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January 31, 2020



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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

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DON'T LAUGH!



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

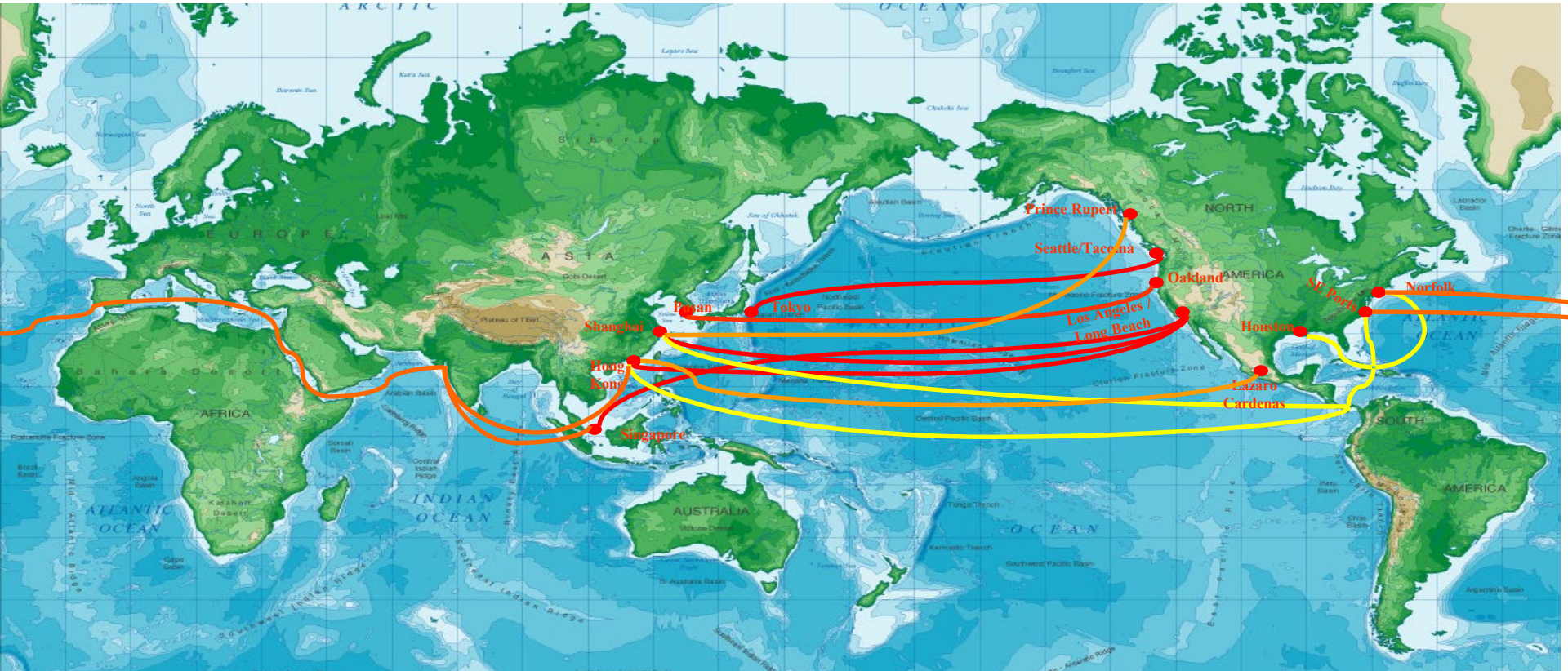
**FREIGHT IS
EVERYTHING**

NASCONETWORK.COM

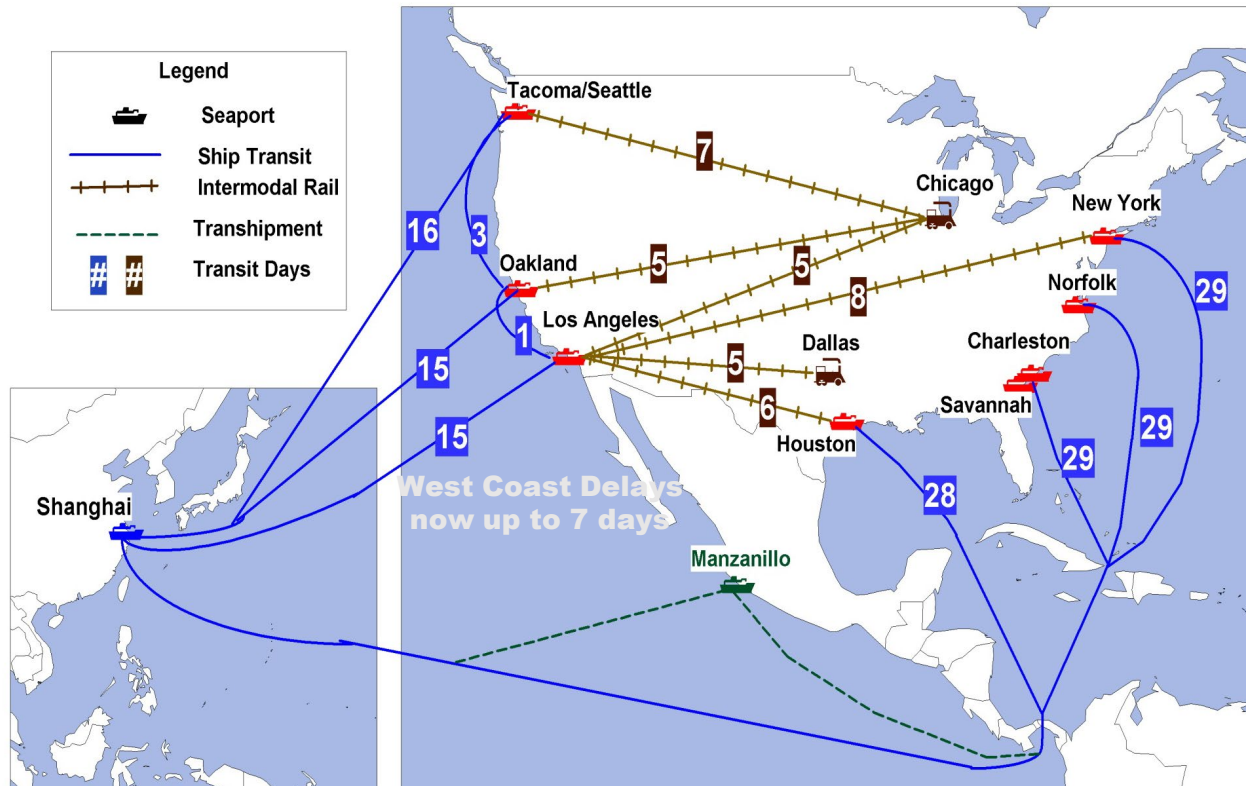


Global Supply Chain Routes

MOST POPULAR OCEAN ROUTES TODAY

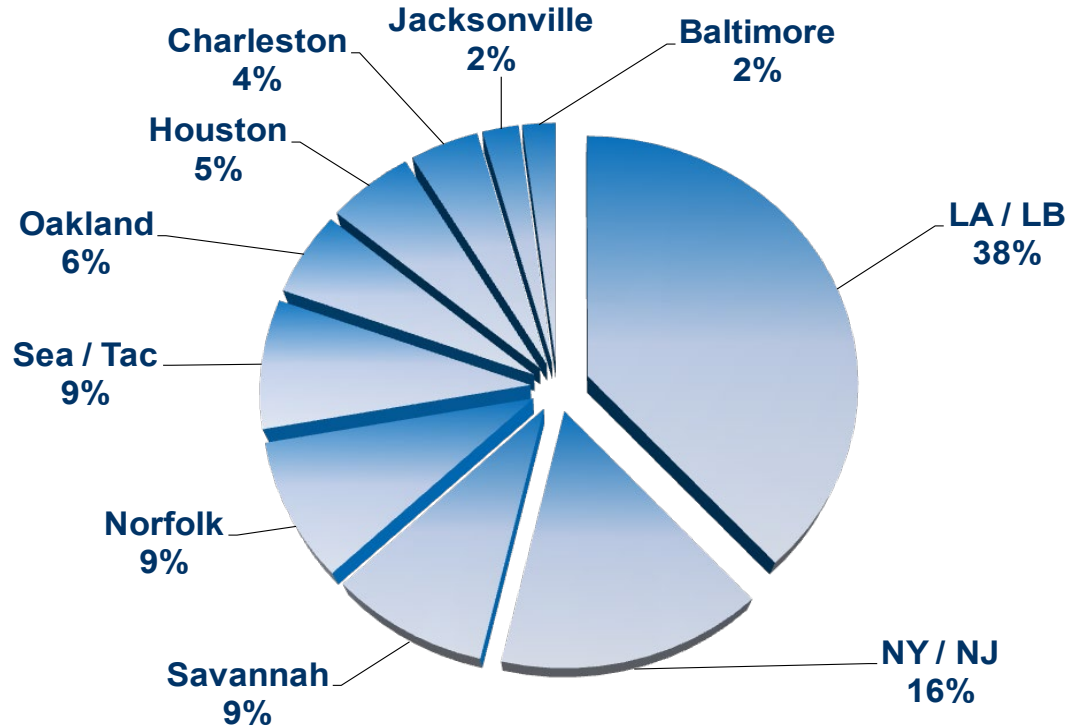


Shanghai to North American Port Destinations -2006



The Need for Inland Ports

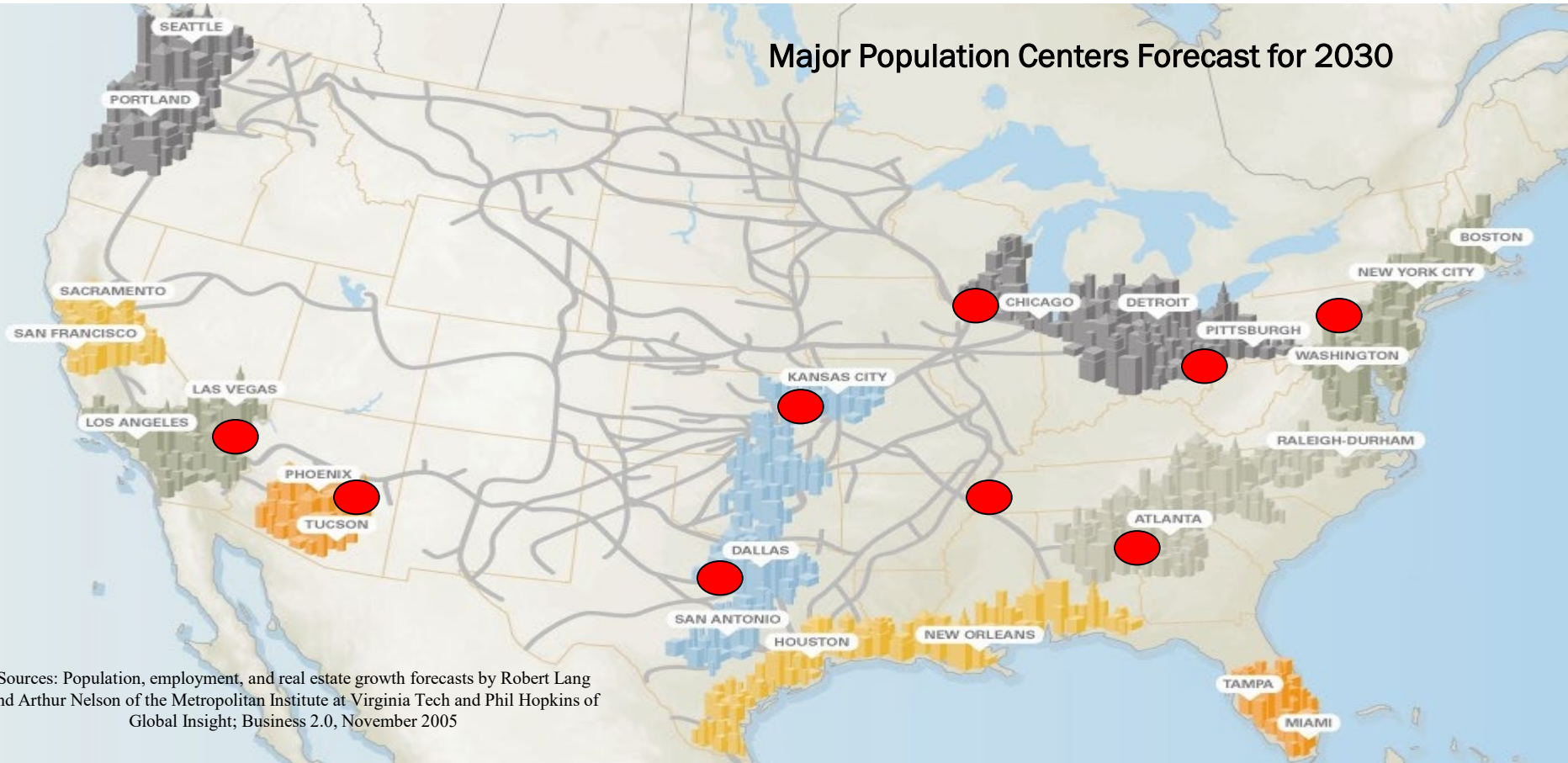
MAJOR US PORTS – SHARE OF IMPORT CONTAINERS



The Need for Inland Ports

Port	Container Volume (MM TEU)	Expected Growth		
		3% Growth	5% Growth	6% Growth
	2015	2040	2040	2040
LA / LB	10.5	21.4	33.9	42.6
NY / NJ	4.3	8.7	13.7	17.2
Savannah	2.6	5.2	8.2	10.3
Norfolk	2.5	5.2	8.2	10.3
Seattle / Tacoma	2.3	4.7	7.5	9.4
Oakland	1.5	3.1	4.9	6.1
Houston	1.5	3.0	4.8	6.0
Charleston	1.2	2.4	3.8	4.7
Jacksonville	0.6	1.3	2.0	2.5
Baltimore	0.6	1.1	1.8	2.3
