



YEARLY ACTIVITY PLAN (YAP) - FY '09 – FY10

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| Division/Attached Agency: | Foreign-Trade Zone |
| Program Name: | Hawaii Foreign-Trade Zone #9 |
| Program ID: | BED107 |

I. PROGRAM PLANNING

Problem, issue or opportunity statement: Describe the problem, issue and/or opportunity your program is attempting to respond to.

Within the last year there has been a tremendous change in the global economy creating challenges for Hawaii businesses. Statewide prices for goods and services have risen, and small and medium sized (SME) entities are trying to weather this economic wave. Like waves, the economy has produced obstacles and opportunities. Foreign buyers are looking at U.S. companies and goods to acquire or distribute with minimal risk.

Hawaii's has ideal strategic location and unique image within the Pacific Rim market, Hawaii can expand and grow their operations within ASEAN and Pacific Rim countries as well as other global markets easier than it's mainland counterpart. U.S image and products are a bankable commodity for foreign countries who are becoming more westernized. Hawaii businesses with its unique niche image must realize that there are multi million if not billion dollar foreign companies interested in Hawaii and it's goods, and they are a webpage away. The Hawaii Foreign-Trade Zone is in the process of developing a new business model that will provide a complete platform to assist Hawaii businesses in capitalize on this opportunity.

International trade complexities and policies can be confusing to local businesses and may reflect in the lack of exports out of Hawaii. But Hawaii is an internet and e-commerce savvy state. In a recently published 2007-2008 articles ranking U.S. States on e-commerce and online usage, Hawaii ranked high for its ease of access into Asian markets and for online purchases and usage. Hawaii's e-commerce will provide companies the tools and opportunities to compete in the global export markets. Developing an e-commerce export model for Hawaii companies will provide businesses with a new market opportunity and reduced dependency on local sales thus avoid seasonal fluctuations and minimizing Hawaii companies looking to pull back operations and costs. Businesses have to strengthen its internal capacity to produce and export more so that we import less, and businesses will grow here in the islands. At the Hawaii Foreign-Trade Zone we are looking to implement and innovative a new business model in accordance with State policies and Federal guidelines, and assist in supporting current initiatives and programs implemented by DBEDT. The Hawaii Foreign-Trade Zone #9 program is seeking to ensure that international e-commerce assumes a bigger role in Hawaii's economy and create added incentive for the "One Stop Shop" facility.

Influential Factors as indicated in last YAP:

- Tariff Rates
- World and Hawaii's economy
- Fuel Prices
- World Economy and the strength of U.S. currency
- Rise of E-Commerce

Need and partners: Provide quantitative evidence to show the scope and nature of the problem or opportunity you are working on. Identify partners you will be working with to address the problem, issue and/or opportunity. Describe why government should be part of the solution.

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There is trepidation or a perception that Hawaii companies seem to have with exporting. To identify and understand why Hawaii companies don't pursue this viable lucrative export market by utilizing these State and Federal assistance programs shows the direct need to for these informational business seminars. These business seminars will provide information to companies on how to capitalize in this market with their website and content.

While any company with a website has potential access to foreign buyers overseas, e-commerce does not happen on its own. Companies must become familiar with the steps necessary to make their websites e-export-capable and must adopt certain electronic business practices that employ tools available from the private and public sectors.

The e-commerce platform plans to integrate with other agencies and private industries in developing a new and innovative program that can provide businesses with a "Cradle to Grave" model addressing foreign sales, credit insurance, brokers, shipping/delivery and market opportunities. DBEDT's Taiwan and China offices will be tremendous asset in assisting with Hawaii companies looking to export goods into the Asian markets. The U.S. Export Assistance Center, Small Business Administration, District Export Council and Export Import Banking City & State partnership will be able to assist with their programs by offering additional benefits and services towards the e-commerce export incentive programs to SME's.

The FTZ#9 will continue with it's ongoing efforts to work with and promote programs along with U.S. Customs and Border Protection and the Hawaii Foreign-Trade Zone.

The FTZ#9 program actively promotes through ethnic and business chambers of commerce and associations in utilizing the FTZ#9 for it's "One Stop Shop" program. The FTZ#9 maintains a great relationship with the National Foreign-Trade Zone board and its officials, and is abreast of pending and recent updated policies and regulations to ensure the most up to date information is available to FTZ#9 customers.

Desired results (outputs, outcomes and impacts): What will success look like? Describe what you expect to achieve in the short-term (0-2 years) and long-term (2-6 years).

