



**TESTIMONY BY:**

JADE T. BUTAY  
DIRECTOR

Deputy Directors  
LYNN A.S. ARAKI-REGAN  
DEREK J. CHOW  
ROSS M. HIGASHI  
EDWIN H. SNIFFEN

**STATE OF HAWAII**  
**DEPARTMENT OF TRANSPORTATION**  
869 PUNCHBOWL STREET  
HONOLULU, HAWAII 96813-5097

February 7, 2020  
10:00 a.m.  
State Capitol, Room 423

**H.B. 2475**  
**RELATING TO CARGO CARRIERS**

House Committee on Transportation

---

The Department of Transportation (DOT) **opposes** H.B. 2475. This bill proposes to authorize the DOT to expend funds from the harbor special fund to provide subsidies to cargo carriers to offset costs incurred by the cargo carriers as a result of providing cargo carrier services to ports serving counties within the State having a population of less than 500,000 and comprising three or more populated islands.

The DOT understands the intent of the bill and appreciates the effort to keep shipping costs down to the neighbor islands counties. However, the DOT shares that having the DOT provide subsidies for the cost of transportation to cargo carriers providing services to the counties economically discriminates against an overseas carrier who invests in equipment and a workforce to transship cargo from the west coast to Sand Island and then on to the neighbor islands. The bill proposes the DOT, Harbors Division favor an overseas carrier who subcontracts cargo to the inter-island carrier by providing subsidies that would create an unfair competitive advantage.

Furthermore, the DOT has concerns about subsidies being appropriated from the harbor special fund. The harbor special fund generates revenue from collecting wharfage, port entry, land leases, and other maritime related fees. The benefit of offsetting costs to service counties with small populations go beyond those of just the maritime industry.

Thank you for the opportunity to provide testimony.



**Hawaii Cattlemen's Council, Inc.**

COMMITTEE ON TRANSPORTATION

Rep. Henry J.C. Aquino, Chair

Rep. Troy N. Hashimoto, Vice Chair

**HB2475**

Authorizes the Department of Transportation to expend funds from the harbor special fund to provide subsidies to cargo carriers to offset costs incurred by the cargo carriers as a result of providing cargo carrier services to ports serving counties within the State having a population of less than 500,000 and comprising three or more populated islands. Appropriates moneys.

Friday, February 7, 2020, 10:00 a.m.  
Conference Room 423, State Capitol  
415 South Beretania Street

Chair Aquino, Vice Chair Hashimoto, and Members of the Committee on Transportation,

My name is Nicole Galase and I am the Managing Director for the Hawaii Cattlemen's Council. We are writing to **support HB2475**. HCC is committed to supporting our civic leaders to promote a coherent state-wide policy for sustainable development. Using the 17 United Nations Sustainable Development Goals as a framework, we advocate policy that; increases local food production to promote food security, protects agricultural lands, promotes carbon neutrality, models sustainable land use, protects our watersheds, supports long-term stable employment that embraces technology and innovation, contributes to the health and well-being of the community, and encourages public, private and civic partnerships.

Young Brothers is an integral part of agriculture in Hawaii. It is important for all islands to have access to shipping services at a reasonable rate. In particular, the goal to increase local food production is reliant on the ability to transport agricultural goods between islands. We support HB2475 for providing subsidies to cargo carriers to offset costs. Thank you for the opportunity to comment on this matter.



The Thirtieth Legislature  
Regular Session of 2020

THE HOUSE

Committee on Transportation  
Representative Henry J.C. Aquino, Chair  
Representative Troy N. Hashimoto, Vice-Chair  
State Capitol, Conference Room 423  
Friday, February 7, 2020; 10:00 a.m.

**STATEMENT OF THE ILWU LOCAL 142 ON H.B. 2475  
RELATING TO CARGO CARRIERS**

The ILWU Local 142 **offers comments** on H.B. 2475, which authorizes the Department of Transportation to expend funds from the harbor special fund to provide subsidies to cargo carriers to offset costs incurred by the cargo carriers as a result of providing cargo carrier services to ports serving counties within the State having a population of less than 500,000 and comprising three or more populated islands and appropriates moneys.

The ILWU Local 142 understands the concerns H.B. 2475 is trying to address. However, we also have concerns that an unknown amount of money from the harbor special fund could be utilized which could potentially jeopardize much needed maintenance and repair projects or future improvements of our statewide harbors.

We would also like to point out that this bill as drafted seems to exclude Kauai County and Hawaii County which also incur similar shipping costs as Maui County.

Thank you for the opportunity to offer testimony on this measure.



