

Foreign Trade Zone (FTZ) Transformation and Administration

Transitioning from an Outsourced to an Insourced Operating Model

While Foreign Trade Zones continue to deliver major benefits to companies, they require expert administration for optimal use. Perceived complexities to FTZ administration often lead companies to outsource this function to external Managed Service Providers (MSPs). However, insourcing FTZ administration can enhance cost-effectiveness, decrease compliance risks, provide better control and visibility and optimize ongoing savings through the program.

Common Reasons to Insource:



COST

Paying a reputable MSP's upfront fee, recurring subscription fee and any "out of scope" fees are often far more expensive than investing in an internal resource.



COMMUNICATION

Resources at major MSPs often work on multiple accounts, which can result in inadequate issue-spotting, untimely responses and unavailability when needed.



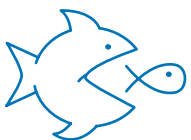
INSTITUTIONAL KNOWLEDGE

A deep understanding of the nuances of a company's operation, procedures and ERP/WMS systems are paramount to running a compliant FTZ and proactively resolving issues that arise.



RISK

Outsourcing critical aspects of FTZ and customs compliance can create significant duty, penalty and liquidated damages risk. MSPs may not be liable for errors or the monetary exposure they create.



SCOPE CREEP

MSP's scope of work almost never cover everything needed for FTZ administration. Negotiating, managing, and paying for these services can make outsourcing less financially competitive than insourcing.



VISIBILITY

MSPs often re-assign accounts as employees are promoted or transition, meaning a company may not know who is working on their account at any given time. Insourcing provides the transparency necessary for a compliant and optimized FTZ.

Common Challenges to Insourcing:



EXPERTISE

Companies often have the concern that FTZ administration requires deep experience and expertise. An FTZ “boot camp” detailed desk procedures and recurring training can offset this concern.



SCALABILITY

As a company’s FTZ presence grows, administration needs may grow as well. Robust procedures and career development plans can help mitigate this challenge while creating opportunities.



SUPPORT

Employee coverage and management can be perceived operational obstacles to insourcing; however, a new department and multiple FTEs are not needed to provide the support needed for an insourced solution.



TALENT POOL

It can be difficult to find the talent that a company needs locally. FTZ administration need not be local to the zone and MSP resources are often remote.



— HOW FTI CONSULTING CAN HELP

FTI Consulting's international trade and customs team can help you explore and implement several solutions to insource your FTZ administration and strike the right balance between your team and external support.

For companies new to, not yet operating or looking to transition to insourced FTZ administration:

Cost-Benefit Analysis

- Evaluate outsourced vs. insourced operating models

Talent Identification

- Preparation of tailored job descriptions
- Guidance throughout the talent search process
- Support during interviews and selection

Technical Training

- Once onboarded, conduct an FTZ boot camp and operational training prior to go-live
- Support in the development of desk procedures

For companies that have completed their insourcing transition or are already performing insourced FTZ administration, support models are fully customizable but generally include:

