

## PUC Water Carriers Working Group Meeting

November 19, 2020, 1:00 – 3:00 p.m.

(Virtual Meeting via Zoom)

### Meeting Attendees (in alphabetical order)

P = Present; A= Absent

	<b>Name</b>	<b>Title</b>	<b>Company</b>
P	Arlina Agbayani	Committee Clerk	Office of Senator Inouye
P	Jay Ana	President	Young Brothers, LLC
P	Vic Angoco	SVP	Matson Navigation Company, Inc.
P	Jesse Andrade	ILWU Member/Unit 4209 Chair	International Longshore and Warehouse Union, Local 142
A	Henry J.C. Aquino	Representative	House District 38 / Chair, House Committee on Transportation
P	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	Kirk Caldwell	Mayor	City and County of Honolulu
A	Michael Caswell	SVP	Pasha Stevedoring & Terminals L.P.
A	Catherine Awakuni Colón	Director	Department of Commerce and Consumer Affairs
P	Derek J. Chow	Deputy Director	Department of Transportation, Harbors Division
A	Stacey Crivello	Community Liaison	Maui County Mayor's Office
A	Michael Dahilig	Managing Director	Kauai County – Office of the Mayor
P	Mary Alice Evans	Director, Office of Planning	Department of Business, Economic Development & Tourism
P	Lisa Hiraoka	Analyst	Department of Commerce & Consumer Affairs – Division of Consumer Advocacy
A	James P. Griffin	Chair	Public Utilities Commission
A	Justin Gruenstein	Deputy	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	Steve Hunt	Deputy Finance Director	Hawaii County
P	Lorraine R. Inouye	Senator	Senate District 4 / Chair, Senate Committee on Water and Land, Majority Whip
p	Wanda Kakugawa	President, Market Trends	Market Trends Pacific
P	Richard Kamoe	Vice Division Director of Hawaii Longshore Division	International Longshore and Warehouse Union, Local 142
A	Gilbert S.C. Keith-Agaran	Senator	Senate District 5 / Senate President designee
A	Harry Kim	Mayor	County of Hawaii
P	Keith Kiyotoki	Manager of Sales and Marketing	Young Brothers LLC
P	Chris Lee	Senator	Senate District 25/Chair, Senate Committee on Transportation
P	Chris Martin	Director of Operations	Young Brothers LLC
P	Reiko Matsuyama	Budget Director	Kauai County – Office of the Mayor
A	Mike McCartney	Director	Department of Business, Economic Development & Tourism
P	Kris Nakagawa	Vice President of External and Legal Affairs	Young Brothers LLC
P	Mark M. Nakashima	Representative	House District 1 / House Speaker designee
P	Jayne Nantkes (for Rep. Aquino)		House District 38 / Chair, House Committee on Transportation
P	Dean Nishina	Executive Director / Consumer Advocate	Department of Commerce & Consumer Affairs – Division of Consumer Advocacy
P	Dori Palcovich (for Mike McCartney)	Administrator for the Small Business Regulatory Review Board	Department of Business, Economic Development & Tourism

P	Stevette Santiago	Director of HR	Young Brothers LLC
P	Phyllis Shimabukuro-Geiser	Chairperson	Department of Agriculture
A	Michael P. Victorino	Mayor	Maui County
Public Utilities Commission Staff			
P	Jodi Endo Chai	Executive Officer	Public Utilities Commission
P	Michael Chapman	Economist	Public Utilities Commission
P	Amanda Hustrulid	Attorney Trainee	Public Utilities Commission
A	Steven Iha	Consultant	Public Utilities Commission
P	Carolyn Laborte	Acting Chief Auditor	Public Utilities Commission
P	Naomi Landgraf	District Representative – Maui	Public Utilities Commission
P	Andrew Okabe	Utility Analyst	Public Utilities Commission
P	Anand Samtani	Supervising Economist	Public Utilities Commission
P	David Mattice	District Representative – Hawaii Island	Public Utilities Commission
P	Gina Yi	Acting Chief Engineer	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 fourth meeting of the Water Carriers Working Group (WG), which was established through Senate Resolution 125. He introduced people who were new to the group:

