AGENDA

WATER CARRIERS WORKING GROUP MEETING
NOVEMBER 19, 2020
1:00 – 3:00 PM
VIA ZOOM CONFERENCE MEETING

https://us02web.zoom.us...
Meeting ID: [redacted]
Passcode: [redacted]

I. Welcome

II. Housekeeping
   • Acknowledge Stakeholders excel spreadsheet sent out with Oct.'s group memory (on 10/22/2020). Any additional suggestions can be emailed to Donna to update list of individuals or organizations.
   • Corrections to Group Memory from October 15th meeting solicited.

III. Presentation - Commercial Shipping: How Goods Get to the Neighbor Islands

IV. Update from Sub-committee Focusing on Stakeholder Input
   • Brief description of process to be used.
   • Suggestions for additional sources of stakeholders to tap.

V. YB Presentation on Customer Service Strategy

VI. Update from Sub-committee on Harbors
   • Leases
   • Shipping volume

VII. Report on Breakout Sessions on YB’s Finances & History

VIII. Evaluation of meeting

XI. Conclude

The public repository link is as follows:

https://hawaiioint-my.sharepoint.com...
<table>
<thead>
<tr>
<th>Recommended Organization or Individual</th>
<th>What is their interest or expertise on this issue?</th>
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</thead>
<tbody>
<tr>
<td>1 Construction Industry (Any Specifics?)</td>
<td>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.</td>
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<tr>
<td>2 Farmers &amp; Ranchers (Beyond those listed below?)</td>
<td>Hawai‘i Island farmers and ranchers may face headwind if their prices increases to ship product off-island.</td>
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<tr>
<td>3 Grocery Stores &amp; Big Box Retailers (Any Specifics?)</td>
<td>Concern about rising prices of commonly purchased items such as toilet paper, bags of rice, dairy products, and other household staples.</td>
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<tr>
<td>4 Hawaii Farm Bureau Federation: Brian Miyamoto (Exec. Dir.)</td>
<td>They represent 1800 farmers, ranchers, &amp; 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 interisland cargo movements.</td>
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<tr>
<td>5 Hawaii Cattlemen’s Council: Brendan Balthazar, Kea Among</td>
<td>Statewide organization of cattle ranchers and significantly impacted by YB's rates, services and policies that have interrupted beef supply chain.</td>
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<tr>
<td>6 Hawaii Nursery &amp; Floriculture Association</td>
<td>Statewide organization of flowers and ornamental plants significantly impacted by YB's rates and policies.</td>
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<tr>
<td>7 Hawaii Farmers Union United</td>
<td>Represents over 1200 farming families statewide.</td>
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<tr>
<td>8 Hawaii Transportation Association: Gareth Sakakida (Exec Dir.)</td>
<td>They typically partner with YB and other water carriers. Perspective from ground transportation.</td>
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<tr>
<td>9 Hawaii Sheep &amp; Goat Association</td>
<td>Livestock shippers (LC) Member of PUC Livestock shippers working group.</td>
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**PUC Water Carriers Working Group Meeting**

October 15, 2020, 1:30 – 3:30 p.m.
(Virtual Meeting via Zoom)

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

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Company</th>
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<tbody>
<tr>
<td>P Jay Ana</td>
<td>President</td>
<td>Young Brothers, LLC</td>
</tr>
<tr>
<td>P Vic Angoco</td>
<td>SVP</td>
<td>Matson Navigation Company, Inc.</td>
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<tr>
<td>P Jesse Andrade</td>
<td>ILWU Member/Unit 4209 Chair</td>
<td>International Longshore and Warehouse Union, Local 142</td>
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<tr>
<td>P Henry J.C. Aquino</td>
<td>Representative</td>
<td>House District 38 / Chair, House Committee on Transportation</td>
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<tr>
<td>P Leodoloff (Leo) R. Asuncion</td>
<td>Commissioner</td>
<td>Public Utilities Commission</td>
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<tr>
<td>A Jade Butay</td>
<td>Director</td>
<td>Department of Transportation</td>
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<tr>
<td>A Kirk Caldwell</td>
<td>Mayor</td>
<td>City and County of Honolulu</td>
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<tr>
<td>A Michael Caswell</td>
<td>SVP</td>
<td>Pasha Stevedoring &amp; Terminals L.P.</td>
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<tr>
<td>A Catherine Awakuni Colón</td>
<td>Director</td>
<td>Department of Commerce and Consumer Affairs</td>
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<tr>
<td>A Derek J. Chow</td>
<td>Deputy Director</td>
<td>Department of Transportation, Harbors Division</td>
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<tr>
<td>A Stacey Crivello</td>
<td>Community Liaison</td>
<td>Maui County Mayor's Office</td>
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<tr>
<td>A Michael Dahilig</td>
<td>Managing Director</td>
<td>Kauai County – Office of the Mayor</td>
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<tr>
<td>P Mary Alice Evans</td>
<td>Director, Office of Planning</td>
<td>Department of Business, Economic Development &amp; Tourism</td>
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<tr>
<td>A Lisa Hiraoka</td>
<td>Analyst</td>
<td>Department of Commerce &amp; Consumer Affairs – Division of Consumer Advocacy</td>
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<tr>
<td>P James P. Griffin</td>
<td>Chair</td>
<td>Public Utilities Commission</td>
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<tr>
<td>P Justin Gruenstein</td>
<td>Deputy</td>
<td>City and County of Honolulu – Mayor's Office of Climate Change, Sustainability and Resiliency (CCSR)</td>
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<tr>
<td>P Randy Grune (for Mike Caswell)</td>
<td>PASHA Managing Director</td>
<td>Hawaii Stevedores, Inc.</td>
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<tr>
<td>A William “Baba” Haole IV</td>
<td>Division Director of Hawaii Longshore Division</td>
<td>International Longshore and Warehouse Union, Local 142</td>
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<tr>
<td>P Steve Hunt</td>
<td>Deputy Finance Director</td>
<td>Hawaii County</td>
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<td>P</td>
<td>Lorraine R. Inouye</td>
<td>Senator</td>
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<td>P</td>
<td>Richard Kamoe</td>
<td>Vice Division Director of Hawaii Longshore Division</td>
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<td>P</td>
<td>Gilbert S.C. Keith-Agaran</td>
<td>Senator</td>
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<td>A</td>
<td>Harry Kim</td>
<td>Mayor</td>
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<td>A</td>
<td>Chris Martin</td>
<td>Director of Operations</td>
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<td>P</td>
<td>Reiko Matsuyama</td>
<td>Budget Director</td>
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<td>A</td>
<td>Mike McCartney</td>
<td>Director</td>
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<tr>
<td>P</td>
<td>Kris Nakagawa</td>
<td>Vice President of External and Legal Affairs</td>
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<td>A</td>
<td>Mark M. Nakashima</td>
<td>Representative</td>
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<tr>
<td>P</td>
<td>Dean Nishina</td>
<td>Executive Director / Consumer Advocate</td>
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<tr>
<td>P</td>
<td>Dori Palcovich (for Mike McCartney)</td>
<td>Administrator for the Small Business Regulatory Review Board</td>
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<tr>
<td>P</td>
<td>Phyllis Shimabukuro-Geiser</td>
<td>Chairperson</td>
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<td>A</td>
<td>Michael P. Victorino</td>
<td>Mayor</td>
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<tr>
<td><strong>Public Utilities Commission Staff</strong></td>
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<td>P</td>
<td>Jodi Endo Chai</td>
<td>Executive Officer</td>
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<td>P</td>
<td>Michael Chapman</td>
<td>Economist</td>
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<tr>
<td>P</td>
<td>Amanda Hustrulid</td>
<td>Attorney Trainee</td>
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<tr>
<td>P</td>
<td>Steven Iha</td>
<td>Consultant</td>
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<tr>
<td>P</td>
<td>Carolyn Laborte</td>
<td>Acting Chief Auditor</td>
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<tr>
<td>P</td>
<td>Naomi Landgraf</td>
<td>District Representative – Maui</td>
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<tr>
<td>P</td>
<td>Andrew Okabe</td>
<td>Utility Analyst</td>
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<tr>
<td>P</td>
<td>Anand Samtani</td>
<td>Supervising Economist</td>
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<tr>
<td>A</td>
<td>Gina Yi</td>
<td>Acting Chief Engineer</td>
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<td><strong>Independent Facilitation</strong></td>
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<td>P</td>
<td>Donna R. Ching</td>
<td>Facilitator</td>
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Welcome

Leo welcomed attendees to the third meeting of the Water Carriers Working Group (WG), which was established through Senate Resolution 125. He thanked the group for their continued commitment to this process and noted that the hope is to end this year with the start of discussions towards recommendations that can be moved forward to the Legislature for the 2022 session.

