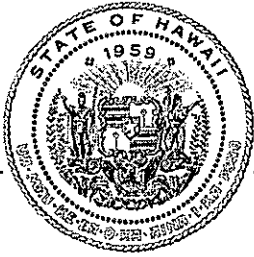


HCR204

REQUESTING THE DIRECTOR OF BUSINESS, ECONOMIC
DEVELOPMENT, AND TOURISM TO ESTABLISH A WORKING GROUP
TO STUDY, CONSIDER, AND RECOMMEND WAYS TO REDUCE THE
TRANSPORT TIME AND COST OF SHIPPING GOODS TO OAHU
FROM MOLOKAI, LANAI, AND HANA, MAUI.



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

NEIL ABERCROMBIE
GOVERNOR

RICHARD C. LIM
DIRECTOR

MARY ALICE EVANS
DEPUTY DIRECTOR

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: www.hawaii.gov/dbedt

Telephone: (808) 586-2355
Fax: (808) 586-2377

Statement of
Richard C. Lim
Director
Department of Business, Economic Development, and Tourism
before the

**SENATE COMMITTEES ON
ECONOMIC DEVELOPMENT, GOVERNMENT OPERATIONS AND HOUSING
AND
TRANSPORTATION AND INTERNATIONAL AFFAIRS**

Friday, April 19, 2013
3:00 PM
State Capitol, Conference Room 423

in consideration of
HCR 204, HD1
**REQUESTING THE DIRECTOR OF BUSINESS, ECONOMIC DEVELOPMENT, AND
TOURISM TO ESTABLISH A WORKING GROUP TO STUDY, CONSIDER, AND
RECOMMEND WAYS TO REDUCE THE TRANSPORT TIME AND COST OF
SHIPPING GOODS TO OAHU FROM MOLOKAI, LANAI, AND HANA, MAUI.**

Chairs Dela Cruz and English, Vice Chairs Slom and Dela Cruz, and Members of the Committees.

The Department of Business, Economic Development, and Tourism, (DBEDT) appreciates the overall concept of HCR 204. However, DBEDT does not have the necessary resources to convene such a working group or conduct such a study on ways to reduce the transport time and cost of shipping goods to Oahu from Molokai, Lanai, and Hana. We estimate that approximately \$75,000 will be necessary to undertake this initiative.

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

NEIL ABERCROMBIE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

FREDERICK D. PABLO
DIRECTOR OF TAXATION

JOSHUA WISCH
DEPUTY DIRECTOR

To: The Honorable Donovan M. Dela Cruz, Chair
and Members of the Senate Committee on Economic Development, Government
Operations and Housing

The Honorable J. Kalani English, Chair
And Members of the Senate Committee on Transportation and International Affairs

Date: Friday, April 19, 2013
Time: 3:00 p.m.
Place: Conference Room 423, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: H.C.R. No. 204, H.D.1 Requesting the Director of Business, Economic Development, and
Tourism to Establish a Working Group to Study, Consider, and Recommend Ways to Reduce the
Transport Time and Cost of Shipping Goods to Oahu from Molokai, Lanai, and Hana, Maui.

The Department **appreciates the intent** of H.C.R. No. 204, H.D.1 and provides the
following information and comments for your consideration.

H.C.R. No. 204, H.D.1 requests the Director of the Department of Business, Economic
Development, and Tourism (DBEDT) to create a working group to study interisland shipping
and recommend ways to lower its costs and improve its timeliness. The resolution suggests a list
of topics and strategies for the group's consideration, including the reduction of taxes and the
creation of tax incentives. The resolution lists the Director of Taxation or his designee as a
member of the working group.

The Department notes that it has no familiarity with issues related to interisland shipping,
but is willing to work with DBEDT on technical tax matters should tax-related issues arise.

Thank you for the opportunity to provide comments.

TESTIMONY OF HERMINA MORITA
CHAIR, PUBLIC UTILITIES COMMISSION
DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE
SENATE COMMITTEES ON
ECONOMIC DEVELOPMENT, GOVERNMENT OPERATIONS & HOUSING
AND
TRANSPORTATION & INTERNATIONAL AFFAIRS

APRIL 19, 2013
3:00 p.m.