- Senator Chris Lee, who is the new Senate Transportation Committee Chair
- Wanda Kakugawa and Stevette Santiago from the YB team, working on the Customer Service Strategy Plan

Leo noted that Senator Inouye was welcome to stay on the WG. She confirmed that the President had already notified her that she'd stay on the WG as the Senate representative. Lorraine introduced Arlina Agbayani from the Senate Committee on Water and Land.

Leo thanked the group for their continued participation.

## Housekeeping

Donna reminded the group that they should have received the Stakeholder Excel spreadsheet that was sent out with the group memory from the October meeting. This document will continue to be updated. If there are any additional suggestions, please email them to Donna.

### Group Memory

Donna asked if there were any corrections that need to be made to the group memory from the October 15<sup>th</sup> meeting. There were no corrections suggested.

## Presentation – Commercial Shipping: How goods get to the Neighbor Islands

Vic and Jay presented information on how goods get to the neighbor islands (*see slide deck*). Matson, Pasha and YB put the presentation together to help clarify how the three carriers move cargo – how it gets here from 3 west coast ports and through Honolulu to the neighbor islands. The presentation is also intended to help clarify the differences between Interstate, Intrastate, Stop in Transit (SIT), and the different types of Less than Container Load (LCL) cargo.

The following is a recap of the highlights of Vic’s presentation.

### Interstate Cargo

- Comes from the West Coast (Seattle, Long Beach, etc.) and is transported to barges that then move the loads on to neighbor island ports.
- Pasha has a couple of RORO ships for interstate cargo that can go to the neighbor islands.
- Cargo starts at a distribution center or warehouse on the West Coast, goes to a port and is loaded on an interstate ship. In Honolulu, the cargo comes off and is transferred to a barge to go to the neighbor islands. At the neighbor island port, the cargo is offloaded and trucked to various locations. ~~3 vessels arrive each week. Pasha has 2-3 vessels a week.~~ (Correction: Five to six vessels arrive each week from the West Coast. Matson has 3 sailings and Pasha has 2 to 3 sailings each week.)
- YB and Matson barges sail to the neighbor islands.

### Intrastate Cargo

- The cargo originates in Honolulu and is transported from one Hawaii port to another.

### Stop in Transit (SIT)

- Originates on the U.S. mainland. Matson and Pasha carry to Honolulu.
- The customer must declare upon booking that the container and booking will be SIT.
- No intrastate cargo is allowed in these containers.

- TAG is an independent third party contractor that inspects SIT containers and sends reports to the carrier and PUC. They will assess a fine if the container is found to have intrastate cargo. The PUC can assess a fine as well.

#### Less than Container Load (LCL)

- While YB carries full container loads, what makes us unique in our industry is we also handle LCL. ~~We're the only ones who do this in the state.~~ (**Correction:** YB is the only CARRIER who does this in the state. However, freight forwarders also provide this service to their customers and tender the cargo to YB as either LCL or as a full container load (FCL) if they have enough cargo for a neighbor island port.)
- YB handles cargo from both jurisdictions. The LCL is strictly an intrastate service.
- LCL is a mixed container service offering. Customers can bring in cargo, deliver it on their own and load into the container on their own. Once the container is full, we close it up and put on the barge. This happens once a week on Oahu. Same on neighbor islands.
- The mixed cargo process sometimes causes backup for our lines because individuals and commercial entities have to load the cargo themselves.
- There's also LCL palletized cargo service. Commercial entities drop off cargo that is loaded onto a pallet. We consolidate pallets onto flat racks. The customer has to shrink wrap/protect cargo on their own. We move the cargo on to a barge and to its final destination. Container handlers operate lifts to take cargo and move onto the barge.

