

**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 COMMITTEE ON FINANCE**

Friday, February 24, 2012  
10:00 a.m.  
State Capitol, Conference Room 308

in consideration of  
**HB 2380 HD2**  
**RELATING TO SHIPPING.**

Chair Oshiro, Vice Chair Lee and Members of the House Committee on Finance

DBEDT appreciates the overall concept of HB2380 HD2. DBEDT, however, does not have the necessary resources to study, examine options and assess incentives that might improve the timely shipping of produce from Lanai and Molokai to Oahu.

DBEDT defers to the appropriate agencies regarding issues related to the shipping of agricultural products from Lanai and Molokai to Oahu.

Thank you for the opportunity to submit testimony on this bill.



**HB2380 HD2**  
**RELATING TO SHIPPING**  
House Committee on Finance

February 24, 2012

10:00 a.m.

Room 308

The Office of Hawaiian Affairs (OHA) **SUPPORTS** HB2380 HD2, which establishes a working group to explore making shipping from Moloka`i and Lāna`i to O`ahu more efficient.

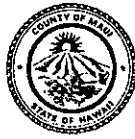
Shipping to our neighbor islands is a concern for OHA beneficiaries who struggle with the high cost of transport. This working group will bring together necessary parties to work on this issue.

Mahalo for the opportunity to testify on this important measure.

Council Chair  
Danny A. Mateo

Vice-Chair  
Joseph Pontanilla

Council Members  
Gladys C. Baisa  
Robert Carroll  
Elle Cochran  
Donald G. Couch, Jr.  
G. Riki Hokama  
Michael P. Victorino  
Mike White



Director of Council Services  
Ken Fukuoka

**COUNTY COUNCIL**  
COUNTY OF MAUI  
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WAILUKU, MAUI, HAWAII 96793  
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February 23, 2012

The Honorable Marcus R. Oshiro, Chair  
House Committee on Finance  
Hawaii State Capitol, Conference Room 308  
Honolulu, Hawaii 96813

Dear Chair Oshiro:

**Re: Testimony in Support of HB 2380 HD 2 relating to Shipping  
(Public Hearing: February 24, 2012 at 10:00 am in Conference Room 308)**

As the Lana`i member on the Maui County Council, I would like to offer testimony in support of HB 2380 HD 2. This measure establishes a working group to explore options for reducing the shipping time and costs for transporting goods from Molokai and Lanai to Oahu.

As a small island community, Lana`i businesses and residents are greatly impacted by shipping costs and scheduling. This measure is timely and addresses an important factor in the cost and quality of living on Lana`i.

Thank you for the opportunity to offer this testimony in support.

Sincerely,

  
Riki Hokama, Councilmember- Lana`i

cc: Council Chair Danny Mateo



*An Affiliate of the Hawaii Farm Bureau Federation and the American Farm Bureau Federation*

FEBRUARY 24, 2012

HEARING BEFORE THE  
HOUSE COMMITTEE ON FINANCE

TESTIMONY ON HB 2380, HD2  
RELATING TO SHIPPING

Room 308  
10:00 AM

Chair Oshiro, Vice Chair Lee, and Members of the Committee:

**The Molokai Farm Bureau supports HB 2380, HD2**, which establishes a working group to explore options for reducing the shipping time and costs for transporting goods from Molokai and Lanai to Oahu.

As the Molokai Farm Bureau, we are continually interested in improved methods of transporting our products to market, and encourage any dialogue that could result in valuable, improved and practical methods to accomplish this, for all of our farmers and ranchers.

Furthermore, we are supportive of the creation of a working group that would specifically explore options to seek ways to further reduce shipping costs for the transportation of goods from Molokai and Lanai to Oahu, as well as from Oahu to Molokai and Lanai. As much as the cost of shipping our final products to market is a challenge, the shipping costs for needed inputs brought in to develop our goods to be ready for market are also an important and very large part of our cost of goods, which contributes to our challenge of competing in not only the local Hawaii market, but broader markets within our specified targets.

