

JOSH GREEN, M.D.
GOVERNOR
KE KIA'ĀINA



STATE OF HAWAII | KA MOKU'ĀINA 'O HAWAI'I
DEPARTMENT OF TRANSPORTATION | KA 'OIHANA ALAKAU
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TAMMY L. LEE
CURT T. OTAGURO
ROBIN K. SHISHIDO

Tuesday, March 24, 2026
9:00 AM
State Capitol, 430

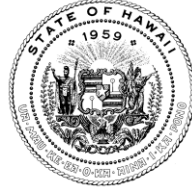
**SB2694 SD2
RELATING TO WATER CARRIERS**

House Committee on Transportation

The Department of Transportation (DOT) is in strong support of SB2694, SD2 that establishes an automatic adjustment mechanism for water carriers based on an inflationary cost index.

DOT was a member of the Water Carriers Working Group established by the legislature in 2020 and finds that SB2694, SD2, is also consistent with the recommendation of the working group. This new mechanism allows for water carrier rates to keep pace with inflation without requiring a formal rate case to be considered and approved by the Public Utility Commission each year. Formal rate cases are time consuming, and consequently rates are typically not adjusted annually and the lags between rate cases necessitate large increases when the rate cases are considered. This has a significant impact and burden on businesses that rely on water carriers.

Thank you for the opportunity to provide testimony on this bill.



STATE OF HAWAII | KA MOKU'ĀINA 'O HAWAI'I
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DIRECTOR | KA LUNA HO'OKELE

DEAN I. HAZAMA
DEPUTY DIRECTOR | KA HOPE LUNA HO'OKELE

Testimony of the Department of Commerce and Consumer Affairs

**Before the
House Committee on Transportation
Tuesday, March 24, 2026
9:00 a.m.
Via Videoconference**

**On the following measure:
S.B. 2694, S.D. 2, RELATING TO WATER CARRIERS**

Chair Kila and Members of the Committee:

My name is Michael Angelo, and I am the Executive Director of the Department of Commerce and Consumer Affairs' (Department) Division of Consumer Advocacy. The Department offers comments on this bill.

The purpose of this bill is to: (1) authorize the Public Utilities Commission (Commission) to establish automatic adjustment mechanisms to address economic factors sua sponte or on application by a water carrier, (2) require the Public Utilities Commission (Commission) to establish a water carrier inflationary cost index automatic adjustment mechanism; (3) authorize the Commissions to waive or exempt any water carrier from any requirement under the Hawai'i Water Carrier Act; and (4) insert a sunset date of 7/1/2033.

The Department focuses its comments on the component of the legislation requiring that the Commission establish a water carrier inflationary cost index (WICI) automatic adjustment mechanism, for each water carrier no later than July 1, 2026.

While the Department understands the intent of this bill is to support the water carrier industry which plays a crucial role in sustaining each island's economy and community and the Department recognizes that any disruptions in intrastate water carrier services present significant hardships to customers, especially for communities on the neighbor islands, the Department has significant concerns that requiring the Commission to establish the WICI would result in unnecessarily burdening customers with increasing rates on an annual basis without the opportunity to evaluate whether a water carrier has undertaken steps to sufficiently control its costs and operate more efficiently.

To that point, the Commission recently considered whether establishing a WICI for Young Brothers, LLC (YB) was in the public's interest in YB's most recent rate case in Docket No. 2024-0255. The Commission issued its decision in that case on November 17, 2025, approving a rate increase of \$26,085,252, or approximately 25.75%, over previous permanent rates for YB while, among other matters, denying YB's request to establish a WICI. In so doing, the Commission specifically stated that such an adjustment mechanism could be revisited at an appropriate time. The Commission articulated that in establishing any type of automatic rate adjust mechanism YB must first demonstrate that it is prudently operating its business, including managing its expenses and debt, and maximizing operational efficiencies. The Commission noted that without such a demonstration, the automatic rate adjustment mechanism may inadvertently serve to offset inefficiencies in other areas and mask shortcomings in YB's operations, to the detriment of customers who ultimately bear these higher costs. The Department fully agrees with the Commission on this matter.

Additionally, for further context, the Department notes that the Commission already attempted to implement certain regulatory programs that are similar to the mechanism proposed in this bill with the intention of providing the regulated water carrier with flexibility that would allow the water carrier to gradually re-balance its rates so that the rates for less than container load service would better match the cost of providing that service. This flexibility was granted in a zone of reasonableness program, as well as an annual freight rate adjustment program. After the water carrier used both programs to raise rates for all customers as well as file general rate increases to further increase rates, the

Commission terminated both regulatory flexibility programs because they were not being used for their intended purposes.

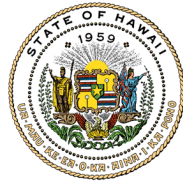
Nonetheless, with respect to this version of the bill, the Department appreciates the amendments made to the measure by the Senate Committee on Ways and Means. In particular, the Department supports exempting from the automatic adjustment mechanism customers eligible for preferential agricultural water rates under Hawaii Revised Statutes § 269-26.5.

In summary, the Department offers that it is premature to require the Commission to enable any automatic rate adjustment through this bill without first gaining a better understanding of, and potentially improving upon, the water carrier's business model as well as its ability to enact and implement cost control measures. And, rather than through a bill, such a mechanism should be established after careful review of YB's operations and processes for efficiencies in a Commission proceeding.

Thank you for the opportunity to testify on this bill.

JOSH GREEN, M.D.
Governor

SYLVIA LUKE
Lt. Governor



SHARON HURD
Chairperson
Board of Agriculture & Biosecurity

DEAN M. MATSUKAWA
Deputy to the Chairperson

State of Hawai'i
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**TESTIMONY OF SHARON HURD
CHAIRPERSON, BOARD OF AGRICULTURE AND BIOSECURITY**

BEFORE THE HOUSE COMMITTEE ON TRANSPORTATION

**TUESDAY, MARCH 24, 2026
9:00 AM
CONFERENCE ROOM 430**

**SENATE BILL NO. 2694, SD2
RELATING TO WATER CARRIERS**

Chair Kila, Vice Chair Miyake and Members of the Committee:

Thank you for the opportunity to testify on Senate Bill No. 2694, SD2 that authorizes the Public Utilities Commission to establish automatic adjustment mechanisms to address economic factors sua sponte or on application by a water carrier. Requires the Public Utilities Commission to establish a water carrier inflationary cost index automatic adjustment mechanism. Authorizes the Public Utilities Commissions to waive or exempt any water carrier from any requirement under the Hawaii Water Carrier Act.

The Department of Agriculture and Biosecurity (Department) supports this measure that creates stability in interisland shipping, which is essential to Hawaii's agricultural supply chain and food distribution system. Reliable interisland transportation is critical for the timely movement of agricultural goods and inputs including fresh produce, livestock feed, fertilizer, seed and farm equipment. The improved rate predictability and transparency helps the industry plan for and manage costs. Additionally, it maintains Public Utilities Commission oversight while promoting the financial stability of water carriers.

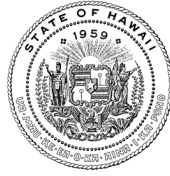
The Department appreciates the amendment to exempt from automatic adjustment mechanisms customers eligible for preferential agricultural water rates.

This measure represents an important step toward ensuring the long-term financial viability and stability of interisland shipping, while additional mechanisms continue to be explored to improve operational flexibility.

Thank you for the opportunity to provide testimony on this measure.

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



STATE OF HAWAII
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Testimony of the Public Utilities Commission

To the
House Committee on
Transportation

Tuesday, March 24, 2026
9:00 a.m.

Chair Kila, Vice Chair Miyake, and Members of the Committee:

Measure: S.B. No. 2694, S.D. 2
Title: RELATING TO WATER CARRIERS.

Position:

The Public Utilities Commission ("Commission") offers the following comments for consideration.

Comments:

The Commission appreciates the intent of this measure to address annual inflation and regulatory lags water carriers may experience by establishing a Water Carrier Inflationary Cost Index ("WICI") automatic adjustment mechanism¹. The Commission appreciates the amendments made by the Senate Committee on Ways and Means.

Over the past five years, the two regulated water carriers in the State, Young Brothers and Hone Heke, have filed various applications with the Commission for general rate increases, financing, and automatic adjustment mechanisms. In 2024, Young Brothers included a request for approval of a WICI within their most recent rate case, which was eventually denied.² Given Young Brothers' extraordinary financial situation at the time, the Commission decided that it was not reasonable to allow automatic rate adjustments

¹ The Commission notes that discussions of an automatic adjustment mechanism for water carriers in the State are reflected in the final report of the Hawaii Water Carriers Working Group ("HWCWG"). The HWCWG was formed as a result of Senate Resolution Number 125, Senate Draft 1, 2020 Legislative Session.

² Docket No. 2024-0255, 2025 Test Year Rate Case.

without Commission review. Nevertheless, the Commission did grant Young Brothers a final rate increase of 25.75% over previously approved rates.

The Commission offers additional amendments to the measure as follows:

Page 1, Line 14-16, addition in bold:

(b) ~~By~~ **After** July 1, 2026, the commission ~~shall~~ **may** establish a water carrier inflationary cost index automatic adjustment mechanism for each water carrier of property.

Page 2, Line 8-9, addition in bold:

(c) ~~Beginning on~~ **After** July 1, 2026, the mechanism ~~shall~~ **may** be applied at an ongoing, repeating three-year cycle, as follows:

Page 3, Line 3-5, addition in bold:

(d) Customers' **shipments that are** eligible for preferential agricultural water rates under section 269-26.5 shall be exempt from any automatic adjustment mechanism authorized by this section."

Page 7, Line 15-17, addition in bold:

provided that no water carrier may ~~establish~~ **request** an automatic adjustment mechanism for a period of two years following the effective date of a general rate increase **granted to that water carrier.**

The Commission appreciates that the current measure, as amended, provides the Commission the flexibility and discretion in establishing an automatic adjustment mechanism for regulated water carriers.

Thank you for the opportunity to testify on this measure.

March 19, 2026

RE: Support for SB 2694 / HB 2386 Relating to Water Carriers



Aloha Chair, Vice Chair, and Committee Members,

My name is Mariane Uehara, and I am the Director of Fundraising and Strategic Communications at Re-use Hawai'i, a nonprofit organization dedicated to reducing waste and increasing access to affordable building materials across our islands. Every day, we work to keep usable lumber, fixtures, and supplies out of landfills and in the hands of local families, small businesses, and community organizations.

We are writing in support of SB 2694 / HB 2386.

Many of the reusable resources we recover, including salvaged lumber, fixtures, and donated supplies, primarily serve communities on O'ahu. Making interisland transportation more affordable helps us expand our mission and take on projects beyond O'ahu, such as hotel liquidations or community deconstruction building initiatives. Reliable and reasonably priced shipping is a key part of extending the impact of reuse across the state.

A stable and transparent shipping system allows organizations like ours to plan ahead, stretch limited resources, and respond to community needs. When shipping costs fluctuate unpredictably, it directly impacts our ability to redistribute materials, support projects, and keep costs low for the people we serve.

This measure helps create a more predictable and balanced framework for rate adjustments, while maintaining the essential services that keep Hawai'i connected. Greater transparency and gradual changes make it easier for nonprofits, small businesses, and community groups to budget and operate sustainably.

At Re-use Hawai'i, we see every day how access to affordable materials can make a difference, from helping a family complete a home project to supporting local builders and nonprofits. Strengthening the systems that make this access possible benefits communities across the state.

Mahalo for the opportunity to testify in support of this measure.

Sincerely,

A handwritten signature in black ink, appearing to read 'M. Uehara', is positioned above the printed name.

Mariane Uehara

Director of Fundraising and Strategic Communications



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March 20, 2026

Representative Darius K. Kila, Chair
Representative Tyson K. Miyake, Vice Chair
Members of the Committee on Transportation

Re: SB2694 SD2 Relating to Water Carriers

Aloha Chair Kila, Vice Chair Miyake, and members of the committee,
My name is John Mark Mageo, and I am the Employee Relations and Government Affairs Manager for ABC Stores, a Hawai‘i-based retailer serving residents and visitors statewide. We respectfully submit this testimony in **opposition to SB2694 SD2**. While we recognize the importance of maintaining a reliable and financially viable interisland shipping system, SB2694 SD2 expands the use of automatic rate adjustment mechanisms for water carriers, including inflation-based cost indices tied to wharfage and other external factors, applied outside of a full general rate case process.

From a business and consumer perspective, these changes raise serious concerns. Automatic and recurring rate adjustments reduce regulatory oversight and transparency, while shifting ongoing financial risk away from carriers and onto local retailers, suppliers, and ultimately Hawai‘i consumers. Even incremental increases, when applied repeatedly over time, compound across the supply chain and materially impact operating costs.

Interisland shipping costs affect nearly every product sold in Hawai‘i, including food and other essential goods. As shipping rates increase, those costs are passed through distribution systems and into retail pricing, further exacerbating affordability challenges at a time when families and policymakers are focused on controlling costs and improving access to basic necessities.

Rather than expanding automatic adjustment mechanisms, ABC Stores urges the Legislature to pursue more balanced and targeted solutions—ones that address legitimate carrier cost pressures while preserving meaningful regulatory review, transparency, and stakeholder participation, and protecting Hawai‘i businesses and households from compounding cost increases.

For these reasons, ABC Stores respectfully opposes SB2694 SD2 and urges the Committee to reconsider or further amend the measure.