Total	27.5	56	89	112
		2X	3X	4X

Global Supply Chain Routes



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)

Rank	Trading Partner	Trade
1	Mexico	\$183.20
2	China	\$57.00
3	Canada**	\$43.00
4	Korea	\$18.40
5	Germany	\$8.50
6	Japan	\$8.40
7	Saudi Arabia	\$7.60
8	Venezuela	\$7.50
9	Brazil	\$7.20
10	Netherlands	\$6.70
11	UK	\$6.20



*source: Dallas Regional Chamber and US Census Bureau
**Canadian oil sands imports removed

DFW Top Trading Partners (Billions)

Rank	Trading Partner	Trade
1	China	\$24.70
2	Korea	\$9.60
3	Japan	\$4.50
4	Taiwan	\$3.20
5	UK	\$2.60
6	Malasia	\$2.50
7	Thailand	\$2.10
8	Germany	\$2.00
9	Singapore	\$1.90
10	Mexico	\$1.30
11	Canada**	\$1.20

*source: Dallas Regional Chamber and US Census Bureau
 **Canadian oil sands imports removed





MERIDIAN ICE

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



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Foreign-Trade Zones (FTZ)

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



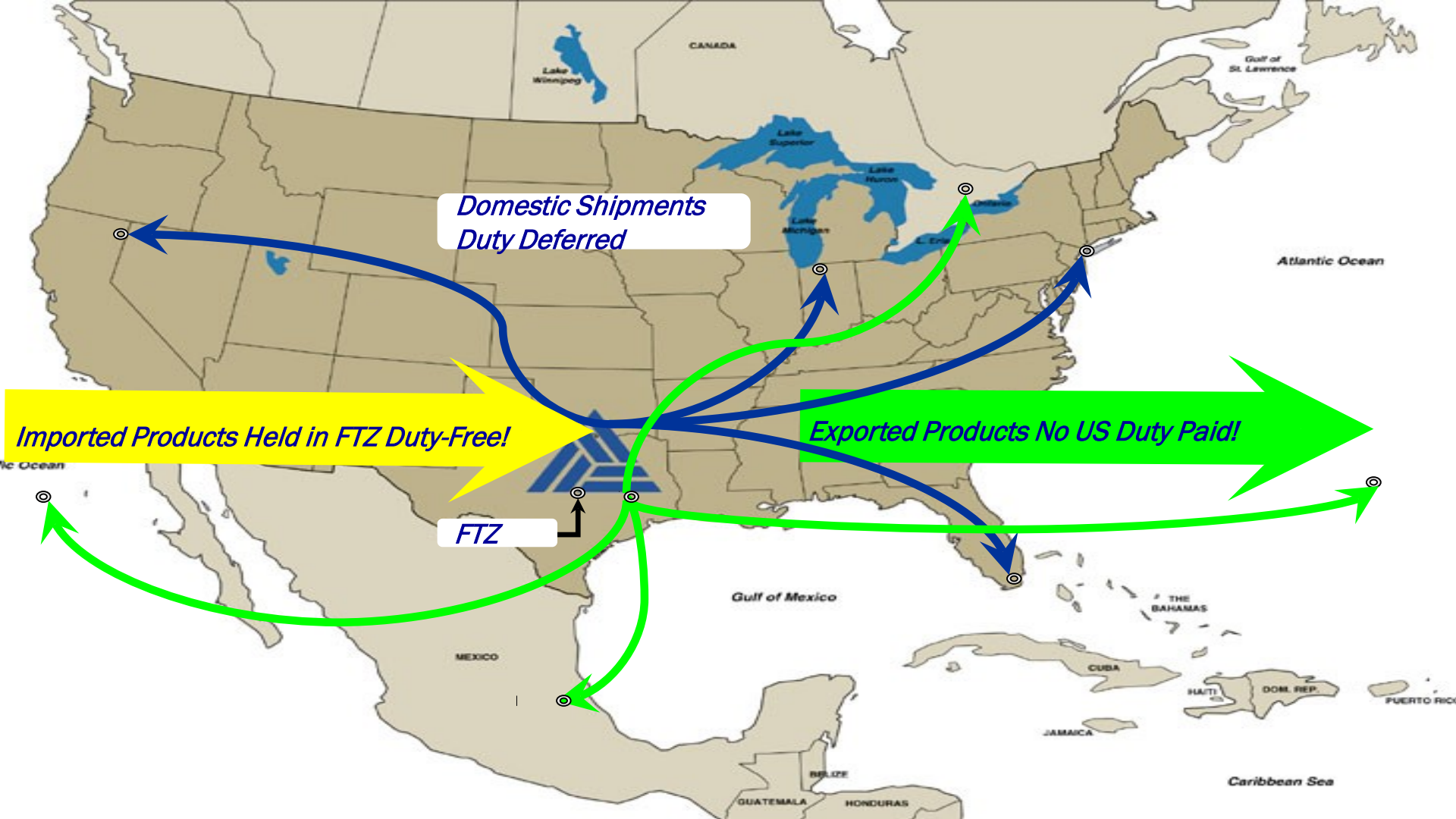
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What is a Foreign-Trade Zone (FTZ)?