He invited those new to the group to introduce themselves.

Housekeeping

SharePoint Files

Leo reminded the WG that all the documents, including the Rules of Operation, are in the SharePoint file, which will be a repository for all WG-related documents going forward. PUC staff will still send documents by email, but in case you need to reference anything and can’t locate it in email, the SharePoint file is easy to access at any time.

All WG members are asked to please share the Rules of Operation and other documents in the file with anyone who substitutes for them at the WG meetings.

Update on Chapter 92 Accommodations

Amanda reported back in response to the request from Lorraine at a previous meeting to check on whether Chapter 92 accommodations applied during the WG meetings.

Chapter 92 applies to “any agency, board, commission, authority, or committee of the state or its political subdivisions which is created by constitution, statute, rule, or executive order” tasked with having “supervision, control, jurisdiction or advisory power over specific matters and which is required to conduct meetings to take official actions.” First, if we look at the purpose of our Working Group, while composed of members from various State and County agencies, water carriers, and the legislature, it is not itself an agency, board, commission, authority, or committee of Hawaii, created by the constitution, any statute, rule, or executive order, rather the working group was created by Legislative Resolution. Second, the nature of the working group is not a decision-making body but rather an advisory one, tasked with combining various parties’ expertise to inform the Legislature and assist a utility in achieving more efficient practices moving forward.

However, if anyone requests special accommodations such as a sign language interpreter, the group, through the PUC, would arrange for that accommodation. Alternatively, we can provide our written record to anyone needing assistance.
Group Memory

Donna asked if there were any corrections that need to be made to the group memory from the September 17th meeting. There were no corrections suggested.

Stakeholder Groups

Donna mentioned that the feedback from WG participants on additional stakeholders mostly identified groups rather than specific individuals. When the group memory from this meeting is sent out, the stakeholder document will be included so that WG members can continue to identify individuals from the groups listed.

Starting Point and Parameters Presentation

Donna shared with the group that some questions about the group’s mandate had been received via email. Leo put together a presentation to address the questions and clarify what the mandate is. This was shared in advance with the WG.

Leo briefly reviewed the presentation.

Q1: What is our (the Working Group’s) starting point?

A: The starting point resulted from the emergency rate relief and the Senate Resolution. For convenience, the date was September 1, which is the effective date of Young Brothers having updated tariffs in place and to go back to the full sailing schedule (pre-Covid).

Q2: What are the parameters (limitations) for proposed recommendations?

A: We have a blank slate. Moving forward now, our recommendations are wide open. We want to hear all the different ideas that will allow us to meet our task from S.R. 125 to balance ensuring continuous water carrier service throughout the islands while ensuring that the carriers are financial sustainable. Recommendations have to address both sides of this issue or we could end up in a worse position. As we form recommendations, we’ll seek input, gather background information, then the WG will discuss and determine which ones will get us the most “bang for the buck.”

Q = Question, A = Answer, C = Comment

C: Donna: As the facilitator, I’m hearing and reading everything along with the group so we share a common context. As a result of reading your homework, it’s become more obvious to me that we have parallel mandates. There are concerns about what’s happening now—that’s one track. We’ll be working on that track as it informs the future. We’re mandated to discuss the second track, which are the medium- and long-term goals. We’ll be continuing these two parallel tracks throughout this process.

C: Leo: Correct. We see the recommendations for medium- and long-term goals flowing through the WG or sub-groups of the WG. The WG will do the research, form these recommendations, weigh the pros and cons, and get input from stakeholders. However,
this doesn’t preclude the WG from also identifying “low-hanging fruit” recommendations – things that could go to Legislature as early as the 2021 session. That’s why we're pushing to get past the introductory phase of the WG, so that we can really dig into any low-hanging fruit issues in a timely way.

C: Donna: There was a group I worked with from the formation point who were coming together to address energy issues in this state. That group realized they were stronger if they worked together. They chose not to move any recommendations forward unless the group had heard all voices and vetted the recommendations together. There was more power in doing it this way – the recommendations could go to Legislature with a stronger voice.

Donna asked if there were any questions or comments on this presentation.

C: Thanks, that was very much appreciated.

C: Donna: It was great that these questions were asked. It gave us the opportunity to create some clarity.

Presentation on Gaps and Critical Areas

Donna shared that not everybody responded to the homework between meetings – likely because a lot of people for whom this is not their main job hung back because they don’t have enough info yet to participate in the activity. Some people even said they don’t have enough info to know what gaps are or identify the critical issues. She acknowledged that she introduced this exercise early, but did so because the WG needs to move things forward. Those who did the homework gave the WG a great starting point to begin the discussion.

Leo and the team took the first shot at the documents. Some people provided detailed information on the critical areas. Leo formatted the document to show how things are related.

Q = Question, A = Answer, C = Comment

Q: Donna: What were your initial responses to seeing this material? Is anything bubbling up as starting point? Are there smaller groups within the larger WG that we can form based on this?

C: This is really handy and important. It clarifies how the gaps and the critical issues connect.

C: Leo: To clarify, these are what we’re received so far. I put in my best guess on who might have the information. Let us know if you have additional thoughts. I’m not 100% sure on who else needs to provide information. Each of us has different objectives.

C: Donna: This is a lot of info that we want to gather. Can we prioritize it? What are things we need to know initially and what are things that we can put on the back burner?
C: My understanding is that the statute that guides what the PUC can do on behalf of managing YB is rather old. It was created years ago and we're in a different stage in this decade. We should review the statute, but in order to explore the potential for making changes to it, we'll need guidance from an attorney on the technical aspects.

C: Something’s missing from this that needs to be addressed. We get a lot of imports from CA. If we’re considering changes to the current statute as to what PUC and YB can do, we have to look at the SIT issues. I think that’s something I’ve heard during these sessions, and from my colleagues and the general public.

Q: Donna: So, our task might be to review and update the statute so that it best meets the needs of the water carrier system and the users? We're suggesting that updating that statute might be an important activity for us to be engaged in?

Q: Is that the whole statute that you're sharing with us?

A: No, but 269 is a large portion of it.
A: YB is regulated by 271G, not by 269.

Q: Donna: Who might want to work on this issue of reviewing and recommending changes to the statutes? If a sub-group is formed, they can work on this, get clarity and come back to large group with the information.

C: We definitely need an attorney. Can Gilbert join this group?

Kris, Lorraine, and Dean volunteered to be part of this group.

C: Dean: I identified this gap. I think this work might be premature. We can update the statute, but we need to know the medium- to long-term goals first, so we can modify the statute in accordance with those goals. We need to know which services the state identifies as critical services that need to be maintained. Maybe there are some services that water carriers don’t need to provide. That would affect updates to statute. We need to identify what stakeholder needs are as well as what the State’s needs are. I think we have to identify both of these first. This is a priority area that we need to engage in because it informs all the rest of the work.

C: Donna; Okay, let’s put this group/work on hold for now. We need a group to identify stakeholder needs (both the State’s and the water carriers’) and to identify a process for how to get that information.

Q: Would DBEDT and Mary Alice be willing to help, to share from their perspectives on the water carrier services what are really critical? Is there any State analysis on this?

A: Mary Alice: Yes, I’d be willing to help.

C: Phyllis could represent the agricultural perspective. Gilbert could offer a legal perspective and Jay Ana could represent YB’s thoughts.
Q: Donna: We know nothing gets done unless there’s a deadline. I’m cognizant of the upcoming holidays. Can this group meet and comeback to the WG by the next meeting?

A: We can come back by the December meeting. We know the system won’t be perfect, but we’ll get the voices of the various stakeholders.

Donna asked if there were other gaps that could be worked on by smaller sub-groups.

Q: Jay and Kris, how do the items look in terms of things you might need to address? What about additional financial info from YB?

A: The vast majority of that information is public. Regarding planned capital investment – we have a 5 year plan. I’m not sure what is meant by better info on schedule and load. We went through the schedule at our last meeting.

