

June 19, 2018

Dear Valued Customer:

RE: Wharfage, Facility Security Fees, & General Excise Tax Exemption Effective July 1, 2018

The State of Hawai'i Department of Transportation – Harbors Division (“DOT-H”) collects wharfage fees and facility security (“FSC”) fees from users of the State’s commercial harbors to finance expansion of and improvements to its infrastructure. As a harbor facility operator, Young Brothers, Limited (“YB”) is required to collect wharfage from users on behalf of DOT, with the fee amount based on the type and volume of cargo shipped.

As previously communicated, DOT-H has begun implementing work under its Harbor Modernization Plan, and as a result, has begun applying step-increases to its wharfage and FSC fees. The third planned wharfage increase of 15% will be effective on July 1, 2018; FSC fees will also be increased concurrently. Wharfage incremental rate increases of 3% or the consumer price index (CPI) rate, whichever is higher, will be implemented by DOT-H annually starting on July 1, 2019.

A complete listing of the new DOT wharfage fees can be viewed at the agency’s website <http://hidot.hawaii.gov/harbors/library/admin-rules/> once it has been updated.

In addition, all of YB’s freight checking, stevedoring and barge services are subject to General Excise Tax (“GET”), except for services related to loading and unloading customer freight from the barge. That is, while you pay GET on freight charges assessed by YB, you receive a *partial* exemption from GET for the loading and unloading portion of our service. This percentage is adjusted annually to reflect changes in the cost of service relating to loading and unloading freight from barges.

Effective July 1, 2018, 27.884% of your freight charges will be exempt from GET; the current exemption is 26.904%. Under existing law, shipments originating from the Neighbor Islands to O’ahu are, and will continue to be, taxed at 4.166% instead of 4.712%.

If you have any questions, please contact your local customer service representative.

Sincerely,
/s/Sandra W. Larsen
Sandra W. Larsen
VP, Legal and Government Affairs