WATER CARRIERS WORKING GROUP – SUB-COMMITTEE ON RATES

Potential Operational Changes – Prior to Rate Discussion

Reservation System
Consolidation – on or off premise
Deregulate LCL?
Reconfigure Piers and Traffic Flow
Create more Efficient Routes
Other Operating Efficiencies

Considerations for Rate Setting – After Operational Changes

Fixed Costs
  Harbor Leases
  Debt Service
  Equipment Leases
  Medical Premiums
  Retirement Contributions
  Salaried Employees
  Replacement/Deferred Maintenance
  Storage Rental

Variable Costs
  Hourly Wages and Overtime
  Fuel Costs
  Utility Costs

Pass-Through Costs
  Wharfage
  Taxes

Return on Investment
  Rate of Return for Invested Capital
  Operational Return for Risk
Rate Setting Considerations

Option #1 – Price each route at levels to ensure reasonable profitability for each route

Option #2 – Price all routes at standardized rates to smooth out both profitable and unprofitable routes while ensuring an overall reasonable rate of return

Other Considerations

Set rates on prioritized needs or desired outcomes

Lower rates – Ag products, livestock, farm equipment and supplies, medicines, essentials (toilet paper, toothpaste, etc.), renewable energy materials, electric vehicles

Higher rates – luxury goods, alcohol, cigarettes, sugary items (soda, candy, etc.), vehicles (maybe with value cap)

Standard rates – construction materials, furniture, imported food, electronics

First class rate for fixed routes vs. regular rate for a flexible route

Avoid future large rate adjustments by allowing an annual COLA tied to Honolulu CPI-U (say for 5 years) to be applied to new rates

How to address volume fluctuations?

Emergency pricing

Triggers to enable emergency pricing and/or revert to regular pricing (scalable?)