- “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.





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

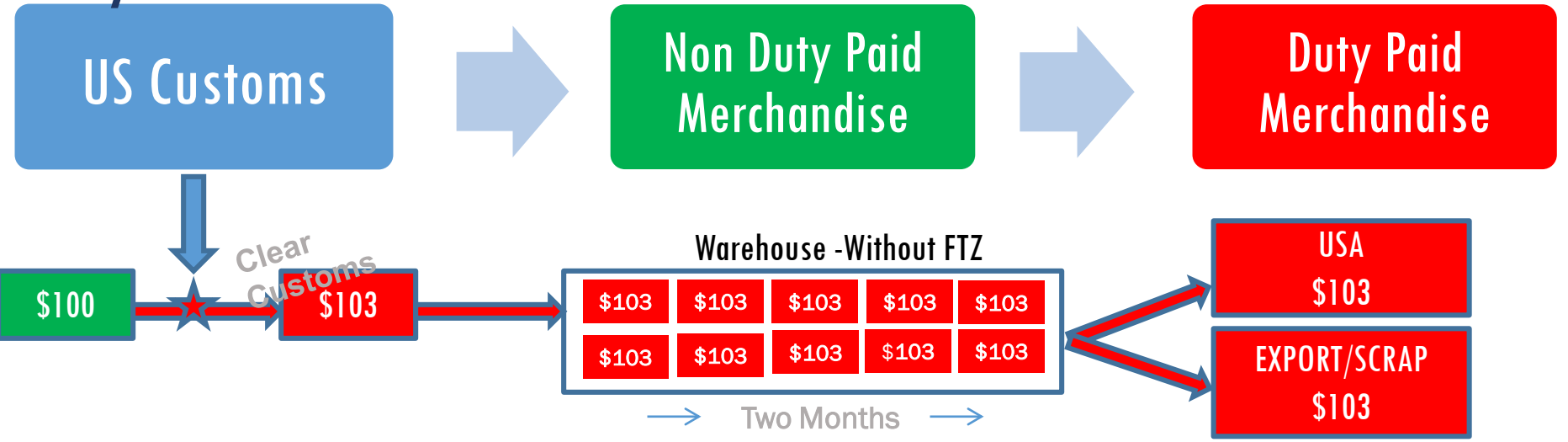


FTZ Example Data

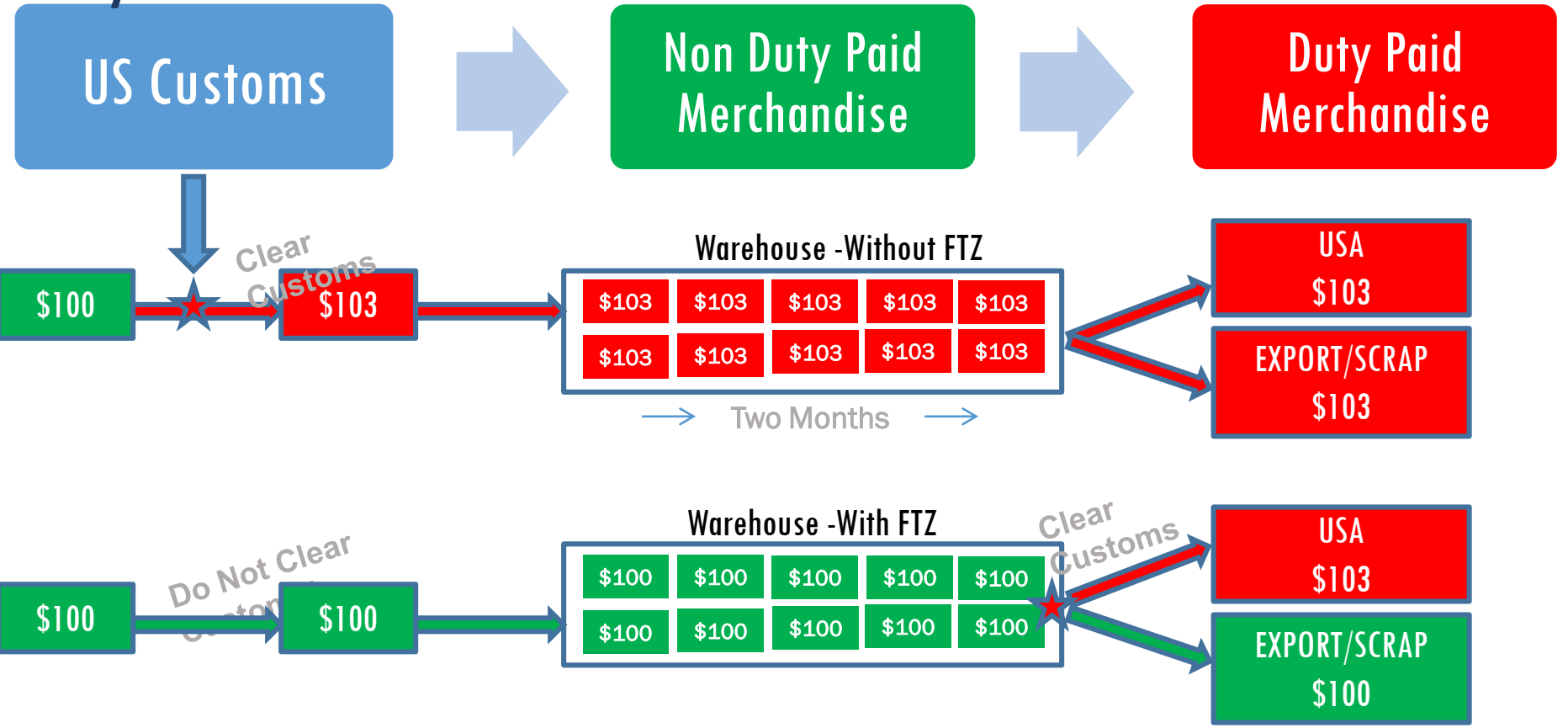
- Annual Imports - \$100,000,000
- Average Duty Rate – 3.0%
- Inventory Turns – 6
- % Inventory Exported or Scrap – 6%
- Customs Entries / Year – 300
- Annual FTZ Expenses – \$75,000
- Warehouse Square Footage – 200,000.



