

AGENDA

WATER CARRIERS WORKING GROUP MEETING

JUNE 17, 2021

1:00 – 3:30 PM

VIA ZOOM CONFERENCE MEETING

<https://us02web.zoom.us>

Meeting ID:

Passcode:

I. Welcome

II. Housekeeping

- Corrections to Group Memory from May 21, 2021 meeting solicited

III. Status Reports for Small Groups/Subcommittees

Groups will share their recommendations using the report template introduced at the May 20th meeting.

- Team representative will review the small group recommendation(s) using the report template
- Questions, comments, or suggestions will be solicited after each report from WCWG members
- Sequence of reporting:
 - i. Pier Space
 - ii. Sustainability and Profitability
 - iii. Cargo
 - iv. Subsidized Shipping
 - v. Rates (Note: Discussion of recommendations may be raised for WCWG to discuss)

IV. Discussion of WCWG Member Participation in Writing Draft of Report

- Discussion of the appropriate role of WCWG members in drafting report
- Creation of process as we move forward

V. Suggestions for Meeting on July 15, 2021

VI. Conclude

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The public repository link is as follows:

<https://hawaiioint-my.sharepoint.com>

Password:

## PUC Water Carriers Working Group Meeting

May 20, 2021, 1:00 – 3:00 p.m.

(Virtual Meeting via Zoom)

### Meeting Attendees (in alphabetical order)

P = Present; A= Absent

|   | <b>Name</b>                 | <b>Title</b>                      | <b>Company</b>                                                                                       |
|---|-----------------------------|-----------------------------------|------------------------------------------------------------------------------------------------------|
| P | Jay Ana                     | President                         | Young Brothers, LLC                                                                                  |
| P | Makale‘a Ane                | Environmental Coordinator         | County of Maui, Office of the Mayor, Office of Climate Action, Sustainability and Resilience         |
| A | Vic Angoco                  | SVP                               | Matson Navigation Company, Inc.                                                                      |
| P | Jesse Andrade               | ILWU Member/Unit 4209 Chair       | International Longshore and Warehouse Union, Local 142                                               |
| P | Henry J.C. Aquino           | Representative                    | House District 38 / Chair, House Committee on Transportation                                         |
| A | Nelisa Asato for Vic Angoco |                                   | Matson Navigation Company, Inc.                                                                      |
| A | Jayne Nantkes               | Committee Clerk                   | Office of Representative Aquino                                                                      |
| P | Leodoloff (Leo) R. Asuncion | Commissioner                      | Public Utilities Commission                                                                          |
| A | Jade Butay                  | Director                          | Department of Transportation                                                                         |
| A | Rick Blangiardi             | Mayor                             | City and County of Honolulu                                                                          |
| A | Michael Caswell             | SVP                               | Pasha Stevedoring & Terminals L.P.                                                                   |
| A | Catherine Awakuni Colón     | Director                          | Department of Commerce and Consumer Affairs                                                          |
| P | Derek J. Chow               | Deputy Director                   | Department of Transportation, Harbors Division                                                       |
| A | Stacy Crivello              | Community Liaison                 | Maui County Mayor’s Office                                                                           |
| A | Michael Dahilig             | Managing Director                 | Kauai County – Office of the Mayor                                                                   |
| P | Christopher Edwards         |                                   | Young Brothers, LLC                                                                                  |
| P | Mary Alice Evans            | Director, Office of Planning      | Department of Business, Economic Development & Tourism                                               |
| P | James P. Griffin            | Chair                             | Public Utilities Commission                                                                          |
| A | Matthew Gonser              | Chief Resiliency Officer/Director | City and County of Honolulu – Mayor’s Office of Climate Change, Sustainability and Resiliency (CCSR) |