#### Full Container Load (FCL)

- With FCL's we have customers with inter- and intrastate travel. The full container load customer comes in at one time and we load onto the barge (vs. LCL which has to be dropped off, consolidated, etc.)

#### Q&A

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

Q: DOT: I want to clarify for the group that any cargo that originates in the islands cannot go into a SIT container. Is that correct?

A: That's correct.

Q: And any palletized cargo will go into mixed cargo container – correct?

A: Yes. (**Comment from Vic:** Might need clarification on this from YB. I don't believe palletized cargo is loaded into a MIXED container. Palletized cargo is loaded onto flatracks before loading to the barge.)

Q: What category does cattle fall into? What about perishable agricultural products?

A: It depends on where it originates and where it's destined for. Matson does carry cattle and agricultural products.

A: On the YB end, we carry livestock in LCL and FCL fashion. Depends on how the shipper is packaging things (e.g., something like a horse. Usually there's a trailer transport. If it's large enough, it might fill a full container's worth.)

C: Another point of clarification – if agricultural product is produced in Hawaii, but ends up on Molokai /Lanai, it has to come to HNL first. It is placed on a container or open carrier bound for another island.

C: There is a lot of handling involved in LCL. The consolidation process has to happen twice. Consolidation and deconsolidation.

Q: (To YB) Is there any shipping between Maui, Molokai, Lanai, Hawaii Island and Kauai?

A: All our barges are single destination shipping.

Q: On Hawaii Island, it doesn't go to Hilo and Kawaihae?

A: There is one combo sail a week. Only for Molokai/Lanai.

[Note added by PUC team for clarification on the Q & A directly above] Shipping between one neighbor island and another requires re-consolidation once the shipment lands in Honolulu. The only exemption we're aware of is the chain sailing that goes to Lanai then Molokai. That sailing allows products to be shipped from Lanai to Molokai without reconsolidation.

Q: We didn't see any refrigerated containers in the slides. Do you send many of those that are less than full?

A: Yes. Rough utilization of refrigerated container is about 60-65% on the LCL side. At times it's more, at times it's less. Roughly 65% is consumed. The rate design is more complex. There is a struggle with pricing. Currently for a 40 foot container it is \$1,000. Half of that is \$500. It takes me two of the containers. It costs me more and I don't get paid for that.

A: We're only using 65% of a container load. There is a disparity in pricing for LCL. Unless you price it at a premium, it's always going to require more work than you get paid for.

Q: Where is the Meadow Gold arrangement we have with you from Hilo headquarters? The plan is to increase supply and distribution. Have they talked with you about arrangements and shipments – getting perishables to Molokai, Lanai, etc.? Or do they have to consolidate? If they have distribution heading to Molokai, Lanai and to Kahului, would you ask them to consolidate it all in one container?

A: They would generally use the LCL. They would drop cargo at our ice house in Hilo. We would consolidate on their behalf and then it will be trans-shipped to Honolulu and distributed to other islands. One thing they didn't factor in is all the additional transportation costs that would be incurred when they made Hilo their hub, but YB is trying to work with Meadow Gold to ease their transition. We can't alter things just for one customer.

Q: Did I hear that that if something comes on Matson via Honolulu, continued shipments of cargo go onto the YB barge service or Pasha to get to the neighbor islands? Did I hear that correctly? **(Clarification: To clarify, cargo coming from the mainland on Matson ships will ride through on a Matson barge to the neighbor islands. However, we also utilize YB for overflow and to get cargo to neighbor islands that need to get their sooner than our barge schedule, such as to Kauai. Pasha depends on YB to move all their containerized cargo to the neighbor island ports.)**

A: Pasha does the same thing. Pasha has a RORO ship that comes to Honolulu and goes directly to neighbor islands.

C: I want to clarify that nothing that originates in Hawaii gets on barge and goes to Kahului and Hilo. Interstate cargo only.

