



Your Neighbor Island Partner

Jay Ana,  
President

Via Electronic Mail

May 26, 2020

The Honorable Chair and Members of the  
Hawaii Public Utilities Commission  
465 South King Street  
Kekuanao`a Building, Room 103  
Honolulu, HI 96813  
Attention: Caroline Ishida, Esq.

**Re: Notice Regarding Young Brothers, LLC's ("Young Brothers" or the "Company")  
Liquidity Crisis and Potential Suspension of Operations.**

Dear Commissioners and Commission Staff:

We are writing today to provide an update on the financial challenges we are facing at Young Brothers. Attached to this letter you will find a detailed overview of our finances.

As we have been reporting to you, the COVID-19 pandemic is challenging our business daily, and Young Brothers' financial situation is extremely dire. I expect that, unless immediate relief is obtained from the State of Hawaii ("State") (e.g., CARES Act funding), Young Brothers will face a cash shortfall very shortly. In sum, we are in this situation due to, among other things, the following:

- Drop In Revenue Due to the COVID-19 Pandemic. As detailed in my letter to the Commission on May 5, 2020, the COVID-19 pandemic has caused cargo volumes and associated revenues to drop precipitously, while the Company's costs remain largely fixed. Young Brothers has lost nearly \$8 million through the month of April and we're projected to lose approximately \$25 million this year – and the numbers seem to get worse every week.
- Cost Containment Alone Is Not Enough. As you are aware, we have moved quickly to reduce our operating costs. Specifically, we expect to save approximately \$7 million over the remainder of 2020 from sailing schedule changes, a reduction in our tug workforce, and other G&A cost containment efforts. However, no amount of cost-cutting can make us viable in the short-run.

Our parent company has covered more than \$21 million in losses from 2018 and 2019, and faced with the magnified losses described above, I was recently informed that additional infusions of cash will not be available after May 31, 2020. Young Brothers expects that, absent immediate relief from the State, it will soon be unable to pay its expenses or continue operations.

In that regard, we will submit to the Commission on Friday, May 29, 2020, additional information about our business plan to continue operations after May 31, 2020. I can assure you that Young Brothers will sail on schedule on June 1, 2020. The business plan will lay out our

financial strategy to continue operating under the following scenarios: (1) immediate receipt of significant CARES funds; (2) delayed receipt of CARES funds; and (3) no CARES funds available.

It is also our intention to file on or about Friday, May 29, 2020, a tariff transmittal requesting approval to suspend LCL/mix (Less than Container Load) with the exception of Molokai/Lanai and livestock. Unfortunately, in order to achieve immediate and significant cost savings, Young Brothers must suspend a very labor intensive part of our business – shipping goods that do not fill a container. The vast majority of our customers who utilize this service have alternatives in freight forwarders and consolidators. We identified Molokai and Lanai as two communities for which we will continue LCL/mix service. We also will provide shipments of livestock as we understand that this commodity would have no alternative other than Young Brothers.

Following the filing of the above-described tariff transmittal, we will be filing two additional requests with the Commission: (1) a request for cost deferral accounting for COVID-19 pandemic related costs and lost revenues; and (2) a request for emergency/temporary rate relief. The business plan will show the Commission how all these requests play an integral part of Young Brothers' ability to provide water transportation services. I would also like to report that there have been no major problems associated with the reduced sailing schedule, and we also intend to request to extend this temporary sailing schedule further in light of situation (e.g., decline of cargo volumes).

I and my colleagues would be heartbroken if Young Brothers were forced to stop operating. Young Brothers has been serving Hawaii since 1900 and we employ approximately 370 residents spread across all major islands of the State. We're the only water carrier that ships goods to Molokai and Lanai, and we know our kama'aina there depend on us for essential foods and products, ranging from fuel and vehicles to toilet paper and meats. We want to keep going and we're confident we can weather this crisis, but we can only do it with help and support from the State and the Commission.

Thank you in advance for your time, attention, and support as we address this unprecedented crisis. If you have any questions or would like to discuss the above, please contact me anytime.

Sincerely,



Jay Ana  
President, Young Brothers, LLC

cc: The Honorable David Ige, Governor of the State of Hawaii  
The Honorable Ron Kouchi, President of the Hawaii State Senate  
The Honorable Scott Saiki, Speaker of the Hawaii State House of Representatives  
Senator Lorraine Inouye, Chair Senate Committee on Transportation  
Representative Henry Aquino, Chair, House Committee on Transportation  
Senator Rosalyn Baker, Chair, Commerce, Consumer Protection, and Health  
Representative Roy Takumi, Chair, Consumer Protection & Commerce  
Senator Donovan Dela Cruz, Chair, Senate Committee on Ways and Means  
Representative Sylvia Luke, Chair, House Committee on Finance

The Honorable Derek Kawakami, Mayor, County of Kauai

The Honorable Harry Kim, Mayor, County of Hawaii

The Honorable Kirk Caldwell, Mayor, City and County of Honolulu

The Honorable Michael Victorino, Mayor, County of Maui

Department of Commerce and Consumer Affairs, Ms. Catherine Awakuni Colon

Division of Consumer Advocacy, Mr. Dean Nishina

Department of Transportation, Mr. Jade Butay/Mr. Derek Chow

