

## **PUC Water Carriers Working Group Subcommittee Listening Session with Agricultural Customers**

December 9, 2020, 4:00 – 5:30 p.m.  
(Virtual Meeting via Zoom)

### **Meeting Attendees** (in alphabetical order)

- Leodoloff (Leo) R. Asuncion, Commissioner, Public Utilities Commission
- Morris Atta, Deputy Director, Department of Agriculture
- Derek Chow, Department of Transportation, Harbors Division
- Jill Coombs, Production Lead from Bayer Molokai and Molokai Farm Bureau
- Mary Alice Evans, Department of Business, Economic Development & Tourism
- Nicole Galase, Managing Director for the Hawaii Cattlemen's Council
- James Gomes – Ulupalakua Ranch and Hawaii Cattlemen's Council President
- Alan Gottlieb, Ponoholo Ranch and the Hawaii Cattlemen's Council
- William Jacinto, Rancher and Maui Cattlemen's Association President
- Sandi Kato-Klutke, Agribusiness Development Corporation Chairperson
- Dean Matsukawa, Hawaii Department of Agriculture
- Kenneth Miranda, Manager of Kaonoulu Ranch on Maui
- Ka'ohi Mokuali'i, Rancher, Big Island (Ka'u)
- Dr. Jason Moniz, Animal Disease Control Manager. Hawaii Department of Agriculture
- Andrew Okabe, Utility Analyst, Public Utilities Commission
- Dori Palcovich, Department of Business, Economic Development & Tourism
- Kai Pelayo, Seed Industry, Bayer Crop Science Maui
- Phyllis Shimabukuro-Geiser, Chairperson, Department of Agriculture
- Stacie Sasagawa, Seed Industry, Bayer Crop Science Oahu
- Waylon Brun, Kauai Cattlemen's Association President
- Brendan Balthazar, Cattlemen's Council
- Earl Yamamoto, Planner, Hawaii Department of Agriculture

### **Facilitator/Recorder**

- Donna Ching, Facilitator, Pacific Center for Collaboration
- Jennifer Cornish Creed, Recorder, Hawaii Alliance of Nonprofit Organizations

### **Welcome**

PUC Commissioner Leo Asuncion welcomed everyone. The PUC is co-convening the Water Carrier's Working Group (WCWG), per S.R. 125. There's also a public site with more information if anyone wants to follow what the WCWG is discussing through its proceedings. By end of next year we're tasked with providing a report to the Legislature with mid-term and long-term recommendations that address how to balance the need for continuous water carrier service throughout the state with the need of the water carriers to maintain financial sustainability. That's the mandate of the WCWG.

The Working Group has one subcommittee looking at customers and customer service. This listening session is getting input from ag folks. We're working on setting up another listening session with non-ag shippers (like freight forwarders, etc.) to get their input as well. Mary Alice, Phyllis and Dori are the leads on this committee.

For today's meeting, if you want to be acknowledged, please raise your hand and we'll call on you. Or, you can put any questions or comments in the Chat Box.

After the group members introduced themselves, Donna Ching, facilitator for the session, provided some additional context. In order to prepare for the September meeting of the WCWG, we asked members to come back with the top three current needs of stakeholders and a list of their desired elements of the water carrier system. From the ag folks, the top three identified needs were safety, affordability and service.

Donna opened the floor to participants to identify their priority issue and suggest strategy(ies) for addressing the issue. If you have the same or similar issue to someone else, let us know. If the suggested solution doesn't work for you, we can discuss it and work to develop an adaptation that will make it workable for more parties.

- (Stakeholder) Representing the livestock industry and being a livestock shipper, everyone talks about sustainability (esp. when election time comes around). To be truly sustainable in Hawaii we need to be able to get products from the neighbor islands to other islands. YB is the main way to do this, unless you have products you can ship by air. Folks here have been in meetings with YB, the PUC, and elected officials. A lot of us were opposed to the rate increase because it directly affects us.

