MINUTES

OF THE

WOODS HOLE, MARTHA'S VINEYARD AND NANTUCKET STEAMSHIP AUTHORITY

The Meeting in Public Session

January 10, 2006

The Members of the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority met this 10th day of January, 2006, beginning at 9:30 a.m., in Rooms 104 and 105 of the Marine Biological Laboratory's Candle House, located on Water Street, Woods Hole, Massachusetts. All five Members were present: Chairman Robert S. Marshall of Falmouth; Vice Chairman David J. Oliveira of New Bedford; Secretary H. Flint Ranney of Nantucket; Robert L. O'Brien of Barnstable; and Marc N. Hanover of Dukes County.

Port Council Chairman Robert R. Jones of Barnstable, Port Council Vice Chairman Robert V. Huss of Oak Bluffs, Port Council Secretary Nathaniel Lowell of Nantucket, and Port Council Member S. Eric Asendorf of Falmouth were also present, as were the following members of management: General Manager Wayne C. Lamson; Treasurer/Comptroller Robert B. Davis; Director of Information Technologies Mary T.H. Claffey; Manager of Reservations and Community Relations Gina L. Barboza; Director of Terminal and Parking Operations Mark Rozum; Woods Hole Terminal Manager Kevin Smith; Hyannis Terminal Manager Steven Perkins; Director of Engineering Carl R. Walker; and General Counsel Steven M. Sayers.

Chairman's Report:

Mr. Marshall welcomed everyone to the first meeting of the Authority in 2006, and stated that it was his intention, as the Authority's Chairman this year, to give all members of the public a fair chance to voice their opinions at the Authority's meetings, provided that they remain relevant and respectful. Mr. Marshall also stated that, as Chairman, he intended to abstain from voting during the year except in the unlikely event that his vote is necessary to break a tie.

Minutes:

IT WAS VOTED -- upon Mr. Hanover's motion, seconded by Mr. Ranney -- to approve the minutes of the Members' meeting in public session on December 15, 2005.

VOTING	AYE	NAY
Mr. Oliveira	10 %	
Mr. Ranney	35 %	
Mr. O'Brien	10 %	
Mr. Hanover	35 %	
TOTAL	90 %	0 %

Results of Operations:

Mr. Lamson summarized the results of the Authority's operations for November 2005, as set forth in a business summary for that month which had been provided to the Members and the public. Mr. Lamson reported that, during November, the Authority had carried 2.9% more passengers, 2.4% more automobiles, and 15.8% more trucks than the same month in 2004, although the Authority still had carried fewer passengers, automobiles and trucks than it had two years ago in November 2003. Mr. Lamson further reported that the Authority continued to experience an increase in the number of trucks carried, especially trucks under 20 feet, and he speculated that some of the increase may be attributable to the Authority's liberalization of the excursion eligibility requirements for island residents traveling in pickup trucks and small vans.

Mr. Lamson reported that the Authority's net operating loss for November 2005 had been around $1,773,000, which was $526,000 worse than budget estimates, due to lower-than-expected revenues and higher-than-expected expenses. With one month to go in 2005, Mr. Lamson said, the Authority's net operating income was just under $5,000,000, around $1,500,000 lower than projected in its original operating budget. In this regard, Mr. Lamson noted that the unexpected increase in the cost of vessel fuel accounted for $1,329,000 (or about 90%) of the Authority's year-to-date budget variance.

Nevertheless, Mr. Lamson stated that the Authority's cash balances in its operations fund and special purpose funds were in relatively good shape, with most of the variances attributable to timing differences in withdrawals for capital projects such as the *Island Home*. Mr. Lamson reported that cash transfers to the special purpose funds in 2005 included an amount sufficient to cover the Authority's debt service requirements for September 1, 2005 and March 1, 2006, as well as more than $3,000,000 to the Authority's replacement fund.

M/V Island Home:

Mr. Walker reported that VT Halter Marine's shipyard in Pascagoula, Mississippi was operating at around 75% of its pre-Katrina production levels, and that it should be back to full production within three months or so. With respect to the *Island Home*, Mr. Walker stated that the hull was completely welded out, and that the yard was installing the propeller struts and rudder posts, with the bow thrusters due to arrive later that week. Mr. Walker also reported that two of the freight deck modules were under construction, that one of them already had been placed onto the hull, and that the second would be placed onto the hull later that week. Finally, Mr. Walker noted that the vessel's new diesel generators also had arrived at the shipyard.

In response to questions from the audience, Mr. Walker noted that the vessel's launch was scheduled for July 17, 2006, and that it was due to be delivered on November 29, 2006. Mr. Walker stated that the Authority would take another month to make final adjustments to the vessel and then would place it in line service in either December 2006 or January 2007. In response to a request from Mr. Hanover, Mr. Walker stated that the vessel would be appropriately presented to the people of Martha's Vineyard prior to going into line service.

New High-Speed Passenger Ferry:

Mr. Walker reported that most of the modules for the new high-speed passenger ferry were under construction at Gladding-Hearn Shipyards, with the hull modules being around 25% complete. Mr. Walker also stated that the main engines had been tested, that the gear boxes were awaiting shipment, and that the pilot house design and layout had been reviewed and approved by Authority Captains Bruce Malenfant and Robert Buckley. The interior design and layout were also almost complete, and the design theme that the Authority had decided upon with Interior Design Group had been passed on to Gladding-Hearn.

Mr. Marshall suggested that, although he was perfectly comfortable with management determining the interior design of the vessel, any of the other Members who would like the opportunity to review the design should do so promptly. In this regard, Mr. Oliveira stated that he hoped new ideas had been developed based upon the Authority's past experience in order to address such issues as cup holders and dog areas. Mr. Walker agreed, saying that he would provide the Members with a presentation of the vessel's interior at their next meeting. In response to a question from Mr. Ranney, Mr. Walker confirmed that there would be a sufficient number of outlets at tables on the vessel for those passengers who may want to use their laptop computers while on board.

In response to questions from the audience, Mr. Walker stated that the launch of the vessel would be sometime in the late summer or early fall of 2006 just before the vessel's delivery, which was scheduled for November 18, 2006. The vessel would then go into line service in mid-December 2006.

M/V Sankaty:

Mr. Walker reported that the *Sankaty's* mid-body had been inserted and was completely welded out, that the sponsons also had been installed and were completely welded out, that the reduction gears were in place for their final alignment, and that the vessel's dry-docking had been completed. Mr. Walker also noted that, unlike the *Gay Head* and *Katama*, the *Sankaty* would not need to have a "dog house" on the center of the freight deck, as the Authority was able to arrange for other access to the engine room. Mr. Walker stated that the Authority also was then in the process of determining the ballast that had to be inserted into the vessel so that it would not have any draft issues. Mr. Walker finally reported that the estimated delivery date for the vessel in Jacksonville, Florida was January 29, 2006, and that the vessel was expected to arrive at Fairhaven on February 2, 2006.

M/V Eagle:

Mr. Walker reported that the *Eagle* had left Thames Shipyard in New London, Connecticut, after completing its routine required dry-docking and being outfitted with new Becker flap rudders, which will dramatically increase the vessel's maneuverability. Indeed, Mr. Walker said, when Captain Albert Brox took the *Eagle* with the new rudders on sea trials, he was able to turn the vessel hard 180 degrees in less than one boat length.

M/V Flying Cloud Re-Powering:

Mr. Walker reported that the *Flying Cloud* had been delivered to the shipyard the prior week, and that its engines and gears were being removed from the vessel with the new engines and gears already on site. The re-powering should be completed by the first week of March 2006, at which time the vessel will be taken to Fairhaven for some final clean-up work, and then placed in line service for the 2006 Spring Schedule.

Candidate Projects for Federal and State Funding Programs:

Mr. Lamson reviewed Staff Summary #GM-486, dated January 5, 2006, in which he had listed five capital projects that he was proposing be submitted for possible funding under the Federal Highway Administration's Ferry Boat Discretionary Grant Program and the Executive Office of Transportation's Water Transportation Capital Funding Program. The five proposed projects are as follows:

(a) *Nantucket* Mid-Life Refurbishment ($5,000,000) and *Eagle* Mid-Life Refurbishment ($4,000,000) – Mr. Lamson stated that the work to be performed on each of these vessels includes their general refurbishment, changing out of the exterior windows and HVAC upgrades. Mr. Lamson noted that additional work will need to be performed on the *Nantucket* due to its age and design, such as extending and modifying the pilot house for better visibility, enlarging the food concession area to include more interior seating, asbestos abatement, and bowthruster upgrades. As suggested by Mr. Lowell, the Authority will also attempt to increase the amount of usable space on the freight deck of the *Nantucket* by reducing the width of one or both of the islands on that deck, if possible. The Authority will also replace all of the seating on both vessels and will install outlets so that passengers can use their computers during the voyage.

(b) New Shop Building for the Fairhaven Vessel Maintenance Facility ($900,000) – Mr. Lamson noted that the new shop building will replace another building that already has been removed from the Authority's property, and that it will be in addition to landscaping improvements that the Authority intends to undertake at the facility. It will also include an overhead trolley crane that will allow work to be completed indoors on large vessel components.

(c) Oak Bluffs Terminal Reconstruction ($10,000,000) – Mr. Lamson noted that the Authority's plans for this project have been endorsed by both the Oak Bluffs Conservation Commission and the Oak Bluffs Selectmen.

(d) Fairhaven Vessel Maintenance Facility Improvements ($2,750,000) – Mr. Lamson reported that if the Authority were to place sheet piling around the pier and dredge its southern side, it will then be able to berth two large vessels there. Also, if the northern side of the pier were cut back by ten feet, it will be able to berth freight vessels there as well without encroaching on the abutter's navigation rights.

Mr. Lamson also noted that all of the federal funds for the current year already had been committed, but that there will be more funds available in future years despite annual appropriation set-asides that had been established in the law for the States of Washington, Alaska and New Jersey. In this regard, Mr. Lamson stated that the Authority should also consider pursuing annual appropriation set-asides for itself.

IT WAS VOTED -- upon Mr. Ranney's motion, seconded by Mr. Hanover -- to authorize management:

(1) to aggressively seek capital funding for the candidate projects listed in Staff Summary #GM-486, dated January 5, 2006, and take any other appropriate steps in order to put the Authority in the best position to compete for the limited ferry funding sources; and

(2) to pursue federal and/or state annual appropriations toward the costs of the Authority's ongoing ferry and terminal improvements.

VOTING	AYE	NAY
Mr. Ranney	35 %	
Mr. O'Brien	10 %	
Mr. Hanover	35 %	
TOTAL	80 %	0 %

Mr. Oliveira did not participate in the discussion of this matter, and he also abstained from voting on the motion.

Standby Policy on the Nantucket Route:

Mr. Lamson recounted how a question had arisen as to whether the Authority should maintain its current standby practice on the Nantucket route, which was to load standby passengers on a first come, first served basis, or whether the Authority should change that policy so that standby vehicles with passengers in them are given priority in boarding over standby vehicles without any accompanying passengers (because the customers have purchased drive-on/drive-off services from the Authority). Mr. Lamson stated that he had discussed this subject with both Hyannis Terminal Manager Steven Perkins and Nantucket Terminal Manager Elaine Mooney, and that both terminal managers believed that the Authority should maintain its current first come, first served standby policy without any changes. Mr. Lamson also noted that the Port Council, at their most recent meeting on January 5, 2006, similarly had voted to recommend that the Authority maintain its current policy without any changes.

Mr. Ranney declared that he reluctantly would accede to management's recommendation, although he observed that problems particularly occur with the current policy when the last spaces on the last boat of the day are filled with driverless standby vehicles in front of passengers in standby cars with children in them who are then left behind. Accordingly, Mr. Ranney asked that the terminal agents be sensitive to those types of situations when providing appropriate customer service. Mr. Ranney also noted that some of the policy's problems might be addressed if the Authority were to follow Mr. Lowell's suggestion of loading standby trucks onto freight boats before standby cars, which would then open up more spaces on the larger ferries.

IT WAS VOTED -- upon Mr. Ranney's motion, seconded by Mr. Hanover -- to reaffirm the Authority's current first come, first served standby policy on the Nantucket route, as described in Staff Summary #TPF-2006-1, dated January 5, 2006.

VOTING	**AYE**	**NAY**
Mr. Oliveira	**10 %**	
Mr. Ranney	**35 %**	
Mr. O'Brien	**10 %**	
Mr. Hanover	**35 %**	
TOTAL	**90 %**	**0 %**

Videogame Machines on the M/V Eagle:

Mr. Lamson informed the Members that management would be placing videogame machines on the mezzanine deck of the *Eagle* on a trial basis when that vessel goes back into line service later that month before deciding whether to install similar machines on any of the Authority other vessels as another means of raising revenues. Mr. Marshall expressed his concern that there might be a problem if there are not a sufficient number of machines for the children who want to play them, but Mr. Oliveira thought that such a problem would not occur. However, Mr. Oliveira suggested that the Authority make certain to install a change machine as well on the *Eagle's* mezzanine deck, and have video surveillance of the area.

Internet Reservations:

Mr. Lamson reported that the Authority had seen a 55% increase in the number of reservations made over the Internet in 2005, representing almost $8,000,000 in revenue (about 20% of the total amount of all of the Authority's reservations). Mr. Lamson also reported that, on the first day of Headstart this year, more than 1,500 reservations had been made via the Authority's website, resulting in around $250,000 of revenue. Mr. Ranney took the opportunity to commend Ms. Claffey for her efforts with the Authority's website, saying that while it was not yet perfect, it was getting closer all the time.

Treasurer's Report:

Mr. Davis reported that the Authority's passenger traffic in December 2005 was 1.2% more than it had been in December 2004, but that passenger traffic for the entire year 2005 had decreased by 2.4% from 2004. Mr. Davis then reported that the number of automobiles carried in December 2005 had increased by 1.1% over December 2004, but that the number of automobiles carried during the entire year 2005 similarly had decreased by 1.4% from 2004. Finally, Mr. Davis reported that the number of trucks carried in December 2005, had increased by 20.5% over December 2004, and that truck traffic for the year 2005 had increased by 11.7% from 2004.

Although Mr. Davis stated that it was still too early to have a complete estimate of the Authority's financial activity during December 2005, he said that it was reasonable to expect that the Authority will finish in the black for 2005, despite the fact that December saw a failure of automobile revenue to meet budget projections (due to a higher percentage of excursion travel), fuel costs continuing to exceed budget estimates, unbudgeted repairs to the Woods Hole dock and the *Eagle*, and an increase in employee medical claims.

Port Council's Report:

Mr. Jones briefly summarized what had transpired at the Port Council's last meeting on January 5, 2006, as more fully set forth in the draft minutes of that meeting which already had been provided to the Members.

Naming of the Authority's New High-Speed Passenger Vessel:

Mr. Lamson noted that all of the Members had received an email from Mr. Ranney listing the 199 names that had been suggested by the public for the Authority's new high-speed passenger vessel, and he expressed his hope that the Members would decide upon a name for the vessel at either this meeting or their next meeting. Mr. Marshall then stated that Messrs. O'Brien and Jones had suggested one name from that list – Iyanough – which he was more than willing to support for the reasons they had set forth in another email. Mr. Oliveira also suggested that the Members may want to consider selecting three or five possible names and asking the public for more input, but he stated that he would defer to the wishes of the other Members.

Mr. Ranney then recounted how many of the names that had been suggested were variations on the name "Grace" in honor of the Authority's late Nantucket Member Grace S. Grossman, and that the name which had been suggested the most times was "Dionis," which was the name of the wife of Tristram Coffin, the first settler of Nantucket and for whom a beach on the island also has been named. But Mr. Ranney declared that, in view of the fact that Hyannis really was Nantucket's port and that both communities were working well together in the spirit of cooperation, he would like to move that the new vessel be named the "Iyanough."

IT WAS VOTED -- upon Mr. Ranney's motion, seconded by Mr. O'Brien -- that the Authority's new high-speed passenger vessel be named the M/V Iyanough.

VOTING	**AYE**	**NAY**
Mr. Oliveira	**10 %**	
Mr. Ranney	**35 %**	
Mr. O'Brien	**10 %**	
Mr. Hanover	**35 %**	
TOTAL	**90 %**	**0 %**

After the vote, Mr. Jones thanked both Mr. Ranney and Mr. Lowell for their consideration of the name "Iyanough," observing that it was a huge step forward in binding and blending the two port communities together, and in having the people of Barnstable take an ownership role in this organization. Mr. Marshall agreed, declaring that this process spoke volumes about the good will that existed within the Authority at this time. Mr. Oliveira also suggested that the Town of Barnstable or its chamber of commerce may want to create a plaque for placement in the vessel explaining the vessel's name.

Mr. O'Brien then noted that, when the Authority's first high-speed vessel had been named, his suggestion of "Iyanough" had lost out to Mrs. Grossman's suggestion of the "Flying Cloud." Mr. O'Brien observed that Iyanough was the chief sachem of the Cummaquid tribe who lived in what is now Hyannis, which is itself a derivative of Iyanough's name. Mr. O'Brien also stated that, by some accounts, Iyanough owned the very property on which the Authority's Hyannis terminal is now located and sold it to the colonists.

At 10:39 a.m., Mr. Marshall entertained a motion to go into executive session and announced that the Members would not reconvene in public after the conclusion of the executive session.

IT WAS VOTED -- upon Mr. Ranney's motion, seconded by Mr. Hanover -- to go into executive session to discuss the Authority's strategy with respect to collective bargaining and litigation matters, the purchase, exchange, lease and value of real estate, contract negotiations with nonunion personnel, and the deployment of security personnel and devices.

VOTING	AYE	NAY
Mr. Oliveira	10 %	
Mr. Ranney	35 %	
Mr. O'Brien	10 %	
Mr. Hanover	35 %	
TOTAL	90 %	0 %

A TRUE RECORD

H. FLINT RANNEY, Secretary

MINUTES

OF THE

WOODS HOLE, MARTHA'S VINEYARD AND NANTUCKET STEAMSHIP AUTHORITY

The Meeting in Public Session

March 7, 2006

The Members of the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority met this 7th day of March, 2006, beginning at 9:30 a.m., in Rooms 104 and 105 of the Marine Biological Laboratory's Candle House, located on Water Street, Woods Hole, Massachusetts. Four Members were present: Chairman Robert S. Marshall of Falmouth; Secretary H. Flint Ranney of Nantucket; Robert L. O'Brien of Barnstable; and Marc N. Hanover of Dukes County. Vice Chairman David J. Oliveira of New Bedford was not present.

Port Council Chairman Robert R. Jones of Barnstable, Port Council Secretary Nathaniel Lowell of Nantucket, and Port Council Members S. Eric Asendorf of Falmouth and Philip H. Chase, Jr. of New Bedford were also present, as were the following members of management: General Manager Wayne C. Lamson; Treasurer/Comptroller Robert B. Davis; Director of Security Laurence Ferreira; Director of Engineering Carl R. Walker; Director of Information Technologies Mary T.H. Claffey; Manager of Reservations and Community Relations Gina L. Barboza; Director of Terminal and Parking Operations Mark Rozum; Woods Hole Terminal Manager Kevin Smith; Hyannis Terminal Manager Steven Perkins; and General Counsel Steven M. Sayers.

Minutes:

IT WAS VOTED -- upon Mr. Ranney's motion, seconded by Mr. Hanover -- to approve the minutes of the Members' meeting in public session on January 10, 2006.

VOTING	AYE	NAY
Mr. Ranney	35 %	
Mr. O'Brien	10 %	
Mr. Hanover	35 %	
TOTAL	80 %	0 %

Chairman's Report:

Mr. Marshall welcomed everyone to the Authority's second meeting in 2006, noting that the Members had cancelled their February meeting because there had been no items on the agenda that month which required immediate consideration. Mr. Marshall stated that in similar situations the Members may cancel other meetings in the future, in an effort to be efficient and economical.

Results of Operations:

Mr. Lamson summarized the results of the Authority's operations for January 2006, as set forth in a business summary for that month which had been provided to the Members and the public. Mr. Lamson reported that, compared to January 2005, the Authority had carried 14.4% more passengers during the month (which was the highest number of passengers carried during that month for the last three years), 7.6% more automobiles (although 69% of all cars carried had traveled at excursion rates), and 27.6% more trucks (which were comprised mostly of trucks under 20 feet in length). Mr. Lamson further reported that, while the Authority's operating loss in January was around $647,000 less than budgeted, partly due to lower-than-projected operating expenses, management believed that most of that variance would unfortunately be offset in the coming months with higher costs for dock repairs in Woods Hole, Vineyard Haven and Oak Bluffs.

M/V Island Home:

Mr. Walker reported that the *Island Home's* underwater hull had been completed and approved by the United States Coast Guard; that three of the five main deck modules were in place; that all major equipment had been placed in the hull; and that the aluminum superstructure and lift decks were under construction before being barged to VT Halter Marine's Moss Point facility for installation on top of the freight deck modules.

M/V Iyanough:

Mr. Walker then reported that the *Iyanough's* hull modules were under construction; that the main engine room was complete; and that the main engines had been tested and were awaiting installation. Mr. Walker also described how Gladding-Hearn was constructing new light weight aluminum luggage carts for the vessel, and then he presented the vessel's current general arrangement, interior design and layout. In this regard, Mr. Walker noted that the vessel will have electrical outlets along the bulkheads in the passenger areas so that passengers will be able to charge their laptops, that those seats with armrests will be equipped with cup holders, that a number of seats will not have armrests so that passengers will be able to lie down, that several televisions will be located throughout the vessel so that all passengers will be able to see the announcements, and that the Authority was exploring the possibility of providing Wi-Fi on the boat. Finally, Mr. Walker displayed samples of various materials that management, along with the Authority's interior design consultant, Directions in Design, had selected for use in the vessel's interior passenger areas for their comfort, durability, easy cleaning and skid resistance qualities.