|   |                                |                                                     |                                                                              |
|---|--------------------------------|-----------------------------------------------------|------------------------------------------------------------------------------|
| P | Randy Grune (for Mike Caswell) | PASHA Managing Director                             | Hawaii Stevedores, Inc.                                                      |
| A | William "Baba" Haole IV        | Division Director of Hawaii Longshore Division      | International Longshore and Warehouse Union, Local 142                       |
| P | Steven Hunt                    | Deputy Finance Director                             | Hawaii County                                                                |
| P | Lauren Imada                   |                                                     | Young Brothers LLC                                                           |
| P | Lorraine R. Inouye             | Senator                                             | Senate District 4 / Chair, Senate Committee on Water and Land, Majority Whip |
| A | Richard Kamoe                  | Vice Division Director of Hawaii Longshore Division | International Longshore and Warehouse Union, Local 142                       |
| P | Gilbert S.C. Keith-Agaran      | Senator                                             | Senate District 5 / Senate President designee                                |
| A | Mitch Roth                     | Mayor                                               | County of Hawaii                                                             |
| P | Keith Kiyotoki                 | Manager of Sales and Marketing                      | Young Brothers LLC                                                           |
| P | Chris Lee                      | Senator                                             | Senate District 25/Chair, Senate Committee on Transportation                 |
| P | Jennifer Lim                   |                                                     | Young Brothers LLC                                                           |
| P | Dr. Matthew Loke               |                                                     | HDOA                                                                         |
| A | Chris Martin                   | Director of Operations                              | Young Brothers LLC                                                           |
| P | Reiko Matsuyama                | Budget Director                                     | Kauai County – Office of the Mayor                                           |
| A | Mike McCartney                 | Director                                            | Department of Business, Economic Development & Tourism                       |
| P | Kris Nakagawa                  | Vice President of External and Legal Affairs        | Young Brothers LLC                                                           |
| P | Mark M. Nakashima              | Representative                                      | House District 1 / House Speaker designee                                    |
| A | Dean Nishina                   | Executive Director / Consumer Advocate              | Department of Commerce & Consumer Affairs – Division of Consumer Advocacy    |
| P | Lisa Hiraoka                   |                                                     | Department of Commerce & Consumer Affairs – Division of Consumer Advocacy    |

|   |                                     |                                                              |                                                                                    |
|---|-------------------------------------|--------------------------------------------------------------|------------------------------------------------------------------------------------|
| P | Dori Palcovich (for Mike McCartney) | Administrator for the Small Business Regulatory Review Board | Department of Business, Economic Development & Tourism                             |
| A | Jennifer M. Potter                  | Commissioner                                                 | Public Utilities Commission                                                        |
| A | Fred Robins for Baba Haole          |                                                              | ILWU                                                                               |
| P | Stevette Santiago                   | Director of HR                                               | Young Brothers LLC                                                                 |
| A | Phyllis Shimabukuro-Geiser          | Chairperson                                                  | Department of Agriculture                                                          |
| A | David Veltry                        |                                                              | Young Brothers LLC                                                                 |
| P | Corey Robertson                     |                                                              | Young Brothers LLC                                                                 |
| A | Michael P. Victorino                | Mayor                                                        | Maui County                                                                        |
| P | Mike Victorino, Jr.                 |                                                              | ILWU                                                                               |
|   | Public Utilities Commission Staff   |                                                              |                                                                                    |
| P | Jodi Endo Chai                      | Executive Officer                                            | Public Utilities Commission                                                        |
| P | Michael Chapman                     | Economist                                                    | Public Utilities Commission                                                        |
| P | Steven Iha                          | Consultant                                                   | Public Utilities Commission                                                        |
| A | Layla Kilolu                        | Economist                                                    | Public Utilities Commission                                                        |
| P | Carolyn Laborte                     | Chief Auditor                                                | Public Utilities Commission                                                        |
| P | Naomi Landgraf                      | District Representative – Maui                               | Public Utilities Commission                                                        |
| P | Andrew Okabe                        | Utility Analyst                                              | Public Utilities Commission                                                        |
| P | Anand Samtani                       | Supervising Economist                                        | Public Utilities Commission                                                        |
| P | Gina Yi                             | Acting Chief Engineer                                        | Public Utilities Commission                                                        |
| A | Jackie Young                        | Auditor                                                      | Public Utilities Commission                                                        |
| A | Debra Abe                           | Auditor                                                      | Public Utilities Commission                                                        |
| P | Caroline Ishida                     | Chief Counsel                                                | Public Utilities Commission                                                        |
| P | Dave Parsons                        | Chief, Policy and Research                                   | Public Utilities Commission                                                        |
| P | Keira Kamiya                        | PUC Attorney                                                 | Public Utilities Commission                                                        |
|   | Independent Facilitation            |                                                              |                                                                                    |
| P | Donna R. Ching                      | Facilitator                                                  | Pacific Center for Collaboration                                                   |
| P | Jennifer Cornish Creed              | Recorder                                                     | Hawaii Alliance for Nonprofit Organizations (Director of Professional Development) |

## **Welcome**

Leo welcomed attendees to the eighth meeting of the Water Carriers Working Group (WCWG) and thanked them for hanging in there. He noted that the WCWG is nearing the end of its tasks together. The culmination of the WCWG's work will be the report generated for the Legislature. The PUC will take the work done by the WCWG, articulate it in a report, and bring that report back to the WCWG in the late summer or early fall to make final edits before the report is completed and submitted.

