

FOR IMMEDIATE RELEASE

May 26, 2020

Young Brothers seeks financial relief from the State due to COVID-19 slowdown
Essential operations continue as legacy interisland shipping company finds solutions for financial challenges

Honolulu – Young Brothers, LLC (YB) today announced it is seeking assistance from the Hawai'i legislature and Public Utilities Commission (PUC) to alleviate an impending cash crisis brought on by a 30% drop in cargo volumes due to the COVID-19 pandemic. The interisland shipping company reported losing nearly \$8 million through April and projects mounting losses totaling approximately \$25 million by the end of the year.

In a letter filed with the PUC on Tuesday, Young Brothers described its financial situation as 'extremely dire' and indicated the company will no longer receive cash infusions from its parent company as of June 1, 2020. The company is seeking \$25 million in CARES Act funding from the state legislature to sustain operations through December 2020.

"Until now, our parent company has graciously and generously covered our losses," said Jay Ana, president of Young Brothers, LLC. "But they are not in a position to continue covering the staggering COVID losses and have told us that we must now find other solutions. We know they have deep aloha for Young Brothers – and for Hawai'i – and we are grateful to them for carrying us through the challenging times. But we must now find a cooperative solution with the state that allows YB to continue to operate."

Impact of COVID-19 Pandemic

Young Brothers cargo volumes dropped 30 percent following government stay-at-home orders and a steep decline in tourism. Last month, it announced key measures to streamline operations and reduce operating costs, including:

- Reduced sailing schedules for Maui and Hawai'i counties reflecting the decline in volume to Kahului and Hilo – yielding \$6 million in savings
- Reduced gate hours for non-barge days in all major ports
- Hiring freeze and salary cuts for senior leadership
- Suspending non-essential travel, eliminating discretionary expenses and deferring non-essential maintenance and related activities

Liquidity Crisis

YB's parent company covered over \$21 million in losses from 2018 and 2019 as YB pursued rate relief from the PUC.

"The mounting losses at Young Brothers are more than any parent company can absorb," said **Jason Childs, chairman of Young Brothers' board of directors**. "We're in a shared crisis that is far from over and are losing more than \$3 million a month. This is not sustainable."

If unable to secure relief, the company will be required to prioritize revenue-generating lines of service to sustain operations. Young Brothers would pursue a phased approach to service modifications. Subject to PUC approval, these changes would begin on June 8 to reduce costs

and provide continuity of service for as many customers for as long as possible.

“We hope to avoid any disruption in service,” said Ana. “Support from the state legislature would put the company on solid ground while we seek solutions from the Public Utilities Commission to achieve a more sustainable future for the company. Our goal is to ensure Young Brothers is here to serve all of Hawai‘i beyond 2020 and into the future.”

Contingency Plans

Phase 1 Contingency Plan – Effective June 8 (if approved)
<ul style="list-style-type: none">● Accept: All straight load container shipments, automobiles (dealers and personal vehicles), and roll-on/roll-off equipment.● Accept: All container and less than container load (LCL) livestock shipments from all islands● Eliminate: Dry and refrigerated LCL/Mixed cargo option to and from the ports of Kahului, Kawaihae, Nāwiliwili, and Hilo● Accept: Dry and refrigerated LCL/Mix cargo option to and from the islands of Lāna‘i and Moloka‘i only● Continue: A 4-tug fleet and modified sailing schedule approved by PUC on May 5th
Phase 2 Contingency Plan – PENDING
<ul style="list-style-type: none">● Further reduction in sailing frequency to all neighbor island ports.● Modified tug and barge availability● Eliminate: All dry and refrigerated LCL/Mix cargo options to and from all ports● Eliminate: LCL shipments of livestock

Continuity of Operations

“The neighbor island communities that rely on Young Brothers can rest assured that we are not closing on June 1. We will serve our customers as long as possible while we pursue every avenue of assistance,” said Ana.

Young Brothers will not make further adjustments to the sailing schedule at this time; however, the contemplated additional sailings requested by Moloka‘i and Hilo farmers will not be reinstated.

Likewise, the company will seek permission from the PUC to not resume the LCL and Mixed Cargo service lines, as previously planned, except as described above.

Accommodations for Moloka‘i, Lāna‘i & Livestock Industry

Ana continued, “After June 8, Young Brothers is committed to continue providing the specialized services and delivering the gas, groceries, and other critical supplies that Moloka‘i and Lāna‘i need to survive and thrive.”

Reflecting the company’s commitment to local ranchers and farmers, Young Brothers announced it is establishing special procedures to continue transporting livestock between the islands after June 8, 2020.

Regulatory Relief from the PUC

You may download a copy of YB's letter filed today with the PUC at [this link](#).

In 2019, Young Brothers' filed a request with the PUC to increase its rates to offset rising operating costs and pre-COVID estimated losses of approximately \$13 million. It remains pending further action by the PUC.

Additional Information and Resources

- [YB Financial Update to PUC – May 5, 2020](#)
- [Overview of Service Reductions – April 24, 2020](#)
- [B-roll video and photos](#) (courtesy of Young Brothers, LLC)

About Young Brothers, LLC

Young Brothers, with approximately 370 employees across the state, has served Hawai'i since 1900. Young Brothers is a publicly regulated water carrier providing weekly port calls from Honolulu to the state's neighbor island ports, including Hilo, Kawaihae, Kahului, Kaunapau, Kaunakakai, and Nāwiliwili. For more information visit www.youngbrothershawaii.com.

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