AGENDA

WATER CARRIERS WORKING GROUP MEETING
OCTOBER 15, 2020
1:30 – 3:30 PM
VIA ZOOM CONFERENCE MEETING

https://us02web.zoom.us/[redacted]

Meeting ID: [redacted]
Passcode: [redacted]

I. Welcome

II. Housekeeping
- Let new participants introduce themselves
- Members asked to keep the Rules of Operation in the file (along with group, memories, etc.) they share with anyone who may be a substitute for her/him at our meetings
- Corrections to Group Memory from September 17th meeting solicited

III. Starting Point and Parameters Presentation
- Presentation and Questions/Discussion

IV. Presentation on Gaps and Critical Areas
- Presentation of findings
- Discussion of findings/implications for the work of the WG

V. If time permits
- Discussion of YB response to questions from WG
- Discussion of background material (shared by Andrew)

VI. Evaluation of meeting

VII. Conclude

The public repository link is as follows:

https://hawaiioimt-my.sharepoint.com/[redacted]

Password: [redacted]

Hawaii Water Carriers Working Group Rules of Operation

- Listen to understand.
- Only one person speaks at a time.
- Only the facilitator can interrupt and then only to keep time and group on track.
- No one dominates or has to <u>win</u> the debate.
- The working group will have agendas in advance of the meetings so people can come prepared
- Everyone needs to keep abreast of the group memory (i.e. meeting minutes) and the decisions made by the group
- When a new person joins the group, they agree to read the group memories from <u>all previous meetings</u> so that they are up to date with our discussions and decisions.
- When making recommendations, the group will create opportunities to hear all voices and perspectives

PUC Water Carriers Working Group Meeting

September 17, 2020, 1:30 – 3:30 p.m.
(Virtual Meeting via Zoom)

Meeting Attendees (in alphabetical order)
P = Present; A= Absent

	Name	Title	Company
P	Jay Ana	President	Young Brothers, LLC
P	Vic Angoco	SVP	Matson Navigation Company, Inc.
P	Jesse Andrade	ILWU Member/Unit 4209 Chair	International Longshore and Warehouse Union, Local 142
P	Henry J.C. Aquino	Representative	House District 38 / Chair, House Committee on Transportation
P	Leodoloff (Leo) R. Asuncion	Commissioner	Public Utilities Commission
A	Jade Butay	Director	Department of Transportation
A	Kirk Caldwell	Mayor	City and County of Honolulu
P	Michael Caswell	SVP	Pasha Stevedoring & Terminals L.P.
P	Catherine Awakuni Colón	Director	Department of Commerce and Consumer Affairs
P	Derek J. Chow	Deputy Director	Department of Transportation, Harbors Division
A	Stacey Crivello	Community Liaison	Maui County Mayor's Office
P	Michael Dahilig	Managing Director	Kauai County – Office of the Mayor
A	Mary Alice Evans	Director, Office of Planning	Department of Business, Economic Development & Tourism
P	Lisa Hiraoka	Analyst	Department of Commerce & Consumer Affairs – Division of Consumer Advocacy
P	James P. Griffin	Chair	Public Utilities Commission
A	Justin Gruenstein	Deputy	City and County of Honolulu – Mayor's Office of Climate Change, Sustainability and Resiliency (CCSR)
A	William "Baba" Haole IV	Division Director of Hawaii Longshore Division	International Longshore and Warehouse Union, Local 142
P	Steve Hunt	Deputy Finance Director	Hawaii County
P	Lorraine R. Inouye	Senator	Senate District 4 / Chair, Senate Committee on Transportation

P	Richard Kamoe	Vice Division Director of Hawaii Longshore Division	International Longshore and Warehouse Union, Local 142
P	Gilbert S.C. Keith-Agaran	Senator	Senate District 5 / Senate President designee
A	Harry Kim	Mayor	County of Hawaii
P	Chris Martin	Director of Operations	Young Brothers
P	Reiko Matsuyama	Budget Director	Kauai County – Office of the Mayor
A	Mike McCartney	Director	Department of Business, Economic Development & Tourism
P	Kris Nakagawa	Vice President of External and Legal Affairs	Young Brothers
P	Mark M. Nakashima	Representative	House District 1 / House Speaker designee
P	Dean Nishina	Executive Director / Consumer Advocate	Department of Commerce & Consumer Affairs – Division of Consumer Advocacy
P	Phyllis Shimabukuro-Geiser	Chairperson	Department of Agriculture
A	Michael P. Victorino	Mayor	Maui County
	Public Utilities Commission Staff		
P	Jodi Endo Chai	Executive Officer	Public Utilities Commission
P	Michael Chapman	Economist	Public Utilities Commission
P	Amanda Hustrulid	Attorney Trainee	Public Utilities Commission
P	Steven Iha	Consultant	Public Utilities Commission
P	Carolyn Laborte	Acting Chief Auditor	Public Utilities Commission
P	Naomi Landgraf	District Representative – Maui	Public Utilities Commission
P	Andrew Okabe	Utility Analyst	Public Utilities Commission
P	Anand Samtani	Supervising Economist	Public Utilities Commission
P	Gina Yi	Acting Chief Engineer	Public Utilities Commission
	Independent Facilitation		
P	Donna R. Ching	Facilitator	Pacific Center for Collaboration
P	Jennifer Cornish Creed	Recorder	Hawaiʻi Alliance for Nonprofit Organizations (Director of Professional Development)

Welcome

PUC Commissioner Leo Asuncion welcomed attendees and thanked them for attending this second meeting of the Water Carriers Working Group (WG). He invited those new to the group this time to introduce themselves.

Housekeeping

Group Memory

Donna asked if there were any corrections that need to be made to the group memory from the July 31st meeting. There were no corrections suggested.

Chapter 92 Implications

The Resolution is silent on the application of Chapter 92, the Public Meetings law. We sought advice from staff attorneys to see what requirements we needed to meet. What we understand is that in the group memory, we need to record the date, time, place, who is present or absent, what matters are discussed and any other information that anyone asks to get "on the record" during the meeting. This would meet the requirements for documentation. We try to make sure all items we send out are fit for public consumption. The plan is to put the information on the PUC website and additionally have a repository that the WG can access so that whatever you receive will also be available online in this repository.

Q = Question, A = Answer, C = Comment

Q: Can you confirm if there is an obligation to have sign language interpreters? When we started doing Zoom meetings on Hawaiʻi Island, the issue came up and we heard we had to have interpreters.

A: Yes, we'll check on that. If a request came in from a member of this WG, I believe we'd be obligated to provide those services. (ACTION: Check on obligation regarding sign language interpreters.)

Switch from Webex to Zoom

The main reason we switched platforms is that on Zoom we can see more people on the screen at one time. Webex had limitations in that regard. In addition, Zoom allows the host to rename everyone so we can put your full names and organizations in order to make visible to the group who's representing which entities.

How We Address WG Members

Donna shared that in past facilitations she's strongly recommended using first names only and not titles. The idea is to remind people that *every* voice is important, regardless of what a person's position or title is. She asked for permission to use this protocol during the WG meetings. *Agreement: The group agreed to this protocol.*

Discussion and final acceptance of the Draft Rules of Operation

Donna asked the group if they had any suggested changes or additions to the Proposed Draft Rules of Operation. *Agreement: The group had no changes and accepted the Rules.*

Announce the regular, monthly meeting dates through Dec. 2021

There was a Doodle Poll that most of the group participated in. Based on the responses received, the 3rd Thursday of every month, from 1 to 3 p.m. was selected. Andrew has mapped out all the dates, highlighting holidays that might preclude meetings.

Donna asked the WG members to make sure all the dates are marked off in their calendars so that they don't schedule anything over it and we can plan based on those dates.

It was acknowledged that for the period from January through May 2021, PUC is aware that the Legislature will be in session, so some dates may need to change. We'll be flexible and accommodate as best we can during that time.

Presentation on Needs/Desired Elements

Donna presented the attached clustered lists of Needs and Desired Elements that the WG members had contributed to.

<u>Needs</u>

Donna shared that she had done the first round of clustering, then had PUC staff assist with the second round to clarify any questions about specific content. Without question, the top two items were **Affordability** and **Reliability**. Meeting Client Needs came in a close third, followed by Service, and Operational Excellence, which includes items related to being efficient and nimble. There were a few unique or single-issue items.

<u>Desired Elements</u>

Donna noted that the immediate needs identified were quite different from the desired elements identified. The desired elements are the things that the group identified as essential for creating an effective and efficient water carrier system that either doesn't exist now or needs to be enhanced in the future.

However, the top two items on both lists are similar: **Meeting Client Needs** and **Flexibility/Affordability.** This is followed by Meeting Provider Needs, also. The majority of items are in these three clusters. There were also clusters around Financial Viability and Safety as well as some unique items.

Donna asked the group if there were any questions about either lists or items that needed to be moved.

Q = Question, A = Answer, C = Comment

Q: I don't have any changes but I'd like to know from a process standpoint, this is a simply a collection of our group needs and listed items right? We're not challenging them or shaping them into any form at the moment?

A: Donna: That's correct. The purpose was to help us to see the "top of mind" things that people need right now or anticipate that we need in the future for an effective and efficient system. This exercise also highlighted areas of commonality that the group had. I had lots of ideas about how to structure the last meeting and this one, but from here on out, the WG gets to set the agendas. I wanted us to see the areas of common concern so that we can decide what direction the group needs to move in going forward.

Q: On the Desired Elements list, the items under Meeting Client Needs, 5th bullet down, can this be elaborated on? "Allow for transport of trucks and smaller vehicles between islands. Not require always moving entire barge." What does that mean?

A: Donna: In terms of level of abstraction of these items, some are very detailed. On the Needs list most items were at a higher level of abstraction. These are more detailed.

A: That statement describes what is done today as a service by YB.

A: We do move and transport small vehicles between islands. We can't transport them without a barge. Is the item asking to have another mode of transport to move vehicles? What does "not require moving an entire barge" mean?

A: We do run a specified auto barge that carries only vehicles so that might be the concern. There are other barges they might not be able to get vehicles on due to what's scheduled.

ACTION: Donna encouraged whoever wrote that item to send a clarification to her by next week Thursday, Sept. 24th so that confidentiality can be protected.

Q: On the Desired Elements list under Flexibility and Efficiency, the last bullet point, it says "maximizes the inbound and outbound container space utilization." What does that mean?

A: I can see why that's there. I live on the water in Hilo Bay and the barges pass in front of my home. I see empty spaces on them. Maybe that's what this bullet point applies to. It looks like there is still space on barges. YB and ILWU could better answer this because they load and unload.

A: Yes, I think this is a Hawaiʻi County issue. The outbound from Honolulu is at a higher capacity, but the inbound from Hilo and Kawaihae is not. This may be a pricing or supply issue. Maybe around discounting pricing to incentivize more volume going back inbound to Honolulu. I think that was the concern.

C: (From DOT) As a matter of order, I submitted my three items, but I don't see them on either list.

A: Donna: Send me your three items and where you'd like them to go and I'll create a revised and updated list for the group. I can affirm that the items you just mentioned show that you're trending with the rest of the group.

ACTION: Donna invited any WG member who felt like items were missing or need to be moved to a different cluster to send them to her by next week Thursday, Sept. 24th. These lists are just to provide context.

Q: The last bullet under unique items, "regulatory parity," I'd like to understand this a bit more. In the Flexibility/Adaptability category, there's a bullet talking about regulatory flexibility – how are the two different?

A: The gist of regulatory parity is that we operate in a regulated context, as a regulated monopoly, but we're competing. We'll share more during our presentation – e.g., SIT. We need regulatory parity in that instance, in order to preserve intrastate commerce.