Compliance Reviews

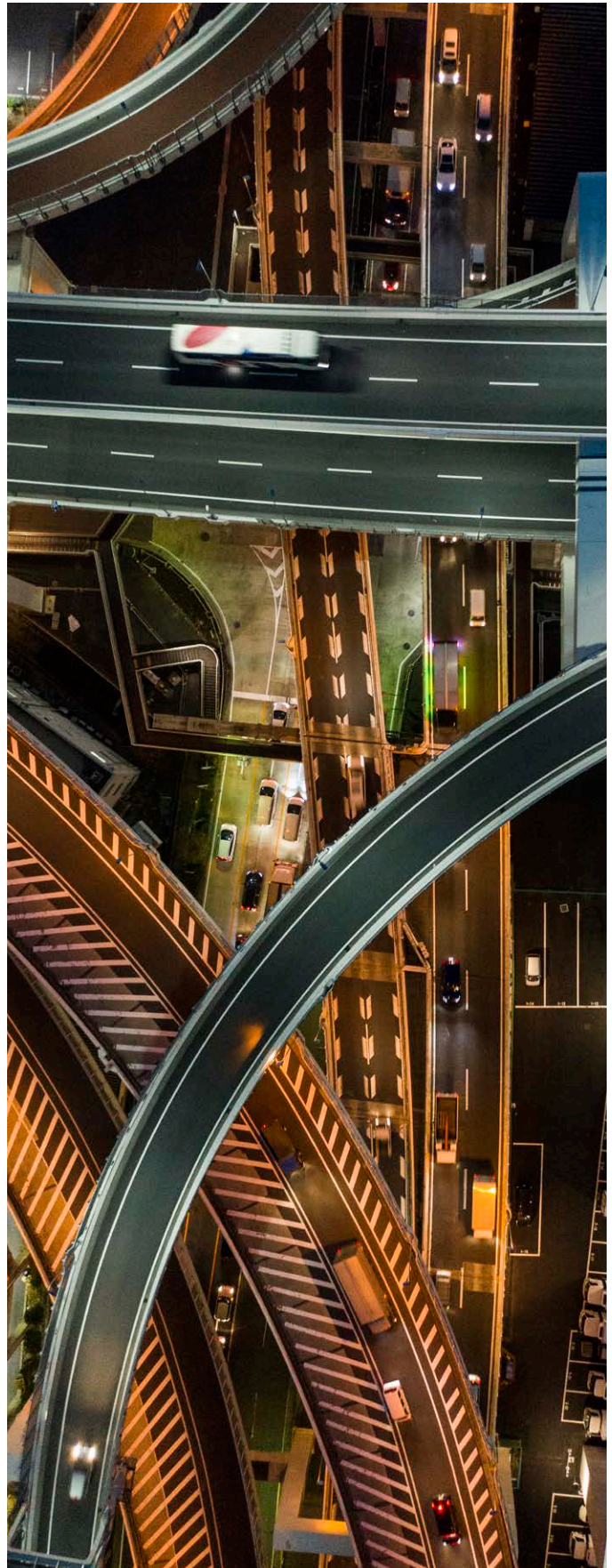
- Annual on-site FTZ compliance review
- Periodic transaction testing and compliance audit

Operational Support

- Preparation of annual report data for Online FTZ Information System (OFIS) submission to the FTZ Board
- Review of annual reconciliation report to U.S. Customs and Border Protection (CBP)
- Preparation of the annual reconciliation certification letter and Form 216 to CBP

On-call Support

- Agreed-upon number of hours for ad-hoc support (not limited to FTZ inquiries)



— THE FTI CONSULTING DIFFERENCE

- We do not typically offer or conduct managed services for our clients.
- We do not offer our own FTZ software solution as part of our implementation services.
- We do not have partnerships with any specific software providers.

— OUR EXPERTS

Broad expertise in trade compliance

- Our FTZ expertise lies within our Export Controls, Sanctions & Trade (ECST) practice and is complemented by the practice's broader technical experience.
- Since FTZs intersect with many other areas of trade such as valuation, origin determination, classification, supply chain planning and export controls, our team can address complex issues more comprehensively and strategically than some other service providers.

Deep FTZ expertise

- Our team has decades of collective experience directly managing zones, both within the industry and on behalf of our clients. This breadth of industry and operational experience helps us maintain a position on the forefront of trade issues that routinely impact the FTZ program.
- Members of our team have held or currently hold key leadership positions within the National Association

of Foreign Trade Zones (NAFTZ), including an Officer on the Executive Committee within the Board of Directors and the co-chairs of the NAFTZ Membership Committee.

- Many other committees, working groups and task forces have also benefited from the participation and input from our team members.

A culture that delivers

- Our team will bring a unique perspective to your FTZ project, combining deep regulatory, operational, compliance, software and managed service expertise, built from years of experience and the delivery of hundreds of FTZ projects.
- We are practical in our communication and approach to outcomes; collaborative with our clients and colleagues; and professional in our commitment to work of the highest caliber.

Please contact any member of our team to learn more about how we can support.

The views expressed herein are those of the author(s) and not necessarily the views of FTI Consulting, Inc., its management, its subsidiaries, its affiliates, or its other professionals.

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