



**STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097**

February 8, 2010

TESTIMONY OF THE DEPARTMENT OF TRANSPORTATION

HOUSE BILL NO. 2667, RELATING TO FERRIES

COMMITTEE ON TRANSPORTATION

The Department of Transportation (DOT) offers the following comments on this bill to repeal Chapter 268, Hawaii Revised Statutes, and create a new chapter to establish the Hawaii State ferry system authority within the DOT. The new authority shall be required to acquire ferry vessels and operate a high speed passenger and vehicular ferry system.

We concur that the people of Hawaii would benefit by having a diversity of transportation choices, including the benefits from the establishment of an inter-island ferry system. The Hawaii Superferry has proven that the technology can successfully transport people and goods between the islands of Maui and Oahu. The deployment of the two former Superferry vessels for relief efforts in Haiti by the Maritime Administration also demonstrates the benefits of having such vessels in the State in times of natural disasters and emergencies. That said, however, the establishment, management and operation of a ferry system is a complex and financially challenging undertaking that will require the support of many parties, including the legislature, the private sector, and the communities that this system will serve.

TESTIMONY BY GEORGINA K. KAWAMURA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON TRANSPORTATION
ON
HOUSE BILL NO. 2667

February 8, 2010

RELATING TO FERRIES

House Bill No. 2667 establishes a Hawaii State Ferry System Authority and creates a Hawaii State Ferry System special fund to be administered by the Director of Transportation. The special fund will receive moneys from rates, fares, and charges received from the operation of a statewide ferry system to be used to fund the operations of the ferry system.

As a matter of general policy, we are against the creation of any new special fund or revolving fund that does not meet the requirements of Sections 37-52.3 and 37-52.4, Hawaii Revised Statutes. Special and revolving funds should: 1) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries of the program; 2) provide an appropriate means of financing for the program or activity; and 3) demonstrate the capacity to be financially self-sustaining. It is unclear if the Hawaii State Ferry System special fund would be financially self-sustaining.

This bill also includes an unspecified general fund appropriation in Fiscal Year 2011 for startup and operations of the Hawaii State Ferry System. Due to the current fiscal condition of the State, any diversion of general funds from core services cannot be considered at this time.

HOUSE COMMITTEE ON TRANSPORTATION

THE HONORABLE JOSEPH M. SOUKI, CHAIR
THE HONORABLE KAREN LEINANI AWANA, VICE CHAIR

HOUSE BILL NO. 2667 scheduled for hearing on February 8, 2010

Testimony of Roy Catalani,
Vice President of Strategic Planning and Government Affairs,
Young Brothers, Limited

Chair Souki, Vice Chair Awana, and Members of the House Transportation Committee:

Thank you for the opportunity to testify on House Bill No. 2667 (**HB 2667**).

Young Brothers, Limited (*Young Brothers* or *YB*) takes no position on HB 2667. We defer to the Legislature's judgment on the substance of this legislation. We, however, believe that there is language in the bill that needs to be corrected.

First, the bill refers to "slow, time consuming interisland shipping and barge operations for the transportation of property between the islands." This reference reflects a common misunderstanding of the efficiency by which cargo via barge is delivered. As a result, we do not think it appropriate to memorialize this misunderstanding in legislation. Among other things, this misunderstanding may only serve to confuse or mislead other decision-makers, perhaps even in regulatory agencies, when it comes to reviews of our own operations or of the water carriage industry as a whole.

The Young Brothers' hub-and-spoke system includes 12 sailings weekly from Honolulu to the Neighbor Islands. This system supports the Neighbor Islands' "just-in-time" form of inventory management. Generally, we load our barges during the day, sail overnight, and arrive the next morning at the destination port. Depending on the cargo transported, a shipper can drop off cargo at YB one day and pick it up at another YB port the next day.

With newer and more fuel-efficient designs of, for example, barge hulls and tug propulsion systems and with the larger payload of barges, these vessels easily constitute the most efficient means of cargo transportation. Young Brothers has moved between 7 million and 11 million tons of cargo in each year since 2003. Other forms of cargo transportation, including a high-speed ferry, cannot come near these annual totals. Moreover, Young Brothers has moved these millions of tons of cargo in a fuel-efficient manner. Young Brothers uses an average of little over 0.50 gallon (one half gallon) of fuel to move a ton of cargo from Honolulu to a Neighbor Island port. This figure includes both shore-side fuel to load

cargo with heavy lift equipment at both ports as well as fuel for the marine voyage between ports. In the future, fuel efficiency will continue to increase. YB will have entire years with its recently acquired new fleet of more efficient barges as well as higher cargo volumes that will come with economic recovery. Again, other forms of cargo transportation, including a high-speed ferry, cannot come near these levels of fuel efficiency. In a time of history when energy efficiency and increased energy independence are essential, these figures cannot be overlooked and are important to understand.

