



**DEPARTMENT OF BUSINESS,  
ECONOMIC DEVELOPMENT & TOURISM**

**NEIL ABERCROMBIE**  
GOVERNOR

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Statement of  
**RICHARD C. LIM**  
Director  
Department of Business, Economic Development, and Tourism  
before the  
**COMMITTEE ON TRANSPORTATION**  
and  
**COMMITTEE ON ECONOMIC REVITALIZATION & BUSINESS**  
Monday, January 30, 2012  
11:00 a.m.  
State Capitol, Conference Room 309

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

DBEDT supports the intent of HB2380. However, DBEDT 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.

The main beneficiaries of this measure would be agricultural producers who need to have their products delivered in a timely fashion to major markets on Oahu.

DBEDT recommends that the Department of Agriculture, rather than DBEDT, take the lead on establishing this working group to ensure that agricultural issues, concerns and needs are fully addressed. However, we defer to the Department of Agriculture whether it is feasible for them to take on this additional responsibility.

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

**HOUSE COMMITTEE ON TRANSPORTATION**  
**THE HONORABLE JOSEPH M. SOUKI, CHAIR**  
**THE HONORABLE LINDA ICHIYAMA, VICE CHAIR**

**HOUSE COMMITTEE ON ECONOMIC REVITALIZATION & BUSINESS**  
**THE HONORABLE ANGUS L. K. MCKELVEY, CHAIR**  
**THE HONORABLE ISAAC W. CHOY, VICE CHAIR**

**HOUSE BILL NO. 2380, scheduled for hearing on January 30, 2012**

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

Chair Souki, Vice Chair Ichiyama, and Members of the House Transportation Committee and  
Chair McKelvey, Vice Chair Choy, and Members of the House Economic Revitalization &  
Business Committee:

**Young Brothers, Limited (*Young Brothers*) offers these observations on House Bill No. 2380  
(*HB2380*).**

HB 2380 seeks "to establish a working group to examine economically feasible options to  
reduce the time necessary to ship goods from Molokai and Lanai to Oahu . . ." The need for  
this legislation is apparently based on the assumption that "[s]hipping goods to Oahu from  
Molokai and Lanai requires routing the goods through Maui" and the associated conclusion that  
this routing "increases shipping times, which reduces the shelf life of fresh items, causes the  
goods to lose nutrients, increases spoilage, and promotes the growth of harmful bacteria."

To the extent that these statements in HB 2380 are in reference to Young Brothers' weekly  
sailings between Honolulu and Molokai and/or Young Brothers' weekly sailing between  
Honolulu and Lanai, they are inaccurate. Our sailings to and from Molokai and Lanai are not  
routed through Maui.

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 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), and, 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 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. It 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, it then departs later that same day for a Molokai arrival on late Wednesday afternoon (with cargo 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 on our customers in lower "less than container load" (LCL) rates for Molokai and Lanai (and these 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.

To return to the original point, in Young Brothers' system, there is no increased shipping time of goods from Molokai and Lanai to Oahu (or vice versa) and there are no sailing routes to or from either Molokai or Lanai that include a stop in Maui.

Thank you for this opportunity to testify.

## ichiyama1 - Curi

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**From:** Jim Haley [haleyj001@hawaii.rr.com]  
**Sent:** Friday, January 27, 2012 2:06 PM  
**To:** TRNtestimony  
**Subject:** HB 2380

James A. Haley, Operations Manager/ Vice President Iliahi Foundation  
Transportation  
Hearing: Jan. 30,2012 -11 AM

Dear Legislators,

The Iliahi Foundation, comprised of members of the Class of '59, Punahou School, has as one of its missions to create a more sustainable Hawaii - Mauka to Makai. You as legislators have the opportunity to further the sustainability of Hawaii by moving HB 2380 forward for a vote.

The creation of a board of review to identify the best solutions for movement of produce and other products from Lanai and Molokai will not only aid those islands but also all the other islands as well. The passage of HB 2380 will allow for the necessary planing model for the security and economic development of those two islands and all of Hawaii.