Mahalo,

John Mark Mageo
Employee Relations and Government Affairs Manager
ABC Stores



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**The Thirty-Third Legislature
House Committee on Transportation
Tuesday, March 24, 2026
Conference Room 430
9:00 a.m.**

TO: The Honorable Darius Kila, Chair
FROM: Keali'i S. López, State Director
RE: Comment on S.B. 2694, SD2 Relating to Water Carriers

Aloha Chair Kila and Members of the Committee:

My name is **Keali'i López**, and I serve as the State Director of **AARP Hawai'i**, representing more than **135,000 members statewide**. Thank you for the opportunity to comment on **S.B. 2694, SD2**. AARP is a nonprofit, nonpartisan organization dedicated to **empowering people age 50 and older to choose how they live as they age**. Central to that mission is **protecting consumers, especially older adults on fixed incomes from automatic cost increases that reduce affordability and weaken oversight**.

S.B. 2694, SD2 would require the Public Utilities Commission (PUC) to approve automatic annual rate increases for water carriers of property, tied to Dept of Transportation Harbors wharfage rate adjustments, for two out of every three years, with increases capped at up to 5% per year, and without requiring a full rate case review.

AARP Hawai'i offers the following comments:

1. Automatic rate mechanisms warrant careful consideration.

AARP generally approaches automatic rate adjustment mechanisms with caution because they can shift financial risk to consumers and reduce opportunities for thorough, transparent cost review. Older adults especially those living on fixed incomes, are particularly vulnerable to recurring price increases across essential goods and services.

2. Full rate case reviews are essential for transparency and consumer protection.

Rate cases ensure that requested cost increases are justified, reasonable, tied to prudent expenditures, and accompanied by demonstrated efforts to improve efficiency.

Reducing the frequency of these reviews may limit regulator’s ability to verify that carrier operations are cost-effective and that consumers are not paying for unnecessary or avoidable expenses.

AARP agrees with the Department of Commerce and Consumer Affairs (DCCA), which stated in comments on a related measure:

“It is premature to enable any automatic rate adjustment through this bill without first gaining a better understanding of, and potentially improving upon, the water carrier’s business model as well as its ability to enact and implement cost control measures. And, rather than through a bill, such a mechanism should be established after careful review of YB’s operations and processes for efficiencies in a Commission proceeding.” (DCCA testimony on HB 2386)

AARP aligns with DCCA’s call for evaluating efficiencies before implementing automatic adjustments. AARP supports this approach, which places transparency, operational review, and consumer protection at the forefront of any future rate adjustment mechanism.

AARP Hawai’i appreciates the opportunity to provide comments on S.B. 2694, S.D. 3. We respectfully urge the Committee to ensure that any changes to water carrier rate-setting processes preserve strong oversight, transparency, and consumer protection, particularly for older adults and residents who are most sensitive to increases in the costs of essential goods.

Mahalo for your consideration and for your ongoing commitment to safeguarding Hawai’i consumers.



MAUI

CHAMBER OF COMMERCE

VOICE OF BUSINESS

**HEARING BEFORE THE HOUSE COMMITTEE ON TRANSPORTATION
HAWAII STATE CAPITOL, HOUSE CONFERENCE ROOM 430
TUESDAY, MARCH 24, 2026 AT 9:00 A.M.**

To The Honorable Representative Darius K. Kila, Chair
The Honorable Representative Tyson K. Miyake, Vice Chair
Members of the Committee on Transportation

STRONGLY OPPOSE SB2694 SD2 RELATING TO WATER CARRIERS

The Maui Chamber of Commerce is critically concerned about SB2694 SD2 that authorizes the Public Utilities Commission to establish automatic adjustment mechanisms to address economic factors sua sponte or on application by a water carriers and establishes a water carrier inflationary cost index automatic adjustment mechanism.

For Maui County and the other neighbor islands, interisland shipping is not optional—it is the backbone of commerce. Farmers, ranchers, food producers, grocers, construction suppliers, retailers, and more already face significant transportation costs to ship their products across the state. For many businesses, shipping costs are prohibitively expensive.

We understand the intent of this bill was to provide businesses with more stability in their financial projections and assist Young Brothers, given the cost and timeframe to go before the PUC. However, while year one and year two increases are capped at 5%, Young Brothers would still go before the PUC in year three, which creates an opportunity for a much higher increase, as seen multiple times in recent years. Without capping increases in year three, businesses and residents in Hawaii will likely see costs go up every single year.

Increasing rates automatically without addressing the root structural issues within the interisland shipping system and so soon after the last major increase will only exacerbate these challenges for Hawaii's residents and businesses. It will raise the cost of goods statewide, intensify food insecurity, our housing crisis, our unfriendly business environment, and hamper our economic diversification efforts, while providing no meaningful reform to improve efficiency, competition, or equity in the system.

Many of the issues we face with interisland shipping today can be traced back to the passage of Act 213 in 2011 that prevents water carriers from engaging in interisland shipping unless they hold a certificate of public convenience. This essentially gives Young Brothers a monopoly. They continuously state the difficulties of providing this crucial service and loss of revenue meriting significant rate increases, as well as suggesting that other carriers do not want to undertake this service but also don't seem to want the state to amend HRS 217G-10 to allow for competition and give others a chance to explore the opportunity.



MAUI

CHAMBER OF COMMERCE

VOICE OF BUSINESS

House Committee on Transportation
March 24, 2026
Page 2.

This bill also subverts the important public process where residents and businesses can share important feedback on the proposed rate increases and Young Brothers' services. In fact, the Public Utilities Commission (PUC) denied Young Brothers' request for a Water Carrier Inflationary Cost Index (WICI) in the 2025 approved rate increase and prohibited rate increases for two years, which would take us to January 1, 2028 without this bill. As the PUC has insight into Young Brothers' financial records, some of which are not available to the public, we trust their position and believe this bill undermines their expert authority.

In the words of the PUC in their "Decision and Order No. 42100" on the approval of rate increases for Young Brothers, "Prior to establishing any kind of automatic rate adjustment mechanism, such as a WICI, the Commission finds that YB must first demonstrate that it is prudently operating its business, including managing its expenses and debt and maximizing operational efficiencies. Otherwise, the operation of a WICI may inadvertently serve to offset inefficiencies in other areas and mask shortcomings in YB's operations, to the detriment of customers who ultimately bear these higher costs" and pass those costs on to Hawaii's residents.

The Maui Chamber of Commerce respectfully urges the Committee to support the PUC's recommendations. At this point, we seek deferral of the bill because the issue is complicated on many different levels and we are still awaiting the PUC's report, which we understand is unlikely to be released before this legislative session ends. Given that, we believe the PUC's 2-year freeze on rate increases should be honored by not passing this bill at this time. During the two-year pause, we would like to see Young Brothers, legislators, stakeholders, and customers work together on comprehensive solutions for a unified and progressive way forward before enacting a measure like this. We would be happy to contribute to this effort.

Given the magnitude of this issue, it is important to get it right!

Sincerely,

Pamela Tumpap
President

To advance and promote a healthy economic environment for business, advocating for a responsive government and quality education, while preserving Maui's unique community characteristics.



March 21, 2026

To: Chair, Vice Chair, and Members
Hawai'i State Legislature

From: Valley Isle Enterprises, Ltd.
Hawaii General Contractor License BC-35701
Dr. Jennifer and Mr. Michael Salisbury

Re: STRONG OPPOSITION to S.B. 2694 – Automatic Rate Adjustment Mechanisms for Water Carriers

Dear Chair, Vice Chair, and Committee Members,

As a licensed General Contractor, a housing provider, a sitting Hawaii State Small Business Regulatory Review Board Member, and member of the Governor's SPEED Task Force, Valley Isle Enterprises, Ltd. respectfully submits **strong opposition** to S.B. 2694. The Legislature's responsibility is to the **broader public**—not the financial stability of any one company.

This measure would authorize automatic rate adjustment mechanisms for regulated water carriers, including Young Brothers, LLC—the State's sole provider of inter-island barge transportation. While framed as a stabilization tool, the bill would in practice institutionalize recurring cost increases across Hawai'i's entire economy without addressing the underlying structural risks in the inter-island shipping system.

1. Direct and Immediate Impact on Cost of Living

Inter-island shipping is a primary cost driver embedded in nearly all goods and materials distributed across Hawai'i. When shipping rates increase, those increases are not absorbed—they are passed through.

Recent actions by the Hawai'i Public Utilities Commission (PUC) confirm this trajectory:

- A 25.75% rate increase approved for 2026 will raise the cost of transporting goods statewide (Hawai'i PUC decision and public release: <https://puc.hawaii.gov/news-release/puc-approves-young-brothers-rate-increase-to-preserve-intraisland-shipping-services/>)

The downstream effects are unavoidable:

- Higher food prices
- Increased construction and housing costs
- Elevated retail pricing across all islands



S.B. 2694 would convert these episodic increases into a **permanent, automatic escalation mechanism**, compounding affordability challenges for residents and businesses alike.

2. Rate Escalation Already Exceeds Inflation

The justification for automatic increases does not withstand scrutiny when tested against actual economic data:

- Young Brothers' operating costs have increased approximately **44% since 2020**
- Over the same period, approved and implemented rate increases total approximately:
 - ~46% increase (circa 2020)
 - +25.75% increase (effective 2026)

This reflects **~70% cumulative rate escalation in roughly five years**. NO SMALL BUSINESS CAN SUSTAIN PRICE RATE INCREASES LIKE THIS, NOR PASS THIS TYPE OF PRICING TO CUSTOMERS.

By comparison, the U.S. cumulative inflation over that same period is approximately **20–25%**. Even the PUC has previously rejected automatic rate indexing mechanisms, warning they could **obscure inefficiencies and shift risk to ratepayers without sufficient oversight**. S.B. 2694 would effectively override that regulatory discipline.

3. Entrenching Monopoly Without Accountability

Young Brothers operates as the only regulated inter-island cargo carrier in Hawai'i. This is a monopoly in function, regardless of form. S.B. 2694 would:

- Guarantee ongoing rate increases through formulaic adjustments
- Reduce the frequency and rigor of regulatory review
- Eliminate incentives for operational efficiency

This creates a structurally imbalanced framework, with monopoly control combined with automatic pricing power and limited accountability. If a monopoly provider cannot remain viable without continuous rate increases, the policy response should be market reform—**not rate escalation guarantees**.

4. Systemic Economic Risk, Not a Single-Company Issue

The Legislature must evaluate this bill at the system level—not the firm level.

Available data indicates:

- Declining cargo volumes (approximately 14%)
- Continued financial instability despite prior rate increases

These are indicators of **structural inefficiency and demand sensitivity**, not temporary cost pressure.



Embedding automatic rate increases will:

- Suppress inter-island commerce
- Increase operating costs for small businesses and farmers
- Reduce economic activity on neighbor islands
- Accelerate outward migration driven by affordability pressures

This is a **negative economic feedback loop** that will compound over time.

5. Lack of Redundancy in a Critical System

Hawai'i currently relies on a **single private operator for essential inter-island freight movement**. This is a clear resilience gap.

S.B. 2694 would:

- Reinforce dependence on a sole provider
- Discourage competitive market entry
- Remove urgency for contingency planning

Instead, the State should be advancing:

- Competitive access frameworks
- Public-private logistics alternatives
- Emergency and redundancy planning

Instead, this bill deepens exposure to a **single-point-of-failure system**.

6. Public Interest Must Govern Policy Direction

The Legislature's responsibility is to the **broader public**—not the financial stability of any one company.

If intervention is required to maintain essential service, there are more appropriate tools:

- Structured competition
- Performance-based regulation
- Public utility or hybrid models
- Targeted, transparent subsidies (if justified)

S.B. 2694 does none of these. It simply ensures that cost increases are passed through automatically, without structural reform or performance guarantees.

Conclusion: S.B. 2694 would:

- Institutionalize inflationary pressure across Hawai'i's economy
- Entrench monopoly power without accountability
- Shift financial risk from a private operator to the public
- Weaken long-term economic resilience and supply chain stability



For these reasons, Valley Isle Enterprises, Ltd. respectfully urges the Committee to **REJECT S.B. 2694** and instead pursue policies that promote competition, accountability, and system-wide resilience.

Respectfully submitted,

A handwritten signature in black ink, appearing to be "MS", enclosed in a hand-drawn circle.

Valley Isle Enterprises, Ltd.

Michael Salisbury

President, Responsible Managing Employee

work@valleyisleent.com



Mike Palmer, Chair – Ho'okipa Partners **Ryan Ko, Vice Chair** – Westman Corporation
Andy Huang, Past Chair – L&L Hawaiian Barbecue **Victor Lim, Government Relations Lead** – McDonald's
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Date: March 21, 2026

To: Sen. Jarrett Keohokalole, Chair
Sen. Carol Fukunaga, Vice Chair
Committee on Commerce and Consumer Protection

Sen. Lorraine R. Inouye, Chair
Sen. Brandon J.C. Elefante, Vice Chair
Committee on Transportation

From: Victor Lim, Legislative Lead

Subject: HB 2386, HD 2 Relating to Water Carriers

The Hawaii Restaurant Association, representing over 4,000 Eating and Drinking Place locations, opposed HB 2386, HD 2, which will give automatic rate adjustments to our Water Carriers (Young Brothers).

In our industry, Cost of Goods Sold is the biggest number in our Profit & Loss Statements, and transportation plays a big part in that number, especially here in Hawaii. Interisland shipping is the backbone of getting fresh, local products to each island. This plays a major role in our food costs, and spiraling cost increases cause inflation and menu price increases.

Our current Water Carrier enjoys an almost monopoly on how goods are shipped within the islands, and as a business, it needs to run its business efficiently, and the PUC needs to monitor and approve only the necessary price increases. Without this safeguard, you are taking away their need as a business to be efficient and lower shipping costs to our local businesses and consumers. For these reasons, we urge that you do not pass HB 2386, HD 2.

Thank you for giving us this opportunity to share our position.