Q: I want to clarify the picture of the routes for interstate. No lines to Molokai and Lanai? Is any interstate cargo sent to those locations? Or you would transfer to barge first?

A: We would transfer to YB.

A: It would be offloaded in Honolulu, then put on barge to Lanai and Molokai. The barges go to Hilo and Kawaihae. The container ships don't.

Q: Are there any interstate Matson ships that make stops in Hilo?

A: Yes – just not to Molokai and Lanai. **(Clarification: To clarify, a Matson ship with roro capability can call the ports of Hilo and Kahului. This is not a regular service but one that can be done if there is a requirement to move a large amount of vehicles or equipment.)**

Q: Who makes stops in Port Allen? Are there any regularly scheduled stops in Port Allen?

A: No, not that I'm aware of.

Q: In response to earlier information that they provide LCL and full container for agricultural products, we've heard that there are some ongoing issues around YB proposing to eliminate this or require different containers for livestock. Is this correct?

A: That is incorrect. We never said people were required to use trailers. The issue is concern over additional costs.

C: We created a working group about the livestock side of the rate increase case. They've been working during COVID. Can someone provide an update on that?

A: Jay: We're working with Hawaii Cattlemen's Council (HCC) and the DOA. HCC, at their recent annual conference, announced a program whereby shipping of livestock would get a certification of shipping device. Once certified by a third party, we'd accept that cargo. Currently, we see some makeshift homemade boxes. We want to make sure the livestock is safe and also that the people are safe. We can't have any wild animals on the barges or piers. The Cattleman's Council meeting was last week.

C: I think it is CTAHR, not the DOA.

Q: Vic and Randy, are any portion of your services, interstate or intrastate, regulated under the PUC?

A: All our moves are interstate, so are not regulated under the PUC. Likewise for Pasha.

A: Interstate and international cargo does move directly to neighbor island on occasions, e.g. wind farm equipment.

Q: What are the rough proportions between interstate and intrastate?

Q: Are you asking about how much volume is moved between interstate and intrastate?

A: Yes.

A: I don't know. I'm only talking about FCL vs. LCL. Normally we can use 65-70% vs. 30% intrastate vs interstate cargo mix. This year we're seeing more interstate cargo because there's a lot less intrastate cargo.

A: Cargo is driven by population consumption. 80% of the cargo that comes to Honolulu stays in Honolulu. This is roughly the population differential.

A: In general, of all the cargo that comes into Oahu/Honolulu, 20% is distributed out. The vast majority is interstate.

Q: Of the 20% that goes intrastate, is the 70/30 split YB and Pasha?

A: Exactly. The general proportion of cargo is probably accurate.

A: The 30% is a portion of the 20% that Randy described. 70% of the cargo gets generated within our state or wasn't designated originally as SIT product. It could be something like aloha shirts. That's intrastate product.

A: Remember – Pasha Hawaii utilizes YB to get to neighbor islands. Matson handles the majority of their own. That adds to those percentages.

Q: Are Pasha or Matson prohibited from going directly from the West Coast to a neighbor island?

A: No, they can go directly to those ports.

C: I ask because hopefully TMT will be built and at that time, there will be a lot of shipments. I was wondering if they'll have to stop in Honolulu.

A: A Matson vessel couldn't fit into the harbor at Kawaihae. If a ship is going to Hawaii Island, unless it's a self-unloading ship, it would have to go to Hilo.

C: For the last large telescope, Matson carried the mirror here to Honolulu, then it was barged to Kawaihae and trucked up the mountain.



C: Each of the harbors has structural limitations and channel size issues that affect barges coming in.

C: In an average year, we see 20 million tons of cargo brought into Hawaii. Of that, 72% comes in containers, 7% autos and trucks, 9-10% general merchandise (like lumber), fuel and oil is 4-5%, passengers from cruise lines (6% from total vessel), other is mixed cargo. A majority of these are containers and a majority of it stays on Oahu.

