

SR 125 Water Carriers Working Group – Subsidies Subgroup Recommendations June 2021

Recommendation 1

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

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

Hawaii's communities are mostly dependent on the import of goods. Over 80% of goods consumed in Hawaii are imported. Of that imported, over 98% is transported as waterborne cargo.

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

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

To reduce the cost of imported goods, a broad subsidy for trans-Pacific and interisland cargo is being sought by the Subsidies Subgroup. Sources of the subsidies may be from existing or newly created federal, state, and county government programs.

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

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Recommendation 2

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

1. Justification/Compelling Reason

Hawaii's communities are mostly dependent on the import of goods. Over 80% of goods consumed in Hawaii are imported. Of that imported, over 98% is transported as waterborne cargo.

The cost of shipping is reflected in the cost of imported goods consumed in Hawaii. Shipping of goods to Hawaii can be as much as 7.5% (per a 2015 study) of the cost of the goods.

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

To reduce the cost of imported goods, a broad subsidy for trans-Pacific and interisland cargo is being sought by the Subsidies Subgroup. Sources of the subsidies may be from existing or newly created federal, state, and county government programs.

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

The federal representatives acknowledged there are no federal subsidies specifically for waterborne cargo. There is a federal subsidy for aircraft transportation to disadvantaged areas such as the islands of Molokai and Lanai, and part of the Big Island. The USDOT Essential Air Services (EAS) Payment to Air Carrier program requires an air carrier to apply to the USDOT and win a bid for the program.

The federal representatives agreed to provide advice and assistance where possible in the creation of a federal program to provide broad and directed federal subsidies for waterborne cargo transportation to and within Hawaii. The program for waterborne cargo subsidies will require legislation in Congress before the USDOT makes it available.

Currently, there are federal subsidies for certain agricultural products. Agricultural subsidies programs include:

- Reimbursement Transportation Cost Payment (RTCP)
www.fsa.usda.gov/Assets/USDA-FSA-Public/usdfiles/FactSheets/rtcp_facts_sheet.pdf. 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
 - 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

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.

2. 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.
3. Pros/Cons
 - Pros
 - Reduces cost of goods for Hawaii consumers.
 - Cons
 - Reduced costs of goods for Hawaii cargo will be borne by the taxpayer.
4. Identify any preceding steps to undertake or outstanding items to address, if any
 - Consult with the USDOT in the preparation of federal program and to ensure implementation is feasible.
5. 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.
6. Costs (if any or readily estimated)
 - Costs of this waterborne cargo subsidy program will be determined at the implementation of such a program.

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Recommendation 3

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

1. Justification/Compelling Reason

Hawaii's communities are mostly dependent on the import of goods. Over 80% of goods consumed in Hawaii are imported. Of that imported, over 98% is transported as waterborne cargo.

The cost of shipping is reflected in the cost of imported goods consumed in Hawaii. Shipping of goods to Hawaii can be as much as 7.5% (per a 2015 study) of the cost of the goods.

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

To reduce the cost of imported goods, a broad subsidy for trans-Pacific and interisland cargo is being sought by the Subsidies Subgroup. Sources of the subsidies may be from existing or newly created federal, state, and county government programs.

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

The federal representatives acknowledged there are no federal subsidies specifically for waterborne cargo. There is a federal subsidy for aircraft transportation to disadvantaged areas such as the islands of Molokai and Lanai, and part of the Big Island. The USDOT Essential Air Services (EAS) Payment to Air Carrier program requires an air carrier to apply to the USDOT and win a bid for the program.

The federal representatives agreed to provide advice and assistance where possible in the creation of a federal program to provide broad and directed federal subsidies for waterborne cargo transportation to and within Hawaii. The program for waterborne cargo subsidies will require legislation in Congress before the USDOT makes it available.

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

2. 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.

3. Pros/Cons

- Pros
 - Reduces cost of goods for Hawaii consumers.

- Cons
 - Reduced costs of goods for Hawaii cargo will be borne by the taxpayer.
- 4. Identify any preceding steps to undertake or outstanding items to address, if any
 - Consult with the USDOT in the preparation of federal program and to ensure implementation is feasible.
- 5. 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.
- 6. Costs (if any or readily estimated)
 - Costs of this waterborne cargo subsidy program will be determined at the implementation of such a program.

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Recommendation 4

Recommend that the Hawaii Department of Transportation lead a committee to work and consult with the Hawaii Senate and House transportation committees, county departments of transportation and county councils in the establishment of local waterborne cargo subsidies program, including the drafting of legislative language.

1. Justification/Compelling Reason

Hawaii's communities are mostly dependent on the import of goods. Over 80% of goods consumed in Hawaii are imported. Of that imported, over 98% is transported as waterborne cargo.

The cost of shipping is reflected in the cost of imported goods consumed in Hawaii. Shipping of goods to Hawaii can be as much as 7.5% (per a 2015 study) of the cost of the goods.

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

To reduce the cost of imported goods, a broad subsidy for trans-Pacific and interisland cargo is being sought by the Subsidies Subgroup. Sources of the subsidies may be from existing or newly created federal, state, and county government programs.

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

The federal representatives acknowledged there are no federal subsidies specifically for waterborne cargo. There is a federal subsidy for aircraft transportation to disadvantaged areas such as the islands of Molokai and Lanai, and part of the Big Island. The USDOT Essential Air Services (EAS) Payment to Air Carrier program requires an air carrier to apply to the USDOT and win a bid for the program.

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

While the State and counties are in poor financial situations because of the COVID 19 pandemic, the Subsidies Subgroup still recommends State and county subsidies be investigated and developed that may be implemented in the future.

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

2. 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.

3. Pros/Cons

- 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.
4. Identify any preceding steps to undertake or outstanding items to address, if any
- Consult with the State DOT, DBEDT, DB&F, and county transportation, economic and budget agencies, in the preparation of the state and county programs and to ensure implementation is feasible.
5. 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.
6. Costs (if any or readily estimated)
- Costs of this waterborne cargo subsidy program will be determined at the implementation of such a program.