Short Term desired results:

- Increased growth of Hawaii SME's exporting through the e-commerce program.
- Align public/private partnerships to provide well rounded assistance programs for Hawaii companies.
- Assist businesses and State agencies in providing additional FTZ#9 incentive for new companies/investments to the Hawaii market.
- More companies participating in the FTZ#9 program statewide.
- Consult with web designers and experts to maximize FTZ website and e-commerce program implementation.

Long Term desired results:

- Increased economic diversification for Hawaii businesses.
- Increased foreign investments towards Hawaii businesses.
- Increased business exports and established Hawaii export industry.
- Growth with consistent active Pier 2 users.
- Contributing to DBEDT strategic goals

Influential Factors: List the factors you believe will support or hinder your ability to impact the problem or opportunity.

- E-commerce growth.
- Foreign Business and investments.
- Foreign countries and its citizens rising economic status.
- Tariff Rates.
- Hawaii's economy.
- Fuel Prices.
- World Economy and the strength of US currency.

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- U.S. Customs processes and procedures.
- CIP funding to implement necessary structural repairs and updates to the FTZ#9 facility to create additional incentive and services to businesses consolidating operations at the FTZ#9.

Strategies: List the “best practices” that have helped other programs achieve the kind of results your program promises.

Work to develop public and private partnerships with like services and industries to provide and develop innovative programs.

Develop contracts with companies with expertise within their industries to develop and maximize usage of services.

Join social and business groups that can provide opportunities in working with or promoting program to other members or attendees.

Assumptions: State the assumptions behind *how* and *why* the change strategies you have identified will work. Use ‘If - then’ statements, i.e. “if _____ then _____ happens.”

This new planned business model will give companies the tools and resources to change their economic outlook. The economic waves in the past didn't give companies any options on how to “weather the storms” and the only option, was to “tighten the belt”. Today Hawaii businesses coupled with this new e-commerce program will have the tools and resource solutions for their import and export supply chain. Companies won't have to fall on past business solutions to weather the economic storm. When Hawaii companies explore and start to export goods to foreign consumers then Hawaii businesses will be able to see the benefits and potential opportunities in expanding their business model and operations. Companies have a key opportunity to now grow their business in a softening economy with exporting! Studies show that e-commerce exporting will accelerate a companies global distribution and growth. Companies can now market globally and export goods. Creating opportunities for their Hawaii businesses by growing their operations, while keeping their traditions.

- Increase sales in global markets
- Reduce dependency on local markets
- Avoid seasonal fluctuations

95% of the world's consumers live outside of the U.S.¹

S&P 500 companies get 49% of their sales from outside the U.S.²

The planned partnerships will be with providers of services that will be able to implement and facilitate the e-commerce and logistics in conjunction with the Foreign-Trade Zone program. Businesses will then be able to have an increased incentive, service and benefits for their foreign imports and exports.

¹ Trade Promotion Authority – “Trade Promotion Authority delivers jobs, growth prosperity and security at home” – January 31, 2007.

² S&P 500 Index (Standard & Poor's, May 2007)

II. PROGRAM IMPLEMENTATION

Resources: Describe the resources available to support your program.

- E-commerce growth: Rise of global economic wealth, an increase a foreign upper and middle class and trans global deliveries.
- Foreign Business and investments: Foreign companies and corporations seeking U.S. start-up operations and investment opportunities. Working with other DBEDT offices and providing an all inclusive package of programs incentives when talking to foreign companies instead of “silo” programs and incentives.
- Tariff Rates: Tariffs and other compound costs that businesses will incur in bringing and storing

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goods here to Hawaii.

- Hawaii's economy/fuel prices: Rising fuel costs and its direct effect on how Hawaii companies will operate and streamline or bulk order to minimize operational costs.
- World Economy and the strength of US currency.
- CIP funding to implement necessary structural repairs and updates to facilitate the FTZ#9 program and maximize user benefits of the program in a quickly changing global economy. Funding will provide structural updates for additional area's to facilitate value added services for companies to consolidate and run their operations at the FTZ#9.
- Work with CBP in streamlining the process in applying and clearing customs to promote a "user friendly" application process to new and existing Pier 2 users.
- Continue with ethnic, business and city Chamber of Commerce's to increase exposure to potential opportunities and users.

Activities: Describe each of the activities you plan to conduct within your program.

