

AGENDA

WATER CARRIERS WORKING GROUP MEETING

SEPTEMBER 16, 2021

1:00 – 2:00 PM

VIA ZOOM CONFERENCE MEETING

<https://us02web.zoom.us/j/9181212121>

Meeting ID: 9181212121

Passcode: 123456

- I. Welcome**
- II. Housekeeping**
 - Corrections to Group Memory from August 19, 2021 meeting solicited
- III. Status Reports for Small Groups/Subcommittees**
 - Groups will share any updates to recommendations.
- IV. Discussion of WCWG Second Draft Report**
 - Comments and Questions on the Second Draft Report solicited
- V. Suggestions for Meeting on October 21, 2021**
 - Finalization of WCWG Report to the Legislature/Governor
- VI. Conclude**

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The public repository link is as follows:

<https://hawaiioint-my.sharepoint.com/:w/9181212121>

Password: 123456

## PUC Water Carriers Working Group Meeting

August 19, 2021, 1:00 – 1:40 p.m.

(Virtual Meeting via Zoom)

### Meeting Attendees (in alphabetical order)

P = Present; A= Absent

|   | Name                                 | Title                        | Company                                                                                      |
|---|--------------------------------------|------------------------------|----------------------------------------------------------------------------------------------|
| P | Jay Ana                              | President                    | Young Brothers, LLC                                                                          |
| P | 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                                       |
| A | M. Andrade for Representative Aquino |                              | House District 38 / Chair, House Committee on Transportation                                 |
| 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                                                  |
| A | Derek J. Chow                        | Deputy Director              | Department of Transportation, Harbors Division                                               |
| P | 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                                                                                        |
| A | 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                                               |
| A | 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 | Brad Knowlton                  | Committee Clerk for Senator Inouye                  | Senate District 4 / Chair, Senate Committee on Water and Land, Majority Whip                         |
| A | Chris Lee                      | Senator                                             | Senate District 25/Chair, Senate Committee on Transportation                                         |
| A | Jennifer Lim                   |                                                     | Young Brothers LLC                                                                                   |
| P | Dr. Matthew Loke               |                                                     | HDOA                                                                                                 |
| P | 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                                                            |
| P | 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 | Katy Pacheco (for Sen. Chris Lee)   |                                                              | Senate District 25/Chair, Senate Committee on Transportation              |
| P | Dori Palcovich (for Mike McCartney) | Administrator for the Small Business Regulatory Review Board | Department of Business, Economic Development & Tourism                    |
| P | 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                                                 |
| P | David Veltry                        |                                                              | Young Brothers LLC                                                        |
| A | 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                                               |
| A | 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                                               |
| P | Jackie Young                        | Auditor                                                      | Public Utilities Commission                                               |
| A | Debra Abe                           | Auditor                                                      | Public Utilities Commission                                               |
| A | Caroline Ishida                     | Chief Counsel                                                | Public Utilities Commission                                               |
| A | 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 eleventh meeting of the Water Carriers Working Group (WCWG) and thanked them for their time.

He shared that there is a light agenda for this meeting, primarily housekeeping matters and updates from any of the groups.

As the group knows, we've circulated the rough draft of the report. Clearly, there are still some pukas and things we're working on that will be inserted.

## Housekeeping

### Group Memory

Donna asked if there were any corrections to the group memory from the July 15 meeting.

One suggestion was made:

- On page 6, for the last paragraph/bullet point, please add that the comment was "added by Senator Inouye" so people understand the context of the NCSL.

**Action:** Jennifer will edit the minutes from the July 15 meeting to make this correction.

## Status Reports for Small Groups/Subcommittees

The groups were invited to share any updates to their recommendations since the last meeting.

## Sustainability and Profitability + Rates (integrated)

Steve Hunt, Hawaii County, shared the following update:

- Our group did meet since last meeting, but we did generate alternatives, a Plan B, fallback options if the WICI recommendation doesn't pass. These are not part of the recommendation officially but were generated in order to make sure that the water carrier stays sustainable:
  - Reinstating AFRA (it was never removed and could be petitioned to be initiated again)
  - Considering deregulating certain container types – like the unprofitable LCL
  - Monitoring and enforcing additional cargo that is in Sit in Transit (SIT)
  - Looking at Federal, State and County subsidies – whole or in targeted areas (e.g., for farmers and ranchers)

- Changing the fixed shipping scheduled to a more flexible schedule – with some fixed and some variable that can adjust to the actual demand for shipping

This is shared for the WCWG's edification.

Q&A

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

C: (Senator Inouye) The group decided that we want to make sure that this is on the table, whether WICI happens or not. We want to have at least one of these mechanisms available.

A: Yes – this is the fallback plan. We might use one or several of these mechanisms. It might be a formula that considers a number of these alternatives.