Q: About the PUC regulations, understanding that you aren't regulated by the PUC, what mechanisms do you use to adjust rates?

A: The Surface Transportation Division has to approve or disapprove rate adjustments. This is at the federal level.

Q: Is the process similar to what YB has to go through?

A: I don't know, but I know when rate increases are put in/filed it takes about 30 days to get anything approved.

C: Donna: Thanks for helping the group see that larger picture of the ecosystem you're operating in. It's very complex.

C: If you want to see what our operation looks like on your island, let me know and we can arrange that under safe conditions.

C: Donna: I did that with my Ag Leaders. If you see it in person, you better understand the complexity of safely getting things moved around properly.

C: Chris Lee: I was one of Donna's Ag Leaders back in the day. I'd like to take you up on that offer when the time is right.

C: Donna: I'm a big believer in taking a step back and looking at the larger picture. There's no doubt that Oahu has an important role to play in the whole system but as we're looking at longer-term recommendations, we need to look at the larger system.

### **Update on Sub-committee Focusing on Stakeholder Input**

Mary Alice reported (on behalf of Dori and herself) that they were tasked with coordinating a stakeholder listening session with Phyllis at the DOA. They decided it might be better to have two separate sessions – one for ag folks and one for non-ag folks.

They've been trying to gather contact lists of YB customers and business customers (receivers or shippers). It's been a bit of a struggle. There's an issue we want to raise. After reviewing the YB customer satisfaction plan, we brought to Donna's attention that stakeholder listening sessions might appear to stakeholders to be duplicative of YB's efforts. We're all having Zoom fatigue so to sit through what appears to be overlapping sessions may turn people off. We don't want to make it more difficult for YB to conduct their customer

satisfaction assessment process. We want to make sure our groups don't duplicate that process.

Can we have some feedback from the YB folks? Help us clarify the roles that the listening sessions will play for the Water Carriers WG and also for the PUC ordered customer satisfaction strategies?

Jay: I feel like the more engagement the merrier. There might be some overlap. I need some time to think about your concerns.

With Donna's help, Dori and Mary Alice have arrived at a positive approach for the listening sessions, to shift them from gripe sessions to problem-solving sessions. With careful facilitation, we can try to do that. It could provide YB with some larger concepts to watch for in your customer satisfaction plan – it might narrow the gaps between concerns and customer outcomes.

We would want to work with your team to make sure we're not contributing to a sense on the part of the stakeholders that there is duplication or time being wasted.

Donna: One of the things about this effort is that Mary Alice and Dori can be viewed as an impartial advocate for this process. It might be viewed by participants as an opportunity to speak more candidly. A lot of the info will be consolidated so no one person or group is identified. This process might identify some significant common themes that resonate with a lot of customers and can potentially be looked at as priorities. A lot of times in these kinds of listening sessions you get out of your own narrow self-interest when you hear the interests of others. You see your interests in the context of other's needs. This could help the customers understand their interests in context. Maybe a small committee can work with Mary Alice and Dori to discuss how to utilize their efforts to the benefit of the WG and YB. Maybe we can schedule that in the future.

Mary Alice: We would like to work with whoever Jay identifies on this.

Wanda (YB Consultant): I agree that having someone outside conduct these sessions is very important for a non-biased approach. We're in the process of doing this. I will speak with Jay and YB on coordinating with you. I'd like to get your input on the survey and our approach. [ACTION]

Derek: A reminder that before this WG was established, I had been meeting with various ag industry people. I'm now reaching back out to them to see if they are open to idea of creating partnerships so there's more predictability in the kinds of goods and amounts of goods. So that if there's any conflict, we can modify. I met with the Hawaii Food Alliance and attended a meeting with the Kauai Cattlemen's Council. I spoke with Mayor Kawakami. I've reached out to other Kauai ag folks but haven't gotten anything back yet. I also want to reach out on Maui and Oahu – to whoever is interested in a facilitated discussion between the ag industry and the water carriers.

