



**DEPARTMENT OF BUSINESS,  
ECONOMIC DEVELOPMENT & TOURISM**

**NEIL ABERCROMBIE**  
GOVERNOR

**RICHARD C. LIM**  
DIRECTOR

**MARY ALICE EVANS**  
DEPUTY DIRECTOR

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Statement of  
**Richard C. Lim**, Director  
Department of Business, Economic Development, and Tourism  
before the  
**House Committees on  
ECONOMIC DEVELOPMENT & BUSINESS  
AND  
AGRICULTURE**  
Friday, March 14, 2014  
11:00 AM  
State Capitol, Conference Room 312

in consideration of  
**SB 2020 SD2 RELATING TO ECONOMIC DEVELOPMENT.**

Chairs Tsuji and Wooley, Vice Chairs Ward and Onishi, and Members of the Committees.

The Department of Business, Economic Development, and Tourism, (DBEDT) supports the intent of this bill. This bill is to establish an agricultural Foreign-Trade Zone in Central Oahu. As the federally chartered operator of Foreign-Trade Zones in Hawaii, DBEDT stands ready to assist in applying for Federal designation.

There are several considerations which will need to be taken into account prior to an area being designated and activated as a Foreign-Trade Zone. Foreign-Trade Zones are areas established and designated by the federal government where merchandise of every description may be held without being subject to Customs duties and other ad valorem taxes. In other words, commercial merchandise (both foreign and domestic) receives the same treatment by Customs as if it were outside the commerce of the United States. These zones are designed to lower the cost of U.S.-based businesses engaged in international trade through tariff and tax relief while creating and retaining employment and capital investment that result from those operations.

Foreign-Trade Zones, or FTZs, are approved and designated by the Foreign-Trade Zones Board in Washington, D.C. through a formal application process and must also gain the concurrence of U.S. Customs and Border Protection. Under the review process, U.S. Customs will examine a list of every commodity within the FTZ and determine whether the product will be manipulated or commingled with other elements to effect a change in commodity status of the final product. More importantly, U.S. Customs will examine whether tariff and/or tax relief will be realized through the use of

Foreign-Trade Zone procedures. After the Foreign-Trade Zones Board gives its approval to establish a Foreign-Trade Zone, the site is awarded activation status by U.S. Customs and Border Protection upon review and approval of the project's standard operating procedures. The process generally takes a year, and once established, users of the Zone can take advantage of the level and timing of duty payments and certain Customs procedures afforded by FTZs.

DBEDT believes it is important to note that there are costs associated with the application, implementation, and on-going operations for Foreign-Trade Zones. These application fees range from \$5,000 to \$7,000 for the application process to an annual fee of \$18,000 for charter operator oversight of the Hawaii Zone program.

Thank you for the opportunity to offer comments on this bill.



**March 14, 2014**

Before the House Committee on Economic Development & Business, and The Committee on Agriculture

***Re: Supporting Testimony to SB2020 RELATING TO ECONOMIC DEVELOPMENT***

Dear Chairs Clift Tsuji, Jessica Wooley and Committee Members:

This testimony is to provide the support of Wahiawa's oldest community association, the Wahiawa Community and Business Association (WCBA) to this bill.

The U.S. economy is benefiting from many companies operating in foreign-trade zones. It has become a thriving sector in the U.S. economy.

The Hawaii diversified agricultural industry will gain a competitive edge with lower costs due to Customs inspections and duty collection that only apply when goods leave the zone for domestic U.S. commerce, rather than when first admitted to the zone from abroad

Price competition from foreign agricultural products is tough. But, when Hawaii products are competitive, a customer is more likely to buy "grown in Hawaii" product instead of a product grown in a third world country.

The agricultural zone is going to be a huge benefit to Hawaii's farmers. The zone can level the playing field with foreign agricultural competition.

The foreign-trade zone will benefit Wahiawa and the surrounding areas by bringing agricultural jobs and enhanced economic activity into the area.

Thank you for this opportunity to testify.

Sincerely,

A handwritten signature in black ink, appearing to read "W. Benavitz Jr.", written in a cursive style.

Walter R. Benavitz Jr.  
WCBA Government Action Committee Chair

Wahiawa Community & Business Association  
P. O. 861408  
Wahiawa, Hawaii 96786

**ward2-Robin**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Wednesday, March 12, 2014 2:35 PM  
**To:** edbtestimony  
**Cc:** highwayresponse@gmail.com  
**Subject:** \*Submitted testimony for SB2020 on Mar 14, 2014 11:00AM\*

**SB2020**

Submitted on: 3/12/2014

Testimony for EDB/AGR on Mar 14, 2014 11:00AM in Conference Room 312

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Alison Dela Pena	Individual	Support	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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SB 2020sd2, Relating to Economic Development  
House EDB/AGR Committees  
Friday, March 14, 2014  
11:00 am  
Conference Room 312

Testimony by: Larry Jefts  
Position: Support

Chairs Tsuji and Wooley, and Members of the House EDB/AGR Committees:

I am Larry Jefts, co-owner of Sugarland Growers, Inc., a family run farm with more than 35 years experience of Hawaii farm experience on Molokai and Oahu.