MEASURE: H.C.R. No. 204, H.D. 1

TITLE: Requesting the Director of Business, Economic Development, and Tourism to Establish a Working Group to Study, Consider, and Recommend Ways to Reduce the Transport Time and Cost of Shipping Goods to Oahu from Molokai, Lanai, and Hana, Maui

Chair Dela Cruz, Chair English, and Members of the Committees:

DESCRIPTION:

This resolution requests the Department of Business, Economic Development, and Tourism ("DBEDT") to set up a working group "to study, consider, and recommend ways to reduce the time and cost of shipping goods to Oahu from Molokai, Lanai, and Hana, Maui" ("Working Group"). The Working Group would include, among other government, community, airline industry, and shipping industry representatives, the Chairperson of the Public Utilities Commission ("Commission") or the Chairperson's designee. Specific strategies are listed for the Working Group's consideration, including amendments to existing law, tax reduction or incentive measures, and "any other issue" considered appropriate by the Working Group. Finally, this measure requests a report of findings and recommendations from the Working Group prior to the start of the 2014 Regular Session, and the Working Group would be eliminated June 30, 2014.

POSITION:

While the Commission supports the objective of the Working Group, it believes it would not be appropriate for the Commission to participate as a member. The following comments are submitted for the Committees' consideration.

COMMENTS:

It is the Commission's function and responsibility to adjudicate whether proposed actions affecting a regulated company may result in a rate increase, rate decrease, or change in service. For each of those potential actions to be approved, they must meet a standard that weighs whether each action is just and reasonable and in the public interest. The Working Group findings and/or recommendations may increase or decrease interisland shipping rates or may affect the quality of utility service, therefore, there would be a question of bias and impartiality on behalf of the Commission associated with any participation as part of the Working Group. For this reason, the Commission would ask the Committee to amend this measure by removing the Commission Chairperson or designee from the Working Group roster. Questions regarding shipping rate structures could be answered by shipping industry members of the Working Group. The Commission can be available as a resource to the Working Group to answer questions limited to its regulatory role and the regulatory process.

Thank you for the opportunity to testify on this measure.



Your Neighbor Island Partner

Pier 40, P.O. Box 3288, Honolulu, HI 96801-3288
Ph: (808) 543-9311 Fax: (808) 543-9458
www.youngbrothershawaii.com

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, GOVERNMENT OPERATIONS AND HOUSING
THE HONORABLE DONOVAN M. DELA CRUZ, CHAIR
THE HONORABLE SAM SLOM, VICE CHAIR

SENATE COMMITTEE ON TRANSPORTATION AND INTERNATIONAL AFFAIRS
THE HONORABLE J. KALANI ENGLISH, CHAIR
THE HONORABLE DONOVAN M. DELA CRUZ, VICE CHAIR

HOUSE CONCURRENT RESOLUTION 204, HOUSE DRAFT 1, scheduled for hearing on April 19, 2013

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

Chair Dela Cruz, Vice Chair Slom, Chair English, Vice Chair Dela Cruz, and Members of the Senate Committees on Economic Development, Government Operations and Housing and on Transportation and International Affairs:

Young Brothers, Limited (*Young Brothers*) offers these observations on House Concurrent Resolution 204, House Draft 1(HCR204 HD1).

HCR204 HD1 requests that the Department of Business, Economic Development, and Tourism establish a working group “to study, consider, and recommend ways to reduce the transport time and cost of shipping goods to Oahu from Molokai, Lanai, and Hana, Maui” and to report its findings and recommendations to the Legislature prior to the convening of the Regular Session of 2014. 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
HCR204 HD1**

**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 via dry pallet at general cargo rate	Rate
For entire pallet (1,920 cans):	\$53.52
Price per can:	2.7¢

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



Less-than-Container Load Cargo (Refrigerated)

General cargo: 2,000 pounds of frozen chicken - Honolulu to Moloka`i via refrigerated pallet at general cargo rate	Rate
Cost of 2,000-pound pallet:	\$145.71
Price per pound:	7.3¢