Other Comments:

- Derek is continuing to work with Senator Inouye on the Reso for NCSL.
- (Senator Inouye) There is good news. Remember that the first pass on the funding that we received with CARES act did not have an appropriation for Maritime included. However, the newest earmark coming to the state if Congress passes it includes an allocation for maritime funding; a couple of billion for Maritime. When Derek gets back, I'll work with him prior to the fund distribution to make sure that we can tap it. Let's not forget to discuss this later. Hopefully we'll get this allocation before the end of the year.
- Yes, there is a section in the bill for ports. Definitely good news!

### **Discussion of WCWG First Draft Report**

Donna asked if there were any comments or questions about the first draft Report. She added that Leo did a really good job on the report. It very clearly articulates the steps the WCWG took to get to the recommendations.

Q&A

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

C: This is a really good draft!

Q: Can page numbers please be added to the report?

A: Once it is finalized there will be page numbers.

C: Jennifer's documenting of what we did allows us to have a good sense of the flow and how our thinking was formed – starting with looking at the big picture and capturing everyone's different perspectives and visions.

C: Sharing the pros and cons and Donna's guidance – this is really good stuff!

C: The rationale – it will be easy to see how we got to these recommendations and why they're strong.

C: (Leo) There are some typos that will be corrected – Steve's name was misspelled and Phyllis' name was accidentally omitted but will be added. The next version of the report will have the corrections – these and any others that the group suggests.

Q: (Senator Inouye) Can you add my Committee Clerk, Brad Knowlton's name, after mine please?

A: Yes.

Q: Regarding the Executive Summary, right now there's nothing there. What will you put in there? Will it be an overview?

A: I write that last – I like to see the body first and then summarize, hit the key points for those that don't want to read the full report. The conclusion will have the general points.

A: The real meat will be there for those that only read the summary and the recommendations.

C: The photo on cover of the report is catchy but maybe we could replace it with an aerial photo of one of the harbors. We want to make sure we convey the seriousness of this report.

A: Sure. But we want to make sure we're not focusing on any one carrier.

A: Derek could come up with a collage or something. Maybe several photos?

C: A collage with photos of all the main harbors sounds like a good idea.

Q: In the report, the meeting dates stop at a certain point. Won't we continue to meet after that?

A: That will be updated as we go along and know how many more meetings will be needed. Everyone should hold the dates for the rest of the year for the time being, until we know we don't need them.

Q: For the Rates Group, because we're waiting for WICI recommendation, I'm kind of worried. Can the subcommittee finalize a lot more before the last two meetings? That would be great. I don't want Steve's hard work to be lost. If nothing comes of the WICI process...then we're running out of time.

A: I leave it to the small groups. If they need to meet, they should meet and let us know what comes out of the meeting.

C: (Steven) The Rates group actually has already made our final recommendation. The only thing we haven't done is fleshed out the fallback plan. So the question is, is it enough just to mention the alternative items we've talked about or do we need to put forth a full Plan B. This has so many moving parts – we would have to look at how each idea would impact other items. If any one doesn't fit or isn't palatable to Legislature, then it's a different matter. We're putting all our eggs in the WICI basket. Plan B is internal to the group – there are no final plans for these alternatives.

Q: When WICI rose to the surface – there was general agreement in your group about this but the additional items you don't have agreement on any one of them, right?

A: Correct.

Q: So you feel WICI is the best alternative?

A: Yes. That's what the Rates group can get behind.

A: Maybe the language in the report can say something like “after much conferring, the group agreed to work on the WICI recommendation because they felt it was the strongest option.”

C: (Jesse) These alternatives do not require legislative action. The focus should be on WICI topic but with an understanding that if it doesn't pass, the issue can be addressed through other avenues.

C: (Dean) Can I point out that technically, even WICI doesn't require legislative action. The Commission can act on that in a proceeding. I'd like to request that we avoid any suggestion that the group decision to go with WICI was unanimous.

A: There was consensus.

C: Consensus means unanimous. It might be clearer to say that it was an agreement that “everyone could live with and support,” which implies that some people may have had reservations but generally could support the recommendation.

Donna and Leo asked the group to send any additional comments on the Report as soon as possible. That way, it can be incorporated into the next draft of the report which will be sent out before September's meeting. At that point, we'll be pretty close to the final version and will be set to approve the Report before the October meeting. We're right on schedule.

In addition, please let us know if there are updates from any of the groups so we can add that.

We'll send the updated draft Report in advance of the meeting so you can respond and let us know if anything is missing or needs to be changed, or things you like that we should make sure to keep.



## **Closing Comments**

Leo took a moment to thank Naomi Landgraf, a PUC staff member who is retiring. This will be her last meeting with the WCWG. She'll be replaced on the WCWG by Jacob, who is the Kauai liaison. Naomi has been instrumental in dealing with the livestock issue.

- Thanks Naomi for all your work over the years. You will be missed!
- I'm sure the livestock guys are sad! Retirement is good though.
- We will need to note the issues that are additional to the recommendations. For example, we should add a blurb to update on the livestock issue and the customer service issue.

## **Next Steps**

- The next meeting will be on September 16.

## **GROUP AGREEMENTS:**

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

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

## **ACTIONS:**

- Jennifer will edit minutes from the previous meeting to reflect Senator Inouye's changes.

**Insert montage photo of Hawaii's harbors from DOT-Harbors**

**REPORT TO THE HAWAII STATE LEGISLATURE  
IN RESPONSE TO  
SENATE RESOLUTION NO. 125, S.D. 1 (2020)**

**SECOND DRAFT – SEPT 16, 2021**

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**WATER CARRIERS WORKING GROUP**



Logo  
Name

## WATER CARRIERS WORKING GROUP

|                                                                                                           |                                                                                                                                               |
|-----------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Sen. Ronald Kouchi, Senate President</b><br><b>Sen. Gilbert Keith-Agaran, Designee</b>                 | <b>Rep. Scott Saiki, Speaker of the House</b><br><b>Rep. Mark Nakashima, Designee</b>                                                         |
| <b>Sen. Lorraine Inouye, Chair, Senate Committee on Water and Land</b>                                    | <b>Sen. Chris Lee, Chair, Senate Committee on Transportation</b>                                                                              |
| <b>Rep. Henry Aquino, Chair, House Committee on Transportation</b>                                        | <b>Rick Blangiardi, Mayor, City and County of Honolulu</b><br><b>Matthew Gonser, Designee</b>                                                 |
| <b>Derek Kawakami, Mayor, County of Kauai</b><br><b>Reiko Matsuyama / Michael Dahilig, Designees</b>      | <b>Michael Victorino, Mayor, County of Maui</b><br><b>Makale`a Ane, Designee</b>                                                              |
| <b>Mitch Roth, Mayor, County of Hawaii</b><br><b>Steven Hunt, Designee</b>                                | <b>Leo Asuncion, Commissioner, Public Utilities Commission</b>                                                                                |
| <b>Dean Nishina, Executive Director, Office of the Consumer Advocate</b><br><b>Lisa Hiraoka, Designee</b> | <b>Mike McCartney, Director, Dept. of Business, Economic Development &amp; Tourism</b><br><b>Mary Alice Evans / Dori Palcovich, Designees</b> |
| <b>Jade Butay, Director, Dept. of Transportation</b><br><b>Derek Chow, Designee</b>                       | <b>Phyllis Shimabukuro-Geiser, Chairperson, Dept. of Agriculture</b>                                                                          |
| <b>Jay Ana, President, Young Brothers, Ltd.</b><br><b>Kris Nakagawa, Designee</b>                         | <b>Vic Ancogo, Vice President Matson Navigation Co., Inc.</b>                                                                                 |
| <b>Michael Caswell, Senior VP Pasha Hawaii</b><br><b>Randy Grune, Designee</b>                            | <b>Donna Domingo, President, ILWU Local 142</b><br><b>William "Baba" Haole, Designee</b>                                                      |

# Executive Summary

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Cover Photo Credit:

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# Introduction

## Background

### Senate Resolution 125, S.D. 1 (2020)

Senate Resolution 125, S.D. 1 (“SR 125”) was adopted by the Hawaii State Senate on July 8, 2020. The resolution requested the Department of Transportation to provide funding to water carriers for the purpose of providing financial assistance to maintain routes and lines of services within the State and to convene a working group to recommend mid- and long-term solutions to ensure continuous water carrier service throughout the State with the need for water carriers to maintain financial sustainability.

Pursuant to SR 125, the Public Utilities Commission, in collaboration with the Department of Commerce and Consumer Affairs' Division of Consumer Advocacy and any interisland water carriers operating in the State, was requested to convene the working group on or before August 1, 2020, to carry out the task of recommending mid-term and long-term solutions to ensure water carrier service via a final report of its findings and recommendations, including any proposed legislation, to the Legislature and the Governor no later than twenty days prior to the convening of the Regular Session of 2022.

The members of the Water Carriers Working Group (WCWG), along with their designees, are listed on the inside cover.

## Meetings of the Water Carriers Working Group

The WCWG met a total of **twelve times** over the past year, and at the outset met to receive background information, discuss issues, and organized themselves to effectively and efficiently develop near-, mid-, and long-term recommendations.

All meetings of the WCWG were facilitated, with meetings held in 2020 primarily as an opportunity for the working group to gather background information on water carriers, Hawaii's harbor system, regulatory oversight of water carriers, identify potential issues and topic areas, establish small

### WCWG MEETING DATES

July 31, 2020  
 September 17, 2020  
 October 15, 2020  
 November 19, 2020  
 December 17, 2020  
 January 21, 2021  
 March 18, 2021  
 May 20, 2021  
 June 17, 2021  
 July 15, 2021  
 August 19, 2021  
 September 16, 2021

groups/subcommittees for each topic area, and to have initial discussion on the development of recommendations.

Meetings held in 2021 focused on discussions within and among small groups/subcommittees, development of recommendations, identification of key areas of recommendations, finalization of recommendations, and drafting of report to the Legislature and Governor.

All meeting material (agendas, handouts, presentations) as well as group memory of each meeting can be found at [\[Insert Link to Website\]](#)

## Process Followed by Working Group

The WCWG followed the process outlined below to identify issues and develop recommendations:



### Identify Gaps/Critical Areas

At the initial meetings of the WCWG, members were asked to identify desired needs and elements that a water carrier should exhibit. The following list summarizes the working group's thoughts and discussion on this exercise:

#### ***Desired Needs***

##### Affordability

- Affordable pricing
- Competitive pricing
- Economic Viability

- Streamlined rate making process
- Fair and equitable evaluation of annualized increase
- Reasonable and affordable rates

#### Reliability

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

#### Meet Client Needs

- Provide freight service needs of the Neighbor Islands
- Continue to service freight of all kinds
- Options—want other options to be considered for services that will allow competitive pricing for comparable services
- Extend and organize gate hours

#### Service

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

#### Unique Items

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



## ***Desired Elements***

### Meeting Client Needs (many of these are examples)

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

### Flexibility and Efficiency

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

### Financial Viability

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

### Safety

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

### Unique Items

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

With needs and desired elements identified, the working group members were asked to identify gaps that needed to be addressed in order for the working group to complete its tasks moving forward. The gaps identified included information needed from Young Brothers, Ltd., clarification on Stop In Transit (SIT), stakeholder input, operational information from all water carriers, information from DOT-Harbors on ports and baseyard facilities, and exploration on additional financial resources (i.e., government grants).

Critical areas were also noted by the WCWG – Financial Viability, Regulatory, and Operations (including Safety and Customer Service) – that were key to development of recommendations.

## Identify Topic Areas

Subsequently, working group members were asked to categorize the above needs and desires in order to identify topic areas under which further discussion between small groups/subcommittees participants would take place, all towards the development of recommendations.

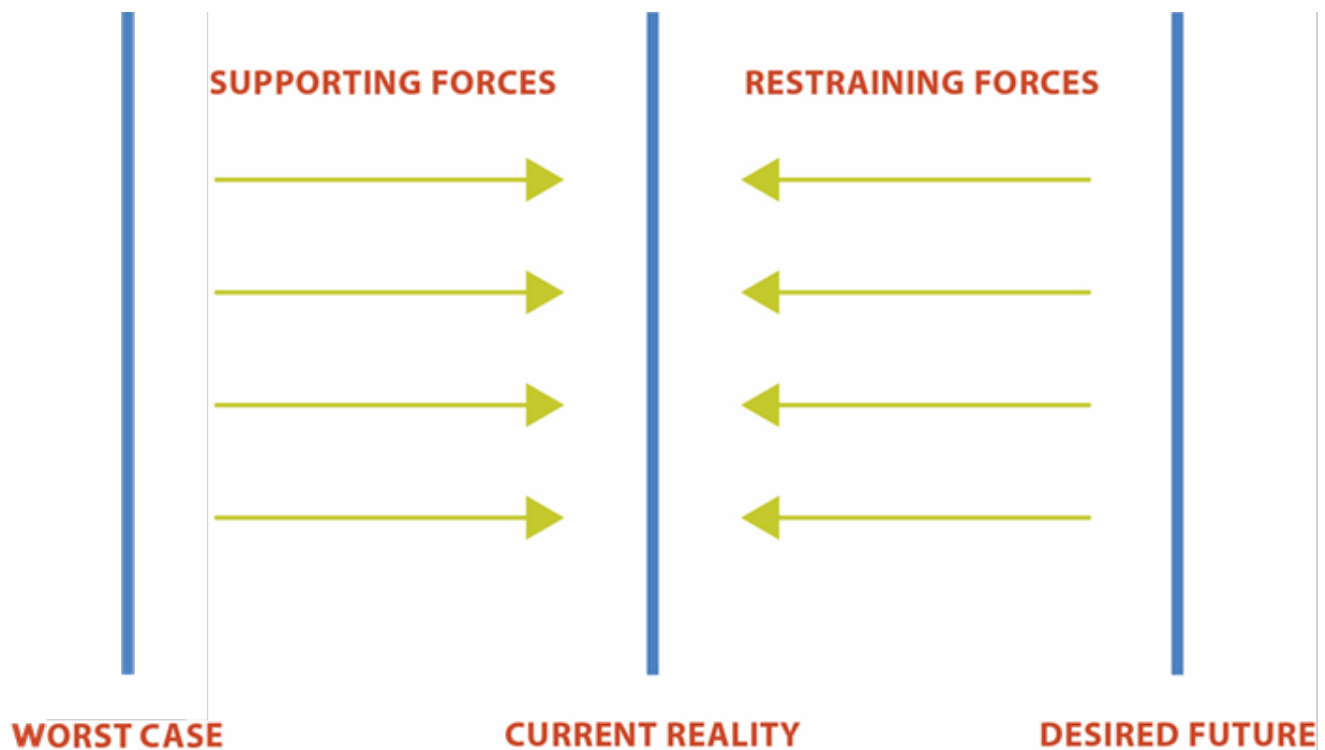
The topic areas identified by the WCWG are as follows:

- Cargo Services – Addressing improvements to cargo services via multiple means.
  - Members: Young Brothers, DBEDT, County of Hawaii, ILWU
- Pier Space – Examining the availability of space for the water carrier to efficiently move, load and unload cargo between the islands.
  - Members: Young Brothers, Matson, ILWU, DOT-Harbors
- Rates – Fair and predictable cargo rates that are affordable to customers for intrastate services that meet customers’ needs, and ensure the long-term financial sustainability and profitability of the water carrier by establishing rate structures for affordable intrastate services that are in parallel with the State’s and customers’ needs and other holistic operational changes.
  - Members: Young Brothers, ILWU, County of Hawaii, County of Maui, Senate
- Subsidies – Explore, if not secure through identified actions, federal, state, and county subsidies for the transport of goods to the neighbor islands.
  - Members: County of Maui, ILWU, DOT-Harbors, Dept. of Agriculture, Young Brothers, Senate
- Sustainability and Profitability - Explore the means to ensure that the water carrier is provided a reasonable opportunity to be profitable to support the sustainability of the water carrier.
  - Members: DOT-Harbors, Young Brothers, ILWU, DBEDT

## Force Field Analysis

Force Field Analysis (FFA) is a tool that can quickly help an organization (or in this case the Water Carriers Working Group) collectively identify a desired future while highlighting many of the elements it needs to address to achieve that future. During this analysis, appropriate problems and challenges are only identified in the context of achieving the desired future. FFA provides a cursory analysis and does not take the place of an in-depth strategic planning effort.

The FFA template is provided below. It was used to help the WCWG focus on identifying the different elements during its analysis.



*Figure 1 - Force Field Analysis Template*

The framing question used in performing the analysis is: **What would it look like if we were able to successfully ensure effective, efficient, and continuous water carrier service throughout the state of Hawaii?**

**Desired Future:** Initially, the WCWG brainstormed the key elements of its desired future, i.e., an effective, efficient, and continuous water carrier service throughout the State.

Almost always, groups work in a vacuum not understanding what they are ultimately trying to collectively accomplish. The WCWG needed to collectively develop clarity about the desired future they were trying to achieve in order to help each WCWG member understand how their work contributes to achieving that future. When people see their work in the context of what they are trying to collectively achieve, they can identify opportunities to move the group closer to that future. Also, synergy is more possible as members work together to create more efficacy than a single person could create working alone.

**Current Reality:** Next, the WCWG brainstormed its current reality. Using a phrase or short sentence, it needed to describe what the situation looks like currently.

**Worst Case Scenario:** The WCWG then brainstormed the worst-case scenario. Using a phrase or short sentence, it needs to describe what the situation will look like if achievement of the desired future completely fails.

**Supporting Forces:** The next step involved WCWG members identifying things they are doing to move the situation closer to the desired future. Also, this is the time when members can think outside the box about things they can do or opportunities they can take (often with external partners not in the WCWG) to move them closer to their desired future.

**Restraining Forces:** Finally, the group generates (i.e., brainstorms) a list of things that prevent them from moving their current reality toward their desired future. These are sometimes viewed as problems, challenges, or constraints.

**Planning Strategically:** Subsequently, the WCWG moved to the planning stage of the analysis, which involve:

- **Desired Future:** From the brainstormed list of the desired future, reduce redundancy (i.e., items that are so similar that they overlap) by clustering like items. Then, select the two or three clusters that really resonate with the group. These are the elements that represent the important core of the group's desired future.
- **Supporting Forces:** From the brainstormed list of the supporting forces, reduce redundancy (i.e., items that are so similar that they overlap) by clustering like items. Then, select the one or two clusters that they are already doing that need to be enhanced or strengthened because they can significantly close the gap between the current reality and the desired future. Use the same process to identify the one or two opportunities (with external partners) they need to take that will enhance their ability to achieve their desired future.

- **Restraining Forces:** From the brainstormed list of the restraining forces, reduce redundancy (i.e., items that are so similar that they overlap) by clustering like items. Then, select the one or two clusters to address (e.g., solve) from this list that significantly prevent their organization from achieving its desired future. As a result, problems and challenges are not viewed in a vacuum, but instead are viewed in the context of enabling the group to achieve its desired future.

Additional information on Force Field Analysis can be found in Appendix B. 

## Summary of Six Desired Futures

### Desired Future 1

**Being able to understand what cargo is going to show up, in what dimensions, where.**

- Like an online airline reservation system where customers can see available blocks and make reservation.
- Reservations that can be depended on so that the carrier can make their schedule with confidence and there is reliability on both sides.
- Having pre-determined capacities for LCL, etc. to create efficiencies.
- Expenses and Revenue breakouts based on Commodity type / Cargo type.

#### **Supporting Forces**

- Improve customer outreach and communications to support: 1) consistent application of rules; 2) availability of services; 3) improve customer satisfaction.
- Adopt new technologies and practices to improve efficiencies.

#### **Restraining Forces**

- Demand dynamics between outbound and inbound cargo are not uniform which results in inefficiencies.
- The mandated routes may be inherently inefficient.
- Availability of scheduled shipments for specific items.

### Desired Future 2

**Incremental adjustments to rates.**

- Have rate built in with some sort of a COLA – Consumer Price Index Unit adjustment so the carrier could make the argument to reset the base when necessary.

#### **Supporting Forces**

- Review services to determine what should continue to be provided as a regulated service or what could be provided by a competitive market.
- Financial stability of the Utility will drive capital investments resulting in customer satisfaction and operational efficiencies.
- Tax credits allowed by the Legislature

- Other Options to subsidize shipping

#### **Restraining Forces**

- YB is operating a regulated service in a competitive environment (others are pricing their product at a market rate)
- The cost of providing LCL services is greater than the revenue because of the labor, fees, equipment, and infrastructure.

#### **Desired Future 3**

**Standardized and streamlined ratemaking that factors in ports and cargo types that are negative earners**

#### **Supporting Forces**

- Increased flexibility in implementation of current rate design to address less profitable regulated services/ ports/routes.
- Financial stability of the Utility will drive capital investments resulting in customer satisfaction and operational efficiencies.
- Potential incorporation of rate adjustment mechanisms.

#### **Restraining Forces**

- The cost of providing LCL services is greater than the revenue because of the labor, fees, equipment, and infrastructure.
- The mandated routes may be inherently inefficient.
- Regulatory burden and lag

#### **Desired Future 4**

**All carriers involved in the movement of cargo have the ability to be sustainable and profitable.**

#### **Supporting Forces**

- Increased flexibility in implementation of current rate design to address less profitable regulated services/ ports/routes.
- Review services to determine what should continue to be provided as a regulated service or what could be provided by a competitive market.

#### **• Restraining Forces**

- The need to service the broad customer needs creates inefficiency and development of a niche.
- YB is operating a regulated service in a competitive environment (others are pricing their product at a market rate).

### **Desired Future 5**

#### **Adjust service offerings to create higher efficiency and improved cargo flow.**

- Potential low hanging fruit with customers seeing quick benefits (also have some medium term)

#### **Supporting Forces**

- Make KCT operational ASAP.
- A dynamic carrier website or phone app for scheduling rates that are updated hourly.

#### **• Restraining Forces**

- The need to service the broad customer needs create creates inefficiency and development of a niche.
- Mandated rates may be inherently inefficient.
- Availability of scheduled shipments for specific items.

### **Desired Future 6**

#### **Use of Available space on piers is optimized**

#### **Supporting Forces**

- Make KCT operational ASAP.
- Review services to determine what should continue to be provided as a regulated service or what could be provided by a competitive market.

#### **• Restraining Forces**

- When LCL stays on dock, it isn't the most operationally efficient and is labor intensive.
- Mandated routes may be inherently inefficient.

# Recommendations

## Recommendations from Small Groups – Topic Areas

Small Groups/Sub-Committees were formed for each of the Topic Areas noted above, with each Small Group meeting to discuss and formulate recommendations that would be discussed by the Working Group as a whole. The Working Group would then finalize the recommendations to be forwarded to the Legislature and Governor in accordance with SR 125 (2020).

The following is a summary of reports from each of the Small Groups provided to the Working Group to discuss proposed recommendations.

## Near-Term Recommendations

[this section will include any near-term recommendations proposed (preferably non-policy/non-statutory) or near-term steps that are needed for the Recommendations forwarded to the Legislature, and identify entities responsible/committed to implement said near-term recommendations/steps]

## WCWG Recommendations Forwarded to Legislature and Governor

### Rates / Sustainability & Profitability Small Groups

#### Recommendation: Two-Tiered Interim Annual Rate Adjustment

##### Summary of Recommendation

The committee recommends a two-tiered interim annual rate adjustment for regulated cargo rates along with the requirement for the water carrier to submit a general rate case every three years. The two-tiered annual adjustment factor, which the committee named the Water-carrier Inflationary Cost Index (WICI), will have an automatic rate adjustment component that is tied to the annual percent change in the Gross Domestic Product Price Index (GDPPI) as the first tier and an expense justified second tier that must be applied for by the water carrier and approved by the Hawai'i Public Utilities Commission (HPUC). The automatic annual adjustment factor shall be applied to the regulated cargo rates regardless of whether the factor is a positive or negative percentage change. The second-tier adjustment will require additional justification from the water carrier to recapture costs as well as their submission of performance measures showing there has been no material decline in levels of operation, safety, or customer service. The total annual WICI adjustment factor shall not exceed 5%



per year. Fuel surcharges will continue to be separate and apart from the WICI adjustment and will not be counted against the 5% annual adjustment ceiling. Similarly, should the water carrier, for any reason, find it necessary to seek a temporary/emergency rate adjustment, that application process to the HPUC shall remain separate from the 3-year general rate case submission requirement. WICI does not account for water carrier's new capital investment.

### **Justification/Compelling Reason**

General rates cases tend to be time consuming to both the water carrier and the HPUC. As a result, regulated cargo rates do not typically get adjusted annually and are sometimes subject to relatively large rate increases when the cases are completed. Having the WICI interim rate adjustment combined with a regular cadence for general rate case submissions will reduce the administrative burden to the water carrier and provide a more contemporaneous means of pairing regulated cargo rates with inflation adjusted expenses. One of our committee's primary objectives was to ensure the profitability and sustainability of the water carrier. We believe implementing these recommendations will be a significant step forward with respect to achieving the profitability and sustainability of the water carrier.

### **Mid-term or Long-Term**

Our committee sees these recommendations as a potential solution for not only the short-term, but also for the mid-term and long-term as well. General rate cases tend to be a good mechanism for setting (or resetting) regulated cargo base rates; however, the process is a bit cumbersome and does not work well in responding to inflationary changes in a timely manner.

#### **Pros:**

- First-tier provides an automatic adjustment, that if sufficient to annual expense changes, can be implemented without substantial efforts to the water carrier.
- Second-tier allows the water carrier to also address expenses that are real, such as labor and fringe costs, but may (or may not) follow changes in annual inflation-based indices such as the GDPPI.
- It's a timelier response to operational expense changes as compared with the less periodic general rate cases
- Mitigates the likelihood of sometimes large increases to rates
- Most importantly, it provides an opportunity for water carrier to become financially sustainable and potentially profitable

#### **Cons:**

- Recommendations may be perceived as a disincentive for management to actively control costs if those increases can be recaptured through the WICI adjustment factor
- Recommendations may be perceived as a disincentive for management to seek volume growth

- Public may feel that rate increases have become “rubber stamped” by HPUC
- Labor is typically not something that is subject to an annual index for public utilities
- WICI increases may impact consumers, particularly farmers and ranchers, ability to afford services
- WICI increases may result in above authorized rate of return between general rate cases

#### **Identify any preceding steps to undertake or outstanding items to address if any**

The two aforementioned recommendations could be implemented by amendments to Hawai'i Revised Statutes, Legislative Resolutions, Hawai'i Administrative Rules, or by Commission order. The committee considers implementation by Commission order to be the most expedient method of effectuating our recommendations.

#### **Impact to agencies/entities**

Impacts to those agencies and entities involved are unknown at this time

#### **Costs (if any or readily estimated)**

Unknown.

### **Cargo Services Small Group**

#### **Recommendation: Improvement of Current Reservation System**

##### **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.

##### **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.

### **Mid-term or Long-Term**

Mid to Long-term

#### **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.

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.

### **Impact to agencies/entities**

None.

### **Costs (if any or readily estimated)**

The initial cost to improve the current reservation system to include bookings for all lines of service along with a customer service portal would cost approximately \$400K in the initial startup and implementation. Monthly maintenance fees and any enhancements to improve the customer experience would be approximately \$10K to 15K.

### **Subsidies Small Group**

#### **Recommendation: Federal/State/County Subsidies Working Group**

Recommend that the State Legislature pass a resolution directing the Hawaii Department of Transportation to convene a working group(s) to create and recommend federal, state, and county subsidies for the transport of waterborne cargo and provide update on the status of creating these programs to the Hawaii State Legislature no later than 20 days ahead of the start of the 2023 legislative session.

Submit draft waterborne cargo subsidy program language to the Hawaii Congressional Delegation by November 2021. Work with Congressional staff in development of the program language.

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.

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

The cost of shipping is reflected in the cost of imported goods consumed in Hawaii. The shipping of goods to and within Hawaii can be as much as 7.5% (per a 2015 study) of the cost of the goods and generally higher than the cost of goods in the US mainland.

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.

Due to Hawaii's dependency on the import of goods, maritime support to ensure food security in the state is required.

## Recommendation: Federal Waterborne Cargo Subsidies Program

Recommend that the Hawaii Department of Transportation lead a committee to continue working and consulting with the US Department of Transportation (USDOT) in the establishment of a federal waterborne cargo subsidies program, including the drafting of legislative language.

### Justification/Compelling Reason

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.

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, and part of the Big Island. The USDOT Essential Air Services (EAS) 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.

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/usdfiles/FactSheets/rtcp\\_facts\\_sheet.pdf](http://www.fsa.usda.gov/Assets/USDA-FSA-Public/usdfiles/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](https://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 islands of Molokai and Lanai, and 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. Due to Hawaii's dependency on the import of goods, maritime support to ensure food security in the state is required.