Jay: We were approached in 2019 by ag producers, farmers and cattlemen about creating new sailing routes or additional sailing time. It comes down to what's profitable for carriers. If there isn't sufficient volume, then it's a difficult position to put carriers and DOT in.

Donna: I'm glad that Vic and Jay did their presentations at the beginning of the session today so that everyone now sees the complexity of coordinating all these efforts. I also want to applaud Derek's efforts.

I'm seeing that there are several different efforts going on at the same time. We want to understand the system and the needs and then we can bring others in. If we're going to resolve issues in a way that meets the needs of the most people, there needs to be a conversation between the users and the providers to find out what's needed and what's available, as well as what technology is out there. We're looking at how to be most efficient and cost effective. Let's keep all of this in mind as we move forward.

### **YB Summary of Customer Service Strategy**

Jay introduced Wanda more formally. Wanda represents Market Trends, who YB has engaged to facilitate this customer service strategy. She has a wealth of experience. She's provided 20 years of survey service to YB so she knows the customers. She's also done this with HECO, MECO, HELCO, Spectrum, Y. Hata and CPB.

He also introduced Stevette Santiago and Keith Kiyotoki. Stevette is part of the new leadership team with YB. She is a former YB customer – the Kings Hawaii division of Y. Hata. She's now the director of HR for YB. She's had operations experience and can provide some feedback and input. Keith runs YB's sales group. Keith and Stevette helped put the customer service strategy together.

The following is an overview of the highlights from the Customer Service Strategy that Wanda and Stevette presented (*see slide deck*).

Stevette:

- Thanks for letting us present.
- From a neighbor island perspective and a customer perspective, we know how important YB is.
- Wanda has provided a helpful external perspective.
- There is more intensive information behind all this. We can share more as needed.

Wanda:

- I applaud YB for the time they spent to come up with the draft of the Customer Service Strategy.
- This is not an overall strategic plan. The focus is entirely on customer service.
- This represents two and a half to three months' worth of work.

- A 12 member team, representing each part of the company was assembled. We designed the sessions and reviewed why this was needed
- The next 5 or so sessions were an analysis of the customer experience.
- We took the historical data, 20+ years of survey data and internal information and knowledge to identify what the current customer experiences are.
- The good news about doing this is seeing the alignment between what we knew and their feedback and also what the internal team identified as the customer experience. You want to find that alignment – the internal and external experiences were consistent.
- We moved to doing a SWOT analysis – Strengths and Weaknesses internally. Opportunities and Threats externally.
- Next, we did a gap analysis. We did one session but realized we needed to do more sessions on gap analysis.
- We took the current customer experience and then identified the desired state. We asked, in 2-3 years, where do you want to be?
- Going through the gap analysis, we reviewed the current experience, the desired state and the gap between them. We asked, “What’s preventing YB from reaching the desired state?”
- We identified reasons for this gap and why we’re falling short of the desired state.
- We assessed where we are, where we want to be, what the barriers are, what are some of the solutions. We created action items, steps and plans.
- Finally, we created or came up with a customer service vision, defining what is the customer service experience that YB wants to deliver and become known for and that internally everyone will work off of and live and breathe.
- An excellent exercise to go through. We will circle back with all stakeholders. We will have employees and staff share the plan and get input and buy-in to the plan and the action steps.
- We recognize that this is a living document and we will review it every year.
- The 6 initiatives are in no particular order:
  - Develop a new training program
  - Develop a Customer Experience Ombudsman Role
  - Invest in customer-focused technology
  - Hold regular internal and external listening sessions
  - Expand customer communications
  - Designate Customer Experience management committee
- Here are our findings:
  - The internal and external listening sessions are really important.
  - We want to expand resources and ways to engage customers.
  - We designed a customer service experience management company. That’s about accountability.
  - We can put together a great plan but without assurance of implementation, it is meaningless. We are committed to ensuring we meet the goals.
- Our customer Vision statement is “Connecting Hawaii with Efficiency and Aloha.” This is the current statement, but it may change as we engage with internal and external stakeholders and get feedback from them.