Leo welcomed some new participants to the WCWG – Lauren Imada from Young Brothers, Dr. Matthew Loke from the Department of Agriculture, Makale'a Ane from the County of Maui Office of the Mayor, Office of Climate Action, Sustainability and Resilience, as well as some new PUC staffers.

## **Housekeeping**

### Group Memory

Donna asked if there were any corrections to the group memory from the March 18 meeting. There were no corrections suggested.

## **Overview of Small Group Activity and May and June Meetings**

Donna briefly summarized the progress of the WCWG small group to date. Many of the groups put a lot of time into meeting and finalizing their reports. We'll review them today and give everyone in the large group the opportunity to comment and provide feedback on each group's recommendations.

Leo shared the template that will be used for the WCWG's final report template. We can use the items in the report template as a framework for our feedback on the recommendations today. At our next meeting, all the groups will have put their information into the template framework. The template is a fairly standard reporting template:

- We'll stick to primary members as well as the delegated. We'll also list those who assisted the working group.
- We'll summarize the meetings over the last 18 months.
- We'll provide an explanation of the process for the meetings.
- We can add graphics in appendix to visualize processes like Force Field Analysis.
- The "meat" will be in the recommendations.
- We'll share the five topic areas where subcommittees were formed and provide a summary of their recommendations.
- We'll share the near-term recommendations and note that for those items, we have champions and they don't require policy change or statutory change.
- Since Senate Resolution 125 calls for mid- to long-term recommendations for solutions, we'll include the compelling cases/justification for those solutions, pros and cons, along with proceeding steps, impacts to agencies or entities are identified (including

stakeholders), and costs. (For each recommendation that is mid- to long-term, we want to make sure that we have all this information.)

- Lastly, we'll include the conclusions, references, and appendices.
- The report shouldn't be more than 20 to 25 pages. It's hard for the Legislature to deal with info overload. We want to keep it concise and focus on recommendations that are of policy/statute nature.

### **Status Reports for Small Groups/Subcommittees**

A representative from each small group provided a summary of the work completed on their recommendations. The rest of the WCWG shared their thoughts and helped to identify and/or fill in any gaps. It was noted that because the small groups didn't have the report template before they met, "cons" might also be called "ramifications of not doing this work." Or, describe why it is necessary to make the investment.

### **Cargo**

For more information, see the full report. Keith Kiyotoki, YB, shared the following highlights:

Recommendation: Improve the current reservation system to accommodate all cargo types, implemented in phases, which is flexible, enhances shipping efficiencies, and improves cargo movement transparency for consumers for a continued, well-needed service as well as review of the Storage-in-Transit / Stop-in-Transit ("SIT") policies for improved enforcement and visibility of cargo that should be transported via water carrier.

- There are major benefits to the Neighbor Island mixed and LCL cargo.
- It helps us align our workforce with demands, based on the registrations.
- For customers, it should help improve service overall.
- It will improve our own efficiency too (e.g., eliminating no-shows).
- We could reconfirm booking in advance. Better foreknowledge allows us to do better loading.
- It would be a change for the customer base.
- We have not truly determined cost yet. It would include the cost of initial startup of the and also what it costs to continuously upgrade, etc. to meet the needs.

### **Q&A**

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

Q: Regarding "no-shows," right now, if someone has a reservation but they don't show – do you not confirm the day before?

A: We confirm for RORO, containers, and cargo only. There are other factors beyond the customer's control, which often occur at the last minute. A reservation system will allow us to do better.

Q: Have you been upgrading your technology?

A: An outside contractor is reviewing our system now and recommending upgrades. Our freight and container/equipment platform is an old system – it is proprietary. It is two decades old. We’re looking at what the next iteration could look like. There are also infrastructure issues. We don’t have the same infrastructure at piers. We also need to make sure that barges have WiFi. The service is spotty. If we rolled out a system that required internet connectivity, that would be difficult for everything to be accessible. Working on WAN/LAN/WiFi networks.

Q: Are more improvements needed – backups of vehicles going into your area from Nimitz? Is DOT able to make more improvements to address the back-ups on Nimitz?

A: Unfortunately, unlike harbors on the mainland, we don’t have the space – things get backed up. Since we didn’t make any recommendations to assist you with the traffic patterns should we expand on that going forward – revisiting of the pier structure? Right now we’re focusing only on Kapalama. But we forgot that YB, Matson, and Pasha have activities going on.

