

**DEPARTMENT OF TRANSPORTATION – HARBORS DIVISION
OVERVIEW OF WHARFAGE FEE INCREASES**

The DOT Harbors Division (“Harbors”) administers the State’s commercial harbor system as a self-funded enterprise. By law, the harbor system receives no federal or state funds. The revenue to Harbors from use fees, especially wharfage fees, covers operating costs and costs of capital improvement projects.

The harbor system is a significant component of Hawaii’s economy. Ocean surface transport of cargo is the only viable means to serve the largest share of Hawaii’s economic needs as the state imports 80% of all goods consumed and 98% of these imported goods are delivered to and through Hawaii through our commercial harbor system. Every resident of Hawaii relies on the goods that arrive here through the commercial harbors.

The current need for capital improvement projects in the commercial harbor system is great. The capacity of the harbor system and the underlying aging infrastructure were not expanded or maintained to keep up with economic growth, increased cargo volumes, greater demand for berthing space by more harbor users, and the new needs of the shipping companies’ re-built business models around container shipments which became the industry norm.

The Harbors Modernization Plan is a series of system-wide capital improvements estimated to cost a total of \$850 million. The plan was adopted by the Hawaii State Legislature in Act 200 (2008) with an initial estimated cost of \$600 million. As the plan is implemented and planning and design work is completed, the Harbors estimates the current cost of the system-wide improvements at \$850 million. Since 2010, about \$150 million has been expended or encumbered by Harbors on implementing projects within the plan. The heart of the plan is the Kapalama Container Terminal in Honolulu with a cost estimate of \$450 million based on recently completed engineering designs. The costs include construction as well as additional facilities and features needed for compliance with new storm water consent decree, security, and biosecurity requirements, in addition to the costs of development and implementation of coral mitigation and transplantation plans. Construction is expected to begin next spring, and the project work will be completed in two phases over the next four years.

The proposed increased revenue from the fee increases are critical in ensuring that Harbors is able to finance these large-scale projects at the lowest costs possible. If the rate increases are approved and go into effect in early 2017, Harbors expects its revenue from wharfage to be \$100.6 million in Fiscal Year 2017, \$117.9 million in Fiscal Year 2018, and \$137.3 million in Fiscal Year 2019. These projected figures compare to the \$93.6 million in revenue generated from wharfage fees in Fiscal Year 2015 and the annual operational costs of \$96.9 million for the same year. With the additional revenue, Harbors can meet its bond rating and debt ratio targets finance the \$450 million needed for these projects at the lower interest rates.

The proposed fee increases have short- and long-term benefits for Hawaii and its economy. In the short-term, the infusion of cash will enable Harbors to secure necessary financing to continue implementation of the Harbors Modernization Plan. In the long-term, the State’s commercial harbor system will be better equipped to adapt to changing needs and trends in the cargo shipment and transport industry.