There is a 30% livestock subsidy when you ship island product to island markets. I'm mostly selling the cows and trying to transport my calves that I raise from Maui to Honolulu and then to the West Coast. The rate increase means going from paying \$1,200 to \$2,000 per container. Profit margins are thin in this business already. I understand YB and the unions and their need to make a certain amount of profit off of the shipping business, but we need a break. We need this subsidy. Could the \$25 million from CARES Act funds that YB got be used to help defer some of the costs of shipping?

**Potential Recommendation: Consider a subsidy for the livestock industry.**

Donna polled the group to see if others agreed with this potential recommendation. There were a number of thumbs up for this recommendation.

- (Stakeholder) We cannot pass that increase on to the consumer.
- (Stakeholder) Does everyone qualify for this subsidy? How does it work?

Donna noted that as part of this potential recommendation, we might need to look into what are the criteria are for the subsidy.

- If cattle are marketed here (island commodities), they qualify. A lot of sheep and goats are being shipped. Once in a while you get the discount but often you don't. Any livestock being shipped between the islands should fall under the same deal.

Donna summarized that the subsidy is inconsistently applied to livestock other than cattle.

- (Phyllis) Regarding service, in the process of reaching out to stakeholders we got the impression that not many farmers or ranchers know what's involved with getting this subsidy. A lot of them didn't respond to the issue of the Island Fresh subsidy. I don't think YB communicates this well. We need better info given to stakeholders about this discount, so more can weather the storm. It might also encourage people to ship more. Right now, they're not aware of it and not utilizing it.

**Potential Recommendation: YB needs to do a better job of communicating to their shippers the mechanisms (e.g., Island Fresh subsidy) that will enable them to bring down the costs of their shipping.**

- (Derek) I wanted to first ask who finances this subsidy? I can't imagine that YB is required to finance the subsidy. So, who funds the subsidy? Second, to be clear, YB got zero money from the CARES Act.
- (Stakeholder) I'm just saying that CARES Act money could be put towards helping YB fund the Island Fresh Discount. YB is giving the discount because it has been supporting the ag industry in shipping up until now.

**Potential Recommendation: Solicit CARES Act money to finance the Island Fresh subsidy for the livestock industry.**

- (Stakeholder) When the State did its investigation, they found a lot of charges were inflated, so they elected not to give YB money. Then YB went to the PUC and the PUC gave them the 46% increase. Yes, YB agreed way back when to offer the Island Fresh (IF) discount of 30%, but they've threatened to take away several times. What people don't know is if I'm shipping bulls for slaughter, they don't give me a discount. It has to be for something that will be consumed. The ranchers just need to move livestock, so this should apply to all, not just livestock that will be consumed. The subsidy should be expanded beyond the way it is currently being utilized so that it covers ALL livestock being moved between islands.

**Potential Recommendation: Subsidize all shipping by livestock even when it is not being consumed at the final destination.**

- (Stakeholder) The IF discount is codified in law, and is applicable to local products. I think the problem is somehow when that passed years and years ago, they failed to include cattle in the definition of ag. YB has voluntarily given it to us over the years.

We've gone back to Legislature year after year to get this included in the definition but it hasn't passed. That's the issue.

**Modified Potential Recommendation: Codify cattle and beef into the current Island Fresh subsidy law so that there is consistency and the subsidy extended to the Cattlemen.**

- (Leo) I have the statute in question here – Act 232. It was passed in 2012. The PUC's responsibility is that we may authorize it, and we have. In order for YB to have ever given it, the PUC needed to authorize it. It is very vague. No definition is provided. As written, you would need a statutory change to clarify the definition. If we want to recommend this, we can find the bills related to trying to make the amendments for last 8 years.

Note: after the meeting, Phyllis agreed to have her department find out how "agricultural activities" are defined by the State.

- (Donna) I'm curious to know why cattle weren't considered "Agriculture"?
- (Leo) Other areas of statute may include a definition of agriculture. We need to make sure we research this and can point to existing definitions.
- (Stakeholder) We could just say "livestock."
- (Derek) We can't just pin this issue on the water carriers. The whole of government has to take responsibility to get the word out to users of these services.

