

# Young Bros. a gauge of economy, and it's weak

BY RICK DAYSOG  
Advertiser Staff Writer

As a caravan of tractor trucks queue up at Young Brothers' Nimitz Highway gate, massive hi lifts unload 20-foot shipping containers as dozens of new and used cars are whisked onto barges headed for the Neighbor Islands.

If you want to know how Hawai'i's economy is doing, a visit to Young Brothers' shoreside operations at Piers 39 and 40 will give you a good gauge of the state's financial ebb and flow.

"I would think that the Young Brothers' traffic would be a nice indicator of the economy," said University of Hawai'i-Mānoa business professor David Bess.

"And yes, the revenues of YB would fluctuate with the decline and growth of the economy."

Last year, Young Brothers' barges shipped 5.9 million tons of cargo, which was down about 17 percent from the year earlier's 7.1 million tons.

The comparison is slightly skewed because an interisland barge operated by competitor

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**ABOVE:** A Young Brothers container is brought onto the Maka'ala at left, while machine operator Kyle Kauhane, reflected in the mirror, drives off the interisland barge after depositing cargo.

## YOUNG BROTHERS

**Founded:** 1900

**Parent company:** Seattle-based SaltChuk Resources Inc.

**Employees:** 368

**CEO:** Glenn Hong

**Number of weekly sailings:** 12

## THE COMPANY'S CARGO VOLUME:

Year	Tons
2006	6.26 million
2007	7.12 million
2008	5.90 million

**BELOW:** Young Brothers barges Maka'ala, left, and Kala'enalui.

Photos by **RICHARD AMBO** | The Honolulu Advertiser





RICHARD AMBO | The Honolulu Advertiser

Container handlers drive cargo onto Young Bros.' Maka'ala. Pasha Hawaii is applying to compete in interisland service.

# Barges

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Matson Navigation Co. was out for much of 2007.

Still, cargo volume is down 10 to 11 percent in 2009 and it's not showing signs of picking up.

Glenn Hong, Young Brothers' CEO, said he was getting early signs that Hawai'i's economy was headed for recession back in March, or months before anyone heard of a global economic crisis.

At the time, Young Brothers was seeing a steep drop in shipments of building materials, and the number of new and used cars delivered to the Neighbor Islands was off significantly.

Supplies to supermarkets was the only group that was up, indicating that people were going out to restaurants less and were eating at home more, Hong said.

"About March of last year, we were seeing some disturbing volume trends and in our (management meetings) we asked if we were seeing a blip or if it was a bigger trend that indicated that we're heading into a recession," Hong said.

"But no one at the time anticipated that it would be as severe as it had been."

During a recent interview at Young Brothers' headquarters along the Kalihi waterfront, Hong provided an overview of Young Brothers' operations and the company's history.

Founded in 1900 by Herbert, William and Jack Young, the company's fortunes have in many ways mirrored those of the 50th state.

From its roots as a "bumboat" service that ferried goods ashore from

passing steamers, the company has grown into the state's dominant interisland shipper.

During Hawai'i's plantation era, it was a major transport for sugar and pineapple from the Neighbor Islands. Its barges also hauled many of the construction materials that were used for the post World War II boom.

In recent years, the company had invested heavily in its operations — more than \$60 million in the past two years — to keep pace with Hawai'i's surging economy.

Those upgrades have kept the company competitive in the current downturn.

Young Brothers is a division of Seattle-based Saltchuk Resources Inc., which also owns interisland air freight company Aloha Air Cargo. Saltchuk bought Aloha Air Cargo from Aloha Airlines after the carrier went out of business last spring.

So far, Young Brothers says that it has been able to avoid layoffs, which is a proud feat for any company that's so closely tied to the booms and busts of the local economy.

But that could change if the state Public Utilities Commission approves a plan to allow transpacific carrier Pasha Hawaii Transport Lines to provide interisland service.

Pasha Hawaii currently provides cargo service from the West Coast to Honolulu, Hilo and Kahului using its 579-foot vessel, the Jean Anne. Pasha does not have regulatory approval to pick up and drop off shipments among the three local ports.

In filing with the PUC, Pasha has said its new interisland service is in response to multiple requests from customers in Hawai'i. In the filing, Pasha said it plans to make interisland shipments every 14 days.

Young Brothers said it's not afraid

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GLENN HONG | CEO of Young Brothers

of competition but it says it's worried that Pasha's entry would create an "uneven playing field."

Pasha wants to serve the Honolulu to Hilo and Kahului routes while bypassing smaller markets such as Moloka'i, Lāna'i and Kawaihae on the Big Island.

Allowing Pasha to "cherry pick" the most profitable routes will hurt customers and business that depend on regular service, Young Brothers said.

By contrast, Young Brothers said it is obligated to serve the public interest by providing frequent, universal service to all users on all islands under its certificate with the PUC.

"At this point, we're not anticipating reducing service levels, but you never know, especially if others are allowed to cherry-pick and not be required to offer universal and frequent service," Hong said.

"Anything that affects business demand in a substantial amount can create a challenging situation. We certainly hope not."

Reach Rick Daysog at 525-8064 or [rdaysog@honoluluadvertiser.com](mailto:rdaysog@honoluluadvertiser.com).