

PUC WCWG Small Group Status Reports  
For Meeting on 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?

R: 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.

R: 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?

R: 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.

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

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.

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## ACTIONS

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.

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

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

The representatives agreed to provide advice and assistance where possible in the creation of a federal program to provide broad and directed federal subsidies for water borne cargo transportation to and within Hawaii.

Given the State of Hawaii and counties of Hawaii's poor financial situation as a result of the covid pandemic, the Subsidies Subgroup agreed that the State or counties could not create or consider creating a state or county subsidy for cargo transport at this time.