A: Donna: Andrew has pulled together some of the documents you mentioned. He’s put some of it in the historical background. He’s willing to work with people on a one-to-one basis to help them understand this information. For those who listed this as a gap, please contact Andrew and he’ll go over the material that was in his document that relates to this topic.

C: The SIT gap is actually the broader one. What about the information from the carriers/about harbors? That’s different from the government one.

C: Vic: It all depends on what the questions are. Will tie into the clarification on the SIT. I don’t want to paint a picture that SIT is bad. It’s just that a lot of things have changed. We’re happy to answer questions about how we move cargo to other islands. We need to also ensure (with customers) that it’s legitimate SIT cargo and NOT intrastate cargo.

C: This component of the system is critical – on top of that there are incorrect assumptions being made. We could put a presentation together and focus on neighbor islands and the SIT program and what it means.

C: We need to go beyond the neighbor islands and look at the whole system.

Q: Should PASHA and YB both be involved to help us understand the whole system? And then how cargo gets treated when it gets to Hawaii? I could work on this with PASHA – YB can also be part of it as well. We might not need DOT harbors for this part. But as far as flow of cargo, PASHA and YB can do a collective presentation on interstate cargo moves. We can do this at the next meeting.

(ACTION) We’ll add this presentation to next agenda.

Q: Donna: What about the harbors issue? Can harbors people take this on and anyone with additional interest in this area can get in touch with harbors person?

A: Derek Chow is not on the call today.
C: Derek participated in homework and is actively engaged. Leo will get in touch with Derek about this.

C: Someone wanted more info on lease terms at each harbor. That is DOT harbors jurisdiction. If there are other items you want to know about, then it might be someone else.

C: Steve Hunt: It's really related to financial information. If there are escalations in the lease, ground rent and lease rent are going to be factors. As an appraiser, I'd ask when these were created. Will next negotiation be higher or lower? This affects financial viability. I'll be my own committee for Hawaii County – if there are additional things you want harbors to address, send to me. I'll be the point person.

C: Lorraine: I haven't spoken to harbors, but for all the agencies – DOA, DBEDT, etc. – October is usually the month they work on their budgets for the Governor. This year they're under pressure to make cuts from their budgets. This is affecting all state agencies, that's probably why they're not here this month.

C: I'm sure there is a tremendous amount of pressure right now, especially around budget shortfalls.

C: Leo will link Steve with Derek.

C: Donna: I suggest that additional resources is an issue we might put on the back burner until we get other issues responded to, unless someone advocates differently.

Note: There was no advocacy in opposition to Donna's suggestion.

**Critical Needs List**

Q: Donna: Are we missing any areas? The Operations one has issues about customers. As groups are formed, they should look at this material as it points to some foci that should be looked at.

C: Lorraine: The impacts that the current rate increase is having on shippers/users have been brought to my attention by my stakeholders. Maybe it belong with SIT? It should be addressed somewhere.

Q: Donna: Where does this fit?

A: Leo: I see it more under financial side. Goes towards finances of the water carriers. **(ACTION) Maybe we can add another bullet there that says “Investigate impact of rate increases on current users of YB.”**

C: It was hard to weed out operations and customers separately – they’re intertwined. It’s lumped together a bit here. Not a real distinct gap. It’s very interrelated.
C: Donna: This is another example of the fact that when we cluster things, they look autonomous, but really there are overlaps. In focusing on that, we might create unintended consequences on the things that overlap.

C: This is the raw stakeholder data. We’re trying to honor this as much as possible and be as transparent as possible.

C: Vic: As I look at this and the operations piece, continue service freight all kinds, etc., knowing that YB is back to normal schedules as of September 1 – I think a lot of this is already being done. It sounds like most of this should really be happening, as mandated in the current statute. Now, it’s a matter of asking the question as we move forward – will this continue as is or change?

C: Donna: As the facilitator, I’m going to make an observation. Because we’re going back to what was, the underlying assumption was that what we had met peoples’ needs. I think that might be an incorrect assumption. In addition, with pressures from the rate increase, it might now be less efficient or effective for those stakeholders. Maybe this is low-hanging fruit – we may be able to take some of the pressure off of those users, to make the system better. That’s the baseline. Continue freight services of all kinds.

C: Steve: A truer gap analysis would be if you assess need on the one side, with current pricing to run operations most effectively, and then asked what would routes be? It runs parallel to what the Post Office is currently dealing with. Paying more for fixed overhead in employee costs. If we used the gap analysis to determine flexibility, we could consider running 1 route a week and using a different rate structure instead of running 2 routes a week. Then we could build up to capacity to run 2 routes a week.

C: When I read this, I agree with Vic, isn’t this done already? It could be a timing aspect. They might not know that YB is back to a full schedule. It might be the timing of the homework – did they know what was at the current moment?

C: Steve is offering a proactive idea – take some of the pressure off on the valve of the increase schedule.

C: Jessie: I wanted to comment in response to Vic’s concern and share a couple of bullet points from ILWU – it’s my understanding that the sailing schedule did change back to the regular hours, but the gate hours have not. Only the sailing schedule has changed. Not everything went back to zero on September 1.

C: There is an abbreviated gate schedule in order to be compliant with COVID-19 safety mandates. Gate hours are COVID-related. We’re looking at how to manage gate hours.

C: Pursuant to what Vic and Steve said, it goes back to the question of whether or not we are coming to the table with an open mind. For example, do we do 12 shipments each week regardless of load? We need to understand that’s where the variability is – in cost - a service-based variability. It still boils down to WHAT ARE THE NEEDS? We need to do the gap analysis and cost-benefit to determine what the pillars are that are not negotiable.
Q: Is this an area that bears some additional scrutiny?

C: If we only have one provider it might bring the rate down so people would rearrange their business to do only one delivery.

C: I need that now.

C: I don’t need it now but I want to pay less. Could there be a two-tiered schedule? Where shipment goes out on a compromise schedule. Meet demand with load capacity but give consumers another choice? How often do things need to go out?

Q: Who wants to volunteer to be in this group? Mary Alice could address the interaction between the needs and finances – liaison between Steve’s group and the first group that Donna set up.

C: A good level-set of critical services for mid- and long-term. What Steve was describing is the regulatory process of the PUC. Regulatory-wise – what are costs to be incurred? As long as it remains regulatory, the PUC has to keep it fair for all shippers/users. Customers who can afford a different type of service could use a charter service and pay rates on a different schedule.

C: You have to throw in all volumes: LCL, full from Oahu to neighbor island ports, match up with barge service capacity. Full or not, the barge has to go. Maybe you fill it one time a week and it satisfies needs. Molokai or Lanai are subsidized, one way or another. Have to assess what is the level of service you can provide and whether the new rates pay for it or not. How does it balance out and keep carrier operation sustainable?

C: Vic will join this group. The group will share back in December as much as you can of what you’re going to do and what the process will be.

C: There are information gaps about demand. Until you know the operations, it’s hard to understand the pricing/economics of it. If it’s priced too high, people aren’t shipping. If not regulated, you’d be looking at demand load and the pricing. Through the regulated side, you’d look at the efficiency gap, etc. You’d potentially have half-empty ships in many places.

C: With COVID-19, the statistics that you’ll be basing this analysis on may not be that valid. We’ll see people going out of business.

(ACTION) **The Stakeholder group will give a status report at the December meeting.**

(ACTION) **The Harbors group will report out at the next meeting (November).** Steve and Derek.

(ACTION) **Vic (and others in his group) will provide info about cargo coming in and out of the state and help us understand the whole system.**

Q: Donna: Are there other things we need to do between now and next meeting?
Q: A point of clarification, can we have the names of the subcommittee regarding the statute?
A: I think we put the statute issue on the back burner right now. Other items will inform the discussion about the statute.
A: We don’t have a committee yet. We started but then sidelined this.

**Discussion of YB Response to WG**

YB provided answers to the questions that the Department of Agriculture asked. WG members got the response from YB in the packet of information we shared between the last meeting and this one. If there’s any follow up now, let us know. YB is available to answer questions beyond this meeting as well. They’re willing to talk story with anyone who has a question.

Donna asked the group if there were any follow up questions or comments.

**Q = Question, A = Answer, C = Comment**

Q: Phyllis: We’re aggies, we’re not in the shipping business. We just want to understand the definition of what is considered “proper interstate movement” in this regulated industry and the definition of “illegal shipments originating from the West Coast.” We don’t know what these terms mean. We just want to better understand the terminology.