ACTION: Donna asked Chris to send her more content for the regulatory parity item by next week Thursday, Sept. 24th.

Q: Do we move regulatory parity to another category?

A: Yes, it is a unique item, but it drives financial viability. Please move it there.

Presentations from State agencies and YB

Presentations by HDOT, PUC, DCA

Derek presented on the Harbors System in Hawaii (see PowerPoint presentation). Some highlights from his presentation:

- PASHA cargo comes in/departs over Young Brothers. In Hilo, there are no Matson arrivals via ship or barge.
- In Kaumalapau and Kaunakakai – only Young Brothers.

Cat and Leo presented on the regulatory side of the DCA and PUC roles (see PowerPoint presentation). Some highlights from their presentation:

- DCA employees must be impartial. As consumer advocates, they represent all consumers as a whole and have to take into account differences between all kinds/sizes of customers.
- Water Carrier regulating is just one part of CA's work and responsibilities, and just one part of the PUC's work. We're lucky to have Dean Nishina and Lisa Hiraoka of CA's office. They are skilled and experienced.
- We have emergency powers to put someone in on a temporary basis if a Water Carrier leaves the islands. We want the service to be consistent for the consumer. There's a gap in service until we find a new vendor, so we try not to get to that point.

We try to work with the Water Carriers to make sure all goes well. There are a lot of things to consider, the goals of State, goals of Water Carriers to operate efficiently and safely, etc.

- Part of what the PUC and CA's need to do is to balance both sides. There were previously expressed concerns about the CA office being only concerned with the consumer. CA is statutorily bound to look at reasonableness and impact on consumers, but ALSO addresses viability of the utility as well. If the utility is not in a financially healthy viable position, both entities are tasked to strike that appropriate balance.

Q = Question, A = Answer, C = Comment

Q: Just for clarification, can you clarify on Honolulu harbors departure on Matson? Matson unloads at Honolulu harbor, but you're not using your barges to transport? It might just be a rumor, but it sounds like cargo dropped off at Honolulu harbor that is transferred to Kahului is via YB, not Matson.

A: The answer is yes AND no. We run three barges – own and operate three barges. For the last couple of months, due to a reduction in auto volume, we've not been operating one barge. We've been using YB to move autos. Freight continues on Matson, but we're using YB for overflow.

A: Can I also clarify that the schedule presented is the pre-COVID schedule that we're intending to get back to.

Q: Does it represent reality right now?

A: It may not. As the order directs, YB needs to get back to a pre-COVID schedule.

A: Effective September 1, YB reinstated our pre-COVID schedule. But we are not running Waialeale as we were previously.

Q: On the Hilo and Nawiliwili port schedule, they reflect weekly arrivals from PASHA?

A: Bi-weekly. It's primarily an auto ship that passes through these ports bi-weekly.

Q: In general, for each port we laid out terminal facilities and YB's footprint. Can you speak to the significant construction and infrastructure projects that are affecting our ability to operate? Address this question at a high level.

A: Yes. DOT is the landlord, if you will. We have tenants and users through leases or revocable permits. We have legal licenses for users to occupy and utilize areas. There's also shared space that may not be reflected in the presentation – space that is shared by multiple users. A Harbor Master at every harbor makes decisions in real time about what comes in. For example, we're not showing shared use of cruise ships. Because we are a landlord to the ports, we are responsible for improvements. We may ask tenets to move temporarily as we do repairs, enhancements, etc. So these areas may shift over time as those improvements are happening.

Q: For my educational benefit – how long has the PUC regulated inter-island cargo for the State of Hawaii?

A: PUC was established to regulate public utilities, including interisland shipping in 1913. However, it was 1974 when the Hawaii Water Carriers Act was established. This is what effectively regulates YB today.

Q: Are there any price regulations or protections for consumers for freight? The LCL cargo that a customer brings to the freight forwarder?

A: The freight forwarders are regulated as motor carriers. We do take a look at rates they charge and they should be in line with other motor carriers providing the same service. There's a "zone of reasonableness" where they can go up and down on rates, with the Commission's approval.

ACTION: For the sake of time, Donna encouraged WG members to continue to send further questions or comments on the presentations to her by next week Thursday, Sept. 24th. Those can be added as an addendum to the Group Memory as "afterthoughts."

<u>Presentation by YB</u>

Jay Ana presented (see PowerPoint presentation). Some highlights from his presentation:

- The world has changed around us over the years, like the advent of Big Box retailers, but the regulations haven't really kept up with these changes.
- As retail has evolved, the nature of how cargo has moved has changed. For example, there is increasing demand to move straight-load containers. We need to look at how (HRS chapter) 271G can evolve to adjust to these changes.
- Initially, we were primarily transporting agricultural-related items. Over time, we moved from house barges to flat deck barges for LCL palletized cargo. Now we mostly have flat deck barges to carry the containers.
- I'd like to dive into the SIT issues during the course of this WG. It's complex. SIT is a mechanism that allows shippers to maximize cargo from the West Coast. There's "Stop in Transit" and "Storage in Transit."
- For example, a customer might order a full container from the West Coast – half for Honolulu and half for Nawiliwili. The consignee will unload only the Honolulu items, then backfill.
- Storage in Transit is when you can declare cargo as SIT on West Coast but you don't designate a final destination. You can warehouse in Honolulu for up to a year, then move it through SIT.
- Some consumers are backfilling with what is really intrastate cargo. They're shifting how they're using YB, PASHA, and Matson. It's not our responsibility to police this, but there's no oversight.
- Consumers are bypassing YB. We've seen a decline as they move to SIT. This causes a degradation in volume, which in turn causes demand for rate increases. The state economy has thrived but YB's volume has gone done.

- Pre-ERI, we could move the equivalent of a small love seat sofa for $68. You couldn't get it moved on island for that amount. There is a disparity. We're not covering our true costs.
- The disparity is in the amount of effort it takes us to move a commodity. 70% of our volume is driven by LCL, but it only drives 20% of our revenue. We have to pick the commodity up multiple times. We want to provide LCL service but to generate efficiencies in our operations, we need to pay attention to this.
- Our customer service strategy is improving the customer experience in the near term assures our viability in the long-term.
- We need to continue to evolve. YB 2.0 needs to be a better, more lean, more agile organization, able to adapt and shift with the market conditions. We haven't been in a place to be agile at the moment. We want to continue to improve on this to serve our community effectively.
- In our local community, we have difficulty in serving the Big Box retailers. The margins are thin and competition is high. We want to bridge the gap.

Q = Question, A = Answer, C = Comment

Q: You mentioned the CS Working Group – whose part of that?

A: You want names?

A: Sure. I'll let you know offline

Donna noted that YB's presentation shows that they are in alignment with what their customers have articulated on the Desired Elements list.

C: I have a request. I've had an inquiry by a private group of business people who want to be part of this group. I mentioned we're not adding any other folks to the WG. How should we handle requests like this? If we want to consider the many interests from end users who have ideas and want to contribute, could we do a subcommittee on that particular area? They could report back to the WG.

A: Donna: In our desire to be representative of all the different issues, we do want to have a mechanism to hear voices of people who are not represented here. So, the WG's homework is to send me your list of organizations or individuals who you think are impacted by this issue, or have information on this issue, or are knowledgeable and want to be engaged with this issue. I cluster names on the list and send it out in advance of the next meeting so the WG can make suggestions for who would be the best representatives to provide input to the WG. [After the meeting, the PUC team decided that we would create an Excel file to collect this information by Thursday, October 1st.]

C: In the recent editorial in the paper by an individual, suggestions were made on what to do about YB. Commission Chair Jay Griffin contacted him to get her/his input and see what he had to say. The individual took that to mean that she/he was being invited to be a member of this WG. We let her/him know that we couldn't do that due to resolution, but we wanted her/his input and engagement. She/he has as also contacted Speaker Saiki's office and Sen. Inouye.

A: We could look at how to get input from this branch of customers. Given all these Desired Elements, this would put us into categories we need to work in. If there's a subcommittee, we could leave it to them to get input from key people in that particular area. That would be more efficient in addressing the customer side so the information comes back to the WB as a whole. We could identify areas we need to follow up with customers on. This is an alternative to adding people directly to WG.

Donna thanked the presenters for doing the overview in such a succinct and clear way. It was important to give voice to folks on the committee to share what they'd like to see happen.

She noted that given the context, the WG can talk about a structure that will help generate recommendations for the medium- and long-range solutions. There is already one area that we seem to have identified we want to carve out as a subcommittee – customers. Some committees may overlap.

Q: On the technical side, can we check to see if Chapter 92 allows us to have subcommittees? As Legislators, we can hold information briefings that would be open to the public, etc. But I think subcommittees are also helpful, especially around (HRS chapter) 71-G. We need to clarify if we are allowed and by what mechanism. Is our committee entitled to serve as recordkeeping? Can we use assistance with subcommittee from Donna and Jen?

A: We can take this conversation offline.

PowerPoint Presentation of outcome of the rate increase hearing

Since the presentation was provided in advance, and due to limited time remaining, there's no need to review it during this meeting.

Presentation on the use of SharePoint

There's no need to do this presentation either. Andrew has made SharePoint easy to access. There may be some additional modifications made, but for the most part, we're in good shape with this.

Q = Question, A = Answer, C = Comment

C: I get having subcommittees, but given that we're in a time of COVID, this WG was formed to help make sure there is sustainability for YB moving forward. We do have a plan in place for customer feedback. Let's focus on getting this WG off the ground and moving forward. Let's look at what's happening – COVID, lack of containers, and how to continue to sustain YB.

A: Donna: I think our mandate is broader than that. We're tasked with making medium- and long-term recommendations about how to create a system that is both sustainable and efficient.

Q: One of the things I wanted to understand is from a PUC perspective, what are the requirements we're looking at? Can we start with a blank sheet? Can we discuss sailing schedules? Or, is our mandate that everything that's there today is the schedule and it stays? Is there a required rate of return? I want to understand the scope. For example, is YB required to go two times a week into a port, whether it's got a full load or not? If the requirement is Hilo must have one sailing a week, how much flexibility is there about when they go? Can it be structured to maximize the volume of the load? What are the limitations?

A: Donna: What you're really asking is can we set up a system that re-optimizes flexibility and maintains financial viability and sustainability?

Next Steps

- Homework assignments:
    - ACTION: As a participant in the WG and representative of your constituency, please share your thoughts on the **top three top areas this WG must address**. Please send these to Donna by September 24. Donna will use this information to structure the next meeting. Donna changed the due date to Oct. 1st to give everyone more time to thoughtfully work on this assignment.
    - ACTION: Second, please consider what gaps in information the WG has but needs filled in order to move forward (no more than 3 items). Please send this to Donna by September 24 as well. Donna changed the due date to Oct. 1st to give everyone more time to thoughtfully work on this assignment.
    - ACTION: Leo will follow up with an email to the WG to remind about these assignments.
- We will compile the group memory and work on the next agenda to send out to the WG.

GROUP AGREEMENTS:

- The members of the WG agreed to be identified in meetings by their first name and organization, without titles, in order to support that every voice is important in the conversation.
- The group had no changes to the Draft Rules of Operation and accepted the Rules as is.

ACTIONS:

- PUC will check on the obligation regarding sign language interpreters for the WG meetings.

