

HB 1239,  
HD1



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

IN REPLY REFER TO:

March 21, 2011

TESTIMONY OF THE DEPARTMENT OF TRANSPORTATION

HOUSE BILL NO. 1239, H.D. 1

COMMITTEE ON TRANSPORTATION AND INTERNATIONAL AFFAIRS

The Department of Transportation (DOT) supports with reservations H.B. 1239, H.D. 1 which would establish a Hawaii state ferry system and the Hawaii state ferry system special fund for the operation of a system to ferry people and cargo between the islands.

In concept, the DOT supports a statewide ferry transportation system but only if it were done through the United States military or a private public partnership.

Though the DOT would be able to assist in the development and support the ferry infrastructure and operations at its harbors. This bill seeks a Hawaii State Ferry Authority of which the DOT has no expertise or resources to operate and maintain.

Additionally, at this time, the DOT intends to engage in communications with the United States Department of Transportation and the United States Maritime Administration for possible federal funds since the funding requirements to establish a Hawaii State Ferry System Authority and to implement the actions called for may adversely impact the current and proposed budgets.

WRITTEN ONLY

TESTIMONY BY KALBERT K. YOUNG  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE SENATE COMMITTEE ON TRANSPORTATION  
AND INTERNATIONAL AFFAIRS  
ON  
HOUSE BILL NO. 1239, H.D. 1

March 21, 2011

RELATING TO FERRIES

House Bill No. 1239, H.D. 1, establishes a Hawaii State Ferry System Authority and creates a Hawaii State Ferry System special fund to be administered by the Department 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.

The department recognizes the benefit of user fees to offset operational expenses and costs. However, as a matter of general policy, the Department of Budget and Finance expects the creation of any special or revolving fund would 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. In regards to House Bill No. 1239, H.D. 1, it is difficult to determine whether the Hawaii State Ferry System special fund would be financially self-sustaining.



Hawaii Farm Bureau

F E D E R A T I O N

2343 Rose Street, Honolulu, HI 96819  
PH: (808)848-2074; Fax: (808) 848-1921

February 28, 2011

## TESTIMONY

### HOUSE COMMITTEE ON TRANSPORTATION

#### Re: HB 1239HD1 RELATING TO FERRIES

Chair English and Members of the Committee:

Hawaii Farm Bureau Federation on behalf of our commercial farms and ranches across the State is in **STRONG SUPPORT** of HB 1239, creating a new chapter enabling a Hawaii State Ferry System.

Viable agriculture in Hawaii is dependent upon an efficient, reliable and affordable transportation system. Separated by islands, with agricultural production areas distant from population centers, increased self sufficiency articulated by many as a State goal is dependent upon a sound transportation system. The ferry system provides an option that needs further exploration and HFBF supports such discussions.

HFBF respectfully requests your support of this measure. If there are any questions, please contact Warren Watanabe at 2819718. Thank you.

Sea Link of Hawaii

1036 Limahana Pl, #3E

Lahaina, HI 96761

3/18/11

Committee on Transportation & Internal Affairs

Re: HB 1239 and SB1127 Hearing 3/21/11 1:18 Room 224

Testimony in opposition

Senators,

Sea Link of Hawaii opposes this bill as written for the following reasons.

1. The State of Hawaii currently oversees the operation of two interisland ferry systems (Expeditions and Sea Link of Hawaii) through the Public Utilities Commission. Rates, schedules, and level of service all fall under the jurisdiction of the PUC. This proposed legislation does not take into account these existing systems. Passage of this measure would immediately cripple any chance for these two companies to expand their routes and upgrade vessels and equipment with the cloud of a state funded operation hanging overhead. Sea Link of Hawaii has been in operation since 1986 and would like to continue to operate for another twenty years or more.
2. Specifying that the service must have a 30 knot Superferry type vessel will insure that fuel consumption will be in the 1500 to 2000 gallon per hour range (or 4500 to 6000 gallons per each one way Oahu to Maui voyage). Diesel is currently over \$3 per gallon and heading rapidly toward \$4 per gallon. This type of vessel is very fuel inefficient and cannot compete with the 450 to 500 gallons used by a DC 9 on a 25 minute Oahu to Maui trip. While the Superferry is a technological wonder, it simply is too expensive to build, maintain, and operate on an interisland route. It is not economically feasible without HUGE state subsidies. It would be comparable to mandating a state operated airline fly only supersonic Concorde aircraft between our islands.
3. Humpback whale populations in Hawaii continue to increase. From 600 whales in the late 60's to 20,000 whales this year is a wonder success story but it has caused yearly increases in whale /vessel collisions. There is no reason that these increases will not continue. All available research indicates high vessel speeds increases the likelihood of collisions. A thirty knot ferry colliding with a forty five ton whale will injure passengers and cause structural damage to an aluminum hulled high speed ferry. Whales are in our waters from December until May. If a ferry is to operate during whale season in the future, it will need to be at less than 20 knots to avoid whale strikes and the collateral damage.