**Potential Recommendation: All relevant government entities need to take responsibility for informing all agricultural shippers about the availability of the IF subsidy.**

Donna asked if the seed folks had any recommendations.

- (Stakeholder) I think it's been covered. We support equal access for everyone. It's not like we're flying tons and tons of stuff around, but we move many different types of things. The freight if not applied equally kills folks. They can't ship.
- (Stakeholder) According to the top three needs, an easy one to address is service. It doesn't involve a lot of money. I hear a lot of complaints about customer service. It's really about training employees. If the education fails, it causes shippers sometimes hundreds of dollars in inefficiencies.

**Potential Recommendation: YB needs to invest in training so that their staff understands how important it is to provide service to their customers.**

- (Donna) At the last WCWG meeting, the YB Consultant shared about the Customer Service survey they're conducting. They're seriously working on this issue this fall. From that effort, hopefully changes will be implemented next year. We hear you saying that they really have to sharpen their game on service.
- (Stakeholder) Here's a real time example – When I am booking containers to go to Oahu, I've literally been on hold for 45 minutes at a time. I finally shut off my phone and drove to the pier to get the same booking/service. I have to physically drive down there to get that booking. It gets frustrating. You can rant and rave to the folks at the pier but that doesn't do anything good for their attitude towards you.

**Potential Recommendation: YB needs to be responsive in a timely way when people are trying to get their orders in.**

- (Stakeholder) When will the customer service improvements go into effect? Ken, you're lucky you got onto the pier. We had a guy that got thrown off the pier. He was turned away. I had to call Oahu and make arrangements. They were nice. I look forward to the improvements happening.
- (Donna) To clarify, the customer service recommendations probably won't be implemented until 2021.
- (Stakeholder) They should call me to complete the Customer Service survey. Just last week I had two containers to bring down from the ranches. We had a booking. The folks at the pier wouldn't accept them. I called Honolulu. He said we could do it. The guy here said we don't ship livestock out of Maui on Friday's. Apparently, they had misunderstood a memo that was sent saying we're no longer going to ship out of Kauai and Kawaihae on Friday's, NOT Maui! There needs to be consistency in the rules. Certain things are allowed on Oahu that aren't allowed on Maui.

**Potential Recommendation: Offer consistent service across the state and consistent rules that are also followed across the state.**

- (Stakeholder) Relative to safety, what's really needed is a space for safe transfer at the pier – from truck to container safely.
- (Stakeholder) We did get an additional, fenced in area with **water** on Maui. On Oahu, at Kawaihae, Kauai, and Molokai we need a consistent area where livestock can be safe. We also need shade since everything is perishable and every port is at sea level and it's warm. **We need an enclosed/fenced area plus shade and with water**, so we don't have a problem with animal rights.
- (Stakeholder) We need better accessibility to the pier. The pier closes for lunch. There's probably 20-30-40 folks lined up along the highway waiting. They only have one station. They need multiple stations to move people through more effectively.

Before you could bring livestock anytime. Now only after 1 pm. They say that you can only bring them 90 minutes prior to departure. I said you have a late barge, can we bring cattle down by 8 p.m.? They said, no, they must be here by 3 p.m. They're not following their own rules. If there was shade there, it wouldn't be a problem. But no shade, we got a problem.

- You don't know when they're going lunch. It varies. How can you know this? They don't operate during lunch. Being the only carrier, why do they not accept any freight, LCL cargo after 11 a.m.? If you're even 5 minutes late, they won't accept it. There is no uniformity of the rules.