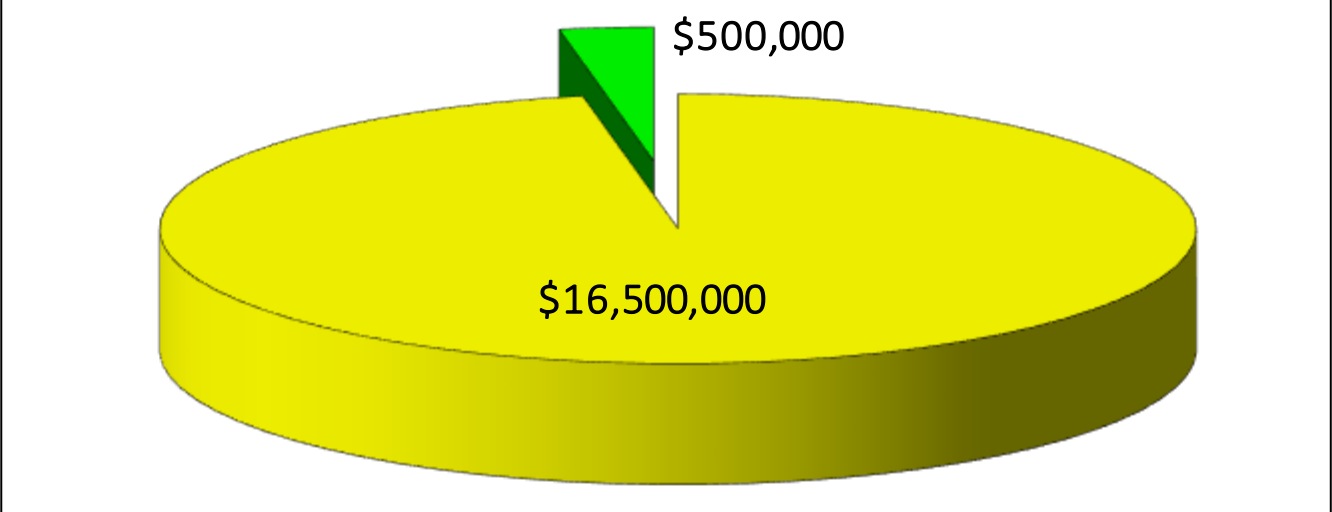
Duty Deferral



Duty Deferral



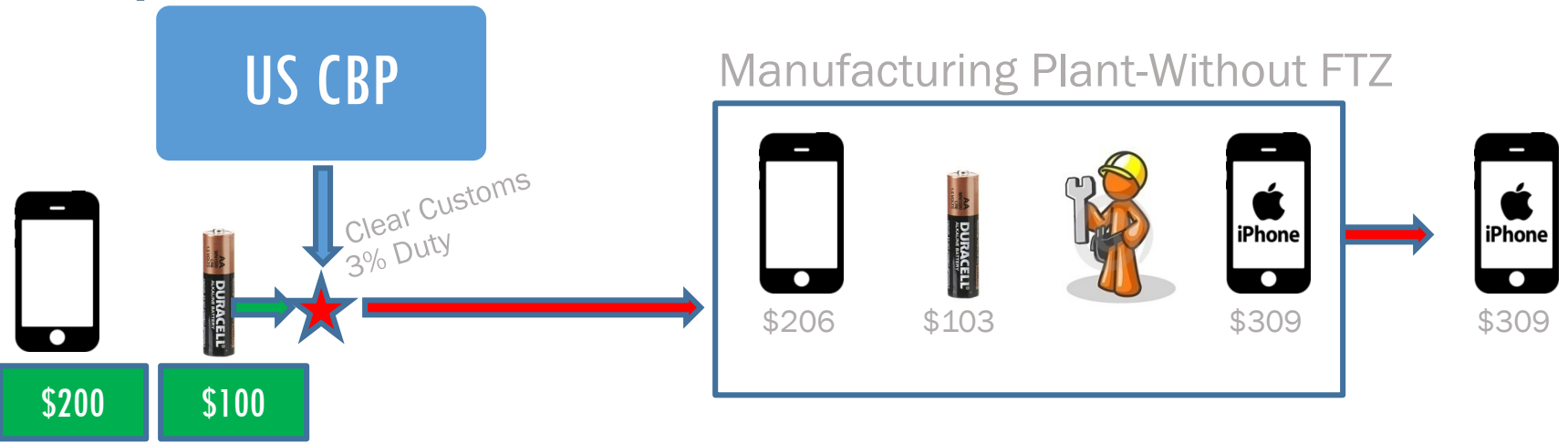
Foreign-Trade Zones (FTZ)



