

# Environmental Disaster in Honolulu Harbor: Knowing and Doing the Right Thing

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## Précis

Most science, engineering, and technology students will spend their professional careers in a private company or public agency. During that time, they will face challenging technical problems, decisions that have ethical dimensions, and accountability for their actions. This case study calls for analysis and discussion with regard to how technicians, engineers, scientists, and supervisory personnel in a private company (Matson, Inc.) and a public agency (Hawaii Department of Transportation) performed their responsibilities. Collectively, their errors and failures destroyed a thriving marine ecosystem in Honolulu. The case and accompanying materials will generate discussion about the ethical complexity in decision making by individuals and organizations and the attending consequences of their choices on the environment and public at large. The problems and issues will have a long-term impact on how students view their work situation and assigned responsibilities.

## Introduction

*On the morning of September 9, [2013] people arriving at Honolulu Harbor began noticing fish floating to the surface, lethargic and gasping for air. A murky brown plume was moving through the water. Some people wondered if there had been a sewage spill at one of the piers. The city was doing some work nearby, but the smell just didn't match. But at noon, an employee of Horizon Lines shipping company thought the air smelled of molasses. The worker notified the Department of Transportation – the state agency in charge of the harbor. (Grube, 2013)*

An environmental disaster had occurred. Approximately 1,400 tons (233,000 gallons) of molasses spilled into Honolulu Harbor. Attention immediately focused on the impact this would have on the commercial harbor area and adjacent Ke'ehi Lagoon and Beach Park. Divers soon found that sea life was totally wiped out by the molasses. Compared to an oil spill that leaves oil at the surface, the molasses had dropped to the bottom of the harbor. The result was widespread deoxygenation, the death of microscopic benthic organisms, and destruction of coral and sea grasses. More than 26,000 fish, invertebrates, and other marine species suffocated and died.

Scientists and technical observers on the scene stated the following on National Public Radio news (Memmot, 2013):

*It was shocking because the entire bottom is covered with dead fish... Every single thing is dead... I didn't see one single living thing underwater. —Roger White, diver with video camera*

*This is the worst environmental damage to sea life that I have come across. —Gary Gill, Deputy Director Hawaii Department of Health*

*Unlike an oil spill, which can be cleaned by skimming the surface, the molasses quickly disperses to the deepest points. It's sucking up all the oxygen. —Dave Gulko, State of Hawaii Biologist*

*Because the spill happened in a harbor there's less circulation than in the open ocean, it could be months or possibly years before the molasses is completely washed away. —David Field, professor marine science, Hawaii Pacific University*

From the outset it was easy to determine those involved in the environmental catastrophe: Matson, Inc., a corporation listed on the New York Stock Exchange that included Matson Navigation Co. (ocean transportation) and Matson Terminal, Inc. (terminal operations in Hawaii). Matson was the only company shipping molasses from Honolulu Harbor to the US mainland once a week. The molasses was produced from sugar cane grown at Hawaii's last sugar cane plantation, which was run by Hawaiian Commercial and Sugar Co. on the island of Maui.

The Hawaii Department of Transportation (HDOT) Harbors Division was also involved because it had overall responsibility for operation of the harbor. The stated mission of the Harbors Division was to effectively manage and operate a statewide system of ten commercial harbors. Coordination was maintained with other state and federal agencies including the US Environmental Protection Agency (EPA), which had oversight for water quality standards (State of Hawaii Department of Transportation Harbors Division, 2022).

In addition to determining those involved in the disaster, it became clear what went wrong. The spill was caused by a leak in a pipeline that transported the molasses from Matson Terminals storage tanks to one of Matson Navigation's cargo ships moored in the harbor.

## Timeline of the Environmental Disaster

Three hours after the spill was detected on **September 9, 2013**, Bob Lamb (manager of vessel operations at Matson Navigation) reported the spill to Alan Murakami (harbor operations supervisor at HDOT Harbors Division). HDOT's operations supervisor immediately emailed Randal Leong, HDOT Harbors Division's environmental engineer to tell him what he had just learned. Evidently the environmental engineer was not surprised that there had been a spill. "We informed Matson's operations supervisor that the line had a slow leak some time ago." In an email back to his supervisor, HDOT's environmental engineer wrote: "Apparently they never addressed the leak" (Grube, 2013).