M/V Sankaty:

Mr. Walker reported that after some delay, the *Sankaty* was back in line service between Hyannis and Nantucket lengthened by 41 feet, widened by 12 feet, and without any dog house in the middle of the freight deck.

M/V Flying Cloud Re-Powering:

Mr. Walker reported that the *Flying Cloud's* two new engines were scheduled to be placed in the vessel that day and that, after the completion of the alignment of the engines and reduction gears, the vessel's dockside trials and sea trials should be completed in time for the vessel to be delivered back to Fairhaven by the end of following week.

Annual Parking Permit Rates:

Mr. Lamson requested the Members' approval of the Authority's parking permit rates for the period from May 15, 2006 through May 14, 2007. In this regard, Mr. Lamson stated that management was recommending that the Authority not increase its prices of its annual parking permits during this period, and that the Authority also offer off-site parking permits in Hyannis at the same prices as its Falmouth off-site parking permits ($550 for an annual off-site permit, and $375 for an off-season off-site permit from October 15, 2006 through May 14, 2007). Mr. Lamson noted that the Port Council had voted unanimously to support management's recommendation.

Mr. Lowell noted that, while he agreed with the idea of offering off-site parking permits in Hyannis, he suggested that management in the future consider enlarging the off-season permit period by having it commence after Labor Day instead of October 15 in order to provide more time for island residents to travel before the holidays.

IT WAS VOTED -- upon Mr. Ranney's motion, seconded by Mr. O'Brien -- to approve management's proposed annual parking permit rates for the period from May 15, 2006 through May 14, 2007, and the creation and sale of offsite parking permits in Hyannis, as set forth in Staff Summary #TPF-2006-2, dated February 27, 2006.

VOTING	**AYE**	**NAY**
Mr. Ranney	**35 %**	
Mr. O'Brien	**10 %**	
Mr. Hanover	**35 %**	
TOTAL	**80 %**	**0 %**

2006 Spring Operating Schedule:

Mr. Lamson requested that the Members approve a modification to the Authority's 2006 Spring Operating Schedule in order to provide adequate time for the annual overhaul and maintenance of the *Gay Head* and the *Katama* due to the delayed return of the *Sankaty*. Mr. Lamson stated that the modification would result in the Authority reverting to the same schedule it operated last

Spring on the Nantucket route, with a second freight boat (operating one round trip Mondays through Fridays) being added on that route beginning on April 14, 2006 instead of the previously scheduled date of March 27, 2006 (the beginning of the 2006 Spring Operating Schedule). Mr. Lamson also noted that the modification would require the changing of around 100 reservations that have been booked during that 18-day period, but he expressed his hope that those changes would be manageable and not result in any unreasonable inconveniences to the Authority's customers. Finally, Mr. Lamson reported that the Port Council had voted unanimously at their last meeting to support management's recommendation.

IT WAS VOTED -- upon Mr. Ranney's motion, seconded by Mr. Hanover -- to approve management's proposed modification to the 2006 Spring Operating Schedule during the period from March 27, 2006 through April 13, 2006, as set forth in Staff Summary #GM-487, dated March 1, 2006.

VOTING	**AYE**	**NAY**
Mr. Ranney	**35 %**	
Mr. O'Brien	**10 %**	
Mr. Hanover	**35 %**	
TOTAL	**80 %**	**0 %**

Training:

Mr. Lamson reported that, over the past few months, Port Captain Charles ("Greg") Gifford had arranged for sixty of the Authority's vessel employees to take a five-day safety program at the Massachusetts Maritime Academy and the Barnstable Fire Academy. Mr. Lamson stated that the program had been well received by the Authority's employees, and observed that the training will help the Authority's responsiveness in an emergency.

Reservations:

Mr. Lamson reported that, as of March 1, 2006, the number of vehicle reservations for the upcoming summer schedule was around 5% higher than the same time last year, and that the Authority had seen an 18% increase in the number of reservations made through its website. Mr. Hanover then acknowledged Mmes. Claffey and Barboza for their hard work in making the website far more user friendly.

Treasurer's Report:

Mr. Davis reported that, although the Authority's financial reports had not yet been audited and were therefore subject to change, it appeared that the Authority's operating income for 2005 was just under $1,500,000, which was around $2,600,000 below the Authority's original budget projections. Mr. Davis also reported that the Authority's operating revenues were $300,000 less than expected, and operating expenses were around $1,900,000 higher than anticipated, with the most significant increases being attributable to the dolphin and dock repairs at the Woods Hole terminal, the siding and roof repairs at the Nantucket terminal, and higher-than-projected fuel prices. Indeed, Mr. Davis observed, the Authority's fuel expenses alone had increased by $940,000 (or 24%) over 2004. Mr. Davis also noted that the Authority had recognized a book loss of around $500,000 on the sale of the *Schamonchi* last year, which contributed to the overall budget variance.

Hyannis Transfer Bridge Modifications:

Mr. Lamson then asked the Members for authorization to award Contract No. 05-06, after bids for the contract are opened later that day, as part of the Authority's effort to alleviate vessel loading problems at the Hyannis terminal. Under the contract, Mr. Lamson said, the land side end of Slip #2's transfer bridge will be raised by 16 inches and a new timber apron will be sloped to meet the parking lot. Mr. Lamson noted that the Authority will also be adding an eight-inch camber in the center of Slip #1's transfer bridge with its own employees, and that all of the work should be finished in time for the 2006 Spring Schedule on March 27, 2006.

IT WAS VOTED -- upon Mr. Hanover's motion, seconded by Mr. Ranney -- to authorize the General Manager to award Contract No. 05-06, "Transfer Bridge Modifications – Slip #2 Hyannis," to the lowest eligible and responsible bidder for the contract, as described in Staff Summary #E 2006-3, dated February 27, 2006.

VOTING	**AYE**	**NAY**
Mr. Ranney	**35 %**	
Mr. O'Brien	**10 %**	
Mr. Hanover	**35 %**	
TOTAL	**80 %**	**0 %**

Port Council's Report:

Mr. Jones briefly summarized what had transpired at the Port Council's last meeting on March 2, 2006, as more fully set forth in the draft minutes of that meeting which already had been provided to the Members. Specifically, Mr. Jones noted that the Port Council had begun a discussion of how the Authority determines the amount of license fees to be paid by each of the ferry operators licensed by the Authority, and that it had voted to develop a list of bullet point questions with the Members and with management's assistance to focus their subsequent review and analysis of the Authority's licensing policy for the purpose of determining whether to recommend that any changes be made to the policy. In response, Mr. Marshall noted that the Members already had expressed their support for such a study by the Port Council, and he said that he would absolutely affirm the purpose of such a study.

Videogame Machines on the M/V Eagle:

Mr. Ranney reported that videogame machines had been installed on the mezzanine deck of the *Eagle*, but that signs were needed to inform passengers where they are located and that a change machine also needed to be installed.

Public Comment:

In response to a question from the audience, Mr. Lamson stated that the Authority was still in mediation with the union representing the Authority's licensed engineers and unlicensed vessel employees for new collective bargaining agreements governing the terms and conditions of employment for those employees, and that the Authority was also engaged in negotiations with another union for a new agreement governing the terms and conditions of employment for the Authority's parking lot attendants and shuttle bus drivers. Mr. Lamson also stated that the Authority's purpose in offering off-site and off-season parking permits in Hyannis was to provide an additional convenience for those customers who would like to leave a car in Hyannis but cannot afford to pay $750 a year to leave it at the Hyannis terminal.

Finally, Mr. Lamson reiterated the Authority's navigation concerns with respect to the Cape Wind Project, declaring that there was no change in the Authority's position that had been unanimously voted by the Members at their meeting in public session on December 19, 2002.[1] Mr. Jones also noted that the Authority's position was not that the project should not be undertaken, but to create a safe navigational zone.

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[1] Reporter's Note: At the Authority's December 19, 2002 meeting, the Members unanimously voted to direct management to prepare a letter, which was to be coordinated with Hy-Line Cruises, to Senators Kennedy and Kerry, Congressman Delahunt, the Commander of the First Coast Guard District, and the Army Corps of Engineers: (a) expressing the Authority's concerns that the close proximity of the proposed Wind Farm to the routes the Authority's ferries and those of private ferry operators normally traverse in Nantucket Sound appears to pose a hazard to safe navigation; and (b) requesting that the addressees take steps to ensure that the Wind Farm's full range of potential impacts on safe navigation (including its potential impacts on electronics), particularly with respect to passenger carrying ferries and barges, be thoroughly assessed before any permits are approved for construction of the towers.

At 10:35 a.m., Mr. Marshall entertained a motion to go into executive session and announced that the Members would not reconvene in public after the conclusion of the executive session.

IT WAS VOTED -- upon Mr. Ranney's motion, seconded by Mr. Hanover -- to go into executive session to discuss the Authority's strategy with respect to collective bargaining and litigation matters, the purchase, exchange, lease and value of real estate, contract negotiations with nonunion personnel, and the deployment of security personnel and devices.

VOTING	AYE	NAY
Mr. Ranney	35 %	
Mr. O'Brien	10 %	
Mr. Hanover	35 %	
TOTAL	80 %	0 %

A TRUE RECORD

H. FLINT RANNEY, Secretary

MINUTES

OF THE

WOODS HOLE, MARTHA'S VINEYARD AND NANTUCKET STEAMSHIP AUTHORITY

The Meeting in Public Session

April 18, 2006

The Members of the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority met this 18th day of April, 2006, beginning at 9:30 a.m., in Room 314 of the New Bedford City Hall, located at 133 William Street, New Bedford, Massachusetts. All five Members were present: Chairman Robert S. Marshall of Falmouth; Vice Chairman David J. Oliveira of New Bedford; Secretary H. Flint Ranney of Nantucket; Robert L. O'Brien of Barnstable; and Marc N. Hanover of Dukes County.

Port Council Chairman Robert R. Jones of Barnstable and Port Council Member Philip H. Chase, Jr. of New Bedford were also present, as were the following members of management: General Manager Wayne C. Lamson; Treasurer/Comptroller Robert B. Davis; Director of Security Lawrence Ferreira; Director of Engineering Carl R. Walker; Director of Information Technologies Mary T.H. Claffey; Manager of Reservations and Community Relations Gina L. Barboza; Director of Terminal and Parking Operations Mark Rozum; and General Counsel Steven M. Sayers.

Minutes:

IT WAS VOTED -- upon Mr. Ranney's motion, seconded by Mr. O'Brien -- to approve the minutes of the Members' meeting in public session on March 7, 2006.

VOTING	AYE	NAY
Mr. Oliveira	10 %	
Mr. Ranney	35 %	
Mr. O'Brien	10 %	
Mr. Hanover	35 %	
TOTAL	90 %	0 %

Results of Operations:

Mr. Lamson summarized the results of the Authority's operations for February 2006, as set forth in a business summary for that month which had been provided to the Members and the public. Mr. Lamson reported that, compared to February 2005, the Authority had carried 2.3% fewer passengers during the month, 5.2% fewer automobiles, and 9.6% more trucks (which were comprised mostly of trucks under 20 feet in length). Mr. Lamson further reported that the Authority's operating loss in February was around $119,000 less than budgeted, primarily due to lower-than-projected operating expenses, including fuel expenses and claims paid from the Authority's self-insured medical plan. However, Mr. Lamson said, most of that variance was expected to be offset in the coming months with higher costs for dock repairs in Woods Hole and dolphin repairs at Oak Bluffs.

In response to a question from Mr. Marshall, Mr. Lamson reported that, as of the end of March 2006, the total number of vehicle reservations for the 2006 Summer Schedule was 2.5% higher than the number of reservations that had been made for the 2005 Summer Schedule as of the end of March 2005.

M/V Island Home:

Mr. Walker reported that the *Island Home's* freight deck modules were in place on the vessel and were being welded at that time, and that most of the vessel's other modules were either on site at VT Halter Marine's Moss Point facility or approaching the final stage of construction. Mr. Walker also reported that the *Island Home* would be outfitted with two emergency slides so that, in case of an emergency, passengers will evacuate the vessel from the mezzanine deck (instead of from the freight deck, as on the Authority's other vessels) and slide down directly onto a life raft. The slides will be tested when the vessel arrives at the Authority's Fairhaven maintenance facility. In response to a question from the Members, Mr. Walker also reported that, to date, management had approved change orders amounting to around $250,000, which was well within the allowable budgeted contingency. All in all, Mr. Walker said, the project was going very well, and was on track for the launch of the vessel in July 2006.

M/V Iyanough:

Mr. Walker then reported that the *Iyanough's* engine and water jet voids, mid-hull voids, and engine and generator exhausts had been fabricated, that the bow module had been 70% fabricated, and that the superstructure module had been 30% fabricated. Accordingly, Mr. Walker said, the vessel was starting to take shape, and the project remained on track for delivery of the vessel in November 2006.

M/V Flying Cloud Re-Powering:

Mr. Walker then reported on the problems that had been encountered during the *Flying Cloud* re-powering project. Noting that the vessel originally had been scheduled to leave the SENESCO shipyard in North Kingstown, Rhode Island on March 14, 2006, Mr. Walker stated that the vessel did not leave the shipyard until March 31, 2006 due to the shipyard's planning and skilled labor problems and its inadequate ability to perform the contract work. Then, during sea trials, vibrations and a leak in the starboard water jet seal prompted an investigation that revealed that the engines and reduction gears had not been properly aligned with the water jet shafts. Indeed, Mr. Walker said, the starboard side was out of alignment by five times allowable limits, and the port side was out of alignment by more than three times allowable limits.

Mr. Walker stated that, as a result, it was necessary to realign both the starboard and port engines and reduction gears and, due to his concerns with SENESCO's prior performance, he made the decision that the Authority would perform this difficult and tedious task itself at its Fairhaven maintenance facility. Mr. Walker then expressed his thanks to the Authority's Maintenance Department employees for the great job they did in re-aligning the *Flying Cloud's* engines in order to get the vessel in line service by last Friday, April 14, 2006, working 16 to 18 hours a day for six straight days. Mr. Walker reported that, since going into line service, the *Flying Cloud* has been running well on the new engines, which produce much less noise and vibration than the vessel's previous Paxman engines.

In response to questions from the Members, Mr. Walker stated that the shipyard did not use a laser to determine whether the engines and reduction gears had been properly aligned (which is the easiest and most accurate method) and, although the shipyard had represented to the Authority that the alignments were within specified tolerances, their readings could not have been accurate. The Members then directed Mr. Walker to investigate this matter to determine why this situation happened, and to prepare a complete list of all of the costs attributable to the initial misalignment. Mr. Marshall declared that it was a very serious matter and that the Members needed to pursue it vigorously until they feel confident that they have all of the pertinent information.

In response to further questions from the Members, Mr. Walker stated that the shipyard initially had been invited to Fairhaven to assist the Authority in the realignment, but when they broke a piece of equipment that was vital to the process on their first day there, Mr. Walker concluded that their presence was actually detrimental to the Authority's ability to accomplish the work. Although it thus appeared that SENESCO had been simply unqualified to perform this work, Mr. Walker observed that the shipyard's performance of all of its previous Authority vessel overhaul contracts had gone well.

Same-Day Reservations on Standby Sailing Days:

Mr. Lamson then requested that the Members approve a policy change so that customers will be able to make same-day reservations on standby days (or to change a reservation to an earlier or later time on the same day) either by phone, in person or through the Authority's website instead of being required to wait in the standby line. Mr. Lamson noted that this change would allow customers to make or change same-day reservations, if space is available, 365 days per year.

Mr. Lamson also reported that, over the past few weeks, management had surveyed almost 500 customers on the Martha's Vineyard route and almost 100 customers on the Nantucket route to find out what they thought of this idea, and that 84% of the completed surveys on the Martha's Vineyard route favored making the change, as did 75% of the completed surveys on the Nantucket route. Further, Mr. Lamson said, the Port Council had discussed this proposed policy change on their meeting on April 6, 2006, and had voted unanimously to support management's recommendation.

Mr. Ranney expressed his concern that customers waiting in the standby line would have other customers who subsequently make reservations that day jumping in front of them. Mr. Ranney declared that this would be particularly unfair to customers already in the standby line on the Nantucket route, since the Authority often has only six trips a day on that route. But Mr. Lamson assured Mr. Ranney that the Authority's Terminal Managers would have the ability to determine which trips and what quantity of space will be available for day-of-sailing reservations on standby days, and that they will block customers who make same-day reservations from booking reservations ahead of those customers who are already in the standby line. Mr. Marshall observed that, by blocking customers who are making same-day reservations from jumping ahead of customers already in the standby line, the Authority effectively would be converting a customer's arrival in the standby line to a reservation for the next available space that day.

IT WAS VOTED -- upon Mr. Hanover's motion, seconded by Mr. Oliveira -- to approve management's proposed policy change to provide the Authority's customers with the ability to make same-day reservations on standby days (or changing a reservation to an earlier or later time on the same day) either by phone, in person or through the Authority's website instead of requiring them to wait in the standby line, as described in Staff Summary #TPF-2006-3, dated April 12, 2006.

VOTING	**AYE**	**NAY**
Mr. Oliveira	**10 %**	
Mr. Ranney	**35 %**	
Mr. O'Brien	**10 %**	
Mr. Hanover	**35 %**	
TOTAL	**90 %**	**0 %**

Web Site Improvements:

Mr. Lamson advised the Members that the Authority recently had made a number of significant improvements to its website. But before Mr. Lamson asked Ms. Claffey to give the Members a presentation on those improvements, Mr. Lamson stated that he wanted to recognize the contribution the Authority had received from Mark Snider of the Winnetu Inn & Resort in Edgartown, who had written a letter to Mr. Hanover last year about how the Authority could make its website more user friendly, especially for first-time visitors, and who then met regularly with Mmes. Claffey and Barboza and himself over a period of five to six months to see his suggestions come to fruition. Declaring that the Authority would not have achieved the results that it did without Mr. Snider's input and suggestions, Mr. Lamson observed that the Authority owed him a debt of gratitude for both his time and contributions to this important initiative that will benefit the Authority's customers, as well as the Authority and the Islands, for many years to come.

Ms. Claffey then gave the Members a presentation on the Authority's newly designed website, which already had been introduced to the public on Monday, April 10, 2006. In redesigning the website, Ms. Claffey said, the Authority tried to focus on the reasons why people visit the website. As a result, Ms. Claffey observed that website has become much more welcoming and customer friendly. In particular, people will be able to:

(a) View the Authority's operating schedules more easily.

(b) Find out what spaces are available on a trip-by-trip basis without creating profile and personal identification numbers, and be given the option of being waitlisted on those trips that are sold out. Indeed, if no spaces are available on a given day requested by a customer, the website will list the closest reservation available both before and after that day.

(c) Create their own customer Identifications and passwords.

(d) Find out current conditions at the Authority's terminals (how many cars are in standby lines and which parking lots are open and closed).

(e) Access links to public transportation options, and print out maps to the Authority's terminals and parking lots.

With respect to that aspect of the website that provides customers with the current conditions at the Authority's terminals, Ms. Claffey noted that the terminal employees already do a fantastic job in updating that information on a regular basis, and that Smartroutes often compliments the Authority about how current its "current conditions" are. In this regard, Ms. Claffey noted that the information usually is updated either hourly or on a trip-by-trip basis.

Mr. Marshall asked that the website contain a disclaimer about bus delays, expressing his concern that customers who view the coordinated bus and vessel schedules on the Authority's website might blame the Authority when a vessel sails on time without waiting for a bus that is delayed traffic. Mr. Marshall declared that it was very important to take the Authority out of that responsibility.

Mr. Oliveira then asked that the link on the website to the high-speed ferry service between New Bedford and Martha's Vineyard provided by New England Fast Ferry ("NEFF") be reinstated, noting that he had not been informed that a decision had been made to discontinue that link. Mr. Oliveira declared that NEFF's service is a complement to the Authority's service and provides benefits to the Authority in getting traffic off of Woods Hole Road, paying substantial license fees to the Authority, requiring New Bedford to pay a portion of its parking revenues to the Authority, and relieving the Authority from providing service itself from New Bedford on a year-round basis. Accordingly, although NEFF was a private operation, Mr. Oliveira stated that it was providing a public service, that it was not a true competitor with the Authority, and that it should have a link on the Authority's website so that people know there is another travel option available.

Mr. Marshall declared that he agreed with Mr. Oliveira that the Authority should have, at the very least, a link on its website to NEFF. Speaking as the representative of the Town of Falmouth, Mr. Marshall observed that Woods Hole Road is a nightmare and that it would be to Falmouth's advantage to relieve some of that traffic by encouraging cars to stop in New Bedford and not come across the bridge. Indeed, Mr. Marshall said, it was advantageous to the Authority to encourage whatever participation from New Bedford it can.

Mr. Hanover stated that he could see both sides of this issue, but he expressed concern that the Authority might be obligated to provide a link to Hy-Line and other private operators if it were to provide a link to NEFF. But Mr. Oliveira maintained that there was a distinction between NEFF and the other ferry operators because of the regional aspect of the transportation network and the fact that the Authority does not provide service from New Bedford and there is no other private service from New Bedford. Given the fact that NEFF is the only service available from New Bedford, Mr. Oliveira said, he felt it needed to be represented.