**Potential Recommendations: The optimal situation regarding accessibility to the pier would be if YB processed customers throughout the entire day in a consistent manner so that a backlog isn't created (e.g., stagger employee lunch hours).**

**The piers need to have enclosed areas for livestock, with shade and water available so that, if animals have to be there for a long period of time, they're treated humanely.**

**YB rules should be consistently applied so that customers can make appropriate decisions.**

**Create mechanisms to understand customer needs so that you can try to accommodate them when creating policy.**

- Another example of poor service is if you go to pick up your freight, you have to get the clerks moving. When you go to the clerk, they have to go on golf cart to find your stuff, which takes longer. A year ago, you would go directly to the forklift driver who would know where your stuff was because they unloaded the barge.
- I witnessed an older man waiting for the clerks to process his paperwork. He said he was there for 3 hours waiting. You have to give the paperwork to the clerk. YB always threatens to do away with LCL cargo. When they got the 46% increase, the PUC told them they had to return to doing all the activities they were doing before. I heard through the grapevine that they're going to stop doing LCL once this is over. Explore efficiencies when LCLs are being shipped around the State, e.g., are they full? Ken maintains his own containers and chassis. If YB maintains them, then customers can save money.
- Clients need more information. Because Oahu is the hub, animals have to be removed on Oahu and reloaded on the ships going to other islands.

- Website should provide all the information (e.g., times, requirements, schedule, changes in schedules) a customer needs to be able to successfully ship their products. Link on website that says daily changes to schedules, etc.

**Potential Recommendation: YB should use its website to provide timely information to its customers (e.g., schedules, requirements, etc.). There should be one link on the website that provides daily changes so that customers have easy access to that information.**

- Matson has a listserv that informs clients of changes in a timely way so that they can make appropriate changes. YB should explore this practice. Make a concerted effort to get all clients on a listserv so they can get info (e.g., via their cell phone) in a timely way.

**Potential Recommendation: YB should establish a listserv so it can have immediate access to its customers and they can use their phone to get timely updates.**

- If rates go up, customer expects improved service. Improving efficiency with technology.
- How much responsibility does a trucking company (who moves a client's product) have to inform the customer of changes that may have an impact on the customer?
- When someone makes a booking to ship, they need to provide an email address so that they can let their trucker know the most up-to-date info.

**Potential Recommendation: Determine if YB is using the most efficient process (e.g., technology) to get the product to the customer as soon as possible.**

- If listening session participants think of additional recommendations or suggestions after this meeting, we will have a section in the group memory (i.e., meeting notes) where these ideas can be added when it is distributed to everyone for review.

### ***Consolidation of Recommendations Under Top Three Ag Priorities***

#### ***Priority 1: Safety***

- The piers need to have enclosed areas for livestock, with shade and water available so that, if animals have to be there for a long period of time, they're treated humanely.

#### ***Priority 2: Affordability***

- Consider a subsidy for the livestock industry.
- Solicit Cares Act money to finance the Island Fresh subsidy for the livestock industry.

- Subsidize all shipping by livestock even when it is not being consumed at the final destination.
- Codify cattle and beef into the current Island Fresh subsidy law so that there is consistency and the subsidy extended to the Cattlemen.
- All relevant government entities need to take responsibility for informing all agricultural shippers about the availability of the IF subsidy.

***Priority 3: Service***

- YB needs to do a better job of communicating to their shippers the mechanisms (e.g., Island Fresh subsidy) that will enable them to bring down the costs of their shipping.
- YB needs to invest in training so that their staff understands how important it is to provide service to their customers.
- YB needs to be responsive in a timely way when people are trying to get their orders in.
- Offer consistent service across the state and consistent rules that are also followed across the state.
- The optimal situation regarding accessibility to the pier would be if YB processed customers throughout the entire day in a consistent manner so that a backlog isn't created (e.g., stagger employee lunch hours).
- YB rules should be consistently applied so that customers can make appropriate decisions.
- Create mechanisms to understand customer needs so that you can try to accommodate them when creating policy.
- YB should use its website to provide timely information to its customers (e.g., schedules, requirements, etc.). There should be one link on the website that provides daily changes so that customers have easy access to that information.
- YB should establish a listserv so it can have immediate access to its customers and they can use their phone to get timely updates.
- Determine if YB is using the most efficient process (e.g., technology) to get the product to the customer as soon as possible.