Statements by Matson, Inc. and HDOT denied that there had been any indication of trouble. Official documents obtained through a public records request by *Civil Beat* (a Honolulu online news media), however, would later confirm that HDOT had knowledge that there was a problem. In **July 2012**, HDOT had sent a letter to Matson Navigation informing them that a leak was found in one of its molasses pipelines. In **May 2013**, just four months before the massive spill, HDOT staff had again noticed the pipeline leaking during a storm water outfall inspection.

In following up on the disaster it was learned that Mark Ambler, a private contractor from Weston Solutions Inc. working for HDOT Harbors Division, sent an email on **September 12, 2013** to staff and other officials who had been involved in the May 2013 storm water outfall inspection. He asked them not to talk about what they had observed during that inspection. Mark Ambler added several other requests:

*This may go without saying, but please redirect any requests/inquiries for comment, media, or information regarding the outfall/pier inspections conducted earlier this year to Randal Leong [HDOT Harbors Division's environmental engineer]. Also, please maintain confidentiality of any media including photos or videos of the inspections that may be in your possession. If you need to transfer possession of any of these items, please notify Randal. (Grube, 2013)*

An email was sent **September 12, 2013** by Randal Leong, Harbors Division's environmental engineer, to Jadine Urasaki, Deputy Director of Projects at HDOT Harbors Division, stating what he knew about the May 2013 pipeline inspection:

*Personnel in the kayak noticed that no repairs [had been made] to the molasses riser and took some pictures of it. Unfortunately, we never got around to informing Matson of their non-response. (Grube, 2013)*

Michael Howells, a drafting technician at HDOT Harbors Division, also sent an email to his supervisor Arnold Liu, planning engineer at HDOT Harbors Division, indicating that they needed to inform the public what was found

during inspections in July 2012 and May 2013. Michael Howells added that HDOT must explain that their agency did not do anything to “rectify the situation” except for sending a letter to Matson Navigation in 2012.

*This information will get out one way or another and I think we would all prefer to hear it from the DOT administration than an outsider. We need to take responsibility for our inaction in the past in order for us to move forward with a clean slate and a new plan. I hope you agree. (Grube, 2013)*

At a **September 13, 2013** news briefing, Vic Angoco, Matson, Inc.’s senior vice president for Pacific operations and Caroline Sluyter, public information officer for HDOT were quizzed by reporters:

*Is there a record of when the last time the pipeline was inspected?*

*Matson: I have not even looked.*

*Do you know how old the molasses pipe is?*

*Matson: I don’t.*

*Is Matson required to file inspection reports with HDOT?*

*HDOT: I’m checking on that, but not to my knowledge at this point.*

*HDOT also believed Matson was not required to have filed a cleanup procedure with the state of Hawaii in the event of a molasses spill.*

*Matson: We have a responsibility. We are not going to run from that responsibility. (Cocke, 2013)*

On **September 16, 2013** emails circulated in the HDOT Harbors Division instructing employees to mark communications about the molasses spill as attorney-client privilege. Under state law this could keep that information confidential and hidden from the public. Richard Yoneda, a construction engineer in the HDOT Harbors Division, communicated the following.

*As you know this topic of the molasses spill has been on-going for a week now and many people are talking about it and asking questions. Effective immediately, if you receive any emails on this topic, do not respond directly. Please forward the email to me and copy Carter Luke [head of engineering in HDOT’s Harbors Division] and Donna Kalama [deputy attorney general for the State of Hawaii] and include in the email the following words: “Attorney Client Privilege Communication – Do Not Print or Distribute.” (Grube, 2013)*

**September 16, 2013** became an important and critical date in terms of false statements with regard to the disaster. Matthew Cox, President and CEO of Matson, Inc., and Glenn Okimoto, Director of HDOT, took lawmakers and the media on a tour of the harbor and held a news briefing (Island News KITV, 2013). The leaders of both organizations reiterated that they had no prior knowledge of any problems with the molasses pipeline before the spill.