- Whoever wrote the item that is the 5th bullet under "Meeting Client Needs" please send a clarification to Donna so the information can be added to the document.
- Any WG member that feels there are items missing or that need to be moved to a different cluster, please send that information to Donna and she will make the changes.
- It was requested that Chris send Donna more content for the regulatory parity item.
- WG members will send Donna their top three areas for the WG to address and up to 3 items describing information the group needs but does not yet have. The WG will also identify organizations or individuals whose input needs to be sought through a mechanism we develop.
- Leo will follow up with an email to the WG to recap the homework assignments.

WATER CARRIERS WORKING GROUP

STARTING POINT AND PARAMETERS

October 15, 2020

Public Utilities Commission

QUESTIONS RAISED

Questions were raised at last Working Group meeting and during the interim comment period between meetings:

- *What is our (the Working Group's) starting point?*
- *What are the parameters (limitations) for proposed recommendations?*

Public Utilities Commission

STARTING POINT

Question: What is out (the Working Group's) starting point?

- *PUC Order 37280 (August 17, 2020) which granted Young Brothers' Motion for Relief, subject to conditions:*
  - Advanced notice be filed with the Commission should YB or parent company decide to discontinue regulated service or terminate water carrier operations in the State of Hawaii
  - File a Customer Service Strategy within three months of the date of Order (Nov. 15, 2020)
  - Commission-initiated audit of YB's financial and management practices by an independent party
  - For purposes of addressing any later need for refund, YB keeps accurate account in detail of all amounts received by reason of the temporary increase herein granted specifying by whom and in whose behalf such amounts were paid
  - YB to make any necessary logistical adjustments to allow it to return to its pre-COVID-19 sailing schedule; reflected in updated Tariff Sheets (approved by PUC on Aug. 28, 2020)
  - Suspends any further consideration of YB's request for a general rate increase for twelve (12) months following the date of Order
- Summary - Young Brother's current operations as of September 1, 2020, including all Tariffs in effect of said date

PARAMETERS FOR PROPOSED RECOMMENDATIONS

Question: What are the parameters (limitations) for proposed recommendations?

- Proposed recommendations have no parameters (limitations)
- Blank slate; any proposed recommendations would be generated and discussed among the WG members
- Ultimately the WG members would align around proposed recommendations for solutions that meet SR125's language - to balance the need for continuous interisland water carrier service throughout the State with the need for water carriers to maintain financial sustainability

PARAMETERS FOR PROPOSED RECOMMENDATIONS

Example of how proposed recommendations may be developed?

- At either a WG meeting or a sub-group meeting a WG member may suggest a potential recommendation to address issue being discussed (i.e., operations, customer service, finances, etc.)
- The WG or sub-group would decide whether to explore the potential recommendation further.
- If the WG or sub-group wants to explore the proposed recommendation further, the WG or sub-group would be responsible for doing their due diligence on the proposed recommendation, including obtaining input from key stakeholders (i.e., those that would be impacted by proposed recommendation) and examining the parameters in which the recommendation may be implemented (i.e., working within current statutory and/or regulatory provisions; additionally recommending statutory and/or regulatory amendments that may be needed to implement the proposed recommendation; timing in which implementation of the proposed recommendation is realistically feasible (mid-term or long-term); and whether YB can accommodate the recommendation in the near-term by making changes in anticipation of the implementation; among other considerations). These recommendations may also involve the participation of other carriers.
- After discussion and analysis by the WG or sub-group, if the proposed recommendation still warrants merit, the WG would list it as either a mid-term or long-term recommendation/solution, and it would be forwarded to the Legislature and Governor for consideration as part of the required report of the WG due prior to the 2022 Session of the Legislature.
- Note: the above does not preclude the WG from addressing proposed recommendations in a timely expedited manner and generating a recommendation that could be considered for earlier legislative sessions.

WATER CARRIERS WORKING GROUP

STARTING POINT AND PARAMETERS

QUESTIONS?

Public Utilities Commission

List of Gaps (Clustered)

GAP	INFO PROVIDER
Information Needed from YB (e.g., Financial)	
Additional financial information from YB	YB (may need to determine if there is specific financial information needed)
Any planned capital investment projects YB intends to undertake within the next 5-10 years	YB
Better information about the scheduling and load (or demand) for each of the required service routes	YB
Clarification about SIT	
Stop in Transit (SIT) - better understanding of the magnitude of the problem; assess whether it is something that needs to be addressed by the working group and if so, how to best address the problem (i.e., more data and information would be helpful - such data might include the volumes and frequency of SIT usage, price comparison for SIT usage vs YB).	YB, Working Group (to determine if SIT needs to be addressed and recommendations made)
SIT - Information on needed on prior efforts and challenges experienced by PUC and/or DOT to monitor and enforce cargo that should be shipped via certificated intrastate water carrier rather than the interstate SIT process	PUC, DOT-Harbors
Information about Stakeholders	
Input from related stakeholders	TBD, Working Group/Sub-Group
Extensive customer surveys by island, business and customer class to focus on problem areas	YB, Working Group
Better understanding of interisland cargo customers' needs and schedules	YB, Working Group, Stakeholder (customer) input
What are the water carrier services that are critical to meet State objectives (e.g., is LCL service critical to ensure food sustainability?)	YB, State Agencies on Working Group (DCCA/DCA, DOA, DBEDT, DOT, PUC)
Information from Carriers	
Better understanding of how trans-pacific cargo operations affect the interisland cargo operations	Matson, Pasha, YB, DOT-Harbors
Better understanding of interisland cargo operations on all islands, and interisland cargo operators/water carriers'	YB, Matson, Pasha, DOT-Harbors

limitations/abilities to adjust to various financial and operational changes	
Information about Harbors	
Information about the lease terms of each of the harbor ports and baseyard facilities	DOT-Harbors
Exploring Additional Resources	
Extent and types of government grants available to assist certain shippers who may need financial assistance in paying for their fair share of shipping costs	State Agencies on Working Group (DCCA/DCA, DOA, DBEDT, DOT, PUC)

SUMMARY/CATEGORIES OF CRITICAL AREAS:

Financial Viability

- Look into grants and subsidies that incentivize water carrier to service all ports and continue to operate all lines of service
- Economic viability
- Depending on how the gap in information regarding what are services that are critical to State objectives, what are the reasonable costs associated with those services, the delta, if any, between the identified costs, and the best manner to compensate a carrier for those services

Regulatory

- Streamline ratemaking process
- Initiatives to assure future PUC rate increases are more timely so that the rate increases are more incremental and a one-time, catch-up increase
- Establishment of rate designs that ensure that all shippers pay for such water carrier services based on the actual costs of such services rather than being subsidized by others; otherwise, subsidies should be addressed by government grants/funding for underserved communities and local businesses that fulfill certain State objectives (e.g., sustainability, agriculture, etc.)
- Regulatory parity including, among other things:
  - addressing the LCL/Mix consolidation services are performed by both regulated companies (e.g., YB) at regulated rates and non- regulated freight forwarders at non-regulated rates
  - increased oversight and enforcement of shippers/consignees (e.g., freight forwarders and consumers) who may be utilizing the interstate stop in transit/storage in transit (SIT) process in violation of HRS Chapter 271G and its associated rules (e.g., loading intrastate cargo in interstate SIT containers, etc.)
- Streamlining utility regulation by, among other things, allowing water carriers the operational flexibility when deemed necessary and eliminating or reducing expensive and time-consuming rate cases
- COS and rate design for regulated and nonregulated customers
- What future changes should be sought to PUC regulatory oversight of the interisland water carrier?
- Alternatives available should a water carrier decides to terminate all services?

Operations (Includes Safety and Customer Service)

- What does the most efficient operational organization structure for a water carrier look like?
- Improve infrastructure and properly maintain equipment
- Extend and organize gates hours to provide safe working environment for employees and customers – (Operational Safety and Customer Service)
- Continue to service freight of all kinds - (Operational Safety and Customer Service)
- Extend and organize gate hours - (Operational Safety and Customer Service)
- Consistent sailing schedules - (Operational Safety and Customer Service)
- Ways to better match actual shipping demands with fixed and possibly variable route schedules
- Ideas to streamline and/or improve customer service and access to shipping schedules such as online booking/tracking systems - (Customer Service)
- Reliable freight service schedule
- Improving operational efficiencies to lower costs and improve service
- How are water carrier customers represented in the Working Group discussions?

Miscellaneous

- It is premature to ask this question (until information gaps are filled).

Responses to Working Group Questions

1. Why is depreciation included in the breakdown of ongoing operating expenses rather than treated as a capital expense?

From both a regulatory or financial accounting perspective, costs are either "expensed" or "capitalized." Costs that are "expensed" are recognized on the income statement of a financial statement. In comparison, costs that are "capitalized" are recognized as assets on the balance sheet of a financial statement. There is no "capital expense" reflected in a financial statement. Depreciation is an accounting method of allocating the cost of a fixed asset over its useful life to account for the decrease in the asset's value due to use, wear and tear, or obsolescence. For example, a tug may cost $20 million and is expected to be used for 30 years. The $20 million is recorded as a fixed asset on the balance sheet. The annual depreciation for the tug is approximately $670,000 ($20 million/30 years) using the straight-line method of depreciation. The approximately $670,000 is recorded as an operating expense on YB's income statement since the tugs are used in the provision of YB's intrastate transport of cargo between the seven ports in the State of Hawaii.

2. SIT slide #7-Appears to show that a significant portion of goods destined for Hilo are shipped via Honolulu rather than going directly from the mainland to Hilo, resulting additional costs/burdens being placed on intra-island shipping. Appears to imply an inefficiency that somehow increases intra-island shipping costs even though handling of interstate goods is shown on slide #9 as being profitable.

To clarify, on slide #7 (entitled: Stop-in-Transit/Storage-in-Transit's ("SIT") Impact on YB), the blue bars represent intrastate cargo that is properly characterized as originating in Honolulu destined for Hilo and is shipped via YB. The yellow bars represent cargo that has reached Hilo via SIT (i.e. the containers originate with an interstate carrier on the West Coast, stop in Honolulu where cargo destined for Honolulu can be off-loaded and the resultant space can be refilled with cargo that also originated from the U.S. Mainland and is also destined for Hilo). Slide #7 shows a single company that over the course of time, have opted to ship a greater portion of total cargo going direct to Hilo via SIT movements through West Coast carriers than through YB. Slide #7 could be applied to other companies. It is unclear at this point whether such SIT shipments are through legal or illegal SIT, but such shipment process does impact intrastate revenues. See Exhibit A for slide #7.

The blue bars shown on slide #9, represent interstate cargo that ships via YB through proper interstate movements (e.g. via a Connecting Carrier Agreement), not intrastate cargo that ships via a West Coast carrier through SIT. It is true that interstate shipments tend to be more efficient than intrastate shipments – this is primarily due to the containerized nature of interstate cargo versus the efficiency of loading intrastate cargo, which often involves loading less efficient LCL cargo (which are often cargo types of all sizes and shapes). However, slide #9 shows revenue and does not directly address profitability.

Thus, the use of SIT only directly reduces the amount of intrastate cargo that could be moved via YB. It does not directly affect the amount of interstate cargo that is moved by YB.

3. Freight Revenue/Quantity slide #9 -Shows profitability in all categories except LCL. Can YB show what is the SIT portion for volume and revenues in the LCL statistics?

As stated above, slide #9 shows revenue and does not directly address profitability. Unfortunately, the true extent of lost SIT volume particularly in LCL cargo and revenue is unknown to YB. As noted by YB previously, this is a gap area where additional information and/or research may be needed for SIT matters (whether such SIT shipments are through legal or illegal SIT).

4. Perhaps, for slide 9, Freight Revenue vs Quantity Shipped, the revenue per cubic foot of space for all the categories listed could be shared. Is % Quantity in Unit Weight?

