

February 5, 2019

Aloha Valued Customer,

On February 1, 2019, the Hawai'i Public Utilities Commission (PUC) approved a 4.3% base price increase in Young Brothers' shipping rates. The effective date of the new rate will be determined by the PUC. Depending on the type of cargo, the increase may be more than 4.3% for some cargo types and less for others. Our customer service team is available to discuss with you how this rate increase affects your cargo. You may also visit our website at youngbrothershawaii.com for more details.

This is Young Brothers' first significant rate increase in six years. The decision enables our company to keep pace with increasing costs and to reinvest in the business after necessary capital expenses. That said, the increase is nearly two-thirds less than our original request. To continue pursuing a rate that will allow us greater financial stability in the face of steadily increasing operational costs, we anticipate filing for another rate case later this year.

By nature, ours is a very capital-intensive business requiring ongoing replacement of equipment. Our mission requires the use of six towing tugs, three harbor assist tugs, eight barges and other equipment, including generators, lifts, dry and refrigerated containers, and flat racks. Each year, these assets make over 1,250 sailings between the Hawaiian Islands resulting in significant wear and tear.

To meet and exceed safety and compliance requirements, meet and exceed customer service expectations, and operate our business at the lowest possible cost, we have replaced two of our six towing tugs – nā Kāpena Jack Young and Raymond Alapa'i, which entered service in 2018 – and will be replacing two more by mid-2019 – nā Kāpena George Panui and Bob Purdy. All four tugs are named after former Young Brothers' captains and will transport cargo between the Hawaiian Islands for the next 30+ years. Prior to replacement, our tug fleet averaged 44 years old. Our new EPA Tier IV tugs provide additional safety work features for our crews, while also improving service reliability, reducing costs to customers by improving fuel efficiency, and reducing our carbon footprint.

It is an honor for us to serve as the State's only PUC regulated inter-island water carrier. We take seriously our responsibility to support inter-island commerce and serve as a lifeline during natural disasters and severe weather events. Young Brothers is committed to transporting all types of cargo, from containers to cars to canoes, to all islands, all the time.

We thank you sincerely for being a customer and look forward to answering your questions.

Mahalo,

Joseph Boivin, Jr.
President