A: YB: SIT is an extremely complicated discussion as Vic referenced. He wants to make sure we know SIT itself isn’t illegal. At a later date we can make an in-depth presentation on this.

A: Interstate cargo/Trans-Pacific cargo is anything that originates from the West Coast and finds its way to Hawaii. Intrastate cargo originates within our state – on any island. The complexity of SIT is that it allows certain cargos to be seen as interstate for a number of months.

A: Illegal SIT is when, for certain customers, we see their cargo volumes drop immediately. When PASHA sees the exact same increase in their cargo volumes we have reason to believe that they’re moving cargo through illegal SIT means.

A: We’ve had customers that during the pandemic moved container volumes with us, and the moment we changed the Hilo shipping schedule, their volume changed. When we reinstated the sailing schedule, their volume didn’t immediately come back. Now they’re saying they’re going to move it back. This leads us to believe that consumers are finding alternate ways to move cargo and that’s leading to a degrading of the system.

A: To assist our stakeholders, we want to understand this. In small rural communities with small volumes, they have to eat the increase. They don’t have that scale. Throughout the process, I’ll reach out to Kris to get more clarity.

A: We do want to get more in depth about this as we go along.
C: Donna: When you have those questions, there is real value in sharing them with the larger group. They help all of us to have a better understanding. It’s great that Vic volunteered to do a presentation on larger system at next session. We’ll get closer to having the SIT situation explained to us and to better understanding it.

C: Vic: This is part of what I was planning on including in the presentation. We can discuss what makes it illegal.

Q: Donna: How long will the presentation be? I want to build in discussion time to tease out what we need to look at.

A: 15 minutes.

**Plus/Delta:**

Donna asked the group to identify things that went well during the last 3 meetings (pluses) and things that could be improved for future meetings (deltas).

<table>
<thead>
<tr>
<th>+</th>
<th>▲</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Notes that go out for us to review before the meeting gives us an opportunity to prepare and understand what’s coming up – that’s really helped!</td>
<td>• At last meeting, I brought up that there is still dissatisfaction from stakeholders that want to know if they’re going to be called up on to give input. They’re also unhappy about the rate increase on Hilo side. My ask is – do we go to the neighbor islands as a WG to get input from the users? We’re hearing the same message about costs. At a recent meeting, businesses that want to export out of Hawaii Island shared that the barge leaving out of Hilo is not filled. If not through WG, maybe Legislators can take it on? It seems like we’re neglecting them.</td>
</tr>
<tr>
<td>• Seeing more structure today. The more we get into subcommittees, we’ll start to get more into the meat of what we’re doing.</td>
<td></td>
</tr>
<tr>
<td>• Thanks to Sandra Leong for being flexible with the agriculture folks...we’re keeping long hours right now and she’s keeping up with us and getting us into the meetings even at the late hours.</td>
<td></td>
</tr>
</tbody>
</table>

Note: Donna suggested that maybe this is something Legislators could do on their islands. Maybe they can work with Donna to create a consistent format for collecting information – an agenda and a process that would help us collect the same kinds of info across Counties and would release some of that pressure immediately. Lorraine added that she feels the groups would need a facilitator.
Donna asked the group if the current practice of getting the materials to the WG by the Monday of the week of the Thursday meeting is working. The group affirmed that it is working for them.

Next Steps

- Subcommittees will work on their assignments (see ACTIONS).
- We will compile the group memory and work on the next agenda to send out to the WG.
- The next meeting will be on November 19th.

GROUP AGREEMENTS:

- There were no specific group agreements at this meeting.

ACTIONS:

- On the Critical Needs List, add another bullet that says “Investigate impact of rate increases on current users of YB.”
- To the November agenda, add a presentation from PASHA and YB on the whole system and how cargo gets treated when it gets to Hawaii.
- At the November meeting, the Harbors group (Steve and Derek) will report out.
- At the December meeting, the Stakeholder group will give a status report.
Commercial Shipping:
How goods get to the Neighbor Islands
Agenda

• Interstate Shipping
• Intrastate Shipping
• Stop in Transit (SIT)
• Less than Container Load (LCL)
• Full Container Load (FCL)
Hawaii Shipping – Hub and Spoke
Interstate Cargo

Cargo that moves between points on the U.S. mainland and Hawaii.

Examples:

Appliances

Construction Materials

Vehicles
Interstate Shipping – Direct Loads

Cargo is transferred from ship to barge. It does not leave the terminal.
Vessel Discharging in Honolulu

The Manukai sailed from Los Angeles to Honolulu.
Barge Loading in Honolulu

Cargo for a Neighbor Island is unloaded from the transpacific vessel. It is loaded to an interisland barge.

Here a container is being transshipped onto the Mauna Loa, which will go to the Big Island.
Neighbor Island Barge Operations

A barge sets sail for the Neighbor Island.

Barge unloading in Kahului. Containers are unloaded into the yard. The customer picks up the container.
Intrastate Movements
Intrastate Cargo

• The movement of goods originating from one Hawaii port (original destination) to another Hawaii port (final destination).

• Yes
  • Shipping your car from Hilo to Honolulu (final destination).
  • Shipping locally-made products between Honolulu and any neighbor island port.

• No
  • Shipping your car from Hilo to Los Angeles (final destination).
  • Shipping goods from Los Angeles to Maui.
Stop-In-Transit (SIT) Requirements

• Cargo must originate on the mainland on a Matson or Pasha vessel per public tariff.

• Customer must declare and book the shipment as SIT.

• Loading intrastate cargo into a SIT container in Honolulu is prohibited.

• Tariff Adherence Group, an independent third-party compliance contractor, inspects SIT containers and sends monthly reports to the PUC. TAG fine $1,500 + PUC fines.
SIT Movement – Mainland to Honolulu

In Honolulu:

[Diagram showing shipping and handling processes]
SIT Movement Honolulu to Hilo
Less than Container Load (LCL) – Mixed (Non-palletized)

Multiple shipments (mixed) loaded into a container by customers

Customers lined up for LCL delivery
LCL - Palletized

- Pallet shipment delivery
- Palletized cargo loaded to a flatrack
- Flatrack with palletized cargo on the barge
Full Container Load (FCL)

A full container comes into the yard and placed on the dock.

Container is loaded onto the barge.

FCL platform with concrete vaults
Mahalo
2021 Customer Service Strategy Plan

SR 125 Presentation
November 19, 2020
PROCESS (August – October 2020)

Formation of 12 Member CS Project Team (Aug 18)

Session 1: Kick Off Meeting (Aug 21)

Session 2: Identify Current Customer Experiences (Sept 4)

Session 3: Conduct SWOT Analysis (Sept 11)

Session 4: Conduct GAP Analysis (Sept 25)

Session 5: Conduct GAP Analysis (Oct 2)

Session 6: Create Customer Service Vision (Oct 9)

Session 7: Finalize CS Plan (Oct 30)
Process Identified Six* CS Initiatives for 2021

1. Develop a new **TRAINING PROGRAM**
2. Develop a **CX OMBUDSMAN ROLE**
3. Invest in customer-focused **TECHNOLOGY**
4. Hold regular **INTERNAL AND EXTERNAL LISTENING SESSIONS**
5. Expand **CUSTOMER COMMUNICATIONS**
6. Designate **CX MANAGEMENT COMMITTEE**

*Not listed in any particular order*
Our Customer Vision Statement

Connecting Hawaii with Efficiency and Aloha
2021 CS Initiative: Invest in Customer-Focused Technology

WHO will own this initiative?

HOW will we achieve in 2021?

WHEN do we meet the “HOWs”?