- The next steps are to address the initiatives and create a process that seems manageable.
- We asking ourselves, “Who will own each initiative? What can we achieve in 2021? What will success look like? How are we going to measure it? KPI?”
- The leadership team has started the process of identifying the owners of each of the initiatives.
- We’re also identifying the “hows” and are looking at timing.
- These are good solid steps but there’s still lots of work to be done. Stakeholder input is important. The key is to share part of the plan and get input.
- This is a living document and will be subject to modifications/updates. We are in the process of collecting feedback and appreciate your collaboration with us on this.
- Understanding the financial costs, labor time, etc. is an important step. It’s important to determine feasibility and costs. That has to be done and we will make modifications along the way. We will submit quarterly progress reports to you and keep you engaged in the process.

#### Q&A

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

Q: The formation of the 12 member project team, is there a breakdown of the makeup of that team? Or is it strictly management?

A: It is an all management team, but the members come from all parts of the business – customer service, operations, billing.

Donna: If there are any more questions, maybe Wanda can come to the next meeting and answer additional questions. If you have any questions between now and the December meeting, please send them to Leo or me and we’ll make sure YB gets them and can respond before the December meeting. [ACTION]

#### **Update/Continuation of Harbors Report**

It was agreed that Steve would present the Lease portion of the Harbors Report but would defer the shipping volume presentation to a later meeting, due to time constraints.

#### Leases

- The intention was to look at YB locations where there is a percentage increase in rates.
- I’ve seen how much influence real estate plays in so many businesses. So we looked at how much the real estate expenditures are as a portion of the overall expenditures for YB.
- There are very few leases – only three. In discussion with harbors, I learned that the funding for capital improvements was done through tax exempt municipal bonds. A lot have been shifted to revocable permits that are governed by Hawaii Administrative Rules (HAR).

- The three leases are ongoing. Two had re-openings that are back dated and being contested through dispute resolution. Currently paying \$561 K a year for the Honolulu port. Still at \$716 K.
- The leases are month to month. It is \$31,300 monthly to pay for the aggregate of the revocable permits. These are established through appraisal. If it is a defined space, it becomes a revocable permit.
- Per the Administrative Rules, usage fees (HRS 266) on storage are governed by HAR §19-44-43. In looking at revocable permits and leases, there are \$960 K a year in total real estate costs to YB. They have a total operations costs of \$157 B, so that is 0.6 of a percent represented in real estate. This was a useful exercise but there isn't going to be a significant amount to be saved by looking at the leases, from a financial perspective.
- This only covers Honolulu Harbor and Barber's Point arrangement for stevedoring equipment.
- The operational location of many of these revocable permits is often very isolated from the total operations. Moving forward, I would recommend that YB and harbors work more closely together on Pier 41 – on a workflow, how goods and products are dropped off and at less isolated facilities so that the equipment is not having to move back and forth so much.
- Lease – nothing alarming or concerning about the rate increases.

## Q&A

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C: As a point of clarification, the relative annual operating expenses for YB should be closer to \$135 B. The point remains that for leases and real property, it's less than 1% of our total costs. We do pay wharfage. The gross is about \$32 M annually. We serve as a pass through – remit to DOT harbors. Not factored in the \$1 M but revenue we're generating for the state

C: Derek: Here's a caveat. I'm not familiar with the details for real properties and leases. Some are outdated and we're in the process of sending them for contemporary appraisals and some pricing could change. A good part of their cost are the fees we charge – wharfage, etc.

Q: Steve – do you have a team to work with you on the other part of this?

