

LATE TESTIMONY

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SENATE COMMITTEE ON TRANSPORTATION & INTERNATIONAL AFFAIRS

TESTIMONY REGARDING SB 2816 RELATING TO INTRA-COUNTY FERRY SERVICE

TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (OR DESIGNEE)
DATE: JANUARY 30, 2008
TIME: 2:45PM
ROOM: 224

This legislation, among other things, provides a fuel tax exemption for fuel sold to an intra-county ferry service.

The Department of Taxation (Department) takes **no position** on this legislation and **provides technical comments**.

I. THE DEPARTMENT FINDS TRANSPORTATION ALTERNATIVES ARE IMPORTANT.

The Department recognizes the transportation infrastructure limitations currently experienced in Maui County. Providing additional transportation methods is an issue worth pursuing.

II. THE FUEL TAX EXEMPTION SHOULD BE AMENDED.

The Department has concerns over the current drafting of this bill. The current mechanics of this bill are counterintuitive and it does not make sense to include an exemption section within the assessment section of the license tax. The exemption for an intra-county ferry service should be included within the current exemption section provided at HRS § 243-7. The bill should be amended to read:

"§243-7 Tax not applicable, when. (a) This chapter requiring the payment of license fees shall not be held or construed to apply to fuel imported into the State in interstate or foreign commerce while and so long as such fuel is beyond the taxing power of the State, nor to any such fuel exported or sold to the government of the United States or any department thereof for official use of the government, nor to any fuel exported or sold to another licensed distributor; but every distributor shall be

required to report such imports, exports, and sales as provided by this chapter and in such detail as the department of taxation shall require.

(b) This chapter shall also not apply to the sale of liquid fuel sold or used in the State for ultimate use by an intra-county ferry service that serves a county with a population of less than five hundred thousand residents and that includes at least three islands inhabited by permanent residents."

III. REVENUE ESTIMATE

This legislation will result in a revenue loss to the Highway Fund of approximately \$13,500, starting FY2009.

SENATOR J. KALANI ENGLISH, CHAIR
SENATOR MIKE GABBARD, VICE-CHAIR
COMMITTEE ON TRANSPORTATION AND INTERNATIONAL AFFAIRS

STEVEN T. KNIGHT
PRESIDENT/CEO
HONE HEKE CORP. DBA
EXPEDITIONS – MAUI/LANA`I FERRY
658 FRONT STREET SUITE 127
LAHAINA, HAWAII 96761

WEDNESDAY, JANUARY 30, 2008
ROOM 224 2:45 PM

SUPPORT OF SB 2816, RELATING TO INTRA-COUNTY FERRY SERVICE

EXPEDITIONS HAS BEEN PROVIDING FERRY SERVICE BETWEEN LAHAINA HARBOR ON MAUI AND MANELE HARBOR ON LANA`I SINCE 1990. STARTING THIS PAST OCTOBER EXPEDITIONS BEGAN ADDITIONAL SERVICE WITH TWO ROUND TRIPS DAILY BETWEEN MA`ALAEA HARBOR ON MAUI AND MANELE HARBOR ON LANA`I. FROM THE DATE OF INITIAL OPERATION IN 1990 UNTIL PRESENT, EXPEDITIONS HAS OPERATED UNDER THE SAME RATE SCHEDULE WITH NO INCREASE IN TICKET PRICES, EVEN THOUGH FUEL, VESSEL COSTS AND OTHER FIXED EXPENSES RELATING TO EMPLOYEE HEALTH CARE AND MARINE INSURANCE HAVE ALL AT LEAST TRIPLED OVER THAT PERIOD.

EXPEDITIONS IS PROUD OF THE SERVICE IT HAS PROVIDED TO THE OVER 185,000 PASSENGERS WHO TRAVELED IN 2007, HOWEVER AT THIS TIME WE NEED ASSISTANCE TO ENABLE US TO CONTINUE OUR NEW MA`ALAEA ROUTE. AT PRESENT THE COST IN LABOR AND FUEL ALONE TO DO THE TWO ROUND TRIPS IS APPROXIMATELY \$2500 PER DAY. THE RIDER SHIP AT THIS TIME DOES NOT JUSTIFY THE COST OF OPERATION BUT EVENTUALLY THROUGH ADVERTISING AND OTHER PROMOTIONS WE HOPE TO BUILD A CLIENTELE THAT WILL SUPPORT THIS SERVICE ON ITS OWN.

ONE OF THE PRIMARY REQUIREMENTS FOR THE FERRY AT MA`ALAEA IS A SAFE, SECURE PLACE TO BERTH WITHIN THE HARBOR. AT PRESENT THE EXPEDITIONS FIVE VESSEL IS BEING GRANTED 90 DAYS OF TEMPORARY MOORAGE WHICH WHEN EXPIRED MEANS THE FERRY WOULD HAVE TO TRAVEL TO LAHAINA AFTER THE DAYS SERVICE IN MA`ALAEA AND RETURN THE FOLLOWING MORNING TO RESUME OPERATIONS. THIS WOULD COMPLETELY PUSH THE LABOR AND FUEL COSTS BEYOND LIMITS FOR CONTINUED OPERATION.

EXPEDITIONS TRULY FEELS THIS SERVICE IN MA`ALAEA ADDS A POSITIVE BENEFIT FOR THE LANA`I RESIDENTS WITH THEIR TRAVEL NEEDS ALONG WITH REDUCING SOME OF THE MANY VEHICLES THAT PREVIOUSLY HAD TO TRAVEL TO OR FROM LAHAINA TO UTILIZE THE FERRY SYSTEM. ALSO HAVING THE MA`ALAEA SYSTEM IN PLACE MAKES FOR EASY IMPLEMENTATION OF EMERGENCY PROCEDURES TO CONNECT LAHAINA AND MA`ALAEA BY WATER SHOULD IT BE NECESSARY TO CLOSE THE HIGHWAY.

THE BENEFICIAL ASPECTS OF A MA`ALAEA FERRY ARE FAIRLY OBVIOUS AS STATED BUT THE FINAL AND MOST CRUCIAL IS THE FACT THAT BECAUSE OF EXPEDITIONS STARTING A FERRY OPERATION OUT OF MA`ALAEA HARBOR IT BECAME POSSIBLE FOR THE FEDERAL TRANSIT AUTHORITY TO MAKE FUNDS AVAILABLE FOR FERRY TERMINAL IMPROVEMENTS. MILLIONS OF DOLLARS IS BEING DIRECTED TO MA`ALAEA HARBOR FOR MUCH NEEDED REPAIRS AND IMPROVEMENTS BASED ON EXPEDITIONS FERRY OPERATION. THIS SAME FTA FUNDING TOOK PLACE IN MANELE HARBOR WITH THOSE IMPROVEMENTS VERY CLOSE TO COMPLETION.

THE REASONS EXPEDITIONS HAS REQUESTED YOUR SUPPORT FOR SB2816 ARE MANY BUT I HOPE YOU WILL AGREE ANYTHING THAT ENABLES THE FERRY TO CONTINUE OPERATING OUT OF MA`ALAEA HARBOR IS A WIN, WIN SITUATION FOR ALL. EXPEDITIONS URGES THE COMMITTEE TO PASS S.B. No. 2816. THANK YOU FOR THIS OPPORTUNITY TO TESTIFY.

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SENATOR MIKE GABBARD, VICE-CHAIR
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