

HB 2380, HD 2

EDT/TIA



**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
SENATE COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY
AND
SENATE COMMITTEE ON TRANSPORTATION AND INTERNATIONAL AFFAIRS

Monday, March 19, 2012
1:15PM
State Capitol, Conference Room 016

in consideration of
HB 2380 HD2
RELATING TO SHIPPING.

Chairs Fukunaga and English, Vice Chairs Wakai and Espero, and Members of the Senate Committees.

DBEDT appreciates the overall concept of HB2380 HD2. However, we do 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

Senate Committee on Economic Development and Technology
Senate Committee on Transportation and International Affairs

March 19, 2012

1:15 p.m.

Room 016

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.

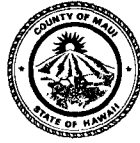
Shipping to our neighbor islands is a concern for OHA beneficiaries who struggle with the high cost of transport. This working group will bring together necessary parties to work on this issue.

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

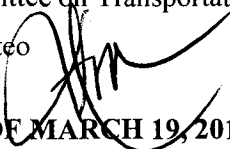


Director of Council Services
Ken Fukuoka

COUNTY COUNCIL
COUNTY OF MAUI
200 S. HIGH STREET
WAILUKU, MAUI, HAWAII 96793
www.mauicounty.gov/council

March 16, 2012

TO: The Honorable Carol Fukunaga, Chair
Senate Committee on Economic Development and Technology
The Honorable J. Kalani English, Chair
Senate Committee on Transportation and International Affairs

FROM: Danny A. Mateo
Council Chair 

SUBJECT: **HEARING OF MARCH 19, 2012; TESTIMONY IN SUPPORT OF HB 2380, HD2,
RELATING TO SHIPPING**

Thank you for the opportunity to testify in support of this important measure. The purpose of this measure is to establish a working group to explore options for reducing the shipping time and costs for transporting goods from Molokai and Lanai to Oahu.

The Maui County Council has not had the opportunity to take a formal position on this measure. Therefore, I am providing this testimony in my capacity as an individual member of the Maui County Council.

I support this measure for the following reasons:

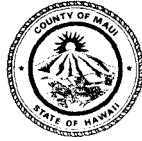
1. As a small island community, Lanai and Molokai businesses and residents are greatly impacted by shipping costs and scheduling. This measure is timely and addresses an important factor in the cost and quality of living on these two islands.
2. The Molokai Farm Bureau, Hawaii Farm Bureau, Molokai Chamber of Commerce, and OHA have expressed their support for this measure.

For the foregoing reasons, I support this measure.

Council Chair
Danny A. Mateo

Vice-Chair
Joseph Pontanilla

Council Members
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Robert Carroll
Elle Cochran
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March 16, 2012

The Honorable Carol Fukunaga, Chair
Senate Committee on Economic Development and Technology
Hawaii State Capitol, Conference Room 016
Honolulu, Hawaii 96813

The Honorable J. Kalani English, Chair
Senate Committee on Transportation and International Affairs
Hawaii State Capitol, Conference Room 016
Honolulu, Hawaii 96813

Dear Chair Fukunaga and Chair English:

**Re: Testimony in Support of HB 2380 HD 2 relating to Shipping
(Public Hearing: March 19, 2012 at 1:15 pm in Conference Room 016)**

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,

A handwritten signature in black ink, appearing to read "Riki Hokama".

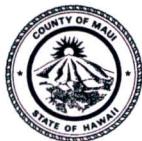
Riki Hokama, Councilmember- Lana`i

cc: Council Chair Danny Mateo

Council Chair
Danny A. Mateo

Vice-Chair
Joseph Pontanilla

Council Members
Gladys C. Baisa
Robert Carroll
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March 16, 2012

TO: Honorable Carol Fukunaga, Chair
Senate Committee on Economic Development And Technology

Honorable J. Kalani English, Chair
Senate Committee on Transportation And Internal Affairs

FROM: Joseph Pontanilla, Council Vice- Chair

A handwritten signature in black ink, appearing to read "Joseph Pontanilla", is written over the printed name in the "FROM:" field.

DATE: Monday March 19, 2012

SUBJECT: **SUPPORT OF HB 2380, HD 2, RELATING TO SHIPPING**

Thank you for the opportunity to testify in support of this measure. I provide this testimony as an individual member of the Maui County Council.

I **support HB 2380, HD 2** for the reasons cited in testimony submitted by Maui County Council Chair Danny A. Mateo and urge you to support this measure.