WHAT will success look like?
# 2021 Proposed Tasks Timeline (August – October 2020)

## Hold Regular Internal and External Listening Sessions

<table>
<thead>
<tr>
<th>2020</th>
<th>Quarter 4</th>
<th>2021</th>
<th>Quarter 1</th>
<th>2021</th>
<th>Quarter 2</th>
<th>2021</th>
<th>Quarter 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal Communications</td>
<td>Research the formation of an internal communications committee</td>
<td>Internal Communications</td>
<td>Establish an internal communications committee comprised of employees from all departments</td>
<td>Internal Communications</td>
<td>Implementation of updated and/or new processes for internal communications</td>
<td>Internal Communications</td>
<td>Establish a working group with the ILWU</td>
</tr>
<tr>
<td>Draft and finalize a team charter with the purpose, standards, expectations, and deliverables to address gaps and improve overall internal communications</td>
<td>Committee to review the current internal communications process and identify opportunities for improvement</td>
<td>Committee to review the current internal communications process and identify opportunities for improvement</td>
<td>Develop changes to and address gaps in the existing process, and make recommendations to YB’s executive management team for final approval</td>
<td>Develop changes to and address gaps in the existing process, and make recommendations to YB’s executive management team for final approval</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>External Communications</td>
<td>Develop a timeline for hosting public events such as roundtables with various stakeholders, talk story sessions with customers, and community days to encourage public education of Young Brothers</td>
<td>External Communications</td>
<td>Hold public outreach events and report relevant feedback to Young Brothers’ Customer Service Experience Management Committee for follow up if necessary</td>
<td>External Communications</td>
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<td>Hold public outreach events and report relevant feedback to Young Brothers’ Customer Service Experience Management Committee for follow up if necessary</td>
</tr>
</tbody>
</table>

## Invest in Customer-Focused Technology

<table>
<thead>
<tr>
<th>2020</th>
<th>Quarter 4</th>
<th>2021</th>
<th>Quarter 1</th>
<th>2021</th>
<th>Quarter 2</th>
<th>2021</th>
<th>Quarter 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enhancements to the Freight And Container Equipment System, including bookings for less than containerload cargo</td>
<td>Map business gaps and requirements</td>
<td>Identify potential technology partners and key stakeholders</td>
<td>Request for proposal and select vendor and best path forward</td>
<td>Project implementation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Establish a working group with the ILWU</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

## Form a Customer Experience Management Committee

<table>
<thead>
<tr>
<th>2020</th>
<th>Quarter 4</th>
<th>2021</th>
<th>Quarter 1</th>
<th>2021</th>
<th>Quarter 2</th>
<th>2021</th>
<th>Quarter 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gather additional internal feedback from employees and external feedback of stakeholders of the proposed customer service strategy initiatives and present to project team to add and/or adjust current proposed initiatives</td>
<td>Review final initiatives and determine short-term, mid-term, and long-term goals of each initiative</td>
<td>Follow up on quarterly goals and provide updates to PUC and CA</td>
<td>Follow up on quarterly goals and provide updates to PUC and CA</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hold public outreach events and report relevant feedback to Young Brothers’ Customer Service Experience Management Committee for follow up if necessary</td>
<td>Identify any barriers and challenges to reaching each initiative</td>
<td></td>
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</tr>
</tbody>
</table>

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*Young Brothers*

Your Neighbor Island Partner
Wrap up

1. Note that CS Plan is a “living document” subject to modifications
2. Collect feedback and support from key stakeholders
3. Determine feasibility of action plans and modify
4. Submit quarterly progress reports to PUC
Mahalo

Questions and Comments?
Land Use at Harbors: Young Brothers Lease, and Revocable Permits, and Use Charges Pursuant to Hawaii Administrative Rules 19-44

November 2020
Leases

Hawaii Revised Statutes

HRS 171-59 Disposition by Negotiations
Leases

• §171-59 Disposition by negotiation. (a) A lease of public land may be disposed of through negotiation upon a finding by the board of land and natural resources that the public interest demands it.

• "Maritime-related" means a purpose or activity that requires and is directly related to the loading, off-loading, storage, or distribution of goods and services of the maritime industry.
# Leases - YB

<table>
<thead>
<tr>
<th>Island</th>
<th>Harbor</th>
<th>Reference</th>
<th>Term (YRS)</th>
<th>Effective Date</th>
<th>Expiration Date</th>
<th>Premises</th>
<th>Ann Rent 1/</th>
<th>Reopening</th>
<th>Notes</th>
</tr>
</thead>
</table>

1/ Subject to Dispute Resolution process

<table>
<thead>
<tr>
<th>Island</th>
<th>Harbor</th>
<th>Reference</th>
<th>Term (YRS)</th>
<th>Effective Date</th>
<th>Expiration Date</th>
<th>Premises</th>
<th>Ann Rent 1/</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>111,239</td>
<td>$ 575,963</td>
<td></td>
</tr>
</tbody>
</table>

Next Reopening: 11/1/2023, 6/1/2025, None
Month to Month Permits

Hawaii Revised Statutes
HRS 171-55 Permits
Month to Month Permits

**Purpose**

- To comply with HRS 171-55, permits where month to month permits are approved by the Board of Land and Natural Resources; and rents are determined pursuant to HRS 171-17, Appraisals.

<table>
<thead>
<tr>
<th>Honolulu Harbor</th>
<th>Rent/ sq ft month</th>
<th>1-Apr-18</th>
<th>2.6%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial Warehouse/Building</td>
<td>$1.28</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industrial Office</td>
<td>$1.28</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improved Land - Unpaved</td>
<td>$0.74</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improved Land - paved</td>
<td>$0.78</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unimproved land of Unpaved</td>
<td>25%</td>
<td>50%</td>
<td>$0.18</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Kalaeloa Barbers Point Harbor</th>
<th>Rent/ sq ft month</th>
<th>1-Apr-18</th>
<th>2.6%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial Warehouse/Building</td>
<td>$1.23</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industrial Office</td>
<td>$1.23</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improved Land - Unpaved</td>
<td>$0.24</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improved Land - paved</td>
<td>$0.29</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unimproved land of Unpaved</td>
<td>25%</td>
<td>50%</td>
<td>$0.06</td>
</tr>
</tbody>
</table>
### Month to Month Permits

<table>
<thead>
<tr>
<th>REVOCABLE PERMITS</th>
<th>Island</th>
<th>Harbor</th>
<th>Premises</th>
<th>Monthly Rent</th>
<th>Annual Rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>OH-40-1 to 12</td>
<td>Oahu</td>
<td>Honolulu Harbor</td>
<td>7,719</td>
<td>$ 7,069.14</td>
<td>$ 84,829.68</td>
</tr>
<tr>
<td>OH-39-2 to 17</td>
<td>Oahu</td>
<td>Honolulu Harbor</td>
<td>11,791</td>
<td>$ 8,997.82</td>
<td>$107,973.84</td>
</tr>
<tr>
<td>H-99-2175</td>
<td>Oahu</td>
<td>Honolulu Harbor</td>
<td>16,162</td>
<td>$ 5,417.00</td>
<td>$65,004.00</td>
</tr>
<tr>
<td>KN-3-19-1 to 6</td>
<td>Kauai</td>
<td>Nawiliwili Harbor</td>
<td>8,420</td>
<td>$ 3,799.26</td>
<td>$ 45,591.12</td>
</tr>
<tr>
<td>H-KW-19-9 to 19</td>
<td>Hawai‘i</td>
<td>Kawaihae Harbor</td>
<td>5,116</td>
<td>$ 920.88</td>
<td>$ 11,050.56</td>
</tr>
<tr>
<td>HH-3-20-28 to 31</td>
<td>Hawai‘i</td>
<td>Hilo Harbor</td>
<td>2,720</td>
<td>$ 544.00</td>
<td>$ 6,528.00</td>
</tr>
<tr>
<td>H-96-1895</td>
<td>Molokai</td>
<td>Kaunakakai Harbor</td>
<td>4,059</td>
<td>$ 364.11</td>
<td>$ 4,369.32</td>
</tr>
<tr>
<td>H-00-2114</td>
<td>Maui</td>
<td>Kahului Harbor</td>
<td>14,927</td>
<td>$ 4,203.75</td>
<td>$ 50,445.00</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>70,914</td>
<td>$ 31,315.96</td>
<td>$ 375,791.52</td>
</tr>
</tbody>
</table>
Proposed Distinction Permits

- Issuance of month to month permits (Revocable Permits)
  - Granting of Land Dispositions Examples:
    - Use of land where items don’t move (e.g. containers used as storage, guard shacks)
    - Where terms of an RP protects the interests of the State (e.g. environmental concerns such as where equipment is maintained, or potential wear and tear on piers)
    - Use requires improvements such as electricity connections
    - Generally, not in cargo yards
Hilo Harbor Piers 2 & 3, Young Brothers, LTD. RP: H-98-2118, pg 1

Open Storage: containers

Open Storage: fuel tank
Admin Rules

Hawaii Revised Statutes

HRS 266 Storage, Mobile Equipment, and Stevedoring Equipment
Proposed Distinction HAR vs RP

• Charges for storage will be based HAR:
  • §19-44-43 Storage of stevedoring and other equipment.
    • (a) Stevedoring equipment.
    • (c) Mobile equipment for handling cargo
    • (d) Shipping devices
Hawaii Administrative Rules 19-44

• §19-44-43 **Storage of stevedoring and other equipment.** (a) Stevedoring equipment of all kinds such as net slings, box slings, hand trucks, chutes, pallets, etc., may, at the discretion of the harbor master, be stored on state wharves. All stevedoring equipment shall be assessed storage charges at **fifty per cent of the rates** specified in section 19-44-42 except that there shall be a minimum charge of $27.50 per month.

