Young Brothers Requests Rate Adjustment to Sustain Vital Interisland Shipping Service

OCTOBER 15, 2024

HONOLULU – Young Brothers, LLC has filed a rate case with the Hawai'i Public Utilities Commission (PUC), requesting approval of a $26.3 million increase in revenue – or an average 20% increase in rates for the majority of cargo – to cover significant increases in the cost of service, support critical investments to upgrade equipment and infrastructure, and sustain the vital interisland shipping service that connects the state's island communities.

> "This necessary realignment of rates will put Young Brothers on a more sustainable path for the future, ensuring we can continue providing the vital service our customers and communities depend on and build a more resilient company that can adapt to future needs and challenges," said **Jay Ana, President of Young Brothers.**

Additional Revenue Needed to Cover Higher Costs and Strategic Investments

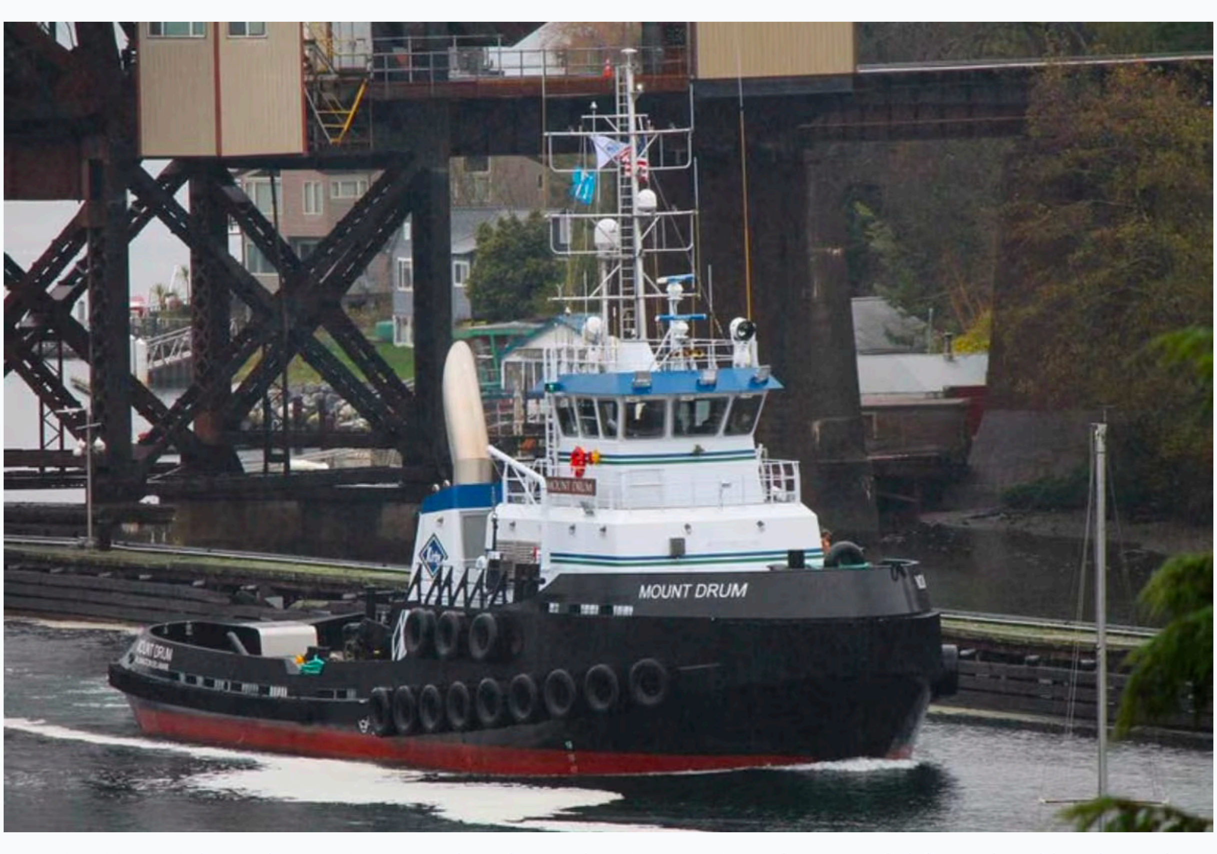
The primary drivers of Young Brothers' need to raise additional revenue are a substantial increase in operating expenses, cargo volume not returning to pre-pandemic levels, and strategic investments to modernize our fleet and harbor infrastructure and ensure reliable service.

> "Like many local companies, we are continuing to navigate challenging business conditions, with inflationary pressure pushing up our operating expenses and higher capital costs for critically-needed investments to maintain the reliability of our service for every community we serve," said **Ana**.