The intent of the chart is to show YB's Total Freight Revenue, as a percentage, between intrastate and interstate services, and divided among the four categories for comparison purposes. The same comparison is shown for YB's Total Quantity, as measured by piece count.

The Container/Trailer category provides the best example. The Container/Trailer category comprises 64.54% of YB's total freight revenue. The Container/Trailer freight revenue consists of 54.3% intrastate revenue, and 45.7% interstate revenue. Similarly, the Container/Trailer category comprises 21.23% of YB's total quantity (piece count). The Container/Trailer quantity consists of 48.4% intrastate quantity, and 51.6% interstate quantity. The same process is applied to the other categories to provide a comparison for each category.

The chart provided is a comparison of freight revenue and quantity (piece count), as such, providing the additional measure of revenue per cubic foot would misalign the chart with its intent. In addition, revenue per cubic foot would not be an applicable unit of measure because Autos, ROROs, and Container/Trailers come in different shapes and sizes and would yield an unreliable result.

The % Quantity is measured by piece count.

See Exhibit B for an updated chart that reflects Freight Revenue vs Tonnage for the same period provided in the presentation.

5. What category does livestock fall under: container/trailer, LCL or RORO?

Livestock may fall under either container/trailer, LCL, or RORO commodities. For context, we have provided a chart at Exhibit C showing the total revenue generated by industry over the last 5 years. The Agriculture industry has generated almost 2% of YB's total revenues in that time period, of which the Livestock sector has generated 0.18% of total revenues. See Exhibit D for examples of each type of commodity that can be shipped by YB:

Exhibit A

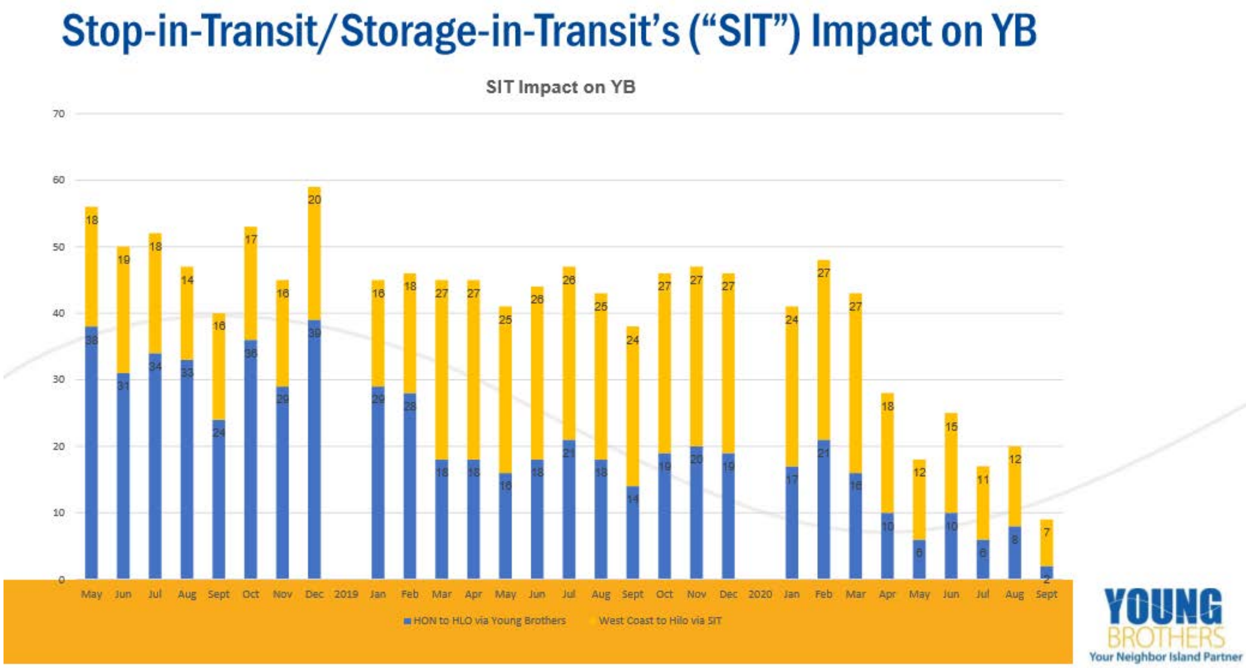
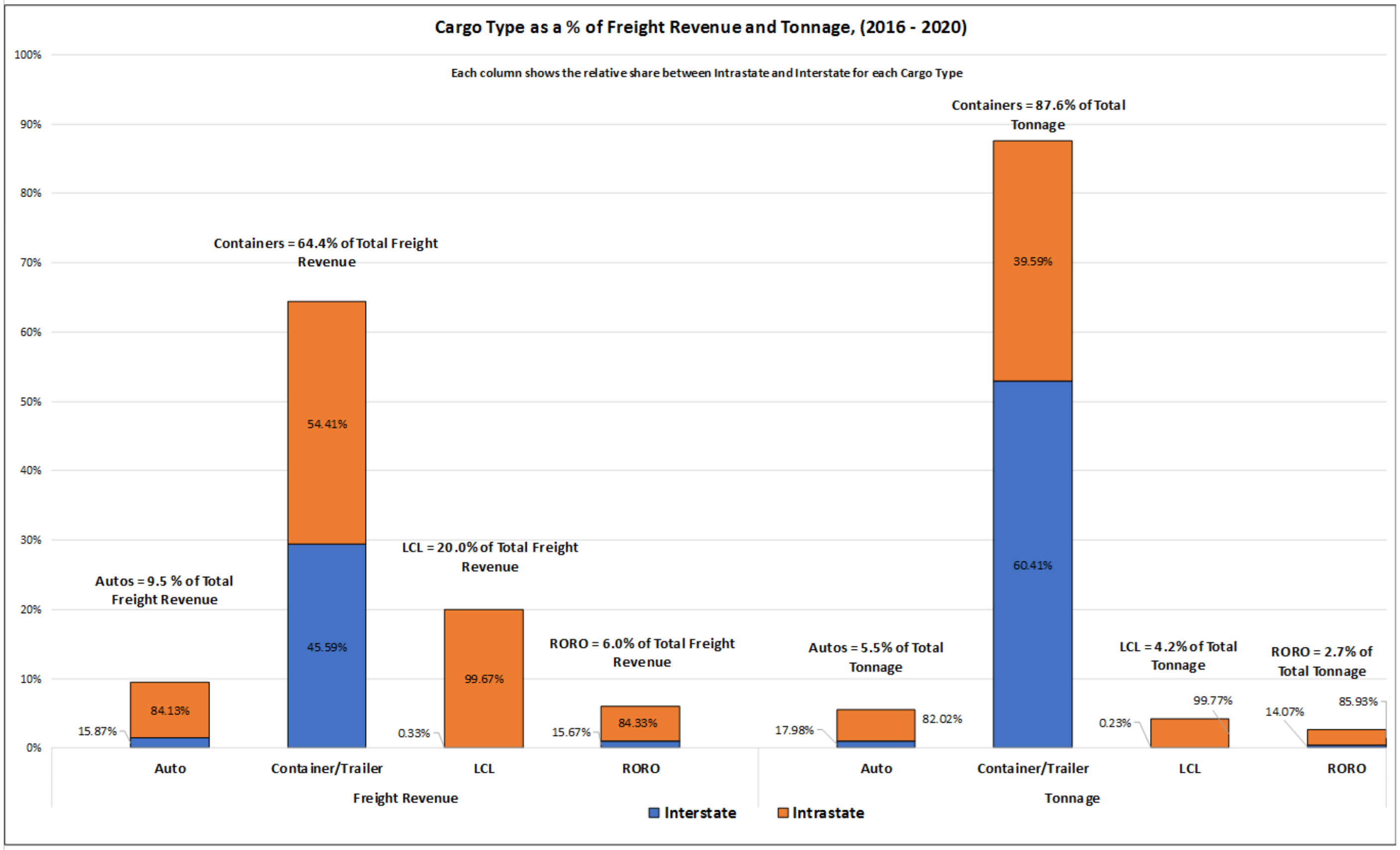

Stop-in-Transit/Storage-in-Transit's ("SIT") Impact on YB
SIT Impact on YB
HON to HLO via Young Brothers
West Coast to Hilo via SIT
YOUNG
BROTHERS
Your Neighbor Island Partner

Exhibit B



% Totals	Freight Revenue					Tonnage				
	Auto	Container/Trailer	LCL	RORO	Total Freight Revenue	Auto	Container/Trailer	LCL	RORO	Total Tonnage
Interstate	1.51%	29.36%	0.07%	0.95%	31.89%	0.99%	52.92%	0.01%	0.38%	54.30%
Intrastate	8.01%	35.04%	19.97%	5.10%	68.11%	4.53%	34.68%	4.17%	2.32%	45.70%
Grand Total	**9.52%**	**64.40%**	**20.03%**	**6.04%**	**100.00%**	**5.52%**	**87.60%**	**4.18%**	**2.70%**	**100.00%**

Relative share for Cargo Type	Freight Revenue					Tonnage				
	Auto	Container/Trailer	LCL	RORO	Total Freight Revenue	Auto	Container/Trailer	LCL	RORO	Total Tonnage
Interstate	15.87%	45.59%	0.33%	15.67%	31.89%	17.98%	60.41%	0.23%	14.07%	54.30%
Intrastate	84.13%	54.41%	99.67%	84.33%	68.11%	82.02%	39.59%	99.77%	85.93%	45.70%
Grand Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Exhibit C