  • §19-44-42 **Storage space.** Except as provided otherwise, the rental for storage space upon or near state wharves shall be per month as follows:
    • (1) Honolulu
      • Open storage on paved area per square foot  $0.50
Hawaii Administrative Rules 19-44

• §19-44-43 Storage of stevedoring and other equipment. (c) Mobile equipment for handling cargo such as truck tractors, hustlers, forklifts, straddle trucks, tractors, trailers, truck cranes, trucks, etc., may be left idle on state property in an area designated by the harbor master; provided that any mobile equipment shall be removed if the harbor master determines that it interferes with cargo handling. Mobile equipment shall be assessed for storage space occupied at fifty per cent of the rates set forth in section 19-44-42 except that there shall be a minimum charge of $27.50 per month.

• §19-44-42 Storage space. Except as provided otherwise, the rental for storage space upon or near state wharves shall be per month as follows:

  • (1) Honolulu
    • Open storage on paved area per square foot $0.50
Hawaii Administrative Rules 19-44

• §19-44-43 Storage of stevedoring and other equipment. (d) Shipping devices may be stored on state property as designated by the harbor master. The charges for the storage of shipping devices shall be as follows:
  • (1) Honolulu and Barbers Point:
    • Per linear foot per day for the first five calendar days - $0.13
    • Per linear foot per day for the next five calendar days - $0.28

• §19-41-2 Definitions; general  "Shipping device" means a non-self-propelled, rigid, non-disposable, returnable, cargo-carrying device with or without wheels, enclosed or otherwise and includes but is not limited to any container, trailer, chassis, platform, specially constructed skid, pallet, mount, or combination thereof, and which is designed to be transported integrally as one unit directly and mechanically between vessels and piers so as to eliminate intermediate rehandling and storage of cargo and having overall dimensions of eight feet maximum width, thirteen feet six inches maximum height, and ten feet minimum length.
Generators are stored for more than 30 days & then mobilized as needed.
Kahului Harbor, Piers 2&3; Young Brothers RP: H-00-2214 p. 3

1. PERMIT (NAME AND ADDRESS):
   YOUNG BROTHERS, LTD.
   P. O. BOX 3288
   HONOLULU, HAWAII 96801

2. PREMISES:
   Various parcels as listed on the attached ENDORSEMENT NO. 1
   marked Exhibit "A" and shown on the attached Exhibit "B"

3. LOCATION:
   Piers 2 and 3, Kahului Harbor, Island of Maui
   Tax Map Key Nos. 2nd/3-7-08 (Portion) and 2nd/3-7-10 (Portion)
   Governor's Executive Order Nos. 2635, 2746, 2956 and Portion

4. PURPOSE(S):
   Inter-island barge operations

5. RENTAL:
   $4,204.00 per month

6. SECURITY DEPOSIT:
   $8,408.00

7. EFFECTIVE DATE:
   SEPTEMBER 1, 2000

Dated at Honolulu, Hawaii, SEPTEMBER 25, 2000

BOARD OF LAND AND NATURAL RESOURCES
By: N/A
Chairperson and Member

STATE OF HAWAII
By: Harbors Administrator
PERMITTEE
By: YOUNG BROTHERS, LTD.

By: N/A
Vice President/Manager

Hawaii Admin Rules

Hyster Top Pick

Hyster Truck Forklift & Rope Dunnage
Honolulu Harbor, Pier 27 Sause Bros. RP: H-01-2261 p. 1

DEPARTMENT OF TRANSPORTATION
HARBORS DIVISION
79 South Nimitz Highway
Honolulu, Hawaii 96813

REVOCABLE PERMIT NO. H-01-2261

The STATE OF HAWAII, hereinafter called the "STATE," hereby grants to the "PERMITTEE" permission to enter, use and occupy on a month-to-month basis, the premises described in item 2, and designated on Exhibit "A," attached hereto and made a part hereof, for the purposes(s) specified in item 4; and the PERMITTEE agrees to pay the rental specified in item 5, and to perform all other obligations imposed upon it by the Terms and Conditions hereof.

1. PERMITTEE: SAUSE BROS., INC.
   705 NORTH NIMITZ HIGHWAY, 2ND FLOOR
   HONOLULU, HAWAII 96817

2. PREMISES:
   16,152 square feet of open paved land, 10,440 square feet for warehouse space for maintenance operations and 5,712 square feet of parking & storage.

3. LOCATION:
   Pier 27, Honolulu Harbor, Island of Oahu, Hawaii, Tax Map Key No. 1st/1-5-38:1 (Portion), Governor’s Executive Order No. 2003 as shown in Exhibit “A”

4. PURPOSES:
   Storing containers, materials, conduct maintenance operations and provide employee parking

5. RENTAL:
   $3,714.96 per month

6. SECURITY DEPOSIT:
   $7,429.92

7. EFFECTIVE DATE:
   April 1, 2001

Dated at Honolulu, Hawaii, December 28, 2004

STATE OF HAWAII

By ___________________________
Chairperson and Member

Approved by the Board
at its meeting held on

By ___________________________
HARBORS ADMINISTRATOR
SAUSE BROS., INC.

By ___________________________
Date: _______________________

N/A

N/A

N/A

N/A

 approved as to form:

DOUGLAS WIL

Revocable Permit/Lease
Exterior
Forklift & boom lift

Hawaii Admin Rules
Hilo Harbor Piers 2 & 3, Young Brothers RP: H-98-2118, pg. 2

DEPARTMENT OF TRANSPORTATION
HARBORS DIVISION
79 South Nanihi Highway
Honolulu, Hawaii 96813

REVOCABLE PERMIT NO. H-98-2118

The STATE OF HAWAII, hereinafter called the "STATE," hereby grants to the "PERMITTEE" permission to enter, use and occupy on a month-to-month basis the premises described in item 2, and designated on Exhibit "A," attached hereto and made a part hereof, for the purpose(s) specified in item 4; and the PERMITTEE agrees to pay the rental specified in item 5 and to perform all other obligations imposed upon it by the Terms and Conditions hereof.

1. PERMITTEE (NAME AND ADDRESS):
   Young Brothers, Ltd.
   P. O. Box 3288
   Honolulu, Hawaii 96801

2. PREMISES:
   1,080 square feet of warehouse space
   2,500 square feet of open-unpaved land
   2,294 square feet of open-paved land

3. LOCATION:
   Adjacent to Piers 2 and 3, Hilo Harbor, fronting Kuhio Bay
   Waiakae, South Hilo, Island of Hawaii
   Tax Map Key No. 1-1-01
   Governor's Executive Order No. 1028 (portion)

4. PURPOSE(S):
   Inter-island barge operations and related activity

5. RENTAL:
   $928.00 per month

6. SECURITY DEPOSIT:
   $1,856.00 (Portion of Performance Bond No. 26278293)

7. EFFECTIVE DATE:
   December 1, 1998

Dated at Honolulu, Hawaii, March 15, 1999

BOARD OF LAND AND NATURAL RESOURCES

By: N/A
Chairperson and Member

Approved by the Board at its meeting held on N/A

STATE OF HAWAII
By: N/A
Chairperson and Member

PERMITTEE
YOUNG BROTHERS LTD
By: Young John

Update from Sub-committee on Harbors
Questions?
Review of Material

• Access to the Material is through the Public Folder:
  • [Redacted], Password is “[Redacted]”
  • Navigate to the “Working Group Meeting #3 October 15 2020” folder, and then to the “background material” folder.

• Expenses and Revenue breakouts based on Commodity type / Cargo type.

• History based on 2\textsuperscript{nd} hand source and Docketed filings.
Email Invite

• All Working Group members received an email from Andrew.j.Okabe@Hawaii.gov.