Mr. Ranney agreed, saying that he did not think that NEFF was in direct competition with the Authority, as Hy-Line was. Mr. Ranney also stated that he would suggest adding not only a link on the Authority's website to NEFF, but its schedules as well. Mr. O'Brien similarly stated that he thought such additions to the Authority's website would be appropriate. Ultimately, although Mr. Hanover said that he still felt NEFF was in competition with the Authority, he noted that it was the only service provider from New Bedford to the Islands at that time and, as a result, he would also agree to adding a link to NEFF on the Authority's website.

IT WAS VOTED -- upon Mr. Ranney's motion, seconded by Mr. Oliveira -- to direct management to add a link on the Authority's website to the high-speed ferry service between New Bedford and Martha's Vineyard being provided by New England Fast Ferry ("NEFF") and, further, to provide the Authority's customers with access to NEFF's schedules from the Authority's website.

VOTING	**AYE**	**NAY**
Mr. Oliveira	**10 %**	
Mr. Ranney	**35 %**	
Mr. O'Brien	**10 %**	
Mr. Hanover	**35 %**	
TOTAL	**90 %**	**0 %**

Mr. Ranney then asked Mr. Lamson to place complimentary letters in the personnel files of both Mmes. Claffey and Barboza for all of their good work on this project and for being open to all of his suggestions on this and other matters. The Members also agreed that they should write a letter to Mr. Snider expressing their appreciation for the tremendous amount of time he spent on this project and the valuable contributions he has made.

New Bedford Mayor Scott W. Lang:

New Bedford Mayor Scott W. Lang joined the meeting during the Members' discussion about adding a link to NEFF on the Authority's website. Mayor Lang declared that he was honored to have the Members there that day, recounting how the City of New Bedford had a number of positive things going on with the Authority and how he wanted to continue to enhance their relationship. Accordingly, Mayor Lang said, if the Authority needed him for anything, he would be happy to make himself available wherever and whenever the Members wanted, including hosting a meeting himself.

Before leaving, Mayor Lang also remarked that the City's previous administration had advised him how difficult the Members were, and he could not believe that, saying that they were the most reasonable group he had seen in quite some time. Mayor Lang also thanked the Members for voting to add a link to NEFF on the Authority's website, observing that it will be very helpful in encouraging travelers to make a day trip and sightsee in New Bedford.

Wi-Fi Service:

Ms. Claffey reported that the Authority was now providing free Wi-Fi service to the public at its Hyannis, Nantucket, Vineyard Haven and Woods Hole terminals, and that work was continuing to provide the service as well on the Authority's vessels during their voyages.

Martha's Vineyard Regional High School District Transportation Agreement:

Mr. Lamson then requested that the Members authorize him to execute an updated agreement with the Martha's Vineyard Regional High School District. Under that agreement, Mr. Lamson said, the Authority will continue to provide transportation for school-related events for a fixed fee, which is roughly 50% of the aggregate fares that the school district otherwise would be charged for that amount of travel. Mr. Lamson also stated that the Authority will update the fixed fee every Fall to make certain it remains roughly 50% in line with the fares that the school district otherwise would be charged, and then make that updated fee effective the following July at the beginning of the school district's next fiscal year. In response to a question from Mr. Ranney, Mr. Lamson stated that the effect of this agreement was to provide the Martha's Vineyard Regional High School with essentially the same 50% discount on transportation for school-related events that the Authority was providing to the Nantucket High School District, even though the Authority did not have a fixed fee agreement with the Nantucket High School District.

IT WAS VOTED -- upon Mr. O'Brien's motion, seconded by Mr. Hanover – as follows:

1. **to authorize the General Manager to execute an agreement with the Martha's Vineyard Regional High School District in the form attached to Staff Summary #GM-488, dated April 12, 2006; and**

2. **to request that management review the amount of transportation used annually by the Martha's Vineyard Regional High School District and recommend proposed changes to the fixed fee agreement, for the Members' review and approval, by October of each year for the fiscal year beginning the following July first.**

VOTING	AYE	NAY
Mr. Oliveira	10 %	
Mr. Ranney	35 %	
Mr. O'Brien	10 %	
Mr. Hanover	35 %	
TOTAL	90 %	0 %

Proposed Changes in High-Speed Group Fares:

Mr. Lamson asked the Members to approve management's recommendation to change the Authority's fares for school and student groups traveling on the *Flying Cloud* so that they are comparable to the school and student group fares charged by Hyannis Harbor Tours, Inc. ("Hy-Line") for the *Grey Lady*, as set forth in Staff Summary #GM-489, dated April 12, 2006. If the changes were approved, Mr. Lamson said, community youth sports groups will be able to travel on the *Flying Cloud* for the same fare as school sports teams (although they will have to pay a 50-cent passenger embarkation fee in addition to the fare) beginning May 1, 2006. However, because the changes would also slightly increase the fare charged to school groups, Mr. Lamson noted that that particular aspect of the changes would not go into effect until July 1, 2006.

Mr. Ranney agreed that the Authority should be competitive with Hy-Line in its group fares, but noted that management's recommendation did not include reducing the fares for spectators traveling with school and student groups to the amounts being charged those spectators by Hy-Line. Therefore, Mr. Ranney asked Mr. Lamson if there would be any problem in reducing those fares as well, and Mr. Lamson stated that there would not.

IT WAS VOTED -- upon Mr. Ranney's motion, seconded by Mr. Hanover -- to approve management's proposed changes to the Authority's high-speed group fares, as described in Staff Summary #GM-489, dated April 12, 2006, except that the fares for adults traveling as spectators with school and student groups shall be $20.00 one way and $40.00 round trip and the fares for children (ages 5-12) traveling as spectators with such groups shall be $12.00 one way and $24.00 round trip, instead of the higher fares set forth in that staff summary.

VOTING	AYE	NAY
Mr. Oliveira	**10 %**	
Mr. Ranney	**35 %**	
Mr. O'Brien	**10 %**	
Mr. Hanover	**35 %**	
TOTAL	**90 %**	**0 %**

Treasurer's Report:

Mr. Davis reported that passenger traffic for the month of March 2006 had been 1.2% higher than in March 2005, and that passenger traffic for the first quarter of 2006 had been 4.1% higher than the first quarter of 2005. Similarly, automobile traffic for the month of March 2006 had been 0.8% higher than in March 2005, and automobile traffic for the first quarter of 2006 had been 1.0% higher than the first quarter of 2005. Finally, truck traffic for the month of March 2006 had been 18.8% higher than in March 2005, and truck traffic for the first quarter of 2006 had been 18.4% higher than the first quarter of 2005, with most of the increase comprised of vehicles under 20 feet.

Mr. Davis also reported that the Authority's net operating loss for the month of March 2006 was expected to be around $100,000 higher than what had been budgeted, even though revenues overall had been $80,000 higher than budgeted, fuel costs had been $69,000 lower than budgeted, and health claims had been $125,000 lower than budgeted. By contrast, maintenance expenses in March 2006 had been $410,000 higher than budgeted, with the repairs to the dolphins and dock at the Woods Hole terminal accounting for almost one-half of that increase. Nevertheless, Mr. Davis reported that for the first quarter of 2006, the Authority's net operating loss was still $675,000 less than expected.

Repairs to Oak Bluffs Terminal Head Dolphin:

Mr. Lamson then asked the Members for authorization to award Contract No. 06-06, Oak Bluffs terminal head dolphin Repairs, to C. White Marine, Inc., of Danvers, Massachusetts, the lowest eligible and responsible bidder for the contract. The Members, however, expressed concern over the large difference between C. White Marine's bid, which was in the amount of $114,635, and the bids of the two other bidders, which were both over $200,000. But Mr. Walker assured the Members that he had reviewed C. White Marine's bid with the contractor, and that he was comfortable that C. White Marine is a responsible contractor, especially given the other projects C. White Marine had performed for the Authority in the past, including most recently the modifications to Slip #2 at the Hyannis terminal, which were completed on time and within budget.

IT WAS VOTED -- upon Mr. Ranney's motion, seconded by Mr. O'Brien -- to authorize the General Manager to award Contract No. 06-06 for Oak Bluffs Terminal Head Dolphin Repairs to the lowest eligible and responsible bidder for the contract, C. White Marine, Inc. of Danvers, Massachusetts, for a Total Contract Price of $114,635.00, as described in Staff Summary #E 2006-4, dated April 12, 2006.

VOTING	**AYE**	**NAY**
Mr. Oliveira	**10 %**	
Mr. Ranney	**35 %**	
Mr. O'Brien	**10 %**	
Mr. Hanover	**35 %**	
TOTAL	**90 %**	**0 %**

Port Council's Report:

Mr. Jones briefly summarized what had transpired at the Port Council's last meeting on April 6, 2006, as more fully set forth in the draft minutes of that meeting which already had been provided to the Members. Specifically, Mr. Jones noted that the Port Council had started their analysis of the license fee structures for each of the Authority's licensed private ferry operators, and had agreed to invite each of those operators to attend their next meeting and give the Port Council their thoughts about their respective fee structures and how those structures impact their businesses.

Sale of the M/V Flying Cloud:

Mr. Lamson advised the Members that management was going to begin advertising the sale of the *Flying Cloud* in various trade publications and let interested buyers know that the vessel is expected to be available in the fourth quarter of 2006, after the *Iyanough* begins providing the Authority's scheduled high-speed service between Hyannis and Nantucket.

Public Comment:

At 10:50 a.m., Mr. Marshall entertained a motion to go into executive session and announced that the Members would not reconvene in public after the conclusion of the executive session.

IT WAS VOTED -- upon Mr. Ranney's motion, seconded by Mr. Hanover -- to go into executive session to discuss the Authority's strategy with respect to collective bargaining and litigation matters, the purchase, exchange, lease and value of real estate, contract negotiations with nonunion personnel, and the deployment of security personnel and devices.

VOTING	AYE	NAY
Mr. Oliveira	10 %	
Mr. Ranney	35 %	
Mr. O'Brien	10 %	
Mr. Hanover	35 %	
TOTAL	90 %	0 %

A TRUE RECORD

H. FLINT RANNEY, Secretary

MINUTES

OF THE

WOODS HOLE, MARTHA'S VINEYARD AND NANTUCKET STEAMSHIP AUTHORITY

The Meeting in Public Session

May 9, 2006

The Members of the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority met this 9th day of May, 2006, beginning at 9:30 a.m., in the Nobadeer Room of the Nantucket Inn, located at One Miller's Way, Nantucket, Massachusetts. All five Members were present: Chairman Robert S. Marshall of Falmouth; Vice Chairman David J. Oliveira of New Bedford; Secretary H. Flint Ranney of Nantucket; Robert L. O'Brien of Barnstable; and Marc N. Hanover of Dukes County.

Port Council Vice Chairman Robert V. Huss of Oak Bluffs and Port Council Secretary Nathaniel Lowell of Nantucket were also present, as were the following members of management: General Manager Wayne C. Lamson; Treasurer/Comptroller Robert B. Davis; Director of Information Technologies Mary T.H. Claffey; and General Counsel Steven M. Sayers.

Minutes:

IT WAS VOTED -- upon Mr. Ranney's motion, seconded by Mr. O'Brien -- to approve the minutes of the Members' meeting in public session on April 18, 2006.

VOTING	AYE	NAY
Mr. Oliveira	10 %	
Mr. Ranney	35 %	
Mr. O'Brien	10 %	
Mr. Hanover	35 %	
TOTAL	90 %	0 %

Chairman's Report:

Mr. Marshall complimented the crew of the *Nantucket* and the employees at the Vineyard Haven terminal for doing everything possible to save the life of a customer during a recent medical emergency on the Martha's Vineyard route. Although Mr. Marshall noted that the incident ended in a tragedy, he expressed his deepest appreciation for the professional and efficient manner in which the Authority's employees had responded to this medical emergency.

Results of Operations:

Mr. Lamson summarized the results of the Authority's operations for March 2006, as set forth in a business summary for that month which had been provided to the Members and the public. Mr. Lamson reported that the Authority had carried 1.2% more passengers, 0.8% more automobiles, and 18.8% more trucks during that month compared to March 2005. Nevertheless, the Authority's operating loss in March was around $38,000 higher than projected, due to higher-than-anticipated operating expenses, including dock repairs at the Vineyard Haven and Woods Hole terminals. Mr. Lamson noted, however, that fuel expenses were lower than projected due to a combination of factors, including the operation of fewer trips than had been scheduled and the Authority's fuel conservation measures.

Customer Policies and Procedures Handbook:

Mr. Lamson then presented the Members with management's preliminary drafts of four sections of the proposed new Customer Policies and Procedures Handbook pertaining to passenger rates, tickets, and vehicle reservations for their initial review. Mr. Lamson also stated that, over the next few months, management would be working on other sections of the handbook pertaining to vehicle rates, parking policies and terms and conditions of travel. Although no action was needed at that time, Mr. Lamson suggested that it would be helpful if the Members could let management know whether they disagreed with any particular aspects of this project and whether they felt it should be referred to the Port Council for preliminary review. Ultimately, Mr. Lamson said, the goal was to create a handbook that will be a convenient way for the Authority's customers to navigate the Authority's labyrinth of rules and to prompt the Authority to streamline at least some of those rules for everyone's benefit.

Mr. Ranney noted that there was one potential problem in Part D of the proposed handbook pertaining to Special Reservation Programs. Specifically, proposed Section 3.3.3 would require customers traveling under preferred space reservations to use the same vehicle on each segment of a round trip, and Mr. Ranney observed that sometimes customers use different cars when they are traveling to get one repaired. Mr. Lamson stated that the Authority does make an exception to that requirement in those circumstances, provided that the same person can be identified with each different vehicle.

Mr. Ranney also stated that he had a philosophical problem with the Authority's policy of not refunding any money paid for a ticket if the customer does not show up for his or her reservation, declaring that no ticket should become worthless because it is not used. But Mr. Marshall disagreed, saying that it should be the customers' obligation to call and cancel their reservations so the Authority does not have empty spaces, and that it was not unreasonable for them to lose their money when they fail to do so. Mr. Hanover agreed with Mr. Marshall, although Mr. O'Brien declared that there should be an exception for extenuating circumstances. In response, Mr. Lamson stated that there was such an exception, observing that someone who is late for a reservation due to being stuck in traffic is allowed to use that ticket to travel on a standby basis later the same day or the following day.

The Members then agreed that it would be a good idea for management to provide the handbook to the Port Council for their review before bringing it back to the Members. They also asked Mr. Lamson to make certain that it was reviewed by the Authority's terminal managers, reservation supervisors and other employees, who together possess a wealth of knowledge and will have to live with the handbook. In this regard, Mr. Ranney emphasized that, while the Authority needed to have consistent rules, the employees needed to have flexibility when dealing with individual situations.

M/V Island Home:

Mr. Lamson reported that the *Island Home's* freight deck modules were in place on the vessel, that the Woods Hole pilot house had been set on the vessel, and that the pilot house consoles had been reviewed by several of the Authority's Captains. Mr. Lamson further reported that it appeared the vessel was on track to be launched as scheduled on July 21, 2006, and he asked both the Members and Port Council members to let him know whether any of them were interested in attending the launch.

M/V Iyanough:

Mr. Lamson reported that the modules for the *Iyanough's* engine room, bow and superstructure were in the process of being fabricated, and that this project remained on track for delivery of the vessel in November 2006.

M/V Nantucket Mid-Life Refurbishment Project:

Mr. Lamson then requested that the Members authorize him to engage the naval architectural services of John W. Gilbert Associates to prepare the drawings and specifications for the *Nantucket* Mid-Life Refurbishment Project, noting that Mr. Gilbert was familiar with the vessel and had many years of experience in the refurbishment of similar vessels. Mr. Lamson stated that the refurbishment project, which was estimated to cost $5,000,000, would require the vessel to be in a mid-sized shipyard for 120 to 150 days, and that its major items include modifications to the pilot house and snack bar area, the removal of the starboard freight deck island for better loading, the replacement of all exterior windows, asbestos abatement, the complete replacement of the joiner work on the 02 and mezzanine decks, and upgrades to the heating boiler and HVAC systems.

Mr. Lamson stated that the estimated cost of Mr. Gilbert's services was $142,000. Mr. Lamson also noted that, if the Authority were to receive state funding assistance, the project itself could be scheduled as early as the fall of 2006, although even without any funding assistance the Authority could still proceed with the project and finance it through the issuance of bonds or the proceeds from the anticipated sale of the *Flying Cloud*. The refurbishment of the *Eagle* could then be completed as early as the fall of 2007.

In response to a question from Mr. Marshall, Mr. Lamson stated that the Authority legally could engage Mr. Gilbert's services without a competitive procurement process because the contract will be for professional services and, therefore, it was not subject to the requirements of the Authority's procurement policy. In this regard, Mr. Lamson stated that he was only recommending this approach in this instance because Mr. Gilbert already possessed a lot of data on the *Nantucket* and that promptly engaging Mr. Gilbert's services would save the Authority both time and money on this project.

Mr. O'Brien then suggested that the project include an expansion of the lunch counter area to provide more seating, observing that it would result in a more comfortable ride for the passengers. In response to other questions from Mr. Ranney, Mr. Lamson stated that the project also included the replacement of the vessel's windows with new ones that will not rust, and the installation of electrical outlets in the passenger spaces for laptop computers.

IT WAS VOTED -- upon Mr. Ranney's motion, seconded by Mr. Hanover -- to authorize the General Manager to engage the engineering and design services of John W. Gilbert Associates, Inc., of Hingham, Massachusetts, to develop the request for proposals (including the drawings and specifications) for the *Nantucket* Mid-Life Refurbishment Project for an estimated cost of $141,831, as recommended by management in Staff Summary #E 2006-5, dated May 4, 2006.

VOTING	**AYE**	**NAY**
Mr. Oliveira	**10 %**	
Mr. Ranney	**35 %**	
Mr. O'Brien	**10 %**	
Mr. Hanover	**35 %**	
TOTAL	**90 %**	**0 %**

Fairhaven Maintenance Facility Bulkhead and Dredging Project:

Mr. Lamson requested that the Members engage the services of Apex Environmental, Inc., at an estimated cost of $75,000, to provide permitting and engineering services for dredging and bulkhead improvement work at the Authority's Fairhaven Vessel Maintenance Facility. Mr. Lamson noted that completing the permitting and engineering process at this time will ensure that the Authority is positioned to accept funding if it becomes available, and will allow the dredging and bulkhead improvement work to begin as much as a year earlier than anticipated. Mr. Lamson also noted that the Authority will also save around $10,000 by having Apex Environmental provide the permitting and engineering services, as it was currently providing similar services for adjacent properties on New Bedford Harbor. Mr. Lamson stated that, while Apex Environment will obtain the permits for the bulkhead improvements, Childs Engineering will remain responsible for preparing the plans for that aspect of the work, and that the bulkhead will need to be repaired before any dredging can take place.

IT WAS VOTED -- upon Mr. O'Brien's motion, seconded by Mr. Ranney -- to authorize the General Manager to engage the services of Apex Environmental, Inc. of Boston, Massachusetts to proceed with the dredging and bulkhead repair permitting and engineering process for the Fairhaven Vessel Maintenance Facility, as recommended by management in Staff Summary #E 2006-7, dated May 5, 2006.

VOTING	**AYE**	**NAY**
Mr. Oliveira	**10 %**	
Mr. Ranney	**35 %**	
Mr. O'Brien	**10 %**	
Mr. Hanover	**35 %**	
TOTAL	**90 %**	**0 %**

Call Center Phone Activity Report:

Mr. Lamson presented the Members with a Call Center Phone Activity Report which management had prepared showing statistics on the number of telephone calls answered at the Authority's reservation offices and the average wait time for those calls in April 2006 compared to April 2005. Mr. Lamson noted that the report, which he now would be providing to the Members on a monthly basis, showed that both the number of calls and the average wait time on the telephone for the Authority's customers had decreased significantly from the prior year, although that was in part attributable to the acceleration of the Authority's Headstart schedule this year and the fact that more reservations were being made through the Authority's website. Nevertheless, Mr. Lamson observed that the decrease in the average wait time was also due to the ability of the Authority's new phone system to transfer calls to whichever office has the lowest volume, and he said that management hoped these statistics would continue to improve in the future.

Mr. Lamson further noted that the Authority would not be increasing the staffing levels of its reservations offices this year, but instead would condense its office hours to a normal operating day of 8:00 a.m. to 5:00 p.m. so that more phones would be staffed during the time that most people call. However, Mr. Lamson said, on reservation-only days for the Martha's Vineyard route, the fast ferry and day-of-sailing reservation telephone lines will be staffed on an extended hour basis (from 7:00 a.m. to 9:00 p.m.).

Freight Vessel Reassignment on Martha's Vineyard Route:

Mr. Lamson advised the Members that the Authority's current summer schedule called for the *Sankaty* to provide service between Woods Hole and Oak Bluffs from mid-June to mid-September when, in hindsight, it appeared that the Authority should maintain the *Katama* on that route and have the *Sankaty* provide service between Woods Hole and Vineyard Haven in order to have sufficient passenger capacity for several popular commuter trips on that route. Accordingly, Mr. Lamson requested that the Members approve the reassignment of those two freight vessels, which would result in the *Sankaty* running basically the same schedule as the *Governor* ran during the 2005 summer season.