Testimony in **SUPPORT** for SB 2694, SD2 Relating to Water Carriers

House Committee on Transportation
March 24, 2026

Aloha Chair Kila, Vice Chair Miyake, and members of the committee,

The Hawaii Harbors Users Group is in strong **support** of SB 2694, SD2 relating to water carriers.

This bill is a critical step toward ensuring the financial sustainability and operational stability of Hawai'i's interisland shipping transportation sector. Our state depends on a reliable and efficient hub-and-spoke intrastate water carrier system to move goods, supplies, and essential resources between our island communities. Each aspect of the supply chain is vital to our state's economy. However, without a modernized regulatory framework, intrastate carriers of passengers and property are forced to navigate an outdated rate-setting process that does not timely account for inflationary pressures or the rising costs of operation. Establishing a Water Carrier Inflationary Cost Index Mechanism will provide much-needed predictability and transparency, allowing carriers to continue serving our island communities without disruption, and offers a more incremental approach to adjusting intrastate rates, helping local families and businesses absorb cost increases over time and ensuring that rates keep up with rising costs.

The Water Carrier Working Group, convened under Senate Resolution No. 125, SD1 (2020), has studied the challenges facing our interisland shipping sector and identified regulatory lag as a primary issue. The current ratemaking process does not facilitate rate adjustments in a timely manner, making it difficult to respond to rising costs and market fluctuations due to increased competition. This bill provides the Public Utilities Commission with the necessary flexibility and authority to grant waivers and adopt cost-adjustment mechanisms, ensuring that our interisland water carriers remain financially viable while continuing to provide safe, efficient, and affordable service to all businesses and residents. Without these changes, our supply chain will face increasing strain, potentially leading to service reductions and higher long-term costs for consumers.

Mahalo for the opportunity to testify in strong support of this bill.



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TO: Committee on Transportation
FROM: HAWAII FOOD INDUSTRY ASSOCIATION
Lauren Zirbel, Executive Director

DATE: March 24, 2026

TIME: 9am

RE: SB2694 SD2 Relating to Water Carriers

Position: Oppose

The Hawaii Food Industry Association is comprised of two hundred member companies representing retailers, suppliers, producers, manufacturers and distributors of food and beverage related products in the State of Hawaii.

HFIA is in opposition to this measure. Water carriers play a unique and essential role in our islands. Creating a system that is financially sustainable for carriers and those that rely on them, equitable for all islands, and functional for everyone, presents a range of challenges.

We agree that changes are needed to address issues within the water carrier system, and we understand price adjustments may sometimes be necessary to continue to operate interisland water carrier shipping services.

However, automatically increasing prices on interisland shipping will not address the underlying issues that result in high prices and product loss. Systematically increasing prices at a time when 1 in 3 people can't afford enough food is not the right choice.

We believe that this is especially true in light of the recent price increases that have already taken effect. Below is a comparison of how interisland shipping rates have increased over the last several years, compared to increases in mainland shipping.



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Interisland Shipping vs. Mainland Competition Model

Structural Rate Increases (Fuel Surcharge Not Included)

Young Brothers (YB) (Public Utility Commission (PUC)-Approved Structural Increases)

2019: +4.32%

2020: +46.0%

2025: +25.75%

Compounded Impact (2018 = 100)

Year, Index

2018, 100

2019, 104

2020, 152

2025, 192

≈ 91% cumulative structural increase since 2018

This does NOT include fuel surcharges.

Mainland Competition Model

*Previous testimony included stated “assumptions” which were based on information provided from conversations about BASE RATE increases per year that we have had with mainland shipping companies. This figure did not include other added surcharges because the figure we show for YB also does not include fuel surcharge and other added charges. This is NOT an apples-to-apples comparison because there is no other “apple” to compare YB too, which is the whole point. YB drafted a letter to HFIA stating, “review of Matson’s official rate sheets and tariff notices from 2019 and 2025, their rates have increased by 31.6% for a 40-foot Container over that same period.” We have not verified this, but we will include their data point here. The point is the same – one increased at a much higher rate than the other.



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Comparison

Interisland Price Change (YB): ~91% increase (this doesn't include additional surcharge and is only based on base rate increases)

Mainland competitive model price change: 31.6% increase (based on YB's calculations of Matson's cumulative rate increases over the same period.)

The most recent increase rate increase was in 2025. The PUC approved a 25.75% increase, with the understanding that rates would **not increase again for two years.** That pause was critical to provide stability to local farmers, manufacturers, grocery stores, and ultimately consumers.

The proposed bill would undermine the stated intent of the PUC in their decision.

The PUC has access to financial data that the legislature and the public does not have access to. The PUC has staff to review these financial records and make recommendations. They recommend against automatic rate increases unless YB could show progress on the key points named in the PUC's statements. The PUC has offered an amendment to change "shall" to "may" in reference to creating the inflationary cost index automatic adjustment mechanism. HFIA supports the PUC's offered amendment.

Following our testimony we've attached the PUC's "FACT SHEET Summary of Decision and Order No. 42100, Docket No. 2024-0255 (Young Brothers' Rate Case.)"

The file can also be viewed here:

<https://puc.hawaii.gov/wp-content/uploads/2025/11/2025.11.17-FACT-SHEET-YB-Rate-Case-DO-42100-Docket-No.-2024-0255.pdf>

As this documents notes the PUC denied a Water Carrier Inflationary Cost Index (WICI).

They gave the following justification for denial:



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“Water Carrier Inflationary Cost Index (WICI), a mechanism that would have permitted YB to automatically adjust its rates outside of a rate case was denied, given the commission’s grave concerns with the substantially self-inflicted causes of YB’s precipitous financial decline. The WICI would potentially have served to increase rates, offset inefficiencies and mask shortcomings in YB’s operations, to the detriment of customers who ultimately bear these higher costs.”

The language in this bill requires an automatic inflationary cost index adjustment in years one and two of a three-year cycle — followed by a full rate case in year three. During the rate case, a much larger rate increase can be requested.

The PUC is responsible for regulating YB for good reason. YB receives statutory protection from potential competition, which is consistent with the Webster’s dictionary definition of monopoly “exclusive ownership through legal privilege, command of supply, or concerted action”.

We have cut and pasted Rev Stat § 271G-10 here with most relevant sections bolded:

“ §271G-10 Applications for certificates of public convenience and necessity. (a) Except as otherwise provided in this section and in sections 271G-6 and 271G-12, no water carrier shall engage in operations between points within the State unless the carrier holds a certificate of public convenience and necessity issued by the public utilities commission authorizing the operation; provided that no new application shall be required for any common carrier by water that is the holder of a certificate of public convenience and necessity issued by the public utilities commission.

(b) Applications for certificates shall be made in writing to the commission, be verified under oath, be presented in a form, contain the information, and be accompanied by proof of service upon interested parties as the commission shall, by rule, require.

(c) The commission shall not approve an application for a certificate or otherwise grant authorization pursuant to an application to operate as a water carrier under this chapter



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until the commission has given notice and held public hearings conducted in accordance with the procedures under section 271G23.5.

(d) The commission shall issue a certificate to any qualified applicant, authorizing the whole or any part of the operations proposed in the application only if the commission finds that:

- (1) The applicant is fit, willing, and able properly to perform the service proposed and to conform to this chapter and the requirements and rules of the commission; and
- (2) The proposed service, to the extent to be authorized by the certificate, is or will be required by the present or future public convenience and necessity.

(e) **The commission shall not make a finding of public convenience and necessity or issue an authorization, whether interim, permanent, or otherwise, to operate as a water carrier without the following specific findings supported by evidence in the record:**

- (1) **Existing water carrier services are inadequate to presently service the public or meet demonstrated and quantifiable future demands for service;**
- (2) **The proposed service is designed for and necessary to meet demonstrated and quantifiable unmet public needs for present water carrier service or demonstrated and quantifiable future demands for service;**
- (3) **The proposed service will provide demonstrated and quantifiable benefits to the general public, business community, and the economy of all islands that are entitled to notice under section 271G-23.5, including demonstrated and quantifiable benefits with respect to reliability, affordability, and security of the service line;**
- (4) **The specific, identified benefits of the proposed service outweigh its detrimental impact to the public's interest in maintaining services, including:**
 - (A) **Economies of scale and scope of current water carriers;**
 - (B) **Future capital costs of existing water carriers;**
 - (C) **Ability of existing water carriers to make necessary capital and resource investments;**
 - (D) **The financial health, stability, and revenue stream of existing water carriers; and**
 - (E) **The likelihood that existing levels of service will be maintained after the enactment of the proposed service; and**
- (5) **If the commission's finding of public convenience and necessity differs from the recommendation of the consumer advocate, specific findings to address each ground for objection articulated by the consumer advocate.**



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The commission shall not make a finding of public convenience and necessity nor issue a certificate if the evidence in the record indicates that the issuance of the certificate would diminish an existing water carrier's ability to realize its allowed rate of return or if the certificate would allow an applicant to serve only high-margin or high-profit ports or lines of service that are currently served by an existing carrier.

(f) Any water carrier transporting passengers under a certificate issued pursuant to this chapter may occasionally deviate from the route over which it is authorized to operate under the certificate pursuant to the rules of the commission.

(g) The commission shall not issue any certificate that is designated as interim or temporary or that otherwise does not conform to the requirements of this chapter except in response to an emergency situation; provided that an emergency situation shall mean a state of emergency or local state of emergency pursuant to chapter 127A. Any certificate issued pursuant to this subsection shall expire upon the expiration of the state of emergency or local state of emergency or an earlier date determined by the commission in response to prevailing conditions. An extension of a certificate granted under this subsection beyond the expiration of the state of emergency or local state of emergency or date determined by the commission shall be granted only subject to the notice, hearing, and findings requirements of this chapter.

(h) The commission shall post a link on the front page of the commission's website to a publicly accessible electronic version of each application for a certificate pursuant to this section and to each order of the commission regarding posted applications, including the commission's final decision and order. Links posted under this subsection shall include a short description of the document to which the link refers, shall be active within twenty-four hours of the filing of an application or issuance of an order, and shall remain active for at least thirty days from the filing of the application or the issuance of the order or decision and order."

Instead of providing predictability and protection for Hawai'i's food supply chain, the bill institutionalizes perpetual escalation while doing nothing to limit the size of the increase during a full rate case.

Crucially, this measure also provides no incentive for improving service. These automatic adjustments could approach 5% annually, with every third year resulting in a potentially higher increase.

Rate increases should be tied to the actual cost of providing services not inflation indexing. For example, YB is currently requesting reduction in sailings to Molokai



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- this would reduce the cost of providing services without a corresponding decrease in consumer prices. In other words, the cost of providing service would decrease but the cost charged would increase automatically based on the selected inflation index.

Interisland shipping is not a luxury service. It is the backbone of Hawai'i's food distribution system. Every additional percentage point compounds through the food supply chain — raising prices on milk in Hilo, construction materials on Moloka'i, and feed for local farmers statewide.

This is not a modest technical adjustment. It is a structural shift that would guarantee rising costs.

There is tremendous potential for increased agricultural production and manufacturing on the neighbor islands. Unfortunately, in order to reach our state's population center on Oahu neighbor island producers must pay for shipping that is already becoming prohibitively expensive for some small local businesses.

Producers on one neighbor island who want to sell product to customers on another neighbor island must pay for and navigate our complex and costly shipping system twice because almost all shipments go through Honolulu.

Increasing prices automatically without addressing any of the root problems with the interisland shipping system will just worsen the problems and provide no benefit for local businesses or Hawaii consumers.

The working group that helped develop this legislation did not have any ratepayers.

We would recommend the formation of a neighboring island ratepayer advisory council (outlined below) to address concerns.

We urge the Committee to hold this measure.

If the committee wishes to move the bill, we would request the adoption of the PUC's amendments as the PUC and consumer advocate are the only parties with access to all necessary data needed to provide feedback on this measure and the PUC is the entity tasked with regulating interisland shipping.



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We would also like to suggest the following amendments:

(1) Performance-Based Rate Adjustments

The public utilities commission shall condition any automatic or periodic rate adjustments on the carrier meeting performance metrics designed to protect ratepayers and improve service quality.

Performance metrics shall include but not be limited to:

- Damage to goods rates
- Number of verified customer complaints
- On-time delivery performance
- Claims processing time
- Cargo handling efficiency

The commission may deny, reduce, or defer rate adjustments if the carrier fails to demonstrate measurable improvement in these metrics.

(2) Bi-Directional Rate Adjustment Authority

The commission shall ensure that the rate adjustment mechanism operates in both directions.

If the commission determines that the cost of providing service has decreased due to operational efficiencies, technological improvements, or other factors, the commission shall have authority to reduce rates accordingly.

Definitions -

Ton-mile is a unit of freight transportation measurement equivalent to moving one ton of cargo one mile used to quantify transportation output, efficiency, and costs. It is calculated



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by multiplying total weight (tons) by distance (miles), helping industries optimize routes, assess economic activity, and determine shipping rates.

(3) Removal of Wharfage as a Primary Cost Index

The use of wharfage charges as the primary benchmark for determining structural rate increases shall be removed.

Wharfage rates do not accurately reflect the operational costs of interisland water carriers and shall not be used as the primary driver of rate adjustments.

The commission shall instead consider:

- Total cost of service
- Labor costs
- Equipment maintenance
- Comparable industry benchmarks for ton- mile.

(4) Ratepayer Advisory Council

A Ratepayer Advisory Council shall be established to represent neighbor island consumers and businesses impacted by interisland shipping rates.

The council shall:

- Be composed primarily of neighbor island ratepayers, including representatives from agriculture, retail, manufacturing, and consumers.
- Have the authority to review financial data submitted by the carrier in regulatory proceedings.