• Nine (9) Breakout sessions were offered:
  • Friday, October 30th at 10:30am and 1:30pm
  • Saturday, October 31st at 9:00am and 8:00pm
  • Monday, November 2nd at 10:30am and 7:00pm
  • Wednesday, November 4th at 10:30am and 7:00pm
  • Thursday, November 5th at 10:30am

• Recordings were obtained with permission.
Sessions Held

• Friday, October 30\textsuperscript{th} at 10:30am
  • Administrative review and organization topics with YB and the CA.

• Wednesday, November 4\textsuperscript{th} at 10:30am
  • Attendees: HDOA, YB, CA
  • Additional questions were addressed relating to operational efficiencies, high revenue generation cargo types, applied discounts by statute, end-use customer impacts with freight forwarders.
Nov 4th Session Recording and Written Response

• Access to the Recording is through the Public Folder:
  • [REDACTED], Password is “[REDACTED]”
  • Navigate to the “Working Group Meeting #3 HPUC Breakout Sessions” folder.
  • “HWCWG-3-HPUC_BO_Recording-Nov_4_2020-1030.mp4” (608MB)

• Written responses to the additional questions requested:
  • HPUC response is provided in “HWCWG-3-HPUC_BO_HDOA_Response.pdf”
  • YB response is provided in “HWCWG-3-_BO_Response_YB.pdf”
Thank You!

STATE OF HAWAII
PUBLIC UTILITIES COMMISSION
465 S. KING STREET, #103
HONOLULU, HAWAII 96813
via Electronic Filing  
November 13, 2020

The Honorable Chair and Members  
of the Hawaii Public Utilities Commission  
Kekuanaoa Building, First Floor  
465 South King Street  
Honolulu, Hawaii, 96813  
Attention: Caroline Ishida, Esq.

Re: Docket No. 2019-0117 (Young Brothers, LLC’s Application for Approval of a General Rate Increase and Certain Tariff Changes): YB’s Customer Service Strategy in Response to Order No. 37280

Dear Commissioners and Commission Staff:

On August 17, 2020, in Order No. 37280 in Docket No. 2019-0117, the Public Utilities Commission of the State of Hawaii ("PUC") directed Young Brothers, LLC ("YB" or "Company") to file a Customer Service Strategy by November 15, 2020. Order No. 37280 required that YB’s Customer Service Strategy “include YB’s approach to three (3) operational categories: (1) Customer Communications and Outreach, (2) Customer Engagement, and (3) Company Communications.”

Pursuant to this directive, YB reviewed its communications, customer service, and related operational practices and developed a proposed Customer Service Strategy focused on addressing and improving its current practices. The Customer Service Strategy is attached to this letter. YB also notes that, subsequent to the filing of this strategy, the Company plans to gather further feedback from various stakeholders (i.e., additional employees, customers, etc.), and will defer in providing the details of each of the initiatives contained in the Customer Service Strategy until such stakeholders have had the opportunity to provide feedback and the Company has had the opportunity to consider such feedback and determine, among other things, whether these initiatives will be feasible under the Company’s current financial situation, given that some of these initiatives may require substantial capital investments and/or expenditures.

If you have any questions, please contact the undersigned.

Sincerely,

/s/Kris Nakagawa
Kris Nakagawa
Vice President, External and Legal Affairs
Young Brothers, LLC

Enclosure

c: Division of Consumer Advocacy, Department of Commerce and Consumer Affairs

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1 See Order No. 37280 at 74.
Young Brothers, LLC’s

Proposed Customer Service Strategy
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Overview

Young Brothers (aka, YB or the Company) has served the people of Hawai’i for more than 120 years by connecting our communities with safe and reliable interisland shipping services. Today, we understand our critical role as the sole regulated intrastate water carrier responsible for transporting all cargo that originates and ends within Hawai’i. We are also the only regulated intrastate water carrier serving all islands in the state and transporting all types of cargo on our more than 1,250 sailings each year.

On August 17, 2020, by Order No. 37280 in Docket No. 2019-0117 (Order No. 37280), the State of Hawai’i Public Utilities Commission (PUC) directed Young Brothers to file a Customer Service Strategy by November 15, 2020. The PUC required that YB’s Customer Service Strategy “include YB’s approach to three (3) operational categories: (1) Customer Communications and Outreach, (2) Customer Engagement, and (3) Company Communications.”1 Pursuant to this directive, YB reviewed how we currently serve customers and communicate with our more than 370 team members at our seven port locations across the state. Our review, and this filing, focus on YB’s plans to address the three operational categories identified in Order No. 37280, as summarized on the following page:

1 See Order No. 37280 at 74.
1 Customer Communications and Outreach

Developing a comprehensive customer communications and outreach campaign, including a plan for delivering advance notifications to customers regarding changes to shipping schedules, cargo handling, tariff changes, and gate hours.

2 Customer Engagement

- Enhancing outreach to customers and the communities we serve.
- Establishing regular and ongoing dialogue with customers, trade organizations, and key stakeholder groups.
- Identifying a contact at YB for customer inquiries and expanding opportunities for customers to provide feedback about our services.
- Honing how we receive and respond to customer inquiries and feedback.

3 Communications at Young Brothers

Supplementing employee training and augmenting internal communications at Young Brothers.
- Developing processes to provide timely and consistent information about operational changes to team members.
- Implementing additional training for team members to standardize and improve our customer’s experience.

Ultimately, this filing will serve as a guiding vision for Young Brothers as we work to modernize our operations, instill customer centricity in every aspect of our operations, and improve the way we serve the people of Hawai‘i.

Methodology

Our first step in responding to the PUC’s call to develop this proposed customer service strategy was assembling a working group of team members from departments across the company who interact with customers or influence their experience. In September 2020, we engaged Market Trends Pacific to assist our project team with
assessing the current situation, facilitating customer service strategy sessions, and in developing this proposed strategy. Through these sessions in September and October 2020, and as detailed below, the project team (1) reviewed data and feedback about our current customer experience; (2) completed a preliminary analysis of, among other things, our strengths, weaknesses, opportunities for improvement, and identified action areas and developed customer service initiatives; and (3) created a vision statement to guide our customer service into the future.

Reviewing the Current Customer Experience

The project team compiled data and comments from a range of sources to provide a comprehensive view of our customer’s experience when shipping with Young Brothers. These included, among other things, a “Voice of Customer” survey data, customer and community comments submitted to the PUC, feedback provided through social media, YB’s website, and other customer touch points like YB’s Customer Service, Account Receivables, Sales Departments and in Loss Claims.

<table>
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<th>Reviewing the Customer Experience</th>
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<tr>
<td>“Voice of Customer” survey data</td>
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<tr>
<td>Customer and community comments submitted to the PUC</td>
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<td>Feedback provided through social media, Young Brothers’ website, and other customer touch points like YB’s Customer Service, Account Receivables, and Sales Departments, and in loss claims.</td>
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</tbody>
</table>
This data, feedback, and preliminary analyses by the project team identified several areas of opportunity in developing the customer service strategy, and were utilized as part of our gap analyses described below.

**Conduct Gap Analyses**

A gap analysis was conducted by the project team (with the assistance and support by Market Trends Pacific) to determine where YB is today relative to customer service and where they want to be in the future. This exercise also identified obstacles to and ways in which to achieve future customer service.

The gap analyses helped identify the following areas where Young Brothers could take meaningful action:

1. **Internal Technology**
   a. Deploy better systems for tracking all cargo, including bookings, confirmations, and wait times
   b. Deploy more streamlined internal technology to reduce manual/paper-based processes
   c. Evaluate the current phone system and improve phone metrics (e.g., answered, abandoned, and wait-times)

2. **Customer-Facing Technology**
   a. Develop and deploy Young Brothers’ mobile application and new customer-facing portal

3. **Internal Processes and Policies**
   a. Review and update processes for efficient, consistent experiences across all ports
   b. Establish clear standards, key performance indicators, and a recognition program for excellent customer service
   c. Review and update tariff, as well as internal policies for application of tariff rules and commodities
   d. Development of a customer service-oriented functions report to a single area for accountability
4. Training
   
a. Development of a training department and invest in customer service and safety training of employees, as well as provide more training support on the Neighbor Islands
b. Develop cross-functional training

5. Internal Communications
   
a. Hold regular internal meetings for all employees to discuss strategic plan and progress

6. Public Outreach and Education
   
a. Conduct public outreach and education about Young Brothers’ business, including its role as a regulated monopoly
b. Hold and participate in regular public outreach events to share Young Brothers’ story, increase transparency with stakeholders, and engage Neighbor Island customers
c. Develop clear, simple external training materials about Young Brothers’ tariff, pricing, shipping, etc. for stakeholders
d. Develop customer feedback mechanism

Create a Customer Service Vision Statement

In Order No. 37280, the Commission also instructed YB to develop a customer-focused vision that can be communicated within YB as part of the Customer Service Strategy.\(^2\)

As a result, a preliminary customer service vision statement was created by the project team to describe how Young Brothers will clearly define the type of customer service employees are expected to provide. The project team agreed with the following customer vision statement:

"Connecting Hawaii with Efficiency and Aloha"

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\(^2\) See Order No. 37280 at 64.
This preliminary customer vision statement will be shared with other stakeholders (i.e., employees, customers, etc.) to obtain their respective feedback. However, for purposes of this filing, it was used by the Company in developing its proposed Customer Service Strategy reflected in this document (which is meant to be a “living document” subject to further updates and changes in light of feedback received and the feasibility of the initiatives proposed and described in further detail below), and to immediately guide behavior, expectations, and decision-making affecting customer experiences by the Company at each of its island ports.