Nonetheless, there may be a place for high-speed ferries in inter-island transportation and, as noted, we defer to the Legislature's judgment on this matter. A case for a ferry need not be made, however, at the expense of the many dedicated persons who currently are in the business of inter-island transportation (whether by sea or by air) and who serve our Neighbor Island communities each day. Instead, one might look to the rationale posed by a Hawaii Superferry founder when he stated that the Superferry was created because "Hawaii needed an affordable maritime transportation option to serve the need between flying and the barge." In other words, in the context of tug and barge systems and airlines, a ferry would provide a differentiated service—*i.e.*, it is primarily a *passenger* service that carries automobiles as well as a *cargo service* that carries trucks traveling with passengers. A ferry may have a travel time for both passengers and cargo that falls between the transit times of airlines and barges and may carry cargo volumes greater than airlines but substantially lower than barges. If these statements are in fact true, then a ferry possibly has a firm basis in meeting an unmet need and providing a service that is not otherwise available.

Relying on (what we believe to be) this more accurate rationale also eliminates the need to recite other misstatements in the bill. For example, in the second paragraph of Section 1, HB 2667 recites:

By way of example, had the airport at Lihue been shut down operationally in the aftermath of Hurricane Iniki, it would have taken days, if not weeks, before any major aid and relief in the form of water, food, medical supplies, and rescue workers could have reached the island.

This misstatement overlooks one of the greatest moments in community service in Young Brothers' 110-year history.

The hurricane struck on September 11, 1992, inundating coastal areas and tearing apart structures. Damages of nearly \$2 billion were almost entirely on Kauai. In Honolulu, the Young Brothers response to the crisis began immediately through a pledge of the company to the rescue effort. The company had the knowledge, experience, and heavy lift capacity to respond without delay. Relief agencies were invited to ship supplies to Kauai at no cost through October and, in individual cases, for longer periods of time. Priority was given to the American Red Cross, Hawai'i Food Bank, Catholic Charities and the Salvation Army to ensure that the full benefit of shipments of goods, clothing, and other essential supplies went to where they were most needed.

On Sunday, September 13, less than 48 hours after the hurricane and the first day on which Kauai and its harbor were any shape to take large volumes of supplies (largely because of the work Young

Brothers and others did to clear the yard and put navigational buoys back into place in the harbor), virtually every Young Brothers employee in Kauai reported for work to unload relief supplies, leaving behind their own damaged homes. They continued to work straight through until October 10 without a day off—machine operators, freight clerks, everyone. As one employee then stated, “We just had to stay open. We had to move the freight.”

In the first week after the hurricane, Young Brothers had moved 20,000 tons of cargo to Nawiliwili. It could and would have carried more, but the harbor and community could not absorb any additional cargo. In fact, as a result, Young Brothers had to slow down the rate of delivery of cargo. Cargo could not get to the island’s warehouses, and the harbor was beyond its storage capacity with cargo waiting to go into the community. Tons of cargo had to be stacked at Nawiliwili Harbor until it could be distributed.

Contrary to the statement in the bill, the airport in Lihue was closed for several days. When the airport finally re-opened, Young Brothers’ heavy lift equipment was used to off-load military airplanes.

It took four to five months for some semblance of recovery, with Young Brothers donating tens of thousands of dollars in services and labor to the relief effort. The employees were rightfully proud of their success in shipping barge loads of much needed food, construction materials, and other vital supplies to Kauai. They, however, were frustrated by the inability of the island’s damaged infrastructure to absorb those supplies so that they could more quickly get into the community.

In this disaster, when the harbor and its staging area became accessible, it was inadequacy of other infrastructure, such as roads, warehouses, electricity (refrigeration), and communications, that prevented or slowed the distribution of relief supplies into the community once these supplies arrived. People and vessels, as well as airlines, were ready to and did serve the community. Many people from Kauai and all other parts of the State and all walks of life did step up and, as is our State’s tradition and culture in times of need or crisis, went to remarkable and oftentimes heroic lengths to help others.