The carrier shall provide the council and the public utilities commission access to:

- Financial statements
- Income and expense records
- Intercompany transfers



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- Capital expenditures
- Distributions to owners or shareholders

These disclosures shall include data covering the previous twenty years, where available.

All information reviewed by the council shall be made publicly accessible.

(5) State Support for Essential but Unprofitable Routes

If the commission determines that certain routes are necessary to ensure the continued movement of food, fuel, medical supplies, or other essential goods to neighbor islands but are not economically viable, the State may provide targeted subsidies to maintain service on those routes.

Subsidies shall be conditioned on:

- Continued service obligations
- Performance benchmarks
- Ratepayer protections

(6) Removal of the Four-Prong Test for Entry of Competing Carriers for routes Existing Carrier states are unprofitable

The statutory requirement commonly known as the four-prong test for the entry of competing water carriers shall be repealed for routes and services the current water care publicly states are unprofitable.

The public utilities commission shall instead evaluate applications for new interisland carriers based on whether additional service would:

- Improve reliability and maintain necessary service
- Reduce rates



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- Improve service quality for Hawai'i consumers

(7) Benchmarking Against Comparable Shipping Markets

The public utilities commission shall establish benchmarking requirements to compare the cost of shipping cargo within Hawai'i with comparable maritime markets.

Benchmarking shall include:

- Cost per ton of cargo transported
- Cost per container
- Service reliability metrics
- Comparable domestic maritime routes
- service disruptions and product damage rates

The commission shall publish these benchmarks annually.

We look forward to continuing to work with the Legislature, the PUC, rate payers, and shippers to create the best possible system for our state, and we thank you for the opportunity to testify.



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FACT SHEET

Summary of Decision and Order No. 42100, Docket No. 2024-0255 (Young Brothers' Rate Case)

Regulatory history and financial context

Since 2019, Young Brothers, LLC (YB) has repeatedly relied on urgent, time-sensitive requests to offset the company's deteriorating financial condition. This has included overlapping requests for general rate increases, emergency rate increases, automatic rate adjustment mechanisms, and long-term debt financing. The Hawai'i Public Utilities Commission has worked to balance rate relief to support YB's vital intransland services, with oversight conditions intended to help it regain financial stability, including a financial and management audit. Despite these efforts, YB's financial condition has continued to worsen to the point where it now operates at a net loss, is in arrears with its vendors, and is in a state of default with its lenders. To break this cycle of requests for expedited rate increases, the commission is conditioning this latest rate increase with strict oversight of YB's operations and demanding measurable progress before considering any future rate increases.

Final decision and order

Notwithstanding the commission's serious concerns with YB's management and financial condition, the commission recognizes the vital role of YB's intransland shipping services and seeks to avoid an abrupt disruption in those services. YB asserts that it has developed a new business plan to bring it back to financial stability. This decision and order imposes strict commission oversight over YB's implementation of its business plan and precludes YB from seeking a rate increase until at least two years pass and demonstrable progress is made.

What was Approved

- Final general rate increase of 25.75%, effective Jan. 1, 2026
- Revenue increase of about \$26.1 million annually, raising the revenue requirement to approximately \$127.4 million annually
- Rate design to begin addressing cross-subsidies across cargo classes, by introducing prices that are more reflective of its underlying costs
- Tariff revisions, certain non-material updates to Tariff 5-A and the clarification of the Island Agricultural Production Discount definition

What was Denied

- Water Carrier Inflationary Cost Index (WICI), a mechanism that would have permitted YB to automatically adjust its rates outside of a rate case was denied, given the commission's grave concerns with the substantially self-inflicted causes of YB's precipitous financial decline. The WICI would potentially have served to



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increase rates, offset inefficiencies and mask shortcomings in YB's operations, to the detriment of customers who ultimately bear these higher costs.

Conditions of Approval

To monitor YB's efforts toward breaking the cycle of urgent rate increase requests, the commission imposes the following conditions of approval:

1. **Special overseer**
An independent special overseer will be appointed and hired by the commission to monitor YB's financial and operational performance, ensuring compliance with the business plan and commission directives.
2. **Business plan monitoring**
YB must provide regular updates and engage the public on its business plan, which outlines strategies to stabilize finances, reduce costs and improve service delivery.
3. **Minimum two-year stay-out period**
YB is prohibited from filing any new general rate increase requests for at least two years. After this period, any future request must be supported by demonstrated progress on business transformation.
4. **Wharfage fee resolution**
YB must negotiate with the Department of Transportation Harbors Division to develop a plan for paying outstanding wharfage fees.
5. **Tariff discount transparency**
YB must disclose and justify all tariff discounts, including those provided to nonprofit organizations and employees, to ensure fairness and cost accountability.
6. **Labor cost review**
YB is directed to explore amendments to its collective bargaining agreements with its labor unions to address cost pressures and support implementation of its business plan.

Implementation timeline and next steps:

- Dec. 1, 2025: YB required to file revised tariff sheets reflecting the approved rates and ordered tariff revisions
- Jan. 1, 2026: New rates to take effect
- By Jan 31, 2026: YB to submit a business plan update
- Ongoing: Monthly and quarterly reports required; special overseer oversight begins once procured

Testimony of Matson Navigation Company, Inc.
Support of SB2694, SD2
Before the Committee on Transportation
March 24, 2026

Dear Chair Kila, Vice Chair Miyake, and Members of the Committee:

Matson Navigation Company, Inc. supports SB2694, SD2 which among other things, establishes a water carrier cost inflationary index mechanism.

As an island state, Hawaii is very dependent upon our commercial harbors to ensure the continued and unimpeded flow of cargo in and out of our State. It is estimated that over 90 percent Hawaii's imported goods pass through our commercial harbors, including consumer goods, motor vehicles, construction materials, and fuel. Given the critical role of our commercial harbors, it is imperative that the State support dependable and efficient cargo transportation and handling to service our residents and businesses. This measure will provide for water carriers and rate payers more predictability with respect to establishing rates for regulated, intrastate shipping.

Thank you for considering our testimony in support.



Date: March 21, 2026

From: Mattson C. Davis- Proprietor

Subject: SB 2694 Relating to Water Carriers

I've been a resident of Hawaii since March of 1997 and was CEO of Kona Brewing Co till 2015- I am not the owner of Magics Beach Grill along with a partner and the Managing Partner of a 6-acre Makers Market Development in Kailua-Kona. I

am opposed HB 2386, HD 2, which will give automatic rate adjustments to our Water Carriers (Young Brothers).

In our industry, Cost of Goods Sold is the biggest number in our Profit & Loss Statements, and transportation plays a big part in that number, especially here in Hawaii. Interisland shipping is the backbone of getting fresh, local products to each island. This plays a major role in our food costs, and spiraling cost increases cause inflation and menu price increases.

Our current Water Carrier enjoys an almost monopoly on how goods are shipped within the islands, and as a business, it needs to run its business efficiently, and the PUC needs to monitor and approve only the necessary price increases. Without this safeguard, you are taking away their need as a business to be efficient and lower shipping costs to our local businesses and consumers. For these reasons, we urge that you do not pass SB 2694.

Thank you for giving us this opportunity to share our position.

HAWAII PILOTS ASSOCIATION

P.O. Box 721 • Honolulu, Hawaii 96808

Telephone: (808) 532-7233

March 24, 2026

House Committee on Transportation

Representative Darius Kila, Chair

Representative Tyson Miyake, Vice Chair

RE: SB 2694 – RELATING TO WATER CARRIERS

Hearing date: Tuesday, March 24, 2026, TIME 9:50 a.m.

Aloha Chair Kila, Vice-Chair Miyake, and Committee Members,

Mahalo for the opportunity to submit testimony in **support** of SB 2694.

I am Sinclair Brown, a Harbor Pilot for Hawaii Pilots Association, writing to express strong support of the above measure.

Hawaii Pilots Association (HPA) is dedicated to providing safe, reliable and efficient pilotage services for all commercial ports throughout the Hawaiian Islands. Similarly, HPA also recognizes that YB is the only maritime shipping company authorized to safely, frequently and reliably transport freight between the major island ports on a weekly basis. Thus, without timely and adequate rate relief, interisland commerce may be in jeopardy.

Maritime organizations like HPA across the state rely on Young Brothers to fulfill their vital work in service of the island communities they serve.

When Young Brothers can operate in a way that is financially sustainable, the Pilots benefit from the strengthened supply chain and the company's ability to safely and reliably transport cargo between the island communities as well as to support the Pilots when necessary.

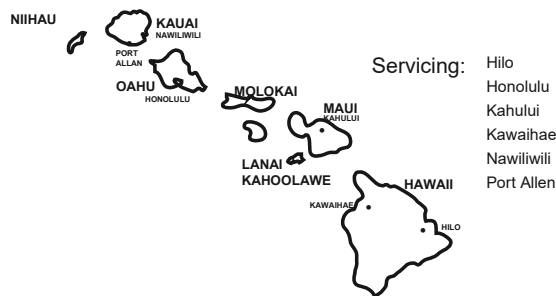
HB 2386 creates a more incremental and structured approach to setting shipping rates, with greater transparency about when and how they will change. Capped annual adjustments, with regular rate reviews, are a common-sense, customer-centric approach to ensuring shipping rates stay in sync with cost increases to provide the service. It would also ensure that Young Brothers can maintain the interisland shipping services our state needs and support our mission and the work of countless other community service organizations.

The additional transparency about the process and what to expect helps nonprofits and businesses plan for the future. That is critically important when many nonprofits' budgets rely on grants and other funding sources that were secured based on information provided months or years earlier.

Mahalo,

Sinclair Brown

Harbor Pilot / Hawaii Pilots Association





Maui Hotel & Lodging
ASSOCIATION

COMMITTEE ON TRANSPORTATION

Rep. Darius K. Kila, Chair
Rep. Tyson K. Miyake, Vice Chair

March 22, 2026

Testimony in Support of SB2694 SD2 (With Considerations)

Aloha Chair Kila, Vice Chair Miyake, and Members of the Committee,

I appreciate the opportunity to provide testimony in support of SB2694 SD2.

This measure addresses a real and persistent challenge within Hawai'i's regulated water carrier system: the mismatch between rapidly changing operating costs and the slower pace of traditional rate case proceedings. By authorizing the Public Utilities Commission to establish automatic adjustment mechanisms—particularly one tied to increases in wharfage rates—this bill seeks to reduce regulatory lag and provide a more predictable framework for both carriers and customers.

From a policy perspective, the intent is sound. Water carriers play a critical role in Hawai'i's supply chain, and their financial stability directly affects the cost and reliability of goods across the state. When cost recovery is delayed, carriers may face financial strain, which can ultimately impact service quality, investment, and long-term resilience. An index-based adjustment mechanism offers a structured and transparent way to reflect certain external cost pressures without requiring frequent full rate cases.

At the same time, it is important to recognize and thoughtfully address the concerns of businesses and consumers who will bear the impact of more frequent rate adjustments. Automatic mechanisms, while efficient, can reduce the visibility and scrutiny that typically accompany traditional rate proceedings. Without appropriate safeguards, there is a risk that rate increases may outpace broader economic conditions or create cumulative burdens, particularly for small businesses and households already facing high costs of living.

SB2694 SD2 takes meaningful steps to balance these interests. The requirement for a full rate review every third year ensures that adjustments remain grounded in a comprehensive evaluation of costs and operations. Additionally, the exemption for customers receiving preferential agricultural water rates reflects an understanding of the importance of protecting vulnerable and priority sectors.

To further strengthen this measure, the Legislature may wish to consider clearly defining or capping the allowable annual percentage increase, ensuring strong reporting and transparency requirements, and reinforcing the Commission's oversight role in reviewing how these mechanisms are applied in practice. These considerations can help maintain public trust while still achieving the bill's goal of regulatory efficiency.

In conclusion, SB2694 SD2 represents a pragmatic effort to modernize rate regulation for water carriers in Hawai'i. With careful implementation and continued oversight, it can strike an appropriate balance between operational sustainability for carriers and affordability and fairness for customers.

Mahalo for the opportunity to testify in support of this measure.

John Pele

A handwritten signature in black ink, appearing to read 'JP', followed by a long horizontal line extending to the right.

Executive Director- Maui Hotel and Lodging Association



March 24, 2026

Rep. Darius K. Kila, Chair
Rep. Tyson K. Miyake, Vice Chair
House Committee on Transportation

RE: SB 2694, S.D. 2 – RELATING TO WATER CARRIERS
Hearing date: March 24, 2026, 9:00 a.m.

Aloha Chair Kila, Vice Chair Miyake, and Members of the Committee:

Thank you for the opportunity to submit testimony on behalf of Young Brothers, LLC offering **STRONG SUPPORT** for **SB 2694, S.D. 2**. As drafted, this measure would:

- 1) Grant the Public Utilities Commission (“PUC”) discretionary authority and additional flexibility to establish rate-adjustment mechanisms for water carriers to address inflation, regulatory lag, and other economic factors.
- 2) Require the establishment of a capped water carrier inflationary cost index (“WICI”) annual rate-adjustment mechanism by July 1, 2026 coupled with mandated rate reviews for water carriers every three years. Provided that customers eligible for preferential agricultural water rates under section 269.26.5 shall be exempt from any automatic adjustments.
- 3) Grant the PUC discretionary authority and flexibility to waive certain requirements for water carriers.

In sum, the changes proposed in this measure are designed to be a reasonable first step to modernize a rigid, outdated, and inefficient regulatory framework for water carriers, while offering more tempered and predictable rates and increased financial stability to facilitate the thoughtful and effective pursuit of necessary transformation.

Who is Young Brothers, LLC (“YB”)?