I am a retired Sears logistics manager and know well the axiom that "time is money". The reduction of shipping time between islands will have a huge impact on the State.

Aloha,  
James Haley

## ichiyama1 - Curi

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**From:** barbara.haliniak@hawaiiantel.net  
**Sent:** Saturday, January 28, 2012 2:20 PM  
**To:** TRNtestimony  
**Subject:** Testimony for HB 2380

Testimony submitted by: Barbara Haliniak, President of The Business Depot Inc. & President of Molokai Island Foundation

House of Representatives

Committee on Economic Revitalization & Business

Rep. Angus L.K. McKelvey, Chair

Rep. Isaac W. Choy, Vice Chair

Date: Monday, January 30, 2012

Time: 11:00 am

Place: Conference Room 309

State Capitol

RE: HB 2380

Thank you for the opportunity to comment on HB 2380. During my tenure as President of the Molokai Chamber of Commerce (2001 to 2009), we offered a number of testimonies to the Public Utilities Commission (PUC), Young Brothers Ltd (YB), and at many community meetings on Molokai regarding the fragile shipping industry affecting Molokai and Lanai. Many times we were at a disadvantage when our economic lives were dictated by government and big businesses that are not aligned to our shipping and economic needs.

The first encounter was back in 2006, when the state blessed the Super Ferry. Little did the state and ferry officials know that a huge hardship was going to be placed upon Molokai and Lanai, because of the proposed consolidation of wharf space at Kahului Harbor to accommodate the Super Ferry docking. In April 2006, YB notified its customers of a docket filed with the PUC to discontinue its less-than-container load service (LCL) effective June 2006 at Kahului Harbor. Needless to say, we had little time to react so we sent a letter to the PUC asking to suspend the docket and take it to public hearing. We cited to the PUC the importance to continue the LCL service since 98% of Molokai and Lanai goods are shipped via LCL. Another important

factor that would have been a hardship was the fact that Molokai and Lanai do not have any freight consolidators, storage or staging areas near the piers.

After a couple of years went by, there was the YB docket to increase the LCL rate to 23%, in addition change the current shipping route to and from Molokai. Through our dialog with YB, YB agreed to include in the docket a special LCL rate for Molokai's and Lanai's LCL freight. The barge shipping route was changed from Oahu to Maui to Molokai, to the current schedule Oahu to Molokai which well accommodated the Molokai businesses due to lack of storage areas for these businesses. However, before we agreed with YB to change the route, we polled the businesses and got consensus.

But this past December 2011, YB's rate increase did not include any special LCL rate for Molokai and Lanai. It's been a hard shallow for our businesses. And we all know that whenever a business incurs an increase in cost of goods, it's normally pass on to the consumer (my community who has high unemployment, government subsidies and the working few who have large households.)

I support HB 2380 only if Molokai's and Lanai's voices are included in the working group. We do not need uninformed or bad decisions being made for our island's shipping needs, our voices must be included, since we are the ones who will have to live with these decisions.

Respectfully submitted

ichiyama1 - Curi

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**From:** sweet potato [ldrd@wave.hicv.net]  
**Sent:** Saturday, January 28, 2012 2:05 PM  
**To:** TRNtestimony  
**Cc:** Rep. Mele Carroll  
**Subject:** testimony for HB 2380

HOUSE OF REPRESENTATIVES  
THE TWENTY-SIXTH LEGISLATURE  
REGULAR SESSION OF 2012

COMMITTEE ON TRANSPORTATION

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Rep. Linda Ichiyama, Vice Chair

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Rep. Isaac W. Choy, Vice Chair

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Rep. Cindy Evans	Rep. Barbara C. Marumoto
Rep. Mark J. Hashem	Rep. Kymberly Marcos Pine
Rep. Scott Y. Nishimoto	

NOTICE OF HEARING

**DATE:** Monday, January 30, 2012  
**TIME:** 11:00 am  
**PLACE:** Conference Room 309  
State Capitol  
415 South Beretania Street

**Testimony in Support of  
HB 2380**

Aloha Chairman Rep. Joe Souki and members of the committee, my name is Lynn DeCoite and I am a homestead farmer and rancher on the island of Molokai and I support HB 2380. I feel this bill is critical to the survival of our economy. With the cost of just about everything on Molokai from gas to electric to food, we pay the highest for as well as transportation we need a working group to explore options for reducing the shipping time and costs for transporting goods from Molokai and Lanai to Oahu and vice versa. With the new carrier Pasha coming into the state but leaving Molokai and Lanai out, we have been crippled, with no where else to turn we need options not a monopoly.

