



Foreign Trade Zone #286 The entire Northeast Kingdom!



- 55 towns and gores
- Land area is 2,027 s/mi
- 80% covered by forest
- 11 state parks and forests



Proven success!

Although host to many successful businesses the Northeast Kingdom of Vermont has been known for its success within the **fabricated metals & machinery industry**. This industry has been the backbone of many of our communities and continues to be a focal point in regional economic development planning.

NVDA continues to work to provide opportunities to strengthen key industry clusters, and recently orchestrated and manages **Foreign Trade Zone #286** which encompasses Caledonia, Orleans and Essex Counties (and soon to add Lamoille County).

Attached are examples of how other **fabricated metal and machinery manufacturers** are using **Foreign Trade Zones** to their advantage.

Northeastern Vermont Development Association (NVDA), has been granted Foreign Trade Zone Status by the U.S. Department of Commerce for the Northeast Kingdom of Vermont (NEK). This could give companies located in the NEK a big advantage!

U.S. Fabricated Metals & Machinery Stats (2012):

- During 2012, machinery/equipment manufacturers imported components worth \$4,568,000,000
- Iron, steel, other metals & minerals manufacturers imported inputs valued at \$575,000,000
- Transportation related manufacturing also imported components:
 - vehicle parts manufacturing (\$9,483,000,000)
 - vehicles (\$17,000,000)
 - ships/boats (\$927,000,000)
 - aircraft/spacecraft (\$85,000,000)
- Warehousing operations imported:
 - \$1,601,000,000 of iron, steel, other metals & minerals
 - machinery/equipment warehousing operations imported \$1,176,000,000 of products

See How You Can Join This List Of Companies Saving Money Utilizing Foreign Trade Zones!

- | | |
|-----------------------------------|--------------------------------------|
| ▪ Mape USA Inc. | ▪ Cross Huller- North America |
| ▪ Schlosser Forge Company | ▪ Perkins Shibaura Engines, LLC |
| ▪ Motch Corporation | ▪ Pratt & Whitney |
| ▪ Industrial Gasket Inc. | ▪ Precision Components International |
| ▪ Festo Corporation Cincinnati | ▪ LL Flex, LLC |
| ▪ Milacron Inc. | ▪ North American Stainless |
| ▪ Sanden International (USA) Inc. | ▪ Drip-Quip, Inc. |

How Businesses Benefit From Foreign Trades Zones

Fabricated Metals & Machinery Manufacturing and Machinery Production

This large and diverse cluster is spread over many of the Foreign-Trade Zones Board Annual report to Congress. Warehousing operations imported \$1,601,000,000 of iron, steel, other metals & minerals, while machinery/equipment warehousing operations imported \$1,176,000,000 of products. This cluster might also include transportation-related warehousing, including: Vehicle parts (\$1,694,000,000); vehicles (\$16,158,000,000); ships/boats (\$499,000,000); aircraft/spacecraft (\$86,000,000); and rail cars, parts & equipment (\$39,000,000)

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The importation of steel, titanium and molybdenum into FTZs has been problematic due to a strong lobbying activity. Companies wishing to avail themselves of FTZ benefits are often required to either domesticate the material before it enters the FTZ site or enter the goods in Privileged Foreign Status, preventing inverted tariff benefits being used on the restricted merchandise. Companies are still able to benefit on exports, scrap, deferred duty, direct delivery, and seven day entry.

MAPE USA, Inc., performs quality control, warehousing and distribution of crankshafts.

- Defer Customs duty payments until merchandise is entered for domestic consumption.
- Zone-to-Zone transfers.
- Direct delivery.
- Ability to break and affix Customs Seals.
- Quarterly HMT payments.

Schlosser Forge Company produces nickel, aluminum and titanium based forgings and parts of turbine engines used in aerospace and industrial gas turbine applications. No inverted tariff benefits are permitted for titanium raw materials.