With the foregoing in mind, we respectfully offer the following amendments to Section 1 of the bill:

With the exception of ~~slow, time-consuming~~ interisland shipping and barge operations for the transportation of property between the islands, the only link between the islands for the transportation of persons is air transportation, with our present reliance on two interisland carriers and a few smaller commuter operations. However, this reliance on air transportation may be misplaced. With the exception of the island of Hawaii, each of the neighbor islands is served by only one airport, and each may be subjected to severe operational interruption in the event of a natural disaster, such as a hurricane or earthquake. Even the Hickam Air Force Base-Honolulu international airport complex, with its location along the shoreline on Oahu may be operationally shut down by a natural disaster. ~~By way of example, had the airport at Lihue been shut down operationally in the aftermath of Hurricane Iniki, it would have taken days, if not weeks, before any major aid and relief in the form of water, food, medical supplies, and rescue~~

~~workers could have reached the island. Hawaii is too reliant on its present slow water carriers and air carriers in the event of a major natural disaster.~~

While the Hawaii superferry operation had its shortcomings, rocky start, and questionable financial forecast, it proved to be a very successful mode of transportation of both persons and property between the islands of Maui and Oahu. ~~It was the missing link provided a transportation option to serve the need that falls between flying and barge service and could have been an important component in the transportation system between the islands that is so essential for the health, safety, and well-being of the people of Hawaii. In the future, a ferry may provide a travel time for both passengers and cargo that falls between the transit times of airlines and barges, may transport cargo volumes greater than airlines but substantially lower than barges, and may otherwise provide a needed and differentiated service from those transportation services currently available.~~

The purpose of this measure is to establish the Hawaii state ferry system to provide ~~that~~ a necessary and essential additional missing link component for the carriage of persons and property between the islands of the State.

Lastly, we respectfully suggest that the Legislature take care to avoid unintended consequences in this bill by unnecessarily modifying or creating confusion over the regulatory and economic balances under the long-standing law of the Hawaii Water Carrier Act, codified at chapter 271G of the Hawaii Revised Statutes, and years of public and private decision-making and investment reliance thereon. As a result, we suggest this simple change to Section 2 of HB 2667 (in subsection (a)(14) of the proposed new statutory section -3 entitled **Powers**):

Work to eliminate or reduce barriers to travel between the islands and provide a positive, fair, and competitive business environment to meet current unmet needs or anticipated future needs for service, including coordinating with the department on issues affecting other water carriers and airlines and air route development;

Thank you for this opportunity to testify.

February 5, 2010

Requesting an HD1 for HB 2667 in Section 3, Subparagraph 17 (b)

The House Committee on Transportation
on Monday, 8 February 2010 in room 309 at 0900

Chair Souki and respected Members of the Committee;

My name is Reg White. I was one of the two captains of the Seaflite Hydrfoil passenger ferry KAMEHAMEHA which operated between our islands in the mid seventies. This proved that an interisland ferry system can work. By the time the parent company quit all private enterprise ventures in which they were involved, worldwide, Seaflite was already breaking even, after only three years in operation. This might be a wee bit more difficult considering today's fuel prices, but probably can be done again with careful planning. Unfortunately, careful planning is what seemed to be lacking in the recent Hawaii SuperFerry attempt to serve us. It is most important that the vessels involved be designed with Hawaiian waters in mind. The waters that must be negotiated between our islands involve operating in conditions that are found in very few other locations around the world. In designing and building ships and boats destined to carry passengers in Hawaii for the past 36 years, I have learned that most well known and very expert designers do not understand the conditions that we must deal with here in Hawaiian waters almost every day. The berthing problems faced by Hawaii SuperFerry are a classic example of this oversight. Once our operating conditions have been made clear to these designers a very successful boat can be developed to do the job very well. The Seaflite Hydrofoils did quite well once Boeing had modified their systems to operate more dependably in our waters. After the modifications, we missed very few trips due to weather.

The reason I ask you to make an HD1 for section 3, Subparagraph 17 (b) is that we already have very dependable passenger ferry service operating for a number of years from Lahaina and Maalaea on Maui to Lanai and another company operating ferry service from Lahaina to Molokai. These are private companies. Local businessmen who have founded and built their businesses to serve the people of Maui, Lanai and Molokai as private enterprise. It is not proper that this bill should intend to take their paid in tax monies and use it to compete with them on their routes with a government owned and operated ferry. These are small

businesses that employ local people and support our local economy. Please protect this condition in this bill.

Respectfully,

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