We appreciate the continued discussion about this measure, and support SB 2020sd2, which seeks to establish a foreign trade zone for agricultural related businesses. This is one of the tools needed to help farmers and ranchers as well as agriculture-related businesses become more competitive with overseas producers that compete with Hawaii producers.

Your support of this measure is appreciated. Thank you for the opportunity to present testimony. I can be reached at (808) 688-2892 if there are any questions.

Sugarland Growers Inc.  
P.O. Box 27, Kunia, Hawaii 96759  
Tel: (808) 688-2982 Fax: (808) 682-2894

**ward2-Robin**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Wednesday, March 12, 2014 5:31 PM  
**To:** edbtestimony  
**Cc:** alex.kanamu@gmail.com  
**Subject:** \*Submitted testimony for SB2020 on Mar 14, 2014 11:00AM\*

**SB2020**

Submitted on: 3/12/2014

Testimony for EDB/AGR on Mar 14, 2014 11:00AM in Conference Room 312

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Alex Kanamu	Individual	Support	No

Comments:

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**ward2-Robin**

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Thursday, March 13, 2014 9:27 AM  
**To:** edbtestimony  
**Cc:** paulakomarajr@yahoo.com  
**Subject:** Submitted testimony for SB2020 on Mar 14, 2014 11:00AM

**SB2020**

Submitted on: 3/13/2014

Testimony for EDB/AGR on Mar 14, 2014 11:00AM in Conference Room 312

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Paul A. komara, Jr.	Individual	Oppose	No

Comments: I oppose this Bill, SB 2020. I have no faith in the judgment of the sponsors. I believe them to be People of The Lie as described in M. Scott Peck's book, People of The Lie. We The People of Hawaii know that there is hope for healing human Evil. Cease and desist. Corporations are not people...We The People prove this by our votes. Aloha, Paul

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NEIL ABERCROMBIE  
Governor



JAMES J. NAKATANI  
Executive Director

STATE OF HAWAII  
**AGRIBUSINESS DEVELOPMENT CORPORATION**  
235 S. Beretania Street, Room 205  
Honolulu, HI 96813  
Phone: (808) 586-0186 Fax: (808) 586-0189

TESTIMONY OF JAMES J. NAKATANI  
EXECUTIVE DIRECTOR  
AGRIBUSINESS DEVELOPMENT CORPORATION

BEFORE THE HOUSE  
COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS  
AND AGRICULTURE

Friday, March 14, 2014  
11:00 a.m.  
Conference Room 312

SENATE BILL NO. 2020, SD2  
RELATING TO ECONOMIC DEVELOPMENT

Chairpersons Tsuji, Wooley and Members of the Committees:

Thank you for the opportunity to testify in support of Senate Bill No. 2020, SD2. This bill seeks to establish an agricultural Foreign Trade Zone (FTZ) in Wahiawa, Oahu. The Agribusiness Development Corporation (ADC) supports the establishment of a FTZ because of the potential impact it could have on leveling the playing field for Hawaii's agricultural related industries.

The FTZ Program was authorized by Congress in 1934 (FTZ Act - 19 USC 81a-81u) and is used across the nation to help encourage value-added manufacturing at home-based facilities in competition with foreign alternatives by allowing delayed or reduced tax payments on foreign merchandise, as well as other savings.



According to Federal law, goods are not technically imported until they leave the FTZ and into the Customs territory of the Federal government. As a result, Customs tax is deferred until merchandise is imported from a designated zone into the commerce of the United States. Instead of companies having their capital tied up in Customs taxes on their inventory, they can use that money for other purposes.

ADC has recently acquired former plantation land and facilities in Wahiawa to create an agricultural hub in Central Oahu. A FTZ would add another layer to the ongoing efforts by many to create jobs and reduce the overhead cost for agricultural operations and related activities.

As Hawaii transitions from a monocrop plantation system into diversified farming, our value-added and support businesses must remain competitive in order to venture in today's global marketplace. By keeping the cost down for ag-related operations that require foreign materials for production, the State could potentially create new industries in the islands, rather than shipping them overseas.

Thank you for the opportunity to provide testimony on this measure.