- Exemption from Customs duty payments on all foreign components used in the manufacture of products for export.
- Deferred duty and excise taxes on domestic sales.
- Deferred duty on foreign-status production equipment.
- Direct delivery.
- Ability to break and affix Customs Seals.
- Quarterly HMT payments.

Forged Metals, Inc., produces nickel, aluminum and titanium based forgings and parts of turbine engines used in aerospace and industrial gas turbine applications. No inverted tariff benefits are permitted for titanium raw materials.

- Exemption from Customs duty payments on all foreign components used in the manufacture of products for export.
- Deferred duty and excise taxes on domestic sales.
- Deferred duty on foreign-status production equipment.
- Direct delivery.
- Ability to break and affix Customs Seals.
- Quarterly HMT payments.

Motch Corporation produces vertical turning and grinding machines, including vertical and front turning centers, vertical numerical chucks, horizontal self loaders, vertical and universal grinders, and metal working lathes. Up to 50% of the finished products are exported. Foreign origin numerical process controllers are brought into the zone in domestic (duty paid) status.

- Exemption from Customs duty payments on all foreign components used in the manufacture of products for export.
- Inverted tariff benefits.
- Exemption from state/local ad valorem inventory taxes.

Match (cont.)

- Direct delivery.
- Ability to break and affix Customs Seals.
- Quarterly HMT payments.

Industrial Gasket, Inc., is involved in metal fabrication, stamping, machining, welding and assembly activities of various metals and rubber materials. Approximately 25% of the finished products are exported.

- Duty Elimination on scrap/waste during manufacturing.
- Exemption from Customs duty payments on all foreign components used in the manufacture of products for export.
- Inverted tariff benefits, reducing duties from 0-5.8% to 2.5-6%.
- Direct delivery.
- Weekly Entry with potential to reduce administrative costs and Merchandise Processing Fees.

Festo Corporation manufactures pneumatic industrial automation components, including pneumatic cylinders, pneumatic valves and valve manifolds, and pneumatic and electronic integrated control systems. The manufacturing process involves machining, assembling and testing up to 130,000 units annually. Foreign-sourced components form roughly 40% of the finished product value. Festo also imports finished products for domestic distribution.

- Exemption from Customs duty payments on all foreign components used in the manufacture of products for export.
- Inverted tariff benefits, reducing duties from 0-24% to 0-2.5%.
- Deferred duty on foreign-origin finished industrial automation components brought to the zone for distribution.
- Direct delivery.
- Weekly Entry with potential to reduce administrative costs and Merchandise Processing Fees.
- Deferred duties on foreign-sourced production equipment.

Cincinnati Milacron, Inc., manufactures horizontal turning and grinding machinery and metalworking products. Imported components include: lamps, oscilloscopes, wire and cables, flywheels and clutches, grinding wheels, abrasives, silicon carbide. Imported components provide up to 29% of the finished product value. Roughly 15% of the finished product is exported. The company also imports finished grinding machinery for domestic distribution.

- Exemption from Customs duty payments on all foreign components used in the manufacture of products for export.
- Inverted tariff benefits, reducing duties from 0-9.8% and 9.2 cents/kg+2.4% to 4.2-4.4%.
- Deferred duty on foreign-origin finished industrial automation components brought to the zone for distribution.
- Direct delivery.
- Weekly Entry with potential to reduce administrative costs and Merchandise Processing Fees.
- Exemption from state/local ad valorem inventory taxes.

Sanden International (USA), Inc., manufactures automotive/heavy equipment air conditioner compressors, evaporator coils and related components. The process involved machining and assembly of compressors, clutches and evaporator coils. Imported subcomponents represent 20-54% of the finished product value.

- Exemption from Customs duty payments on all foreign components used in the manufacture of products for export.
- Inverted tariff benefits, reducing duties from 3.4-6.2 to 2.2-3.4%.
- Zone to zone transfer to auto assembly plants, where the foreign inputs to the air compressors are subject to inverted tariff at the finished auto duty rate of 2.5% payable by the automotive manufacturer.
- Exemption from state/local ad valorem inventory taxes.