At the briefing Matthew Cox acknowledged that Matson would assume responsibility, including covering the costs associated with the molasses spill. On the molasses operations, he stated: “Matson immediately ceased its molasses operations following the incident and will not resume operations until the company is assured that it can do so in a safe and responsible manner.” He thanked and acknowledged by name the various agencies involved in the cleanup, including Matson’s own response team, which “will continue to be a critical part of the response. I’m proud of their efforts. They are fully cooperating with the state and will continue to cooperate as the response moves forward.” In a press release on Matson, Inc.’s website the president stated: “We operate the pipeline and it is our transfer operation. Matson is taking responsibility and we’ll continue to fully cooperate with the state on this response. We’ll be here as long as it takes to get it right” (Matson, Inc., 2013).

One week after the tragic spill on **September 17, 2013** an important question was raised. If the molasses cannot be cleaned up, how can the state claim damages from Matson? As University of Hawaii professor of oceanography Brian Powell stated, “Molasses is about 40 percent denser than seawater. It’s even heavier than sand... All of a sudden, these [resident] bacteria were given a huge amount of sugar. The only thing preventing them from continuing to digest this

sugar is that they've now run out of oxygen" (Caron, 2013). Unfortunately, it appeared there was no outside intervention that could be taken to clean up the molasses. Was the remedy to let nature take its course? Given the geography, could they have depended on natural currents and weather in the Pacific to dilute and flush the molasses? Technically, this would mean that the molasses would not be "cleaned up" and since molasses was not classified as a hazardous substance Matson's liability was uncertain. The result was that speculations for potential damages that could be awarded ranged from \$80,000 to \$50 million if environmental restoration or restitution was deemed necessary by the courts.

On **September 20, 2013** Matson, Inc. and HDOT held a joint press briefing admitting that they had not been truthful (Hawaii News Now Staff, 2013). In the words of Randy Grune, HDOT's Deputy Director, "HDOT wasn't sure what information it was legally able to disclose under attorney-client privilege so officials simply didn't tell the truth" (Grube, 2013). He indicated that a letter had been sent to Matson Navigation in July 2012 (Kubota, 2013). It notified the company of a leak that an HDOT inspector had seen while looking for storm water discharge. The letter requested that Matson Navigation notify the state when the pipeline was repaired. A copy of the letter was provided to reporters.

Vic Angoco, Matson, Inc.'s senior VP for Pacific operations stated that the company responded by inspecting the pipeline twice – at high tide and low tide – but did not see any molasses leaking or molasses in the water. He also acknowledged that Matson did not have a plan to respond to a molasses spill – despite being notified of the dripping pipe – because molasses was an unregulated product. "That being said, in hindsight, now we need to look at what happened, how it happened, and move forward and you can bet we're going to develop a response plan for molasses should we continue to move molasses in the future" (McAvoy, 2013).

At the news briefing, Randy Grune, HDOT's Deputy Director reported that a separate state crew in the harbor had noticed molasses dripping in May 2013 but the department had not told Matson, Inc. He blamed the department's failure to notify Matson of this second problem on a "breakdown in our procedures and practices. ... The department needs to improve on this" (McAvoy, 2013). In defense of HDOT's actions, he immediately tried to absolve HDOT on matters related to the catastrophic spill. This was done by questioning the ownership of the pipes and raising the issue of whose obligation it was to maintain them – HDOT or Matson? The answer was later found in an amendment to a 1993 lease with Matson that put the company in charge of maintenance and repair of the molasses pipeline. He reiterated that all harbor tenants are responsible for inspecting their own pipelines, not HDOT. Although this seemed to exonerate HDOT of legal liability for the spill, HDOT's decisions and actions with regard to the events leading to the spill suggested that they were at least partially culpable.

At this point HDOT provided concrete actions that it was taking to ensure the environmental integrity of the harbor including requirements for inspections and response plans (see Exhibit 1 attached to the end of this case study). Effective immediately, all businesses operating pipelines in Hawaii's harbors would provide the state with documentation about pipeline inspections: the date of their most recent inspections; the inspection findings; and the status of any fixes that needed to be made. Additional details would be available on HDOT's website.