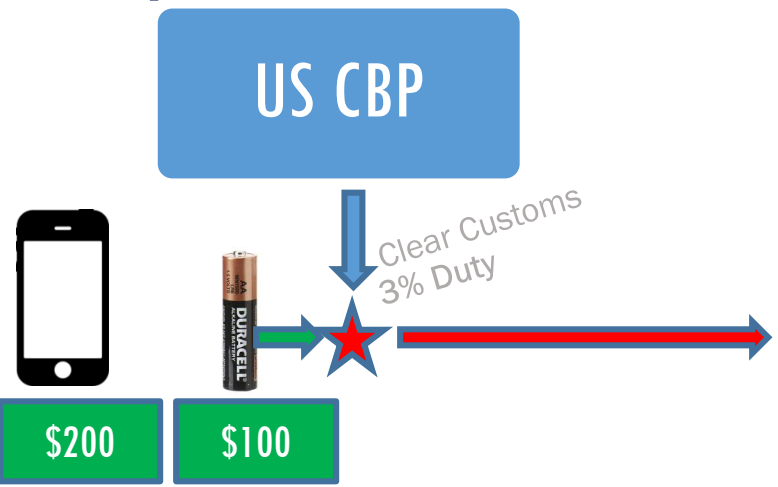
- Inventory
- Duty

Average Duty Rate = 3.00%

Duty Elimination



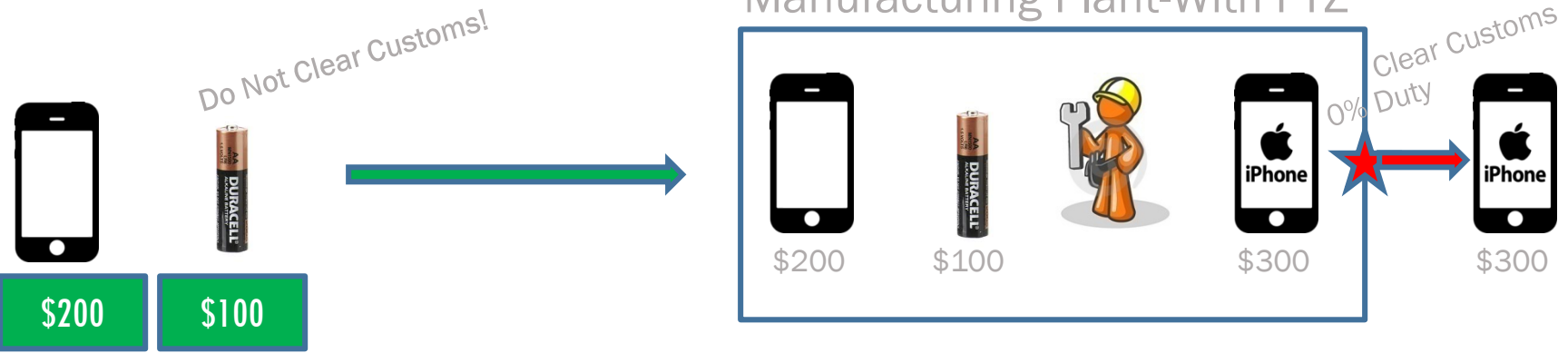
Duty Elimination



Manufacturing Plant-Without FTZ



Manufacturing Plant-With FTZ



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

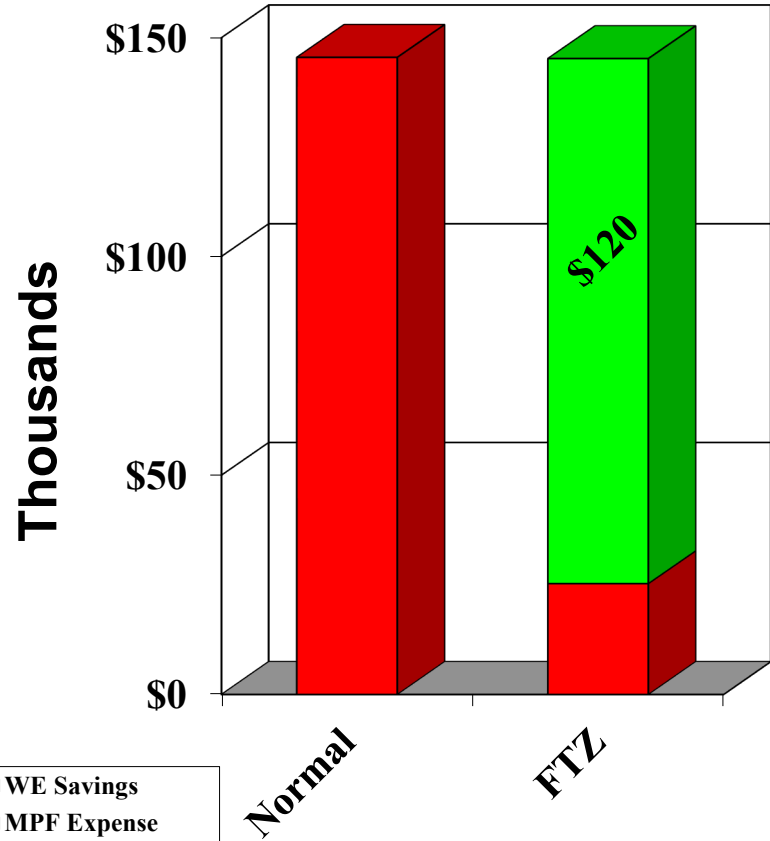
Normal Entry