2,000 pounds of local produce – Moloka`i to Honolulu via refrigerated pallet with Island Agricultural Product Discount	Rate
Cost of 2,000-pound pallet:	\$101.09
Price per pound:	5.1¢

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



Automobile Rate

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

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

Council Chair
Gladys C. Baisa

Vice-Chair
Robert Carroll

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



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

April 18, 2013

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

UPDATED TESTIMONY

TO: Honorable Donovan M. DeLa Cruz, Chair
Senate Committee on Economic Development, Government Operations and Housing
Honorable J. Kalani English, Chair
Senate Committee on Transportation and International Affairs

FROM: Robert Carroll
Council Vice Chair, Council Member East Maui *Robert Carroll*

DATE: Friday, April 19, 2013

SUBJECT: **SUPPORT OF HCR 204, HD1, REQUESTING THE DIRECTOR OF BUSINESS, ECONOMIC DEVELOPMENT, AND TOURISM TO ESTABLISH A WORKING GROUP TO STUDY, CONSIDER, AND RECOMMEND WAYS TO REDUCE THE TRANSPORT TIME AND COST OF SHIPPING GOODS TO OAHU FROM MOLOKAI, LANAI, AND HANA, MAUI**

Thank you for the opportunity to testify in support of this important measure. The purpose of this measure is to request the Director of Business, Economic Development, and Tourism to establish a working group to study, consider, and recommend ways to reduce the transport time and cost of shipping goods to Oahu from Molokai, Lanai, and Hana, Maui.

I support this measure for the following reasons:

1. As the County Council representative from East Maui I can affirm that costs for many goods are significantly more expensive because of the excess cost of transporting to remote locations such as Hana, Keanae and Kipahulu. East Maui only has two small convenience stores for which residents must pay premium prices for household goods and food items.
2. Travel from East Maui to key commercial locations can be 4 hours round trip. The travel time can vary depending on traffic, weather, and road conditions. Many East Maui residents do not have vehicles that are capable of that long and sometimes hazardous drive. East Maui no longer has a rental car agency to provide alternative transportation; Maui Economic Opportunities provides transportation services to kupuna only a couple of times a week; and there is no longer delivery services for those that are confined to their homes.
3. Our residents are at a severe disadvantage over the residents within higher population areas and locations that are more accessible for goods and services. This imbalance is not fair to residents of Molokai, Lanai and Hana, because many of these people are life-long residents of these locations and family lineage dates back many generations. They should be rewarded, not punished, for their dedication to heritage, family and their community.

For the foregoing reasons, I support this measure.

CM:EM:shipping_13session_HCR204_hd1:grs

Council Chair
Gladys C. Baisa

Vice-Chair
Robert Carroll

Council Members
Elle Cochran
Donald G. Couch, Jr.
Stacy Crivello
Don S. Guzman
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

April 18, 2013

TO: The Honorable Donovan M. Dela Cruz, Chair
Senate Committee on Economic Development, Government Operations and Housing
The Honorable J. Kalani English, Chair
Senate Committee on Transportation and International Affairs

FROM: Gladys C. Baisa *GB*
Council Chair

SUBJECT: **HEARING OF APRIL 19, 2013; TESTIMONY IN SUPPORT OF HCR 204, HD1, REQUESTING THE DIRECTOR OF BUSINESS, ECONOMIC DEVELOPMENT, AND TOURISM TO ESTABLISH A WORKING GROUP TO STUDY, CONSIDER, AND RECOMMEND WAYS TO REDUCE THE TRANSPORT TIME AND COST OF SHIPPING GOODS TO OAHU FROM MOLOKAI, LANAI, AND HANA, MAUI**

Thank you for the opportunity to testify in support of this important measure. The purpose of this measure is request the establishment of a working group to recommend ways to reduce the transport time and cost of shipping goods to Oahu from Molokai, Lanai, and Hana, Maui.

