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Business leaders seek to expand Foreign Trade Zone in Clarksville, Gallatin, La Vergne

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Business leaders are tapping a little-known, scarcely used and often misunderstood federal program that could slash local companies' duty payments and play a key role in attracting manufacturers to Middle Tennessee.

They are submitting an application to federal officials for a proposed 2,700-acre expansion of Nashville's Foreign Trade Zone, or FTZ. If approved, it is hoped the expansion will spur the region's post-recession — and post-flood — economy. The expansion covers industrial land primarily in Clarksville, but also in Gallatin and La Vergne.

"We're hoping that we can fast-track approval so we can help stimulate the economy in the wake of the flooding," said Lou Purcell, director of business development for contract logistics at **OHL LLC**. "This is a case of, hopefully, if we build it, they will come."

The Foreign Trade Zone program, created in the 1930s to make U.S. manufacturing more competitive, designates areas such as warehouses or entire counties as if they are outside U.S. borders for customs purposes.

Imported goods can be stored or assembled duty-free in an FTZ. Parts and raw materials can be converted to finished products, which are subject to lower tariffs when they leave the zone and enter the market. The duty on automotive parts could drop from 10 percent to 2.5 percent, for example. If the finished product is exported, tariffs are avoided entirely — as if the raw materials never entered the country.

"Basically, the long and short of it is, it allows companies to defer duty payments, or in some cases, avoid them altogether," said Charlie Williams, deputy director of the Mayor's **Office of Economic and Community Development**, which administers Nashville's zone. "There's not a lot of clear understanding of how the program works. It is a selectively useful tool, and I think more and more we're looking to take advantage of it."

Nashville has had a Foreign Trade Zone since 1983, but it is only used by three area companies: **Nissan North America Inc.**, **Dell Inc.** and Sanford, an office products division of **Newell Rubbermaid Inc.** About 7,700 people are employed in Nashville's existing zone, and there was \$527 million in exports from the zone in 2009. The expansion would increase the trade zone's size — which is allowed within 60 miles or 90 minutes driving time of the existing zone — but it would be up to individual companies within those borders to "activate" the zone and reap its benefits.

"Companies doing business on an international level see lots of benefits," said Clay Walker, executive director of the **Gallatin Economic Development Agency**. "It is a differentiating factor. We are already talking to companies about it."

The proposed expansion includes the 451-acre Gallatin Industrial Center, over half of which is unoccupied. According to the federal Foreign Trade Zones Board, the largest industry using the program nationwide is the petroleum refining industry, and other major users include the automotive, electronic and pharmaceutical industries. Walker would not identify which companies he has spoken to about setting up shop in the industrial park but said they fit the mold, with the exception of refining.

An existing company in the Gallatin Industrial Center, plastics firm **RCTENN LLC**, plans to take advantage of FTZ benefits if the expansion is approved. President Robert Coleman said the company can save about \$26,000 a year that it spends importing metal components it later incorporates into toolboxes.

"It's not a huge number for us, but every little bit helps," said Coleman, who said the company's annual revenue is about \$15 million.

Larger companies can save millions of dollars. Lindsey Green, FTZ operations analyst for Nissan, would not disclose the total amount of money the program saves the company, but as an example, she said \$88,000 was saved in a single month on cars exported to the Persian Gulf.

"For as large as a company as we are, it definitely benefits us," she said.

The expansion includes 55 acres in La Vergne, including two OHL warehouses totaling 800,000 square feet that the global logistics company plans to activate. If approved, Purcell said the company plans to market the FTZ to customers who could benefit from storing anything from Russian vodka to machine parts there on a temporary or short-term basis. Purcell said the company previously operated an FTZ, but deactivated it eight years ago due to a lack of interest.

Interest has been on the rise in recent years as global trade has increased and as companies leave no stone unturned looking for cost savings during the recession, said Michael Michalski of Albuquerque, N.M.-based **MCS Strategies**. Michalski has been hired to aid Gallatin and Clarksville in the FTZ expansion application. His firm also does site selection work.

"Every one of the site searches I have done in the last two years has specified (an FTZ) as a requirement," Michalski said. "More and more companies are doing work that requires importing."

Michalski said a request for expedited review is being made to the Foreign Trade Zones Board due to regional flooding earlier this month. He expects an answer by the end of the year.