*(Donna suggested keeping the focus on the recommendations currently in front of the group but asked if this issue can be worked on by the facilities group.)*

C: WiFi could be an infrastructure component. Is that something you would do or Harbors? DOT?

C: If DOT could help us with that, it would be great! They haven’t traditionally.

C: WiFi issue – part of Harbors’ budget was to use some of the federal broadband to improve WIFI access to the harbor.

C: Some of the impacts that would remain would be waiting for space on barge. Customers call in and the system might show that there isn’t available space on barges but in reality, there would be space on barges. Can the system be upgraded to ensure accurate bookings? On the flip side, there may not be enough space on a barge.

C: This has to go into the compelling case as a critical issue for users.

C: (Derek) Regarding the DOT and broadband – ARPA does provide monies to put in broadband. Let’s see this is money is well spent at harbor. Have allocated money for 2022 budget acquisitions. Broadband in Honolulu harbor in order to add high speed internet at harbor.

C: With the Kapalama infrastructure, it will add 40% more operations space in Honolulu harbor, but will affect the way Matson and Pasha move. It will avoid trucks – it will allow direct pass and eliminate the need for trucks on the road. New entrance on Auahi Street will allow more access for the harbor road.

**Note: Derek will provide Jennifer with the details of the benefits that will occur by 2024 from the Kapalama facility.**

C: Keith brought up fact that this has to be done in stages, it won't be done overnight.

Q: Are these mid- to long-term recommendation?

A: Yes, I think these are mid-to-long-term recommendations.

Q: Are you working on some parts already?

A: Yes we are.

### **Subsidized Shipping**

For more information, see the full report. Derek Chow, DOT Harbors Division, shared the following highlights:

Recommendation: To reduce the cost of imported goods, a broader subsidy for all cargo is being sought by the Subsidies subgroup. Sources of the subsidies may be from existing or newly created federal, state and county government programs.

- Our Group included various shippers, legislators and PUC staff.
- Our basis for considering subsidies was that in Hawaii we have limited options in terms of bringing goods in for our consumption. The mainland has rail and highway trucks. In Hawaii our modes of transportation are waterborne or airborne. Airborne is the more expensive of the two, especially during the pandemic when there were fewer flights.
- The focus of group was how to reduce the cost of shipping between islands and to the islands from the mainland. We talked about ways to reduce the costs for shippers, those who are shipping goods between islands or to the mainland.
- We looked at federal subsidies and studied what is currently available in Hawaii – the agricultural subsidies. Air surface subsidies are available from feds. There are no subsidies from the state or county governments. The PUC allows YB to provide subsidies to the ag. community folks who ship raw products.
- We discussed whether there are opportunities for state or county subsidies. Given the financial situation we're in currently, there is no appetite for county or state subsidies. This will be true until the financial situation improves. So, this is more of a long-term strategy.
- With regard to federal subsidies, we inquired with the Office of the Secretary of Transportation. USDOT-MARAD does provide some subsidies already. They are willing to work with Hawaii to establish federal subsidies for bringing cargo in from mainland or between islands. This is a long-term solution because it would literally take an Act of Congress. We'd have to work with our Congressional delegations on this.
- We don't know the cost. YB, Matson, Pasha, and the DOT will have to put our heads together to develop language to pass on to Congressional delegation and figure out who is best to continue to spearhead this. DOT Harbors may be the best to be in charge of this. We could collaborate with the shippers and work with the Congressional delegation.

### Q&A

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



Q: Of the subsidies available now, are they more customer oriented?

A: Yes. The one's we looked at are directed at the producers. Hawaii is an important strategic location in the Pacific and also to support other Pacific Islands that are important to the U.S. That's part of the compelling case as to why government should assist us.

C: We can't dismiss using county or state money. Why I say that is I think the counties, including areas like the Big Island, Molokai and Lanai have our customers. The county should be available to help customers. I think we should push back and say, moving forward, when the economy picks up, considerations should include these kinds of subsidies.

C: It was great that you could set up a meeting with the feds. At the very least they're now more familiar with our needs.

**Rates** (Note: The Sustainability and Profitability small group was combined with the Rates group.)

For more information, see the full report. Steven Hunt from Hawaii County, shared the following highlights:

**Recommendation:** Get WCWG to continue the discussion and refinement to develop a working formula to calculate a new Water-Carrier Inflation Cost Index (WICI) factor.