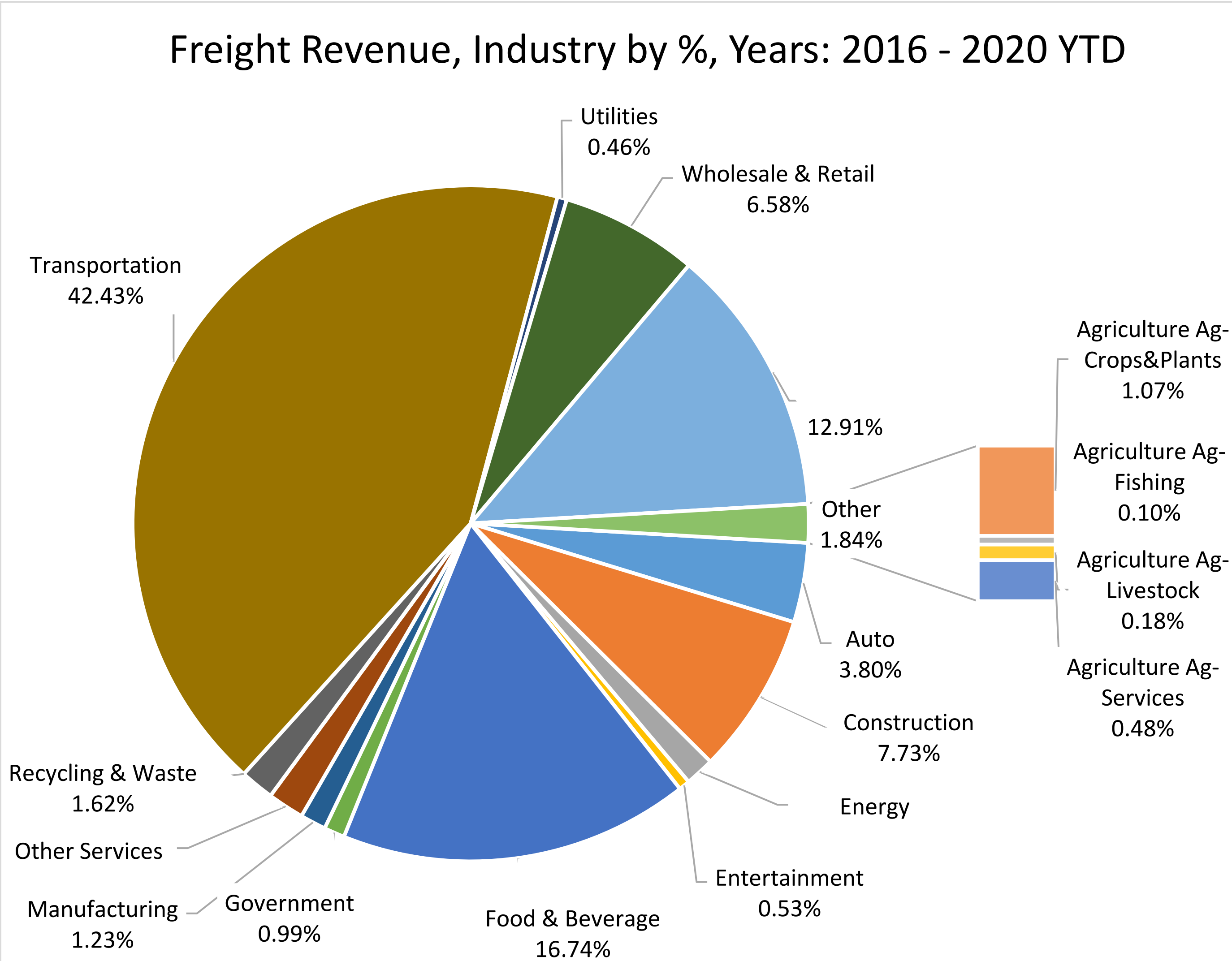

Freight Revenue, Industry by %, Years: 2016 - 2020 YTD
Utilities 0.46%
Wholesale & Retail 6.58%
Transportation 42.43%
12.91%
Other 1.84%
Agriculture Ag-Crops&Plants 1.07%
Agriculture Ag-Fishing 0.10%
Agriculture Ag-Livestock 0.18%
Agriculture Ag-Services 0.48%
Auto 3.80%
Construction 7.73%
Energy
Entertainment 0.53%
Food & Beverage 16.74%
Government 0.99%
Manufacturing 1.23%
Other Services
Recycling & Waste 1.62%

Exhibit D

Cowtainer (Container or RORO if shipped on chassis)

Box Stall (LCL)

Trailer (RORO)

Pig Pen (LCL)

Livestock Shipping Trailer (RORO)

Hawaii Public Utilities Commission Updated Instructions for SharePoint

Water Carriers Working Group Meeting #3

10/15/2020

SharePoint for File Sharing

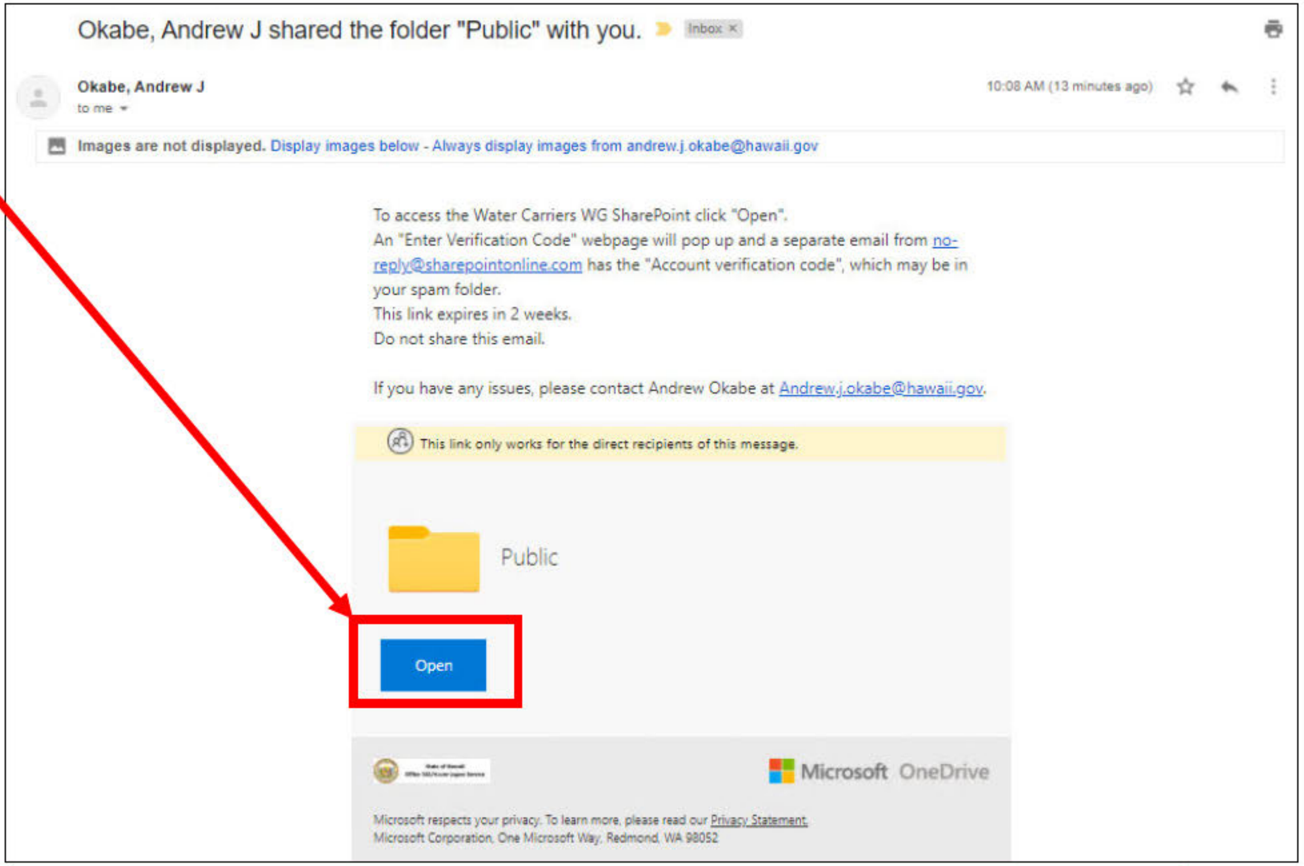
- A single place to share presentation materials, notes, other documents, managed by HPUC Staff
  - Read access and private at this time.
  - HPUC Staff will post any materials to the SharePoint and create new folders as necessary.
  - Adding shared access can only be done by HPUC Staff.
  - Requires verification via email.
  - Link cannot be shared and is unique per participant.

Alternative Read Only SharePoint Mirror

- A mirror has been created that has read access to WG materials:
  - [redacted]
  - Read only access
  - Can be shared and does not need verification.
  - Synchronized WG SharePoint periodically by HPUC staff.
  - Anyone with the Link can access the files.
  - Password is "[redacted]".

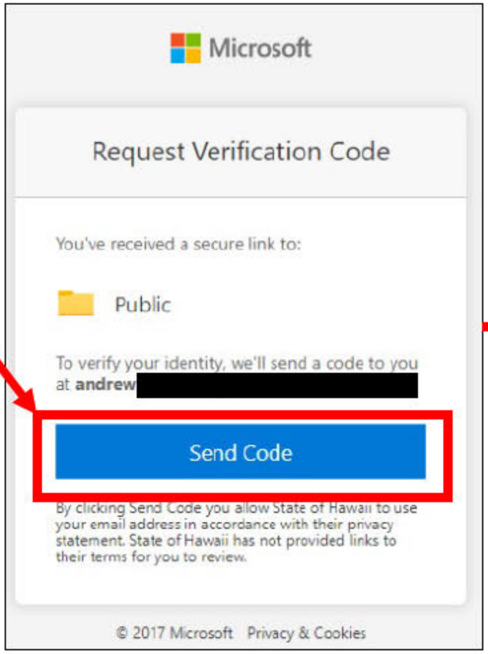
Getting Started

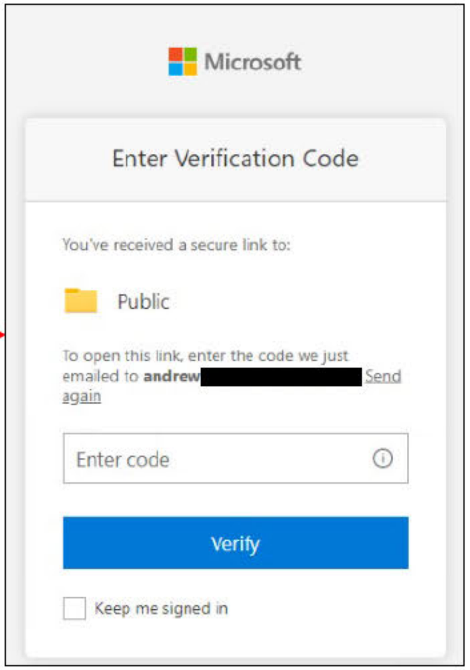
- You should have received an email from Andrew.j.Okabe@Hawaii.gov.
- Click on "Open".



Get a Verification Code

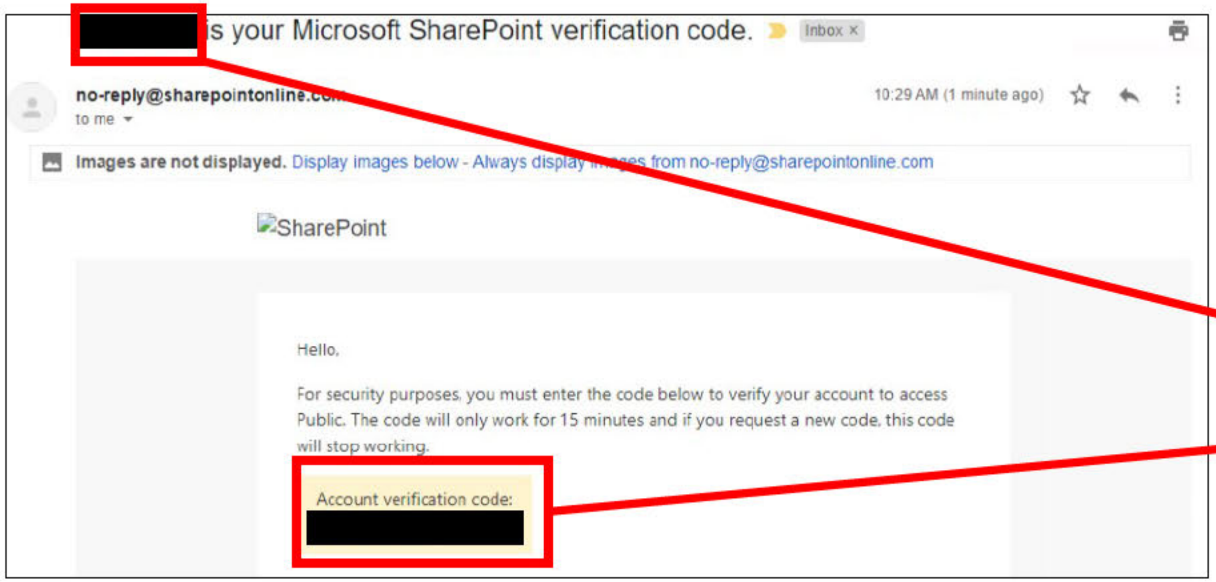
- The “Request Verification Code” webpage will appear, click on “Send Code”, when the processing is done the “Enter Verification Code webpage will appear.