Young Brothers, LLC (“YB”) is a water carrier that transports cargo by tug and barge between the islands of O’ahu, Hawai’i, Kaua’i, Maui, Moloka’i, and Lāna’i. Since 1900, customers across the state have utilized YB’s frequent and regular sailings to serve as the “marine highway” that connects all island communities in this state. YB is currently the only water carrier statutorily authorized¹ to ship cargo from point-to-point within the state. As a regulated water carrier, YB is currently subject to the regulatory oversight of the Hawaii Public Utilities Commission (“PUC”).

¹ Under Chapter 271G, Hawaii Revised Statutes (“HRS”) (i.e., the Hawaii Water Carrier Act).

How is YB currently regulated?

As a PUC regulated cargo water carrier, unlike other water carriers, YB is required to secure PUC approval before making changes to rates, service offerings, or sailing schedule. Securing approval to make such adjustments typically requires YB to undergo a quasi-judicial rate review process conducted by the PUC and the State Consumer Advocate to justify that YB's cost and investment decisions were reasonable and in the public interest. This process, known as a **general rate case**, is rigorous, time-consuming (often multi-year), contentious, and extraordinarily expensive under the current regulatory framework. In other words, absent PUC approval following a rate case, **YB is required to maintain its PUC approved services and sailings at the previously approved rates – regardless of the effects of external pressures beyond YB's control (e.g., inflation) and regardless of whether YB makes a profit.**

Is the current regulatory framework sustainable for water carriers and the customers they serve?

No. The current regulatory framework was first codified for Hawaii Water Carriers in 1974. Since then, technology, competition, and prevailing economic conditions affecting the interisland water carrier industry have changed significantly, throwing this existing regulatory framework out of balance, and compromising the sustainability of regulated water carriers in the state. Competition from air freight, freight forwarders, and national and international water carriers have increased, coupled with the advent of online shipping services and the highest inflationary period the nation has experienced since the 1980s. For YB, regulated cargo volumes have stagnated, and its costs have concurrently risen, leading to a repeating and worsening cycle of financial deterioration:

- 1) Reasonably incurred costs rise faster than rates are adjusted, creating a widening gap between actual costs and PUC-approved revenues;
- 2) Necessary expenses and investments are delayed in favor of cheaper short-term fixes that ultimately result in increased operating costs over time;
- 3) The resulting higher operating costs necessitate the filing of larger, more contentious rate cases, yet concerns about rate-shock and affordability often result in limited rate increases or mandatory multi-year "stay-out" periods before further rate adjustments can be filed – further entrenching the cycle of financial instability.

In the current iteration of this cycle, the PUC recently approved an imposing rate increase of 25.75%, which took effect on January 1, 2026. YB is extremely appreciative to the PUC for its recognition of the need to extend this lifeline and to its customers for bearing the brunt of this considerable increase. However, the PUC coupled this approval with a 2-year "stay-out" period (i.e., a prohibition on rate increases) – which, absent any mitigating action, threatens to send YB and the customers who rely on our service on a path to repeat this same cycle of financial instability.

What can be done to break the cycle of financial instability?

First and foremost, YB recognizes that YB must play the largest part in breaking the cycle by transforming our business in a way that is thoughtful and effective, with cost control

and the customers and communities we serve at top of mind. Indeed, under new leadership by seasoned shipping and logistics industry professionals, YB is aggressively pursuing additional transformational initiatives to effectively and efficiently change the business and rehabilitate the severe financial deterioration the company has experienced in recent years. However, these efforts will take time, outreach and flexibility. While those efforts are ongoing, it must be acknowledged that there are inflationary pressures beyond the control and reach of a regulated water carrier – yet these pressures have tangible effects on YB’s costs and revenues. Changes to the regulatory framework that has led to this repeating cycle must also be made.

Fortunately, during the 2020 legislative session, the Hawaii State Senate adopted Senate Resolution No. 125, S.D. 1 (2020), requesting the PUC to convene a working group to discuss and recommend solutions to ensure continuous water carrier service throughout the State, balanced with the need for water carriers to maintain financial sustainability. Said working group (the Hawaii Water Carriers Working Group, hereinafter “HWCWG”) was comprised of 18 key stakeholders from both the public and private sectors and met 13 times from August 2020 through October 2021 to gather background information on water carriers, Hawaii’s harbor system, and regulatory oversight of water carriers.

What did the Hawaii Water Carriers Working Group recommend?

In the HWCWG’s final report summarizing its findings and recommendations, the HWCWG recommended the WICI mechanism, an interim annual rate adjustment for regulated cargo rates, along with the requirement for the water carrier to submit a general rate case every three years.² **The working group found that WICI, combined with a regular three-year cadence for general rate cases, would reduce the administrative burden associated with rate adjustments, provides a more contemporaneous means of pairing regulated cargo rates with inflation adjusted expenses, and be a “significant step forward” with respect to ensuring water carrier service throughout the State and supporting the financial sustainability of the water carrier.**³ YB also contends that its customers will greatly benefit from the ability to plan for **smaller more predictable cadenced rate increases** rather than the less frequent, but less predictable and likely much larger rate increases necessitated under the current ratemaking system.

Does the WICI mechanism proposed in this measure differ from previous proposals?

Yes. Previous versions of WICI proposed an annual rate adjustment tied to GDPPI to address the impact of inflation. Concerns were raised regarding the potential inapplicability of GDPPI or any such national index to a water carrier in Hawaii. **Instead, this version now addresses these concerns and ties the WICI annual rate adjustment to an annual inflation based increase that is already applied by the State of Hawaii in the exact same industry, to the exact same customers, for the exact same cargo: that is, the annual increases to the wharfage rates that are assessed by DOT-Harbors under Section 19-44-73, Hawaii Administrative Rules (“HAR”) to fund improvements to the local harbors that harbor users like YB must operate from.** See the attachment to this testimony for a comparative illustration of how an annual inflationary increase indexed to wharfage would work.

² See Final Report of the HWCWG (December 27, 2021), available at: <https://puc.hawaii.gov/wp-content/uploads/2021/12/Final-Water-Carriers-Working-Group-Report-12-01-2021.pdf>

³ Id. at 15-17.

Why should the legislature take action on this measure at this time?

YB has sought implementation of the WICI mechanism through the PUC twice, and both times the PUC has elected to decline implementation:

- On April 5, 2024, YB filed an application with the PUC seeking implementation of the first tier of the WICI mechanism.⁴ On December 12, 2024, the PUC dismissed the application before beginning its independent substantive review, citing to, among other things, concerns over a lack of direct legal authority to support the Commission’s review of YB’s WICI application outside of a general rate case.⁵
- In response, YB included an identical request seeking the implementation of the first tier of the WICI mechanism as part of its recently completed rate case (Docket No. 2024-0255). Again, the PUC declined YB’s request, stating that “[s]hould YB return to a state of financial stability, and the Commission develops confidence in YB’s ability to reasonably control its costs, it may re-visit whether a WICI is appropriate at that time.”⁶

While YB acknowledges that aggressive cost control is a critical area of focus on YB’s path to financial sustainability, YB hopes that the legislature can see how WICI, a long-standing recommendation from a broad group of government and industry stakeholders is also a critical component of the solution. There is no reason to delay implementation any longer and risk putting YB and the customers and communities it serves through yet another iteration of the cycle of financial instability.

Further, by generally granting the PUC discretionary authority and flexibility to establish rate-adjustment mechanisms outside of a general rate case and waive certain requirements for water carriers, the legislature would be creating a more modern and adaptable regulatory framework that can mitigate the magnitude of rate increase requests, reduce the amount of time and resources that must be dedicated to such requests, and to establish and maintain financial sustainability in an evolving and increasingly competitive operating environment.

For the reasons stated above, YB offers **STRONG SUPPORT** for this measure, as amended.

Thank you for your service to the State of Hawaii, and for the opportunity to testify offering comments on this measure.

Sincerely,

Kris Nakagawa
Vice President, External and Legal Affairs

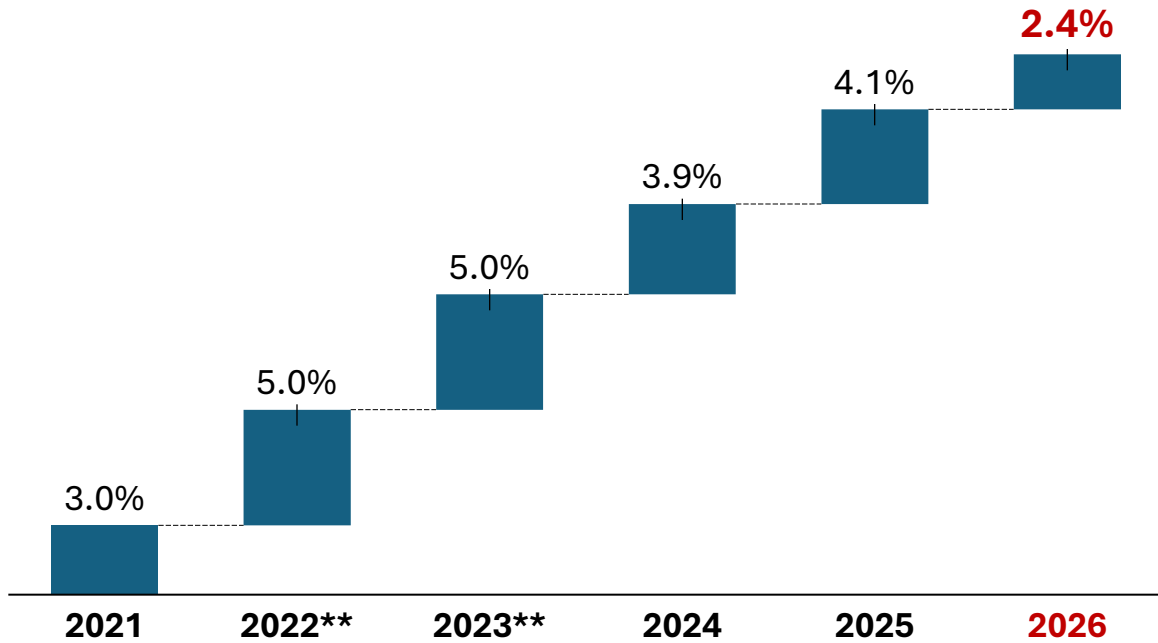
⁴ See YB’s Application for Approval of the First Tier of the WICI Mechanism, available at: <https://shareus11.springcm.com/Public/DownloadNative/25256/12e77d0e-75f3-ee11-b843-48df377ee718/54312051-83f3-ee11-b843-48df377ee718>

⁵ See Order No. 41249 at 9-10, available at: <https://shareus11.springcm.com/Public/DownloadNative/25256/a9ccf1a8-d3b8-ef11-b848-48df377ee710/8bf3e05c-e3b8-ef11-b848-48df377ee710>

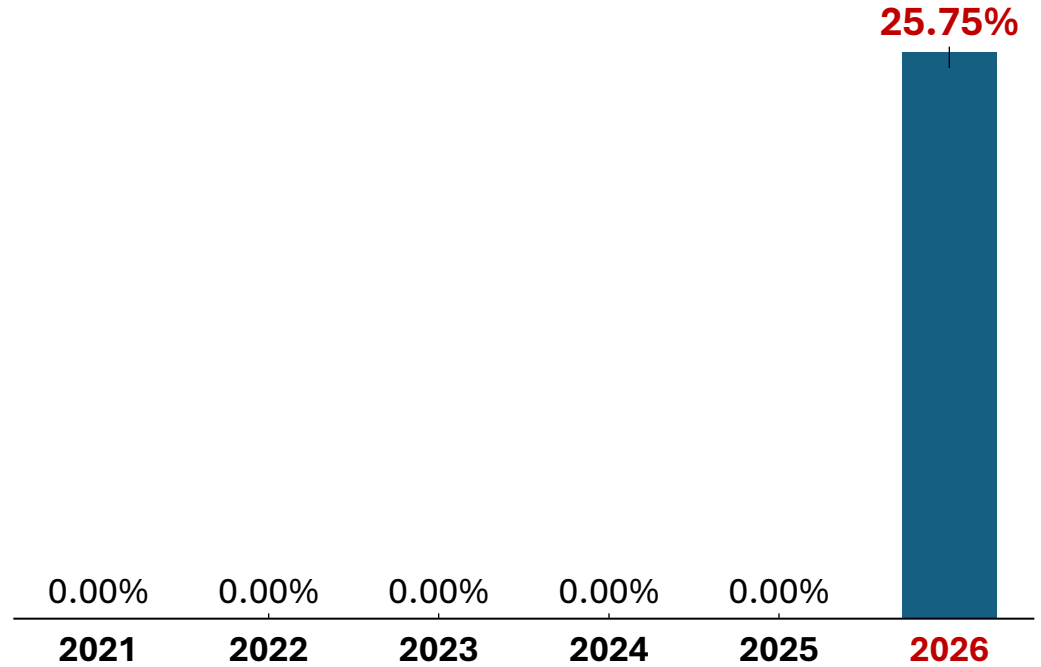
⁶ See Order No. 42100 at 51, available at: <https://shareus11.springcm.com/Public/DownloadNative/25256/f1753d11-afe6-4002-a7fe-2d8794bc1aa5/fd077520-e4c3-f011-b84a-48df377ee718>

Illustrative* annual increase tied to maritime index (Hawaii DOT Wharfage) yields smaller more predictable rate increases vs. one-time General Rate Increase (GRI)

Annual Inflationary Increases 2021 - 2025 (Indexed to Hawai'i DOT Wharfage) + 2026 General Rate Increase (GRI)



No Annual Inflationary Increases 2021 – 2025 + 2026 GRI



*For illustrative purposes only - (1) Actual WICI Cycle will include a mandatory rate review and reset every 3rd year in place of an inflationary increase. (2) Force Majeure events (fire, war, etc.) beyond water carrier's control may necessitate emergency rate increases.