A: I'll be working with YB. They'll provide me with operational information about the percentages of capacity being met. Mandating certain routes may not be the best way to move forward.

A: Derek: We have a statistician and a treasurer who can help with this.

C: Thanks for volunteering to do this Steve.

- C: Donna: You mentioned the recommendation about YB & Harbors Division working together on the Pier 41 issues. It could be voluntary between the two, but if it doesn't progress, then maybe the WG can assist in some way? If it naturally works out, it doesn't have to be a recommendation from this group, but if not, then this group could undertake it. From the existing operations, particularly in Honolulu Harbor, there seems to be some functional obsolescence.
- C: In the ongoing discussions, some of the challenges are just around availability of space. We're operating on Piers 39 and 40 and trying to find efficiency in those spaces but we can't create more island. We've talked about moving our administrative office. I want to assure the group that this is a discussion that we've continued to have with Derek and his team. They are aware there are limitations on the spaces. A lot of the inefficiencies on the neighbor islands are because of our location. Managing consolidation as well as straight loads. All based on tonnage. Ours accounts for LCL – more space but less tonnage. It's like playing football in a 25-foot area.
- C: Donna: If you or Derek see ways in which the WG can be of assistance in a positive way, keep that in mind.
- Q: This question is for Derek. With this report, is there any drastic changes to what we've already approved with Harbor on modernization?
- A: Derek: As Jay's referring to, the configuration of space occupied isn't ideal for their operations but consolidation in some areas in that space isn't conducive for some of the loads required. We're out there making sure they don't use certain equipment. Kapalama terminal is coming online in 2023. It will be a major benefit to Pasha right away. Hopefully in the future it will also be a benefit to YB. It will allow us to reduce the amount they pay for Piers 39 and 40.
- C: I guess in the near future, we'll have to revisit the usage space for YB. We approved a lot that had to do with infrastructure. If useful to the group, I'd be happy to share about the new Kapalama container.
- C: This ties back to Steve's task. It may not change his recommendation, but if it helps people understand how it improves operations, then we should share it.
- C: Donna: Steve's task on the shipping volume will take more than between now and the next meeting. Let's put that report off until our January meeting.
- Q: Derek, can you do a presentation at next meeting in December about the Kapalama plans.
- A: I can share the conceptualization of YB's use of the area. It's not final yet. [ACTION]
- C: Donna: If there are any other questions for YB on the customer service strategy, we'll give them a chance to respond at the next meeting. Is there anything else for the

December agenda? We might be ready for Force Field Analysis. We might now have enough context for this.

Q: Can you go over where we're at in this whole process Donna?

A: We needed to have enough context to understand what is happening in this situation so we can think about recommendations. Today was great. Given the information we have, we may now begin to start synthesizing it to determine where we want to focus. I'm thinking about the process to move us to the next steps. The small work groups are good. We're moving in the right direction. I'm hoping we'll feel confident about starting to really focus in the next few meetings.

### **Report on Andrew's Breakout Sessions on YB's Finances & History**

We offered up to 9 sessions to provide context on the gaps. There is background material in WG Meeting #3 folder. We had two sessions, one for administrative review and organizational reasons. We had a second session on November 4 where additional questions were addressed. We recorded one of the sessions and the recording is available in the public folder. The materials include written responses from Commission staff as well as YB for any of the questions that were asked.

### **Next Steps**

Donna wrapped up the meeting by wishing everyone a wonderful Thanksgiving with safe practices. We'll see everyone back here on December 17.

### **GROUP AGREEMENTS:**

- There were no specific group agreements at this meeting.

### **ACTIONS:**

- Wanda will speak with Jay and YB about coordinating with Mary Alice and Dori on the intersections of the listening sessions and YB's customer service strategy plan.
- Any additional questions for Wanda on the customer service strategy plan can be sent to Leo or Donna between now and the December meeting.
- Derek will do a presentation at the December meeting about the conceptualization of the Kapalama plans.