We thank you for the consideration and amendment to include a Molokai representative in the working group. Allowing Molokai to participate in identifying and conveying critical information regarding realistic needs and challenges that would eventually directly affect Molokai, is a fair requirement. We also support the inclusion of other affected islands, agencies and industry representatives, as this assessment needs to take into account an overall balanced vision, and responsibly vet any redundant consequences that could impact certain crucial sectors, and the State as a whole.

Thank you for your consideration, and the opportunity to submit testimony. **We support HB2380, SD2.**



**Hawaii Farm Bureau**  
F E D E R A T I O N

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February 24, 2012

HEARING BEFORE THE  
HOUSE COMMITTEE ON FINANCE

TESTIMONY ON HB 2380, HD2  
RELATING TO SHIPPING

Room 308  
10:00 AM

Chair Oshiro, Vice Chair Lee, and Members of the Committee:

I am Brian Miyamoto, Chief Operating Officer and Government Affairs Liaison for the Hawaii Farm Bureau Federation (HFBF). Organized since 1948, the HFBF is comprised of 1,800 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.

HFBF supports HB 2380, HD2, which establishes a working group to explore options for reducing the shipping time and costs for transporting goods from Molokai and Lanai to Oahu.

HFBF continues to pursue methods that will improve shipping and we encourage any dialogue that could result in reduced rates to all farmers and ranchers. Furthermore, we are supportive of the creation of a working group that would specifically explore options to seek ways to further reduce shipping costs for the transportation of goods from Molokai and Lanai to Oahu (and vice versa), as shipping input costs for farmers and ranchers are an important and large part of our cost of goods, which contributes to our challenge of competing in the local Hawaii markets.

I can be reached at (808) 848-2074 if you have any questions. Thank you for the opportunity to testify.

HOUSE COMMITTEE ON FINANCE  
THE HONORABLE MARCUS R. OSHIRO, CHAIR  
THE HONORABLE MARILYN B. LEE, VICE CHAIR

HOUSE BILL 2380, HOUSE Draft 2, scheduled for hearing on February 24, 2012

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

**WRITTEN TESTIMONY ONLY**

Chair Oshiro, Vice Chair Lee, and Members of the House Finance Committee:

**Young Brothers, Limited (*Young Brothers*) offers these observations on HB2380 HD2.**

HB2380 HD2 proposes to establish, within the Department of Business, Economic Development, and Tourism, a working group "to study and consider ways to reduce the time and cost of shipping goods to Oahu from Molokai and Lanai and to recommend solutions." To help this Committee in its deliberations on this bill, Young Brothers offers the following observations and background.

On a statewide basis, Young Brothers operates 12 weekly roundtrip sailings per week in a "hub and spoke system" in which Honolulu Harbor operates as the hub. We sail twice weekly to Molokai and once weekly to Lanai. On **Sunday** night, a Young Brothers barge departs Honolulu and arrives in Kaunakakai on Molokai early **Monday** morning (and, like other Young Brothers sailings, sails through the night to arrive in the early morning hours in neighbor island ports in coordination with early morning trucking and delivery schedules). This barge is unloaded Monday morning in Molokai (with cargo being available for Molokai customers on Monday). By late Monday afternoon, the barge is backloaded with Molokai cargo, including agricultural cargo, destined for Honolulu. The vessel departs for a night sail and arrives in Honolulu on **Tuesday** morning.