**MAUI**  
CHAMBER OF COMMERCE  
VOICE OF BUSINESS

**LATE**

**HEARING BEFORE THE HOUSE COMMITTEE ON TRANSPORTATION  
HAWAII STATE CAPITOL, HOUSE CONFERENCE ROOM 423  
FRIDAY, FEBRUARY 7 2020 AT 10:00 A.M.**

To The Honorable Henry J.C. Aquino, Chair;  
The Honorable Troy N. Hashimoto, Vice Chair; and  
Members of the Committee on Transportation;

**TESTIMONY IN SUPPORT OF HB2475 RELATING TO CARGO CARRIERS**

Aloha, my name is Pamela Tumpap and I am the President of the Maui Chamber of Commerce, with approximately 650 members. I am writing share our support of HB2475.

Maui County, particularly the islands of Lanai and Molokai, are very reliant upon Young Brothers services. We understand there are higher costs for them to do business in these regions and they have worked to not leave these areas without options. However, there are times when service is not as reliable as it needs to be, which is always challenging for businesses. We feel it is important for the state's transportation system to be equitable for all counties and as the only tri-island county, Maui County has had higher burdens. This subsidy would help to offset and equalize that.

If the state is providing subsidies to ensure a fair system, then we would hope that the subsidy would offset some of the rate hikes Young Brothers was looking to propose in Maui County, which is significant. These rate hikes will creates hardships to local businesses who provide goods and services to local people and thereby, would increase the cost of living for residents.

We appreciate the opportunity to testify on this matter and ask that this bill be passed.

Sincerely,

*Pamela Tumpap*

Pamela Tumpap  
President

To advance and promote a healthy economic environment for business, advocating for a responsive government and quality education, while preserving Maui's unique community characteristics.



February 6, 2020

Representative Henry Aquino, Chair  
Members of the House Committee on Transportation  
Thirtieth Legislature  
Regular Session, 2020

**RE: House Bill 2475 – RELATING TO CARGO CARRIERS**  
**Hearing date: February 7, 2020 at 10:00 a.m.**

Aloha Chair Aquino and Members of the House Committee on Transportation,

Thank you for allowing me to submit testimony on behalf of Young Brothers in **SUPPORT** of House Bill 2475 – Cargo Carriers. House Bill 2475 authorizes the Department of Transportation to expend funds from the harbor special fund to provide subsidies to cargo carriers to offset costs incurred by the cargo carriers as a result of providing cargo carrier services to ports serving counties within the State having a population of less than 500,000 and comprising three or more populated islands.

Young Brothers is essential to Hawaii's economy. What we do affects nearly every business, every person, every day in Hawaii. We are the only water carrier that serves all islands, and the only water carrier that services Molokai and Lanai. Young Brothers is responsible for transporting all cargo that originates and ends in Hawaii, plus all of Pasha's and a portion of Matson's inter-island cargo. We transport cargo supporting agriculture, hospitality, electricity generation, retail, supermarkets, pharmacies, construction and every other industry in the state.

Young Brothers employs 370 people with highly skilled employees on all islands. Our local, highly trained workforce is critical to safe and efficient operations. With 12 round-trip sailings a week, our tug crews travel an equivalent in miles to 6 trips around the world each year. Moreover, in an emergency, we are the first carrier to respond and bring relief supplies to our island communities in need.

Unlike federally-regulated water carriers who can raise rates at their discretion, Young Brothers must get permission from the Public Utilities Commission (PUC) in order to do so. Unfortunately, costs continue to increase, and despite being regulated by the PUC, we haven't been able to make rates match expenses for the past five years. We have not been allowed to raise additional revenue, with the exception of a negligible increase of \$88,000 in 2017 and a \$3.4 million in 2018 – not enough to break-even, let alone earn profit necessary to reinvest in our operations.

Representative Henry Aquino, Chair  
Members of the House Committee on Transportation  
February 6, 2020  
Page Two

Young Brothers takes pride in servicing the islands of Molokai and Lanai. Our twice weekly barge sailings are absolutely critical to each of these islands. However, given the relatively small populations of each island, the reality is that we need to subsidize those sailings with the transport revenues generated from other ports. This is why we are grateful to the legislature for realizing this and exploring ways to assist Young Brothers in continuing the vital transportation services to both Molokai and Lanai, while also trying to ensure that we can eventually break-even and hopefully make a reasonable profit to reinvest in our operations. Again, the financial health of Young Brothers is essential for Hawaii's economy, and particularly, for the economic well-being of our neighbor islands communities.

For these reasons, Young Brothers strongly supports House Bill 2475, and we humbly ask that you move this measure so that we can continue this conversation.

Mahalo for your consideration,

Sandra Larsen

**HB-2475**

Submitted on: 2/7/2020 9:24:44 AM

Testimony for TRN on 2/7/2020 10:00:00 AM

**LATE**

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Gregory FRIEL	Individual	Oppose	No

Comments: