

AGENDA

WATER CARRIERS WORKING GROUP MEETING

OCTOBER 22, 2021

1:00 – 2:00 PM

VIA ZOOM CONFERENCE MEETING

<https://us02web.zoom>

Meeting ID:

Passcode:

- I. Welcome**
- II. Housekeeping**
 - Corrections to Group Memory from September 16, 2021 meeting solicited
- III. Status Reports for Small Groups/Subcommittees**
 - Groups will share any updates to recommendations.
- IV. Discussion of WCWG Pre-Final Report**
 - Comments and Questions on the Pre-Final Report solicited
 - GOAL: WCWG members will have agreement on the substantive issues and all recommendations of the Report that will be forwarded to the Legislature. The group will work to avoid violating anyone's strong principles and will encourage everyone to make accommodations so that agreement can be achieved. After today's meeting, only small formatting or grammatical corrections will be considered.
- V. Next Steps**
 - Finalization of WCWG Report to the Legislature/Governor
 - Transmission 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>

Password:

## PUC Water Carriers Working Group Meeting

September 16, 2021, 1:00 – 2:00 p.m.

(Virtual Meeting via Zoom)

### Meeting Attendees (in alphabetical order)

P = Present; A= Absent

|   | Name                                 | Title                        | Company                                                                                      |
|---|--------------------------------------|------------------------------|----------------------------------------------------------------------------------------------|
| A | 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                                                  |
| P | 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.                                                                              |
| P | 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                                               |
| 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 | 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                                                                                   |
| A | Dr. Matthew Loke               |                                                     | HDOA                                                                                                 |
| P | Chris Martin                   | Director of Operations                              | Young Brothers LLC                                                                                   |
| A | 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                                                                                   |
| A | 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 |
| A | 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                    |
| A | Jennifer M. Potter                  | Commissioner                                                 | Public Utilities Commission                                               |
| A | Fred Robins for Baba Haole          |                                                              | ILWU                                                                      |
| P | Stevette Santiago                   | Director of HR                                               | Young Brothers LLC                                                        |
| P | 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   |                                                              |                                                                           |
| A | Jodi Endo Chai                      | Executive Officer                                            | Public Utilities Commission                                               |
| P | Michael Chapman                     | Economist                                                    | Public Utilities Commission                                               |
| A | Steven Iha                          | Consultant                                                   | Public Utilities Commission                                               |
| P | Layla Kilolu                        | Economist                                                    | Public Utilities Commission                                               |
| P | Carolyn Laborte                     | Chief Auditor                                                | Public Utilities Commission                                               |
| P | Jacob Gandeza                       | District Representative – Kauai                              | 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                                               |
| P | 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 twelfth meeting of the Water Carriers Working Group (WCWG) and thanked them for their time.

He shared that the agenda today was fairly light. We're going to go through some housekeeping items (like any corrections on minutes), then we'll do updates from the small groups, then we'll discuss any comments on the second draft of the Report.

He noted that other than the comments this WCWG already made at our August meeting, there weren't many other comments submitted.

We'll be asking small group leaders to submit a one paragraph summary to add to the report. We are aiming to get it ready for the October meeting where we'll have a last chance for edits. Our projection is that October will be our last meeting all together.

## Housekeeping

### Group Memory

Leo asked if there were any corrections to the group memory from the August 19 meeting.

There were no corrections noted.

## Status Reports for Small Groups/Subcommittees

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

There were none.

## Discussion of WCWG Second Draft Report

You'll see that the recommendations start on page 11 of the Report. We're expecting each group will have their recommendations, including a summary, the pros and cons, etc. The one paragraph summary of your recommendations will be added to the section in pink so that outside readers can quickly scan and have an idea of what is being suggested.

So, for those of you in charge of small groups, can you be responsible for these summaries? We would like them before the next meeting.

By our next meeting, the Executive Summary and Conclusions will be added to the Report.

The final status reports that you submitted will be put into the Appendix. The one paragraph will just be a summary; readers will be directed to the Appendix for more detail.

Donna asked if anyone had any questions or comments.

Q&A

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

Q: Regarding recommendation summaries, are you talking about condensing the summary of the six desired futures or a summary of the recommendations?

A: A summary of the recommendations.

Q: So similar to what we see on page 6?

A: Yes, like that but with the recommendations.

C: Looking at it from the point of view of a legislator, I think what's there is excellent. I'm concerned if we condense it, folks may have more questions. So, if we can, maybe we keep it more expanded.

Q: Could you repeat where the summaries will go, if in fact we're still going to do them after Senator's comments?

A: Page 11.

C: (Donna) The format of the recommendations really covers all the bases and explains how we got there as well as the pros and cons.

C: (Leo) Remember that we originally had 6 subgroups and these recommendations stem from 3 of them. We had other groups that didn't have recommendations. It would be helpful to have status reports for those groups to acknowledge their contributions and summarize what they discussed. That way we close the loop on all the groups. There are near-term steps that may come from the recommendations themselves. We're walking the reader through all this.

C: (Donna) This is really a transition section. We had these six groups. We share the three that got developed into full recommendations through the summaries plus "complete justification follows." For the other 3 groups, we share the work that was done – "we did this work and we came to recognition that while we didn't have any recommendations, we \_\_\_\_\_." So all six groups will be represented in the transition section.

Q: (Mary Alice) Dori and I facilitated the farmers and ranchers group. This was a considerable amount of work and with a stakeholder group that is critical to our state in terms of food security, etc. Dory and I could write a very small summary to include. Is that that the kind of thing you're looking for?

A: Yes.

C: (Mary Alice) Okay, I'll do it.

Q: (Steve) I initially started as the head of the Rates group. I inherited the Sustainability and Profitability group. Am I writing about both of these?

A: (Mary Alice) The justification for Sustainability and Profitability does need to be included here. I'm willing to write that up.

Donna asked if there were any other comments about the transition section. There will be seven write-ups – six groups plus the stakeholder group of farmers and ranchers info.

Q: (Leo) You could include the farmers and ranchers info up under Sustainability and Profitability. What do you think about that?

C: (Mary Alice) I agree there is a link. The sustainability and profitability of the WC makes it possible for the farmers and ranchers to do what they need to. Without that, the whole sector would suffer harm. We can do that.

Q: So that means that Appendix C, the small group final reports, will have six? You'll add the farmers and ranchers info into one of the final reports?

A: (Leo) Yes – that was an important subgroup.

C: At some point we need to discuss the auditor's report and if there are any changes to our final report in light of that.

C: With regard to the Report format, I found it difficult to know where one topic was changing to the next topic. Maybe use some symbols, a larger font, or underline or use italics to make it easier to know where sections break.

C: We can do that.

C: Derek's terrific montage will be on the cover. It has aerial photos of our commercial harbors around the state. We have Randy Grune to thank for that.

Q: When do you need our summaries by?

A: By September 30 please.

### **Auditor's Report**

Leo provided context before the discussion about the Auditor's Report.

If you recall, there was an emergency rate increase provided a little over a year ago to YB. Part of that order from the PUC was that we would perform a management audit of YB. That got going earlier this year. We secured a third party independent auditor. YB was very helpful and participated. The auditor also talked with some of the legislators.

If you saw the Civil Beat article today, you'll see that Ray Tulloch had promised Speaker Saiki a final draft of the audit. I asked Ray to invite senators and the Senate President to be part of this meeting.

The final audit was filed last week. As far as the PUC is concerned, we haven't decided what to do with the audit findings yet. I'm halfway through it. I haven't read all the way through the final version. From the docket side, we've asked YB and the Consumer Advocate, who are parties to the docket, to add any of their comments.

There are some recommendations that may be in conflict with the WCWG recommendations, but we had a certain scope (specified by SR 125). The auditor had a different scope. You have to take that into consideration when you read the report.

Those who have concerns about any conflicts with our recommendations, talk to your small group leader to see if your recommendations warrant any changes before we finalize the report. If small groups have concerns, get the group together and have the discussion.

(Steve) I've already gotten correspondence about what's in the audit but I haven't had a chance to read it yet. Apparently it's citing WICI and our group's discussion, so I am a little concerned. At the same time, this hasn't been actionable enough. I'd prefer sticking to our course. Knowing how much of the YB operation is still labor-based. I'm conflicted about whether to reconvene our groups. I'm nervous about having to pivot and take action on something that is currently hypothetical.

(Donna) All of the folks in the small group work, committed to make an assessment and generated recommendations, based on the information they had at the time. I'm worried at this late stage in the game, about trying to change one based on the other. I see them as parallel tracks. At some point, the Legislature will have to merge the two tracks.

(Senator Inouye) I agree. Having something like this pop up two months prior to our report being finalized...we can't help that. We can discuss the audit. We're going to get calls. We'll have to be clear before we end our vote on the finalized document. Who is going to respond as the identified spokesperson?

(Donna) In the best possible scenario, the audit would have been done well in advance. But as it was, at the end of our process, I want to honor that we came up with real recommendations based on the information we had.

The audit is a hefty document. 200 pages.

(Steve) I've never seen an audit come back 100% clean. You have to take some things with a grain of salt, especially when they don't take into account collective bargaining. These are nuanced issues. Sometimes as you peel back the recommendations, they fall apart.

(Donna) Anand is the person who has the most familiarity with this report. Have you read it in full Anand?



(Anand) Yes I have. There have been several iterations. It is 218 pages long. It's well organized and the summaries are good. Section 27 has YB's responses and then the auditor's responses to YB's responses. There are key findings and key recommendations (immediate, short-term and medium-term), some background, and highlights of key recommendations from each section. The auditor recommends a range of cost savings for operational costs and a possible independent observer throughout the process to monitor their steps.

He had a job to do. He goes into much more detail than our Working Group did. We did a more high level assessment in the WG.

The audit was a four month process, from April until now.

(Senator Inouye) I'm curious who the auditor interviewed and how many neighbor island legislators he interviewed. I don't think Representative Lynn DeCoite was interviewed, nor Representative Keith Agaran, nor former Senator English. If there are recommendations coming out, it's no different than the PUC, you have to talk to *all* of us.

(Leo) Anand – can you check where Ray is on the latest briefing for the Legislature? At a minimum, the WCWG members should be added as invitees.

(Anand) He met with the mayors of Maui, Kauai, and Hawaii Counties, plus the House Speaker and Chairs of Finance, Transportation and Ways and Means Committees. I'll check with him and get back to you Leo.

(Leo) I'll send a link to where the full version of audit is on our management system. Everyone will get a link to that file on our DMS.

(Donna) Are we agreed that we should keep these two things separate but parallel?

**The group agreed.**

(Senator Inouye) May I request that the next meeting be moved to October 22<sup>nd</sup>? I'm having surgery on the 21<sup>st</sup>.

(Leo) The PUC calendar is clear on the 22<sup>nd</sup>.

Donna polled the group and everyone was available on the afternoon of the 22<sup>nd</sup>. **It was agreed the meeting date would be changed accordingly.**

(Phyllis) Mary Alice, can I see what you draft before you submit it for the Report?

(Mary Alice) Yes.

(Senator Inouye) Reminder – we have to come to agreement on who's going to be a spokesperson for the WCWG because we're all going to get calls. Who's going to make comments to reporters?

(Donna) Didn't we agree at the beginning of this process that Leo was going to be spokesperson for the WCWG?

(Group) Yes – if anyone else gets calls, direct them to Leo please so a consistent message is being conveyed.

(Senator Inouye) Are we going to hear from other groups about whether they meet and change anything?

(Leo) I don't think small groups will need to meet because this drafting and editing can probably all be done by email. When the small groups complete their work, the conveners will send their draft to us and it will be incorporated into the version of the report we will distribute and then review at our October meeting.

### **Closing Comments**

Leo shared that he will send out two things for the next meeting:

- The Zoom link for the rescheduled meeting on October 22<sup>nd</sup>
- A link to the Document Management System (DMS) where audit is.

The public site will have the final Report when it is submitted. When we issue the final Report to the Legislature, that will go live. We'll move from SharePoint to the public site so we can be totally transparent.

### **Next Steps**

- The next meeting will be on Friday, October 22.
- Six groups will write their summaries (Mary Alice will include in her stakeholder group info in her summary) which will be included in the Report.
- Leo and the PUC team will have the Executive Summary and Conclusions sections drafted and in the Report that you'll get before next meeting.
- We hope to come to agreement in October about the document we want to send forward.

### **GROUP AGREEMENTS:**

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

- The group agreed to keep the Audit recommendations and the WCWG recommendations separate but consider them parallel.
- The group agreed to change the next meeting date to October 22<sup>nd</sup>.

### **ACTIONS:**

- There were no specific actions identified at this meeting.

**COMMITTEE: NATURAL RESOURCES AND INFRASTRUCTURE**

**POLICY: WATER CARRIER SUBSIDIES**

**TYPE: RESOLUTION**

**WHEREAS**, Island states and territories across the United States, including those in the Indo-Pacific Command (Indo-PACOM) Region, are mostly dependent on the import of goods.

**WHEREAS**, Island communities rely on transport by water carrier, the majority of these goods are transported as waterborne cargo, unlike communities in the continental U.S. that possess alternative means of transporting goods by truck and rail

**WHEREAS**, current agricultural specific and aircraft to remote destination subsidies exist within the USDA and USDOT, respectively,

**WHEREAS**, subsidies do not currently exist for general cargo transport to and within U.S. island states and territories.

**WHEREAS**, due to these island communities' dependency on the import of goods, maritime support in the form of federal water cargo subsidies is necessary to ensure localized economic security.

**NOW, THEREFORE, BE IT RESOLVED**, the National Conference of State Legislatures (NCSL) urges Congress to fund a broad subsidy for trans-Pacific, trans-Atlantic, and interisland waterborne cargo to improve the affordability of imported goods,

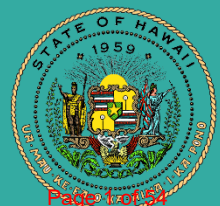
**NOW, THEREFORE, BE IT FURTHER RESOLVED**, NCSL requests that U.S. Department of Transportation Maritime Administration, the most appropriate federal agency, develop and implement such a federal waterborne cargo subsidies program

29 and that sources of any subsidies may be from existing or newly created federal  
30 programs.



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

**PRE-FINAL – OCT 22, 2021  
WATER CARRIERS WORKING GROUP**



## 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 (DBEDT)</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

Senate Resolution 125, S.D. 1 ("SR 125") was adopted by the Hawaii State Senate on July 8, 2020, and included two requests: 1) That the Department of Transportation provide funding to water carriers for the purpose of providing financial assistance to maintain routes and lines of services within the State and 2) the convening of a working group by the Public Utilities Commission 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.

Members of the Water Carriers Working Group (WCWG) included representatives of the Senate, House of Representatives, the counties of Kauai, Honolulu, Maui, and Hawaii, the Public Utilities Commission, the Division of Consumer Advocacy, Department of Business, Economic Development, and Tourism, Department of Transportation, Department of Agriculture, Young Brothers, Ltd., Matson Navigation Co., Inc., Pasha Hawaii, and the International Longshore and Warehouse Union.

The WCWG met a total of thirteen times over the past year, with meetings from July through December 2020 focused on receiving background information, preliminary discussion of various issues, and organizing themselves to effectively and efficiently develop near-, mid-, and long-term recommendations. Meetings in the 2021 calendar year focused on discussions within and among small groups/subcommittees, development of recommendations, identification of key areas of recommendations, finalization of recommendations, and drafting of this report to the Legislature and Governor. All meetings of the WCWG were facilitated.

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



After identifying gaps, critical areas, and topic areas, the WCWG engaged in Force Field Analysis in order to develop its draft recommendations.

Force Field Analysis (FFA) is a tool that can quickly help an organization 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.

Using FFA, the WCWG developed six desired futures for Water Carriers:

- Being able to understand what cargo is going to show up, in what dimensions, where.
- Incremental adjustments to rates.
- Standardized and streamlined ratemaking that factors in ports and cargo types that are negative earners.
- All carriers involved in the movement of cargo have the ability to be sustainable and profitable.
- Adjust service offering to create higher efficiency to improve cargo flow.
- Use of available space on piers are optimized.

Moving forward, Small Groups were formed for each of the following Topic Areas - Cargo Carrier Services, Pier Space, Rates, Subsidies, and Sustainability and Profitability. These Small Groups met to discuss and formulate recommendations that would be discussed by the Working Group as a whole. After a number of months and with draft recommendations being developed by the Small Groups and discussed by the WCWG, the following mid- and long-term recommendations are being made and are discussed fully in the report herein:

- 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.
- Enhancing the water carrier's reservation system to cover all lines of services which will improve the accuracy of booking reservations and improving the overall customer experience.
- Establishment of a broad subsidy for trans-Pacific and interisland cargo, the source of which may come from existing or newly created federal, state, and county government programs.



# **Table of Contents**

|                                                                         |           |
|-------------------------------------------------------------------------|-----------|
| <b>Executive Summary.....</b>                                           | <b>ii</b> |
| <b>Introduction.....</b>                                                | <b>1</b>  |
| Background.....                                                         | 1         |
| Meetings of the Water Carriers Working Group.....                       | 1         |
| Process Followed by Working Group.....                                  | 2         |
| Identify Gaps/Critical Areas.....                                       | 2         |
| Identify Topic Areas.....                                               | 5         |
| Force Field Analysis.....                                               | 6         |
| Summary of Six Desired Futures.....                                     | 8         |
| <b>Recommendations.....</b>                                             | <b>11</b> |
| Recommendations from Small Groups – Topic Areas.....                    | 11        |
| Near-Term Recommendations .....                                         | 14        |
| WCWG Recommendations Forwarded to Legislature and Governor.....         | 14        |
| Recommendation No. 1: Two-Tiered Interim Annual Rate Adjustment.....    | 14        |
| Recommendation No. 2: Improvement of Current Reservation System .....   | 16        |
| Recommendation No. 3: Federal/State/County Subsidies Working Group .... | 18        |
| Recommendation No. 4: Federal Waterborne Cargo Subsidies Program .....  | 18        |
| Recommendation No. 5: Congressional Delegation Bill Sponsorship .....   | 21        |
| Recommendation No. 6: Local Waterborne Cargo Subsidies Program.....     | 22        |
| <b>Conclusions.....</b>                                                 | <b>25</b> |
| <b>Appendices</b>                                                       |           |

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

### 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  
 October 22, 2021

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 this report to the Legislature and Governor.

All meeting material (agendas, handouts, presentations) as well as the 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 (especially in re: animals)
- Independent auditor to review Young Brothers 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 (LCLs) and 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
- Maximize 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. (YB), clarification on Stop In Transit (SIT), stakeholder input, operational information from all water carriers, information from Department of Transportation, Harbors Division (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 the 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 group/subcommittee participants would take place, all towards the development of recommendations.

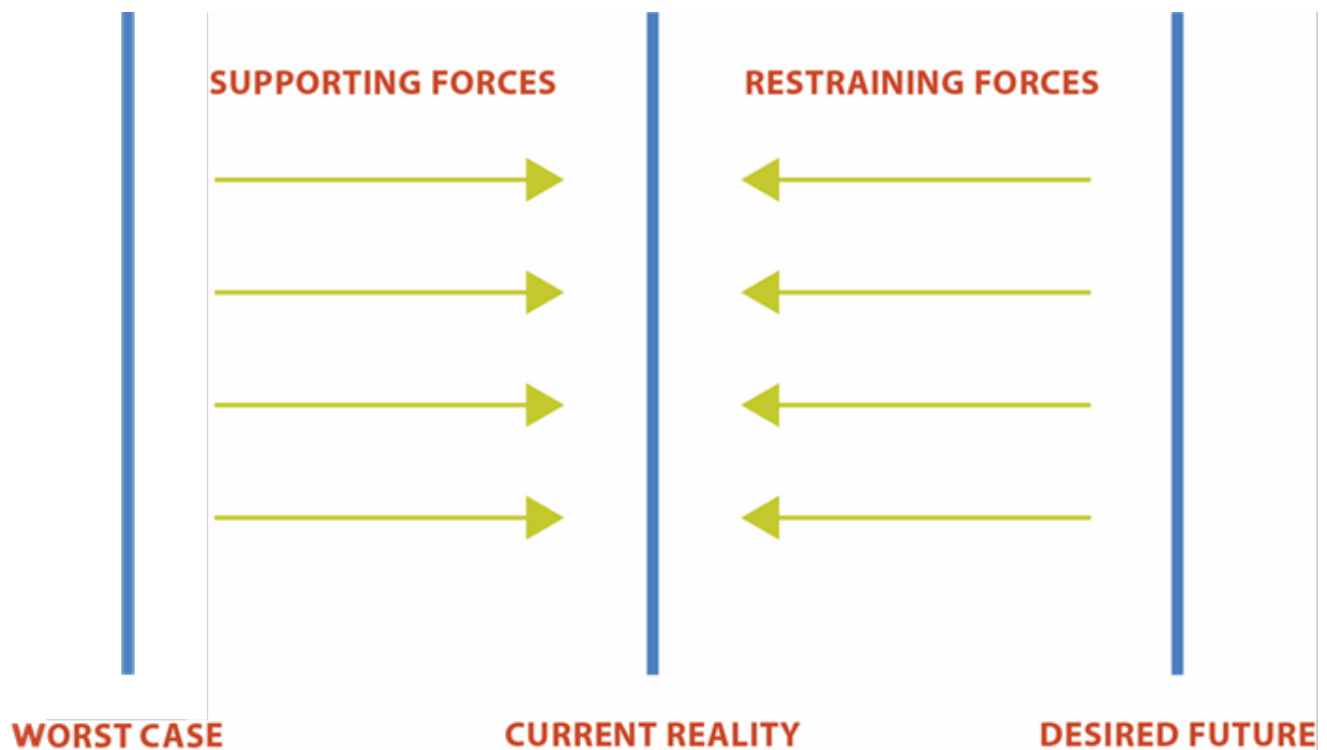
The topic areas identified by the WCWG are as follows:

- 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 – Providing fair and predictable cargo rates that are affordable to customers for intrastate services that meet customers' needs, and ensuring the long-term financial sustainability and profitability of the water carrier by establishing rate structures for affordable intrastate services 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 – Exploring, if not securing 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 – Exploring 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 involves:

- **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; and 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 rate 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 Kapalama Container Terminal (KCT) operational as soon as possible.
- A dynamic carrier website or phone app for scheduling rates that are updated hourly.

#### **• Restraining Forces**

- The need to service the broad customer needs 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 as soon as possible.
- 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. Full status reports from each Small Group can be found in Appendix C.

### Cargo Carrier Services Small Group

This Small Group respectfully recommends enhancing the water carrier's reservation system to cover all lines of services. Preliminarily, this subgroup anticipates an initial start-up cost estimated at \$400,000 and monthly maintenance fees of \$10,000 to \$15,000.

The enhanced reservation system will, among other things, improve the accuracy of booking reservations (as it is intended to now allow for bookings for all lines of service); thus improving the overall customer experience. Subsequent to the deployment of such system, this subgroup anticipates increased operational efficiencies, better visibility on scheduled gate hours and service offerings, improved cargo tracking, and an enhanced ability to determine equipment availability to meet customer's needs of such equipment. The specific requirements of the system will ultimately be based on both customer and company needs in order to maintain a sustainable and viable economic future.

Overall, the enhanced reservation system will accommodate all cargo types to be implemented in phases, and that will enhance shipping efficiencies and improve cargo movement transparency for all customers utilizing the interisland water carrier services.

### Pier Space Small Group

The goal of the Pier Space Small Group was to discuss the availability of space for the water carrier to efficiently transport cargo between the islands, and to clarify the use of Pier 41 and surrounding yard space.

The Department of Transportation Harbors Division (DOT-H) noted that it has the authority to allocate cargo space through its rules and statutes. The DOT-H further noted that it had made a portion of the Kapalama Container Terminal (KCT) available to the water carrier, and that, when

complete, it will allocate space for the use of Pier 41. The DOT-H discussed how it plans to schedule water carriers at Pier 41, stating that it will use the DOT-H's web-based vessel scheduling system, Portcall.com.

#### Rates Small Group

The Rates Small Group recommends a two-tiered interim annual rate adjustment for regulated cargo rates ("the "Water-carrier Inflationary Cost Index" or "WICI") along with the requirement for the water carrier to submit a general rate case every three years. The first tier is an annual rate adjustment tied to the Gross Domestic Product Price Index to address the impact of inflation on certain operating expenses. The second tier allows a water carrier to request an additional rate adjustment provided that the water carrier submits additional information and data on performance measures to justify the need for the second tier and to demonstrate the water carrier's performance is deserving of the second tier adjustment.

The WICI allows for a timelier recovery for certain changes in costs between rate cases, reduces the administrative burden to the water carrier for rate adjustments and supports the profitability and sustainability of the water carrier. To mitigate the impact to customers and prevent significant annual increases, the annual WICI adjustment factor will not exceed 5% per year.

#### Subsidies Small Group

Hawaii's communities are mostly dependent on the import of goods. Over 80% of goods consumed in Hawaii are imported, of which over 98% is transported as waterborne cargo. Consequently, Hawaii consumers generally pay a higher cost for goods than consumers in the continental US, in part due to the limited means to transport goods to Hawaii and the limited local manufacturing or growing of consumed goods.

Hawaii relies on its transport of goods by water carrier. While there are agricultural specific and aircraft to remote destination subsidies, subsidies do not currently exist for general cargo transport to and within Hawaii. To reduce the cost of goods, a broad subsidy for trans-Pacific and interisland cargo is recommended. Sources of the subsidies may be from existing or newly created federal, State, and county government programs.

#### Sustainability and Profitability Small Group

The Sustainability and Profitability Small Group began their discussions with the premise that water carriers must be profitable to be sustainable or face significant and adverse impacts not only to itself, but to the State's and neighbor island economies. Therefore, solutions should balance the need to enable an intrastate water carrier to be profitable without adversely affecting customers and the economies of the neighbor islands and the entire State.

While this Small Group did not develop specific recommendations, most of their suggested recommendations overlapped recommendations being developed in other Small Groups, particularly those from the Rates and Subsidies Small Groups.

#### Customer Service Small Group

This Small Group was originally considered by the WCWG when all other Small Groups were formed. However, YB informed the WCWG that a similar group was already formed within the company to address YB's Customer Service Strategy, which was required as a condition in YB's 2020 Test Year Rate Case (PUC Docket No. 2019-0117). The WCWG acknowledged the formation of the internal company group, and forming a Customer Service Small Group as part of the WCWG would be duplicative of the on-going work surrounding customer service.

Nonetheless, YB provided the following status on the progress of its internal group is making on the topic of customer service:

YB assembled an internal working group of team members from departments across the company who interact with customers or influence their experience. As part of this internal working group's sessions that started in September 2020, and after reviewing, among other things, data/feedback derived from customers, YB developed the following six (6) initiatives:

- o Develop a new training program
- o Develop a Customer Experience Ombudsman Role
- o Invest in customer-focused technology
- o Hold regular internal and external listening sessions
- o Expand customer communications
- o Designate Customer Experience management committee

As part of its CS Strategy, YB's internal working group also developed action plans and timelines for each of the above initiatives, as well as a customer focused vision statement as follows: "Connecting Hawaii with Efficiency and Aloha."

YB's Customer Service Strategy is intended to be a "living document," so many of the above initiatives and vision statement are subject to additions and/or modifications, particularly after receiving additional feedback or input from YB's employees and customers. In addition, many of the specifics reflected in the applicable action plans/timelines for each of the initiatives will also be subject to additions and/or modifications given that some of these initiatives reflected in the action plans may either not be feasible or effective at that time or may require substantial capital investments and/or expenditures.

YB has provided quarterly updates to its Customer Service Strategy in PUC Docket No. 2019-0117. All of these filed quarterly updates can be viewed at the PUC DMS at <https://dms.puc.hawaii.gov/dms/dockets?action=search&docketNumber=2019-0117>.

## Near-Term Recommendations

Although the WCWG' task was to develop mid- and long-term recommendations, a number of near-term recommendations or actions were identified in order to take preliminary steps and continue work on the mid- and long-term recommendations found below.

As of the drafting of this report, the following near-term recommendations or actions have been taken:

- Working with the Department of Transportation – Harbors Division, a resolution has been introduced to the National Conference of State Legislatures (NCSL) by Working Group member Sen. Lorraine Inouye to advance the recommendation for subsidies for general cargo transport to and within U.S. island states and territories.

## WCWG Recommendations Forwarded to Legislature and Governor

### Recommendation No. 1: Two-Tiered Interim Annual Rate Adjustment

#### Summary of Recommendation

The Rates/Sustainability & Profitability Small Groups recommend 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 Hawaii 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 a 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 Small Groups' 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- 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 a 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 the 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 proceeding steps to undertake or outstanding items to address, if any

The two aforementioned recommendations could be implemented by amendments to the Hawaii Revised Statutes, Legislative Resolutions, Hawaii Administrative Rules, or by HPUC order. The committee considers implementation by HPUC 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.

## **Recommendation No. 2: Improvement of Current Reservation System**

Summary of Recommendation

The Cargo Services Small Group 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 Small Group 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 Small Group 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 flexible, implemented in phases and will improve cargo visibility to both the consumer and the carrier.

Mid-term or Long-Term

Mid to Long-term solution.

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 the water carrier with cargo data to analyze and improve upon the inefficiencies where customers currently show up half days.

Overall improvement of the customer service experience will be provided through known availability for both shipping and transporting. Tracking will be a benefit so customers can schedule when to drop-off and pickup cargo. This is expected to assist in real time tracking and availability to help save and schedule time, and will allow for planning and scheduling in terms of the amount of time customers must wait in port. The improved reservation system will provide an incentive for customers to schedule 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. The reservation system will incur 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.

The water carrier will be required to identify any proceeding steps to undertake or outstanding items to address if any. This may include developing a customer survey that will assist the company in understanding customer needs, implementing a pilot program for three to six months, and gathering 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 \$400,000 in the initial startup and implementation. Monthly maintenance fees and any enhancements to improve the customer experience would be approximately \$10,000 to \$15,000.

### **Recommendation No. 3: Federal/State/County Subsidies Working Group**

The Subsidies Small Group recommends 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 an update on the status of creating these programs to the Hawaii State Legislature no later than 20 days prior to the start of the 2023 legislative session.

The Small Group also recommends that draft waterborne cargo subsidy program language be submitted to the Hawaii Congressional Delegation by November 2021, and that work continues 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 U.S. 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 U.S. mainland.

To reduce the cost of imported goods, a broad subsidy for trans-Pacific and interisland cargo is being sought by the Subsidies Small Group. 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 No. 4: Federal Waterborne Cargo Subsidies Program**

The Subsidies Small Group recommends that the Hawaii Department of Transportation lead a committee to continue working and consulting with the U.S. 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 U.S. 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 Small Group. Sources of the subsidies may be from existing or newly created federal, state, and county government programs.

The Subsidies Small Group met with representatives from the Office of the Secretary of Transportation, USDOT, U.S. Maritime Administration (MARAD), Federal Aviation Administration (FAA), and Federal Highways Administration (FHWA) to investigate whether federal subsidies for waterborne cargo are available, and if not, the steps needed to create such a federal program.

The federal representatives acknowledged there are no federal subsidies specifically for waterborne cargo. There is, however, 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/usdafiles/FactSheets/rtcp\\_facts\\_sheet.pdf](http://www.fsa.usda.gov/Assets/USDA-FSA-Public/usdafiles/FactSheets/rtcp_facts_sheet.pdf).
- 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/>
- [www.fsa.usda.gov/state-offices/Hawaii/programs/index](http://www.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 taxpayers.

#### Identify any proceeding steps to undertake or outstanding items to address if any

Consult with the USDOT in the preparation of a 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 No. 5: Congressional Delegation Bill Sponsorship**

The Subsidies Small Group recommends 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 U.S. 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 Small Group. Sources of the subsidies may be from existing or newly created federal, state, and county government programs.

The Subsidies Small Group met with representatives from the Office of the Secretary of Transportation, USDOT, MARAD, FAA, and FHWA to investigate whether federal subsidies for waterborne cargo are available, and if not, the steps needed to create such a federal program. The federal representatives acknowledged there are no federal subsidies specifically for waterborne cargo. There is, however, 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 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 taxpayers.

#### Identify any proceeding steps to undertake or outstanding items to address if any

Consult with the USDOT in the preparation of the 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 No. 6: Local Waterborne Cargo Subsidies Program**

The Subsidies Small Group recommends that the Hawaii Department of Transportation lead a committee to work and consult with the Hawaii State Senate and House of Representatives Transportation Committees, county departments of transportation and county councils in the establishment of local waterborne cargo subsidies program, including the drafting of legislation.

### 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 U.S. 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 Small Group. Sources of the subsidies may be from existing or newly created federal, state, and county government programs.

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

The federal representatives acknowledged there are no federal subsidies specifically for waterborne cargo. There is, however, 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 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 Small Group 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 proceeding steps to undertake or outstanding items to address if any

- Consult with the State DOT, DBEDT, Department of Budget and Finance, 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**

The six recommendations described previously are those that were discussed and developed first in the respective Small Groups and subsequently by the WCWG as a whole, ultimately being recommendations from the WCWG to the Legislature and Governor.

All six recommendations will require continued discussions and refinement, and in some instances will require near-term actions in order to effectuate implementation of the recommendations in the mid- (3-5 year) to long-term (beyond 5 years) timeframe. Further, circumstances surrounding the water carriers or actions related to the water carriers will have to be considered at the time such recommendations are advanced or implemented.

Given the timeframe and circumstances in which the WCWG discussed and developed these recommendations – that of meeting virtually for all thirteen WCWG meetings plus many more virtual meetings of the Small Groups - due to the COVID-19 Pandemic, the recommendations are as robust as time and resources allowed.

Thanks go out to all WCWG members, plus countless other individuals from each WCWG member entity for their commitment to the process taken, the various discussions, meeting deadlines, and input in the development of this report.

# **Appendices**

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

**Appendix B – Force Field Analysis**

**Appendix C-1 through C-5 – Small Group Final Reports**

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

THE SENATE  
THIRTIETH LEGISLATURE, 2020  
STATE OF HAWAII

S.R. NO. 125  
S.D. 1

### SENATE RESOLUTION

REQUESTING 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.

1 WHEREAS, the COVID-19 pandemic is causing a significant  
2 decrease in interisland cargo volumes that has put financial  
3 stress on all forms of interisland transportation of goods and  
4 property; and

5  
6 WHEREAS, for counties with populations of less than five  
7 hundred thousand, interisland cargo transportation is a life-  
8 line for the residents and businesses in those counties and an  
9 interisland tug and barge service is essential to the State's  
10 economic recovery from the COVID-19 pandemic's deleterious  
11 statewide economic effects; and

12  
13 WHEREAS, it is in the State's best interests for the State  
14 of Hawaii to provide financial assistance to any interisland  
15 water carrier of property holding a Certificate of Public  
16 Convenience and Necessity pursuant to Chapter 271G, Hawaii  
17 Revised Statutes, which has suffered significant financial harm  
18 due to the economic effects of the COVID-19 pandemic; and

19  
20 WHEREAS, it is in the public interest for the State to  
21 provide subsidies to interisland cargo carriers to offset the  
22 costs incurred by those carriers as a result of providing cargo  
23 carrier services to ports serving counties within the State  
24 having a population of less than five hundred thousand, and to  
25 address the impacts of the COVID-19 pandemic and to ensure the  
26 continued operations of an interisland tug and barge service to  
27 advance the State's economic recovery from the COVID-19  
28 pandemic's statewide economic effects; and  
29

2020-2324 SR125 SD1 SMA-1.doc



1

Page 2

S.R. NO. 125  
S.D. 1

1 WHEREAS any funds provided as financial assistance to any  
 2 interisland water carrier of property holding a Certificate of  
 3 Public Convenience and Necessity that has suffered significant  
 4 financial harm due to the economic effects of the COVID-19  
 5 pandemic are to be used by the water carrier for operating  
 6 expenses, excluding payments to any parent company or other  
 7 affiliates of the same parent company, executive bonuses,  
 8 profits for the water carrier to which assistance is being  
 9 provided, or profits for any affiliated business of the water  
 10 carrier; and it must also be required that certain operations  
 11 continue for ports serving counties within the State having a  
 12 population of less than five hundred thousand; now, therefore,  
 13

14 BE IT RESOLVED by the Senate of the Thirtieth Legislature  
 15 of the State of Hawaii, Regular Session of 2020, that the  
 16 Department of Transportation and respective counties are  
 17 requested to address, on or before September 30, 2020, the  
 18 impacts of the COVID-19 pandemic and to offset costs incurred by  
 19 any water carrier as a result of providing interisland water  
 20 carrier service to ports within the State, by providing a  
 21 combined total of at least \$15,000,000 in funding directly to a  
 22 water carrier for the purposes of providing financial assistance  
 23 to support the continuation of different routes and lines of  
 24 services within the State; and  
 25

26 BE IT FURTHER RESOLVED that such funds shall not be used  
 27 for the following purposes:  
 28

- 29 (1) As payment in any form or nature to any parent company  
 30 of the water carrier or affiliate of any parent  
 31 company of the water carrier, except for tug assist,  
 32 lease, or charter payments to an affiliate company of  
 33 the water carrier receiving such funds; provided  
 34 further, however, that the rates for any such tug  
 35 assist, lease, or charter must be at or below market  
 36 rates;  
 37
- 38 (2) As profits for the water carrier, any parent company  
 39 of the water carrier, or any affiliate of any parent  
 40 company of the water carrier;  
 41

2020-2324 SR125 SD1 SMA-1.doc

2



Page 3

S.R. NO. 125  
S.D. 1

- 1 (3) As repayment of any loan, bond, or other form of
- 2 indebtedness of any parent company of the water
- 3 carrier or any affiliate of any parent company of the
- 4 water carrier;
- 5
- 6 (4) As payment for any capital expenditure made by any
- 7 parent company of the water carrier for assets held by
- 8 the water carrier; or
- 9
- 10 (5) As payment for executive bonuses; any advertising or
- 11 marketing, except customer and employee
- 12 communications; club or membership dues; charitable or
- 13 political contributions; non-essential business
- 14 travel; seminars, conferences, or conventions;
- 15 entertainment expenses; or any other non-operating
- 16 expenses; and
- 17

18 BE IT FURTHER RESOLVED that on or before August 1, 2020,  
 19 the Public Utilities Commission, in collaboration with the  
 20 Department of Commerce and Consumer Affairs' Division of  
 21 Consumer Advocacy and any interisland water carriers operating  
 22 in the State, is requested to convene a working group to  
 23 recommend mid-term and long-term solutions to balance the need  
 24 for continuous interisland water carrier service throughout the  
 25 State with the need for water carriers to maintain financial  
 26 sustainability; and

27  
 28 BE IT FURTHER RESOLVED that the working group consist of:

- 29
- 30 (1) The Senate President or the Senate President's
- 31 designee;
- 32
- 33 (2) The Speaker of the House of Representatives or the
- 34 Speaker's designee;
- 35
- 36 (3) The mayor of each county or the mayor's designee;
- 37
- 38 (4) One representative from the Public Utilities
- 39 Commission;
- 40
- 41 (5) One representative from the Department of Commerce and
- 42 Consumer Affairs' Division of Consumer Advocacy;

2020-2324 SR125 SD1 SMA-1.doc

3





Page 4

S.R. NO. 125  
S.D. 1

- 1
- 2 (6) One representative from the Department of Business,
- 3 Economic Development, and Tourism;
- 4
- 5 (7) One representative from the Department of
- 6 Transportation;
- 7
- 8 (8) One representative from the Department of Agriculture;
- 9
- 10 (9) The chairpersons of the legislative standing
- 11 committees on transportation;
- 12
- 13 (10) One representative from each water carrier operating
- 14 in the State; and
- 15
- 16 (11) One representative from the International Longshore
- 17 and Warehouse Union Local 142; and
- 18
- 19 BE IT FURTHER RESOLVED that the working group is requested
- 20 to submit a final report of its findings and recommendations,
- 21 including any proposed legislation, to the Legislature and the
- 22 Governor no later than twenty days prior to the convening of the
- 23 Regular Session of 2022; and
- 24
- 25 BE IT FURTHER RESOLVED that certified copies of this
- 26 Resolution be transmitted to the Senate President; Speaker of
- 27 the House of Representatives; Chairperson of the Public
- 28 Utilities Commission; Chairperson of the Board of Agriculture;
- 29 Director of Business, Economic Development, and Tourism;
- 30 Director of Commerce and Consumer Affairs; Director of
- 31 Transportation; chairpersons of the legislative standing
- 32 committees on transportation; President of Young Brothers, LLC;
- 33 President of the International Longshore and Warehouse Union
- 34 Local 142; and the mayor of each county.

2020-2324 SR125 SD1 SMA-1.doc

4



## Appendix B – Force Field Analysis

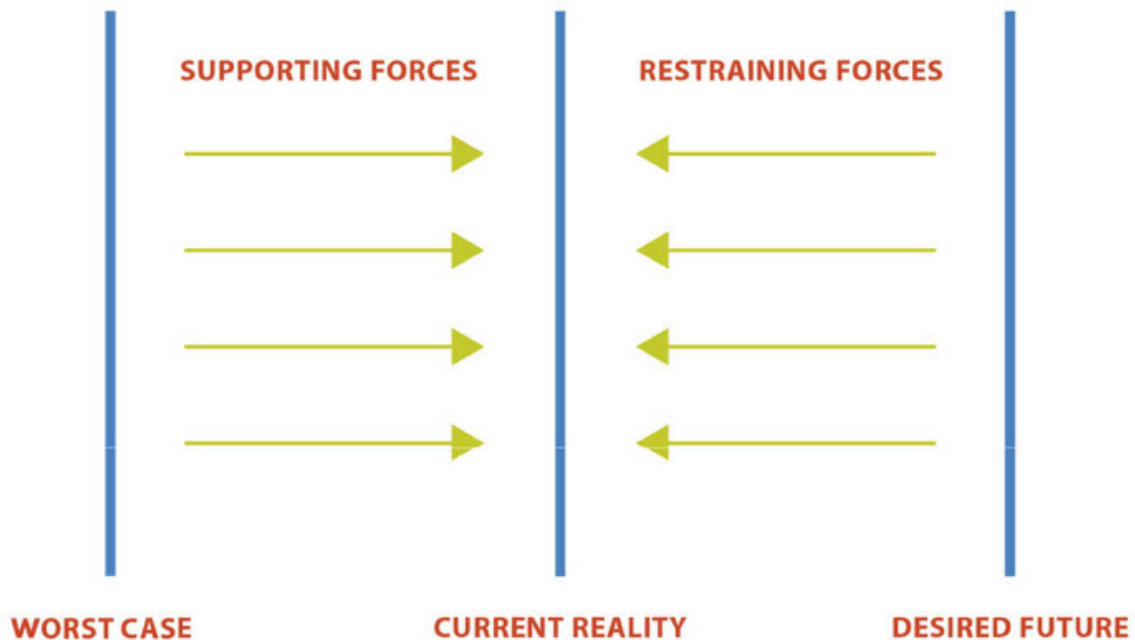


### USING FORCE FIELD ANALYSIS TO PLAN STRATEGICALLY

Because of a perception of scarcity, many organizations focus on achieving only short-term goals and objectives. When this perception is combined with a management style that operates by moving from solving one problem or challenge to the next, then it is difficult to be strategic in an organization's planning efforts. These organizations do not understand the importance of acknowledging the context within which planning needs to occur because they have not collectively articulated a desired future that they seek.

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 that desired future. This tool provides a cursory analysis and does not take the place of an in-depth strategic planning effort.

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



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## THE ANALYSIS

The framing question we will use when doing this 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 will brainstorm 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. We need to collectively develop clarity about the desired future we are trying to achieve and this will 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:** Then, the WCWG will brainstorm its current reality. Using a phrase or short sentence, it need to describe what the situation looks like currently.

**Worst Case Scenario:** Next, the WCWG will brainstorm the worst-case scenario. Using a phrase or short sentence, it needs to describe what the situation will look like if we completely fail to achieve the desired future.

**Supporting Forces:** The next step involves members identifying things they are doing to move the situation closer to the desired future. Also, this is the time when they 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:** If the WCWG has time at this meeting (if not, this part of the analysis will move to the next meeting), it will move to the planning stage of this analysis. That will 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.



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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.

---

## Appendix C-1 – Cargo Carrier Services Small Group Final Report

PUC WCWG Small Group Status Reports  
May 20, 2021

### Small Group Topic/Issue: Cargo Services Subgroup

- Create a compelling case to support the Cargo Services Subgroup's 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.

- What are the benefits for the company?

- Operational efficiencies with implemented policies will assist with the accuracy of booking reservations, ultimately resulting in a committed customer base.

- Improvement in the scheduling of the gates (gate hours and service offerings) - defer to separate Sub-group findings.

- Incentivization of carrier for knowing of customers scheduled reservations.

- Improved cargo tracking will give employee better tools to assist customers.

- Reservations for all cargo will provide company with cargo data to analyze and improve upon the inefficiencies where customers currently show up half days.

- Provide a customer survey that will assist the company in understanding customer needs; or instead, implement a pilot program for three to six months, gather accurate data and feedback with the minimum impact to labor costs in order to compile comprehensive and accurate information to assist in determining the best possible actions to take.

- What are the benefits for the customers?

- 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.
  - Scheduling of the gates (i.e., gate hours and service offerings) - defer to separate Sub-group findings.
  - 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.
  - **What components of the reservation system are the most relevant points of the system?**
    - Fixed routes and flexible outgoing interim routes.
    - Look to a "vessel by vessel" capacity taking into consideration existing demand - how much for the full container load, how much for the roll-on roll-off, how much for LCL mix, how much for refrigeration and farm animals - where the reservations will have some form of flexibility to adjust to a vessel-by-vessel basis.
    - Get commitment by the customer by instituting a 24-48-hour scalable monetary penalty or non-refundable deposit system for large revenue items (i.e., containers, autos, and roll-on roll-off cargo) to reduce no shows and maintain accuracy of cargo booked.
    - Reservation system will improve equipment availability to meet customer demand, forecasting of seasonal equipment needs and/or forecasting of capital expenditures for future equipment replacement.
    - Potential cross-savings that may be passed on to the consumer and expected to create operational efficiencies.
    - Customers planning to ship less than container load cargo will get priority check-in if they book their cargo ahead of time.
    - Allowing for full accessible tracking availability to the public will allow the carrier to give customers the ability to view shipments arriving, or in-transit, and allow customers to plan appropriately when picking up cargo.
  - **SIT – look into what affects rates**
    - Defer to Sub-group on Rates.
  - **Articulate what the needs are in the system**

- Customer and company needs will be gathered to determine what specific system will meet those requirements and at what cost - these will dictate what can actually be improved/upgraded in either the current system or whether a new system needs to be purchased.
- Determination by management as to what will make the company viable and what will take the company into the future.
- Determine if there are cost savings to create a comprehensive reservation system. Can the cost savings be passed to the consumer?

---

## Appendix C-2 – Pier Space Small Group Final Report

Water Carriers Working Group  
Pier Space Subgroup: Report (Template Form)  
June 17, 2021

1. Justification/Compelling Reason

The goal or objective the Water Carriers Working Group: "Pier Space" Subgroup was to clarify the use of Pier 41 pier and yard space. The Department of Transportation Harbors (DOTH) provided information and clarified that the DOTH allocates cargo yards and approves berthing requests to piers, and controls berths at the Pier 41 pier.

The DOTH is responsible for managing state harbor lands through its rules and statutes.

2. Mid-term or Long-Term Recommendation

The issue presented and discussed with the Water Carriers Working Group: "Pier Space" Subgroup, was the availability of space for the water carrier to efficiently move, load and unload cargo between the islands. The Subgroup agreed that having safe and modern pier space and cargo yard has a significant impact on the Water Carriers' ability to successfully ensure effective, efficient, and continuous water carrier service throughout the state of Hawaii.

The Subgroup asked about the availability of space for the water carrier. The DOTH shared that it had made a portion of the recently completed Kapalama Container Terminal (KCT), Phase I yard, available to the water carrier as early as September 2020 for the water carriers use for autos, LCL, and or other needs. To-date the water carrier is planning to use the space. The DOTH also stated that believes that the 77 acres of cargo yard at KCT has enough space for the water carrier to use as well as space for the new overseas tenant to construct its maintenance and office facilities, say through 2023.

The DOTH stated that Pier 41, when completed on or about January 2024, will allocate space to the water carrier for the use of Pier 41. The DOTH also noted that due to the financial impact of COVID-19 to the DOTH, repairs to Pier 39 and 40 are delayed. The DOTH noted and the Subgroup acknowledged that conducting repairs while the water carrier is currently operating will negatively impact their efficiency. It's like having two teams playing a college basketball game usually played on full court only at half-court.

The DOTH also discussed how scheduling of the water carriers' vessels at Pier 41 will occur. The water carrier will request berthing through Portcall.com, the DOTH's web-based vesselscheduling system. By Hawaii Administrative Rule and through the Harbor Masters Notice, all request for use of a pier is through the web-based vessel electronic scheduling system to replace facsimile requests for vessel reservation.

### 3. Pros/Cons

There is no issue. The water carrier requested clarification and the DOTH hopes its response as re-stated below is sufficient to addressing and clarifying the water carrier's concerns. The authority for the DOTH to allocate space for cargo needs currently exist.

The DOTH stated that it is authorized to manage state harbor lands through its rules and statutes. The DOTH, through its Harbors Administrative rules, issues its Harbors Masters Notice, allocates cargo space.

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

The DOTH stated that the DOTH controls the use of Pier 41 pier and yard space, pursuant to its authority of its Hawaii Administrative Rules. DOTH will allocate space to the water carrier for the use of Pier 41. The Water Carriers Working Group: "Pier Space" Subgroup believes the desired outcome was achieved.

Additional understanding regarding the time and use of Pier 41 should be helpful to the water carrier with planning its business. Also having information regarding the DOTH plans to repair Pier 39 and 40 was also helpful to the water carrier with planning its business.

### 5. Impact to agencies/entities

Exclusive authority to a private party is not permitted by the terms of the non-taxable bonds that is contributing to the construction of KCT and Pier 41 and prohibits the exclusive use and control by a private party. Therefore, the DOTH in compliance with its bond covenants and its rules allocates cargo yards and approves berthing requests to piers.

### 6. Costs (if any or readily estimated)

N/A

## Appendix C-3 – Rates Small Group Final Report

### PUC WCWG Small Group Status Reports

May 20, 2021

#### Small Group Topic/Issue: Rates

The Rates focus group was tasked with looking at an annual rate adjustment to replace what had previously been implemented under AFRA (Annual Freight Rate Adjustment). The goal of this group was to come up with recommendations that would support the sustainability and profitability of the water carrier, minimize the need for large adjustments between formal rate cases, and provide safeguards for consumers with respect to runaway or unreasonable automatic increases for the water carrier.

While the focus group was unable to come to a consensus on the actual calculation or specific formula for the rate adjustments, we did reach consensus on a number of policies to accompany that eventual rate adjustment index. These include:

- The proposed name of the new annual rate adjustment is the Water-carrier Inflationary Cost Index (WICI). Water carrier must show a compelling case for any rate increase
- Performance metrics supporting the WICI rate adjustment must be reported to Commission and shall include:
  - Safety: Recordable Incident Rate
  - Safety: Lost Time Incident Rate
  - Safety: Workers' Compensation Insurance Claims
  - Safety: Hazardous Materials
  - Efficiency: Fuel Efficiency (shoreside and marine use)
  - Service: On-Time Barge Arrival
  - Service: Customer Wait Time for Freight
  - Service: Caller Wait Time
  - Service: Customer Dropped Calls
  - Service: Completed Sailings
  - Service: Cargo Insurance Loss Ratio
- WICI formula should not double count adjustments that are already accounted for such as the fuel cost adjustment
- The full WCWG would be responsible to make the final determination and recommendation with respect to any annual rate adjustment mechanism

#### Other considerations where consensus was not reached:

- An index based adjuster (GDPPI or a collared version of U.S. Bureau of Labor Statistics, Producer Price Index by Commodity: Transportation Services: Deep Sea Water Transportation of Freight <https://fred.stlouisfed.org/series/WPU301301>) that allows for low to medium oversight up



to a certain % whether that is 2% or 3% rate increases. Any requests above the 2% or 3% would require increased oversight but less than a full rate case up to 5.5%.

- Baseline for WICI shall be the annualized national Gross Domestic Product Price Index (GDPPI); however, additional localized cost factors or industry specific adjustments might be necessary to supplement the GDPPI to more accurately reflect cost of services for the water carrier industry.
- The maximum annual percent change to regulated cargo rates, regardless of the calculated WICI percentage, shall be limited to 5%
- WICI shall be used for two consecutive years with the third year requiring a rate case and reevaluation of the WICI factor
- Initial WICI year would begin the year following the next formal rate case
- Commission must be notified of proposed WICI rate increases/decreases
- More safeguards to protect regulated cargo consumers from inefficiencies or lack of incentives to be efficient and less than satisfactory customer service
- Need to include emphasis on performance for both upside and downside inflation index
- Cost of labor and employee fringe needs greater emphasis if any inflationary marker is used
- There shouldn't be automatic annual adjustments; water carrier needs to justify need for application of the WICI rate factor
- Information provided in the monthly financial reports should support the need for any rate increase, especially rate increases above GDPPI.
- *Performance metrics supporting the WICI rate adjustment must be reported to Commission and shall include:*
  - Efficiency: Labor Efficiency (working on better labor metric than prior version)

### Conclusion:

Our group looked at alternative calculations for the annual inflation index that would involve labor costs (wages, health, pension, and other fringe) in addition to other operating expenses that had been used in the past under AFRA. Because changes in fuel costs are currently recovered through a quarterly fuel price adjustment, we all agreed that fuel costs should be removed from the WICI factor analysis to avoid any over-recovery of fuel costs from customers. We focused much of our discussion on a possible two-tiered approach that would involve an automatic adjustment based on the GDPPI index (whether up or down) while also providing the water carrier the opportunity to seek an additional rate adjustment, subject to HPUC approval after providing compelling evidence to support their case for an additional adjustment. We also discussed various possible terms and conditions of the WICI adjustment as outlined above in "Other considerations where consensus was not reached."

There were concerns expressed about what happens to rates in times when emergency rate relief is requested or when major capital investments are made. These issues should probably be considered outside the WICI process. Another concern raised was that we should not be making overarching policy decisions based on decreased cargo volume born by this pandemic as declining revenues exposed high fixed costs. Similarly, it was also discussed that the water carrier's labor efficiency should not be measured simply by revenue tons of cargo moved divided by labor hours as

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the sailings are not determined by maximum cargo capacity but rather by *fixed* sailing schedules and collectively bargained manning guidelines (labor hours) which are tied to the *fixed* sailing schedules.

Despite our best efforts to come to consensus on a working formula to calculate this new WICI factor, we ultimately felt compelled to bring our discussion back to the larger group for further refinement and decision making. A two-tiered approach that starts with an automatic annual rate adjustment that is calculated from the GDDPI for the first tier with a “compelling case” that requires review and approval for the second tier is generally identified as an alternative to continue to pursue; however, how to go about incorporating labor changes and terms and conditions of the WICI including performance metrics into the WICI factor is where we see the greatest challenges.

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## Appendix C-4 – Subsidies Small Group Final Report

PUC WCWG Small Group Status Reports  
May 20, 2021

### Small Group Topic/Issue: Shipping Subsidies

Create a compelling case to convince other WCWG members that your topic/issue needs to be addressed by our group:

- How will addressing this issue make a significant impact on our ability to successfully ensure effective, efficient, and continuous water carrier service throughout the state of Hawaii?

RESPONSE: Both federal and state subsidies, specifically transportation subsidies, are being sought. Currently, there are agricultural specific subsidies that are being fully utilized by the agricultural businesses for transport of raw materials. Subsidies being evaluated by this group are broader than the agricultural subsidies. This group is evaluating and seeking subsidies that more broadly applies to cargo transportation to small disadvantaged communities.

It is believed that subsidies, to the extent available, could offset the transportation cost burden to small disadvantaged communities who are reliant on the shipment of goods. This might provide opportunities to reduce the agricultural raw product subsidy currently funded by YB and relieve pressures to adjust cargo transport schedules and costs.

- What are the significant (negative) ramifications of us not addressing this issue?

RESPONSE: Not addressing the issue of transportation subsidies may result in the State to continue to require YB to subsidize agricultural raw product and neighbor island communities through the internal absorption of the cost of transportation and service.

Articulate Small Group Goal or Objective:

- This goal or objective was probably generated as you talked about what the group was trying to accomplish.

RESPONSE: The objective of the “Subsidy” group is to explore, if not secure, federal, state, and county subsidies for the transport of goods to the neighbor islands.

- What is the desired outcome you are trying to achieve?

RESPONSE: Desired outcome is to identify actions that can be taken to secure cargo transportation subsidies.

Prioritized List of Actions or Strategies to Address Goal or Objective:

- This discussion might have started with a discussion of relevant supporting forces from the Force Field Analysis that will help you achieve your goal or objective.
- The group probably generated additional strategies during your discussion.
- Actions or strategies also have to take into consideration restraining forces that may prevent you from achieving your goal or objective. You may have identified relevant restraining forces from the FFA or generated new ones that have to be addressed.
- The group needs to think about prioritizing actions or strategies i.e., important ones need to be addressed first to create momentum for your plan.
- Actions or strategies might also have a time relationship i.e., some have to be accomplished first before others are considered.

RESPONSE: There doesn't seem to be any objection from cargo users, customers, or the water carrier to securing subsidies for cargo transportation – it appears that there would be a consensus in support of subsidy solutions. That said, the immediate obstacle remains the availability of funding at all levels due to conflicting priorities, particularly due to impending needs due to the impacts of the worldwide pandemic.

Our small group on subsidies included State legislators, State agencies, and the water carrier. There is no federal agency representation within the subsidy subgroup. The potential agencies discussed that may provide subsidies are the USDOT-MARAD and State. We started the exploration of federal subsidies, with no luck in receiving any response. Given the State's financial situation it would be difficult for the State to provide subsidies at least for the next few years but the concept can be explored.

## SR125 WATER CARRIERS WORKING GROUP

### Subsidies Sub-group

April 2021

#### 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 water borne 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 \_\_\_% 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/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](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)

Additionally, there is a federal subsidy for aircraft travel service to the island of \_\_\_ as in the:

- USDOT Payment to Air Carrier 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.

#### ACTION

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.

## Appendix C-5 – Sustainability and Profitability Small Group Final Report

PUC WCWG Small Group Status Reports  
March 18, 2021

### Small Group Topic/Issue: Sustainability and Profitability

Create a compelling case to convince other WCWG members that your topic/issue needs to be addressed by our group.

- **Water Carriers must be profitable to be sustainable; otherwise they go out of business.** The profitability of an interisland water carrier is affected by a number of factors, which include but are not limited to, factors that are: 1) within the control of the water carrier; 2) can be affected by other stakeholders; and 3) those that are unlikely to be controlled or affected by Hawaii stakeholders.
- **Factors that are within the control of the water carrier:**
  - Construction materials and vehicles are profitable cargo for YB. However, low volume perishables, the most vital for life for communities, are not. Profitability depends on how many labor hours are required for a specific order to be processed. It is not the route or the costs of travel, but rather the time it takes to prepare the goods that are traveling to these destinations, that adds most of the cost.
  - Regular shipments (two per week) are vital for the communities on Molokai and Lanai, for items that are low volume and perishable, such as milk. However, this type of cargo service is very costly for YB to continue to provide because it is a significant source of labor cost. It is difficult to reduce (per shipment) the labor hours put into processing, tracking and coordination for low volume items. It can take just as long to process paperwork for small quantity LCL as a batch of High Volume filled containers.
  - Implement a booking system and paperwork simplification effort to allow employees to get more done in less time. Convert to efficient copy and pasting for filling out forms.
- **Factors that are not within the control of the water carrier:**
  - Unlike the contiguous 48 states, Hawaii does not have robust multi-modal options to transport goods between islands and, due to limited harbor space, Hawaii's small market, and the high start-up costs, there is a natural monopoly for water carriers. Thus, there is a critical role that the water carriers play in ensuring the affordable and timely delivery of goods between the islands to support the individual economies of each island and for the entire state.

- If a water carrier is not able to sustain its operations, the lack of alternative transportation options and the importance of the affordable and timely transport of goods will have a significant and adverse impact on the State's and neighbor island economies.
- Without adequate profitability, the ability for a water carrier to access capital to replace equipment and to improve its services may be limited.
- **What are the significant (negative) ramifications of us not addressing this issue?**
  - On a macro level, if the water carrier is unable to achieve profitability, as mentioned earlier, there may be a significant and adverse impact on Hawaii's state economy as well as on each of the neighbor island economies.
  - On a micro level, if the water carrier is unable to achieve sustainability and demonstrate profitability, it could:
    - Encounter issues with timely payroll and employing its work force.
    - Encounter issues with timely payments to local vendors (and out of state vendors)
    - Encounter issues accessing affordable capital
    - Encounter issues with meeting sailing schedules and providing services.
    - If the water carrier continues to subsidize unprofitable low volume services, with profits from high-volume cargo, they will not have the funds necessary to pay their workers, debts, and operations. If they charge higher across-the-board rates, they may end up sacrificing their high-volume cargo (e.g., container forwarding from mainland ships).
    - If container customers are subsidizing low volume cargo by paying more, they will shift to cheaper transport services.

Articulate Small Group Goal or Objective:

- 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.
- Return to the AFRA rate adjustment process to catch up with its bill payments and keep up with rising costs: from labor, supplies, overhead,
- Create a short-term rate increase to offset the decrease in intra-state shipping, down 20% since beginning of Covid-19
- Make LCL profitable.

What is the desired outcome you are trying to achieve?

- Solutions that balance the need to enable an intrastate water carrier to be profitable without adversely affecting customers and the economies of the neighbor islands and the entire state.

Prioritized List of Actions or Strategies to Address Goal or Objective:

- Create/find subsidies for the less profitable activities
- Make the unprofitable activities more efficient and improve cost control.
- Create an additional cost-of-labor rate for LCL cargo. This would capture uncompensated labor costs necessary for LCL cargo versus lower labor costs required for High-Volume cargo services.
- Reducing labor related costs and labor hours through managerial decisions that make more efficient use of labor force.
- YB should be given the ability to charge a flexible at-cost-for-processing rate for low volume cargo, instead of a rate structure that is structured around high-volume cargo.
- **Subsidy for the less profitable activities**
  - Create a subsidy for all inter-island goods that aren't profitable, but vital for survival, such as eggs and milk.
  - Increase State or federal money or allow YB to change the rates specifically targeting less profitable but critical goods.
  - Charge more for the profitable cargo (e.g. high-volume cargo forwarding) to make up unrecovered costs for less profitable cargo.
    - Key deterrent is customers may choose to take their business elsewhere because of expensive prices.
- **Make the unprofitable activities more efficient (decrease the cost to the water carrier)**
  - Use alternate hub to serve least profitable routes, such as Oahu direct to Molokai and Oahu direct to Lanai, however there are negative outcomes: This would add more labor touches and complicate logistics because destination cargo would have to be split between perishable and non-perishable. Refrigerated and non-refrigerated containers, LCL, livestock etc. all benefit from spending less time at sea and in Young Brothers hands. Ships in the past would make multiple stops around Maui County, also at two ports on the Big Island
  - Reduce the amount of offloading and movements required to get a container from point of origin to destination
  - Increase efficiency for processing paperwork and customer service.



- **Create an additional cost of labor rate for LCL Cargo**

- This solution was derived from discussions revolving around the sources for the high cost of LCL cargo but was not directly discussed.
- Further discussion is needed to determine how new pricing for LCL shipping could be set and adjusted as the economics of shipping shift.

Actions or strategies also have to take into consideration restraining forces that may prevent you from achieving your goal or objective. You may have identified relevant restraining forces from the FFA or generated new ones that have to be addressed.

- Need to balance customer needs when making any changes to the rates and services.
- Limited space to make significant operational changes that might require more space.
- Availability of affordable capital to make investments to improve efficiency
- Contacts and CB agreements that limit the changes that a water carrier can make to operations.
- YB is taking on debt due to under-utilized labor and overhead expenses during Covid, until cargo volume returns with the return of the tourist population.

Prioritizing actions or strategies i.e., important ones need to be addressed first to create momentum for your plan.

- Identify what items are the biggest losers, then find an alternate way to get them to where they need to go, whether by smaller ships, freight forwarder, or air cargo.
- Actions by other stakeholders may be required before significant changes to improve water carrier profitability can be made. For instance:
  - Before modifying rates, subsidies should be sought and made available to high-cost cargo to serve customers.
  - Before modifying sailing schedules or stops, there may need to be other infrastructure improvements and other financing requirements to facilitate any sailing schedule change (e.g., building more warehouse space (both with and without refrigeration), making available capital to vendors who may need to switch to larger, less frequent sailings, etc.)
  - Buying or leasing a smaller ship may be time consuming and costly for YB to procure. Its smallest vessel AMS 250 <https://htbyb.com/wp-content/uploads/AMS-250.pdf> which is also capable of roll on and roll off cargo is mostly being used for Lanai and Molokai but sails from Oahu currently with a lot of empty capacity, and since it's occupied with those sailings the larger barges are reserved for the Big Island, Maui and Kauai.
  - One path forward to consider would be for Young Brothers to develop a method to increase efficiency for low-volume cargo organization, receiving, and handling.

Possible Topics for future discussion:

- Incorporating an online booking system for LCL cargo and low-volume customers.