

Greater Mississippi Foreign-Trade Zone, Inc.
Grantee, Foreign-Trade Zone No. 158

P.O. Box 98109
Jackson, MS 39298-8109

P.O. Box A
Tupelo, MS 38802-1210

P.O. Box 820363
Vicksburg, MS 39182

May 26, 2011

Mr. Andrew McGilvray
Executive Secretary
Foreign-Trade Zones Board
International Trade Administration
U.S. Department of Commerce
1401 Constitution Avenue, NW.
Room 2111
Washington, DC 20230

Re: Docket Number ITA-2010-0012

Dear Mr. McGilvray:

On behalf of the Greater Mississippi Foreign-Trade Zone, Inc., Grantee of Foreign-Trade Zone No. 158, I am pleased to submit comments on the Foreign-Trade Zones Board's proposed regulations. The Greater Mississippi Foreign-Trade Zone accounted for nearly \$4 billion in Zone-related activity in FY 2010, including more than \$700 million in value-added activity. Zone users such as Nissan North America, Lane Furniture Industries, Bauhaus USA, H.M. Richards Company, and Alliant TechSystems collectively employ more than 7,700 people. Geographically, our General-Purpose Zone provides existing Zone status to locations in Hinds, Lee, Rankin, Tate, Warren and Washington Counties in Mississippi. Our Board of Directors consists of members appointed by local public government entities in Hinds, Lee and Warren Counties, and by the State of Mississippi.

We have comments and concerns regarding several areas of the proposed regulations; however, our first general comment is that we applaud the FTZ Board's efforts to make Zone status more readily available to potential Zone users, including those engaged in manufacturing for export. We have a few simple suggestions that we hope will provoke some thought in that regard. Our second general comment is that the proposed regulations include some provisions aimed at protecting potential users' interests that we have no doubt will prove counterproductive for Zone Grantees and ultimately for Zone users.

With regard to the FTZ Board's efforts to make Zone status more readily available to potential Zone users, we believe that the proposed regulations represent something of a missed opportunity. The proposed regulations, when enacted, would codify the Alternative Site Management Framework into regulation. We believe that the Alternative Site Management Framework (ASF) ought to have some important features added. These

Telephone: (601) 939-5631
(662) 842-4521
(601) 631-0555

Fax: (601) 939-3713
(662) 841-0693
(601) 631-6953

Mr. Andrew McGilvray
May 26, 2011

Page 2

features would be of significant benefit to communities that are engaged in the recruitment of multinational business operations to the United States, and those that are trying to bring Zone procedures to their existing business community.

An important weakness of ASF as it exists now is the relatively short time limit on the sunset of Magnet Sites. Under the current ASF structure, most Zone projects will find themselves with one Core site in each County of their Service Area and very few Magnet Sites anywhere within their Service Area. Many will find the "Zone ready" Usage Driven Site concept to have little advantage over subzone status or the traditional Minor Boundary Modification process. In our Zone project's case, we have a number of General-Purpose Zone sites that are permanent. Under the current ASF structure, we cannot justify risking permanent Zone status for our existing sites given the marginal value of Usage Driven Sites. We would, however, be more than glad to reorganize under ASF if existing permanent Zone sites were grandfathered into the ASF structure. We believe there is no reason not to do this, and we hope that the Board will consider our suggestion to make this important change to ASF.

Another feature that would make ASF much more attractive would be to modify the process by which Usage Driven Sites are designated. The underpinning for our suggestion is the idea that passive uses of Zone procedures (i.e. activity that would be defined as "non-production") should be available in or adjacent to Customs ports of entry. We believe that the fundamental argument in favor of this was settled in June, 1934. Based on this, our suggestion is that the process by which Usage Driven Sites are designated should be changed from an application process to what fundamentally becomes a notification process. This process would essentially shift the process of Board approval to the local representative of the Board, the Port Director of Customs. Application for activation to Customs would trigger the notification process by which the Grantee notifies the Board staff in Washington that a Usage Driven Site is being sought, and approval of activation by Customs would trigger Usage Driven Site designation and site identification. We believe that this feature would also serve to make ASF a more attractive alternative for Zone Grantees and users.

Before commenting on proposed regulations that we believe will be counterproductive for Zone Grantees and ultimately for Zone users, I would like to give you some background on the development of our Zone project. Foreign-Trade Zone No. 158 was established by Board Order No. 430 on April 11, 1989. The Zone project was established under the auspices of the Vicksburg-Jackson Foreign Trade Zone, Inc., a corporation formed for the specific purpose of serving as a Zone grantee, with board members appointed by the mayors of Vicksburg and Jackson, respectively, and one additional board member representing the State of Mississippi. The Zone project was expanded pursuant to Board Order No. 707 issued on October 23, 1994. In 2005, the General-Purpose Zone was expanded to include eight new sites in Lee County. Today the

Mr. Andrew McGilvray
May 26, 2011

Page 3

General-Purpose Zone is comprised of 17 sites, totaling 11,544 acres. Eight of the sites are in or adjacent to the Vicksburg-Jackson Customs port of entry, and nine sites are located adjacent to the Memphis Customs port of entry. Pursuant to the General-Purpose Zone expansion, the Vicksburg-Jackson Foreign Trade Zone, Inc. changed its name to the Greater Mississippi Foreign-Trade Zone, Inc. and changed its by-laws. Today, the Grantee's board members are appointed by local public entities in the cities of Vicksburg, Jackson, and Tupelo, with an additional member serving as an appointee of the State.