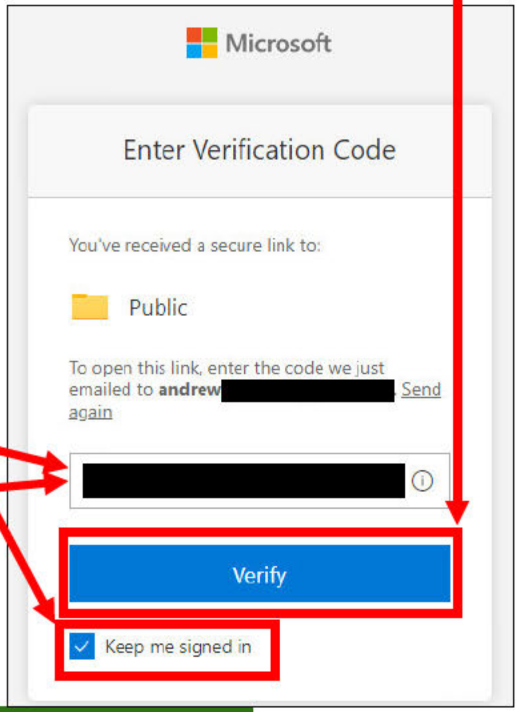




Enter the Verification Code

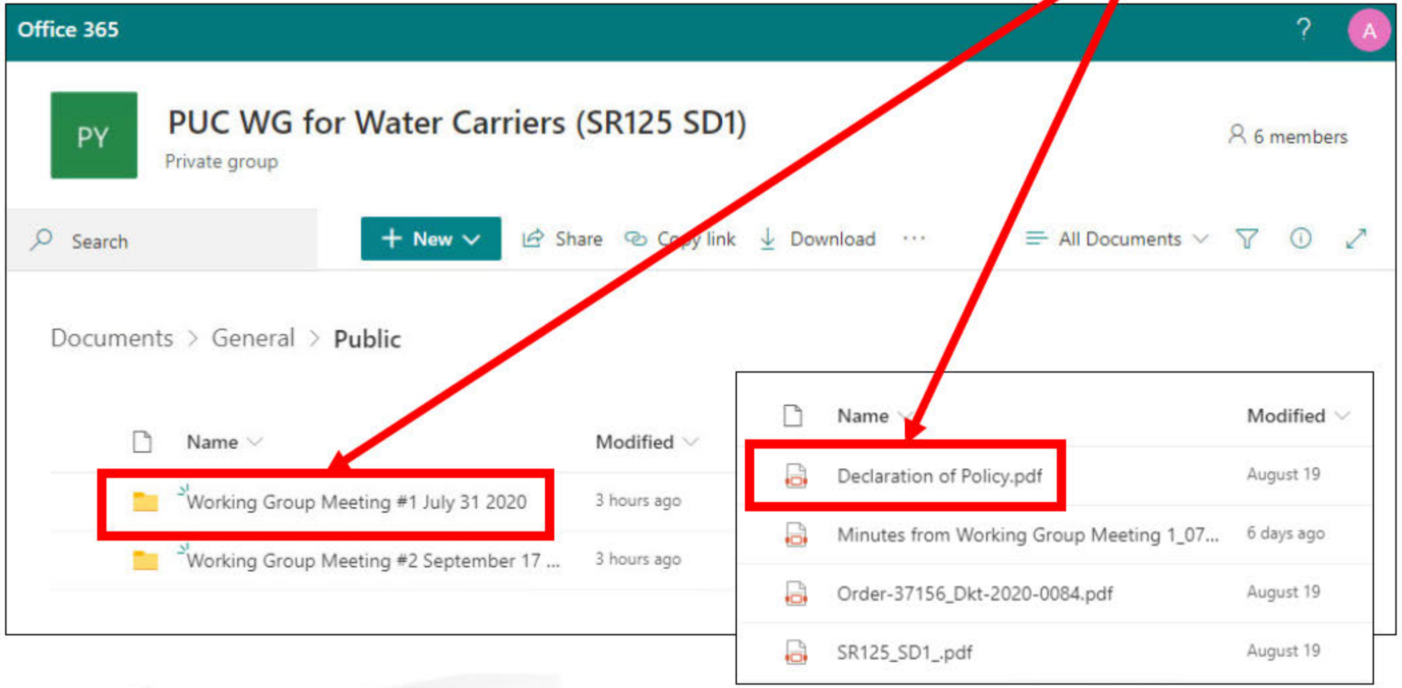
- You will receive an email from no-reply@sharepointonline.com with your verification code, put this into the "Enter Verification Code" webpage, and checkmark "Keep me signed in", click on "Verify".

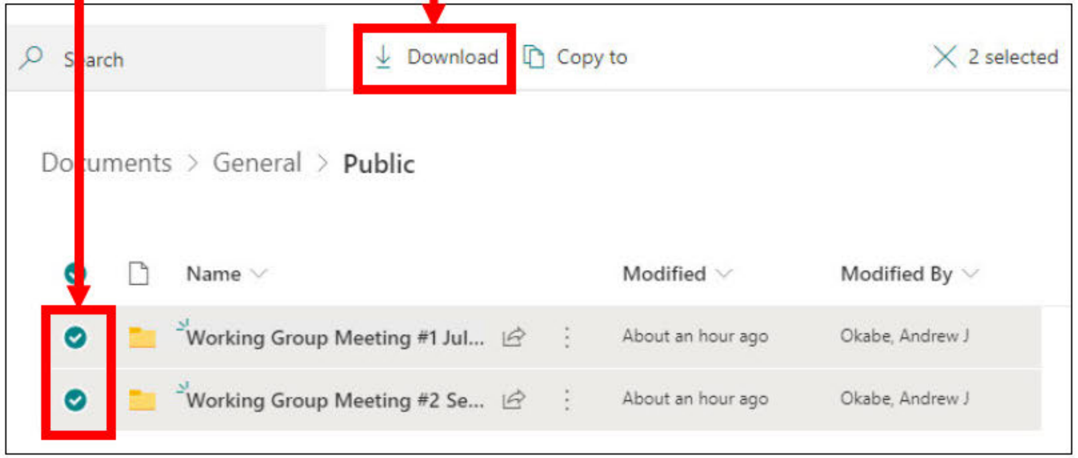




Start Using SharePoint

- Download by clicking to the left of the folder and then “Download”.
- Open items by clicking on the item name.





Accessing the SharePoint After Verification

There are several ways to easily access the Working Group SharePoint (after verification):

- Use this [redacted].
- Add the SharePoint webpage as a bookmark on a browser while on the SharePoint webpage, and utilize the bookmark when needed.
  - For Computers: click the ☆ or ♡ symbol to the right-hand side of the address bar or press Control+D on the keyboard (Command+D for Safari).
  - For iPad/iPhone: Tap the "More" icon at the top and tap on "Add Bookmark".
  - For Android: Tap the ⋮ icon at the top and tap on the ☆ icon.

Either method requires verification, which is good for two weeks. After the two-week period, or if the browser is cleared of data, re-verification will be required. Verification is required for each device/browser to access SharePoint.

For questions regarding SharePoint or to request additional access please email
Andrew.j.Okabe@Hawaii.gov

Thank You!

STATE OF HAWAII
PUBLIC UTILITIES COMMISSION
465 S. KING STREET, #103
HONOLULU, HAWAII 96813

	Recommended Organization or Individual	What is their interest or expertise on this issue?
1		
2		
3		
4		
5		

	Recommended Organization or Individual	What is their interest or expertise on this issue?
1	Construction Industry (Any Specifics?)	Higher cost of delivering materials is likely to impact housing costs, including those that already had a fix bid price but were awaiting material shipments.
2	Farmers & Ranchers (Beyond those listed below?)	Hawaiʻi Isalnd farmers and ranchers may face headwind if their prices increases to ship product off-island.
3	Grocery Stores & Big Box Retailers (Any Specifics?)	Concern about rising prices of commonly purchased items such as toilet paper, bags of rice, dairy products, and other household staples.
4	Hawaii Farm Bureau Federation: Brian Miyamoto (Exec. Dir.)	They represent 1800 farmers, ranchers, & growers statewide. They also have a transportation policy representative for its members. Further, they have significantly impacted by YB's rates , services and policies for food crops and state's food security. Many bureau members utilize water and air insterisland cargo movements.
5	Hawaii Cattlemen's Council: Brendan Balthazar, Kea Among	Statewide organization of cattle ranchers and significantly impacted by YB's rates, services and policies that have interupted beef supply chain.
6	Hawaii Nursery & Floriculture Association	Statewide organization of flowers and ornamental plants significantly impacted by YB's rates and policies.
7	Hawaii Farmers Union United	Represents over 1200 farming families statewide.
8	Hawaii Transportation Association: Gareth Sakakida (Exec Dir.)	They typically partner with YB and other water carriers. Perspective from ground transportation.
9	Hawaii Sheep & Goat Association	Livestock shippers (LC) Member of PUC Livestock shippers working group.

Consolidated and Formatted List of Needs

Affordability

- Affordable pricing
- Affordability
- Competitive pricing
- Economic Viability
- Streamline rate making process
- Fair and equitable evaluation of annualized increase
- Reasonable and affordable rates
- Ag would like to add keeping loading and unloading on the pier to minimize additional transportation costs for the customers who are taxed with a 46% rate increase.

Reliable

- Reliable, unwavering freight service schedule with known capacities
- No interruption of service except for weather
- Uninterrupted schedule
- Reliable and efficient transportation of goods between islands that meet or exceed customer expectations
- Consistent sailing schedules, gate hours and operations

Meeting Client Needs

- Provide for freight service needs of the neighbor islands
- Continue to service freight of all kinds
- Options—want other options to be considered for services that will allow competitive pricing for comparable services
- Extend and organize gate hours
- Consideration of the greater good and not just a single party or single perspective.

Service

- Customer service and outreach
- Service
- Quality customer service

Operational Excellence

- Staging and overall efficiency
- Higher costs=expectation of better delivery of services or carrier to provide something "new" that is not the case today
- Empowered with flexibility to nimbly respond to changing conditions

Unique Items

- Safety (esp. in re: animals)

- Independent auditor to review YB finances
- Provide State funding for those commodities that are granted discounts
- Current regulatory framework reviewed and updated and restore regulatory parity w/unregulated service providers
- Adequate support (e.g., grants, subsidies) to incentivize water carrier(s) to provide the breadth of desired services when some are not compensatory

Consolidated and Formatted List of Desired Elements

Meeting Client Needs (many of these are examples)

- Demonstrate constant improvement in service and a desire to meet the needs of its customers throughout the process from initiation of shipping, tracking and retrieval of cargo
- Expediency of the processes by which customers can drop off and pick up freight and cargo at the docks
- Ability to check availability of shipping dates and make reservations online, with available customer service for follow-ups
- A new and/or improved tracking system for tracking goods through the shipping process
- Allow for transport of trucks and smaller vehicles between islands. Not require always moving entire barge
- Continuance of less than container loads
- Offer affordable shipping rates with minimal rate increases. Rates that reflect the cost that producers take on by owning and maintaining their own shipping containers

Flexibility and Efficiency

- Regulatory and operational flexibility
- New vessels that are more economical and can adapt to flexible load configurations and needs
- Barge schedule flexibility based on cargo availability for all regulated and non-regulated cargoes with supporting metrics
- Efficient
- Maximizes the inbound and outbound container space utilization

Financial Viability

- Regular/Annual and equitable rate adjustments to keep pace with annual cost increases, enabling a financially healthy carrier
- Financial viability
- Financial segregation and treatment of regulated/non-regulated cargoes for mixed barge movements, with open opportunity/support of additional water carriers to decrease dependency on a single carrier. This could include utilization/support of Pasha Hawaii and Matson current routings to Neighbor Islands

Safety

- Delivery of agricultural products and livestock are in a safe, timely manner and ensuring they arrive in good, healthy condition
- Safe

Unique Items

- Committed
- Improve infrastructure and consistent availability of properly maintained equipment
- Regulatory parity

Potential Lapses in Intrastate shipping service

References taken from Schooner from Windward, Mifflin Thomas, University of Hawaii Press, Honolulu, C. 1983, ISBN 0-8248-0799-5.