Reason: Intrastate water carrier service is the lifeline of the Neighbor Islands.

- The group included DBEDT, Consumer Advocate, HPUC, counties and the water carriers. Some groups, like labor, were not represented.
- In our report, we included considerations rather than conclusions, like whether to consider LCL as a cargo type, etc.
- We formed a sub-subgroup specifically focused on interim rate adjustments (formerly known as AFRA).
- We were tasked look at near-term, low-hanging fruit opportunities. As with fruit, if you pick it too early, it's green but if you wait too long the fruit is rotten.
- We met on April 1, 6 and May 10. We submitted the report on May 13, including commentary about the process and who was involved.
- We worked on finding strategic solutions to regulated cargo rate that would be sustainable for the water carriers, like an annual rate adjustment process.
- This is a situation where we're caught between collective bargaining agreements on the one hand and mandated sailings on the other. It doesn't bode well when you're trying to manage rates.
- The important thing to remember is that intrastate water carrier service is the lifeline of the Neighbor Islands.
- Finding consensus was difficult on many items but the discussion was fruitful and robust.
- What the group has to offer is a direction that needs further discussion and refinement regarding the rate legislation.

- With timing of every 3 to 4 years for rate cases, we need to incorporate the labor component into the annual adjustment to allow for more flexibility. The water carriers would come in more frequently for formal rate case hearings.
- Traditionally labor may not be considered, but for this utility it is a major driver for their work. Unlike other regulated industries, there are lots of service-related expenses.
- These kinds of overarching policy decisions shouldn't be done during a pandemic (the decreased cargo volume exposed high fixed costs). Emergency rates need to be considered independently of these annual rate increases.
- There could be separate petition filings outside of the annual rate adjustments.
- The time involved is not always effective for real-time cost adjustments. This requires a more nimble adjustment process.
- Our conclusion is that the larger group still needs to decide on a few items that we couldn't come to consensus on.
- The Water-Carrier Inflationary Cost Index or WICI is one area for consideration. It includes a two-tiered system where the GDPPI is an automatic inflationary index with the water carriers having a secondary inflationary index in case their cost on things not covered (e.g., labor and fringe) predicates an additional adjustment.
- The majority of the group felt there should be automatic annual adjustments based on the GDPPI index. The additional "plus up" would need to be justified by the water carrier with actual operational data or metrics. Information provided in the monthly financial reports should support the need for rate increases above GDPPI or 5%.
- What should the timing be for formal case? 3 years would align with collective bargaining timing.
- The water carrier's labor efficiency is difficult to optimize when labor costs are determined by collective bargaining and mandated routes and sailings.

#### Q&A

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

Q: (Issue brought up to Senator Inouye) Orchid Isle won a bid to provide police vehicles – they received the contract. They received a rate increase notice from YB that hadn't been part of their bid, as well as another notice of rate increase for fuel. The approximate cost per car that they'll have to eat is \$500. I shared this issue with Dean Nishina. He's following up on this.

C: So you're talking about work done before the rate increase?

A: Yes. How are we going to address this?

A: That's not an uncommon experience. Unless the bidder includes a clause that has language about "subject to current pricing" they have to eat the costs.

Q: (Jay Griffin) With the WICI, and with regard to inflationary costs and how we look at rate adjustments, Steven you've done a great job leading this group and laying out all the issues. There's something that I want to double check on. We've had a variety of automatic rate increase vehicles, with seemingly positive effects. Hawaiian Electric is an example. There

was strong incentive to improve the financial results. In the past we haven't seen an incentive for cost control. Is the rate case one of the control points? With the two tiers – having to make a case for the higher tier? Can you elaborate on how you see balancing the greater revenue certainty and frequency with the customer's needs? Can you paint the picture more broadly with how you see safeguards?

A: The GDPPI is a true inflationary measure. The fuel adjustment would still be done separately. If the water carrier does nothing until the next rate case, they ride this index. Labor and management have incentive for each other. Still trying to achieve a profitability – management is trying to reach this level. This allows for working capital to reinvest in company. If it's all sucked into labor, then they're not a business anymore; they're an employment center. They would need to come in and provide evidence as to why the straight index is not working for them. We would still have a cap as control. If we're underfunding or overfunding based on their index, we'd reconcile every 3-4 years, and do a reset if necessary. There is a ceiling, a few tiers, inspection of their books at rate hearings. There's enough transparency and frequency to be adaptive and to protect consumers. The alternatives are not good if they choose to move out of the state. Or if they decide not to be a regulated carrier and are just going to do market.