12:03:16:kbm/JP: HB 2380 HD2

fukunaga2 - Ashley-Jane

From: mailinglist@capitol.hawaii.gov
Sent: Friday, March 16, 2012 4:05 PM
To: EDTTestimony
Cc: Don.Couch@mauicounty.us
Subject: Testimony for HB2380 on 3/19/2012 1:15:00 PM

Testimony for EDT/TIA 3/19/2012 1:15:00 PM HB2380

Conference room: 016
Testifier position: Support
Testifier will be present: No
Submitted by: Councilmember Don Couch
Organization: Individual
E-mail: Don.Couch@mauicounty.us
Submitted on: 3/16/2012

Comments:

Council Chair
Danny A. Mateo

Vice-Chair
Joseph Pontanilla

Council Members
Gladys C. Baisa
Robert Carroll
Elle Cochran
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March 17, 2012

TO: Honorable Carol Fukunaga, Chair
Senate Committee on Economic Development

Honorable J. Kalani English, Chair
Senate Committee on Transportation on International Affairs

FROM: Robert Carroll
Council Member, East Maui

A handwritten signature in black ink that reads "Robert Carroll".

DATE: Monday, March 19, 2012

SUBJECT: **SUPPORT OF HB 2380 H.D. 2, RELATING TO SHIPPING**

I support HB 2380, HD2 for the reasons cited in testimony submitted by the Maui County Council Chair,
and urge you to support this measure.

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY

THE HONORABLE CAROL FUKUNAGA, CHAIR
THE HONORABLE GLENN WAKAI, VICE CHAIR

SENATE COMMITTEE ON TRANSPORTATION AND INTERNATIONAL AFFAIRS

THE HONORABLE J. KALANI ENGLISH, CHAIR
THE HONORABLE WILL ESPERO, VICE CHAIR

HOUSE BILL NO. 2380, HOUSE DRAFT 2, scheduled for hearing on March 19, 2012

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

Chair Fukunaga, Vice Chair Wakai, and Members of the Senate Economic Development and Technology Committee and Chair English, Vice Chair Espero, and Members of the Senate Committee on Transportation and International Affairs:

Young Brothers, Limited (*Young Brothers*) offers these observations on House Bill No. 2380, House Draft 2 (*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 Moloka`i and once weekly to Lāna`i. On **Sunday** night, a Young Brothers barge departs Honolulu and arrives in Kaunakakai on Moloka`i 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 Moloka`i (with cargo being available for Moloka`i customers on Monday). By late Monday afternoon, the barge is backloaded with Moloka`i 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 Moloka`i cargo is unloaded in Honolulu and made available for Honolulu customers for pick-up (and, if any of the Moloka`i 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 Moloka`i, along with cargo destined for Lāna`i. The barge departs again on **Tuesday** evening, arriving first in Lāna`i at daybreak on **Wednesday** morning. After the Lāna`i cargo is unloaded and cargo outbound from Lāna`i is loaded, the barge then departs later that same day for a Moloka`i arrival on late **Wednesday** afternoon (with cargo to be available to Moloka`i customers on Thursday morning). After the Moloka`i-destined cargo is unloaded, the barge is again backloaded with Moloka`i 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 Moloka`i included one sailing from O`ahu **to** Moloka`i via Maui. In the continuation of work on sailing schedules with the Moloka`i community, particularly the Moloka`i 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 Moloka`i and Lāna`i sailings described above and to eliminate the sailing triangle that included Honolulu, Kahului and Kaunakakai. The savings resulting from these increased efficiencies were passed on to our customers in lower “less than container load” (LCL) rates for Moloka`i and Lāna`i (and these proportionately lower LCL rates are still reflected in Young Brothers’ tariff). Notably, with or without these lower LCL rates, service to Moloka`i and Lāna`i is heavily subsidized by other profitable routes and lines of service. This subsidy of costs is made possible by Moloka`i and Lāna`i 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 this 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>	Rate
Cost of entire 20-foot Container:	\$516.86
Price per ton:	51.69

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

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



Less-than-Container Load Cargo (Dry)

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

60 cubic feet of beverages on dry pallet– Honolulu to Moloka`i <i>at beverage rate</i>	Rate
For entire pallet (494 six-packs):	\$58.76
Price <i>per six-pack</i> :	12¢

Less-than-Container Load Cargo (Refrigerated)

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

2,000 pounds of local produce – Moloka`i to Honolulu via refrigerated pallet <i>with Island Agricultural Product Discount</i>	Rate
Cost of 2,000-pound pallet:	\$88.11
Price <i>per pound</i> :	4.4¢



Automobile Rate

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

A complete list of rates is available from Young Brothers at www.htbyb.com.