

Magnitude of Young Bros. proposed shipping rate increase startling

THE CHAMBER VIEW

by Pamela Tumpap



Commission, but what was surprising was the amount of the in-

It was no surprise to learn this week that Young Brothers Ltd. is seeking a rate increase from the Public Utilities

crease, that we had to learn about it through the media, and that a fuel surcharge is also being requested.

Back in September 2006, after Young Brothers reached agreement with the state to continue less than container load (LCL) shipping to and from Kahului Harbor until Jan. 1, 2010, Young Brothers held a community meeting to inform the public of its plans. At that meeting, company officials

alerted us to the fact that they would institute key operational changes, including: use of larger barges, reconfiguring operations, palette weatherizing, changes to their hours of operation, customer migration and rate increases. They stated that they would be applying for "compensatory" rate changes, but no figure was thrown out at that point.

The news was met with mixed reactions. First, relief that a solu-

tion was in place to continue LCL in the near-term so that alternate solutions could be sought, followed by concern and uncertainty over the impact these changes would have on small businesses.

So, what's surprising, given Young Brothers' earlier efforts to inform and educate users on their proposed changes, is that they didn't do another round of public meetings to explain and justify the proposed increases prior to filing

for an increase and fuel surcharge with the PUC. Many were caught off guard when the media reports were released and concerns quickly started pouring in to the chamber's office.

According to news sources, Young Brothers is saying it needs to recoup costs for new barges and equipment it's putting into service, and is asking to institute a fuel surcharge that will be adjusted when the price of a gallon of diesel fuel

rises or falls 15 cents.

While Young Brothers reports that it expects the average size of the rate increase to be 10.7 percent, it added that the rate would vary from customer to customer, depending on the type of cargo being shipped. Standard containers and roll-on/roll-off cargo would not be affected, the company said.

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However, it's a different story for LCL, where the requested rate increase is – don't gasp – 24 percent. That's definitely going to impact Neighbor Island businesses and affect the costs of goods sold.

How was the 10.7 percent increase figure derived at? It reportedly comes from an average of a 5.6 percent increase for refrigerated containers, platform loads and automobiles, and the 24 percent

jump for less-than-container loads and minimum charges for shipments.

Young Brothers has said the LCL increase will only cover costs for providing the service, and a fuel surcharge is needed as rising fuel costs have cut into the company's profit when diesel prices rose this year.

Vice President Roy Catalani also said the increased cargo rates are needed to recoup investments Young Brothers is making with new barges and other equipment.

The company reportedly invested approximately \$40 million this year in improved equipment and facilities and plans to make an almost equal amount of expenditures next year.

Back in September when Young Brothers shared its planned operational changes, it noted that many of the changes would increase operational efficiencies and safety, including the larger barges. It was hoped that these new operational efficiencies would help keep costs down, particularly

since businesses would also be dealing with reduced hours and newly enforced weatherizing as a factor of keeping LCL in place. The fact that switching to larger barges would require extraordinary capital expenditures and passing on extreme costs to LCL service users was not disclosed.

Additionally, while it is unknown if these costs are directly related to the LCL rate increase, Young Brothers is upgrading its telephone system and cargo-handling equipment and installing a

new computer system. As these systems will likely benefit the company long after their agreement to provide LCL services to Kahului Harbor ends (in three years and a few days), we hope not.

Young Brothers already increased rates by 5.5 percent in September and had a similar increase in July 2005. If approved, the current rate request could go into effect in July 2007, at the earliest. We are currently working to better understand requested rate

increases and fuel surcharge and address our concerns.

This magnitude of this increase was unanticipated and is therefore shocking. It will hurt small businesses and increase costs. Leadership at the Maui Chamber of Commerce has already spoken out against the increase and will continue to stand up for our small business members on this issue and work toward a satisfactory outcome.

■ Pamela Tumpap is president of the Maui Chamber of Commerce.