

project. Should title to land or facilities be transferred after a grant of authority is issued, the zone grantee must retain, by agreement with the new owner, a level of control which allows the grantee to carry out its responsibilities as grantee. The sale of a zone site or facility for more than its fair market value without zone status could, depending on the circumstances, be subject to section 17 of the Act.

(9) A grant of authority will not be construed to make the zone grantee automatically liable for violations by operators, users, or other parties.

(b) *Additional conditions, prohibitions and restrictions.* Other requirements, conditions or restrictions under Federal, State or local law may apply to the zone or subzone authorized by the grant of authority.

(c) *Revocation of grants of authority.*

(1) *In general.* As provided in this section, the Board can revoke in whole or in part a grant of authority for a zone or subzone whenever it determines that the zone grantee or, in the case of subzones, the subzone operator, has violated, repeatedly and willfully, the provisions of the Act.

(2) *Procedure.* When the Board has reason to believe that the conditions for revocation, as described in paragraph (a) of this section, are met, the Board will:

(i) Notify the zone or subzone grantee in writing stating the nature of the alleged violations, and provide the grantee an opportunity to request a hearing on the proposed revocation;

(ii) Conduct a hearing, if requested or otherwise if appropriate;

(iii) Make a determination on the record of the proceeding not earlier than 4 months after providing notice to the zone grantee under paragraph (b)(1) of this section; and

(iv) If the Board's determination is affirmative, publish notice of revocation of the grant of authority in the FEDERAL REGISTER.

(3) As provided in section 18 of the Act (19 U.S.C. 81r(c)), the zone or subzone grantee may appeal an order of the Board revoking the grant of authority.

[56 FR 50798, Oct. 8, 1991; 56 FR 65833, Dec. 19, 1991, as amended at 62 FR 53535, Oct. 15, 1997]

§ 400.29 Application fees.

(a) *In general.* This section sets forth a uniform system of charges in the form of fees to recover some costs incurred by the Foreign-Trade Zones staff of the Department of Commerce in processing the applications listed in paragraph (b) of this section. The legal authority for the fees is 31 U.S.C. 9701, which provides for the collection of user fees by agencies of the Federal Government.

(b) *Uniform system of user fee charges.* The following graduated fee schedule establishes fees for certain types of applications and requests for authority based on their average processing time. Applications combining requests for more than one type of approval are subject to the fee for each category.

(1) Additional general-purpose zones (§ 400.24; § 400.21(a)(2))	\$3,200
(2) Special-purpose subzones (§ 400.25):	
(i) Non-manufacturing/processing or less than three products	4,000
(ii) Manufacturing/processing—three or more products	6,500
(3) Expansions (§ 400.26(b))	1,600

(c) Applications submitted to the Board shall include a check drawn on a national or state bank or trust company of the United States or Puerto Rico in the amount called for in paragraph (b) of this section. Uncertified checks must be acceptable for deposit by a Federal Reserve bank or branch.

(d) Applicants shall make their checks payable to the U.S. Department of Commerce ITA. The checks will be deposited by ITA into the Treasury receipts account. If applications are found deficient under § 400.27(b)(1), or withdrawn by applicants prior to formal filing, refunds will be made.

Subpart D—Manufacturing and Processing Activity—Reviews

§ 400.31 Manufacturing and processing activity; criteria.

(a) *In general.* Pursuant to section 15(c) of the Act (19 U.S.C. 81o(c)), the Board has authority to restrict or prohibit zone activity "that in its judgment is detrimental to the public interest." When evaluating zone and subzone manufacturing and processing activity, either as proposed in an application, in a request for manufacturing/

processing approval, or as part of a review of an ongoing operation, the Board shall determine whether the activity is in the public interest by reviewing it in relation to the evaluation criteria contained in paragraph (b) of this section. With regard to processing activity, this section shall apply only when the activity involves foreign articles subject to quantitative import controls (quotas) or results in articles subject to a lower duty rate (inverted tariff) than any of their foreign components. Such a review involves consideration of whether the activity is consistent with trade policy and programs, and whether its net economic effect is positive.

(b) *Evaluation criteria*—(1) *Threshold factors*. It is the policy of the Board to authorize zone activity only when it is consistent with public policy and, in regard to activity involving foreign merchandise subject to quotas or inverted tariffs, when zone procedures are not the sole determining cause of imports. Thus, without undertaking a review of the economic factors enumerated in § 400.31(b)(2), the Board shall deny or restrict authority for proposed or ongoing activity if it determines that:

(i) The activity is inconsistent with U.S. trade and tariff law, or policy which has been formally adopted by the Executive branch;

(ii) Board approval of the activity under review would seriously prejudice U.S. tariff and trade negotiations or other initiatives; or

(iii) The activity involves items subject to quantitative import controls or inverted tariffs, and the use of zone procedures would be the direct and sole cause of imports that, but for such procedures, would not likely otherwise have occurred, taking into account imports both as individual items and as components of imported products.