The Zone project's early history saw no Zone activity. In fact, in 1994 the Zone project faced the prospect of its grant of authority lapsing under the Board's sunset provisions. We hired a known and respected Zone Project Administrator, who also provided consulting services, to activate our Zone, market the Zone to the area's trade community, and to manage the development of our Zone project. It is important to us that our Zone Project Administrator maintains the capability to provide all of the services necessary to help potential Zone users evaluate Zone benefits, then actually realize Zone benefits.

We believe that the restrictions as set forth in proposed section 400.43 would be counterproductive for both Grantees and Zone users. This section eliminates freedom of choice for private services for our new and existing zone users; it will increase operational costs and it will greatly impact the operational efficiencies of our zone.

This proposed section clearly eliminates freedom of choice to our new and existing users with regard to whom they want to provide Zone-related services to them. If the purpose of proposed 400.43 is to help users maintain freedom of choice, why does the section not allow for dual agent representation acknowledgement and waivers? Our experience and that of our Zone users with the dual role of a Zone Project Administrator who provides both administrative services to the Grantee and consulting services to Zone users has been good. Our policy has been and continues to be that potential and existing Zone users may utilize the services of any qualified service provider or consultant for Zone-related services. As you know from applications submitted by FTZ 158 to the Board, some Zone users have utilized the services of our Zone Project Administrator, while others have chosen other service providers. In a recent expansion of scope application, it was our Zone Project Administrator who advised us and the service provider for one of our Zone users that the application would be more expeditiously delivered to the Board if it came directly from the user, in accordance with existing FTZ Board regulations. Proposed section 400.43 will, if implemented, increase operation costs and it will greatly impact our operational efficiencies of our zone. Thanks in no small part to the drive and motivation of our Zone Project Administrator, our Zone project has grown from no activity to more than \$4 billion in Zone-related activity over the past 17 years. In recent years, Zone activity in the state of Mississippi has ranked in the top 15 states nationally in terms of volume of receipts, exports, and Zone-related employment.

Mr. Andrew McGilvray
May 26, 2011

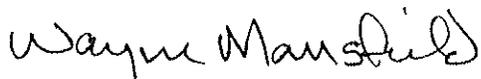
Page 4

Zone Project Administrators who also provide consulting services would, if the provision is implemented as proposed, be forced to choose between FTZ consulting and FTZ administration. The overwhelming majority of the most talented and experienced people in the field, if forced to choose, will choose the more lucrative practice of consulting. This will leave Zone Grantees with the least talented and least experienced people to serve as Zone Project Administrators, or, alternatively, Zone Grantees would be forced to pay Zone Project Administrators more money to keep them. If the alternative of more money is chosen, then at some point this money will inevitably come from increased fees (under public utility principles, of course) to Zone users. Thus, Zone users will have less choice in terms of potential service providers (*i.e.* the local Zone Project Administrator would be ineligible to provide consulting services) and higher user fees. If one idea behind this proposed restriction is to force certain functions to be performed in-house by Grantees, then the result will often be the same. A number of more talented in-house Grantee personnel will use their position within Grantee organizations as a training ground and stepping-stone to more lucrative consulting careers, perpetuating turnover and lack of experience within many Grantee organizations. In short, a less drastic alternative needs to be implemented to address so-called conflicts of interest.

Another counterproductive proposal is the requirement in proposed section 400.42 that all user fees be paid directly to the Grantee. Our user Agreements are three-way agreements between and among the Grantee, the Zone Project Administrator, and the Zone user. Our Agreements are transparent in stating the user fees are to be paid directly to the Administrator. This feature saves the Grantee from the administrative burden and expense of tracking billing cycles, invoicing, and collections. Given that our Grantee organization is comprised of volunteer Board members, we are very happy to shift the administrative burden of billing and collections to the Zone Project Administrator. An added benefit to this structure is that it makes it clear to Zone users that the Zone Project Administrator is a technical and operational resource available to them at no extra charge. Zone users like this feature, and it should not be prohibited for the sake of some perceived propriety.

I hope that our comments are worthy of your consideration. We look forward to reviewing your next set of proposals.

Sincerely,



Wayne Mansfield
President