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

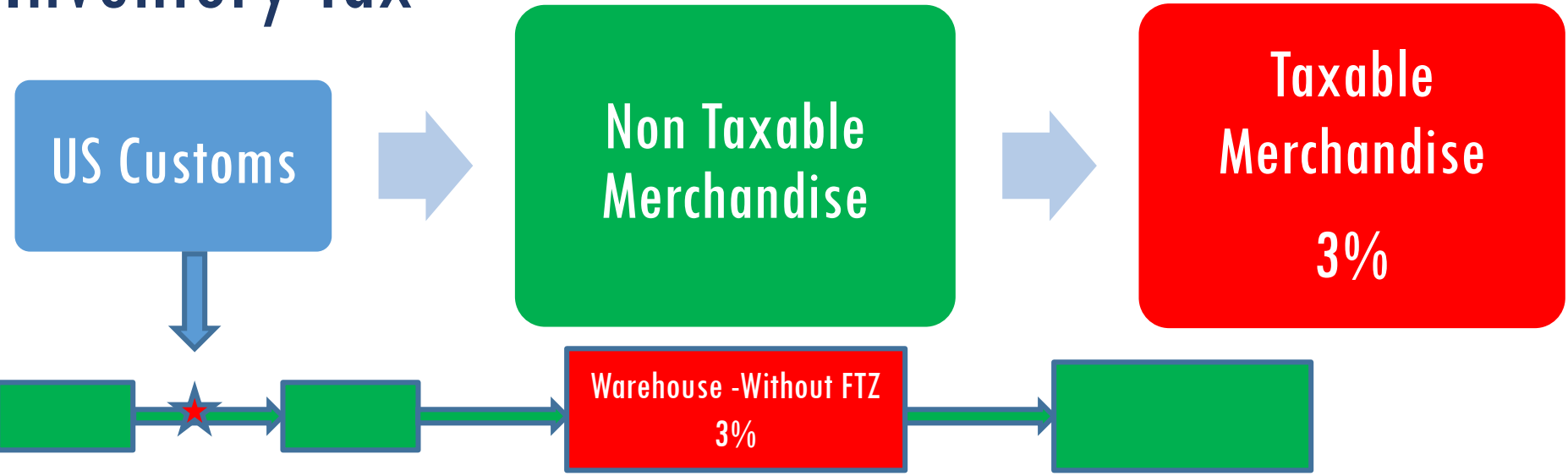
FTZ Entry

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

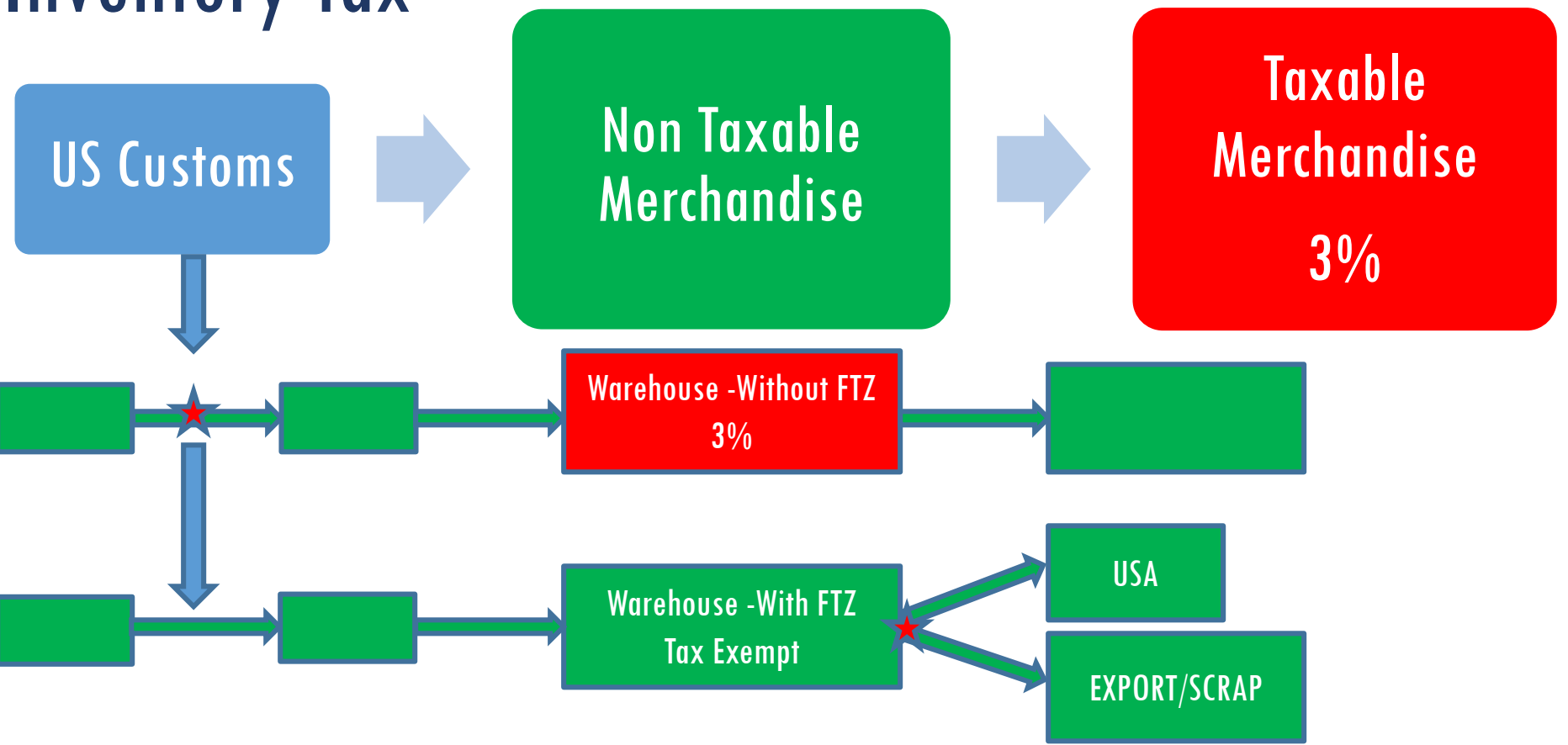
SAVINGS W/FTZ \$120,280



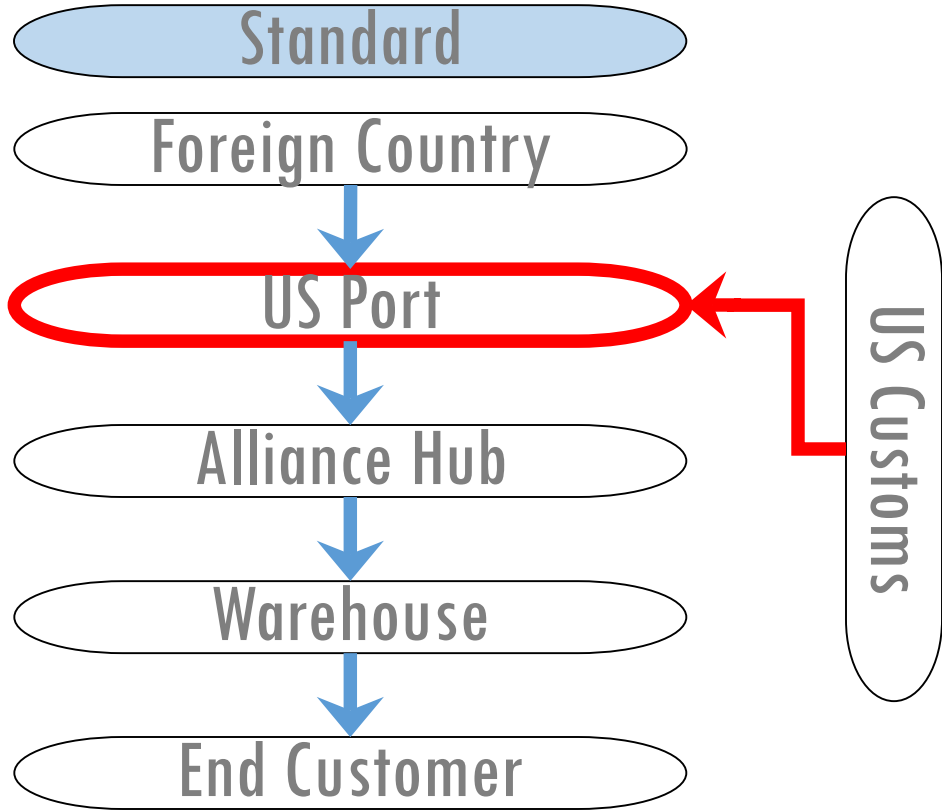
Inventory Tax



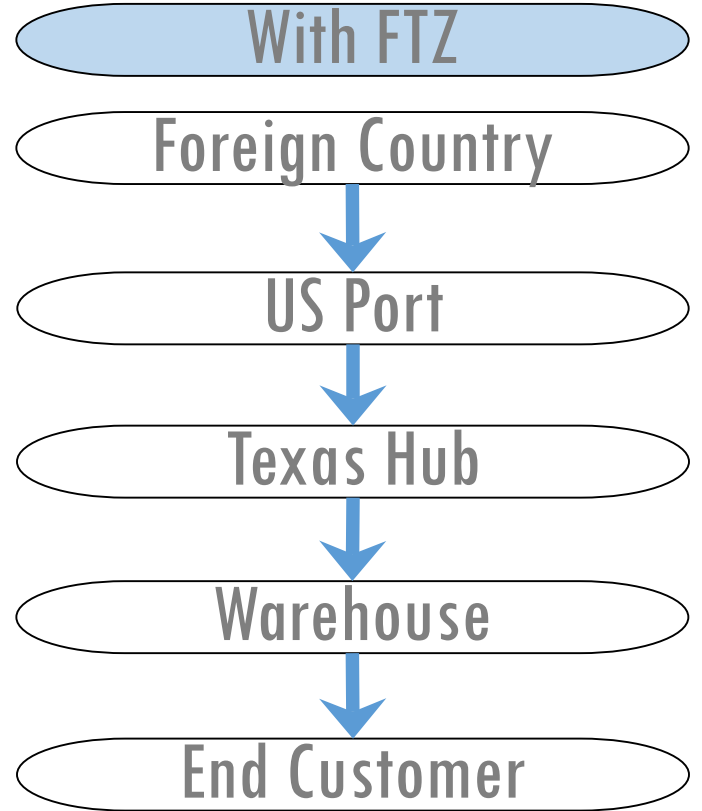
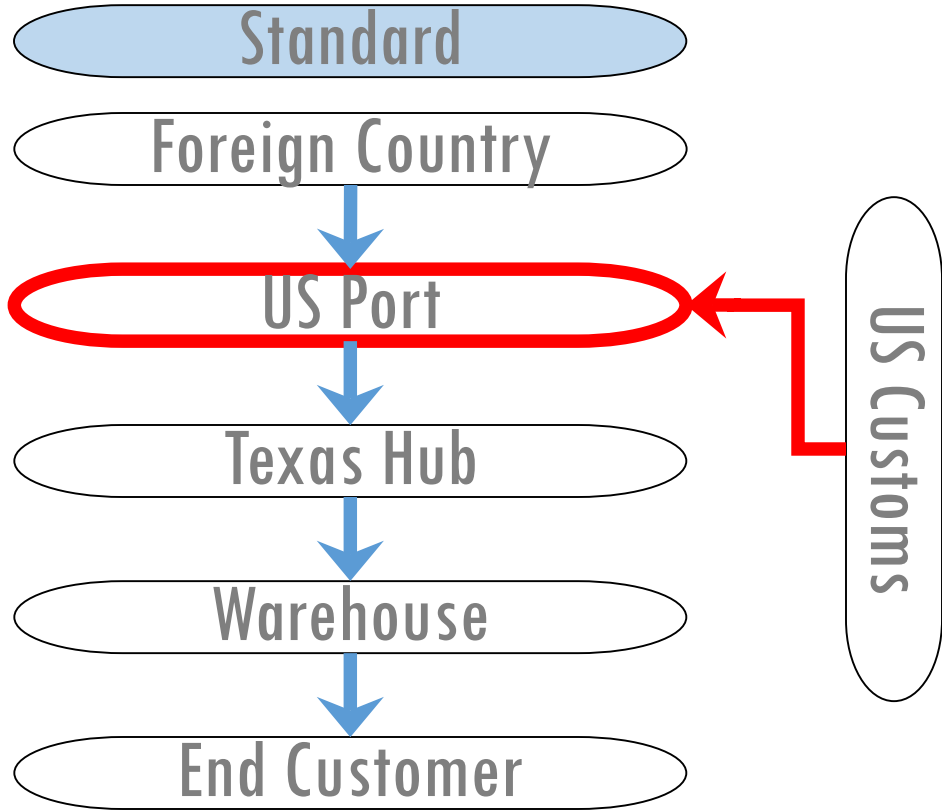
Inventory Tax