Source: <https://hidot.hawaii.gov/harbors/harbor-users/admin-rules/>

** 2022 and 2023 actual wharfage increase of 6% and 5.2% respectively were adjusted to proposed inflationary metric cap of 5%

SECURING HAWAII'S SUPPLY CHAIN:

More Responsive & Predictable Shipping Rates

Young Brothers supports legislation to modernize the regulation of state water carriers, allowing for more *timely*, *transparent*, and *predictable* rate adjustments based on real-world changes in costs.

DELAYED RECOVERY OF COSTS



FINANCIAL SHORTFALLS MOUNT

REGULATORY LAG THREATENS STATEWIDE INTERISLAND SHIPPING

As Hawaii's only regulated interisland water carrier for property, Young Brothers operates under the oversight of the Public Utilities Commission (PUC) and must seek approval for rate adjustments to recover changes in costs and investments necessary to sustain reliable service. That process is complex, costly, and can take years to complete.

While this oversight protects customers, it also means rate changes lag rising costs for months or years. During these long periods of under-recovery, Young Brothers experiences mounting financial distress until rates are adjusted, often requiring customers to cope with large, disruptive increases.

LARGE RATE CHANGES TO CATCH UP

HOW THE WATER CARRIER INFLATIONARY COST INDEX (WICI) ADJUSTMENT WORKS

Building on the recommendation of the State Water Carrier Working Group, proposed legislation directs the PUC to create a new rate adjustment mechanism for water carriers by July 1, 2026. To provide consistency and transparency, customer rates will be adjusted each year based on an existing inflationary framework (i.e. 3% or Consumer Price Index (CPI), whichever is greater) administered by the Department of Transportation's (DOT) by rule (HAR § 19-44-73) to maintain port infrastructure.

By allowing smaller, more frequent adjustments, WICI helps avoid the cycle of prolonged under-recovery followed by sudden, disruptive rate increases. It also helps maintain the strength of Hawaii's supply chain and statewide interisland shipping by ensuring water carriers can operate in a financially sustainable way.

BENEFITS FOR CUSTOMERS

- **Smaller, more predictable rate adjustments** help businesses and families plan and reduce the risk of disruptive "catch-up" rate resets.
- Annual rate increases (i.e. 3% or CPI, whichever is greater) are **capped at 5%**.
- **PUC maintains all oversight powers**, and a full rate review is required every three years.

MORE INFORMATION

Kim Yoshimoto | Imanaka Asato | kyoshimoto@imanaka-asato.com | (808) 292-2387

David Veltri | Associate General Counsel, Young Brothers | dveltri@htbyb.com | (808) 543-9493





March 24, 2026

HOUSE COMMITTEE ON TRANSPORTATION

Rep. Darius Kila, Chair; Rep. Tyson Miyake, Vice Chair; and Committee Members
Public Hearing, March 24, 2026, 9:00 a.m. – Conference Room 430, State Capitol

Testimony of William F. Anonsen
Managing Partner/Principal of The Maritime Group
In Support of S.B. 2694 SD2, Relating to PUC Water Carriers

My name is William F. Anonsen, Managing Partner/Principal of The Maritime Group, and we respectfully submit testimony in support of S.B. 2694, SD2. As reflected in the Senate CPC Committee Report, the current rate-setting process can be slow and uneven, often resulting in long periods without adjustments followed by significant rate increases. This measure improves that framework by authorizing automatic adjustment mechanisms and establishing a water carrier inflationary cost index tied to objective cost drivers, including wharfage rates.

The bill promotes more predictable, incremental adjustments while maintaining essential regulatory safeguards, including tariff filings, Commission oversight, and consumer protections. The Committee's amendments, particularly the agricultural exemption and two-year pause following a general rate increase, further strengthen this balanced approach.

In a geographically isolated, multi-island state, water carriers play a critical role in maintaining Hawai'i's supply chain. A stable and predictable regulatory framework supports the financial sustainability of these carriers, which in turn benefits shippers, businesses, and families across the islands.

Finally, the inclusion of a sunset provision provides an opportunity for the Legislature to evaluate the effectiveness of this approach and make any necessary refinements. For these reasons, I respectfully urge the Committee to support and pass S.B. 2694, SD2. Mahalo for the opportunity to testify and for your consideration in support of this measure.

Respectfully submitted,

William F. Anonsen

William F. Anonsen
Managing Partner/Principal
THE MARITIME GROUP

March 24, 2026, 9 a.m.
Hawaii State Capitol
Conference Room 430 and Videoconference

To: House Committee on Transportation
Rep. Darius K. Kila, Chair
Rep. Tyson K. Miyake, Vice Chair

From: Grassroot Institute of Hawaii
Ted Kefalas, Director of Strategic Campaigns

RE: TESTIMONY OPPOSING SB2694 SD2 — RELATING TO WATER CARRIERS

Aloha Chair, Vice Chair and other Committee Members,

The Grassroot Institute of Hawaii **opposes** [SB2694 SD2](#), which would allow automatic price adjustments for water carriers.

Ideally, local water carriers would operate in an open market and be able to respond to changing conditions in a competitive context. However, interisland shipping in Hawaii is not an open market, and the Public Utilities Commission must act as a check on escalating shipping costs. At present, the PUC's role exists in part to address the concerns of local businesses and consumers regarding shipping rates.

Under the circumstances, automatic price increases would be harmful to local businesses and could contribute to the ever-rising cost of living and price of doing business in Hawaii. While the system as a whole might need reform, automatic price increases are not the answer.

Thank you for the opportunity to testify.

Ted Kefalas
Director of Strategic Campaigns
Grassroot Institute of Hawaii

Central Pacific Youth Athletic Club

Tough Man Hawaii

March 24, 2026

House Committee on Transportation

Representative Darius Kila, Chair

Representative Tyson Miyake, Vice Chair

RE: SB 2694, SD2 – RELATING TO WATER CARRIERS

Hearing date: Tuesday, March 24, 2026, 9:00 a.m.

Aloha Chair Kila, Vice-Chair Miyake, and Committee Members,

Mahalo for the opportunity to submit testimony in **support** of SB 2694, SD2

I am Walter Carvalho, writing on behalf of the Central Pacific Youth Athletic Club (CPYAC) and Tough Man Hawai'i to express strong support for Young Brothers' Community Shipping Program and to respectfully request that the Commission not impose modifications that would limit its impact on the communities we serve.

I founded CPYAC in 1999 after recognizing the need for mentorship, structure, and opportunity for young people in East Hawai'i. Since then, the club has grown into a community-driven institution that provides academic support, athletic training, mentorship, and life-skills development. Our approach combines athletic discipline with mentorship, teaching youth that true strength includes not only physical ability but also resilience, discipline, and mental fortitude. For many participants, CPYAC has been a path away from substance abuse, disengagement, and disconnection, and toward a brighter future built on hard work, self-respect, and opportunity.

Nonprofit organizations across the state — particularly those on the neighbor islands — rely on Young Brothers to fulfill their vital work in service of the communities they serve.

When Young Brothers can operate in a way that is financially sustainable, nonprofits like us benefit from the strengthened supply chain and the company's ability to give back through financial and gratis shipping to support our mission and the positive impact we have.

YB's Community Shipping Program has been vital in helping us sustain and expand this mission across islands. Shipping equipment in-kind allows us to provide opportunities to youth from neighbor islands that would otherwise be out of reach due to cost. Restricting this program would create not only financial hardship but also limit our ability to respond in times of need. YB's consistent and dependable leadership during Hawai'i's greatest challenges, from delivering food

and supplies during the pandemic to supporting relief efforts during the Maui wildfires is invaluable. Their reliable services are a lifeline for organizations like ours and for the broader community.

SB 2694, SD2 creates a more incremental and structured approach to setting shipping rates, with greater transparency about when and how they will change. Capped annual adjustments, with regular rate reviews, are a common-sense, customer-centric approach to ensuring shipping rates stay in sync with cost increases to provide the service. It would also ensure that Young Brothers can maintain the interisland shipping services our state needs and support our mission and the work of countless other community service organizations.

The additional transparency about the process and what to expect helps nonprofits and businesses plan for the future. That is critically important when many nonprofits' budgets rely on grants and other funding sources that were secured based on information provided months or years earlier.

I respectfully urge the Commission to recognize the positive and far-reaching impacts of this program and to preserve it in its current form. Young Brothers' support goes beyond logistics; it is a symbol of connection and care for our island communities, no matter how geographically separated they may be.

Thank you for your consideration and for supporting programs that strengthen Hawai'i's keiki and our shared future.

Mahalo,

Walter Carvalho

Founder & Head Coach

Central Pacific Youth Athletic Club / Tough Man Hawaii

March 20, 2026

Senate Bill 2694

Re: SB2494 – Relating to Water Carriers

Aloha Chair, Vice Chair, and Members of the Committee,

As a port manager on Maui, I oversee daily operations that allow Young Brothers to operate safely and reliably for our community, including the facilities, equipment, and people who make interisland shipping possible.

For the customers I serve, reliable interisland shipping isn't an abstract concept. It's how businesses get their products to market and how our families put food on the dinner table. The service Young Brothers provides is fundamental to our way of life and keeping our communities connected.

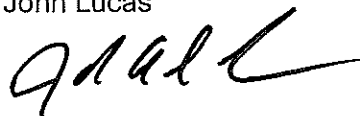
Over time, I have seen how complex and outdated regulations challenge our ability to reliably serve all of Hawai'i. While new rates in 2026 helped to stabilize the company's finances in the short term, they do not resolve the problem we have repeatedly faced when rising costs are not reflected in the rates we charge.

As recommended by the State Water Carrier Working Group, Young Brothers needs a tool like those used by other state utilities and agencies to keep fees and rates in sync with real-world cost changes. Local businesses and community organizations have made clear that smaller and predictable adjustments would help them better understand and plan for changes. This is about predictability and transparency, not profits.

Thank you for the opportunity to submit comments in support of updating the decades-old regulatory rules for water carrier rate adjustments. I respectfully ask for your support in creating a more transparent and incremental approach.

Mahalo for your consideration.

John Lucas

A handwritten signature in black ink, appearing to read "John Lucas", written in a cursive style.

Senate Bill 2694

March 20, 2026

Senate Bill 2694

Re: SB2494 – Relating to Water Carriers

Aloha Chair, Vice Chair, and Members of the Committee,

As a port manager for the port of Hilo, I oversee daily operations that allow Young Brothers to operate safely and reliably for our community, including the facilities, equipment, and people who make interisland shipping possible.

For the customers I serve, reliable interisland shipping isn't an abstract concept. It's how businesses get their products to market and how our families put food on the dinner table. The service Young Brothers provides is fundamental to our way of life and keeping our communities connected.

Over time, I have seen how complex and outdated regulations challenge our ability to reliably serve all of Hawai'i. While new rates in 2026 helped to stabilize the company's finances in the short term, they do not resolve the problem we have repeatedly faced when rising costs are not reflected in the rates we charge.

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Thank you for the opportunity to submit comments in support of updating the decades-old regulatory rules for water carrier rate adjustments. I respectfully ask for your support in creating a more transparent and incremental approach.

Mahalo for your consideration.



Chad Brunner

March 20, 2026

Senate Bill 2694
Re: SB2494 – Relating to Water Carriers

Aloha Chair, Vice Chair, and Members of the Committee,

As a port manager for the port of Kawaihae, I oversee daily operations that allow Young Brothers to operate safely and reliably for our community, including the facilities, equipment, and people who make interisland shipping possible.

For the customers I serve, reliable interisland shipping isn't an abstract concept. It's how businesses get their products to market and how our families put food on the dinner table. The service Young Brothers provides is fundamental to our way of life and keeping our communities connected.

Over time, I have seen how complex and outdated regulations challenge our ability to reliably serve all of Hawai'i. While new rates in 2026 helped to stabilize the company's finances in the short term, they do not resolve the problem we have repeatedly faced when rising costs are not reflected in the rates we charge.

As recommended by the State Water Carrier Working Group, Young Brothers needs a tool like those used by other state utilities and agencies to keep fees and rates in sync with real-world cost changes. Local businesses and community organizations have made clear that smaller and predictable adjustments would help them better understand and plan for changes. This is about predictability and transparency, not profits.

Thank you for the opportunity to submit comments in support of updating the decades-old regulatory rules for water carrier rate adjustments. I respectfully ask for your support in creating a more transparent and incremental approach.

Mahalo for your consideration.


Patrick Brannigan



23 March 2026

[COMMITTEE ON TRANSPORTATION](#)

Rep. Darius K. Kila, Chair

Rep. Tyson K. Miyake, Vice Chair

Re: SB2694 SD2 Relating to Water Carriers

Aloha Chair, Vice Chair, and Members of the Committee:

My name is Garrett W. Marrero, I am the CEO and Co-Founder of Maui Brewing Co., operating locations in Lahaina, Kaanapali, and Kihei on Maui, and Waikiki and Kailua on Oahu. Made in Hawai'i and sold in 6 States and 2 Countries, employing more than 500 teammates across Hawai'i. We strongly oppose SB2694 as a locally manufacturer.

Local businesses in Hawai'i already face some of the highest operating costs in the nation. Local manufacturing and agricultural production are burdened by elevated labor costs, energy prices, regulatory compliance, land constraints, and—most significantly—interisland and outbound shipping costs. For many local producers, transportation is not a marginal expense; it is one of the single largest drivers of cost and a major barrier to growth. Furthermore, in the last 5 years we've already seen several massive rate increases as much as 45% for neighbor-island shipping.

