

July 29, 2009

Rate Increase – Effective Saturday, August 1, 2009

Dear Valued Customer,

As previously indicated in our July 10th customer notice that updated you on the status of our general rate increase filing, we received approval from the Public Utilities Commission (PUC) on Tuesday, July 28th. The average over-all increase will be 13.46%, with the newly approved rates including a 9.66% increase for containerized cargo, a 9.22% increase for automobiles and RO/RO (roll-on/roll-off) cargo and a 21.26% increase for LCL (less-than-container-load) cargo with the exception for Molokai and Lanai, for which the LCL increase is 12%. The new rates will take effect for cargo booked on barges sailing on **Saturday, August 1st** (revised tariff sheets have been submitted to the PUC for approval).

In our request that was submitted to the PUC back in December 2008, we asked for an over-all rate increase of 17.9%, including a 15% increase for containerized cargo, a 10% increase for automobiles and RO/RO cargo and a 25% increase for LCL cargo. In June, Young Brothers (YB) and the Consumer Advocate (CA) entered into a settlement agreement, agreeing upon an average over-all increase of 14.61%, with a 10.5% increase for containerized cargo, a 10% increase for automobiles and RO/RO cargo and a 23% increase for LCL cargo (except for Molokai and Lanai, which was set at 12% for LCL cargo). The PUC further reduced these percentages in its July 28th decision as noted above.

“We recognize that our neighbor island customers depend upon reliable and frequent service, and we have taken the steps to ensure such service. We also recognize that customers share the same burdens with the economic recession. To respond to current economic conditions, we have taken measures to control and reduce costs, with all of the savings being passed on to our customers,” said Glenn Hong, President of Young Brothers.

“The revenue from this rate case is needed to finance new investments in vessels and other cargo equipment and to pay for costs associated with maintaining reliability of service and the same number of sailings despite falling cargo volumes,” added Roy Catalani, Young Brothers’ Vice President of Strategic Planning and Government Affairs. He said that since 2006, Young Brothers made capital expenditures of over \$90 million to deliver four new, large flat deck barges (with the fourth and last new barge arriving in 2009), a RO/RO barge, new cargo-handling equipment, a new computer system, and a statewide telephone system.

Looking at cargo volumes, we experienced a 9.6% decrease in inter-island cargo volumes in 2008 and project an additional 11% decrease in 2009. However, in order to meet our customers’ demand for frequent service, driven largely by the lack of neighbor island storage capacity and the “just-in-time” manner of inventory management, we are still maintaining twelve regularly scheduled weekly sailings to the neighbor islands.

(more)

Young Brothers, Limited

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In our efforts to control and reduce costs, we obtained community input on and PUC approval of certain Maui County sailing schedule changes earlier this year. We were able to reduce our intrastate costs by well over \$900,000, with all of the savings passed on to our customers in three specific ways:

- Reduce the rate increase for all categories.
- Limit the LCL rate increase for Molokai and Lanai to 12%. These islands do not have well-developed consolidation or on-island distribution systems and have cargo requirements on a smaller scale making containerization difficult;
- Increase the “island product” discount for local agricultural products from 30% to 35% for containerized cargo (not for LCL). For farmers and ranchers, these savings allow us to increase the discount we currently provide on cargo rates for containerized local agricultural products. We have for many years provided and currently provide farmers and ranchers a 30% discount on cargo rates for all local agricultural products and will increase this discount to 35% for such products that are containerized.

Other cost saving measures taken are the design and size of our new barges, as well as upgrades to our tugs, allow us to deliver cargo more efficiently in fewer barge sailings resulting in fuel and other operational cost savings. Increased fuel efficiency, along with decreased average fuel costs over the March 2009 to April 2009 period, allowed us to provide our customers 1.01% fuel price adjustment (FPA) credit on freight charges in June and July. The FPA will return to zero on August 1, 2009, as part of the recently concluded rate case. The successful performance of our new barges has also resulted in the ability to take older vessels out of service, thereby reducing the high maintenance costs of older vessels.

Our efforts to control and reduce expenses is reflected in the fact that projected total operating expenses for 2009 (as reflected in its rate case) are less than the total amount of operating expenses approved by the Commission in a 2007 rate case.

We are attaching an information sheet with this notice that summarizes the rates that are affected by these increases.

If you have any questions, please feel free to call your local port or your Account Representative. For more information you may also visit our website at www.youngbrothershawaii.com. Thank you for your continued patronage.

Sincerely,

/s/ Matthew J. Humphrey

Matthew J. Humphrey

Vice President and General Manager

Attachment: Young Brothers Rate Increases Effective: August 1, 2009

**YOUNG BROTHERS
RATE INCREASES
EFFECTIVE: August 1, 2009**

<u>TARIFF ITEM</u>	<u>CHANGE</u>
<u>DEFINITION OF "AUTOMOBILES"</u>	<ul style="list-style-type: none"> • Vehicle does not exceed 20 feet in length at the longest point.
<u>ISLAND AGRICULTUAL PRODUCTS</u>	<ul style="list-style-type: none"> • 35% discount for containerized shipments
<u>RATE INCREASES</u>	
a. Dry Containers (20', 24', 40', 45')	<ul style="list-style-type: none"> • 9.66% increase
b. Reefer Containers (20', 24', 40')	<ul style="list-style-type: none"> • 9.66% increase
c. Flatracks, Platforms	<ul style="list-style-type: none"> • 9.66% increase
d. Automobiles & RO/RO	<ul style="list-style-type: none"> • 9.22% increase
e. G Vans, pallets (dry and reefer), mixed (dry and reefer)	<ul style="list-style-type: none"> • 21.26% increase
e. G Vans, pallets (dry and reefer), mixed (dry and reefer)	<ul style="list-style-type: none"> • 12.00% increase (Molokai and Lanai Only)
<u>20' PLATFORMS MINIMUM RATE</u>	<ul style="list-style-type: none"> • \$204.00
<u>40' PLATFORMS MINIMUM RATE</u>	<ul style="list-style-type: none"> • \$407.98
<u>INCREASED MINIMUM BILL OF LADING</u>	<ul style="list-style-type: none"> • \$36.44
<u>DETENTION/STORAGE FOR G VANS</u>	<ul style="list-style-type: none"> • \$30 detention for each of the first three days, \$45 per day thereafter. • \$55 storage per day