**LATE**



P.O. Box 253, Kunia, Hawai'i 96759  
Phone: (808) 848-2074; Fax: (808) 848-1921  
e-mail [info@hfbf.org](mailto:info@hfbf.org); [www.hfbf.org](http://www.hfbf.org)

March 14, 2014

HEARING BEFORE THE  
HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS  
HOUSE COMMITTEE ON AGRICULTURE

TESTIMONY ON SB 2020, SD2  
RELATING TO ECONOMIC DEVELOPMENT

Room 312  
11:00 AM

Aloha Chair Tsuji, Chair Wooley, Vice Chair Ward, Vice Chair Onishi, and Members of the Committees:

I am Christopher Manfredi, President of the Hawaii Farm Bureau (HFB). Organized since 1948, the HFB is comprised of 1,832 farm family members statewide, and serves as Hawaii's voice of agriculture to protect, advocate and advance the social, economic and educational interest of our diverse agricultural community.

**HFB stands in strong support of SB 2020,SD2.**

This is an innovative approach to directly help farmers and ranchers be competitive in the international marketplace; to access new and emerging markets and to strengthen and expand existing ones. We applaud the introducers for their vision and initiative for advancing this measure and we respectfully ask that the members of these committees do the same by passing this bill.

Thank you for the opportunity to comment on this measure.



**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Friday, March 14, 2014 4:50 AM  
**To:** edbtestimony  
**Cc:** brian@hfbf.org  
**Subject:** Submitted testimony for SB2020 on Mar 14, 2014 11:00AM  
**Attachments:** SB 2020, SD2 Foreign Trade zones EDB\_AGR 03\_14\_14.docx

**SB2020**

Submitted on: 3/14/2014

Testimony for EDB/AGR on Mar 14, 2014 11:00AM in Conference Room 312

Submitted By	Organization	Testifier Position	Present at Hearing
Brian Miyamoto	HFBF	Support	No

**Comments:**

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**LATE**

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**Sent:** Thursday, March 13, 2014 7:02 PM  
**To:** edbtestimony  
**Cc:** roslynn61@yahoo.com  
**Subject:** \*Submitted testimony for SB2020 on Mar 14, 2014 11:00AM\*

**SB2020**

Submitted on: 3/13/2014  
Testimony for EDB/AGR on Mar 14, 2014 11:00AM in Conference Room 312

Submitted By	Organization	Testifier Position	Present at Hearing
Roslynn Pascua	Individual	Support	No

Comments:

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NEIL ABERCROMBIE  
GOVERNOR

SHAN TSUTSUI  
LT. GOVERNOR



FREDERICK D. PABLO  
DIRECTOR OF TAXATION

JOSHUA WISCH  
DEPUTY DIRECTOR

STATE OF HAWAII  
**DEPARTMENT OF TAXATION**

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PHONE NO: (808) 587-1540  
FAX NO: (808) 587-1560

To: The Honorable Clift Tsuji, Chair  
and Members of the Committee on Economic Development and Business

The Honorable Jessica Wooley, Chair  
and Members of the Committee on Agriculture

Date: Friday, March 14, 2014  
Time: 11:00 A.M.  
Place: Conference Room 312, State Capitol

From: Frederick D. Pablo, Director  
Department of Taxation

Re: S.B. 2020, S.D. 2, Relating to Economic Development

The Department of Taxation (Department) appreciates the intent of S.B. 2020, S.D. 2, and provides the following information and comments for your consideration.

S.B. 2020, S.D. 2, would create an "Agricultural Foreign Trade Zone" on certain designated parcels of land in the State, to be administered by the Department of Business, Economic Development, and Tourism (DBEDT). This measure is intended to provide the same benefits a business would receive in a Foreign Trade Zone to businesses in an "Agricultural Foreign Trade Zone" whose services relate to agriculture. S.D. 2 has a defective effective date of July 1, 2050.

The Department notes that a Foreign Trade Zone (FTZ) is created by federal law, specifically Chapter 19, Section 81 of the United States Code, and is intended to be a zone in which international trade can occur without incurring United States customs duties. The only prohibition on State activity within any FTZ is the prohibition on *ad valorem* taxation by the State within the FTZ, created by Chapter 19, Section 81o(e) of the United States Code. The Department notes that generally agricultural products and commodities are not subject to *ad valorem* taxation under Hawaii's current tax system.

An exemption from the General Excise Tax is provided by Section 212-8, Hawaii Revised Statutes, for certain activities within a FTZ, and this exemption would apply to activities

within a zone created pursuant to this measure, but only once the certification process discussed in prior testimony from DBEDT was complete.

If the intent of the legislature is to provide tax incentives for agricultural trade, the Department suggests utilizing the existing Enterprise Zone law rather than using terminology associated with federal programs.

Thank you for the opportunity to provide comments.