An *AP News* report on response plans was salient:

*The company and state officials were unprepared, with no contingency plans for what to do in case of a molasses spill. Matson and state officials have said they maintain plans for spills of more hazardous substances like oil or fuel, but not for molasses, which acts differently and is more difficult to clean up. (McAvoy, 2013)*

*Civil Beat's* report summarized where things stood:

*The fact that both DOT and Matson had known about a leaking molasses pipeline for more than a year quickly became a public embarrassment for DOT. It turned out the state knew the leak had never been fixed shortly after the spill was reported, but lied to the media and lawmakers about it.*

*DOT officials later said they misled the public because they weren't sure what they were legally allowed to say. The misstep has worked to undermine the credibility of the very state agency that is supposed to oversee shipping. It's also called into question the capabilities of Matson, one of the oldest shipping lines in the state, to conduct a safe operation. (Grube, 2013)*

In contrast to HDOT's initial attempts to obfuscate any culpability for the disaster, Matthew Cox, President and CEO of Matson, Inc. was more open about follow-up efforts. In public statements on **September 19, 2013** he had announced that Matson would pay for all cleanup of the harbor, not the taxpayers or their customers. He also indicated that Matson had ceased all operations and would not start them again until the company was completely sure another spill would not occur. He added the following at the news conference, "If it takes a week, a month, a year, 10 years, we're going to be here until this is made right, and we need to be comfortable that this is never going to happen again" (Valentine, 2013).

A news reporter summarized the situation: "Matson, of course, is right to take responsibility: it had no response plan for the possibility of a molasses spill in the harbor, and there was little federal oversight of the company's molasses operation" (Valentine, 2013). The reporter's commentary focused on the differences in response between Matson and oil companies such as Exxon and BP: "Matson's response is notable for how much it differs from the responses of oil companies after a spill. Compared to oil companies that often look for ways to get out of taking responsibility, "Matson... has acknowledged its role in the destruction of the harbor's ecosystem." As Matson's president and CEO stated, "Matson has been serving Hawaii for 131 years. We're from Hawaii. We love Hawaii. We consider ourselves stewards of the land and stewards of the ocean, and we failed in that responsibility last week because of this spill" (Valentine, 2013).

## Subsequent Consequences

The density of 233,000 gallons (1,400 tons) of molasses released into Honolulu Harbor proved to have a devastating impact on the marine ecosystem and was immediately deadly to marine life, which suffocated as the sticky substance sank to the ocean floor. But as an article in *National Geographic* notes, with time and a little organic chemistry molasses will dissipate from seawater (Basu, 2013):

*Whereas everyone knows that oil and water do not mix, molasses and water do—at least scientifically. The sugar in the molasses may help restore the harbor to its previous state, says Grieg Steward, associate professor of oceanography at the University of Hawai'i at Manoa and a researcher who has been involved with monitoring the water chemistry of the harbor after the spill.*

*"Sucrose is table sugar, and it's something even we can degrade," Steward said. "We oxidize that carbon and turn it into carbon dioxide."*

*Bacteria acts as an indicator for the cleanup, removing oxygen from the water and producing carbon dioxide, creating an environment that will help resident bacteria absorb the spill. Bacteria have been multiplying due to the presence of molasses.*

*"When you add this molasses, which is rich in the organic material [that bacteria] can easily digest, they grow more quickly," Steward said. "The elevated abundance and growth rates we are seeing are good in the sense that it means the bacteria are responding and helping to clean up."*

*Steward sums up the difference between an oil spill and a molasses spill: "A molasses spill can be cleaned up faster by natural processes, not only because molasses dissolves in water, but because so many bacteria can digest sugars. Only specialized types of bacteria can break down oil."*

A few weeks after the spill, important decisions were made and specific actions were taken by both Matson and HDOT. Matson announced that it would cease all molasses operations at Honolulu Harbor. HDOT announced new requirements related to pipeline inspections and response plans. Investigations had already been started by both the state and US Environmental Protection Agency, which had jurisdiction under the Clean Water Act. Matson received a subpoena from a federal grand jury on **October 10, 2013**.

- **January 2014:** The state hired the mainland law firm Bingham McCutchen to handle the claims against Matson for damages. This firm had handled legal proceedings in the 2010 BP oil spill in the Gulf of Mexico. As the State's legal counsel, it would receive 15 percent of the settlement or \$695 per hour, whichever amount was greater (Kerr, 2014).