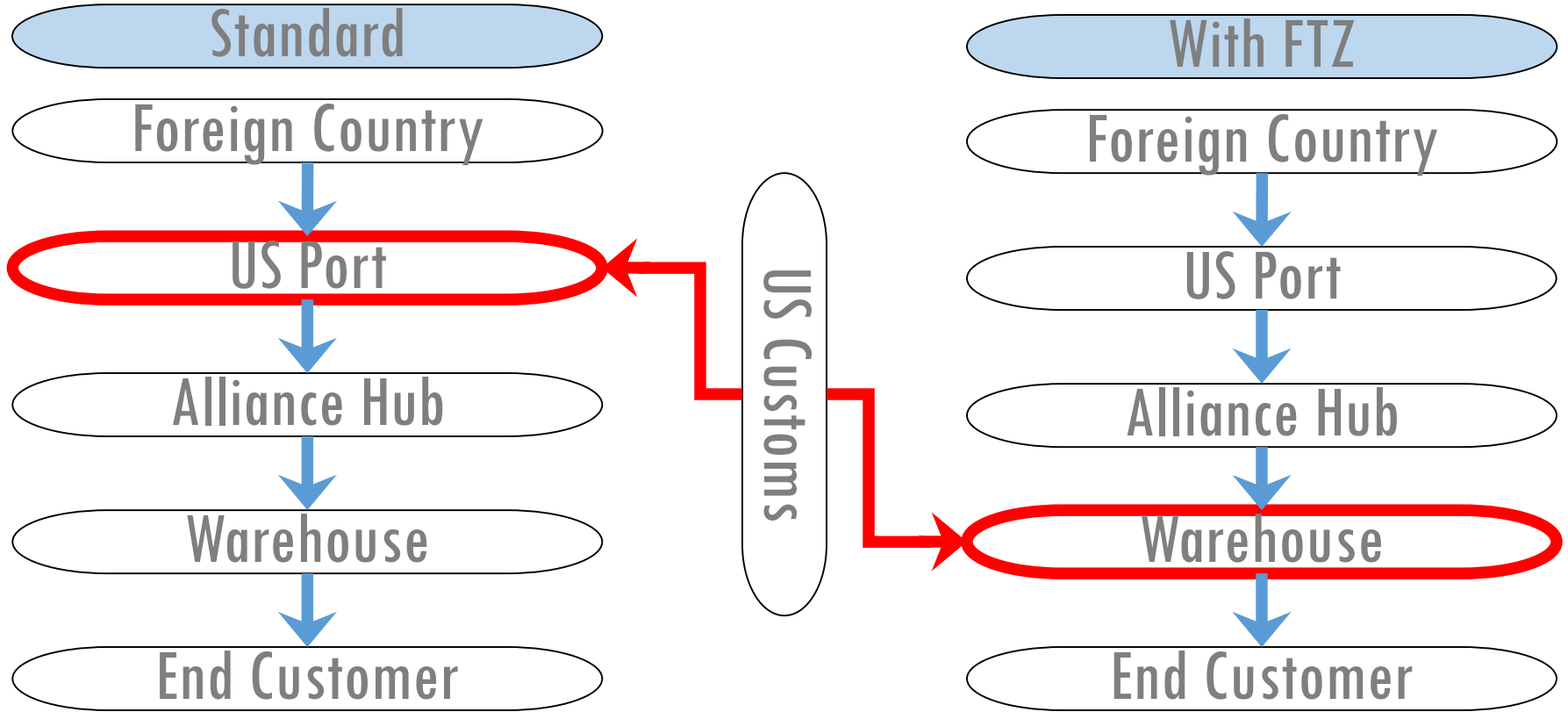
Improve Supply Chain



Improve Supply Chain



Improve Supply Chain

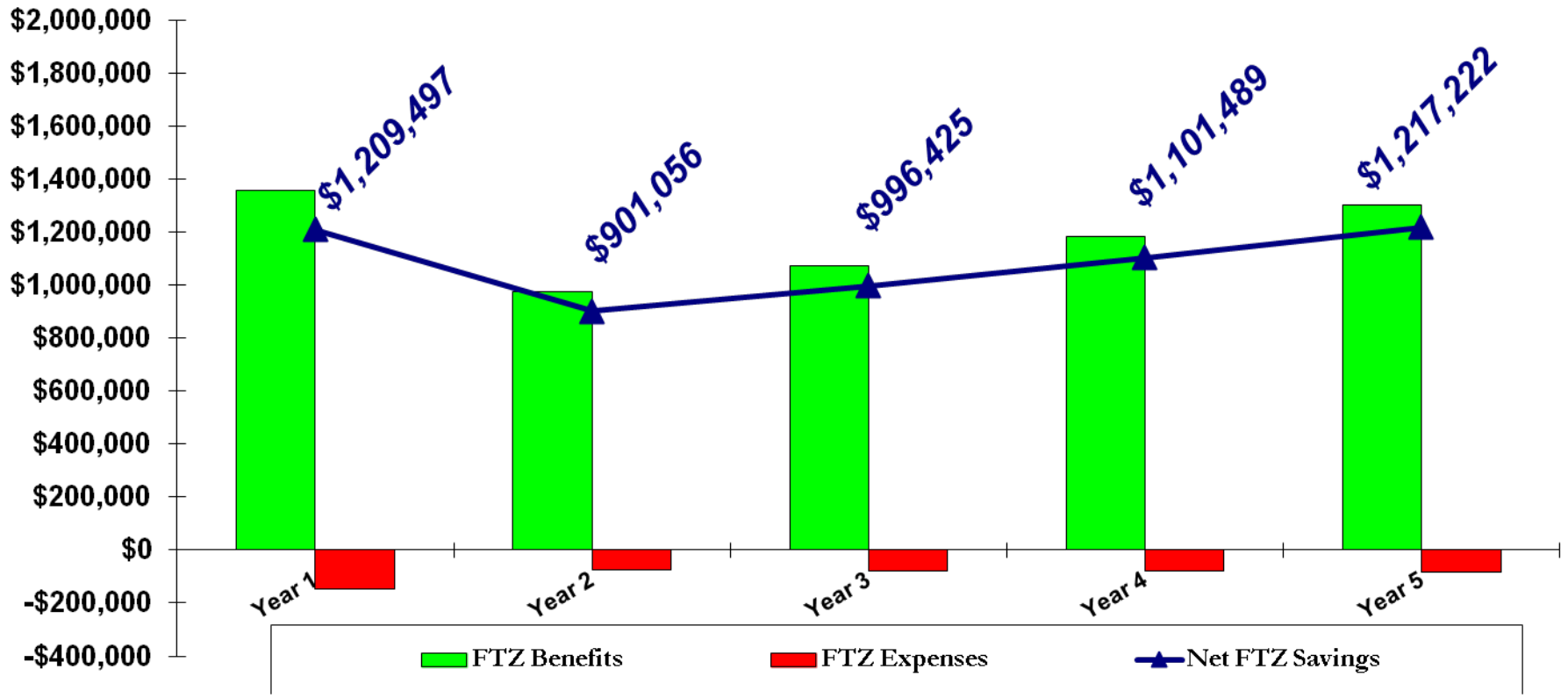


FTZ Savings Summary-Distribution Model

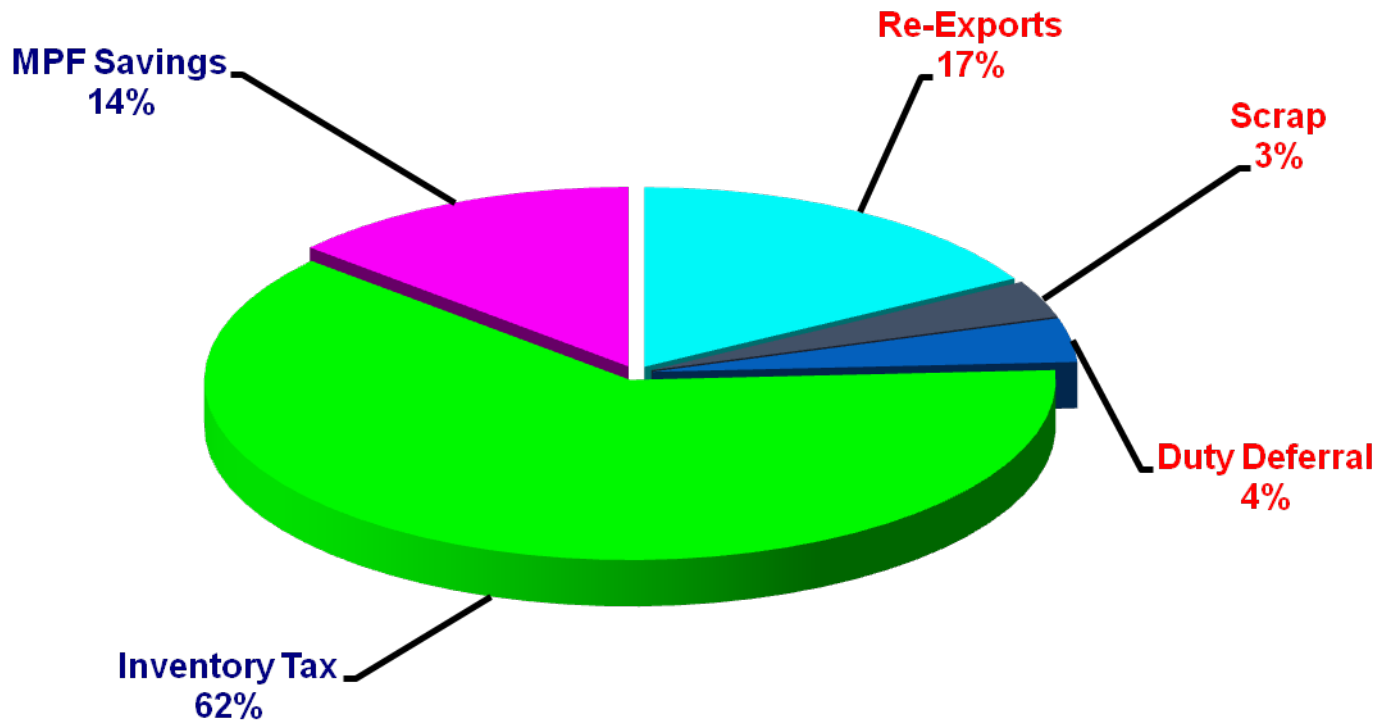
<u>Duty Deferral -</u>	\$ 30,550
<u>Exports / Scrap -</u>	\$180,000
<u>MPF -</u>	\$120,280
<u>Inventory Tax -</u>	\$557,000
1st Year Gross FTZ Savings -	\$887,830
Annual FTZ Expenses -	<\$75,000>
1st Year Net FTZ Savings -	\$812,830
Net Savings / Square Foot -	\$4.06
<u><i>One-Time-Benefit – (inventory)</i></u>	<u><i>\$470,000</i></u>