- Finalize and roll out e-commerce export program seminars for Hawaii industries in conjunction with private and public partners. Presentations will be educational seminars and briefings designed to assist businesses in "doing business" with targeted international markets.
- Revamp FTZ#9 website to accommodate for constantly changing features on the web and contracting web based management for e-commerce design and capitalizing on website optimization capabilities.
- Design a short and concise Pier 2 "user friendly" informational packet containing all pertinent information, applications and instructions.
- Quantify and develop survey information to identify selected manufacturing and assembly operations which have a potential for functioning under FTZ status.
- Implement a PR campaign for various groups to help promote FTZ #9 within the community.
- Align FTZ#9 with other larger companies to increase business relationships with similar goals and objectives.
- Continually re-brand FTZ#9 while adhering to the policies, purpose and program so that it keeps up to date with a constantly evolving world trade economies and policies.

Outputs: For each program activity, identify what outputs you aim to produce.

- Increased warehouse and Pier 2 customers.
- Increased export and e-commerce usage from users.
- Contract with carrier to facilitate logistical promotion.
- Implement portions of the marketing program.
- Maximize warehouse and increase efficiency per cubic ft
- Secure "anchor" tenant to utilize FTZ#9 as a warehouse staging area in their operations.
- Hawaii residents returning for qualified employment or start and operate a new businesses.

Outcomes: Identify the short-term (0-2 years) and long-term (2-6 years) outcomes you expect to achieve.

Short & Long Term Outcomes

We expect that if accomplished, these activities will lead to the following changes in 1-3 then 4-6 years:

- Meet and exceed goals set forth by prior years budgetary objectives (exports, cargo recv'd, revenue and firms assisted) and re evaluate and configure goals based on economic fluctuation.
- General public has a firm understanding of what the Hawaii Foreign-Trade Zone #9 is, and can incorporate it in their business model and operations.
- Successful e-commerce program with an increase of new FTZ#9 users and exports.
- Complete business model facilitating complete supply chain solutions.

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- Show growth in both sub-zones, “ product manipulation area” and have “complete” office space users
- Expand and facilitate a larger “product manipulation area” which will provide added benefits for businesses to consolidate operations to the FTZ#9.
- Secure “anchor” tenant to utilize FTZ#9 as a warehouse staging area in their operations.
- Hawaii residents returning for qualified employment or start and operate a new businesses.

Impact: Describe the lasting impact you anticipate.

We expect that if accomplished these activities will lead to the following changes in 7-10 years

- Hawaii business sectors growing technologically thus lowering operating costs in order to capitalize in global markets.
- Hawaii owned business’s showing economic viability in producing worldwide exports and utilizing e-commerce to facilitate foreign transactions.
- Companies researching and utilizing emerging foreign markets and tapping into those markets for manufacturing, distribution/sales and spur growth and diversification.
- Partnering with Hawaii companies successfully importing and exporting products, and aligning program to maximizing exposure and awareness to potential businesses on the use of the FTZ#9.
- Increases in Hawaii's standard of living through steady growth in productivity.

III. PROGRAM EVALUATION

Indicators: Describe what SMART (‘specific; measurable; action-oriented; realistic; and timed’) indicators can be collected that would convey the status of your program.

The Foreign-Trade Zone reviews goals on a month to month and year to year comparison of metrics. The goals can be adjusted to reflect the business patterns that companies have changed in responding to global economic changes. The number of Hawaii businesses using the FTZ#9 program will provide a baseline of how effective the FTZ#9 is with providing seminars and joining business organizations and memberships assisted in marketing the program to new users. With the new and innovative e-commerce program the FTZ#9 will be able to provide a more “complete” range of services to effectively streamline businesses supply chains. Reflective with the number of tenants at the FTZ#9 will show that companies are able to capitalize on the program and take advantage of these programs and grow their global exports. The FTZ#9 can also add an incentive to other agencies looking to attract industries and businesses interested in establishing their Hawaii operations. The FTZ#9 will be able to provide a cost efficient solution that can add attractive benefits to companies that are importing dutiable merchandise here in Hawaii.

IV. ALIGNMENT

| Is your program linked to DBEDT’s six strategic objectives? | | |
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| 1. | | Workforce Housing |
| 2. | | Human Capital Development |

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| 3. | X | Hawai'i Clean Energy Initiative |
| 4. | X | Global Links |
| 5. | | Innovation Infrastructure |
| 6. | X | Improve Hawai'i's Small Business Environment |

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| Emerging Industries: Does your program impact Hawai'i's emerging industries? | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> |
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V. APPROVALS

- a.** _____ Submitted by - Print Name _____ Submitted by - Signature _____ Date
- b.** APPROVED DISAPPROVED _____ Division/Agency Head - Signature _____ Date
- c.** APPROVED DISAPPROVED _____ Director - Signature _____ Date