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## A BILL FOR AN ACT

RELATING TO SHIPPING.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. (a) There is established within the department  
2 of business, economic development, and tourism, for  
3 administrative purposes, a working group to study and consider  
4 ways to reduce the time and cost of shipping goods to Oahu from  
5 Molokai, Lanai, and Hana, Maui and to recommend solutions.

6           (b) The working group shall consider strategies for  
7 reducing the time and cost of shipping, including:

8           (1) Amending any existing statute, administrative rule, or  
9 ordinance;

10          (2) The feasibility of alternative modes of transportation  
11 or other means of shipping freight between islands;

12          (3) Reducing taxes;

13          (4) Creating tax incentives; and

14          (5) Any other issues the working group considers  
15 appropriate.

16          (c) The working group shall comprise the following  
17 members, or their respective designees:



- 1 (1) The director of business, economic development, and  
2 tourism;
- 3 (2) The director of transportation;
- 4 (3) The director of taxation;
- 5 (4) The chairperson of the board of agriculture;
- 6 (5) A county official from the county of Maui, to be  
7 appointed by the mayor of the county of Maui;
- 8 (6) A representative from the shipping industry, to be  
9 appointed by the speaker of the house of  
10 representatives;
- 11 (7) A representative from the airline industry, to be  
12 appointed by the president of the senate;
- 13 (8) The executive director of the Hawaii Farm Bureau  
14 Federation;
- 15 (9) The executive director of the Hawaii Farmers Union  
16 United;
- 17 (10) A member of the house of representatives appointed by  
18 the speaker of the house of representatives;
- 19 (11) A member of the senate appointed by the president of  
20 the senate;
- 21 (12) A member representing the island of Molokai appointed  
22 by the president of the senate;



1           (13) A member representing the island of Lanai appointed by  
2                   the governor;

3           (14) A member representing the community of Hana, Maui,  
4                   appointed by the speaker of the house of  
5                   representatives; and

6           (15) Any additional members the chairperson of the working  
7                   group determines to be necessary.

8           (d) The members of the working group shall designate a  
9           chairperson from among their members and shall serve without  
10           compensation, but shall be reimbursed for necessary expenses,  
11           including travel expenses, incurred in the performance of  
12           official duties.

13           (e) The department of business, economic development, and  
14           tourism shall provide all administrative, technical,  
15           professional, and clerical support required by the working group  
16           for matters pertaining to this Act.

17           (f) No member of the working group shall be made subject  
18           to chapter 84, Hawaii Revised Statutes, solely because of that  
19           member's participation as a member of the working group.

20           (g) The working group shall report to the legislature its  
21           findings and recommendations, including any proposed



1 legislation, no later than twenty days prior to the convening of  
2 the regular session of 2014.

3 (h) The working group shall cease to exist on June 30,  
4 2014.

5 SECTION 2. There is appropriated out of the general  
6 revenues of the State of Hawaii the sum of \$ or so much  
7 thereof as may be necessary for fiscal year 2013-2014 for  
8 necessary resources to study and examine options and assess  
9 possible incentives to improve the timely shipping of goods from  
10 Lanai, Molokai, and Hana, Maui to Oahu.

11 The sum appropriated shall be expended by the department of  
12 business, economic development, and tourism for the purposes of  
13 this Act.

14 SECTION 3. This Act shall take effect on July 1, 2013.

15

INTRODUCED BY: Melo Carroll  
JAN 19 2013



# H.B. NO. 660

**Report Title:**

Working Group; Shipping; Molokai; Lanai; Hana; Oahu; Goods; Appropriation

**Description:**

Establishes a working group to explore options for reducing the shipping time and costs for transporting goods from Molokai, Lanai, and Hana, Maui, to Oahu. Appropriates funds.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*





**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 Transportation**  
Wednesday, February 6, 2013  
9:30 AM  
State Capitol, Conference Room 309

in consideration of  
**HB 660 RELATING TO SHIPPING.**

Chair Yamane, Vice Chair Ichiyama, and Members of the Committee on Transportation.

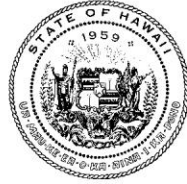
The Department of Business, Economic Development, and Tourism, (DBEDT) appreciates the overall concept of HB660. However, we do not have the necessary resources to study, examine options and assess incentives that might reduce costs and improve the timely shipping of goods from Lanai, Molokai and Hana, Maui to Oahu.