### **Mid-term or Long-Term**

Given the need to compose legislative language in consultation with the federal agency and congressional offices, it is anticipated that the creation of a federal subsidy program will take a lot of effort and time. This is believed to be a long-term solution.

#### **Pros:**

- Reduces cost of goods for Hawaii consumers.

#### **Cons:**

- Reduced costs of goods for Hawaii cargo will be borne by the taxpayer.

### **Identify any preceding steps to undertake or outstanding items to address if any**

Consult with the USDOT in the preparation of federal program and to ensure implementation is feasible.

### **Impact to agencies/entities**

The USDOT will have to administer this program, including determining eligibility and approval. The Hawaii DOT will likely have to submit regular applications for these program grants that will also require documentation collected from the water carrier and cargo economic studies.

### **Costs (if any or readily estimated)**

Costs of this waterborne cargo subsidy program will be determined at the implementation of such a program.

### **Recommendation: Congressional Delegation Bill Sponsorship**

Recommend that the Hawaii Department of Transportation lead a committee to work and consult with the Hawaii Congressional Delegation to sponsor a bill to establish a federal waterborne cargo subsidies program within the USDOT.

### **Justification/Compelling Reason**

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.

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, and part of the Big Island. The USDOT Essential Air Services (EAS) 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 there are agricultural specific and aircraft to remote destination subsidies, subsidies do not currently exist for general cargo transport to and within Hawaii. Due to Hawaii's dependency on the import of goods, maritime support to ensure food security in the state is required.

### **Mid-term or Long-Term**

Given the need to compose legislative language in consultation with the federal agency and congressional offices, it is anticipated that the creation of a federal subsidy program will take a lot of effort and time. This is believed to be a long-term solution.

#### **Pros:**

- Reduces cost of goods for Hawaii consumers.

#### **Cons:**

- Reduced costs of goods for Hawaii cargo will be borne by the taxpayer.

### **Identify any preceding steps to undertake or outstanding items to address if any**

Consult with the USDOT in the preparation of federal program and to ensure implementation is feasible.

### **Impact to agencies/entities**

The USDOT will have to administer this program, including determining eligibility and approval.

The Hawaii DOT will likely have to submit regular applications for these program grants that will also require documentation collected from the water carrier and cargo economic studies.

### **Costs (if any or readily estimated)**

Costs of this waterborne cargo subsidy program will be determined at the implementation of such a program.

## **Recommendation: Local Waterborne Cargo Subsidies Program**



Recommend that the Hawaii Department of Transportation 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 program, including the drafting of legislative language.

### **Justification/Compelling Reason**

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.

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, and part of the Big Island. The USDOT Essential Air Services (EAS) Payment to Air Carrier program requires an air carrier to apply to the USDOT and win a bid for the program.

Aside from a federal subsidies program, the state and county should establish a waterborne cargo subsidies program as state and county communities will directly benefit. A state and county waterborne cargo subsidies will require legislation by the State Legislature and County Councils.

While the State and counties are in poor financial situations because 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.

While there are agricultural specific and aircraft to remote destination subsidies, subsidies do not currently exist for general cargo transport to and within Hawaii. Due to Hawaii's dependency on the import of goods, maritime support to ensure food security in the state is required.

### **Mid-term or Long-Term**

Given the need to compose legislative language in consultation with the state and county agencies, that must be enacted into law by the State Legislature and County Councils, it is anticipated that the creation of a state and county subsidy program will take a lot of effort and time. This is believed to be a long-term solution.

#### **Pros:**

- Reduces cost of goods for Hawaii consumers.

#### **Cons:**

- Reduced costs of goods for Hawaii cargo will be borne by the state and county taxpayers.

#### **Identify any preceding steps to undertake or outstanding items to address if any**

- Consult with the State DOT, DBEDT, DB&F, and county transportation, economic and budget agencies, in the preparation of the state and county programs and to ensure implementation is feasible.

#### **Impact to agencies/entities**

- The State and county transportation, economic, and budget agencies will have to administer this program, including determining eligibility and approval.
- The Hawaii DOT will likely have to submit regular applications for these program grants that will also require documentation collected from the water carrier and cargo economic studies.

#### **Costs (if any or readily estimated)**

- Costs of this waterborne cargo subsidy program will be determined at the implementation of such a program.

## Conclusions

## References

[could either include any references used here (endnotes) or alternatively cite references used, if any, in respective sections above (footnotes)]

# Appendices

**Appendix A – Senate Resolution No. 125, S.D. 1 (2020)**

**Appendix B – Force Field Analysis**

**Appendix C – Small Group Final Reports**

## Appendix A – Senate Resolution No. 125, S.D. 1 (2020)

## Appendix B – Force Field Analysis

## Appendix C – Small Group Final Reports

**C-1 Cargo Service**

**C-2 Pier Space**

**C-3 Rates**

**C-4 Subsidies**

**C-5 Sustainability and Profitability**