- **September 2014:** Gary Gill, deputy state health director of environmental health indicated: “No molasses has moved in or out of the harbor in the last year. However, there is still molasses stored in the tanks there and in the pipes. So that is yet to be resolved.” Furthermore, he admitted that there were many unanswered scientific questions. “To this day, we don’t know how the molasses was so toxic in the marine environment.” His statements related to ways of responding to a spill were troubling. “How could we in the future respond to such a spill and try and protect the marine life? As of now, we really don’t have any more information on that today than we did a year ago” (Kerr, 2014).

Environmental groups continued to voice concerns. Anthony Aalto, Oahu group chair of the Sierra Club, stated: “We’re still in the dark. We don’t even know the extent of damage.” He hoped the financial settlement with Matson would include money to study ways to prevent environmental damage from molasses. “We’ll get the funding to do the science so that we in Hawaii, the rest of the United States and even the world will be better prepared should such a spill like this happen again.” He stated, “We would like to see something in place that ensures... that this sort of thing doesn’t happen again” (Kerr, 2014).

The state attorney general’s office said it had made “significant progress” after hiring private attorneys for a lengthy legal claims process with Matson to pay for the spill, but dollar and damage estimates remained secret as both sides tried to settle the claims without costly and time-consuming litigation. Both sides exchanged thousands of pages of documents and evidence while studies and analysis were ongoing. Matson continued to cooperate with the state and was forthcoming in producing information requested by the state. But the attorney general’s office could not provide an estimate of when the legal claims process would wrap up. If the state of Hawaii and Matson were unable to agree on a settlement, the case would go to trial. A separate federal grand jury criminal investigation was underway and it was unclear when and if there would be indictments (Kerr, 2014).

- **October 2014:** Matson Terminals (a division of Matson Inc.) pleaded guilty to federal misdemeanor charges, violations of the Rivers and Harbors Act of 1899 (Hawaii News Now Staff, 2014). The charges were for illegally dumping 233,000 gallons of molasses into the harbor without permission. Under a plea agreement with the US attorney general’s office, Matson Terminals agreed to pay \$1 million, including \$400,000 in fines. The remaining \$600,000 would be committed as community service by Matson: \$300,000 to the University of Hawaii’s Waikiki Aquarium to support coral programs and invasive algae clean up; and \$300,000 to Sustainable Coastlines Hawaii that organizes local beach cleanups. The investigation by the EPA led to the indictment (Maui Now Staff, 2015).
- **November 2014:** Hawaii elected a new governor, David Ige. In August the incumbent governor Neil Abercrombie had lost in his bid for reelection in the Democratic primary to David Ige (32% to 68%), making him the first incumbent governor to lose re-nomination in Hawaii’s history. It was anticipated that the election of the new governor would bring changes in administration, including department heads as well as provide a new strategy in dealing with the aftermath of the spill.
- **July 2015:** Matson Inc. announced that a settlement had been reached with the State of Hawaii. The following was posted on Matson’s website.

*A settlement has been reached with the State of Hawaii to resolve all civil, criminal and administrative claims that the State could have had arising from the discharge of molasses into Honolulu Harbor in September 2013. Matson will pay \$5.9 million to the State as compensation for damaged coral and lost fish, as well as the State’s response and other costs. As part of the settlement, Matson has terminated its molasses operations in Honolulu and has committed to removing the molasses risers and tanks at Sand Island terminal at an estimated cost of between \$5.5 million and \$9.5 million bringing the total cost to Matson of between \$11.4 million and \$15.4 million. Matson will record an \$11.4 million charge in its second quarter results which will be released on August 4, 2015. (Matson, 2015).*

The press release also included statements about the investigations done after the spill and Matson, Inc.’s core value of environmental stewardship.

*“As committed in 2013, Matson also is releasing a report detailing its investigation of the incident, the resulting impact to aquatic life and the settlement of legal claims.” It also contained an important and conciliatory state-*

ment by Matson, Inc.'s president Matthew Cox, "Environmental stewardship is a core value in our company, so this event was a blow to all of us at Matson. We can't take back what happened, but we've done our best to make it right" (Matson, 2015).