I hope that you can all support this bill, with another blow to this community many business will not be able to sell goods or bring in goods at a reasonable cost.

For those reasons I support HB 2380





MOLOKAI CHAMBER OF COMMERCE

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January 30, 2012

HEARING BEFORE THE TRANSPORTATION COMMITTEE AND THE ECONOMIC  
REVITALIZATION & BUSINESS COMMITTEE

TESTIMONY IN SUPPORT OF HB 2380 WITH RESERVATIONS  
RELATING TO SHIPPING

Room 309 11:00 AM

Aloha Chair Souki, Vice Chair Ichiyama and Members of the Transportation Committee; and Chair McKelvey, Vice Chair Choy and Members of the Economic Revitalization & Business Committee:

Thank you for allowing us to provide testimony in support with reservations of HB2380-Relating to Shipping, which is being heard at 11:00 a.m. on Monday, January 30, 2012. This bill establishes a working group to explore options for reducing the shipping time and costs for transporting goods from Molokai and Lanai to Oahu.

The Molokai Chamber of Commerce is in support of your efforts to establish a working group to explore these options, although some statements in the bill are incorrect. The YB barge shipments from Molokai to Oahu are direct and occur twice weekly. The YB barge shipments from Lanai to Oahu are direct and occur once weekly. Neither is routed through Maui.

Additionally, it seems this bill is not the appropriate vehicle for discussion of a statewide barge system. This particular discussion is likely to garner most of the attention, thereby lessening the focus of the high cost of interisland transport and affordable alternatives.

We are always interested in exploring methods and alternatives to lessen the expense of interisland shipping to benefit our island businesses and community members and are happy to be a resource in any way possible as this bill moves forward.

We humbly ask that you correct the language in the bill to reflect the facts and remove the portion related to a statewide barge system.

Thank you in advance for your consideration of our suggestions. We remain in support with reservations of HB2380.

Sincerely,

A handwritten signature in black ink, appearing to read "R. Stephenson", written over a horizontal line.

Robert Stephenson, President

The Twenty-Sixth Legislature  
Regular Session of 2012

## HOUSE OF REPRESENTATIVES

Committee on Transportation

Rep. Joseph M. Souki, Chair

Rep. Linda Ichiyama, Vice Chair

Committee on Economic Revitalization & Business

Rep. Angus L.K. McKelvey, Chair

Rep. Isaac W. Choy, Vice Chair

Hawaii State Capitol,, Room 309

Monday, January 30, 2012; 11:00 a.m.

### **STATEMENT OF THE ILWU LOCAL 142 ON H.B. 2380 RELATING TO SHIPPING**

The ILWU Local 142 has concerns about H.B. 2380, which establishes a working group to explore options for reducing the shipping time and costs for transporting goods from Molokai and Lanai to Oahu.

Rather than establish a working group with those who may or may not have much knowledge of the problem, we believe it may be advisable for state agencies to enter into serious discussions with the entity currently providing barge service to Molokai and Lanai. Identifying problems and developing potential solutions should not require a legislatively-established "working group," which may not have much authority other than providing its recommendations to the next Legislature.

Providing barge service to Molokai and Lanai is challenging. Costs are high due to lower cargo volume, which may indicate that providing financial incentives or a subsidy may be a solution. We believe, however, that establishing a state barge service will not be the answer, particularly since Hawaii's economy is only slowly rebounding and future State revenues remain uncertain. In our opinion, facilitating private industry, which already has the know-how to provide the service, would be the more prudent course of action.

The ILWU recommends that the Legislature explore other options before establishing a working group on this topic. Thank you for the opportunity to share our views and concerns.