DBEDT defers to the appropriate agencies regarding issues related to the shipping of cargo from neighbor islands to Oahu.

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

**NEIL ABERCROMBIE**  
GOVERNOR

**SHAN TSUTSUI**  
LT. GOVERNOR



**FREDERICK D. PABLO**  
DIRECTOR OF TAXATION

**JOSHUA WISCH**  
DEPUTY DIRECTOR

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**DEPARTMENT OF TAXATION**  
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PHONE NO: (808) 587-1540  
FAX NO: (808) 587-1560

To: The Honorable Ryan I. Yamane, Chair  
and Members of the House Committee on Transportation

Date: Wednesday, February 6, 2013

Time: 9:30 a.m.

Place: Conference Room 309, State Capitol

From: Frederick D. Pablo, Director  
Department of Taxation

Re: H.B. 660 Relating to Shipping

H.B. 660 establishes a working group in the Department of Business, Economic Development and Tourism to study ways to reduce time and cost of shipping goods to Oahu from some of the other islands, and names a representative from the Department of Taxation (Department) as a member.

The Department notes that it is able and willing to designate a representative for this working group. Thank you for the opportunity to provide comments.

Council Chair  
Gladys C. Baisa

Vice-Chair  
Robert Carroll

Council Members  
Elle Cochran  
Donald G. Couch, Jr.  
Stacy Crivello  
Don S. Guzman, Esq.  
G. Riki Hokama  
Michael P. Victorino  
Mike White




Director of Council Services  
David M. Raatz, Jr., Esq.

**COUNTY COUNCIL**  
COUNTY OF MAUI  
200 S. HIGH STREET  
WAILUKU, MAUI, HAWAII 96793  
[www.mauicounty.gov/council](http://www.mauicounty.gov/council)

February 5, 2013

TO: Honorable Ryan I. Yamane, Chair  
House Committee on Transportation

FROM: Stacy Crivello   
Council Member

DATE: February 6, 2013

SUBJECT: **SUPPORT OF HB 660 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, Lanai, and Hana, Maui to Oahu.

The Maui County Council has not had an 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. The residents and businesses of Molokai, Lanai and Hana have been greatly impacted by shipping costs and scheduling. This measure addresses an important factor in the cost of living in these communities.
2. This measure is vital to the economic viability of our businesses, especially on Molokai whose fragile economy is dependent on consistent and affordable shipping of goods.

For the foregoing reasons, I support this measure.

SSC:aas



**HOUSE COMMITTEE ON TRANSPORTATION**  
**THE HONORABLE RYAN I. YAMANE, CHAIR**  
**THE HONORABLE LINDA ICHiyAMA, VICE CHAIR**

**HOUSE BILL NO. 660, scheduled for hearing on February 6, 2013**

**Testimony of Roy Catalani, Vice President of Strategic Planning and Government Affairs**

Chair Yamane, Vice Chair Ichiyama, and Members of the House Committee on Transportation:

**Young Brothers, Limited (*Young Brothers*) offers these observations on House Bill No. 660 (HB660).**

HB660 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, Lanai, and Hana, Maui 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 port calls 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 products (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  
HB660**

**Examples of YB Freight Rates Applied to Various Commodities**  
(as invoiced, including State general excise tax, fuel price adjustment, wharfage, and insurance charges)

**Less-than-Container Load Cargo (Dry)**

40 cubic feet of canned goods (soup cans) – Honolulu to Moloka`i <i>via dry pallet at general cargo rate</i>	Rate
For entire pallet (1,920 cans):	\$53.52
Price <i>per can</i> :	2.7¢

60 cubic feet of beverages on dry pallet– Honolulu to Moloka`i <i>at beverage rate</i>	Rate
For entire pallet (494 six-packs):	\$73.82
Price <i>per six-pack</i> :	14.9¢

**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:	\$145.71
Price <i>per pound</i> :	7.3¢

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:	\$101.09
Price <i>per pound</i> :	5.1¢

**Note: Rates for Island Agricultural Products include a 30 percent discount.**

**Automobile Rate**

<b>Medium-sized Car</b>	<b>Rate</b>
One-way rate	<b>\$266.73</b>
Return within 30 days	<b>109.13</b>
Roundtrip within 30 days	<b>375.86</b>

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