On Tuesday morning, this Molokai cargo is unloaded in Honolulu and made available for Honolulu customers for pick-up (and, if any of the Molokai cargo is destined for another neighbor island, it will be loaded onto another barge). During the course of the Tuesday work day, this barge is again loaded with cargo destined for Molokai, along with cargo destined for Lanai. The barge departs again on **Tuesday** evening, arriving first in Lanai at daybreak on **Wednesday** morning. After the Lanai cargo is unloaded and cargo outbound from Lanai is

loaded, the barge then departs later that same day for a Molokai arrival on late **Wednesday** afternoon (with cargo to be available to Molokai customers on Thursday morning). After the Molokai-destined cargo is unloaded, the barge is again backloaded with Molokai cargo (on Wednesday afternoon) and sails back to Honolulu for a **Thursday** morning arrival in Honolulu, with cargo being available for pick-up by Honolulu customers on Thursday. Notably, all perishable cargo is stored and transported in temperature-controlled containers in every segment of transportation to retain freshness and product quality.

Prior to 2009, one of the two Young Brothers sailings to Molokai included one sailing from Oahu to Molokai via Maui. In the continuation of work on sailing schedules with the Molokai community, particularly the Molokai Chamber of Commerce, and also to achieve efficiencies in voyage costs, Young Brother reorganized its Maui County sailing schedules in 2009 (following PUC approval) to include the Molokai and Lanai sailings described above and to eliminate the sailing triangle that included Honolulu, Kahului and Kaunakakai. The savings resulting from these increased efficiencies were passed to our customers in lower "less than container load" (LCL) rates for Molokai and Lanai (and these proportionately lower LCL rates are still reflected in Young Brothers' tariff). Notably, with or without these lower LCL rates, service to Molokai and Lanai is heavily subsidized by other profitable routes and lines of service. This subsidy of costs is made possible by Molokai and Lanai costs being spread through a larger statewide system of service, with its attendant efficiencies of scale and scope. In addition, local agricultural productions (from all islands) receive a 30 to 35-percent discount on rates. We attach an addendum to this testimony setting forth examples of Young Brothers' freight rates applied to various commodities.

Thank you for the opportunity to testify.

**ADDENDUM TO TESTIMONY OF YOUNG BROTHERS, LIMITED ON  
HB2380 HD2**

**Examples of YB Freight Rates Applied to Various Commodities  
(without State general excise tax, wharfage and insurance charges)**

**Containerized Cargo (General Freight)**

<i>Dry 20-foot Container (about 20,000 lbs or 10 tons)</i>	<b>Rate</b>
<b>Cost of entire 20-foot Container:</b>	<b>\$516.86</b>
<b>Price per ton:</b>	<b>51.69</b>

<i>Refrigerated 20-foot Container about 20,000 lbs or 10 tons:</i>	<b>Rate</b>
<b>Cost of 20-foot Container</b>	<b>\$631.45</b>
<b>Price per ton:</b>	<b>63.14</b>

**Note:** Rates for *Island Agricultural Products* include a 35 percent discount from the above rates. Containers also come in 40- and 45-foot lengths.



### Examples for Less-than-Container Load Cargo (Dry)

40 cubic feet of canned goods (soup cans) – Honolulu to Molokai via dry pallet at general cargo rate	Rate
For entire pallet (1,920 cans):	\$43.05
Price per can:	2.2¢

60 cubic foot dry pallet of beverages – Honolulu to Molokai at beverage rate	Rate
For entire pallet (494 six-packs):	\$58.76
Price per six-pack:	12¢

### Examples for Less-than-Container Load Cargo (Refrigerated)

General cargo: 2,000 pounds of frozen chicken - Honolulu to Molokai via refrigerated pallet at general cargo rate	Rate
Cost of 2,000 pound pallet:	\$125.87
Price per pound:	6¢

2,000 pounds of local produce – Molokai to Honolulu via refrigerated pallet with Island Agricultural Product Discount	Rate
Cost of 2,000 pound pallet:	\$88.11
Price per pound:	4.4¢

**Example of Automobile Rate**

<b>Medium-sized Car</b>	<b>Rate</b>
One-way rate	<b>\$201.03</b>
Return within 30 days	<b>60.19</b>
Roundtrip within 30 days	<b>261.22</b>

A complete list of rates is available from Young Brothers at [www.htbyb.com](http://www.htbyb.com).