
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 legislature therefore finds that the subsidy
16 program established by this Act is for a public purpose, which
17 includes alleviating costs associated with transportation and
18 service across the State, primarily for small communities
19 reliant on shipment of goods by barge, and providing universal
20 support to water carriers, cargo users, and consumers.

21 Accordingly, the purpose of this Act is to:



- 1 (1) Before January 1, 2024, require the public utilities
2 commission to establish an annual two-tier water
3 carrier inflationary cost index rate adjustment;
- 4 (2) Establish a water carrier agriculture cargo shipping
5 subsidy program to support continuous trans-Pacific
6 and interisland water carrier service, which shall be
7 administered pursuant to the standards and
8 qualifications required for other administrative grant
9 programs in the State;
- 10 (3) Appropriate funding to the public utilities commission
11 to establish the two-tier rate adjustment for water
12 carriers; and
- 13 (4) Appropriate funding to the department of
14 transportation, harbors division, to fund and
15 implement an interstate water carrier agriculture
16 subsidies program.

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

20 "§271G- Water carrier inflationary cost index. Before
21 January 1, 2024, the commission shall establish a water carrier



1 inflationary cost index by which water carrier rates shall be
2 annually adjusted as follows:

3 (1) Tier one: Automatic rate adjustment for each calendar
4 year shall be calculated by increasing or decreasing
5 the water carrier rate in effect through the end of
6 the previous calendar year by the percentage increase
7 or decrease in the consumer price index for that year;
8 and

9 (2) Tier two: The water carrier shall request an expense
10 justified rate increase for approval by the
11 commission. The commission shall grant approval based
12 on justification from the water carrier to recapture
13 actual costs and proof of performance measures
14 demonstrating that there has been no material decline
15 in the water carrier's operations, safety, or customer
16 service levels.

17 The total water carrier inflationary cost index rate adjustment
18 shall exclude fuel surcharges and shall not exceed five per cent
19 per calendar year. The water carrier inflationary cost index
20 shall not account for a water carrier's new capital investment.



1 §271G- Water carrier agriculture cargo shipping subsidy.

2 (a) There is established a water carrier agriculture cargo
3 shipping subsidy to support continuous trans-Pacific and
4 interisland water carrier service. The subsidies shall be
5 established and thereafter subject to an annual increase of
6 per cent pursuant to subsection (c).

7 (b) The department of transportation harbors division
8 shall administer the subsidy program consistent with the
9 standards and qualifications for making subsidies as previously
10 enacted for other administrative grant programs in the State.

11 (c) The department of transportation shall adopt rules
12 pursuant to chapter 91 necessary for the purposes of this
13 section."

14 SECTION 3. There is appropriated out of the general
15 revenues of the State of Hawaii the sum of \$200,000 or so much
16 thereof as may be necessary for fiscal year 2022-2023 for the
17 public utilities commission to establish a water carrier
18 inflationary cost index by which water carrier rates shall be
19 annually adjusted according to section 2 of this Act.

20 The sum appropriated shall be expended by the public
21 utilities commission for the purposes of this Act.



1 SECTION 4. There is appropriated out of the general
2 revenues of the State of Hawaii the sum of \$750,000 or so much
3 thereof as may be necessary for fiscal year 2022-2023 for an
4 interstate water carrier agriculture subsidies program to
5 support broad-based interstate and interisland water carrier
6 agriculture cargo shipping.

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

9 SECTION 5. New statutory material is underscored.

10 SECTION 6. This Act shall take effect on January 1, 2050.



Report Title:

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

Description:

Requires the Public Utilities Commission to establish an annual two-tier inflationary cost index 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. Effective 1/1/2050. (SD1)

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