

## News Release

For Immediate Release  
July 29, 2009

Contact: Roy Catalani (808) 543-9409  
Young Brothers Limited or  
Lynette Lo Tom (808) 275-3004 D  
lynette@brightlightmarketing.com

### Public Utilities Commission Approves Young Brothers Rate Increase

HONOLULU—Young Brothers, Limited on July 28, 2009 received approval from the Public Utilities Commission (PUC) for an increase in rates for its regulated inter-island (intrastate) cargo services. The average over-all increase will be 13.46 percent, with the newly approved rates including a 9.66 percent increase for containerized cargo, a 9.22 percent increase for automobiles and “roll-on/roll-off” cargo, and a 21.26 percent increase for LCL or less-than-container-load cargo (except for Molokai and Lanai, for which the LCL increase is 12 percent). The increases become effective for cargo booked on barges sailing on August 1, 2009 (revised tariff sheets have been submitted to the PUC for approval).

Young Brothers originally submitted to the PUC in December 2008 a request for an average rate increase of 17.9 percent, including a 15 percent increase for containerized cargo, a 10 percent increase for automobiles and “roll-on/roll-off” cargo, and a 25 percent increase for LCL or less-than-container-load cargo. In June 2009, Young Brothers and the Consumer Advocate entered into a settlement agreement, agreeing upon an average over-all increase of 14.61 percent, with a 10.5 percent increase for containerized cargo, a 10 percent increase for automobiles and “roll-on/roll-off” cargo, and a 23 percent increase for LCL or less-than-container-load cargo (except for Molokai and Lanai, which was set at 12 percent for LCL cargo). The PUC further reduced these percentages in its July 28, 2009 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.

Young Brothers has been replacing older vessels “to meet both current and long-term needs for reliable and frequent Neighbor Island cargo, putting into place its next generation of water transportation equipment and infrastructure, and developing a more efficient system to meet future demand,” Catalani continued. He said that since 2006, Young Brothers made capital expenditures of over \$95 million to deliver four new, large flat-deck barges (with the fourth and last new barge arriving in 2009), a roll-on/roll-off barge, new cargo-handling equipment, a new computer system, and a statewide telephone system.

(more)

With respect to cargo volumes, Young Brothers experienced a 9.6 percent decrease in inter-island cargo volumes in 2008 and projects an additional 11 percent decrease in 2009. However, in order to meet its customers' demand for frequent service, driven largely by the lack of Neighbor Island storage capacity and the "just-in-time" manner of inventory management, Young Brothers has maintained twelve regularly scheduled weekly sailings to the Neighbor Islands.

As an example of measures to control and reduce costs, Young Brothers obtained community input on and PUC approval of certain Maui County sailing schedule changes earlier this year. Young Brothers was able to reduce its intrastate costs by over \$900,000, with all of the savings passed on to its customers in three specific ways:

- Reduce the rate increase for all categories.
- Limit the LCL rate increase for Molokai and Lanai to 12 percent. 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 percent to 35 percent for containerized cargo (not for LCL). For farmers and ranchers, these savings allow Young Brothers to increase the discount it currently provides on cargo rates for containerized local agricultural products. Young Brothers has for many years provided and currently provides farmers and ranchers a 30 percent discount on cargo rates for all local agricultural products and will increase this discount to 35 percent for such products that are containerized.

Young Brothers has also taken other measures to reduce costs. For example, the design and size of its new barges, as well as upgrades to its tugs, allow Young Brothers 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 Young Brothers to provide its customers 1.01 percent 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 Young Brothers' new barges has also resulted in Young Brothers taking older vessels out of service, thereby reducing the high maintenance costs of older vessels.

Young Brothers' 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.

The 21.26 percent increase in LCL rates will add about 8 to 9 cents to the cost of shipping a 24-package case of saimin (shipped on a pallet of 90 cases) or a case of 24 cans of juice or soda (shipped on a pallet of 110 cases). For Molokai and Lanai, the increases will be about half of these amounts. Alternatively, shipments made in a 20-foot container load (9.66 percent rate increase) would add about 2 cents per case.

Young Brothers, Limited provides inter-island cargo service throughout the State of Hawaii with ports in Honolulu, Maui, Molokai, Lanai, Hilo, Kawaihae and Nawiliwili. For more information and a complete list of rates, visit Young Brothers at [www.youngbrothershawaii.com](http://www.youngbrothershawaii.com).

###