C: That structure is similar to what we have with Hawaiian Electric. The question is how effective can a rate case be in really dialing in? We just spent two years with Hawaiian Electric dealing with that. You've made a really good case here. I appreciate the work of the team here. You provided it at a good time. As the team deliberates more, we'd appreciate any more thoughts about how to achieve that balance.

A: This was a specific focus on a short-term solution, but maybe this becomes part of a mid-to long-term solution regarding schedules, volumes, other potential cogs may need to be adjusted first. We want to make sure we're ensuring the viability of the water carrier in the interim.

C: We wrestled with the implementation of performance metrics. Under the AFRA formula, there is a requirement for performance metrics. We thought, as consumer advocates, we'd like to see protection of consumers through performance metrics. We still feel like any kind of formula would require some kind of performance metrics to protect customers.

Q: Under your current rules, how do you look at this particular issue with Orchid Isle and the bidding process and YB? Who's responsible for making any adjustments? Do we take this up with the PUC or with YB?

A: We've been dealing with this with some of our motor carriers. As far as the PUC, we don't oversee county contracts. Similar with the motor carriers, we can adjust rates within a zone, but this was an experience that exceeded that.

A: It's between us and the carrier. We have to look at the contract language – was there language about adjustments should rate increases happen? If not, it's on the vendor and that's called a business risk.

Donna: This is a very complex issue. I want to highlight the fact that Steve and his committee created a safe environment to really discuss and understand many facets of this complex issue. As a result of this discussion, there is more direction about things that have to be resolved. There has to be a tremendous amount of flexibility – no sooner do you make a decision, but it has a lot of consequences. I think it's important that you recognize this as you continue this discussion that there's no way you're going to reach consensus on this decision. There are so many people who have their own vested interest in solving the issue a particular way. Discussions should continue with this kind of openness. Open discussion will allow you to create a safe environment and eventually involve appropriate stakeholders. In order to have the WG be able to make recommendations at this stage, early on in the process, you need to make a decision about what level (e.g. 51, 66, 2/3, 75%) of agreement constitutes an outcome the WG can live with and support. This is so that instead of saying "we didn't come to consensus", we can say that we have a recommendation that a majority (as defined by the group) of the WG found acceptable. I would suggest having this conversation before having future discussions on this topic, but this was a very productive discussion about how the complex issues overlap. Will your group be able to put this together in a form that will address Leo's 6 points?

A: What we came to consensus on was that we did want to bring questions back for the larger group to answer. I can frame the larger questions for decision-making before we go forward.

Donna: instead of having to vote on it, what would be valuable for the next iteration of discussion is to have the issues that have to be addressed clearly articulated. Early on, we agreed on a process that we would use in lieu of consensus; we agreed to a fallback strategy. We should remind ourselves what that was.

### **Review of Work to be Accomplished before and at the Meeting on June 17<sup>th</sup>**

Questions and suggestions were solicited on how to integrate contributions from WCWG members about small group final reports that will be distributed before and reviewed at the meeting on June 17<sup>th</sup>. The framework that will be used by each group should be Leo's template to create consistency between groups.

Q: Can we look at working backwards so we know when you're going to recommend the final voting? If we're looking at when the report is submitted to Legislature and the Governor, we know the reports have to come in pre-session. It would be great for the WCWG to know that by September or October the final report will be done. Is there anything after our June meeting?

A: We have meetings scheduled for the rest of the year. The report is due 20 days before the start of the session. That puts us at beginning of January 2022.

A: Looking at the schedule for the coming year, if we realistically want anything to have a chance to move, we need to begin mid-December.

A: I think we're going to be done a lot sooner than that. By June or July we should have 2 groups that have recommendations that people are supportive of. The one group that's up in the air is Steve's group. We need to articulate decisions that the group needs to make and have more discussion about this recommendation. What I see is, the group will come to some agreement and that will get folded into final report.

A: I think Senator Lee's suggestion to turn the report in by the beginning of December is good. Let's work backwards from there. Let's assume a draft comes to the WCWG in the October/late September time frame. The PUC can finalize it after that and get it to Legislature. Or, we could go up until the November meeting, but that would put pressure on PUC to more quickly meet the earlier deadline. The recommendations are the last part we have to write. We can write the rest now.

C: Please keep the 2021 dates we established last year on your calendar for now. It's easier to let a meeting go than it is to reschedule it. If you can hold them until we tell you to release the dates, that would be appreciated. Andrew will resend dates and the link out. You just need to "accept" and it will get added to your calendars.