- **Operating expenses increased by 17% since 2020**, driven by inflation and higher labor costs, including a $10 million annual increase in compensation and benefits following the ratification of new collective bargaining agreements in 2024 covering Young Brothers' highly skilled, unionized workforce.
- **Higher capital costs for the critically needed investments** in new barges and tugs, customer equipment, vehicles in our shoreside fleet, and harbor infrastructure enhancements to more safely, reliably, and sustainably deliver services to our customers.
- **Cargo volume has not returned to pre-pandemic levels**, remaining down by 8% in 2023 compared to 2019 and an average of 13% from 2019 to 2023.

Investing in Hawai'i's Future

Between September 2020 and December 2024, Young Brothers will have invested more than **$120 million** in utility infrastructure to improve the safety, reliability, and efficiency of service. New vessels include two *Mount-class* tugs and the new *Kalohi* and *Nāulu* barges, totaling $74 million. However, the investments cannot be recovered by Young Brothers unless and until the PUC approves the 2025 rate request and new rates go into effect.



New Mount Baker and Mount Drum tugs have boosted towing capacity and service reliability and enable enhanced maneuverability and control in varying tidal and weather conditions.

Entering service in December 2024, the Kalohi and Nāulu barges bring new technology and capabilities that will enhance services by increasing capacity, flexibility, and reliability. The Kalohi is specifically designed to serve smaller ports such as Kaunakakai (Moloka'i) and Kaumalapau (Lāna'i). They are the first new barges in over 20 years to enter the Young Brothers fleet.

Additional investments included $8 million in new containers, reefers, chassis, platforms, and flat racks for customers to ship their cargo, $14 million for new electric vehicles and freight handling equipment in our shoreside fleet, and more than $1.5 million to upgrade Lāna'i harbor mooring system infrastructure.

New Customer Rates Capture True Cost of Service

In June 2024, the PUC approved a new way of calculating Young Brothers's costs and customer rates, factoring in the port location and type of cargo to more accurately capture the cost of transporting it to its destination. Current rates generally treat cargo types and routes the same, even if that service requires significantly more labor or is a longer voyage. This new approach will ensure the true cost of selected services and routes are better allocated to corresponding customers.

> If approved by the PUC, **rates for the majority of the cargo Young Brothers ships to Neighbor Island ports will increase by an average of approximately 20%**, which is **equivalent to approximately 3.7% average increase per year since its last rate increase**, slightly lower than overall inflation during that same period.

For **more efficient lines of service** that require less cargo handling, rates will increase by **20 to 35%**. Services requiring **additional or special handling** will increase by **35 to 45%**.

- The cost to ship a container will increase by 20%, with the exception of containers shipped to and from Hilo, which will increase by 35%.
- The price to ship a car and roll-on-roll-off cargo will increase by 30%.
- Palletized cargo rates will increase by 30% for dry and 40% for refrigerated freight.
- Less-than-container-load (LCL) will increase by 35% and less-than-pallet rates will increase by 45%.

Navigating Delayed Rate Relief

Regulatory lag is the delay between when a utility spends money to provide services and when those expenses are recovered through customer rates. An example of such a delay is Young Brothers' $80 million investment in the *Kāpena*-class tugs. Current customer rates cover just $20 million – the cost of one of the four vessels that have been serving Hawai'i since 2018.

> "Young Brothers has been impacted by the delayed recovery of investments to improve service, making it more difficult to attract capital at reasonable rates," said **Ana**. "Young Brothers needs timely and adequate rate relief to recover the true cost of service and continue fulfilling its role as a critical lifeline for Hawai'i's commerce and communities."

PUC Process for Considering Rate Realignment

Young Brothers' application to the PUC starts a comprehensive process to review the requested rates for 2025. Public meetings on O'ahu, Hawai'i Island, Kaua'i, Maui, Moloka'i, and Lāna'i are expected to be held in January 2025. If approved, new rates would go into effect in the summer of 2025. Additional information is available at **youngbrothershawaii.com/**.

Media Kit

- **Fact sheet | 2025 rate request**
- **Explainer | Navigating Delayed Rate Relief**
- **Additional fact sheets**
- **B-roll** | *Courtesy: Young Brothers*
- **Still photos** | *Courtesy: Young Brothers*

About Young Brothers

Young Brothers, LLC is Hawai'i's trusted interisland freight company. Founded more than 120 years ago, Young Brothers is responsible for transporting 100% of all ocean cargo that originates and ends in Hawai'i and is the only water carrier to serve Lāna'i and Moloka'i. The publicly-regulated company offers 12 weekly sailings between the ports of Nāwiliwili, Honolulu, Kaumalapau, Kaunakakai, Kahului, Kawaihae, and Hilo. More than 400 highly-skilled employees move what matters most for Hawai'i using state-of-the-art shoreside equipment and a fleet of eight barges and eight tugboats, including four fuel-efficient *Kāpena*-class tugs. Young Brothers is an independently managed subsidiary of Foss and part of the Saltchuk family of companies. For more information, visit **youngbrothershawaii.com** and connect via **Facebook**, **Instagram**, **Twitter** and **LinkedIn**.

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