(2) *Economic factors*. After its review of threshold factors, if there is a basis for further consideration, the Board shall consider the following factors in determining the net economic effect of the activity or proposed activity:

(i) Overall employment impact;

(ii) Exports and reexports;

(iii) Retention or creation of manufacturing or processing activity;

(iv) Extent of value-added activity;

(v) Overall effect on import levels of relevant products, including import displacement;

(vi) Extent and nature of foreign competition in relevant products;

(vii) Impact on related domestic industry, taking into account market conditions; and

(viii) Other relevant information relating to public interest and net economic impact considerations, including technology transfers and investment effects.

(c) *Methodology and evidence*—(1)(i) The first phase (§ 400.31(b)) involves consideration of threshold factors. If an examiner or reviewer makes a negative finding on any of the factors in paragraph (b)(1) of this section in the course of a review, the applicant shall be informed pursuant to § 400.27(d)(3)(vii)(A). When threshold factors are the basis for a negative recommendation in a review of ongoing activity, the zone grantee and directly affected party shall be notified and given an opportunity to submit evidence pursuant to § 400.27(d)(3)(vii)(A). If the Board determines in the negative any of the factors in paragraph (b)(1) of this section, it shall deny or restrict authority for the proposed or ongoing activity.

(ii) The process for paragraph (b)(2) of this section involves consideration of the enumerated economic factors, taking into account their relative weight and significance under the circumstances. Previous evaluations in similar cases are considered. The net effect is arrived at by balancing the positive and negative factors and arriving at a net economic effect.

(2) *Contributory effect*. In assessing the significance of the economic effect of the zone activity as part of the consideration of economic factors, and in consideration of whether there is a significant public benefit, the Board may consider the contributory effect zone savings have as an incremental part of cost effectiveness programs adopted by companies to improve their international competitiveness.

(3) *Burden of proof*. Applicants for subzones shall have the burden of submitting evidence establishing that the

§ 400.32

15 CFR Ch IV (1-1-04 Edition)

activity does or would result in a significant public benefit, taking into account the factors in paragraph (b) of this section. Applicants for approval of manufacturing or processing in general-purpose zones shall submit evidence regarding the positive economic effects that would result from activity within the zone and may submit evidence and comments as to policy considerations. Both types of applicants are expected to submit information in response to evidence of adverse economic effects during the public comment period. Parties should submit evidence that is probative and substantial in addressing the matter in issue.

(d) *Monitoring and post-approval reviews*—(1) Ongoing zone activity may be reviewed at anytime to determine whether it is in compliance with the Act and regulations, as well as the authority granted by the Board. Reviews may also be conducted to determine whether there are changed circumstances that raise questions as to whether the activity is detrimental to the public interest, taking into account the factors enumerated in §400.31. The Board may prescribe special monitoring requirements in its decisions when appropriate.

(2) Reviews may be initiated by the Board, the Commerce Department’s Assistant Secretary for Import Administration, or the Executive Secretary; or, they may be undertaken in response to requests from parties directly affected by the activity in question and showing good cause.

(3) Upon review, if the Board finds that zone activity is no longer in the public interest, taking into account the provisions of §400.31, it may restrict the activity in question. The appropriateness of a delayed effective date will be considered in such cases.

[56 FR 50798, Oct. 8, 1991; 56 FR 56544, Nov. 5, 1991]

§400.32 Procedure for review of request for approval of manufacturing or processing.

(a) *Request as part of application for grant of authority.* A request for approval of proposed manufacturing or processing activity may be submitted as part of an application under §§ 400.24–400.26(a). The Board will review

the request taking into account the criteria in §400.31(b).

(b) *Request for manufacturing/processing in approved zone or subzone.* Prior to the commencement of manufacturing in a zone or subzone involving activity beyond the scope of that which has been previously authorized at the facility (i.e., new end products, significant expansions of plant production capacity), and of similar changes in processing activity that involves foreign articles subject to quotas or inverted tariffs, zone grantees or operators shall request the determination referred to in §400.31(a) by submitting a request in writing to the Executive Secretary (§400.28(a)(2)). Such requests shall include the information required by §§ 400.24(d)(4)(vii) and 400.25.

(1) The Commerce Department’s Assistant Secretary for Import Administration may make determinations in these cases based upon a review by the FTZ staff and the recommendation of the Executive Secretary, when:

(i) The proposed activity is the same, in terms of products involved, to activity recently approved by the Board and similar in circumstances; or

(ii) The activity is for export only; or

(iii) The zone benefits sought do not involve the election of non-privileged foreign status (19 CFR 146.42) on items involving inverted tariffs; or

(iv) The Port Director determines that the activity could otherwise be conducted under Customs bonded procedures.

(2) When the informal procedure in paragraph (b)(1) of this section is not appropriate—

(i) The Executive Secretary will:

(A) Assign a case docket number and give notice in the FEDERAL REGISTER inviting public comment;

(B) Arrange a public hearing, if appropriate;

(C) Appoint an examiner, if appropriate, to conduct a review and prepare a report with recommendations for the Board; and

(D) Prepare and transmit a report with recommendations, or transmit the examiners report, to the Board for appropriate action; and