C: I noticed that in the Cargo subcommittee report SIT is deferred to the Rates Committee. What does that mean? Is that going to be transferred over to us for us to resolve?

C: I seem to recall that the SIT items were sent over to Cargo for further discussion.

C: When we sent them, the goal was to get more response on SIT issue, but there wasn't much interest.

Q: Is it still a major issue that needs a recommendation to be made? If yes, how do we go about making sure it's discussed somewhere? We still have time.

Donna: When I'm facilitating, it's my experience that, if you can't get a critical mass of people to volunteer to address an issue, it's not a high priority for them. It's not in our best interest to force people to work on something that doesn't meet their personal needs. Is there an interest to work on SIT right now?

Q: Are there people who want to create a small group to discuss the SIT issue? Is there an interest to form a group that will develop a recommendation on this issue?

A: No – maybe this won't be taken up by this working group.

A: Because this issue was raised in previous meetings, it will find its way into the overall report. We can say it is something that still needs to be addressed and leave it at that. If it does become a problem, the Legislature can ask us to resolve it or they can do what needs to be done to ensure it is addressed.

A: The way I see it is that, as the result of our discussions, we have at least 3 strong issues that have to be addressed. The question is, if we resolve the initial issues, can we address the next tier?

Donna asked if there were any other questions or announcements.

- YB just filed their final report on the Hilo barge incident. They'll offer a briefing and more details on the report if anyone is interested. Chris Martin will do the briefing.
- Lorraine indicated she is interested and Donna suggested that if anyone else is interested in the briefing they contact Lorraine (she'll be the point person.)

Leo and Donna thanked the group for all the hard work they've been putting into this. People still have a real interest in the work of the committee.

### **Next Steps**

- The next meeting will be on June 17 unless you hear otherwise from us.

### **GROUP AGREEMENTS:**

- There were no specific group agreements made at this meeting.

### **ACTIONS:**

(Listed in **blue** in the document)

- There were no specific actions agreed to this meeting.

## Carrier Services Subgroup

### Summary of Recommendation

The committee recommends improving the current reservation system to accommodate all cargo types (e.g., straightload equipment, automobiles and roll-on roll-off equipment, and less than container load cargo). The committee arrived at this recommendation through various meetings and felt that implementation would enhance the overall customer experience when shipping with Young Brothers, as well best serve the community by continuing the present line of services (e.g., straightload equipment, automobiles and roll-on roll-off equipment, and less than container load cargo). The committee also felt that this recommendation would improve the water carrier's ability to forecast cargo volume and also provide cargo visibility for its customers.

#### 1. Justification/Compelling Reason

Improving the current reservation system to accommodate all cargo types will enhance shipping efficiencies and improve cargo movement and transparency for consumers. The improved reservation system should be implemented in phases and flexible and will improve cargo visibility to both the consumer and the carrier.

#### 2. Mid-term or Long-Term

Mid to Long-term

#### 3. Pros/Cons

Pros: Operational efficiencies with implemented new and/or updated policies will assist with the accuracy of booking reservations, ultimately resulting in a committed customer base as well as seeing an overall improvement in cargo tracking and the scheduling of gate hours and service offerings. Reservations for all cargo will provide company with cargo data to analyze and improve upon the inefficiencies where customers currently show up half days.

Overall improvement of the customer service experience, providing known availability for both shipping and transporting. Tracking will be a benefit so customers can schedule when to drop-off and pickup. This is expected to assist in real time tracking and availability to help save and schedule time. Allow for planning and scheduling in terms of the amount of time customers must wait in port. Incentivization of customers for scheduling reservations as it would provide them with a shorter waiting line for drop-offs and a resulting commitment from them.

Cons: Cost will be initially high to develop and implement. Long term costs to maintain and have continuous improvement as the business and industry changes. Customers, especially one-time customers will need time to adjust.

#### 4. Identify any preceding steps to undertake or outstanding items to address, if any

Provide a customer survey that will assist the company in understanding customer needs, implement a pilot program for three to six months, and gather accurate data and feedback with

minimum impact to labor costs in order to compile comprehensive and accurate information to assist in determining the best possible actions to take.

Implementation will need to occur in phases to reduce the impact on customers and allow for changes and improvement throughout the project.

5. Impact to agencies/entities

None

6. Costs (if any or readily estimated)

No available cost or estimate at this time. Costs to be considered include project build, implementation, future enhancements, and yearly maintenance.