One of the main inter island transport companies Inter-Island Steam Navigation Company announced on March 18, 1950 that it was discontinuing inter island shipping as part of its business.[1] Prior to the announcement from Inter-Island Steam Navigation Company, Young Brothers Company started its interisland freight shipping with an expansion of its common carrier services, and YB offered biweekly service to two Kauai Ports, Kahului, and Hilo.[2] This ultimately allowed for a potentially uninterrupted transition from use of one carrier to the next.[3]

Prior to statehood YB was regulated by the U.S. Maritime Commission, after statehood on August 21, 1959, the Hawaii Public Utilities Commission assumed responsibility for regulating Intrastate water transportation.[4]

The only time that Hawaii experienced a potential situation where there would be no Intrastate shipping company was in 1978 to 1979, where YB sent a notice to the HPUC on July 12, 1978 that it would be terminating service for Intrastate shipping on December 31, 1979.[5] YB re-applied for a Certificate of Pubic Convenience and Necessity ("CPCN") on March 1979.[6] While the Commission accepted the initial notice terminating YB's CPCN on December 31, 1979, the Commission authorized YB to operate under a new CPCN on January 1, 1980, effectively providing no lapse in service.

[1] From Schooner from Windward, Mifflin Thomas, University of Hawaii Press, Chapter 11, page 192. Reference to the Annual Report of the IISNCO for the Year Ending December 31,1949, unpaginated.

[2] From Schooner from Windward, Mifflin Thomas, University of Hawaii Press, Chapter 11, page 189.

[3] Note that Inter-Island also had passenger service, but passengers transitioned to other providers as well as utilizing the airlines.

[4] From Schooner from Windward, Mifflin Thomas, University of Hawaii Press, Chapter 12, page 202.

[5] From Schooner from Windward, Mifflin Thomas, University of Hawaii Press, Chapter 12, page 204. The document was received by the Commission on July 12, 1978, and the official application under Docket No. 3457 was filed July 24, 1978.

[6] From Schooner from Windward, Mifflin Thomas, University of Hawaii Press, Chapter 12, page 204. The document was received by the Commission on March 2, 1979 under Docket No. 3633. The Commission issued Decision and Order No. 5682 on June 1, 1979, with YB's new CPCN effective January 1, 1980.

Input Module: Commodity Summary

Intrastate Revenue-Generated Commodity Categorization for Cost Allocation **Outbound Only**

Data from Commodity.rpt is summed by cargo type and intrastate/interstate in the tables below. *-----------------(Outbound only)-----------------*

			Revenue	Revenue Tons	Wt. Piece Count	Wt. Bill of Lading	Total CPE	Insurance	Piece Count	Bill of Lading	CPE
Container	**Dry**		**$18,121,831**	**1,241,912**	**19,497**	**17,114**	**28,732**	**$647,296**	**17,633**	**15,809**	**26,444**
		20	$7,751,100	503,170	10,196	9,357	10,196	$283,070	8,757	8,403	8,757
		24	$42,085	2,432	93	120	112	$1,126	90	116	108
		40	$10,271,897	732,335	9,175	7,602	18,350	$361,776	8,757	7,258	17,514
		45	$56,749	3,974	33	35	74	$1,324	29	32	65
	Reefer		**$9,004,373**	**502,154**	**7,454**	**6,196**	**12,722**	**$303,349**	**7,105**	**5,815**	**12,199**
		20	$1,763,361	94,462	2,186	2,185	2,186	$68,056	2,011	1,972	2,011
		24	$0	0	0	0	0	$0	0	0	0
		40	$7,241,012	407,692	5,268	4,011	10,536	$235,293	5,094	3,843	10,188
		45	$0	0	0	0	0	$0	0	0	0
Racks (straight load)	**Flatrack**		**$150,638**	**12,444**	**264**	**213**	**293**	**$16,501**	**258**	**204**	**283**
		20	$106,814	9,690	235	178	235	$15,375	233	173	233
		24	$0	0	0	0	0	$0	0	0	0
		40	$43,824	2,755	29	35	58	$1,126	25	31	50
		45	$0	0	0	0	0	$0	0	0	0
	Platform		**$2,515,502**	**106,604**	**3,721**	**3,126**	**4,044**	**$92,286**	**3,407**	**2,783**	**3,726**
		20	$2,013,680	71,640	2,972	2,660	2,972	$38,637	2,664	2,325	2,664
		24	$269,885	20,427	532	275	638	$36,460	530	272	636
		40	$231,936	14,538	217	191	434	$17,189	213	186	426
		45	$0	0	0	0	0	$0	0	0	0
G-Van			**$461,515**	**13,155**	**1,642**	**1,637**	**746**	**$12,297**	1,374	1,369	625
		G-Van	$461,515	13,155	1,642	1,637	746	$12,297	1,374	1,369	625
Automobile			**$6,329,306**	**275,983**	**15,553**	**12,668**	**12,442**	**$274,612**	**13,067**	**10,441**	**10,454**
	0%	Auto - RoRo	$6,329,306	275,983	15,553	12,668	12,442	$274,612	13,067	10,441	10,454
		Auto - Racked	$0	0	0	0	0	$0	0	0	0
RoRo			**$7,542,910**	**234,602**	**3,968**	**3,400**	**4,960**	**$223,189**	**3,298**	**2,818**	**4,123**
		RoRo	$7,542,910	234,602	3,968	3,400	4,960	$223,189	3,298	2,818	4,123
Dry General Cargo			**$11,122,418**	**189,923**	**191,779**	**100,467**	**11,383**	**$206,188**	**177,564**	**92,692**	**10,531**
		Dry Pallet	$9,817,437	170,863	102,935	83,044	10,029	$181,890	95,205	76,669	9,276
		Dry Mixed	$1,304,981	19,060	88,844	17,423	1,354	$24,298	82,359	16,023	1,255
Reefer General Cargo			**$4,430,104**	**26,666**	**55,494**	**35,777**	**3,460**	**$44,649**	**47,079**	**29,596**	**2,800**
		Reefer Pallet	$4,333,235	26,443	41,247	31,842	3,383	$42,829	33,222	25,737	2,725
		Reefer Mixed	$96,870	223	14,247	3,935	77	$1,820	13,857	3,859	75
	Intrastate Total		**$59,678,598**	**2,603,442**	**299,372**	**180,598**	**78,783**	**$1,820,365**	**270,785**	**161,527**	**71,184**

Interstate Revenue-Generated Commodity Categorization for Cost Allocation

			Revenue	Revenue Tons	Wt. Piece Count	Wt. Bill of Lading	CPE	Insurance	Piece Count	Bill of Lading	CPE
Container	**Dry**		**$15,867,785**	**1,732,259**	**17,160**	**3,357**	**35,016**	**$88,443**	**16,081**	**2,880**	**32,798**
		20	$ 550,900	49,189	1,121	904	1,121	$42,010	1,078	864	1,078
		24	$ 42,111	3,056	44	46	53	$4,910	43	45	52
		40	$ 7,692,622	821,244	8,586	1,536	17,172	$41,523	7,967	1,253	15,934
		45	$ 7,582,151	858,771	7,409	871	16,670	$0	6,993	718	15,734
	Reefer		**$5,581,018**	**465,853**	**5,583**	**864**	**11,146**	**$0**	**5,490**	**748**	**10,960**
		20	$ 9,582	774	19	18	19	$0	19	18	19
		24	$ 905	75	1	1	1	$0	1	1	1
		40	$ 5,570,531	465,004	5,563	845	11,126	$0	5,470	729	10,940
		45	$ -	0	0	0	0	$0	0	0	0
Racks (straight load)	**Flatrack**		**$379,220**	**32,507**	**381**	**258**	**730**	**$11,804**	375	250	723
		20	$ 26,646	1,363	25	31	25	$661	20	25	20
		24	$ 11,922	458	9	10	11	$40	9	10	11
		40	$ 340,652	30,685	347	217	694	$11,104	346	215	692
		45	$ -	0	0	0	0	$0	0	0	0
	Platform		**$1,210,041**	**47,118**	**636**	**662**	**1,205**	**$24,368**	535	578	1,004
		20	$ 28,966	1,594	67	89	67	$798	66	87	66
		24	$ -	0	0	0	0	$0	0	0	0
		40	$ 1,181,075	45,524	569	573	1,138	$23,570	469	491	938
		45	$ -	0	0	0	0	$0	0	0	0

Automobile		**$1,019,572**	**57,890**	**3,784**	**203**	**3,027**	**$455**	**3,583**	**171**	**2,866**
0%	Auto - RoRo	$1,019,572	57,890	3,784	203	3,027	$455	3,583	171	2,866
	Auto - Racked	$0	0	0	0	0	$0	0	0	0
RoRo		**$113,280**	**10,602**	**99**	**112**	**124**	**$12,118**	**35**	**46**	**44**
	RoRo	$113,280	10,602	99	112	124	$12,118	35	46	44
Break Bulk		**$28,902**	**434**	**239**	**205**	**239**	**$1,438**	**232**	**200**	**23**
	Break Bulk	$28,902	434	239	205	239	$1,438	232	200	23
	Interstate Total	**$24,199,817**	**2,346,663**	**27,882**	**5,661**	**51,487**	**$138,626**	**26,331**	**4,873**	**48,418**