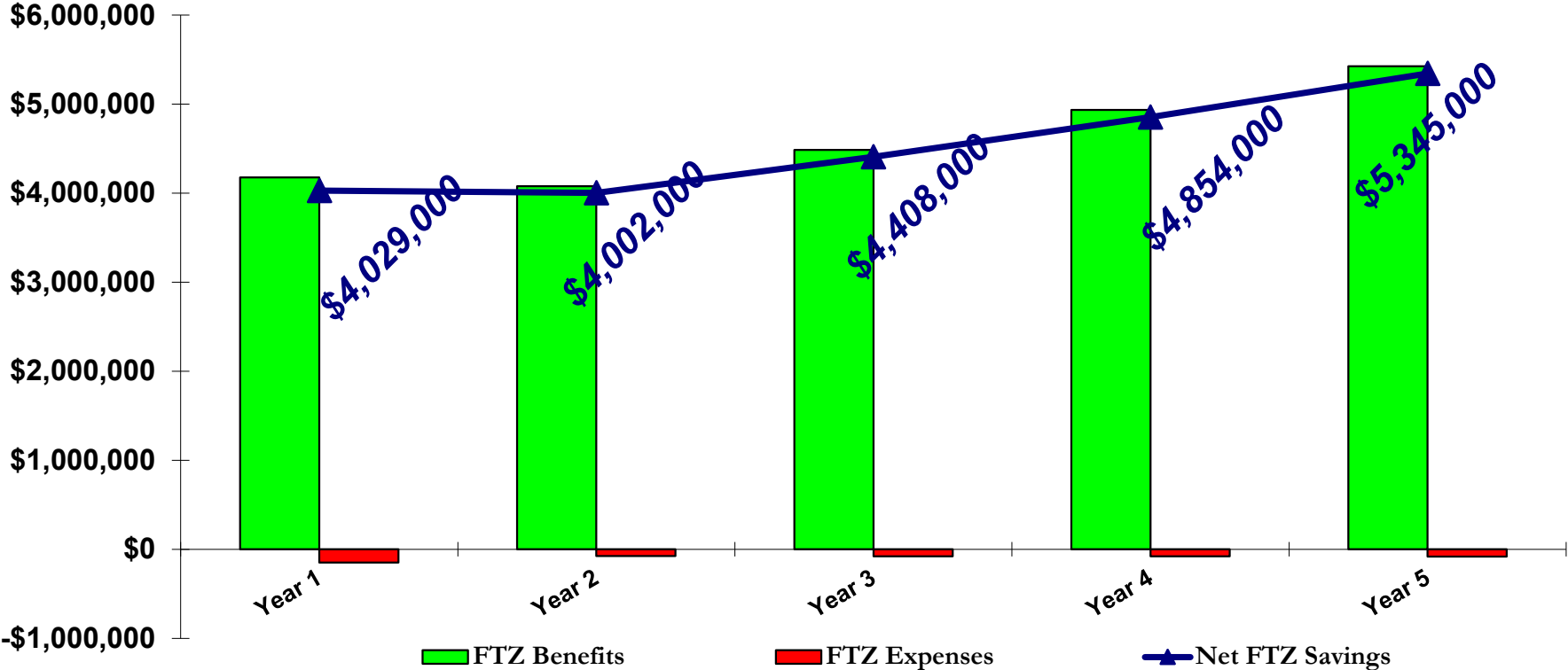
FTZ Savings Summary- Distribution



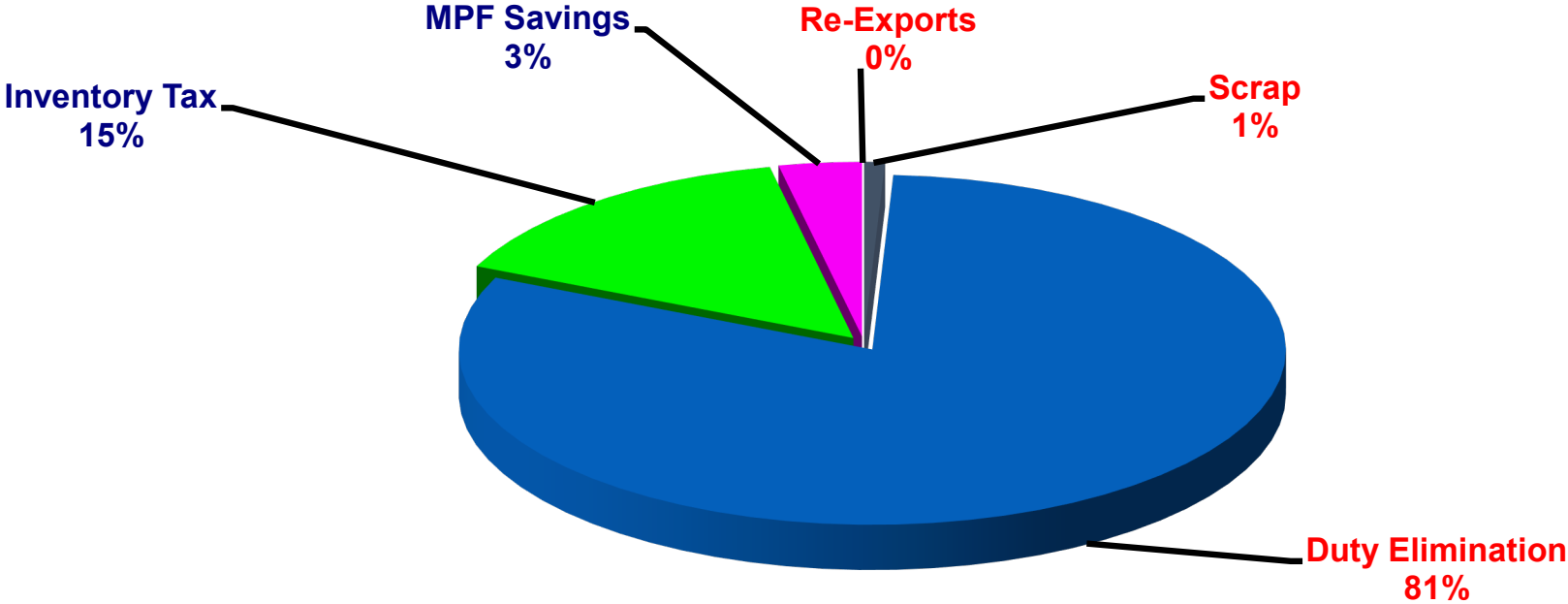
FTZ Savings Analysis Distribution



FTZ Savings Summary- Production



FTZ Savings Analysis Production



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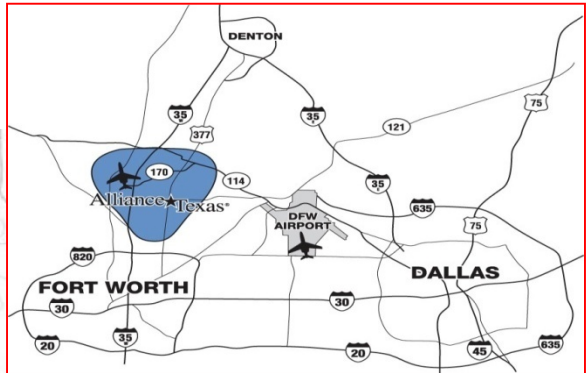
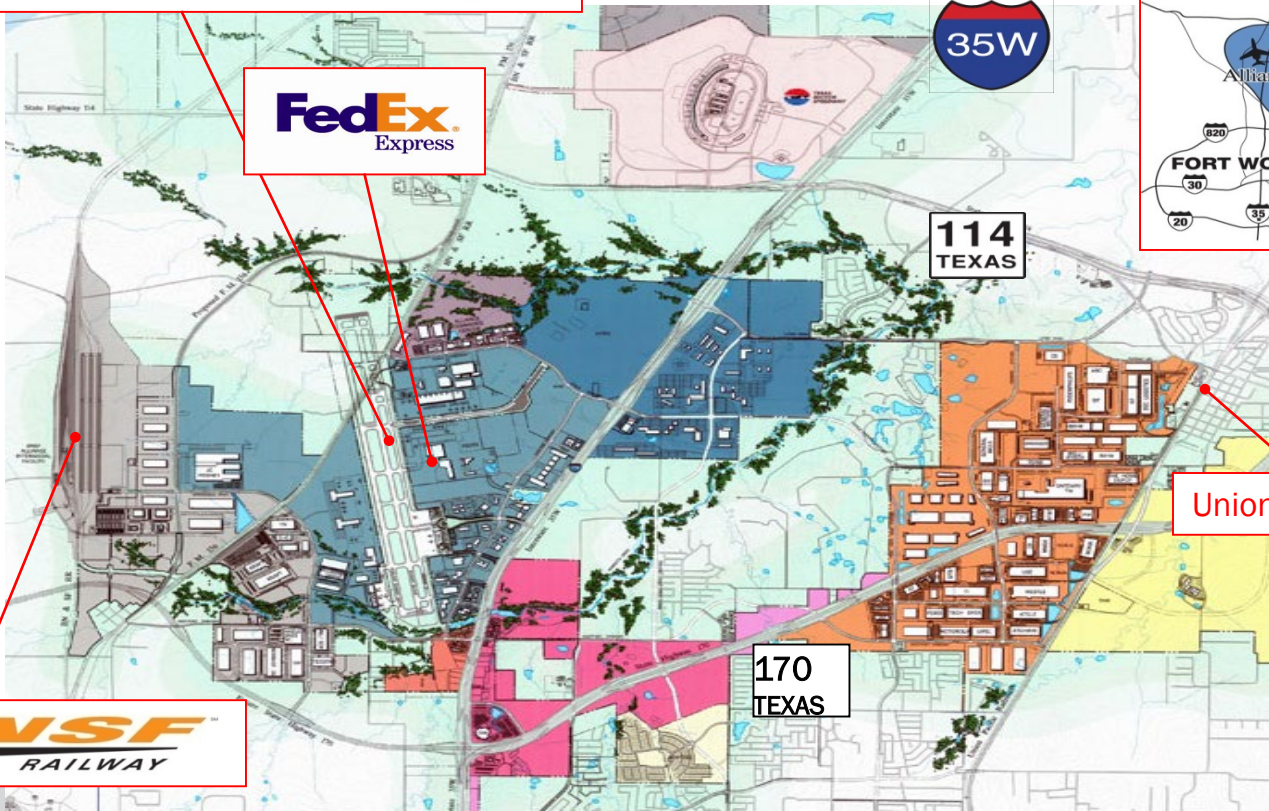


26,000 Acres – Master
Planned



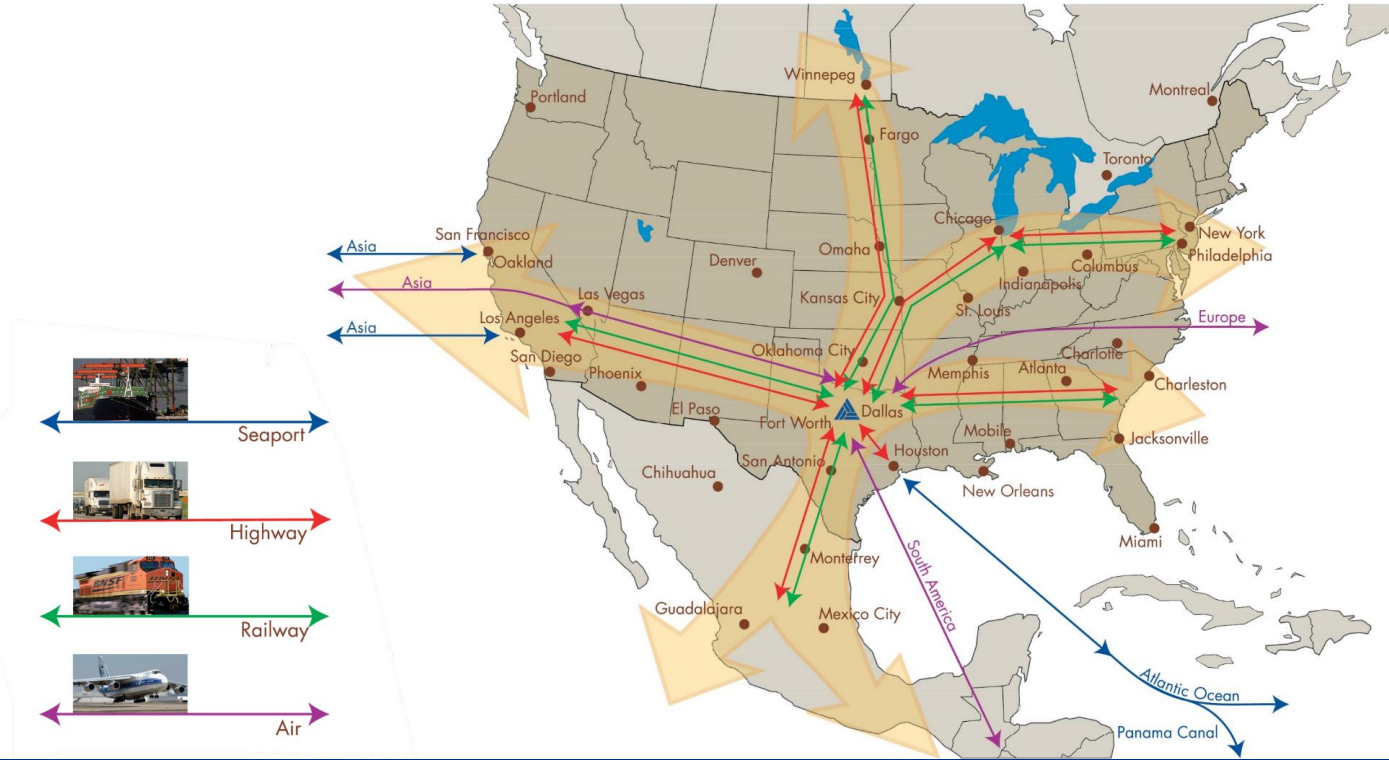
Global Logistics in the Real World

 Fort Worth Alliance Airport



 Alliance®
Global Logistics Hub

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

BNSF
RAILWAY





Alliance Gateway





Alliance Center



Mercedes-Benz
Financial Services



Alliance Air Services™
Alliance Aviation Services™

HILLWOOD AIRWAYS



Alliance Westport





Alliance Center North



Walmart 

 **LG Electronics**

XPOLogistics


























































Alliance Northport

- 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

Automobile	Aerospace/Aviation	Logistics	eCommerce/Electronics	Pharmaceutical/Healthcare	Consumer Goods/Services
     <p>Mercedes-Benz Financial Services</p>   	        	          	       	       	        



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Questions?





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Thank You!



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