IT WAS VOTED -- upon Mr. Ranney's motion, seconded by Mr. Hanover -- to approve revised freight vessel assignments on the Martha's Vineyard route for the period from June 19 through September 10, 2006, as proposed by management in Staff Summary #GM-490, dated May 4, 2006.

VOTING	**AYE**	**NAY**
Mr. Oliveira	**10 %**	
Mr. Ranney	**35 %**	
Mr. O'Brien	**10 %**	
Mr. Hanover	**35 %**	
TOTAL	**90 %**	**0 %**

Treasurer's Report:

Mr. Davis reported that passenger traffic for the month of April 2006 had been 2.3% higher than in April 2005, that automobile traffic for that month had been 5.8% lower than in April 2005, and that truck traffic for that month had been 9.9% higher than in April 2005, with most of the increase comprised of vehicles under 20 feet. Mr. Davis also reported that the Authority carried

1.1% more passengers between Hyannis and Nantucket over this year's Daffodil Weekend compared to last year's Daffodil Weekend, with high-speed passenger traffic increasing by 6.9%.

Mr. Davis also reported that the Authority's net operating loss for the month of April 2006 was expected to be lower than what had been budgeted due primarily to increases in automobile and truck revenues (which are partly attributable to the extension of the summer season rates for standard fare vehicles from May 1st to April 1st this year). Mr. Davis further reported that fuel costs are expected to be $70,000 below budget estimates for April 2006, due to lower fuel prices than what had been budgeted and savings from lower vessel fuel consumption per operating mile and the operation of fewer trips than what had been budgeted.

Vessel Fuel Conservation Measures:

Mr. Marshall then acknowledged the fuel usage information that had been provided by management displaying the effects of the fuel conservation measures by the Authority's Captains over the past year. Specifically, during the first quarter of 2006, all of the Authority's vessels (except for the *Islander*, the *Flying Cloud* and the *Governor*) were using substantially fewer gallons of fuel per mile than the previous two years. As a result, Mr. Hanover observed, for the first quarter of 2006 the Authority saved more than 37,000 gallons of fuel (translating to almost $70,000 in fuel costs) than in the first quarter of 2005.

Noting that fuel prices were not going to be decreasing for the immediate future, if ever, Mr. Marshall declared that it was the Authority's obligation to slow down its vessels to save fuel whenever it can do so. Mr. Marshall then particularly thanked all of the Authority's Captains, acknowledging that these savings could be realized without their abilities and cooperation.

In response to a question from *Vineyard Gazette* reporter James Kinsella, Mr. Lamson stated that the Authority was installing fuel monitoring gauges in the pilot houses of all of the Authority's vessels so that each Captain can see his particular vessel's fuel consumption. Mr. Lamson also noted that the Authority had budgeted for higher fuel costs this year, so he did not believe there would be any need for the Authority to impose a fuel surcharge on its passengers, as Hyannis Harbor Tours, Inc. ("Hy-Line") had begun earlier in the year. Mr. Marshall agreed, declaring that the Authority was resisting such increases as much as possible to maintain the stability of the Islands' lifeline.

Procurement:

IT WAS VOTED -- upon Mr. Hanover's motion, seconded by Mr. Ranney -- to award Contract No. 09-06 for repairs and modifications to the dinghy dock at the Vineyard Haven terminal to the lowest eligible and responsible bidder for the contract, Lindberg Marine, Inc. of Fairhaven, Massachusetts, for the Total Contract Price of $53,200, as recommended by management in Staff Summary #E 2006-6, dated May 4, 2006.

VOTING	**AYE**	**NAY**
Mr. Oliveira	**10 %**	
Mr. Ranney	**35 %**	
Mr. O'Brien	**10 %**	
Mr. Hanover	**35 %**	
TOTAL	**90 %**	**0 %**

Wi-Fi Service:

Ms. Claffey reported that the Authority should be providing Wi-Fi service on the its vessels on the Nantucket route by the Memorial Day Weekend, and on the Authority's vessels on the Martha's Vineyard route soon after that. As with the Wi-Fi service that the Authority already has begun at its terminals, Ms. Claffey stated that it will be provided free to the Authority's customers.

Port Council's Report:

Mr. Huss reported that the Port Council had finished their review of the Authority's policies pertaining to the licensing of private ferry operators and how their licensing fee formulas are determined, recounting how the Port Council had discussed this complicated subject with the private ferry operators themselves at their meeting the prior week. Mr. Huss reported that the Port Council was satisfied with the current situation, which seemed to be very fair and working well, and had voted unanimously to recommend to the Members that the Authority continue with its current license fee formula structure when it renews its license agreements with the private ferry operators later this year.

M/V Eagle:

In response to a question from Mr. Ranney, Mr. Lamson stated that he had not heard any negative comments about the *Eagle's* new rudders.

Oak Bluffs Terminal Reconstruction Project:

Mr. Hanover reported that he had been contacted by the Surfcasters Association, which considered the Authority's Oak Bluffs terminal to be one of the prime fishing spots on Martha's Vineyard. Mr. Hanover stated that the association had asked whether it could provide some input on the design of the new dock at the terminal, and he asked Mr. Lamson to meet with them to see if there was anything the Authority could do to make the new dock accessible for fishing.

Public Comment:

In response to a question from Mr. Kinsella, Mr. Lamson stated that the Authority's vessels currently may be incurring some delays in docking at the Vineyard Haven terminal, but that the delays were attributable to the repairs that are currently underway at the terminal and not to interference from New England Fast Ferry vessels which are now providing service from that terminal.

In response to a question from Mr. Ranney, Mr. Lamson reported that the *Flying Cloud* had not missed a trip due to mechanical problems since the installation of new engines in the vessel the prior month. Indeed, Mr. Lamson said, he was somewhat disappointed that there had not been any newspaper reports about how the *Flying Cloud* has been running this year.

Mr. Lamson reported that, on June 19, 2006, the Authority's customers would be able to begin making reservations for the Fall Schedule. Although Mr. Lamson observed that the date was about four months before the start of the Fall Schedule, far earlier than when the Authority made reservations available for season schedules in the past, management would continue to review whether reservations can be made available even sooner for subsequent schedules to help the public in making their travel plans.

Mr. Ranney also asked Mr. Lamson if management could investigate the possibility of installing solar equipment at the Authority's terminals and other locations, as well as on its vessels. While Mr. Ranney acknowledged that the installation of such solar equipment may not prove feasible, he declared that the Authority needed to be looking continually at alternative energy sources as a way to save money and help the environment.

Finally, Nantucket resident Timothy Madden declared that the lack of public attendance at the meeting that day was the equivalent of a standing ovation from the people of Nantucket for the good job the Authority was doing. Mr. Madden gave credit to Mr. Ranney, but he also emphasized that everyone in the organization seemed to be listening to the public and responding to their concerns.

At 10:57 a.m., Mr. Marshall entertained a motion to go into executive session and announced that the Members would not reconvene in public after the conclusion of the executive session.

IT WAS VOTED -- upon Mr. Ranney's motion, seconded by Mr. Hanover -- to go into executive session to discuss the Authority's strategy with respect to collective bargaining and litigation matters, the purchase, exchange, lease and value of real estate, contract negotiations with nonunion personnel, and the deployment of security personnel and devices.

VOTING	**AYE**	**NAY**
Mr. Oliveira	**10 %**	
Mr. Ranney	**35 %**	
Mr. O'Brien	**10 %**	
Mr. Hanover	**35 %**	
TOTAL	**90 %**	**0 %**

A TRUE RECORD

H. FLINT RANNEY, Secretary

MINUTES

OF THE

WOODS HOLE, MARTHA'S VINEYARD AND NANTUCKET STEAMSHIP AUTHORITY

The Meeting in Public Session

June 20, 2006

The Members of the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority met this 20th day of June, 2006, beginning at 9:30 a.m., in the first floor meeting room of the Oak Bluffs Public Library, located at 56R School Street, Oak Bluffs, Massachusetts. All five Members were present: Chairman Robert S. Marshall of Falmouth; Vice Chairman David J. Oliveira of New Bedford; Secretary H. Flint Ranney of Nantucket; Robert L. O'Brien of Barnstable; and Marc N. Hanover of Dukes County.

Port Council Vice Chairman Robert V. Huss of Oak Bluffs was also present, as were the following members of management: General Manager Wayne C. Lamson; Treasurer/Comptroller Robert B. Davis; Director of Human Resources Phillip J. Parent; Director of Engineering and Maintenance Carl R. Walker; Director of Information Technologies Mary T.H. Claffey; Manager of Reservations and Community Relations Gina L. Barboza; Director of Terminal and Parking Operations Mark Rozum; and General Counsel Steven M. Sayers.

Minutes:

IT WAS VOTED -- upon Mr. Ranney's motion, seconded by Mr. O'Brien -- to approve the minutes of the Members' meeting in public session on May 9, 2006.

VOTING	AYE	NAY
Mr. Oliveira	10 %	
Mr. Ranney	35 %	
Mr. O'Brien	10 %	
Mr. Hanover	35 %	
TOTAL	90 %	0 %

Results of Operations:

Mr. Lamson summarized the results of the Authority's operations for April 2006, as set forth in a business summary for that month which had been provided to the Members and the public. Mr. Lamson stated that the Authority had carried 2.3% more passengers, 5.8% fewer automobiles, and 9.9% more trucks during the month compared to April 2005. Nevertheless, the Authority's operating loss in April was around $678,000 lower than projected, due to higher-than-anticipated revenues as a result of a timing difference between the actual rate increases that were approved in late 2005 and the assumptions that were used in developing the 2006 Operating Budget. Mr. Lamson noted, however, that the Authority's operating expenses in April were only $22,000 higher than projected, with higher-than-projected advertising expenses and health claims under the Authority's self-funded medical plan being offset by lower-than-expected fuel expenses due to fewer trips and the Authority's fuel conservation measures. As a result, the Authority's net operating loss for the first four months of 2006 was $7,242,000, around $1,406,000 lower than projected and around $1,768,000 lower than the first four months of 2005.

M/V Island Home:

Mr. Walker reported that the pilot house on the "Woods Hole" end of the *Island Home* was in place, that the pilot house on the vessel's "Vineyard Haven" end would be the last module to be set next week, and that the final welding of all of the structures would be completed by the end of June. Mr. Walker also reported that most of the windows have been cut out on the mezzanine deck, as well as in the Woods Hole pilot house, and that all of the equipment in the engine room has been installed. Mr. Walker stated that the freight deck doors are also being installed, which will be similar to those on the *Islander* except that they will open by sliding horizontally on rollers instead of opening inward. Meanwhile, the vessel has been sandblasted and will be painted prior to its launch, which is currently scheduled for July 21, 2006.

M/V Iyanough:

Mr. Walker then reported that the *Iyanough's* engine room modules were complete, that the water jets and generators were being installed, and that the main engines would soon follow. Mr. Walker noted that each hull will have two engines and two water jets, which will provide the redundancy to operate the vessel, if necessary, at 32 knots on only three engines. Mr. Walker also reported that the vessel's ride control system will consist of two interceptors (curved plates mounted on the back of transoms) that are put down and picked up in and out of the water by computer according to the attitude of the vessel.

Woods Hole Passenger Ramps:

Mr. Walker reported that the Authority had installed a large amount of aluminum at the Woods Hole terminal for a new wider passenger loading ramp. With the new ramp (which is seven feet wide), the new gangways (six feet wide) and the door openings on the *Island Home* (seven feet wide), Mr. Walker stated that the Authority should be able to load and unload two passengers at a time. Mr. Walker also reported that, after the *Islander* is retired from service, the Authority will be able to modify the second ramp to make it wider as well.

Proposed 2007 Winter and Spring Operating Schedules:

Mr. Lamson then presented the Members with management's preliminary versions of the proposed 2007 winter and spring vessel operating schedules for discussion purposes only, noting that management would continue to consider changes to the proposed schedules before bringing them back to the Members for approval at their July meeting. Mr. Lamson observed that the proposed schedules, as set forth in Staff Summary MCR 1-06, dated June 14, 2006, were similar to this year's winter and spring schedules with the following exceptions:

(a) Both Martha's Vineyard and Nantucket Schedules.

Management is proposing that the spring schedules be delayed so that they begin on April 9, 2007 instead of at the end of March, which will add twelve days to the winter schedules.

(b) Martha's Vineyard 2007 Winter Schedule.

With the anticipated arrival of the *Island Home* this fall, management is proposing that only one freight vessel be used on the Martha's Vineyard route during the winter, and that it operate only three round trips Mondays through Fridays (with any extra trips being added, if necessary, at the request of the terminal managers), resulting in all freight vessel trips on the weekends generally being eliminated.

(c) Martha's Vineyard 2007 Spring Schedule.

Management is proposing that the *Island Home* be berthed overnight in Woods Hole instead of Vineyard Haven during the spring, which would allow for the equivalent of one additional round trip per day leaving Woods Hole at six o'clock in the morning and returning from Vineyard Haven each night at 9:30.

(d) Nantucket 2007 Winter Schedule.

Management is not proposing any changes from this past year's winter schedule.

(e) Nantucket 2007 Spring Schedule.

Management is proposing that the departure time for the first sailing of the second freight vessel from Hyannis be changed from 6:45 a.m. to 7:15 a.m. and the departure time for the return trip be changed from 11:00 a.m. to 10:30 a.m. This vessel would continue to operate only on Mondays through Fridays, and a second round trip could be added, if necessary, at the request of the terminal managers.

Mr. Lamson also advised the Members that management had notified the Authority's freight customers of the proposed schedule changes, including the elimination of both the fourth freight trip on weekdays and all freight trips on weekends during the 2007 winter schedule on the Martha's Vineyard route. Mr. Lamson stated that none of the freight customers had objected to those changes, which indicated to management that there really is no demand for those freight trips during the winter and that the Authority should not be operating them at additional cost.

Mr. Hanover reported that a number of parents of students at Falmouth Academy had called him asking that the 2:30 p.m. trip from Woods Hole to Vineyard Haven be rescheduled for later in the afternoon so that their children can take that trip home after school instead of being required to wait for the 3:45 p.m. trip. Mr. Hanover also noted that this scheduling issue was going to become more important, as he had been informed that there are going to be 25 additional children from Martha's Vineyard attending Falmouth Academy the next academic year.

Mr. Lamson recounted, however, how he had met with the headmaster of the Falmouth Academy the previous year and had learned that most, if not all, of the students remained after school for extracurricular activities every day but Fridays. Accordingly, Mr. Lamson said, he and the headmaster had agreed that the parents' concerns would be fully addressed by having the Authority hold the departure of the 2:30 p.m. trip every Friday until the bus carrying the students arrives from the school, which the Authority since has done on a consistent basis. In response, the Members asked that Mr. Lamson contact the headmaster once again before the Authority's next meeting to make certain that this issue is in fact being adequately addressed.

Renewal of Lease with the Town of Oak Bluffs:

Mr. Lamson asked the Members for authorization to execute a new lease with the Town of Oak Bluffs for the staging area located on Sea View Avenue adjacent to the Oak Bluffs terminal, noting that the Oak Bluffs Selectmen already had voted to approve it. In response to a question from Mr. Marshall, Duncan Ross, Chairman of the Oak Bluffs Selectmen, confirmed that the Selectmen were satisfied with the terms of the lease.

IT WAS VOTED -- upon Mr. Hanover's motion, seconded by Mr. Oliveira -- to authorize the General Manager to execute a new lease with the Town of Oak Bluffs for the staging area located on Sea View Avenue adjacent to the Oak Bluffs terminal, in the form attached to Staff Summary #A-469, dated June 14, 2006.

VOTING	**AYE**	**NAY**
Mr. Oliveira	**10 %**	
Mr. Ranney	**35 %**	
Mr. O'Brien	**10 %**	
Mr. Hanover	**35 %**	
TOTAL	**90 %**	**0 %**

Sale of the M/V Flying Cloud:

Mr. Lamson advised the Members that management was in the process of obtaining valuation surveys of the *Flying Cloud* in anticipation of the sale of that vessel after the delivery of the *Iyanough*. Mr. Lamson asked the Members for their opinion as to how best to proceed with the *Flying Cloud's* sale, noting that, under the open meeting law, all of the Members' discussions regarding the sale would have to take place in public session.

After discussion, the Members agreed that the best approach to sell the *Flying Cloud* appeared to be for the Authority to advertise the availability of the vessel as widely as possible, and then set a deadline for the submission of sealed bids, with a commitment on the Authority's part to sell the vessel to the highest bidder if the bid exceeds a previously established minimum price. If the Authority fails to receive any bids for at least that amount, it could then engage a broker to negotiate a sale for the vessel at the highest possible price. Ultimately, Mr. Marshall observed, the Authority should use all opportunities to maximize the vessel's selling price.

Fairhaven Vessel Maintenance Facility:

Mr. Lamson announced that the Executive Office of Transportation had approved a grant to the Authority under the Massachusetts Water Transportation Capital Improvement Program in the amount of $750,000 toward the construction of a new shop building at the Authority's Fairhaven vessel maintenance facility. Mr. Walker then gave a presentation on the work that will be involved in constructing that new building.

Mr. Walker reported that the project will cost around $1,000,000 and will result in a new pre-engineered, modular building of 7,200 square feet located on the existing concrete slab of a previous building that has been demolished. Mr. Walker further reported that, within the following month, the Authority will be opening proposals for the design and construction of the building, and the following month it will be opening proposals for the landscaping and site work, allowing the project to be completed by early 2007. Mr. Walker noted that the Authority was planning to have a waste oil burner in the building to dispose of the thousands of gallons of waste oil its vessels generate every year, thereby saving the Authority the expense of disposing of that waste oil. In response to a request from Mr. Ranney, Mr. Walker stated that he would also look into the possibility of installing solar panels on the building to take advantage of its southern exposure.

IT WAS VOTED -- upon Mr. Hanover's motion, seconded by Mr. Ranney -- to designate the General Manager as the Authority's authorized signatory on all documents, including but not limited to the contract with The Commonwealth of Massachusetts, in connection with the $750,000 grant to the Authority under the Massachusetts Water Transportation Capital Improvement Program towards the construction of a new shop building at the Authority's Fairhaven vessel maintenance facility.

VOTING	**AYE**	**NAY**
Mr. Oliveira	**10 %**	
Mr. Ranney	**35 %**	
Mr. O'Brien	**10 %**	
Mr. Hanover	**35 %**	
TOTAL	**90 %**	**0 %**

Reservations:

Mr. Lamson announced that the traveling public was now able to make vehicle reservations through January 2, 2007, the end of the Authority's 2006 Fall Schedule. Mr. Lamson stated that management had made available such reservations for the Fall Schedule beginning the day before, more than three months prior to the commencement of that schedule, and that the Authority would continue to endeavor to make reservations available at least ninety days in advance of the commencement of each season's schedule.

Appointment of Deloitte & Touche LLP
as the Authority's Independent Auditors:

Mr. Davis then asked the Members to approve the appointment of Deloitte & Touche, LLP as the Authority's independent public accountants for the year ending December 31, 2006, noting that the accounting firm had submitted a fee proposal for its 2006 audit activity that represented an increase of $5,000 (or 5.2%) from the previous year. Mr. Marshall spoke in favor of the appointment, recounting how he and Mr. O'Brien had attended

Deloitte & Touche's audit review and felt it was thorough, comprehensive and straightforward. In addition, Mr. Marshall said, he believed that the firm understood the Members' concerns about the Authority's computerized data systems. Mr. O'Brien agreed, and noted that the Authority's MIS Department had made a number of improvements over the past year, which resulted in a substantial decrease in the number of recommendations made by Deloitte & Touche regarding how to improve the Authority's operations.

IT WAS VOTED -- upon Mr. O'Brien's motion, seconded by Mr. Ranney -- to reappoint Deloitte & Touche LLP as the Authority's independent auditors to provide a comprehensive financial audit and related services for the fiscal year ending December 31, 2006 for a fee of $102,000, as recommended by management in Staff Summary #A-468, dated June 14, 2006.

VOTING	**AYE**	**NAY**
Mr. Oliveira	**10 %**	
Mr. Ranney	**35 %**	
Mr. O'Brien	**10 %**	
Mr. Hanover	**35 %**	
TOTAL	**90 %**	**0 %**

Treasurer's Report:

Mr. Davis reported that passenger traffic for the month of May 2006 had been 1.7% higher than in May 2005, that automobile traffic for that month had been 1.2% lower than in May 2005, and that truck traffic for that month had been 10.2% higher than in May 2005, with most of the increase comprised of vehicles under 20 feet. Mr. Davis also reported that the Authority's net operating income for the month of May 2006 was expected to be around $200,000, which was $275,000 lower than what had been budgeted for the month even though revenues had been $240,000 higher than projected and the Authority's fuel costs had been $35,000 less than anticipated due to savings from lower vessel fuel consumption per operating mile and the operation of fewer trips than what had been budgeted.

Mr. Davis stated that the principal reasons for the variance were the repairs to the dolphins and dock and the Woods Hole and Vineyard Haven terminals and the inclusion of dry-dock repairs to the *Sankaty* while the vessel was in North Florida, which previously had been categorized as a capital expenditure. Mr. Davis noted that, as a result, the Authority's overall expenses had been $700,000 higher than projected for the month. Mr. Davis also stated that the Authority had recognized a gain of $140,000 that month from the sale of the *Flying Cloud's* old engines. Ultimately, Mr. Davis said, the Authority's net operating loss for the first five months of 2006 was around $7,000,000, which was $1,100,000 lower than expected.