SR125 WATER CARRIERS WORKING GROUP  
Subsidies Sub-group

June 2021

### CHAMPION

Hawaii DOT Harbors Division (HDOTH)

### BACKGROUND

Hawaii's communities are mostly dependent on the import of goods. Over 80% of goods consumed in Hawaii are imported. Of that imported, over 98% is transported as waterborne cargo.

The cost of shipping is reflected in the cost of imported goods consumed in Hawaii. Shipping of goods to Hawaii can be as much as 7.5% (per a 2015 study) of the cost of the goods.

Unlike communities in the continental US that have alternative means of transporting goods by truck and rail, Hawaii relies on transport by water carrier.

Currently, there are federal subsidies for certain agricultural products. Agricultural subsidies programs include:

- Reimbursement Transportation Cost Payment (RTCP)  
[www.fsa.usda.gov/Assets/USDA-FSA-Public/usdafiles/FactSheets/rtcp\\_facts\\_sheet.pdf](http://www.fsa.usda.gov/Assets/USDA-FSA-Public/usdafiles/FactSheets/rtcp_facts_sheet.pdf). See attachment.
- Micro-Grant Program for Small-Scale Agriculture link to the news release with information and a link to the grant portal: <https://hdoa.hawaii.gov/blog/main/small-scale-ag-grants/>
- [Fsa.usda.gov/state-offices/Hawaii/programs/index](http://Fsa.usda.gov/state-offices/Hawaii/programs/index)
  - Emergency Conservation Program (ECP)
  - Noninsured Crop Disaster Assistance Program (NAP)
  - Livestock Forage Program (LFP)
  - Livestock Indemnity Program (LIP)
  - Emergency Assistance for Livestock, Honey Bees, & Farm-raised Fish (ELAP)
  - Supplemental Assistance Revenue Payment (SURE)
  - Tree Assistance Program (TAP)
  - Conservation Reserve Program (CRP)
  - Grassland Reserve Program (GRP)
  - Environmental Quality Incentive Program (EQIP) administered through the USDA Natural Resources Conservation Service
- Third Coronavirus Food Assistance Program (CFAP 3) pending in March 2021.  
[www.farmers.gov/cfap](http://www.farmers.gov/cfap)

There is a federal subsidy for aircraft travel service to the small community of Kamuela on the island of Hawaii. The program is the:

- USDOT Essential Air Service program.

While there are agricultural specific and aircraft to remote destination subsidies, subsidies do not currently exist for general cargo transport to and within Hawaii.

### PROBLEM

Hawaii consumers generally pay a higher cost for goods than consumers in the continental US. This in part is due to the limited means to transport goods to Hawaii and the limited local manufacturing or growing of consumed goods.

While subsidies exist for some agricultural goods and airline services in Hawaii, there are no federal subsidies for waterborne commerce/shipping.

### FINDINGS

To reduce the cost of imported goods, a broad subsidy for trans-Pacific and interisland cargo is being sought by the Subsidies Subgroup. Sources of the subsidies may be from existing or newly created federal, state and county government programs.

The Subsidies Subgroup met with the Office of the Secretary of Transportation, USDOT, MARAD, FAA, and FHWA representatives to investigate whether federal subsidies for waterborne cargo are available, and if not, the steps to creating such a federal program.

The federal representatives acknowledged there are no federal subsidies specifically for waterborne cargo. There is a federal subsidy for aircraft transportation to disadvantaged areas such as the islands of Molokai and Lanai. The USDOT Payment to Air Carrier program requires an air carrier to apply to the USDOT and win a bid for the program.

The federal representatives agreed to provide advice and assistance where possible in the creation of a federal program to provide broad and directed federal subsidies for waterborne cargo transportation to and within Hawaii. The program for waterborne cargo subsidies will require legislation in Congress before the USDOT makes it available.

While the State and counties are in poor financial situations as a result of the COVID 19 pandemic, the Subsidies Subgroup still recommends State and county subsidies be investigated and developed that may be implemented in the future. Similarly, state and county legislations are required to create a waterborne cargo subsidies program.

### RECOMMENDATIONS

- Recommend that the HDOTH lead a committee to continue working and consulting with the USDOT in the establishment of a federal waterborne cargo subsidies program, including the drafting of legislative language.
- Recommend that the HDOTH lead a committee to work and consult with the Hawaii Congressional Delegation to sponsor a bill to create a federal waterborne cargo subsidies program.
- Recommend that the HDOTH lead a committee to work and consult with the Hawaii Senate and House transportation committees, county departments of transportation and county councils in the establishment of local waterborne cargo subsidies.