Total Revenue-Generated Commodity Categorization for Cost Allocation

			Revenue	Revenue Tons	Wt. Piece Count	Wt. Bill of Lading	CPE	Insurance	Piece Count	Bill of Lading	CPE
Container	**Dry**		**$33,989,616**	**2,974,171**	**36,657**	**20,471**	**63,748**	**$735,739**	**33,714**	**18,689**	**59,242**
		20	$8,302,000	552,359	11,317	10,261	11,317	$325,080	9,835	9,267	9,835
		24	$84,197	5,488	137	166	164	$6,036	133	161	160
		40	$17,964,519	1,553,578	17,761	9,138	35,522	$403,299	16,724	8,511	33,448
		45	$7,638,901	862,745	7,442	906	16,745	$1,324	7,022	750	15,800
	Reefer		**$14,585,392**	**968,006**	**13,037**	**7,060**	**23,868**	**$303,349**	**12,595**	**6,563**	**23,159**
		20	$1,772,943	95,236	2,205	2,203	2,205	$68,056	2,030	1,990	2,030
		24	$905	75	1	1	1	$0	1	1	1
		40	$12,811,544	872,696	10,831	4,856	21,662	$235,293	10,564	4,572	21,128
		45	$0	0	0	0	0	$0	0	0	0
Racks (straight load)	**Flatrack**		**$529,858**	**44,951**	**645**	**471**	**1,023**	**$28,305**	**633**	**454**	**1,006**
		20	$133,460	11,053	260	209	260	$16,036	253	198	253
		24	$11,922	458	9	10	11	$40	9	10	11
		40	$384,476	33,440	376	252	752	$12,230	371	246	742
		45	$0	0	0	0	0	$0	0	0	0
	Platform		**$3,725,543**	**153,723**	**4,357**	**3,788**	**5,249**	**$116,654**	**3,942**	**3,361**	**4,730**
		20	$2,042,646	73,234	3,039	2,749	3,039	$39,435	2,730	2,412	2,730
		24	$269,885	20,427	532	275	638	$36,460	530	272	636
		40	$1,413,011	60,062	786	764	1,572	$40,759	682	677	1,364
		45	$0	0	0	0	0	$0	0	0	0
G-Van			**$461,515**	**13,155**	**1,642**	**1,637**	**746**	**$12,297**	**1,374**	**1,369**	**625**
		G-Van	$461,515	13,155	1,642	1,637	746	$12,297	1,374	1,369	625
Automobile			**$7,348,878**	**333,873**	**19,337**	**12,871**	**15,470**	**$275,066**	**16,650**	**10,612**	**13,320**
		Auto - RoRo	$7,348,878	333,873	19,337	12,871	15,470	$275,066	16,650	10,612	13,320
		Auto - Racked	$0	0	0	0	0	$0	0	0	0
RoRo			**$7,656,190**	**245,204**	**4,067**	**3,512**	**5,084**	**$235,307**	**3,333**	**2,864**	**4,166**
			$7,656,190	245,204	4,067	3,512	5,084	$235,307	3,333	2,864	4,166
Break Bulk			**$28,902**	**434**	**239**	**205**	**239**	**$1,438**	**232**	**200**	**23**
		Break Bulk	$28,902	434	239	205	239	$1,438	232	200	23
Dry General Cargo			**$11,122,418**	**189,923**	**191,779**	**100,467**	**11,383**	**$206,188**	**177,564**	**92,692**	**10,531**
		Dry Pallet	$9,817,437	170,863	102,935	83,044	10,029	$181,890	95,205	76,669	9,276
		Dry Mixed	$1,304,981	19,060	88,844	17,423	1,354	$24,298	82,359	16,023	1,255
Reefer General Cargo			**$4,430,104**	**26,666**	**55,494**	**35,777**	**3,460**	**$44,649**	**47,079**	**29,596**	**2,800**
		Reefer Pallet	$4,333,235	26,443	41,247	31,842	3,383	$42,829	33,222	25,737	2,725
		Reefer Mixed	$96,870	223	14,247	3,935	77	$1,820	13,857	3,859	75
	Grand Total		**$83,878,415**	**4,950,105**	**327,254**	**186,259**	**130,270**	**$1,958,991**	**297,116**	**166,400**	**119,601**

Total (Honolulu + Neighbor Islands) Costs | Total

	Honolulu	Barge Load & Discharge	Cargo Holding Equipment	Freight Clerk	Consolidation	Misc. Cargo Handling	Documentation & Billing Costs	Voyage Expenses	Administrative & General Costs	Total
	Total Cost	$34,241,575	$2,257,868	$8,362,225	$4,598,050	$11,057,577	$5,235,278	$40,462,072	$15,786,362	$122,001,007
Intrastate	**Dry Containers**									
	20	$5,046,248	$139,587	$528,753	-	$865,456	234,516	$2,720,331	1,315,880.14	$10,850,772
	24	$24,671	-	$6,781	-	$9,473	$3,008	$29,775	$11,144	$84,852
	40/45	$4,035,719	$264,240	$431,558	-	$1,563,886	$191,407	$4,915,658	$1,801,529	$13,203,998
	Reefer Containers	-	-	-	-	-	-	-	-	-
	20	1,049,549	$592,071	$123,472	-	$185,552	$54,763	$583,233	$391,778	$2,980,418
	24	-	-	-	-	-	-	-	-	-
	40/45	$2,594,870	$633,801	$226,657	-	$894,316	$100,528	$2,811,044	$1,151,775	$8,412,991
	Flatracks									
	20	$129,641	$2,763	$10,059	-	$19,947	$4,461	$65,150	$31,802	$263,824
	24	-	-	-	-	-	-	-	-	-
	40/45	$20,907	$682	$1,978	-	$4,923	$877	$16,080	$6,675	$52,122
	Platforms									
	20	$1,344,704	$34,948	$150,314	-	$252,269	$66,668	$823,944	$375,372	$3,048,220
	24	$287,942	$7,507	$15,540	-	$54,189	$6,892	$176,987	$78,419	$627,476
	40/45	$195,762	$5,103	$10,793	-	$36,839	$4,787	$120,320	$53,342	$426,947
	G-Van									
	G-Van	$240,295	$8,777	$92,505	$223,740	$63,353	$41,028	$206,919	$113,539	$990,156
	Automobiles									
	Not-autoracked	$1,152,583	-	$1,087,062	-	$1,056,135	$317,500	$5,437,400	$1,526,865	$10,577,545
	Autoracked	-	-	-	-	-	-	-	-	-
	RoRo									
	RoRo	$480,465	-	$433,343	-	$421,014	$85,215	$2,167,548	$607,017	$4,194,603
	Gen'l (Dry/Reefer)									
	Pallets									
	Dry	$4,205,516	$117,931	$2,280,607	$2,969,250	$851,265	$2,081,346	$2,780,344	$1,855,851	$17,142,111
	Reefer	$2,018,222	$381,744	$1,014,885	$1,003,213	$287,189	$798,061	$902,703	$776,584	$7,182,602
	Mixed									
	Dry	$716,887	$34,453	$1,520,405	$380,498	$114,910	$436,676	$375,311	$384,575	$3,963,715
	Reefer	$53,038	$8,698	$125,418	$21,348	$6,544	$98,624	$20,569	$34,503	$368,743
	Subtotal	$23,597,020	$2,232,306	$8,060,129	$4,598,050	$6,687,260	$4,526,358	$24,153,319	$10,516,652	$84,371,094

Total (Honolulu + Neighbor Islands) Costs | Total

	Honolulu		Barge Load & Discharge	Cargo Holding Equipment	Freight Clerk	Consolidation	Misc. Cargo Handling	Documentation & Billing Costs	Voyage Expenses	Administrative & General Costs	Total
	Total Cost		$34,241,575	$2,257,868	$8,362,225	$4,598,050	$11,057,577	$5,235,278	$40,462,072	$15,786,362	$122,001,007
Interstate	Dry Containers										
		20	$525,271	-	$51,084	-	$95,153	$113,207	$299,087	$145,835	$1,229,637
		24	$10,266	-	$2,599	-	$4,482	$5,761	$14,087	$5,466	$42,661
		40/45	$6,497,137	-	$136,017	-	$2,872,596	$301,425	$9,029,238	$3,054,008	$21,890,421
	Reefer Containers										
		20	$8,625	-	$1,017	-	$1,613	$2,254	$5,069	$2,486	$21,064
		24	$266	-	$57	-	$102	$125	$320	$127	$996
		40/45	$2,440,414	-	$47,750	-	$944,396	$105,818	$2,968,458	$1,034,715	$7,541,552
	Flatracks										
		20	$13,178	$294	$1,752	-	$2,122	$3,882	$6,931	$3,687	$31,846
		24	$2,102	$127	$565	-	$917	$1,252	$2,994	$1,175	$9,132
		40/45	$231,496	$8,161	$12,262	-	$58,908	$27,175	$192,402	$78,416	$608,820
	Platforms										
		20	$28,661	$788	$5,029	-	$5,687	$11,145	$18,575	$9,306	$79,191
		24	-	-	-	-	-	-	-	-	-
		40/45	$483,934	$13,382	$32,380	-	$96,596	$71,756	$315,494	$142,484	$1,156,025
	Automobiles										
		Not-autoracked	$266,098	-	-	-	$256,955	$25,421	$1,322,904	$342,637	$2,214,015
		Autoracked	-	-	-	-	-	-	-	-	-
	RoRo										
		RoRo	$11,402	-	-	-	$10,504	$14,026	$2,066,935	$415,637	$2,518,504
	Break Bulk										
		Break Bulk	$125,705	$2,810	$11,584	-	$20,287	$25,672	$66,259	$33,731	$286,048
	Subtotal		$10,644,555	$25,562	$302,096	-	$4,370,316	$708,920	$16,308,753	$5,269,710	$37,629,913

Total (Honolulu + Neighbor Islands) Costs — Total

	Honolulu		Barge Load & Discharge	Cargo Holding Equipment	Freight Clerk	Consolidation	Misc. Cargo Handling	Documentation & Billing Costs	Voyage Expenses	Administrative & General Costs	Total
	Total Cost		**$34,241,575**	**$2,257,868**	**$8,362,225**	**$4,598,050**	**$11,057,577**	**$5,235,278**	**$40,462,072**	**$15,786,362**	**$122,001,007**
Total	**Dry Containers**										
		20	$5,571,519	$139,587	$579,837	-	$960,609	$347,723	$3,019,418	$1,461,716	$12,080,409
		24	$34,937	-	$9,380	-	$13,955	$8,768	$43,863	$16,610	$127,513
		40/45	$10,532,856	$264,240	$567,575	-	$4,436,482	$492,833	$13,944,896	$4,855,537	$35,094,419
	Reefer Containers										
		20	$1,058,174	$592,071	$124,489	-	$187,165	$57,017	$588,302	$394,264	$3,001,482
		24	$266	-	$57	-	$102	$125	$320	$127	$996
		40/45	$5,035,284	$633,801	$274,407	-	$1,838,713	$206,347	$5,779,502	$2,186,490	$15,954,543
	Flatracks										
		20	$142,820	$3,057	$11,810	-	$22,069	$8,343	$72,081	$35,489	$295,670
		24	$2,102	$127	$565	-	$917	$1,252	$2,994	$1,175	$9,132
		40/45	$252,404	$8,843	$14,240	-	$63,831	$28,052	$208,481	$85,091	$660,942
	Platforms										
		20	$1,373,364	$35,736	$155,343	-	$257,956	$77,813	$842,519	$384,678	$3,127,410
		24	$287,942	$7,507	$15,540	-	$54,189	$6,892	$176,987	$78,419	$627,476
		40/45	$679,696	$18,485	$43,173	-	$133,434	$76,543	$435,814	$195,825	$1,582,972
	G-Vans										
		G-Van	$240,295	$8,777	$92,505	$223,740	$63,353	$41,028	$206,919	$113,539	$990,156
	Automobiles										
		Not-autoracked	$1,418,681	-	$1,087,062	-	$1,313,090	$342,922	$6,760,304	$1,869,502	$12,791,560
		Autoracked	-	-	-	-	-	-	-	-	-
	RoRo										
		RoRo	$491,867	-	$433,343	-	$431,519	$99,240	$4,234,483	$1,022,654	$6,713,106
	Break Bulk										
		Break Bulk	$125,705	$2,810	$11,584	-	$20,287	$25,672	$66,259	$33,731	$286,048
	General (Dry/Reefer)										
	Pallets										
		Dry	$4,205,516	$117,931	$2,280,607	$2,969,250	$851,265	$2,081,346	$2,780,344	$1,855,851	$17,142,111
		Reefer	$2,018,222	$381,744	$1,014,885	$1,003,213	$287,189	$798,061	$902,703	$776,584	$7,182,602
	Mixed										
		Dry	$716,887	$34,453	$1,520,405	$380,498	$114,910	$436,676	$375,311	$384,575	$3,963,715
		Reefer	$53,038	$8,698	$125,418	$21,348	$6,544	$98,624	$20,569	$34,503	$368,743
	Total		**$34,241,575**	**$2,257,868**	**$8,362,225**	**$4,598,050**	**$11,057,577**	**$5,235,278**	**$40,462,072**	**$15,786,362**	**$122,001,007**