Procurement of Handheld Scanners:

Mr. Lamson asked the Members for authorization to award a contract for twenty new wireless handheld mobile phone/computers to the lowest eligible and responsible bidder for the contract when the bids are opened on June 29, 2006. Mr. Lamson stated that the new scanners, which are estimated to cost around $70,000, will improve the Authority's process of checking in vehicles when they arrive at the terminals, and will make it easier to enter vehicle tickets as used once the vehicles board the vessels, thereby opening up space for new reservations. In response to questions from the Members, Mr. Rozum and Ms. Claffey confirmed that the scanners will also help the Authority change to a "ticketless" system that will still allow customers to print out reservation confirmations with or without bar codes on their home computers.

IT WAS VOTED -- upon Mr. Ranney's motion, seconded by Mr. Hanover -- to authorize the General Manager to award Contract No. 16-06 to "Supply and Deliver Twenty Symbol Wireless Handheld Mobile Phone/Computers – Model No. MC9097 with Accessories" to the lowest eligible and responsible bidder for the contract, as recommended by management in Staff Summary #TPF-2006-4, dated June 14, 2006.

VOTING	**AYE**	**NAY**
Mr. Oliveira	**10 %**	
Mr. Ranney	**35 %**	
Mr. O'Brien	**10 %**	
Mr. Hanover	**35 %**	
TOTAL	**90 %**	**0 %**

Procurement of Cash Registers:

Mr. Lamson asked the Members to award Contract No. 03-06 for fifteen new cash registers for use at the Authority's lunch/snack bar locations to the lowest eligible and responsible bidder for the contract, Micros Systems, Inc., of Hartford, Connecticut, for a total contract price of $44,600, noting that the Authority's current cash registers were more than ten years old and that replacement parts were extremely difficult to obtain since the model had been discontinued. In response to a question from Mr. Marshall, Mr. Lamson stated that the Authority chose to obtain the cash registers itself, instead of having it be the food concessionaire's responsibility, for better control over reporting and sales and to reduce logistical problems in the event the Authority were to award subsequent food concession contracts to different concessionaires.

IT WAS VOTED -- upon Mr. Ranney's motion, seconded by Mr. Hanover -- to award Contract No. 03-06 for the supply and delivery of 15 touchscreen, stand alone cash registers for marine and land based operation to the lowest eligible and responsible bidder for the contract, Micros Systems, Inc., of Hartford, Connecticut, for the Total Contract Price of $44,600, as recommended by management in Staff Summary #A-470, dated June 15, 2006.

VOTING	**AYE**	**NAY**
Mr. Oliveira	**10 %**	
Mr. Ranney	**35 %**	
Mr. O'Brien	**10 %**	
Mr. Hanover	**35 %**	
TOTAL	**90 %**	**0 %**

Port Council's Report:

Mr. Huss reported that the Port Council had begun their discussion of management's proposed Customer Policies and Procedures Manual, and would be continuing that discussion over the next several months. Mr. Huss stated that he had also received a large number of compliments about the Authority's new website and the way people can make their reservations by computer, and he observed that the public was extremely happy about it.

M/V Eagle:

Mr. Ranney commended Mr. Walker and the Authority's other employees who installed the computer counter on the *Eagle* with both electrical outlets and computer games. Mr. Ranney noted that the counter had become very popular and that it may even be causing an increase in ridership on the vessel.

Steamship Nobska Whistle:

Mr. Ranney also commended Mr. Walker for installing the steam whistle from the *Nobska* on the *Eagle*. Mr. Ranney recounted how the sound of the *Nobska's* whistle was heard in Nantucket harbor for the first time in 33 years this past Sunday as the *Eagle* rounded Brant Point when Captain Al Brox sounded six long blasts, bringing strong emotional reactions to some old-timers who remember the old steamer fondly.

Amenities on the Freight Boats:

Mr. Ranney then asked Mr. Lamson if amenities such as food vending machines could be installed on the freight boats, saying that he had received a number of complaints from customers who found themselves traveling on those boats without any way to obtain refreshments. Mr. Ranney also stated that the Authority should make certain that its customers know in advance that they have a reservation on a freight boat instead of on one of the Authority's larger vessels, so that they are not unpleasantly surprised when they arrive at the terminal.

Merchandising Program:

Mr. Ranney asked that the Members direct management to issue a request for proposals from private marketers to sell products such as cups and t-shirts with a possibly newly designed Authority logo on them. Mr. Marshall agreed that the Authority was missing out on a huge revenue source by not having such a merchandising program, but he cautioned that the Authority first should receive professional help to structure the request for proposals appropriately. After Mr. Lamson echoed Mr. Marshall's concern, observing that management personnel were not merchandising experts, the Members agreed that management instead should present the Members next month with their recommendation as to how to proceed with an effective merchandising program. Mr. Oliveira also suggested that management may want to consult with the Woods Hole Oceanographic Institution and other non-profit entities who already have instituted such programs.

IT WAS VOTED -- upon Mr. Ranney's motion, seconded by Mr. Oliveira -- to direct management to present to the Members at their July 2006 meeting a recommendation as to how to proceed with an effective merchandising program.

VOTING	**AYE**	**NAY**
Mr. Oliveira	**10 %**	
Mr. Ranney	**35 %**	
Mr. O'Brien	**10 %**	
Mr. Hanover	**35 %**	
TOTAL	**90 %**	**0 %**

Customer Service:

Mr. Hanover reported that he had received a number of compliments about how nicely the reservation clerks have been treating customers over the telephone. Mr. Hanover also commended the Woods Hole Terminal Manager Kevin Smith and the other Woods Hole terminal employees for accommodating an island resident who recently was returning home from an operation and needed special arrangements

High-Speed Ferry Service for "Christmas in Edgartown":

Mr. Hanover also reported that he had received a request from the Edgartown Board of Trade for the Authority to provide service between Woods Hole and Edgartown with the *Flying Cloud* for their 25th anniversary of "Christmas in Edgartown" during the weekend of December 8, 2006, which will be after the Authority is currently scheduled to replace the *Flying Cloud* with the *Iyanough* in line service between Hyannis and Nantucket. Mr. Hanover asked that management consider this request and report back to the Members at their next meeting.

Public Comment:

Oak Bluffs resident Jannette Bigelow described several difficulties she had encountered over the past several years when traveling with the Authority on account of her disabilities. Ms. Bigelow asked the Members to understand what it means when customers with disabilities ride the Authority's vessels, recounting how a crewmember had left her stranded without elevator service on one occasion, how she physically cannot wait in standby lines for prolonged periods of time, and how on another occasion she was directed to park her vehicle on a vessel's freight deck in a location where she was unable to get her wheelchair out. Ms. Bigelow suggested that the Authority place red pennants on vehicles carrying passengers with disabilities so that employees know who needs special accommodations, that the Authority identify on its schedules which vessels have elevator access to passenger areas, and that the Authority issue a manual for its customers who have disabilities.

Other members of the audience agreed with Ms. Biglow, although they also recounted other instances when Authority employees appropriately had provided customers with disabilities with the assistance they needed to travel. Ultimately, the Members observed that the Authority needed to make certain that all of its employees knew what the Authority's policies were to assist customers with disabilities so that the customers are provided with the same high level of service on each and every trip.

Gary Cogley, the outgoing Executive Director of the Martha's Vineyard Chamber of Commerce, thanked the Authority for including the Chamber in the Authority's marketing efforts to increase tourism to the island, for building the tourist information booth in Woods Hole, and for relocating the tourist information booth in Vineyard Haven.

In response to questions from *Vineyard Gazette* reporter James Kinsella, Mr. Ranney stated that he had asked the New England Steamship Foundation if the Authority could have the *Nobska's* whistle to install on the *Eagle*, and that Warren Hartwell himself had delivered the whistle to the Authority's Fairhaven vessel maintenance facility. Mr. Walker further stated that installing the whistle on the *Eagle* probably cost the Authority around $1,500, including parts, minor piping and labor.

In response to a question from *Martha's Vineyard Times* reporter Nelson Sigelman, Mr. Lamson stated that it appeared the new check-in booth and pick-up and drop-off areas at the Authority's Vineyard Haven terminal were working well and reducing traffic congestion. This prompted Mr. Marshall to observe that, while there is always room for improvement in all aspects of the Authority's operations, the Authority's terminal and other employees are its real "front line" and they were all doing a great job.

At 11:24 a.m., Mr. Marshall entertained a motion to go into executive session and announced that the Members would not reconvene in public after the conclusion of the executive session.

IT WAS VOTED -- upon Mr. Ranney's motion, seconded by Mr. O'Brien -- to go into executive session to discuss the Authority's strategy with respect to collective bargaining and litigation matters, the purchase, exchange, lease and value of real estate, contract negotiations with nonunion personnel, and the deployment of security personnel and devices.

VOTING	**AYE**	**NAY**
Mr. Oliveira	**10 %**	
Mr. Ranney	**35 %**	
Mr. O'Brien	**10 %**	
Mr. Hanover	**35 %**	
TOTAL	**90 %**	**0 %**

A TRUE RECORD

H. FLINT RANNEY, Secretary

MINUTES

OF THE

WOODS HOLE, MARTHA'S VINEYARD

AND NANTUCKET STEAMSHIP AUTHORITY

The Meeting in Public Session

July 18, 2006

The Members of the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority met this 18th day of July, 2006, beginning at 9:30 a.m., in the second floor meeting room of the Authority's Hyannis terminal, located at 141 School Street, Hyannis, Massachusetts. Three Members were present: Chairman Robert S. Marshall of Falmouth; Secretary H. Flint Ranney of Nantucket; and Robert L. O'Brien of Barnstable. Vice Chairman David J. Oliveira of New Bedford and Marc N. Hanover of Dukes County were not present.

Port Council Chairman Robert R. Jones of Barnstable, Vice Chairman Robert V. Huss of Oak Bluffs, Secretary Nathaniel Lowell and Member S. Eric Asendorf of Falmouth were also present, as were the following members of management: General Manager Wayne C. Lamson; Treasurer/Comptroller Robert B. Davis; Director of Engineering and Maintenance Carl R. Walker; Director of Information Technologies Mary T.H. Claffey; Director of Terminal and Parking Operations Mark Rozum; Hyannis Terminal Manager Steven Perkins; and General Counsel Steven M. Sayers.

Minutes:

IT WAS VOTED -- upon Mr. Ranney's motion, seconded by Mr. O'Brien -- to approve the minutes of the Members' meeting in public session on June 20, 2006.

VOTING	AYE	NAY
Mr. Marshall	10 %	
Mr. Ranney	35 %	
Mr. O'Brien	10 %	
TOTAL	55 %	0 %

Chairman's Report:

Mr. Marshall announced that VT Halter Marine, Inc. would be launching the *Island Home* that Friday, July 21, 2006, at its shipyard in Moss Point, Mississippi, and that several Members and others from the Authority would be attending this important event. Mr. Marshall stated that the Members would also take this opportunity to review the progress of the vessel's construction, which was on schedule for the vessel's delivery to the Authority's Fairhaven maintenance facility by the end of November 2006.

Results of Operations:

Mr. Lamson summarized the results of the Authority's operations for May 2006, as set forth in a business summary for that month which had been provided to the Members and the public. Mr. Lamson stated that, while the Authority had carried 1.7% more passengers, 1.2% fewer automobiles, and 10.2% more trucks during the month compared to May 2005, its net operating income in May was around $273,000 lower than projected due to higher-than-anticipated expenses that were only partially offset by higher-than-anticipated revenues. Nevertheless, Mr. Lamson noted that the Authority remained in pretty good shape for the year, as its year-to-date operating loss through May 2006 was still approximately $1,100,000 lower than projected.

M/V Island Home:

Mr. Walker reported that everything would be ready for the launch of the *Island Home* that Friday, and that the temperature was expected to be around 98 degrees. The underwater hull had been painted, all the superstructure was in place, and the freight deck doors were in the yard. Mr. Walker then showed slides of work being performed on the vessel's 02 deck, and reported that he would be reviewing the schedule with VT Halter Marine at their quarterly meeting the following Monday.

In response to questions from the Members, Mr. Walker stated that the change order for the vessel's windows had been issued because he had become concerned that there might be problems with the originally designed windows, which were going to be glued on in the same manner as the *Flying Cloud's* windows. Therefore, Mr. Walker said, the windows were changed to ones of the

Pacific Coast marine clamp style. Nevertheless, Mr. Walker noted that none of the post-Katrina change orders that had been approved to date had changed the contractual delivery date for the vessel, which was still November 29, 2006.

M/V Iyanough:

Mr. Walker reported that the work on the *Iyanough* was going well, that sea trials for the vessel would take place during the latter half of October, and that the vessel was still scheduled to be delivered by November 15, 2006.

Proposed 2007 Winter and Spring Operating Schedules:

Mr. Lamson then presented the Members with management's proposed 2007 winter and spring vessel operating schedules that had been revised since the Members' previous meeting in May 2006. Mr. Lamson observed that the proposed schedules were similar to this year's winter and spring schedules:

(a) Both Martha's Vineyard and Nantucket Schedules.

The spring schedule will begin on March 28, 2007 (instead of the previously proposed date of April 9, 2007) so that the Martha's Vineyard route will begin having weekend freight boat trips a little earlier in the season.

(b) Martha's Vineyard 2007 Winter Schedule.

With the anticipated arrival of the *Island Home*, only one freight vessel will be used on this route during the winter, and it will operate four round trips (instead of the three round trips that previously had been proposed) Mondays through Fridays only.

(c) Martha's Vineyard 2007 Spring Schedule.

The *Island Home* will be berthed overnight in Woods Hole instead of Vineyard Haven during the spring, which will allow for the equivalent of one additional daily round trip leaving Woods Hole at six o'clock in the morning and returning from Vineyard Haven each night at 9:30.

(d) Nantucket 2007 Winter Schedule.

No changes from this past year's winter schedule.

(e) Nantucket 2007 Spring Schedule.

The departure time for the first sailing of the second freight vessel from Hyannis will be changed from 6:45 a.m. to 7:15 a.m. and the departure time for the return trip will be changed from 11:00 a.m. to 10:15 a.m. This vessel will continue to operate only on Mondays through Fridays, and a second round trip can be added, if necessary, at the request of the terminal managers.

Mr. Lamson also reported that he had discussed the proposed schedules with the headmaster of the Falmouth Academy, who stated that while he ideally would like a 3:00 p.m. departure from Woods Hole, the students would be sufficiently accommodated if the Authority continued to hold the departure of the 2:30 p.m. trip every Friday until the bus carrying the students arrives from the school. In this regard, Mr. Lamson noted that the Authority already has been holding that Friday departure on a consistent basis.

Finally, Mr. Lamson reported that management had reviewed the proposed schedules with the Port Council at their meeting earlier in the month, and that the Port Council had voted unanimously to recommend that the Members approve the schedules as proposed.

IT WAS VOTED -- upon Mr. Ranney's motion, seconded by Mr. O'Brien -- to approve the Martha's Vineyard and Nantucket 2007 Winter and Spring Operating Schedules for the period commencing January 3, 2007 through May 14, 2007, as recommended by management in Staff Summary #MCR 2-06, dated July 13, 2006.

VOTING	**AYE**	**NAY**
Mr. Marshall	**10 %**	
Mr. Ranney	**35 %**	
Mr. O'Brien	**10 %**	
TOTAL	**55 %**	**0 %**

High-Speed Ferry Service for "Christmas in Edgartown":

Mr. Lamson then discussed with the Members the Edgartown Board of Trade's request for the Authority to provide service between Woods Hole and Edgartown with the *Flying Cloud* for the 25th anniversary of "Christmas in Edgartown" during the weekend of December 8, 2006. Mr. Lamson described management's concern that any commitment to provide the service might delay or interfere with the sale of the *Flying Cloud*, and principally for that reason he said that he was recommending that the Members not approve the request. Mr. Lamson also noted that the Port Council similarly had agreed that there were too many obstacles to granting the request, although they had asked management to keep an open mind about licensing a private carrier to provide this service. In this regard, Mr. Marshall observed that there already was an existing licensed service operating between Falmouth and Edgartown, and he assumed that the service would make itself available for this purpose.

IT WAS VOTED -- upon Mr. O'Brien's motion, seconded by Mr. Ranney -- to deny the Edgartown Board of Trade's request that the Authority provide special service between Woods Hole and Edgartown with the *Flying Cloud* during the weekend of December 8-10, 2006, as recommended by management in Staff Summary #GM-491, dated July 13, 2006.

VOTING	AYE	NAY
Mr. Marshall	10 %	
Mr. Ranney	35 %	
Mr. O'Brien	10 %	
TOTAL	55 %	0 %

Hyannis Ferry Slip Modifications:

Mr. Walker then presented the Members with management's conceptual design for improvements to the ferry slips at the Hyannis terminal that would allow conventional ferries berthed at Slip 2 to be positioned parallel to vessels berthed at Slip 1 (with new turning dolphins for both slips). Mr. Walker noted that the eastern portion of the Hyannis terminal's current Slip 2 would then be opened up to allow the simultaneous berthing of a high-speed passenger ferry at a new slip dedicated for that purpose. As a result, Mr. Walker said, the current fast ferry's night berth would generally be empty, opening up the view of the park that is being developed by the Town of Barnstable at the southern end of Pleasant Street adjacent to the Authority's Hyannis terminal.

Mr. Walker cautioned, however, that even if the Members approved the concept, it would still take two to three years to proceed with the design and permitting process, and then another two years for the project's construction. Mr. Walker stated that all of this would cost around $4,000,000, although he noted that Slip 2 eventually will need to be rebuilt in any event. Mr. Walker also observed that the cost to the Authority could be less if it were to receive federal funding for the project.

Both the Members and Mr. Jones expressed their initial support for the concept. Mr. Jones noted that the new berthing maneuvers could alleviate some of the siltation problems in the inner harbor, and observed that the new park at the end of Pleasant Street would be even more beautiful once its views were opened up. Mr. O'Brien suggested that management make presentations about the concept to both the Town of Barnstable's Growth Management Department and the Hyannis Civic Association.

Sale of the M/V Flying Cloud:

Mr. Lamson discussed with the Members how best to proceed with the *Flying Cloud's* sale, and suggested that the Authority open bids for the vessel on September 13, 2006 so that a purchase and sale contract could be awarded by the Members at their September 19, 2006 meeting, that the minimum bid deposit be $50,000, that the vessel be made available for delivery as early as October 15, 2006 (even if the Authority had to suspend high-speed service between Hyannis and Nantucket until the arrival of the *Iyanough*) in order to encourage interest from southern operators who may want the vessel for the winter season, and that the Authority commit in advance to sell the vessel to the highest bidder if its bid is in the amount of $5,000,000 or more.

IT WAS VOTED -- upon Mr. Ranney's motion, seconded by Mr. O'Brien -- to authorize management to proceed with the sale of the *Flying Cloud* in the manner recommended by management in the document entitled "Further Discussion Relative to the Sale of the M/V Flying Cloud," dated July 18, 2006.

VOTING	**AYE**	**NAY**
Mr. Marshall	**10 %**	
Mr. Ranney	**35 %**	
Mr. O'Brien	**10 %**	
TOTAL	**55 %**	**0 %**

2007 Budget Policy Statement:

Mr. Davis asked that the Members adopt management's proposed 2007 Budget Policy Statement, as set forth in Staff Summary #A-471, dated July 12, 2006, to provide the guidelines for management to follow while preparing the 2007 Operating Budget. Mr. Marshall stated that, while he thought the policy statement was well thought out and comprehensive, management still needed to be cautious when making any subjective evaluations, as there was nothing he saw to indicate that the Authority should be aggressive in estimating future revenues or expense savings. Mr. Marshall also suggested that management consult with the Members about the appropriateness of their evaluations before the 2007 Operating Budget is finalized.

Mr. O'Brien suggested that, when forecasting future trends, management rely more closely on the most recent two years of data instead of a longer period, as he felt that trends had changed. Mr. O'Brien also stated that he looked forward to receiving management's five-year forecast at the September 2007 meeting. In this regard, the Members observed that the longer range forecast should include anticipated opportunities both with respect to revenues and expense savings, particularly in the Authority's parking operations, that will not be reflected in the 2007 Operating Budget.

IT WAS VOTED -- upon Mr. O'Brien's motion, seconded by Mr. Ranney -- to adopt the 2007 Budget Policy Statement as set forth in Staff Summary #A-471, dated July 12, 2006.

VOTING	**AYE**	**NAY**
Mr. Marshall	**10 %**	
Mr. Ranney	**35 %**	
Mr. O'Brien	**10 %**	
TOTAL	**55 %**	**0 %**

Treasurer's Report:

Mr. Davis reported that passenger traffic for the month of June 2006 had been 5.8% lower than in June 2005, that automobile traffic for that month had been 1.3% lower than in June 2005, and that truck traffic for that month had been 6.2% higher than in June 2005, with almost all of the increase comprised of vehicles under 20 feet. Mr. Davis also reported that the Authority's net operating income for the month was expected to be around $2,300,000, which was $800,000 lower than what had been budgeted for the month, due to both revenues being $300,000 lower than projected and expenses being more than $500,000 higher than projected. Mr. Davis stated that the principal reasons for the variance in expenses were the repairs to the dolphins and dock and the Woods Hole and Vineyard Haven terminals and an increase in claims under the Authority's self-funded health plan. Ultimately, Mr. Davis said, the Authority's net operating loss for the first six months of 2006 was expected to be around $4,700,000, which was still $335,000 lower than expected.