Summary of Recommendations

YB’s Customer Service Initiatives

After considering the above six (6) action areas identified through the various gap analyses conducted by the project team, and consistent with the established customer service vision statement (noted above), the project team determined that the following six (6) Customer Service Initiatives should be incorporated as part of its proposed Customer Service Strategy. The project team believes that the implementation of these initiatives will not only improve the Company’s existing customer service, but will also enhance the overall customer service experience throughout all island ports. They were also developed with the purpose and intent of addressing the requirements set forth in Order No. 37280, and these six (6) Customer Service initiatives are summarized below:
• **Develop a New Company Training Program**

  Develop a Customer Service training curriculum and program that also aligns with Quality Management System standards. Ensure all Young Brothers employees are adequately and consistently trained in customer service and other matters that may impact the customer experience such as customer experience employee training, tariff training, and hazardous materials training.

• **Develop a Customer Experience Ombudsman Role**

  Serve as the central clearinghouse or Company contact for customer relations, handling complaints, etc. to ensure timeliness and consistency of responses and outreach on various issues and concerns.

• **Invest in Customer-Focused Technology**

  To further enhance or improve the customer experience to the extent feasible and effective.

• **Hold Regular Internal and External Listening Sessions**

  Virtual/In-person meetings and/or round-table discussion, etc. to ensure customers and other stakeholders have a forum to be educated and for the Company to receive feedback or input on various issues/concerns.

• **Expand Customer Communications**

  Development of a robust internal communication plan for standardizing customer notifications as well as expanding the Company’s use of public relations and media resources to assist in customer outreach and education via various forums and media.


- **Form a Customer Experience Management Committee**

  Establish a new Customer Experience Committee to ensure customer service initiatives are closely monitored and implemented. This includes improving internal communication, specifically between management and employees regarding customer related operational changes.

In November 2020, the Company’s executive management reviewed and approved the above six Customer Service Initiatives to be implemented in accordance with the 2021 Proposed Timeline noted below.

The Company recognizes that the above-stated six Customer Service Initiatives were developed in the absence of the opportunity to receive immediate feedback or input from Company employees as well as customers and other interested stakeholders. Accordingly, subsequent to the filing of this strategy, the Company plans to gather further feedback from various stakeholders (i.e., additional employees, customers, etc.), and will defer in providing the details of each of these initiatives until such stakeholders have had the opportunity to provide feedback and the Company has had the opportunity to consider such feedback and determine, among other things, whether these initiatives will be feasible under the Company’s current financial situation, given that some of these initiatives may require substantial capital investments and/or expenditures.
2021 Proposed Timeline

Notwithstanding the above, the Company has developed the proposed timeline for implementing each of the above six Customer Service Initiatives.

Develop a New Company Training Program

<table>
<thead>
<tr>
<th>2020 Quarter 4</th>
<th>2021 Quarter 1</th>
<th>2021 Quarter 2</th>
<th>2021 Quarter 3</th>
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<tbody>
<tr>
<td>Establish a training committee to develop a customer service training curriculum</td>
<td>Audit all customer service touchpoints to determine gaps in established processes and, further determine where training would be beneficial</td>
<td>Determine training timeline, cadence, and resources needed to execute training, as well as prepare training materials</td>
<td>Continue training and establish regular customer service training cadence</td>
</tr>
<tr>
<td>Committee to review existing processes relating to customer service</td>
<td>Identify opportunities for improvement to existing processes or determine if new processes are needed</td>
<td>Implement new customer service training statewide</td>
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Develop a Customer Experience Ombudsman Role

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<th>2020</th>
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<th>Quarter 2</th>
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<td></td>
<td>Develop a role within the Company, whose responsibility it is to investigate customer complaints.</td>
<td>Appoint a customer experience ombudsman</td>
<td>The responsibilities of this role will continue to be evaluated and/or expanded based upon the needs/changes implemented by the business.</td>
<td>Evaluate and implement customer experience feedback mechanisms</td>
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Invest in Customer-Focused Technology

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<th>2020</th>
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<td></td>
<td>Enhancements to the Freight And Container Equipment System including bookings for less than containerload cargo</td>
<td>Map business gaps and requirements</td>
<td>Identify potential technology partners and key stakeholders</td>
<td>Project implementation</td>
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<td>Establish a working group with the ILWU</td>
<td>Request for proposal and select vendor and best path forward</td>
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Hold Regular Internal and External Listening Sessions

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<td><strong>Internal Communications</strong></td>
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<td>Internal Communications</td>
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<tr>
<td>Research the formation of an internal communications committee</td>
<td>Establish an internal communications committee comprised of employees from all departments</td>
<td>Implementation of updated and/or new processes for internal communications</td>
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<tr>
<td>Draft and finalize a team charter with the purpose, standards, expectations, and deliverables to address gaps and improve overall internal communications</td>
<td>Committee to review the current internal communications process and identify opportunities for improvement</td>
<td>Committee to determine project scope, timeline of deployment, and resources needed to execute updated or new processes</td>
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<td><strong>External Communications</strong></td>
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<td>Develop a timeline for hosting public events such as round tables with various stakeholders, talk story sessions with customers, and community days to encourage public education of Young Brothers</td>
<td>Hold public outreach events and report relevant feedback to Young Brothers’ Customer Service Experience Management Committee for follow up if necessary</td>
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<td>Hold public outreach events and report relevant feedback to Young Brothers’ Customer Service Experience Management Committee for follow up if necessary</td>
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## Expand Customer Communications

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<tr>
<td>Develop a robust library of customer information sheets, infographics, and videos to educate stakeholders on the services Young Brothers provides.</td>
<td>Implement updated external customer communications process.</td>
<td>Audit updated external communications process including getting feedback from stakeholders on informational campaigns.</td>
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<td></td>
<td>Develop efficient, effective and prudent course of action in reaching out to customers to gather feedback to proposed customer service strategy; and addressing any other issues/concerns with respect to YB’s interisland tug and barge services.</td>
<td>Develop new campaign to increase e-mail and social media subscribers.</td>
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<tr>
<td>Review and update external customer communications process for gaps and opportunities for improvement</td>
<td>Establish key performance indicators and reporting on customer engagement, media and social media engagement.</td>
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Form a Customer Experience Management Committee

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<tr>
<td>Gather additional internal feedback from employees and external feedback of stakeholders of the proposed customer service strategy initiatives and present to project team to add and/or adjust current proposed initiatives, with final initiatives set by end of Q4</td>
<td>Review final initiatives and determine short-term, mid-term, and long-term goals of each initiative.</td>
<td>Follow up on quarterly goals and provide updates to PUC and CA.</td>
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</table>

As noted above, because this Customer Service Strategy is intended to be a “living document,” many of the above action plans are subject to additions and/or modifications, particularly after receiving additional feedback or input from Company employees and customers. In addition, many of the specifics reflected in the applicable action plans will be subject to additions and/or modifications given that some of these initiatives reflected in this action plans may either not be feasible or effective at that time or may require substantial capital investments and/or expenditures. The Company plans to update its progress of these action plans via quarterly status reports that the Company will file with PUC at the end of each quarter in 2021.
The foregoing document was electronically filed with the State of Hawaii Public Utilities Commission's Document Management System (DMS).