The concept of an upgraded state wide ferry system is a worthy goal. Unfortunately **this particular plan is flawed** and should not move forward. It will only lessen the chances of a legitimate operation being introduced. Thank you for your time and consideration.

Yours truly,  
**David Jung**

General Manager - Sea Link of Hawaii

Sharon Lum Ho

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Thursday, March 17, 2011 4:45 PM  
**To:** TIATestimony  
**Cc:** haleyj001@hawaii.rr.com  
**Subject:** Testimony for HB1239 on 3/21/2011 1:18:00 PM  
**Attachments:** Hawaii Inter white paper.doc

Testimony for TIA 3/21/2011 1:18:00 PM HB1239

Conference room: 224  
Testifier position: support  
Testifier will be present: Yes  
Submitted by: James Haley  
Organization: Individual  
Address:  
Phone:  
E-mail: [haleyj001@hawaii.rr.com](mailto:haleyj001@hawaii.rr.com)  
Submitted on: 3/17/2011

Comments:  
none

Hawaii Inter-Island Ferry  
White Paper

**A fast interisland ferry will reduce the cost living of outer island residents by 3.2%.**

Distribution managers work with a concept called "inventory whiplash". Inventory whiplash causes the cost of managing inventories to greatly increase. Speed of resupply is critical in managing inventories economically.

Say a liquor store can not be resupplied in less than 8 days. In order to avoid being out of stock this distant store must keep a larger inventory on hand than his counter part that can be restocked in two days. This larger inventory carries a larger inventory **interest** costs than the person with only a two day insight. If the manager of the far away liquor store can reduce his restocking time by six days he will save 1.6% of his total annual interest expense. This saving may be passed on to the outer island consumer.

Additionally, with less required on hand inventory, less space is needed to store the smaller inventory. The manager could reduce his inventory by 75% (6 days divided by 8 days) saving rent costs of 1.6 % on average.

Further, merchandise handling expense (stockman hours expense) would be reduced by 1%.

Finally, an educated "guesstimate" of a 1% reduction in opportunity cost due to lower out of stock conditions should be taken into consideration.

**A fast interisland ferry would provide for a more sustainable Hawaii.**

Currently some of the best agricultural lands in the world lie fallow. Virtually all crops may be grown in Hawaii. Indeed, during the 1849 gold rush wheat was grown on Mauna Kea to feed the 49ers in California. These fallow old cane lands have irrigation systems in place. What is missing is fast transport from the outer island fields to the Honolulu market. Hawaii's produce will be fresher with the reduced transit time and competitive.

Also, today many crops are grown now on a'ava, coffee, papaya and mac nuts. If we were to lease lava lands at \$100 per acre with a state 50 year lease and easy access to markets; Hawaii' ag. would thrive once again.

Going further, Hawaii's arable lands, taken in aggregate, are nearly as large as California's Imperial Valley. Hawaii could become a net exporter of canned foods as they do in California.

Finally, by different accounts, Hawaii has four to ten days of food available. In an increasingly uncertain world, whether it is earthquakes or terrorists, Hawaii must be able to feed itself in the event of an interruption of shipping from California. It is a matter of individual safety and security.

Respectfully Submitted,  
Jim Haley

Jim Haley is a retired logistics manager for the Sears Pearlridge store in Aiea, Hawaii. He also managed a small Sears store in Kailua-Kona, Hawaii. Additionally, Jim is a retired Coast Guard Commander whose specialty was Port Operations.