Fairhaven Vessel Maintenance Facility:

Mr. Lamson asked the Members to award a contract for a new modular/ prefabricated maintenance shop building at the Authority's Fairhaven vessel maintenance facility to the only eligible and responsible proponent for the contract, Cape Buildings Systems, Inc. of Mattapoisett, Massachusetts, in the amount of $958,000, although he noted that $750,000 of that amount will be paid for through a state grant. Mr. Lamson stated that management expected another contract to be awarded the following month for landscaping, site improvements and utility work in connection with the project, which is estimated to cost around $250,000. Accordingly, Mr. Lamson said, the budget estimate for the entire project had been increased from the original estimate of $1,034,000 that had been developed six months ago to $1,208,000, and the entire project should be completed in early 2007.

In response to a request from Mr. Ranney, Mr. Walker stated that he would pursue the installation of solar panels on the building after it is built, but that he was unable to redesign the building to include solar panels at this time because it would have considerably delayed the project.

IT WAS VOTED -- upon Mr. Ranney's motion, seconded by Mr. O'Brien -- to award Contract No. 15-06 for a New Modular/Prefabricated Maintenance Shop Building at the Fairhaven Vessel Maintenance Facility to Cape Buildings Systems, Inc. of Mattapoisett, Massachusetts, for a total contract price of $958,000, as recommended by management in Staff Summary #E 2006-9, dated July 12, 2006.

VOTING	AYE	NAY
Mr. Marshall	10 %	
Mr. Ranney	35 %	
Mr. O'Brien	10 %	
TOTAL	55 %	0 %

M/V Nantucket Mid-Life Refurbishment Project:

Mr. Lamson asked the Members for authorization to proceed with the issuance of an invitation for bids for the *Nantucket* mid-life refurbishment project. Mr. Lamson stated that the project would be scheduled to begin in late November 2006, would take around 120 to 150 to complete, and was estimated to cost around $5,500,000. Mr. Walker then presented the Members with an overview of the project, which will include (among other things):

(a) modifying the pilothouse (including sloping the windows forward to reduce glare);

(b) increasing the snack bar area (more than doubling the number of seats);

(c) removing the starboard island on the freight deck (which will increase the number of car spaces)

(d) installing a new stair tower from the starboard mezzanine to the freight deck;

(e) replacing all of the exterior windows and adding new wider passenger loading doors to accommodate six-foot wide passenger ramps;

(f) completely replacing the 02 deck and mezzanine deck joiner work, decking and seating;

(g) upgrading the bowthruster, the air conditioning system and the heating boiler; and

(h) installing an elevator on the port side of the vessel to the snack bar area.

In response to a suggestion from Mr. Ranney, Mr. Walker stated that the vessel's passenger seats will have electrical outlets so that passengers will be able to use their laptop computers with the Authority's new Wi-Fi capabilities. Mr. Ranney also suggested that the Authority get rid of the vessel's nasty horn and install another melodious whistle similar to the *Nobska's* whistle that recently had been installed on the *Eagle*.

Although declaring their support for the project, the Members expressed some concern that it may not yet have been publicized enough to generate a sufficient amount of feedback from the public. Therefore, the Members asked that the matter be placed on the agenda of their next meeting for affirmation, and that management advertise that the project will be discussed again at that meeting.

In response to other questions from the Members, Mr. Lamson stated that the Authority would finance the project through the issuance of bond anticipation notes if it were unable to obtain any federal funding. Alternatively, Mr. Lamson said, the project might be financed by the proceeds from the sale of the *Flying Cloud* or by means of the replacement fund, depending on what transfers are made during the remainder of the year. Mr. Lamson declared that, even if the Authority failed to receive any funding assistance, he still felt the project should go forward this year while the Authority still had the *Islander* available as a replacement vessel.

IT WAS VOTED -- upon Mr. Ranney's motion, seconded by Mr. O'Brien -- to authorize the General Manager to proceed with the issuance of an invitation for bids for the M/V Nantucket Mid-life Refurbishment Project (including dry-docking and overhaul services), as described in Staff Summary #E 2006-8, dated July 12, 2006.

VOTING	AYE	NAY
Mr. Marshall	**10 %**	
Mr. Ranney	**35 %**	
Mr. O'Brien	**10 %**	
TOTAL	**55 %**	**0 %**

Procurement of Handheld Scanners:

Mr. Lamson reported that, in accordance with the authorization given to him by the Members at their last meeting, he had awarded the contract for twenty new wireless handheld mobile phone/computers to the lowest eligible and responsible bidder for the contract, Bar Code Direct, Inc., of North Grafton, Massachusetts, for the total contract price of $59,771.00.

Port Council's Report:

Mr. Jones reported that, in addition to discussing numerous subjects that subsequently are placed on the agenda of Authority meetings, the Port Council was continuing their discussion of management's proposed Customer Policies and Procedures Manual, and would be continuing that discussion over the next several months.

Merchandising Program:

Mr. Lamson reported that management was exploring an arrangement with Boston Culinary Group that might result in having the Authority's food concessionaire sell Authority merchandise on the Authority's vessels and at its terminals. Mr. Lamson stated that management had approached the firm instead of issuing a request for proposals because Boston Culinary Group already had all of the infrastructure in place to sell Authority merchandise on Authority property. Mr. Lamson further reported that Boston Culinary Group was preparing a proposal for the Authority's review and that, after management received that proposal, discussions with the firm would continue.

Reservations:

Mr. Ranney thanked Cathy Malone and the other employees in the Reservations Department for their terrific help in arranging reservations to and from Nantucket for Harbor Fuel's gasoline trucks during the recent emergency when Harbor Fuel was unable to barge its gasoline to the Island.

M/V Flying Cloud:

Mr. Lamson announced that the *Flying Cloud* would be taken out of line service the following day so that it could travel to a shipyard in Newport, Rhode Island, for repairs to the water jet seals caused by the vessel's recent encounter with a lobster trap buoy. Mr. Lamson noted, however, that the vessel's engines were continuing to perform reliably, and that the vessel still had not missed one trip due to engine problems after having been re-powered in April 2006.

At 11:49 a.m., Mr. Marshall entertained a motion to go into executive session and announced that the Members would not reconvene in public after the conclusion of the executive session.

IT WAS VOTED -- upon Mr. Ranney's motion, seconded by Mr. O'Brien -- to go into executive session to discuss the Authority's strategy with respect to collective bargaining and litigation matters, the purchase, exchange, lease and value of real estate, contract negotiations with nonunion personnel, and the deployment of security personnel and devices.

VOTING	**AYE**	**NAY**
Mr. Marshall	**10 %**	
Mr. Ranney	**35 %**	
Mr. O'Brien	**10 %**	
TOTAL	**55 %**	**0 %**

A TRUE RECORD

H. FLINT RANNEY, Secretary

MINUTES

OF THE

WOODS HOLE, MARTHA'S VINEYARD AND NANTUCKET STEAMSHIP AUTHORITY

The Meeting in Public Session

August 15, 2006

The Members of the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority met this 15th day of August, 2006, beginning at 9:30 a.m., in the Large Group Instruction Room of the Nantucket High School, located at 10 Surfside Road, Nantucket, Massachusetts. All five Members were present: Chairman Robert S. Marshall of Falmouth; Vice Chairman David J. Oliveira of New Bedford; Secretary H. Flint Ranney of Nantucket; Robert L. O'Brien of Barnstable; and Marc N. Hanover of Dukes County.

Port Council Chairman Robert R. Jones of Barnstable; Port Council Vice Chairman Robert V. Huss of Oak Bluffs and Port Council Secretary Nathaniel Lowell of Nantucket were also present, as were the following members of management: General Manager Wayne C. Lamson; Treasurer/Comptroller Robert B. Davis; Director of Engineering and Maintenance Carl R. Walker; Director of Information Technologies Mary T.H. Claffey; Manager of Reservations and Community Relations Gina L. Barboza; Director of Terminal and Parking Operations Mark Rozum; Nantucket Terminal Manager Elaine Mooney; and General Counsel Steven M. Sayers.

Minutes:

IT WAS VOTED -- upon Mr. Ranney's motion, seconded by Mr. O'Brien -- to approve the minutes of the Members' meeting in public session on July 18, 2006.

VOTING	AYE	NAY
Mr. Marshall	10 %	
Mr. Ranney	35 %	
Mr. O'Brien	10 %	
TOTAL	55 %	0 %

Chairman's Report:

Mr. Marshall reported on the successful launch of the *Island Home* at VT Halter Marine, Inc.'s shipyard in Moss Point, Mississippi the previous month, which he said was truly a once-in-a-lifetime event. Mr. Marshall particularly congratulated Mr. Walker, Captain Edward Jackson and Larry O'Rourke for their extraordinary effort, declaring that they are doing a marvelous job with this magnificent new vessel.

Mr. Marshall also noted that the Members were receiving more and more letters from customers expressing their thanks for how well they are being treated by Authority employees. Mr. Marshall then read excerpts from a letter he had received from a grateful customer who complimented an employee at the Woods Hole terminal named "Scott," but Mr. Marshall noted that it could have been written about many other Authority employees. Nevertheless, while Mr. Marshall said that the Members appreciated such excellent performance by a number of Authority employees, he cautioned that the Authority still had much hard work to do to instill in all of its employees that this manner of being pleasant and accommodating needed to be the standard way of treating all of the Authority's customers.

Results of Operations:

Mr. Lamson summarized the results of the Authority's operations for June 2006, as set forth in a business summary for that month which had been provided to the Members and the public. Mr. Lamson reported that the Authority had carried 5.8% fewer passengers, 1.3% fewer automobiles, and 6.2% more trucks (most of which were less than 20 feet in length) during that month compared to June 2005. Mr. Lamson also reported that the Authority's operating income in June was around $700,000 lower than projected, due to lower revenues and higher operating expenses than had been anticipated, including dock repairs at the Vineyard Haven terminal and an increase in claims under the Authority's self-funded medical plan. Nevertheless, for the first six months of 2006, Mr. Lamson noted, the Authority's net operating loss was approximately $4,600,000, around $435,000 lower than expected.

M/V Island Home:

Mr. Walker reported that the construction of the *Island Home* remained on schedule and was going well, with the contractual delivery date for the vessel still being November 29, 2006 at the Authority's Fairhaven vessel maintenance facility. Mr. Walker also reported that the engine room and pilot house consoles were then being built in modular design, after which they will be shipped to the shipyard for installation on the vessel.

M/V Iyanough:

Mr. Walker also reported that the construction of the *Iyanough* was proceeding somewhat ahead of schedule, although the contractual delivery date for this vessel still remained November 15, 2006. Mr. Walker noted that the water jets and the air conditioning units had been installed, and that work had begun on the vessel's interior.

Fairhaven Vessel Maintenance Facility:

Mr. Walker then reported that, at that time, the contractor for the new modular shop building at the Authority's Fairhaven vessel maintenance facility was fabricating the building off-site, and was scheduled to begin erecting it at the Fairhaven property in late September 2006. Mr. Walker stated that site work would also begin in August 2006, assuming that the Members later in the meeting authorized Mr. Lamson to award a contract for that work. Mr. Walker also noted that the project was still scheduled for completion in early 2007.

M/V Nantucket Mid-Life Refurbishment Project:

Before asking Mr. Walker to give another presentation on the Authority's plans to undertake the *Nantucket* mid-life refurbishment project during the upcoming off-season, Mr. Lamson noted that the public was invited to give their comments about the project and that management would be hosting another public meeting for this purpose at the Vineyard Haven terminal at 4:00 p.m. on August 17, 2006. Mr. Lamson stated that, after further revisions are made to the plans and specifications in light of any suggestions that might be made by the public and Authority employees, the invitation for bids for the project should be issued later at the beginning of September, with contract award scheduled for the October 2006 Authority meeting. Mr. Lamson also stated that the *Nantucket* was scheduled to leave for the shipyard in late November 2006, and that work should be completed in time for the vessel to return to Fairhaven by mid-April 2007 and go back into line service around the beginning of the 2007 summer schedule.

Mr. Walker then gave a presentation on the project, in which he described the project's scope of work as including, but not limited to:

(a) installing a new wider pilothouse (which will be about 30% larger, with heated forward-sloping windows to reduce glare);

(b) increasing the food concession area (more than doubling the number of seats);

(c) removing the starboard island on the freight deck (which will increase the number of car spaces from around 50 to around 56);

(d) installing a new stair tower from the starboard mezzanine to the freight deck;

(e) replacing all of the exterior windows and adding new wider passenger loading doors to accommodate six-foot wide passenger ramps;

(f) completely replacing the 02 deck and mezzanine deck joiner work, decking and seating;

(g) upgrading the bow thruster, the air conditioning system and the heating boiler; and

(h) installing an elevator on the port side of the vessel to provide access to all of the vessel's passenger decks, including the mezzanine deck and the 02 deck (including the food concession area); and

(i) building a permanent shade structure on the exterior 02 deck area.

In response to a question from Mr. Ranney, Mr. Walker also stated that he was looking into whether a replica of a melodious steamboat whistle could be installed on the vessel to replace its existing horn.

Merchandising Program:

Mr. Lamson reported that Boston Culinary Group, the Authority's food concessionaire, had provided management with a proposal for that firm to sell Authority merchandise on the vessels and at the terminals. But Mr. Lamson stated that management needed to discuss the specifics of the proposal further with the food concessionaire, including the design, quality and prices of its proposed products, before presenting any recommendation to the Members for their consideration.

Solar Panels:

Mr. Lamson reported that management was investigating the potential use of solar panels on all of the Authority's terminal buildings and other land-based facilities and was working on this matter with the consultant who had helped the Authority install the solar panels at the Vineyard Haven terminal. Mr. Lamson also expressed his hope that the consultant could assist the Authority in obtaining federal or state grants for such panels.

Hyannis Ferry Slip Modifications:

Mr. Lamson reported that management had had a constructive meeting the prior week with the Town of Barnstable's Growth Management Department regarding the Authority's conceptual design for improvements to the ferry slips at the Hyannis terminal. Mr. Lamson also stated that management intended to further discuss the project with the Department and then possibly make a joint presentation with the Department to the Hyannis Civic Association later in the year after the Civic Association elected its new president.

Sale of the M/V Flying Cloud:

Mr. Lamson reported that management had issued an invitation for bids for the sale of the *Flying Cloud*, and that all bids submitted in response to the invitation would be opened on September 13, 2006. Meanwhile, Mr. Lamson observed, the *Flying Cloud* continued to operate extremely well after having been re-powered in April 2006, and had not missed any trips this year due to any engine problems.

Vessel Fuel Conservation Measures:

Mr. Lamson noted that the Authority's fuel consumption for the first six months of 2006 had decreased considerably from previous years, resulting in a savings of around $140,000 during this period due to the fuel conservation measures being implemented by the Authority's Captains. Because of these efforts, Mr. Lamson observed that the Authority has not needed to implement a fuel surcharge, and Mr. Lamson said that he also did not see any reason why the Authority would need to do so in the foreseeable future.

Call Center Phone Activity Report:

Mr. Lamson observed that the Call Center Phone Activity and Internet Reservations Report for July 2006 showed that the Authority had made some improvements in responding more promptly to customers making reservations by telephone. In particular, Mr. Lamson noted that the average waiting time for telephone customers improved from 2:57 minutes in July 2005 to 2:14 minutes in July 2006, and that the average wait time for Nantucket and fast ferry customers improved from 4:01 minutes in July 2005 to around 2:20 minutes in July 2006.

Analysis of Rates versus Cost of Service for 2005:

Mr. Davis then reviewed Staff Summary #A-472, dated August 10, 2006, which summarized his analysis of the effectiveness of the Authority's rate structure to cover the respective cost of service for passengers, automobiles and trucks during the 2005 calendar year.

Mr. Davis noted that, with respect to the Martha's Vineyard route:

(a) The cost of vessel operations and indirect non-vessel costs had increased by $3,000,000 from 2004 to 2005 due to increases in the cost of fuel oil, dock repairs at both the Woods Hole and Vineyard Haven terminals, and the recognition of a loss on the sale of the *Schamonchi*.

(b) Although the Authority ran 343 fewer trips in 2005 than it ran in 2004, the number of occupied freight deck spaces increased by 5,325 due to the increased vehicle capacity of the freight boats, resulting in an occupancy rate of 85.2% for the year.

(c) Automobiles paying the standard fares covered 123.0% of their allocated cost of service during 2005, while trucks covered 103.7% of their allocated cost of service. Automobiles traveling on excursion fares covered only 30.5% of their allocated cost of service, while trucks traveling on excursion fares covered 43.9% of their allocated cost of service.

Mr. Davis then noted that, with respect to the traditional vessels on the Nantucket route, after allocating a proportionate share of indirect non-vessel costs to the *Flying Cloud*:

(a) The cost of vessel operations and indirect non-vessel costs had increased by only $200,000 from 2004 to 2005.

(b) Although the Authority ran 135 fewer trips in 2005 than it ran in 2004, the number of occupied freight deck spaces increased by 6,861, again, due to the increased vehicle capacity of the freight boats, resulting in an occupancy rate of 81.4% for the year.

(c) Automobiles paying the standard fares covered 159.2% of their allocated cost of service during 2005, while trucks covered 78.0% of their allocated cost of service. Automobiles traveling on excursion fares covered only 38.4% of their allocated cost of service, while trucks traveling on excursion fares covered 48.2% of their allocated cost of service.

Mr. Davis stated that the above information would provide a starting point for management's consideration of which rates should be considered for possible increases or decreases in 2007, in the event any rate adjustments are needed to cover the cost of service as reflected in the 2007 operating budget.

Mr. Hanover observed that Mr. Davis' analysis dramatically showed how the Authority had increased the efficiency of its operations in 2005 by widening two its freight boats and improving its reservation system. Mr. Lowell further noted that 2006 will show even more improvements in the Authority's capacity utilization, with the subsequent widening and lengthening of the *Sankaty* and the substitution of a freight boat for the *Nantucket* on the Nantucket route during the early and late months of the 2006 summer schedule.

Mr. Marshall observed that Mr. Davis' analysis also showed that freight trucks on the Nantucket route were not covering their cost of service, and he questioned whether the Authority should be subsidizing such private for-profit enterprises. But Mr. Lowell noted that the Authority's annual freight revenues would significantly increase in 2007, as the Authority began charging on-season commercial rates for vehicles 30 feet or longer on a year-round basis beginning April 1, 2006. In addition, Mr. Lowell stated that he did not believe that all freight trucks on the Nantucket route were being subsidized by other customers, observing that trucks carrying hazardous cargo are charged 150% of the applicable commercial rates charged to other freight trucks.

Treasurer's Report:

Mr. Davis reported that passenger traffic for the month of July 2006 had been 1.3% lower than in July 2005, that automobile traffic for that month had been 1.4% lower than in July 2005, and that truck traffic for that month had been 6.9% higher than in July 2005, with most of the increase comprised of vehicles under 20 feet. Mr. Davis also reported that the Authority's net operating income for the month of July 2006 was expected to be slightly higher than what had been budgeted despite a $200,000 shortfall in revenues, due in part to lower-than-anticipated health claims under the Authority's self-funded medical plan. As a result, Mr. Davis said, the Authority's net operating income for the first seven months of 2006 was expected to be around $800,000, which was approximately $475,000 higher than what had been projected.

Procurement:

IT WAS VOTED -- upon Mr. O'Brien's motion, seconded by Mr. Hanover -- to authorize the General manager to award Contract No. 15a-06 for site work associated with the Fairhaven Vessel Maintenance Facility to the lowest eligible and responsible bidder for the contract, for a Total Contract Price not to exceed $300,000, as recommended by management in Staff Summary #E 2006-10, dated August 10, 2006.

VOTING	**AYE**	**NAY**
Mr. Oliveira	**10 %**	
Mr. Ranney	**35 %**	
Mr. O'Brien	**10 %**	
Mr. Hanover	**35 %**	
TOTAL	**90 %**	**0 %**

Port Council's Report:

Mr. Jones reported that, at their last meeting, the Port Council similarly had reviewed Mr. Davis' analysis of the effectiveness of the Authority's rate structure to cover the respective cost of service for passengers, automobiles and trucks. In this regard, Mr. Jones noted that Mr. Davis' analysis showed that the cost of the Authority's Mashpee Reservations Office was around $3.00 per transaction, and he suggested that management may want to investigate how to reduce that cost. In response, Mr. Lamson stated that the Authority was working toward a "ticketless" reservation system, which should result in a substantial reduction in the cost of that office, and he also observed that the transactions reported in Mr. Davis' analysis measures only actual reservation events, and do not include the numerous telephone calls the office receives from customers asking for information.

Mr. Jones also reported that a subcommittee of the Port Council consisting of himself and Mr. Huss would be fine tuning the Port Council's suggestions for the Authority's Customer Policies and Procedures Handbook, and he declared that he believed the handbook ultimately would be of help to all of the Authority's customers and employees.

Performance Evaluation of the General Manager:

After recounting how the Members are contractually required to evaluate Mr. Lamson's performance as the Authority's General Manager on an annual basis, Mr. Marshall announced that the Members had reviewed Mr. Lamson's performance over the past year based upon five goals and that, on a scale where the maximum number of points that Mr. Lamson could achieve on each goal was 20, he had scored between 18.5 and 19.5 on them all. Mr. Marshall declared that the evaluation demonstrated that all of the Members considered Mr. Lamson's performance this past year to be nothing short of outstanding.