Commenting on this settlement, Kekoa Kaluhiwa, first deputy with the Hawaii Department of Land and Natural Resources stated, "We are pleased with the scope and severity of this settlement and believe that the resources it provides will help with our future restoration planning" (Criss, 2015). Doug Chin, Hawaii's Attorney General added that if a lawsuit had been filed by the state it could have taken eight to twelve years to resolve. At the federal level the EPA, with involvement from the Hawaii Department of Health, was still investigating whether Matson, Inc. had violated the Clean Water Act.

In Matson Inc.'s earnings report for the three months ending June 30 2015, net income was \$9.9 million, down from \$18.1 million in the same quarter of 2014. It also indicated that revenue was \$447.6 million, up from \$436.4 million in the same period a year earlier. Matson, Inc. attributed this decline to the Honolulu Harbor disaster in 2013 and the acquisition of Alaska shipping operations from Horizon Lines Inc. (Gomes, 2015).

- **August 2015:** Although Matson officials immediately announced in 2013 that all molasses shipping out of Honolulu Harbor would be halted until it was safe to resume, by August 2015 Matson agreed to dismantle all operations at Honolulu Harbor, part of the settlement with the state. According to a report in *Maui News* on August 2, 2015, molasses was now being shipped directly from the Kahului Harbor in Maui to the US mainland. Rick Volner, general manager of Hawaiian Commercial & Sugar declined to name the shipper, stating that it was a "vessel managed by a third party" (Imada, 2015). In a statement given to the media he said that HC&S (a subsidiary of Alexander and Baldwin) was continually investing in infrastructure to ensure that it was in good repair (Criss, 2015).
- **August to November 2015:** Matson, Inc. made a number of announcements. A second quarterly dividend would be paid to shareholders followed by another quarterly dividend in October. In October Matson began production of new ships for Hawaii and undertook \$75 million of debt through a private placement. In November Matson announced a share repurchase program. It appeared to be business as usual for Matson, Inc. and the setback from the molasses spill had been fully absorbed; at least financially.
- **January 7, 2016:** Alexander and Baldwin announced that it would phase out growing sugar cane by the end of 2016. Molasses, a processed byproduct, would no longer be produced. All 675 employees of Hawaiian Commercial & Sugar (a subsidiary of A&B) were expected to be laid off; half in the near term and half after the end of 2016's harvest (McAvoy, 2016).
- **January 19, 2017:** The US Environmental Protection Agency announced a settlement with Matson Terminals, Inc. over federal Clean Water Act violations relating to the September 2013 molasses spill into Honolulu Harbor. Matson agreed to pay a civil penalty of \$725,000. In commenting on the settlement, Alexis Strauss, EPA's Acting Regional Administrator for the Pacific Southwest said, "Dockside facilities must ensure their operations do not pollute nearshore waters. The Honolulu Harbor spill affected marine life, coral reefs and kept residents and visitors from enjoying the city's incomparable coastal environment" (US Environmental Protection Agency, 2017). In total, Matson, Inc. paid about \$7 million in fines and penalties. To this can be added the cost of lawyers, removal of molasses storage equipment (\$6 to \$10 million) and the loss of revenue from the storage and transport of molasses at Honolulu Harbor.

One news reporter's reflections on the environmental disaster and private corporate and public government agency responsibility were pointed and direct.

*The disaster should serve as a wake-up call to Matson and other companies that aren't prepared for the chance that their operations could falter and cause damage to the environment. And Matson's response to the spill should be monitored to make sure the company doesn't go back on its word to investigate the cause of the spill, make the findings public, and cease operations if the cause isn't found. But this could also serve as an example to oil companies, whose pipelines, drilling, and shipping equipment have failed far more regularly than molasses operations have and who have been slow in the past in accepting responsibility for their spills (Valentine, 2013).*