Water carriers are essential to our island economy, and we recognize that the interisland shipping system faces real challenges. We also acknowledge that carriers must remain financially viable to continue operating. However, automatically increasing interisland shipping rates without regard to the downstream impacts on local businesses is deeply concerning.

Neighbor island producers already struggle to reach Hawai'i's primary population center on O'ahu due to the high cost of shipping. In many cases, products must be shipped interisland more than once—often routed through Honolulu—forcing local businesses to absorb duplicative freight costs simply to access markets within their own state. These costs are already prohibitive for many small and medium-sized local producers.

SB2694 would further increase costs on local manufacturers, farmers, distributors, and retailers without addressing the underlying inefficiencies and structural issues in the water carrier system. These added costs will not be absorbed by carriers—they will be passed directly to local businesses and, ultimately, to Hawai'i consumers in the form of higher food and goods prices.

A cost-prohibitive and inefficient interisland shipping system undermines Hawai'i's long-stated goals of increasing local food production, strengthening local manufacturing, supporting neighbor island

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economies, and reducing reliance on imports. Automatic price increases move us in the opposite direction.

We agree that reforms to the water carrier system are necessary, but price increases should not occur in isolation. Oversight reform—such as the proposed transfer of authority from the Public Utilities Commission to the Department of Transportation under HB1707—should be addressed first to ensure a more coordinated, functional, and accountable system. Additionally finding ways to reduce LCL/pallet shipping consolidation at the docks, allowing YB to focus on container loads to increase efficiency should be investigated. There are several consolidators that can support LCL consolidation outside the dock to allow for this.

Implementing automatic rate increases before fixing systemic issues is unnecessary and harmful. It will further strain local businesses that are already operating at razor-thin margins and increase the cost of living for Hawai'i residents.

For these reasons, we respectfully urge the Committee to oppose SB2694.

Mahalo for the opportunity to provide comments and for your consideration.

Sincerely,



Garrett W. Marrero
CEO and Co-Founder
Garrett@MauiBrewing.com
808.213.3007 office

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March 23, 2026

Aloha Chair Kila, Vice Chair Miyake, and Members of the Committee on Transportation

Re: SB2694,SD2 Relating to Water Carriers

Thank you for the opportunity to submit comments in support of updating the decades-old regulatory rules for water carrier rate adjustments.

My name is Ashlee Kishimoto, and I am an employee of Young Brothers. As a state utility, Young Brothers' ability to provide reliable interisland shipping depends on customer rates covering the cost of providing the service, and on its ability to plan ahead and invest in the future. It requires having the equipment our skilled team needs to navigate challenging ocean conditions and deliver what matters most to Hawai'i. It means maintaining equipment, planning repairs or replacements before something breaks. It demands statewide infrastructure and a presence in each of our island communities, including routes that don't generate a profit.

Last year, as Young Brothers pursued a rate adjustment, we operated at a loss of more than \$23 million. While new rates in 2026 will help stabilize conditions, they do not resolve the underlying cycle created by regulatory lag and rising costs.

The State Water Carrier Working Group — made up of the Public Utilities Commission (PUC), Consumer Advocate, state agency leaders and elected officials, representatives from County government, and labor — met for over a year to identify opportunities to strengthen interisland shipping and the financial sustainability of water carriers. Building on the group's top recommendation, the proposed legislation would create a transparent new rate adjustment mechanism for water carriers. Each year, customer rates would be adjusted based on an existing framework to adjust the fees collected to maintain port infrastructure, administered by the Department of Transportation.

Reducing regulatory lag is a vital step toward securing the future of interisland shipping and Hawai'i's supply chain. This solution would modernize, not replace, the rules for interisland shipping. The PUC's oversight powers would remain unchanged, and it would retain complete control over setting Young Brothers rates as part of a comprehensive review required every three years. It also ensures that rate changes between reviews are incremental, with an annual cap of 5%.

I hope you will stand with Young Brothers' more than 400 team members and the communities we serve by supporting this legislation.

Mahalo,
Ashlee Kishimoto



Hawai'i Island Chamber of Commerce

1321 Kino'ole Street - Hilo, Hawai'i 96720

Phone (808) 935-7178 - Fax (808) 961-4435 - Email exec@hicc.biz - www.hicc.biz

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Testimony to the House Committee on Transportation

Representative Darius K. Kila, Chair

Representative Tyson K. Mlyake, Vice Chair

Tuesday, March 24, 2026 at 9:00 AM

RE: SB2694 SD2 Relating to Water Carriers - OPPOSE

Aloha e Chair Kila, Vice Chair Miyake, and Members of the Committee:

On behalf of the Hawai'i Island Chamber of Commerce, representing more than 350 businesses and individual members primarily on the east side of Hawai'i Island, we respectfully submit testimony in opposition to SB2694 SD2.

We recognize the vital role water carriers play in our island economy, and we acknowledge the recent amendments that address some of our concerns. Nevertheless, this measure still authorizes automatic rate adjustment mechanisms, including a water carrier inflationary cost index, without requiring verification of actual costs, efficiencies, or operational performance. Rather than providing predictability and protection for Hawai'i's supply chain, the bill risks systematizing perpetual cost escalation with no meaningful incentive to improve service or control expenses.

Interisland shipping is critical to Hawai'i's distribution system, and every cost increase compounds across the supply chain, raising prices on essential goods like food and construction materials. These automatic adjustments would drive significant rate increases regardless of broader economic conditions, creating ongoing financial pressure on businesses and consumers. This is not a minor adjustment, it is a structural shift that guarantees rising costs for everyone.

Neighbor island businesses are already burdened by the highest shipping expenses in the state. Producers trying to reach O'ahu's market face costs that are increasingly prohibitive, and because interisland shipping often requires routing through Honolulu, many shipments are effectively double-charged in both cost and logistical complexity. Automatically raising rates without addressing these underlying inefficiencies will only deepen those barriers.

The consequences extend beyond individual businesses. A cost-prohibitive interisland shipping system stifles the broader economic potential of the neighbor islands particularly in food distribution and manufacturing at a time when Hawai'i can least afford it. With housing shortages, food insecurity, and ongoing economic strain already weighing heavily on our communities, allowing automatic cost increases is a step in the wrong direction.

Our members strongly believe that any meaningful reform must prioritize transparency, accountability, and performance-based outcomes. We respectfully urge the committee to reject SB2694 SD2 as written and instead pursue solutions that ensure system sustainability while protecting local businesses, producers, and consumers from unchecked and compounding cost increases. Mahalo for the opportunity to testify.

Sincerely,

Carla Kuo
Executive Officer
Hawai'i Island Chamber of Commerce



March 23, 2026

OPPOSE SB2694 SD2 RELATING TO WATER CARRIERS

To The Honorable Representative Darius K. Kila, Chair
The Honorable Representative Tyson K. Miyake, Vice Chair
Members of the Committee on Transportation

On behalf of the Construction Industry of Maui, we respectfully oppose SB2694 in its current form. Inter-island shipping directly impacts the cost and delivery of construction across Maui County. Policies that increase costs without improving the underlying system make it more difficult to build housing, deliver infrastructure, and support local businesses.

First, this measure raises concerns regarding cost escalation. Automatic rate adjustment mechanisms risk creating a structure where shipping costs increase regularly without addressing efficiency or system performance. These increases ultimately flow through to housing prices and project costs across the state.

Second, Hawai'i's supply chain resilience must remain a priority. A system that relies on a single inter-island carrier presents an inherent vulnerability. This measure does not address redundancy or flexibility in our logistics network, which are critical for long-term resilience.

Third, the impact on local contractors and small businesses is significant. Most contractors in Maui operate on tight margins. Continued increases in shipping costs either raise project costs or delay development, both of which run counter to the state's housing and economic goals.

Fourth, this bill raises concerns regarding regulatory accountability. The Public Utilities Commission has already taken a measured approach by pausing rate increases and requiring improved operational performance. Allowing automatic increases outside of that process risks shifting costs to ratepayers without sufficient oversight.

Finally, the challenges facing Hawai'i's inter-island shipping system are structural. Addressing rate mechanisms alone will not resolve these issues. A more effective path forward would focus on targeted reforms that improve the system over time.

We respectfully suggest the Legislature consider the following practical steps:

- **Reform the current regulatory standard** to allow entry of additional inter-island carriers where there is clear public benefit, not just strict necessity. Regulation should protect the public, not prohibit competition.
- **Establish a temporary market entry program** to support a second carrier through tools such as loan guarantees, reduced harbor fees, or other limited-term incentives.
- **Improve access to port infrastructure** to allow smaller or alternative cargo operators to enter the market and provide service on key routes.



These actions would begin to introduce competition, improve efficiency, and strengthen long-term system resilience without disrupting existing service.

For these reasons, the Construction Industry of Maui respectfully urges the Committee to defer SB2694 SD2 and instead pursue a more comprehensive approach to strengthening Hawai'i's inter-island shipping system.

Mahalo for the opportunity to provide testimony.

Very Truly Yours,

A handwritten signature in black ink, appearing to read "Raymond Michaels", written over a thin horizontal line.

Raymond Michaels

Chair

Construction Industry of Maui



3/26/2026

Dear Chair and Members of the Committee,

I am writing to express strong concerns regarding SB2694 SD1 and its proposal to authorize automatic annual rate increases for inter island shipping carriers such as Young Brothers. For businesses operating on Maui and throughout the neighbor islands, inter island shipping is not optional—it is essential. Any increase in shipping costs directly impacts our ability to operate, remain competitive, and serve our customers. Given the already high cost of doing business in Hawai'i, additional automatic increases would place a significant and ongoing burden on local enterprises and the communities we support.

My business relies on Young Brothers to transport both raw materials and finished products. We have already absorbed recent rate increases, and further automatic adjustments—especially without a transparent review process—would make it increasingly difficult to sustain operations. Maui's economy is still in a fragile recovery, particularly in the wake of the Lahaina wildfire, and industries such as printing and related services continue to face reduced demand and rising costs. At this critical time, compounding financial pressures through automatic rate hikes could slow recovery and force difficult decisions for small and medium-sized businesses.

Additionally, this bill undermines the role of the Public Utilities Commission (PUC), which has already carefully reviewed Young Brothers' financial position and determined that a two-year pause on rate increases is appropriate. The PUC explicitly stated that automatic adjustment mechanisms should not be implemented until the company demonstrates prudent operations and efficiency. Bypassing this oversight risks allowing inefficiencies to persist while shifting the financial burden onto residents and businesses. Maintaining the integrity of the PUC's process is essential to ensuring fairness, accountability, and transparency.

For these reasons, I respectfully urge you to defer SB2694 SD1. Honoring the current rate freeze through 2028 will provide time for thoughtful collaboration among stakeholders, including businesses, policymakers, and the carrier itself, to explore long-term solutions that address cost, efficiency, and competition within the inter island shipping system. Our communities need stability, not automatic cost increases, as we work toward a more resilient and equitable economic future.

Aloha,

Robert Campbell
President

WEST MAUI TAXPAYERS' ASSOCIATION

P. O. Box 10338
Lahaina, HI 96761

March 23, 2026

Dear Representative Kila,

The West Maui Taxpayers' Association (WMTA) respectfully opposes SB2694, that authorizes the Public Utilities Commission to establish automatic adjustment mechanisms to address economic factors *sua sponte* or on application by a water carrier.

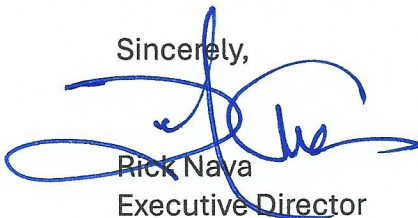
For Maui County, as well as our neighboring islands, the cost of inter-island shipping is already prohibitively expensive. Any additional increases will further strain businesses and residents who are already facing significant financial challenges.

While we understand that the intent of this measure is to provide greater financial stability for water carriers, the proposed structure—allowing annual increases of up to 5% for the first two years, followed by the opportunity to seek uncapped increases in the third year—places an undue burden on consumers. These costs will inevitably be passed on to residents, making the cost of living in Hawai'i even more challenging.

For the people of Maui, and especially for the residents of Lahaina who are working to rebuild their lives, this added financial pressure comes at a particularly difficult time.

WMTA respectfully urges the Committee to trust the existing regulatory process, support the PUC's recommendations, and defer SB2694.

Sincerely,



Rick Nava
Executive Director

WMTA P. O. Box 10338 Lahaina HI 96761
808.298.3953 rick@msimaui.com

SB-2694-SD-2

Submitted on: 3/23/2026 2:20:09 PM

Testimony for TRN on 3/24/2026 9:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Bill Caldwell	Hone Heke Corporation dba Expeditions	Comments	Written Testimony Only

Comments:

For Hone Heke Corporation dba Expeditions – We Support This Bill

Expeditions supports this concept for (Hone Heke) as it is a small inter-island carrier started in 1990 with operations to/from Maui and Lanai, that meets the needs of our tri-island County. As a small water carrier business in the State of Hawaii, our primary income is regulated by the PUC via ticket fares and small package fares and a small amount of private charters. To date, we have only had two fare increases in 36 years, one in 2008, the second in 2024. In the 2023 Lahaina Wildfires, Hone Heke lost its home port of Lahaina, their vessel Expeditions Two, their office, maintenance shop, and their entire vessel parts inventory. Expeditions also faced the additional financial strains restarting in a new facility at Maalaea Harbor. As a small business, we are less able to respond quickly to market changes due to our size, resources, and the extremely high expense to go before the PUC. For Expeditions, these bills would be a tremendous help in maintaining their annual inflation and operation costs, as well as aid in their ongoing recovery efforts to continue as the lifeline for the residents of Lanai. Further, automatic rate increases for Hone Heke would not significantly contribute to a higher cost of living or increased business expenses statewide.