Mr. Marshall then stated that the Members were considering what goals Mr. Lamson should have for the upcoming year, and that the current draft of those goals included the following:

1. To oversee the timely completion of ongoing capital projects, including the construction of the *Island Home* and the *Iyanough*, the mid-life refurbishment of the *Nantucket*, and the construction of the Fairhaven vessel maintenance facility shop building, within proposed schedules and authorized budget amounts.

2. To continue to seek state and federal funding to assist with some of the Authority's upcoming capital projects, including the Oak Bluffs terminal reconstruction project, the mid-life refurbishment of the *Eagle*, and the bulkhead improvements at the Fairhaven vessel maintenance facility.

3. To complete a Continuity of Operations Plan, including procedures to sustain essential functions during or following a crisis or emergency requiring the evacuation of one or more of the Authority's locations.

4. To continue to explore alternate sources of income and additional cost saving strategies to help partially offset the need for rate increases.

5. To review the effectiveness of the Authority's current vessel overhaul and terminal maintenance programs and to implement changes, as needed, to include better planning, supervision and accountability for all repair and maintenance requests.

6. To review the Authority's customer service and marketing functions and to implement changes, as needed, to increase the department's overall effectiveness and accessibility.

<u>Interruption of Service on the Martha's Vineyard Route</u>:

The Members then discussed the problems the Authority experienced on the Martha's Vineyard route during the weekend of August 5 and 6, 2006 when two of the Authority's freight boats went out of service. Mr. Hanover noted that customers at the Woods Hole terminal received much more information about what was happening than customers at the Vineyard Haven terminal, and he asked management to develop a process to ensure that these situations are handled better in the future. Mr. Hanover also suggested that management discuss the issue with the United States Coast Guard to see whether the Coast Guard in the future would be willing to grant the Authority an exemption so that the Authority's vessel employees can exceed their work hour limitations in the event of such an emergency.

Mr. Oliveira also suggested that the Authority consider issuing email alerts to its customers during such an incident so that consistent information is disseminated to everyone. In response, Mr. Lamson stated that management was reviewing what transpired that weekend in order to ensure that the same mistakes are not made in the future, and he stated that there was indeed room for improvement.

Wi-Fi Service:

Mr. Ranney noted that the Authority was providing Wi-Fi service at all of its terminals and was also working through certain technical issues so that it similarly will be able to provide the service on all of its vessels with a seamless connection. Mr. Ranney stated that he knew management was working very hard on this matter in order to provide the service on the Authority's vessels as soon as possible.

Public Comment:

Nantucket resident Phil Gallagher asked the Authority to consider having a discounted fare for passengers on its traditional ferries Tuesdays through Thursdays for same-day round trip travel originating on Nantucket, suggesting that such a discounted fare would encourage more people to ride those ferries on weekdays in order to shop on the mainland.

Nantucket Transportation Planner Michael Burns observed how there recently had been some improvements to the roadways in Hyannis leading to the Authority's Hyannis terminal, and stated that he looked forward to working with the Authority similarly to improve both vehicular and pedestrian access to the Authority's terminal on Nantucket.

Nantucket terminal employee Carl Borchert declared that installing solar panels on the Authority's terminal buildings was an excellent idea, and he noted that the Nantucket terminal had three south-facing roof areas that would be prime locations for such panels. Mr. Borchert suggested that the Authority also consider installing a small wind turbine at each terminal, and possibly at the Authority's Fairhaven vessel maintenance facility as well, noting that the combination of those wind and solar devices at each location would provide power for the Authority in both sunny and rainy weather.

At 11:18 a.m., Mr. Marshall entertained a motion to go into executive session and announced that the Members would not reconvene in public after the conclusion of the executive session.

IT WAS VOTED -- upon Mr. Ranney's motion, seconded by Mr. Hanover -- to go into executive session to discuss the Authority's strategy with respect to collective bargaining and litigation matters, the purchase, exchange, lease and value of real estate, contract negotiations with nonunion personnel, and the deployment of security personnel and devices.

VOTING	**AYE**	**NAY**
Mr. Oliveira	**10 %**	
Mr. Ranney	**35 %**	
Mr. O'Brien	**10 %**	
Mr. Hanover	**35 %**	
TOTAL	**90 %**	**0 %**

A TRUE RECORD

H. FLINT RANNEY, Secretary

MINUTES

OF THE

WOODS HOLE, MARTHA'S VINEYARD AND NANTUCKET STEAMSHIP AUTHORITY

The Meeting in Public Session

September 19, 2006

The Members of the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority met this 19th day of September, 2006, beginning at 9:30 a.m., in the second floor meeting room of the Authority's Hyannis terminal, located at 141 School Street, Hyannis, Massachusetts. All five Members were present: Chairman Robert S. Marshall of Falmouth; Vice Chairman David J. Oliveira of New Bedford; Secretary H. Flint Ranney of Nantucket; Robert L. O'Brien of Barnstable; and Marc N. Hanover of Dukes County.

Port Council Chairman Robert R. Jones of Barnstable; Port Council Vice Chairman Robert V. Huss of Oak Bluffs and Port Council member Philip H. Chase, Jr. of New Bedford were also present, as were the following members of management: General Manager Wayne C. Lamson; Treasurer/Comptroller Robert B. Davis; Director of Engineering and Maintenance Carl R. Walker; Director of Information Technologies Mary T.H. Claffey; Manager of Reservations and Community Relations Gina L. Barboza; Director of Terminal and Parking Operations Mark Rozum; Hyannis Terminal Manager Steven Perkins; and General Counsel Steven M. Sayers.

Minutes:

IT WAS VOTED -- upon Mr. Ranney's motion, seconded by Mr. O'Brien -- to approve the minutes of the Members' meeting in public session on August 15, 2006.

VOTING	AYE	NAY
Mr. Oliveira	10 %	
Mr. Ranney	35 %	
Mr. O'Brien	10 %	
Mr. Hanover	35 %	
TOTAL	90 %	0 %

Results of Operations:

Mr. Lamson summarized the results of the Authority's operations for July 2006, as set forth in a business summary for that month which had been provided to the Members and the public. Mr. Lamson reported that the Authority had carried 1.3% fewer passengers, 1.4% fewer automobiles, and 6.9% more trucks (with 80% of that increase attributable to trucks less than 20 feet in length) during that month compared to July 2005. Mr. Lamson also reported that the Authority's operating income in July was $213,000 higher than projected and that, for the first seven months of 2006, the Authority's net operating income was approximately $980,000, around $648,000 higher than expected.

Mr. Marshall observed that, given that the Authority was carrying more freight trucks and fewer automobiles and passengers, it was critical to ensure that those trucks paid their own way on the Authority's vessels. He also stated that the Authority had to focus on attracting more passenger and automobile traffic. Mr. O'Brien agreed, noting that the truck traffic consistently had been increasing every month, which indicated to him that it was a bubble that eventually is going to burst.

M/V Island Home:

Mr. Walker then reported that VT Halter Marine, Inc. had asked for an extension of time to deliver the *Island Home* from the current contractually required date of November 29, 2006 to January 27, 2007. Mr. Walker noted that the current delivery date, which had been established shortly after Hurricane Katrina had swept through the Gulf coast, was based upon what has turned out to be an overly optimistic estimate of Halter's ability to return to its pre-hurricane levels of production. Unfortunately, Mr. Walker said, Halter's direct loss of personnel from Katrina has proven to be worse than anticipated, and many of its skilled craftsmen who vacated the area have never returned because their homes were completely destroyed. Mr. Walker stated that Halter's vendors have also experienced the same problems, and that delivery of several of the vessel's major components has been significantly delayed as well. As a result, Mr. Walker reported, Halter's own computer schedule now indicates that the vessel cannot be completed in a satisfactory manner before December 29, 2006, and even that date assumes that Halter's employees will continue working their 56-hour work week schedule for the next three months.

Mr. O'Brien stated that he was not surprised by Halter's request, given how much work still had to be done at the time of the vessel's launch in July. The Members agreed, however, that they initially would discuss this matter in executive session, as Halter's request raised the possibility of litigation over certain provisions of the Authority contract providing for liquidated damages due to any delay in the contractually required delivery date of the vessel.

Mr. Walker then presented a number of photographs of Halter's ongoing work on the vessel, including interior deck work, the installation of the HVAC system, the mezzanine lighting, the restrooms, the lift decks, the electronics room, and the freight deck doors. Mr. Walker declared that, based upon his personal observations at the shipyard earlier that month, he believed that Halter was doing its best to provide the Authority with a quality vessel as quickly as possible in these exceptional circumstances.

M/V Iyanough:

Mr. Walker reported that the construction of the *Iyanough* similarly was being delayed because humidity problems had prevented the shipyard from painting the vessel the previous month in the manner necessary to provide the Authority with a complete three-year warranty. As a result, Mr. Walker said, it appeared that the vessel will not be delivered until early December 2006 instead of its contractual delivery date of November 15, 2006. Nevertheless, Mr. Walker reported that, except for this delay, everything was going well with the vessel's construction, and that all of its equipment had been installed or was on site.

Fairhaven Vessel Maintenance Facility:

Mr. Walker reported that work on the new modular shop building at the Authority's Fairhaven vessel maintenance facility was progressing. Specifically, Mr. Walker said, the old building had been demolished and the foundation modifications for the new building had been substantially completed.

M/V Nantucket Mid-Life Refurbishment Project:

Mr. Walker reported that the bid package for the *Nantucket* Mid-Life Refurbishment Project already had been issued and that it appeared that at least three shipyards were seriously interested in doing the work. Mr. Walker further reported that all bids submitted in response to the invitation would be opened the following month and that the Members hopefully would be in a position to award the contract at their October 2006 meeting.

Customer Policies and Procedures Handbook:

Mr. Lamson reported that, at their last meeting, the Port Council had voted to recommend to the Members that the Authority adopt Parts A, B, C and D of management's proposed Customer Policies and Procedures Handbook, and that over the next few months management expected to finish additional parts of the proposed handbook for the Members' review as well. Mr. Lamson noted, however, that if the Members desired to change certain policies contained in the proposed handbook, such as any of the Authority's policies regarding cancellation penalties or senior citizen discounts, the Authority's rates of fare would have to be adjusted to take into account the financial impact of such changes. Therefore, Mr. Lamson asked whether the Members could provide management with some indication as to whether they expected to make any such changes so that they could be considered when developing the proposed 2007 rate adjustments.

At Mr. Marshall's suggestion, the Members agreed to defer discussion of this subject until their next meeting, when they would be considering what adjustment to make in the Authority's 2007 rates of fare, so that they would have all of the information about the rate implications of any policy changes before deciding whether to make any such changes. The Members also expressed their appreciation to the Port Council for their efforts in considering the multitude of issues raised by the proposed handbook, as well as all of the other issues they had discussed over the years, and observed that the Port Council's analyses and recommendations had been extremely helpful to them.

Proposed 2007 Summer Operating Schedules:

Mr. Lamson then reviewed management's preliminary draft of the 2007 Summer Vessel Operating Schedules, as set forth in Staff Summary #MCR 3-06, dated September 13, 2006, although he noted that the draft schedules were being presented for discussion purposes only and did not need to be approved by the Members until their October 2006 meeting. Essentially, Mr. Lamson said, management was proposing that the following summer's schedules run from May 15, 2007 through October 11, 2007 and be substantially the same as this past summer's schedules, with the following modifications:

1. **Martha's Vineyard route**:

   (a) The *Island Home* would take the place of the *Islander*, and would berth overnight in Woods Hole instead of at Vineyard Haven. This would allow the vessel to make its first daily sailing from Woods Hole at 6:00 a.m. (probably carrying mostly freight trucks), and to end its operating day in Woods Hole after a last 9:30 p.m. trip from Vineyard Haven. (As a result, the last trip from Woods Hole to Vineyard Haven would be the *Martha's Vineyard's* 9:45 p.m. trip, as there would no longer be a 10:30 p.m. *Islander* trip any day of the week.)

   (b) From May 15 through June 19, 2007 and then again from September 12 through October 11, 2007, the *Katama* would operate four round trips per day (instead of up to seven round trips per day), allowing it to be double-crewed during these periods instead of triple-crewed. During the Memorial Day (May 24, 25 and 28, 2007) and Columbus Day (October 5 and 8, 2007) weekends, however, the vessel would provide up to three additional round trips per day as needed.

2. **Nantucket route**:

   (a) From May 15 through May 23, 2007, the *Gay Head* would essentially assume the *Nantucket's* normal summer operating schedule, with its first trip leaving Hyannis at 7:30 a.m. Mr. Lamson also stated that management was still reviewing whether the other freight boat on this route should provide two or three scheduled daily trips during this period and whether it should be scheduled to run seven days a week or only weekdays.

(b) The Authority would resume providing service on this route with two large passenger vessels and one freight boat (all triple-crewed) beginning May 24 through September 11, 2007. (This past year, the Authority operated only one large passenger vessel with two freight vessels on this route from June 1 through June 18, 2006.)

(c) From September 12 through October 11, 2007, the *Sankaty* (the second freight boat on this route operating weekdays only with a single crew) would leave Hyannis at 7:30 a.m. (instead of 6:45 a.m.) and return from Nantucket at 10:15 a.m. (instead of 11:00 a.m.), which would allow the vessel to make an additional round trip with the same crew, if needed.

Mr. Lamson reported that all of the Authority's terminal managers had reviewed the draft schedules and were in fundamental agreement with them, and that management also had discussed the schedules with the Port Council and Bonanza Bus Line.

Sale of the M/V Flying Cloud:

Mr. Lamson reported that, although the Authority did not receive any bids to buy the *Flying Cloud* by the bid opening date of September 13, 2006, several individuals and entities were continuing to express interest in buying or chartering the vessel. Accordingly, Mr. Lamson said, management would take more time to see whether an acceptable agreement can be reached with any of those potential buyers.

Proposed 2007 Operating Budget:

Mr. Davis presented management's preliminary draft of the proposed 2007 operating budget, as set forth in Staff Summary #A-473, dated September 14, 2006, noting that it was being presented at this time only for the Members' review and comments, and that it did not need to be approved by the Members until their October 2006 meeting. Mr. Davis also stated that the draft budget had been developed using a vessel operating schedule similar to this year's schedule but incorporating the Authority's two new vessels, the *Island Home* and the *Iyanough*.

Ultimately, Mr. Davis said, the Authority's operating expenses were expected to increase by $4,900,000 in 2007 over the current estimate for the 2006 calendar year, representing an increase of around seven percent. In particular:

- Insurance was expected to increase by $365,000 (or 12%) due to the two new vessels being added to the coverage.

- Health care and pension costs were expected to increase by $800,000 (or 7%) despite contributions being made by employees towards the cost of their health care.

- The cost of vessel fuel oil was expected to increase by $900,000 (or 16%).

- Depreciation expenses were expected to increase by $2,600,000 (or 49%) due to the two new vessels, the widening of the *Sankaty*, the *Nantucket* mid-life refurbishment, and the Fairhaven shop building.

- Maintenance expenses were expected to decrease by $550,000 due to an anticipated decrease in dry-dock and vessel repair costs.

- The cost of terminal operations was expected to increase by $300,000 (or 3%) due to increases in the cost of utilities, operating rents and payroll.

Mr. Davis further reported that management was proposing to increase the Authority's advertising budget to $525,000 in order to market the new vessels with all media outlets, and that the Authority's estimated fuel expenses were based upon the assumption that the price of oil would remain around $70 per barrel during the 2007 calendar year.

Proposed 2007 Rate Adjustments:

Mr. Davis then reviewed management's preliminary draft of the proposed 2007 rate adjustments, set forth in Staff Summary #A-474, dated September 14, 2006, again noting that they were being presented at this time only for the Members' review and comments, and that they similarly did not need to be approved by the Members until their October 2006 meeting. Mr. Davis stated that the proposed adjustments had been calculated to cover the Authority's projected cost of service and to provide a sufficient cash flow to meet debt service requirements.

Mr. Davis then reported that, based on the allocation of the Authority's projected revenues and cost of service by route, it appeared that the Authority will need to enact rate adjustments sufficient to raise an additional $3,000,000 in revenues for the Martha's Vineyard route and an additional $1,000,000 for the Nantucket route. Mr. Davis stated that, after taking into account the findings of the 2005 cost of service study, management was proposing to do so as follows:

A. <u>Martha's Vineyard route</u>:

- A $0.50 increase in full fare passenger rates (with corresponding increases in discounted passenger fares).
- A $3.00 increase in "on-season" standard automobile fares and a $2.00 increase in "off-season" standard automobile fares.
- A $10.00 increase in "on-season" excursion fares and a $7.00 increase in "off-season" excursion fares.
- An 8.5% increase in rates for commercial vehicles 20 feet or more in length (with increases in the rates for commercial vehicles less than 20 feet in length the same as the automobile rate increases).
- A $50.00 increase in the price for a Woods Hole annual parking permit, and a $25.00 increase in the price for an off-site annual parking permit.

B. <u>Nantucket route</u>:

- A $1.00 increase in full fare passenger rates on the Authority's conventional ferries (with corresponding increases in discounted passenger fares), but no increase in passenger fares for the Authority's high-speed service.
- No increase in any standard automobile fares.
- A $15.00 increase in "on-season" excursion fares and a $10.00 increase in "off-season" excursion fares.
- A 6.0% increase in rates for commercial vehicles 20 feet or more in length (with increases in the rates for commercial vehicles less than 20 feet in length the same as the automobile rate increases).

- An increase in the off-season barge unloading rates by $0.25 per ton.

- A $50.00 increase in the price for a Hyannis annual parking permit, and a $25.00 increase in the price for an off-site annual parking permit.

Recounting how the 2005 cost of service study had shown that the fares paid by freight trucks on the Nantucket route were not covering their cost of service, Mr. Marshall questioned why management was proposing fares that still would result in automobile fares subsidizing those Nantucket freight trucks' cost of service. In response, Mr. Lamson stated that management was proposing to increase truck fares on the Nantucket route while at the same time holding standard automobile fares steady. As a result, Mr. Lamson said, although the amount of the subsidy would not be entirely eliminated, it would be substantially decreased.

Mr. Lamson also stated that, while management was not recommending at this time that the Authority's excursion rates be "unbundled" into separate fares for automobiles and passengers, he was looking into the issue. In this regard, Mr. Lamson noted that the average "unbundled" one-way automobile excursion fare would be around $13.00 on the Martha's Vineyard route and around $40.00 on the Nantucket route. But Mr. Ranney cautioned that those amounts might be underestimating the revenue obtained by the Authority from excursion customers on the Nantucket route, observing that those customers often traveled separately from their automobiles and, as a result, paid both additional passenger fares and "drive-on/drive-off" fees.

Mr. Ranney also asked that management analyze possible alternative ways to raise the needed additional revenue so that more options can be considered at next month's meeting. For example, Mr. Ranney observed that it might make more sense to have larger increases in both the on-season barge unloading rates (to $8.00 per ton) and the off-season barge unloading rates (to $6.00 per ton) in order to reduce the proposed increase in excursion rates on the Nantucket route. But Mr. O'Brien noted that the Authority had maintained lower barge unloading rates in order to discourage shippers from transporting gravel and other bulk freight on the Authority's ferries, and he expressed concern that an increase in those rates may make it more economical for those shippers to carry that freight by truck on the Authority's vessels than by barge.

Treasurer's Report:

Mr. Davis reported that passenger traffic for the month of August 2006 had been 0.1% lower than in August 2005, that automobile traffic for that month had been 0.4% higher than in August 2005, and that truck traffic for that month had been 4.9% higher than in August 2005. Mr. Davis further reported that the Authority's net operating income for the month was expected to be around $5,800,000, which was pretty much what had been budgeted. In this regard, however, Mr. Davis noted that while revenues for the month had been $400,000 higher than budget projections, those additional revenues had been offset by higher-than-anticipated maintenance, fuel and other expenses. As a result, Mr. Davis said, the Authority's net operating income for the first eight months of 2006 was expected to be around $6,800,000, which was approximately $600,000 higher than what had been projected.

Advertising:

Mr. Lamson advised the Members that, unless they objected, he intended to explore the possibility of placing a modest number of display advertisements for nationally recognized brands of products on the Authority's vessels and at its terminals. In this regard, Mr. Lamson noted that it appeared the Authority could derive more revenue from such larger companies than it could from local businesses.

Messrs. Hanover and Ranney expressed their personal opposition to such advertising but stated that they might reconsider their position depending upon how much money it could generate. Mr. Marshall also observed that, given the pressure to increase rates that ultimately would be paid by island residents, it was incumbent upon the Members to be open-minded about any sensible sources of income that could be generated. The Members also asked R. Murray Scudder of Hyannis Harbor Tours, Inc. ("Hy-Line"), what Hy-Line's experience had been with such advertising. In response, Mr. Scudder stated that it had become a significant and reliable source of revenue for Hy-Line and that he had not heard one negative comment from any of Hy-Line's passengers about it.

Procurement:

IT WAS VOTED -- upon Mr. Ranney's motion, seconded by Mr. Hanover -- to award Contract No. 10-06 for the dry-dock and overhaul of the *Martha's Vineyard* to Thames Shipyard & Repair Company of New London, Connecticut, the lowest eligible and responsible bidder for the contract, for a Total Contract Price of $188,800, as recommended by management in Staff Summary #E 2006-13, dated September 12, 2006.

