?
The Port offers a strategic link to interior U.S. markets. Its unique location makes Stockton an ideal distribution point for shippers sending goods to the Western U.S. Market. Shipping overland to these areas is easy because of direct access to a vast network of interstate highways and railroads.

Stockton’s FTZ includes facilities located at three sites throughout the Stockton area, offering a variety of services, including deep water, commercial air, highway and two class one railroads. Stockton provides more transportation options than many other zones.

What Activities Can be Done in a FTZ?
The merchandise may be:

- Assembled
- Destroyed
- Exhibited
- Manipulated
- Mixed
- Processed
- Repackaged
- Transported
- Cleaned
- Disposed
- Handled
- Manufactured*
- Stored
- Relabeled
- Sampled
- Tested

*Manufacturing requires permission of the FTZ Board. Under new guidelines the process for receiving permission have been greatly simplified.

Layering Incentives
When coupled with other programs such as the enterprise zone, a FTZ program can yield additional incremental benefits that result in even greater tax benefits.

What are the Benefits of FTZ?
- Imports may be held in a FTZ without paying customs.
- Users can pay the duty rate of the component material or the duty rate of the merchandise produced from component material.
- Customs are not paid on merchandise that is exported from a zone.
- Duties are reduced or eliminated on materials that are defective, damaged, wasted or scrapped.
- Merchandise may be exported, transported and returned without paying duties.
- Delays in waiting to clear Customs can be reduced significantly.
- Duty drawback is eliminated.
- Duties are not paid on labor, overhead and profits.
- Quality control inspections may identify goods to be destroyed or returned and will not pay duty fees.
- Spare parts may be stored, destroyed or returned without duty payment.
- Merchandise with in-bond/zone-to-zone status does not pay duty.
Examples of FTZ Success Stories in Industry

**The Oil Industry**
The oil refinery industry has been affected by governmental regulations that increases the production cost. Some regulations are orientated towards environmental concerns. For example, the Environmental Protection Agency added more restrictions to limit additives to gasoline. These restrictions increased the production cost as well as the duty payments. Therefore, the oil companies that were located in Foreign Trade Zones saved themselves millions of dollars.

**The Aerospace Industry**
The development of commerce in outer space is a growing business and the U.S. decided to use the FTZ program to be able to compete with other nations, such as Japan and France, in providing transportation services to Space. Through this program, firms are able to defer their duty payments and save money.

**Shipbuilding Industry**
The Foreign Trade Zone program has given the U.S. Shipbuilding Industry an effective way to compete against foreign shipbuilding industries. Foreign shipbuilders have had advantages over U.S. shipbuilders because they have subsidized shipyards, have used fewer environmental regulations and have had cheaper labor. Through the FTZ program the U.S. shipbuilding industry is able to reduce or eliminate duty on import components used in ship repair, shipbuilding, and heavy construction.

**Foreign Investment**
Foreign automobile manufacturing corporations are also using the FTZ program for their own advantage. Through this program they defer duties on imported vehicles, reduce duties on manufactured vehicles, avoid duties on exported manufactured vehicles and also use the zone to exhibit their vehicles. These companies have to be committed to be responsible and active in the state’s affairs and also contribute to the educational, cultural, and to the environmental development of the region.

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To find out more about the Port of Stockton’s Foreign Trade Zone and how it can help your bottom line, contact:

**Steve Escobar, FTZ–231**  
Port of Stockton, Grantee  
P.O. Box 2089  
Stockton, CA 95201

(209) 946-0246  
email: sescobar@stocktonport.com
MILEAGES TO MAJOR MARKETS

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