Thank you for allowing my comments.

SB-2694-SD-2

Submitted on: 3/21/2026 5:53:47 AM

Testimony for TRN on 3/24/2026 9:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Mel Rapozo	Individual	Support	Written Testimony Only

Comments:

My name is Mel Rapozo, and I am submitting testimony in strong support of this measure.

I want to emphasize why the Water Carrier Inflationary Cost Index (WICI) mechanism is both necessary and timely.

Under the current rate case process administered by the Hawai'i Public Utilities Commission, adjustments tend to be slow, cumbersome, costly, and inefficient. Because rates often go unchanged for extended periods, the eventual adjustments can be significant and abrupt. These large increases create financial strain on consumers and uncertainty for the water carrier. At the same time, this outdated structure discourages capital investment and can force the carrier to rely on unsustainable short-term debt just to remain operational. That is not a stable or responsible path forward.

WICI was never intended to replace the formal rate case process. Instead, it was designed to provide a practical and balanced solution between rate cases. It allows for more timely, incremental adjustments while placing reasonable limits on increases. The recommended annual cap of 5 percent ensures consumer protection and requires the water carrier to maintain fiscal discipline and control costs.

Equally important, WICI includes safeguards. A mandatory rate case every third year would reconcile any excessive adjustments and address costs or investments not covered under the index. This ensures transparency, accountability, and fairness.

This measure is especially important for those of us who live on the neighbor islands. Our communities rely heavily on the interisland transport of essential goods, including fuel, construction materials, food supplies, and everyday necessities. When rate spikes occur, those costs are ultimately passed down to residents and small businesses on islands like Kaua'i, Maui, and Hawai'i Island, where the cost of living is already significantly higher. A more predictable and incremental rate structure helps stabilize the supply chain, supports local businesses, and protects families from sudden increases that disproportionately impact neighbor island communities.

As we look at the challenges facing the State's water carrier system today, it is clear that the concerns this mechanism was meant to address have not gone away. In fact, they have

intensified. It is worth asking whether earlier implementation might have helped prevent some of the financial and operational pressures we are now experiencing.

Thank you for the opportunity to submit testimony on this important issue.

SB-2694-SD-2

Submitted on: 3/21/2026 8:43:13 PM

Testimony for TRN on 3/24/2026 9:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Glen Kagamida	Individual	Oppose	Written Testimony Only

Comments:

I'm not opposed to shipping rate increases as they are a fact of life. However, rate increases should not be automatic.

Additionally, if you want to have automatic increases, there should also be provisions for automatic DECREASES.

Mahalo!

Glen Kagamida, Hilo

My name is Steven Hunt, and I am submitting testimony **in support** of this measure in my capacity as the former Chair of the Hawai'i Water Carriers Working Group (HWCWG) small group on Rates. For context, the HWCWG small group on Rates was formed in late 2020, with the goal of coming up with recommendations that would support the sustainability and profitability of the water carrier, minimize the need for large adjustments between formal rate cases, and provide safeguards for consumers with respect to runaway or unreasonable automatic increases for the water carrier. I want to reiterate why our committee strongly advocated for the Water Carrier Inflationary Cost Index (WICI) mechanism, which was ultimately adopted as Recommendation No. 1 in the HWCWG Final Report.

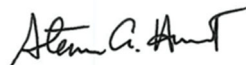
First, the current rate case method that's facilitated by the Hawai'i Public Utilities Commission tends to be slow, cumbersome, costly, and inefficient as the outcomes often result in large rate spikes that are necessary following extended periods without adjustment, rather than more contemporary incremental adjustments. Adhering to this current rate adjustment methodology discourages future capital investment, puts the water carrier at financial risk by having to incur unsustainable short-term debt to subsidize losses, and raises the ire of consumers that view these less frequent and large rate adjustments as being exorbitant.

Second, WICI is not meant to replace the general rate case process but rather provide a means for more timely, but limited, rate adjustments during the periods between burdensome and resource consuming rate cases. For example, keeping in mind that inflation could potentially be highly volatile, the small group on Rates recommended the annual rate adjustment have a cap of 5% to provide consumers with some level of price protection as well as hold the water carrier accountable for controlling their expenses.

Finally, as a safeguard for consumers against the potential for runaway automatic increases, the WICI mechanism also contemplated that rate cases would be *mandatory* at a consistent cadence (every third year) to reconcile any excessive adjustments *and* to account for costs and investments not covered by WICI.

As of 2026, it's clear that the concerns WICI was meant to address have not only persisted but have evolved, continuing to impact the industry. While I recognize that there have been many factors at play, it's worth considering whether earlier implementation of this recommendation might have helped mitigate some of the challenges the State's water carrier system is facing today.

Thank you for the opportunity to provide public comments on this issue.



Steven A, Hunt



March 23, 2026

House Committee on Transportation

Representative Darius Kila, Chair

Representative Tyson Miyake, Vice Chair

RE: SB 2694 – RELATING TO WATER CARRIERS

Hearing date: Tuesday, March 24, 2026, TIME 9 a.m.

Aloha Chair Kila, Vice-Chair Miyake, and Committee Members,

Mahalo for the opportunity to submit testimony in **support** of SB 2694.

I am Jeff Goodwin, Hawaii 4-H Program Leader of the University of Hawaii College of Tropical Agriculture and Human Resources (CTAHR). CTAHR's Hawaii State 4-H is one of the oldest and most effective youth program of non-formal education in Hawaii. The program assists young people in developing life skills that will enable them to become self-directing, productive, and contributing members of society through pride in workmanship and accomplishments, personal interaction with peers, and respect for the environment. 4-H touches approximately 5,800 young people annually throughout the State of Hawaii. For example, the Farm Fair is held annually in partnership with the Hawaii State Department of Agriculture and Hawaii 4-H through its Livestock Council and which aims to educate young people about the various aspects of agriculture. Hawaii 4-H also exhibits their livestock and demonstrates their knowledge at the Fair through presentations and performances with their animals.

Young Brothers has been a valued partner to the overall Hawaii State 4-H programs, particularly through the 4-H Livestock Council as well as agricultural industry in general. Through sponsorship and community giving contributions for the benefit of many youth raising livestock throughout the State, Young Brothers have continuously helped support them in shipping livestock between the island communities for events such as the Farm Fair. Youth organizations across the state — such as Hawaii 4-H — rely on Young Brothers to fulfill our mission in assisting 4-H youth in developing key life skills to be productive and contributing members in our island communities. When Young Brothers can operate in a way that is financially sustainable, statewide youth programs like us benefit from the strengthened supply chain and the company's ability to give back through financial and gratis shipping to support our mission and the positive impact we also have to the island communities on all major islands.

Mahalo,
Jeff Goodwin
Hawaii 4-H Program Leader
College of Tropical Agriculture and Human Resources

TESTIMONY RE SB 2694, SDR 2

Rep. Darius K. Kila, Chair
Resp. Tyson K. Miyake, Vice Chair
And members of the
Committee on Transportation

My name is Dennis Onishi and I'm submitting my testimony as an individual of the Big Island.

I believe, under the current rate cost process administered by the Hawai'i Public Utilities Commission (PUC), adjustments tend to be a long process, cumbersome for the applicant, businesses and commission which adds to the cost for those involved. Because rate increases often go unchanged for extended periods, the eventual adjustments can be significant, and this onetime large rate increase creates a financial strain on the businesses and consumers. Businesses will just pass on the outrageous increases to the end user. PUC's process is outdated and must be restructured to help the water carrier, the users of the carrier and the consumers to know every year what might happen on the cost of shipping. With Bill SB2694 D2 that will be heard on March 24th, the Water Carrier Inflationary Cost Index (WICI), to me, is a start in the right direction to change a system that doesn't work.

It has been mentioned by businesses that water carriers should be also reviewed in their performance index with this proposal. I feel Bill SB2694 D2 isn't the mechanism to deal with their concerns currently. I also feel, in the next session, there should be a proposal to have the water carriers reviewed on their delivery and damage assessments. Also, looking into having the Hawai'i State Department of Transportation being the entity to approve and monitor all request by all carriers instead of the PUC.

As we look to the challenges that the State's water carrier system faces today, the present process needs to be addressed and businesses and consumers protected. This will also require the water carrier to maintain fiscal discipline and control costs.

Council Chair
Alice L. Lee



Director of Council Services
David M. Raatz, Jr., Esq.

Vice-Chair
Yuki Lei K. Sugimura

Deputy Director of Council Services
Richelle K. Kawasaki, Esq.

Councilmembers
K. Kauano'e Batangan
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Keani N.W. Rawlins-Fernandez
Shane M. Sinenci
Nohelani U'u-Hodgins

COUNTY COUNCIL
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www.MauiCounty.us

March 23, 2026

TO: Honorable Darius K. Kila, Chair, and
Members of the House Committee on Transportation

FROM: Thomas Cook
Councilmember

A handwritten signature in blue ink, appearing to read "Thomas Cook".

DATE: Tuesday, March 24, 2026
9:00 a.m., House Conference Room 430

SUBJECT: **TESTIMONY IN SUPPORT OF SB2694 SD2,
RELATING TO WATER CARRIERS**

Thank you for the opportunity to testify in **strong support of SB2694 SD2**, relating to water carriers. This measure authorizes the public utilities commission to establish automatic adjustment mechanisms to address economic factors sua sponte or on application by a water carrier. Requires the Public Utilities Commission to establish a water carrier inflationary cost index automatic adjustment mechanism. And authorizes the public utilities commissions to waive or exempt any water carrier from any requirement under the Hawaii Water Carrier Act.

The Maui County Council has not had the opportunity to take a formal position on this measure. Therefore, I am testifying in my capacity as an individual member of the Maui County Council and as Chair of its Water & Infrastructure Committee.

I support this measure for the below reasons:

- 1. Neighbor island communities like Maui, Moloka'i, and Lāna'i depend on interisland shipping for the goods that sustain our daily lives.**

Maritime transport shipping companies power our economy and operate the marine highway that connects our islands, allowing businesses to get goods to market and ensuring residents have reliable access to essential supplies.

2. The proposed Water-Carrier Inflationary Cost Index (WICI) would be a substantial improvement over the current system

Instead of waiting years and then facing a large, sudden rate increase, the WICI bill provides a practical tool that allows smaller, more regular adjustments on a set schedule — capped at five percent per year — so rates better reflect real operating costs like fuel and labor.

WICI makes shipping rate changes more transparent, making it easier for businesses to budget and plan ahead. For Maui's farmers, retailers, contractors, and small businesses, this kind of consistency matters. The result is that businesses can operate and price goods with confidence that they will not face sudden, steep cost increases.

3. By keeping rates in better sync with changing costs, the bill would ensure that water carriers remain financially sustainable, enabling them to maintain vessels, equipment, and reliable service statewide.

This balanced approach, which maintains oversight and regular rate reviews, delivers what our communities have asked for: more predictable rates for the reliable shipping service they rely on.

Overall, I believe this measure would help sustain the role of interisland shipping in a strong supply chain, and ensure that shipping costs become more predictable over time.

For the foregoing reasons, I respectfully urge your support for **SB2694 SD2**. Mahalo, for the opportunity to testify. If you have questions relating to this testimony, please contact my office by e-mail at Thomas.Cook@mauicounty.us or by phone at (808) 270-7108.

Date: 03/23/2026

To: Senate Committee on Transportation

From: Mary Albitz, Small Business Owner on Maui

Re: Opposition to SB2694 — Automatic Annual Rate Increases for Young Brothers

Position: STRONG OPPOSITION

Summary SB2694 would allow Young Brothers to implement automatic, annual rate increases without adequate regulatory review or public oversight. I oppose this bill because it shifts price-setting authority away from regulators and the public, harms consumers and local businesses, and reduces transparency and accountability.

Reasons for Opposition

- Reduces regulatory oversight and public accountability - Automatic rate increases bypass the Public Utilities Commission (or appropriate oversight body), eliminating an important check that ensures rates are just, reasonable, and based on verified operating costs.
- Harms households and communities - Many island residents are already economically vulnerable. Automatic increases will raise shipping costs that are passed on to consumers in higher prices for food, fuel, construction materials, and everyday goods.
- Disproportionately hurts small businesses, farmers, and fishers - Local producers and small businesses rely on predictable, affordable shipping. Unchecked annual increases threaten profitability, food security, and local employment. When I decided to stock jigsaw puzzles at my studio, shipping ate up nearly all the margin — the cost to ship each puzzle was often equal to the puzzle's price. That left me with virtually no profit, but I carried them anyway so my community could buy puzzles and games they can't find at big-box stores.
- Lacks consumer protections and transparency with no performance accountability - The bill does not require public notices, hearings, or clear justification for increases tied to specific metrics. This impedes public participation and independent review.
- Rate increases disconnected from performance metrics could be approved even if service quality declines. Customers should not pay more for worse service.

Conclusion: Automatic annual rate increases transfer risk to consumers, undermine regulatory safeguards, and threaten the economic viability of island residents and businesses. For these reasons I urge the committee to oppose SB2694 or remove any provision that permits automatic rate increases without robust regulatory oversight and consumer protections.

Contact Mary Albitz, 808-269-2445, mary@jigsawjava.com

Thank you for your consideration.

SB-2694-SD-2

Submitted on: 3/23/2026 1:42:02 PM

Testimony for TRN on 3/24/2026 9:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Howard Kihune	Individual	Oppose	Written Testimony Only

Comments:

I am not in support of any rate increase for water carriers at this time. Their profits continue to go up on the backs of our hard working people here in Hawaii. This creed is affecting our local families and their way of life while pricing them out of Hawaii(Home). Our tax dollars pay for these harbors allowing them to operate.