Cross Huller-North America, manufactures metal working machine tools and distributes foreign-made equipment including computer controlled machining centers, lathes and flexible manufacturing systems to the U.S. market and export.

- Exemption from Customs duty payments on all foreign components used in the manufacture of products for export to non-NAFTA countries.

Cross Huller-North America (cont.)

- Inverted tariff benefits for products entered into the domestic market or NAFTA countries, reducing duties from 0-10% to 3.3-4.4%.

Perkins Shibaura Engines, LLC., assembles diesel engines used in off-road vehicles.

- Exemption from Customs duty payments on all foreign components used in the manufacture of products for export to non-NAFTA countries.
- Inverted tariff benefits for products entered into the domestic market, reducing duties from 0-5% to 0%.

Pratt & Whitney and Precision Components International produce titanium disk forgings and airfoils for the compressor components of turbine-type aircraft engines. Pratt & Whitney manufactures the disk forgings and PCI manufactures the airfoils under contract to Pratt & Whitney. The finished products are shipped to other U.S.- based Pratt & Whitney facilities for further processing and assembly or they are exported.

- Exemption from Customs duty payments on titanium alloy used in the manufacture of products for export.
- Inverted tariff benefits for products entered into the domestic market, reducing duties from 15% to 0-3.0%.

LLFlex, LLC., produces aluminum foil backed paperboard and foil lined stock.

- Exemption from Customs duty payments on all foreign components used in the manufacture of products for export.
- Inverted tariff benefits for products entered into the domestic market, reducing duties from 5.8% to 0%.

North American Stainless is a stainless steel mill with a 1.4 million metric ton melting capacity. The facility manufactures flat and long stainless steel products. Imported components and materials represent up to 30% of the finished product value. Imports include: fluorospar, molybdenum oxide, semi-finished iron or non-alloy steel products, unwrought nickel alloys, aluminum, zinc and titanium. A restriction on production authority requires all foreign-status ferrosilicon, molybdenum and titanium to be admitted in Privileged Foreign Status, preventing the duty rate being inverted for these raw materials.

- Exemption from Customs duty payments on all foreign components used in the manufacture of products for export.
- Inverted tariff benefits for the unrestricted components entered into the domestic market, reducing duties from 0-15% to 0%.
- Weekly Entry with potential to reduce administrative costs and Merchandise Processing Fees.
- Deferred duties on foreign-sourced production equipment.

Dril-Quip, Inc., manufactures oil field equipment for export and the domestic market. Foreign-origin materials used in production include: iron, steel or non-alloy casings; iron, non-alloy or alloy drill pipe; tubes of iron, non-alloy or alloy; and alloy tube/pipe fittings.

- Exemption from Customs duty payments on all foreign components used in the manufacture of products for export (70% of output).
- Defer Customs duties on finished products until they are entered into the domestic market.
- Foreign materials and finished products destined for export are exempted from state/local ad valorem taxes.

Hydril Company manufactures oil field equipment for export and the domestic market. Foreign-origin materials used in production include: insulated wire; plastic articles; iron, steel or non-alloy casings; iron, non-alloy or alloy drill pipe; tubes of iron, non-alloy or alloy; and alloy tube/pipe fittings.

- Exemption from Customs duty payments on all foreign components used in the manufacture of products for export (60% of output).
- Defer Customs duties on finished products until they are entered into the domestic market.
- Foreign materials and finished products destined for export are exempted from state/local ad valorem taxes.

***Use of foreign-trade zone procedures is a privilege, not a right. The Foreign-Trade Zones Board reviews each application for production activity on a case-by-case basis analyzing current import laws, import restrictions, the public interest and domestic industry impacts to determine whether or not to approve components.

Note: All company information has been compiled from annual reports submitted to congress.