

JAN 21 2022

A BILL FOR AN ACT

RELATING TO WATER CARRIERS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that interisland cargo
2 transportation is a lifeline for residents and businesses across
3 the state. In particular, interisland cargo is a crucial source
4 for islands with smaller populations that rely heavily on
5 interisland tug and barge services essential to the State's
6 economy. In response to the growing demand for interisland
7 cargo transportation, the senate adopted Senate Resolution No.
8 125, Senate Draft 1 (S.R. 125, S.D.1), Regular Session of 2020,
9 which requested the department of transportation to provide
10 funding for uninterrupted interisland water carrier service.

11 In 2020, the water carriers working group formed in
12 response to S.R. 125, S.D. 1 to develop near-future, mid-, and
13 long-term recommendations or actions to establish a two-tiered
14 annual rate adjustment process and a broad water carrier
15 agricultural cargo shipping subsidy.

16 The working group developed the two-tiered system to
17 address time-consuming rate cases in response to operational



1 expense changes. The creation of a two-tiered system would
2 reflect inflation-based cost increases while also providing the
3 water carriers opportunities to submit justification to
4 recapture expenses. The working group found that the two-tiered
5 rate system would create financial sustainability and potential
6 profits for water carrier operations in the State.

7 The working group also found that broad water carrier
8 agricultural cargo shipping subsidies would alleviate costs
9 associated with transportation and service across the State.
10 Currently, over eighty per cent of goods consumed in Hawaii are
11 imported, with ninety-eight per cent of goods transported as
12 water borne cargo. Hawaii consumers pay a higher cost for goods
13 than consumers in the continental United States, as shipping
14 costs are reflected in imported goods consumed and purchased in
15 the State. The introduction of subsidies for interisland
16 agricultural cargo would offset transportation costs, primarily
17 for small communities reliant on shipment of goods by barge.
18 Implementation of subsidies would provide universal support to
19 water carriers, cargo users, and consumers.

20 Accordingly, the purpose of this Act is to:



- 1 (1) Establish a two-tier rate adjustment for water
- 2 carriers;
- 3 (2) Establish broad-based interstate and interisland water
- 4 carrier agriculture cargo shipping subsidies; and
- 5 (3) Appropriate funding to the department of
- 6 transportation, harbors division, to fund and
- 7 implement an interstate water carrier agriculture
- 8 subsidies program.

9 SECTION 2. Chapter 271G, Hawaii Revised Statutes, is
 10 amended by adding two new sections to be appropriately
 11 designated and to read as follows:

12 "§271G- Water carrier inflationary cost index. There is
 13 established the water carrier inflationary cost index by which
 14 water carrier rates shall be annually adjusted as follows:

- 15 (1) Tier one: Automatic rate adjustment for each year
- 16 shall be calculated by increasing or decreasing the
- 17 water carrier rate in effect through the end of the
- 18 previous year by the percentage increase or decrease
- 19 in the gross domestic product price index for that
- 20 year; and



1 (2) Tier two: The water carrier shall request an expense
2 justified rate increase for approval by the
3 commission. The commission shall grant approval based
4 on justification from the water carrier to recapture
5 actual costs and proof of performance measures
6 demonstrating a decline in operations, safety, or
7 customer services.

8 The total water carrier inflationary cost index rate adjustment
9 shall exclude fuel surcharges and shall not exceed five per cent
10 per year. The water carrier inflationary cost index shall not
11 account for a water carrier's new capital investment.

12 §271G- Water carrier agriculture cargo shipping subsidy.

13 (a) There is established a water carrier agriculture cargo
14 shipping subsidy to support continuous trans-Pacific and
15 interisland water carrier service. The subsidies shall be
16 established and thereafter subject to an annual increase of
17 _____ per cent pursuant to subsection (c).

18 (b) The department of transportation harbors division
19 shall administer the subsidy program.



1 (c) The department of transportation shall adopt rules
2 pursuant to chapter 91 necessary for the purposes of this
3 section."

4 SECTION 3. There is appropriated out of the general
5 revenues of the State of Hawaii the sum of \$ or so
6 much thereof as may be necessary for fiscal year 2022-2023 for
7 an interstate water carrier agriculture subsidies program to
8 support broad-based interstate and interisland water carrier
9 agriculture cargo shipping.

10 The sum appropriated shall be expended by the department of
11 transportation for the purposes of this Act.

12 SECTION 4. New statutory material is underscored.

13 SECTION 5. This Act shall take effect on July 1, 2022.

14

INTRODUCED BY: *Francis X. Iwama*



S.B. NO. 2756

Report Title:

Department of Transportation; Public Utilities Commission;
Harbors Division; Water Carriers; Rate Increases; Appropriation

Description:

Creates a two-tier rate adjustment for water carriers based on automatic annual increases or a justified increase based on actual costs and performance. Establishes a water carrier agricultural cargo shipping subsidy with an annual rate increase. Appropriates funds.

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