

FTZ Success Story: Subzone 37D



Located just 30 miles outside of Syracuse in Auburn, New York, Foreign Trade Zone (FTZ) Subzone 37D has been active since October, 2013. Xylem, Inc. is a proud USA-based water technology provider and manufacturer of pumps, booster systems, pump parts and electric drives and controllers for the residential, commercial building services, industrial and water utilities markets, and has been in operation since 1848. The Auburn facility has been through several acquisitions, first by ITT in 1997 and then later became part of Xylem when ITT separated into three separate entities in 2011. Throughout this time, the business has expanded to include global operations, which include sourcing from a variety of suppliers, both domestic and international. Xylem has become a critical employer in the local economy.

The conceptualization of the FTZ first started during a local seminar on FTZ benefits. Through an analysis of its supply chain, the site quickly realized that the FTZ program would highly benefit its current supply chain mix and began its FTZ application process. The FTZ program enabled Xylem to use an inverted tariff benefit on imported motors dutiable between 3 and 4 percent. These motors are largely used in the manufacture of submersible pumps, which are duty free. The FTZ also provided some peripheral benefits for duty deferral and Merchandise Processing Fee Savings for weekly entry.

Xylem is an important part of the local economy. Manufacturing in the Central New York area has been drastically reduced over the past decade with major employers moving operations abroad or to other states to take advantage of lower operating costs. Due to the zero duty rates on pumps and pump parts, many of Xylem's direct competitors have also taken their manufacturing operations abroad. The FTZ program has been central to keeping Xylem's operating costs competitive and maintaining production in the US. Not only has the FTZ helped the company do well, it has also enabled Xylem to maintain its domestic supply base with local suppliers, with approximately two-thirds of annual purchasing procured from US-based suppliers in 2017. Currently, Xylem is the largest manufacturing-based employer in Cayuga County, New York, employing over 300 operations and support personnel.

Due in part to the competitive advantage that the FTZ provides, Xylem decided last year to relocate two product lines to the Auburn plant – booster packages and wastewater basin packages, which were previously completed by a third party manufacturer. Bringing these new lines to Auburn, highlights the ability of the FTZ program to provide critical competitive advantage that contributes to success in the US manufacturing industry.