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. Reducing interisland shipping costs and transit time are essential to the long-term economic health and sustainability of our multi-island state. Efforts to resolve this long-standing issue require, and deserve, the intensive focus a working group composed of appropriate business and industry representatives could bring.
2. Effectuating true change will reduce dependency on importation of goods, support local retailers, and encourage agricultural activities for export from Molokai, Lanai, and Hana. Efforts are currently underway to develop such activities, including expanded agricultural production and processing of local game.
3. Representation on the working group from the island communities, airline industry, and Department of Transportation will allow those with the will and know-how to contribute recommendations that could ultimately strengthen and unify Hawaii, and advance the state's progress toward self-sustainability.

For the foregoing reasons, I support this measure.

Dane Wicker

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, April 18, 2013 12:20 PM
To: EGHTestimony
Cc: Don.Couch@mauicounty.us
Subject: *Submitted testimony for HCR204 on Apr 19, 2013 15:00PM*

HCR204

Submitted on: 4/18/2013

Testimony for EGH/TIA on Apr 19, 2013 15:00PM in Conference Room 423

Submitted By	Organization	Testifier Position	Present at Hearing
Councilmember Don Couch	Individual	Support	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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Dane Wicker

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, April 18, 2013 5:46 PM
To: EGHTestimony
Cc: michael.victorino@mauicounty.us
Subject: Submitted testimony for HCR204 on Apr 19, 2013 15:00PM

HCR204

Submitted on: 4/18/2013

Testimony for EGH/TIA on Apr 19, 2013 15:00PM in Conference Room 423

Submitted By	Organization	Testifier Position	Present at Hearing
Councilmember Michael Victorino	Individual	Support	No

Comments: Honorable Donovan Dela Cruz, J. Kalani English, Chairs. Mahalo for taking the time to consider testimony on this very important issue of establishing a working group to study, consider and recommend ways to reduce the transport time and cost of shipping goods to Oahu from Molokai, Lanai and Hana, Maui. I am a member of the Maui County Council, however I am testifying on my own behalf. My own experience has shown me that collaboration and sharing of information leads to effective results and thus I am strongly in support of HCR 204, HD 1 and believe that in establishing such a working group will benefit our rural communities who are already struggling with the high cost of living and conducting business. Thank you for your support of this measure. Mahalo, Councilmember Michael P. Victorino

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Dane Wicker

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, April 16, 2013 2:55 PM
To: EGHTestimony
Cc: karibenes@gmail.com
Subject: Submitted testimony for HCR204 on Apr 19, 2013 15:00PM

HCR204

Submitted on: 4/16/2013

Testimony for EGH/TIA on Apr 19, 2013 15:00PM in Conference Room 423

Submitted By	Organization	Testifier Position	Present at Hearing
Kari Benes	Individual	Support	No

Comments: Aloha, This seems to be a good resolution, and hopefully will produce some meaningful proposals to improve the exchange of local island food and good supply. In addition, I'd hope it would encourage job growth especially for the island of Molokai. -Kari Resident of Kapahulu

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Dane Wicker

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, April 18, 2013 1:28 AM
To: EGHTestimony
Cc: Dmelloj@hawaii.edu
Subject: *Submitted testimony for HCR204 on Apr 19, 2013 15:00PM*

HCR204

Submitted on: 4/18/2013

Testimony for EGH/TIA on Apr 19, 2013 15:00PM in Conference Room 423

Submitted By	Organization	Testifier Position	Present at Hearing
Jared Dmello	Individual	Support	No

Comments:

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Dane Wicker

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, April 17, 2013 1:07 PM
To: EGHTestimony
Cc: haleyj001@hawaii.rr.com
Subject: Submitted testimony for HCR204 on Apr 19, 2013 15:00PM

HCR204

Submitted on: 4/17/2013

Testimony for EGH/TIA on Apr 19, 2013 15:00PM in Conference Room 423

Submitted By	Organization	Testifier Position	Present at Hearing
CDR James Haley (USCG ret)	Individual	Support	No

Comments: This measure is critical to the well being of the Island economy. Further, a fast inter-island ferry is important to our safety. Unlike the mainland Hawaii's counties can not support each other with emergency equipment easely in time of need. We must improve intra state transportation!

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