*Questions*

1. From a science perspective, why did molasses cause significant environmental damage to Honolulu Harbor's marine life and ecosystem?
2. What role did poor decisions and negligence play in this disaster? Were they the major contributors to this disaster?
3. Did Matson, Inc. exercise reasonable care in managing pipeline operations that transported molasses from storage tanks to their cargo ship in the harbor? What steps could Matson, Inc. have taken to prevent this disaster?
4. Did Hawaii Department of Transportation (HDOT) exercise reasonable care in carrying out its public responsibility for ensuring the safety and integrity of Honolulu Harbor? How could the government agency (HDOT) that has control over the harbor area have prevented this disaster?
5. What role did concerns for environmental stewardship, economic interests, and ethical values play in the behavior of Matson, Inc., HDOT and their personnel?
6. What is your perception of the overall pattern of decisions and actions in this case? What do you think is the most important lesson to take away from this case? How will this impact your behavior in a work situation?



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# Case Exhibit 1

NEIL ABERCROMBIE  
GOVERNOR



STATE OF HAWAII  
DEPARTMENT OF TRANSPORTATION  
869 PUNCHBOWL STREET  
HONOLULU, HAWAII 96813-5097

GLENN M. OKIMOTO  
DIRECTOR

Deputy Directors  
JADE T. BUTAY  
FORD N. FUCHIGAMI  
RANDY GRUNE  
JADINE URASAKI

IN REPLY REFER TO:  
DIR 1.10814

September 20, 2013

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Dear Harbor Tenants With Pipeline Easements on Harbor Properties:

Subject: Inspections and Integrity Testing of Tenant Pipelines and Spill Response Plans

A recent molasses pipeline leak at Honolulu Harbor has identified the importance of your responsibilities and requirements under your lease or revocable permit agreements to manage for the accidental discharge of products including, but not limited to, regulated materials such as petroleum, chlorine, and chemicals and also non-regulated products including, but not limited to, molasses that travel through pipelines on the State Department of Transportation Harbors (DOT) property.

As the owner and operator of pipelines on harbor properties for which easements have been provided to you by the DOT, you are required to have an inspection plan to properly inspect, maintain and test the pipelines and related facilities to ensure its integrity and safe operation, and 2) to maintain and implement a Spill Response Plan to properly and effectively manage accidental discharges for all regulated and non-regulated products being conveyed through such pipelines. Recent events have underscored the importance of an inspection plan and the implementation to do proper inspections and maintenance and be prepared and trained to address any discharges due to the potential severity of impacts on the environment from such releases.

This is a reminder of your responsibilities to ensure that your pipelines and associated equipment are being inspected on a regularly scheduled basis to certify that the lines are in good, working order and that spill response plans have been developed to address accidental discharges for all products being conveyed through such pipelines.

Your cooperation is requested to provide a response to the department by **October 15, 2013** indicating the date of the most current inspection conducted on your pipelines; qualifications/credentials of the individual/firm conducting the inspection and the certification standards that the pipeline and equipment have met; findings, if any, and the status of corrections, if any, made to address the findings; and the date of the next scheduled inspection. Please also indicate if spill response plans are in place for each product being conveyed through the pipelines. Your letter should state the following:

Harbor Tenants With Pipeline Easements on Harbor Properties  
September 20, 2013  
Page 2

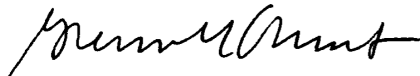
DIR 1.10814

"I certify under penalty of law that this document and all attachments were prepared under my direction or supervision in accordance with a system designed to assure that qualified personnel properly gathered and evaluated the information submitted. I certify that the information submitted is, to the best of my knowledge and belief, true, accurate, and complete. I am aware that there are significant penalties for submitted false information, including the possibility of fine, termination of my lease or revocable permit and imprisonment for knowing violations."

The department will be increasing its management efforts to confirm that tenants are carrying out their responsibilities to regularly inspect and correct any deficiencies in the safe operations of the pipelines and that spill response plans are in place for timely implementation in the event of accidental releases. The DOT's role is to monitor compliance, and the responsibility for the accuracy and details of the inspection reports and spill response plans remains solely with you as the tenant and your professionals.

If there are any questions please call Calvert Chun, Property Management Supervisor, at 587-1994.

Very truly yours,



GLENN M. OKIMOTO, Ph.D.  
Director of Transportation

CERTIFIED MAIL – RETURN RECEIPT REQUESTED