VOTING	AYE	NAY
Mr. Oliveira	10 %	
Mr. Ranney	35 %	
Mr. O'Brien	10 %	
Mr. Hanover	35 %	
TOTAL	90 %	0 %

IT WAS VOTED -- upon Mr. Ranney's motion, seconded by Mr. Hanover -- to award Contract No. 11-06 for the dry-dock and overhaul of the *Gay Head* to Thames Shipyard & Repair Company of New London, Connecticut, the lowest eligible and responsible bidder for the contract, for a Total Contract Price of $139,890, as recommended by management in Staff Summary #E 2006-12, dated September 12, 2006.

VOTING	AYE	NAY
Mr. Oliveira	10 %	
Mr. Ranney	35 %	
Mr. O'Brien	10 %	
Mr. Hanover	35 %	
TOTAL	90 %	0 %

IT WAS VOTED -- upon Mr. Ranney's motion, seconded by Mr. Hanover -- to award Contract No. 13-06 for the dry-dock and overhaul of the *Katama* to Thames Shipyard & Repair Company of New London, Connecticut, the lowest eligible and responsible bidder for the contract, for a Total Contract Price of $145,890, as recommended by management in Staff Summary #E 2006-11, dated September 12, 2006.

VOTING	**AYE**	**NAY**
Mr. Oliveira	**10 %**	
Mr. Ranney	**35 %**	
Mr. O'Brien	**10 %**	
Mr. Hanover	**35 %**	
TOTAL	**90 %**	**0 %**

Port Council's Report:

Mr. Jones reported that, at their last meeting, the Port Council had discussed many of the same issues that were on the agenda of Authority's meeting that day, as reflected in the minutes of the Port Council's meeting that previously had been provided to the Members. Mr. Jones also reported that the Port Council had reviewed management's proposed operating schedules for the 2007 summer season, and did not have any concerns with respect to those schedules.

Goals for the General Manager:

Mr. Marshall reported that Mr. Lamson had provided the Members with a list of proposed new goals for the upcoming year for the purposes of his 2007 performance evaluation. Mr. Lamson noted that, at the last Authority meeting, Mr. Oliveira had suggested that, in light of the problems that had occurred when both the *Katama* and the *Sankaty* had been taken out of line service during the weekend of August 5, 2006, his goals also include the development of an emergency communications policy. But Mr. Lamson stated that he since has realized that the Authority already has such a policy, which he provided to the Members, and it was clear that during that service disruption the Authority simply had not followed the procedures that already have been established.

At Mr. Oliveira's suggestion, the Members asked Mr. Lamson to have management develop a proposal to have monitors at all of the Authority's terminals for the purpose of broadcasting consistent information about the status of the Authority's operations, including sea conditions and whether any of the vessels were running late. The Members also asked Mr. Lamson to make certain that they and the Port Council members were informed of any service interruptions when they occurred. In this regard, the Members agreed that informing them by email usually would be sufficient, although they asked that Mr. Lamson telephone them whenever it appeared that the disruptions might be significant.

Although Mr. Marshall suggested that Mr. Lamson also should be given the specific goal of improving the efficiency of the Authority's parking operations, the Members agreed that such a goal already was encompassed in Mr. Lamson's goal of continuing to explore additional cost savings strategies. Mr. Hanover also reported that he had attended a meeting with two of the Tisbury Selectmen the previous week with Messrs. Lamson and Rozum, and that both Selectmen had agreed that the traffic flow at the Authority's Vineyard Haven terminal had gone relatively smoothly this past summer, with no major congestion at Five Corners. Mr. Hanover noted that this was a marked improvement from the situation that had existed during previous summers.

IT WAS VOTED -- upon Mr. Ranney's motion, seconded by Mr. Hanover -- to approve the following goals for the General Manager during the period from July 1, 2006 through June 30, 2007:

1. **Oversee timely completion of ongoing capital projects, including the construction of the M/V Island Home and the M/V Iyanough, the mid-life refurbishment of the M/V Nantucket and the construction of the Fairhaven maintenance shop building, within proposed schedules and authorized budget amounts.**

2. **Continue to seek state and federal funding to assist with some of the Authority's upcoming capital projects, including the Oak Bluffs terminal reconstruction project, the mid-life refurbishment of the M/V Eagle and the bulkhead improvements at the Fairhaven vessel maintenance facility.**

3. **Complete a Continuity of Operation Plan, including procedures to sustain essential functions during or following a crisis or emergency requiring the evacuation of one or more of the Authority's locations.**

4. **Continue to explore alternate sources of income and additional cost savings strategies to help partially offset the need for rate increases.**

5. **Review the effectiveness of the Authority's current overhaul and terminal maintenance programs and implement changes, as needed, to include better planning, supervision and accountability for any repair or maintenance requests.**

6. **Review the Authority's customer service and marketing functions and implement changes, as needed, to increase the department's overall effectiveness and accessibility.**

7. **Review traffic circulation problems at the Authority's Nantucket terminal and work with the Nantucket Planning and Economic Development Commission to develop recommendations for improving the overall flow of vehicular and pedestrian traffic at and around the terminal area.**

VOTING	**AYE**	**NAY**
Mr. Oliveira	**10 %**	
Mr. Ranney	**35 %**	
Mr. O'Brien	**10 %**	
Mr. Hanover	**35 %**	
TOTAL	**90 %**	**0 %**

Logo for the M/V Iyanough:

Ms. Barboza, together with Lauren Bennett and Diane McPherson of Pierce-Coté Advertising, presented four different versions of a possible logo for the Authority's new high-speed ferry, the *Iyanough*. Although the Members declined to select any one of the logos as their preferred choice, they agreed with Mr. Jones' observation that the logo should include a depiction of the vessel and be relatively straightforward so that the traveling public would know what it stands for. The Members also suggested that the logo which is ultimately used might combine some of the elements of several of the versions presented that day.

At 11:40 a.m., Mr. Marshall entertained a motion to go into executive session and announced that the Members would not reconvene in public after the conclusion of the executive session.

IT WAS VOTED -- upon Mr. Hanover's motion, seconded by Mr. Ranney -- to go into executive session to discuss the Authority's strategy with respect to collective bargaining and litigation matters, the purchase, exchange, lease and value of real estate, contract negotiations with nonunion personnel, and the deployment of security personnel and devices.

VOTING	**AYE**	**NAY**
Mr. Oliveira	**10 %**	
Mr. Ranney	**35 %**	
Mr. O'Brien	**10 %**	
Mr. Hanover	**35 %**	
TOTAL	**90 %**	**0 %**

A TRUE RECORD

H. FLINT RANNEY, Secretary

MINUTES

OF THE

WOODS HOLE, MARTHA'S VINEYARD AND NANTUCKET STEAMSHIP AUTHORITY

The Meeting in Public Session

October 26, 2006

The Members of the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority met this 26th day of October, 2006, beginning at 9:30 a.m., in the Katharine Cornell Theatre of the Tisbury Town Hall, located at 51 Spring Street, Vineyard Haven, Massachusetts. All five Members were present: Chairman Robert S. Marshall of Falmouth; Vice Chairman David J. Oliveira of New Bedford; Secretary H. Flint Ranney of Nantucket; Robert L. O'Brien of Barnstable; and Marc N. Hanover of Dukes County.

Port Council Chairman Robert R. Jones of Barnstable; Port Council Vice Chairman Robert V. Huss of Oak Bluffs and Port Council member Thomas W. Pachico of Tisbury were also present, as were the following members of management: General Manager Wayne C. Lamson; Treasurer/Comptroller Robert B. Davis; Director of Engineering and Maintenance Carl R. Walker; Director of Information Technologies Mary T.H. Claffey; Manager of Reservations and Community Relations Gina L. Barboza; Director of Terminal and Parking Operations Mark Rozum; Vineyard Haven Terminal Manager Bridget Tobin; and General Counsel Steven M. Sayers.

Minutes:

IT WAS VOTED -- upon Mr. Ranney's motion, seconded by Mr. O'Brien -- to approve the minutes of the Members' meeting in public session on September 19, 2006.

VOTING	AYE	NAY
Mr. Oliveira	10 %	
Mr. Ranney	35 %	
Mr. O'Brien	10 %	
Mr. Hanover	35 %	
TOTAL	90 %	0 %

Chairman's Report:

Mr. Marshall announced that the Members had taken a trip the previous Friday to the Gladding-Hearn shipyard in Somerset, Massachusetts for an on-site inspection of the construction of the *Iyanough*. Saying that the project was proceeding very well, Mr. Marshall declared that the *Iyanough* was going to be a beautiful vessel and he complimented Mr. Walker and his entire crew for the exceptional job they were doing.

Mr. Marshall also announced that, on the same trip, the Members had visited the Authority's vessel maintenance facility in Fairhaven, Massachusetts, to see the new shop building being constructed there. Mr. Marshall stated that much progress has been made on the project, and that the new building will greatly improve the Authority's vessel maintenance operations.

Results of Operations:

Mr. Lamson summarized the results of the Authority's operations for August 2006, as set forth in a business summary for that month which had been provided to the Members and the public. Although Mr. Lamson reported that the Authority had carried 0.1% fewer passengers during that month compared to August 2005, he noted that the Authority's passenger traffic statistics for the month were still much better than those of its competitors. In addition, Mr. Lamson reported that the Authority had carried 0.4% more automobiles and 4.9% more trucks (with most of that increase due to trucks less than 20 feet in length) during that month compared to August 2005.

Mr. Lamson also reported that the Authority's operating income in August was around $32,000 higher than projected, with most of the variance attributable to higher than projected passenger and freight revenues that were almost entirely offset by higher than expected operating expenses. As a result, Mr. Lamson said, the Authority's net operating income for the first eight months of 2006 was approximately $680,000 higher than expected, which was also $2,800,000 higher than what the net operating income had been for the first eight months of 2005.

M/V Island Home:

Mr. Walker reported that the construction of the *Island Home* was continuing well on its revised schedule; that the main engines had passed their alignment; that dock trials were scheduled for the end of November 2006 and sea trials for around December 12, 2006; and that the shipyard anticipated that the vessel would leave Mississippi around January 3, 2007, although that date might slip by a few days. Mr. Walker noted that it will then take six days for the vessel to sail to Fairhaven, where formal delivery will take place, and that at that time the Authority will begin weeks of operational testing and training before placing the vessel into line service.

M/V Iyanough:

Mr. Walker reported that the construction of the *Iyanough* was behind schedule due to weather-related problems this past summer and that, as a result, delivery of the vessel was expected to occur in mid-December 2006. Other than the delay, Mr. Walker reported that everything was proceeding well, and that the vessel's modules had been placed together. However, Mr. Walker noted that, due to the delay, the Authority would not be placing the vessel into line service until the beginning of the 2007 Spring Schedule.

Fairhaven Vessel Maintenance Facility:

Mr. Walker reported that work on the Authority's new modular shop building at its Fairhaven vessel maintenance facility had been erected and that the remaining work (finishing the interior and installing utilities) was on schedule for everything to be completed with respect to the building by the end of the year.

2007 Summer Operating Schedules:

Mr. Lamson then reviewed management's proposed 2007 Summer Vessel Operating Schedules, as set forth in Staff Summary #MCR 5-06, dated October 19, 2006, which he said were substantially the same as this past summer's schedules, with the following modifications:

A. Both Routes.

Management was proposing that the summer schedule be extended six days next year due to the higher-than-expected level of demand for service that the Authority had experienced this past month. As a result, next year's summer schedule would run through October 17, 2007.

B. Martha's Vineyard Route:

1. The *Island Home* would take the place of the *Islander*, and would berth overnight in Woods Hole instead of at Vineyard Haven. This would allow the vessel to make its first daily sailing from Woods Hole at 6:00 a.m. (probably carrying mostly freight trucks), and to end its operating day in Woods Hole after a last 9:30 p.m. trip from Vineyard Haven. (As a result, the last trip from Woods Hole to Vineyard Haven would be the *Martha's Vineyard's* 9:45 p.m. trip, as there would no longer be a 10:30 p.m. *Islander* trip any day of the week.)

2. From May 15 through June 19, 2007 and then again from September 12 through October 11, 2007, the *Katama* would operate four round trips per day (instead of up to seven round trips per day), allowing it to be double-crewed during these periods instead of triple-crewed. During the Memorial Day (May 24, 25 and 28, 2007) and Columbus Day (October 5 and 8, 2007) weekends, however, this vessel would run up to an additional three round trips per day as needed.

C. Nantucket Route:

1. From May 15 through September 11, 2007, the Authority would operate both the *Eagle* and the *Nantucket* on this route, with a freight boat also making three round trips seven days a week.

2. From September 12 through October 17, 2007, both the *Eagle* and the *Gay Head* would provide three round trips seven days a week, with the *Sankaty* making two round trips on weekdays only.

Mr. Lamson also noted that management was not expecting to utilize the full capacity provided by the *Island Home's* lift decks due to concerns that had been raised by the Martha's Vineyard community, although he said that, based upon how the vessel operates once it is placed in line service, management may consider increasing its capacity utilization in the future.

Observing that many residents had difficulty this past month traveling off-island, Mr. Hanover agreed with management's proposal to extend next year's summer season another six days so that the *Governor* would continue operating through October 17, 2007. Ms. Tobin also confirmed the need for additional capacity during this time period, noting that the Authority had been attempting to accommodate 60 standby customers a day while at the same time all of the boats were full. Customers in the audience also expressed their frustration at not being able to obtain reservations during this time period, declaring that they had been repeatedly told that nothing was available.

IT WAS VOTED -- upon Mr. Hanover's motion, seconded by Mr. Ranney -- to approve management's proposed 2007 Summer Operating Schedules, as set forth in Staff Summary #MCR 5-06, dated October 19, 2006.

VOTING	AYE	NAY
Mr. Oliveira	10 %	
Mr. Ranney	35 %	
Mr. O'Brien	10 %	
Mr. Hanover	35 %	
TOTAL	90 %	0 %

License Agreement Renewals:

Mr. Lamson observed that all of the Authority's license agreements with Hyannis Harbor Tours, Inc. ("Hy-Line"), Freedom Cruise Line, Inc. and the Falmouth-Edgartown Ferry would expire at the end of 2006 and were up for renewal. Accordingly, Mr. Lamson said, management was planning to place advertisements in local newspapers over the next few weeks asking for public comment about the renewal of those agreements, and any recommended changes to those agreements would be presented to the Members for their consideration at their meeting next month.

Mr. Hanover noted that the amount of all of the private ferry operators' license fees were tied to the Authority's average passenger revenue by route, so their license fees automatically will increase as the Authority's rates increase. Mr. Lamson agreed, although he stated that the amount of license fees for the Nantucket services theoretically could decrease if more of the Authority's passengers on that route began traveling on the traditional ferries instead of the Authority's high-speed ferry. Mr. Hanover then asked that management look into the feasibility of renewing all of the license agreements for two years instead of the three-year periods for which they usually had been renewed in the past.

Tisbury resident Jeff Kristal said that he had received several complaints that year about Hy-Line not informing any of its customers when there were interruptions in its service between Oak Bluffs and Hyannis. Mr. Kristal asked that the Authority consider requiring Hy-Line, as a condition of its license, to inform its customers of such service cancellations and the alternative services that are available. In response, Hy-Line's Director of Business Development, Martin Reilly, stated that Hy-Line would be amenable to that type of provision in its license agreement.

Advertising:

Mr. Lamson informed the Members that he had been approached by Prestige Media, Inc. of New York, New York with a proposal that would generate a new source of revenue for the Authority, specifically, the placement of a limited number of poster-size advertisements on the Authority's vessels and at its terminals. While Mr. Lamson said that most of the advertisers are expected to be nationally recognized brand name companies, local businesses would have the opportunity to advertise as well. Mr. Lamson also stated that his intent would be to limit the total number of displays to three per vessel and one per terminal, which might result in $80,000 of additional revenues per year. In the future, Mr. Lamson said, the Authority would be able to expand or reduce the number of displays as it considers appropriate.

Mr. Lamson further noted that Prestige Media, Inc. already had similar advertisement programs with other ferry operators such as Hy-Line, Cross Sound Ferry, Freedom Cruise Line, Cape May-Lewes Ferry and the Block Island Ferry. Therefore, Mr. Lamson said, it appeared that the firm was in the best position to maximize the Authority's potential revenue from this new source of income.

In response to a question from Mr. Ranney, Mr. Lamson stated that the Authority would not incur any other costs in connection with the program, that he thought the advertisements would be tastefully done, and that it would be left to the Authority to determine the suitable places for the advertisements. Mr. Oliveira then questioned why Mr. Lamson wanted to limit the number of such advertisements to 20, and he also declared that he would like the Authority to give a preference to local businesses. In response, Mr. Lamson stated that he felt it would be better to start the program slowly and, if there is more demand than expected, the Authority can consider expanding it in the future. Mr. Lamson also noted that, while local businesses would not be given a preference, they would still have the opportunity to place advertisements and would not be excluded from the program.

IT WAS VOTED -- upon Mr. Hanover's motion, seconded by Mr. Ranney -- to authorize the General Manager to enter into an agreement with Prestige Media, Inc. in substantially the form attached to Staff Summary #GM-493, dated October 19, 2006, for the placement of high-end poster display advertisements on the Authority's vessels and at its terminals.

VOTING	**AYE**	**NAY**
Mr. Oliveira	**10 %**	
Mr. Ranney	**35 %**	
Mr. O'Brien	**10 %**	
Mr. Hanover	**35 %**	
TOTAL	**90 %**	**0 %**

Martha's Vineyard Regional High School District:

Mr. Lamson asked the Members to renew the Authority's fixed-price contract with the Martha's Vineyard Regional High School District for the transportation of student groups, including the island's elementary schools, for the School District's next fiscal year from July 1, 2007 through June 30, 2008. However, Mr. Lamson stated that, because the School District used almost $96,000 in transportation services for students, teachers and administrators during its most recent fiscal year, management was recommending that the fixed price in the contract be increased from $35,000 to $50,000, which would approximate the 50% discount that the Authority normally gives to island governmental entities (including the Nantucket School District).

IT WAS VOTED -- upon Mr. Hanover's motion, seconded by Mr. Ranney -- to authorize the General Manager to enter into a fixed price transportation agreement with the Martha's Vineyard Regional High School District for the period from July 1, 2007 through June 30, 2008, in the same form as the School District's current agreement, except that the fixed price for such transportation services is to be increased from $35,000 to $50,000.

VOTING	AYE	NAY
Mr. Oliveira	10 %	
Mr. Ranney	35 %	
Mr. O'Brien	10 %	
Mr. Hanover	35 %	
TOTAL	90 %	0 %

Energy Conservation Measures:

Mr. Lamson then reported on a meeting that management recently had with Kate Warner of the Vineyard Energy Project to discuss possible measures that the Authority can take to reduce its energy consumption levels. Although they had discussed the potential use of renewable sources of energy such as solar panels and wind turbines, Mr. Lamson stated that Ms. Warner had informed them that energy efficiency was the best place for the Authority to start. Therefore, Mr. Lamson said, he had directed all of the Authority's terminals to more closely monitor their electricity consumption with the goal of reducing their electricity needs by ten percent, which would save the Authority around $50,000 a year.

Mr. Lamson also announced that the Authority had received a grant from the Cape Light Compact to replace all of the lighting fixtures in its buildings at Woods Hole, Vineyard Haven, Hyannis and Mashpee with more energy efficient fixtures, and that the relighting was expected to save the Authority around $20,000 per year. Finally, Mr. Lamson said, the Authority would be scheduling energy audits at each of its terminals and parking lots to see what other measures it can take to reduce its need for electricity. Mr. Oliveira asked that management keep both the Members and the public informed about the results of those energy audits, declaring that it was important for the Authority to show that it is a community leader in this area.

2007 Reservation Opening Dates:

Mr. Lamson then provided the Members with Staff Summary #MCR 4-06, dated October 19, 2006, setting forth the dates that reservations will become available for the 2007 season schedules. Mr. Lamson also noted that the staff summary contained some of the Authority's current policies relative to making, changing and canceling reservations. As set forth in that staff summary, the new reservation opening dates for the 2007 season schedules will be as follows:

December 4, 2006	Reservations for the 2007 Spring Schedule will become available over the telephone and on the Authority's website.
January 3, 2007	Headstart Reservations for the 2007 Summer Schedule will become available by mail only.
January 17, 2007	Reservations for the general public for the 2007 Summer Schedule will become available by mail and on the Authority's website.
January 31, 2007	Reservations for the general public for the 2007 Summer Schedule will become available over the telephone.

June 18, 2007	Reservations for the 2007 Fall Schedule will become available over the telephone and on the Authority's website.

New England Fast Ferry:

Mr. Lamson informed the Members that New England Fast Ferry of Massachusetts, LLC ("NEFF") had requested permission from the Authority to transport the Martha's Vineyard High School soccer team and their parents (for a total of around 100 passengers) from Vineyard Haven to Nantucket and back during the evening of October 30, 2006. Mr. Lamson further stated that he did not see any problem with granting NEFF's request, and suggested that in the future, if the Members wanted to delegate such decisions to him, it would be more efficient if he could act on such requests instead of having the Members be required to consider them at public meetings.

The Members agreed, and also decided to delegate to Mr. Lamson such decisions regarding requests from licensees for permission to make changes in their published sailing times, as those requests generally raise only operational issues as opposed to policy matters. Further, with respect to this particular request from NEFF, Mr. Oliveira declared that this was exactly the type of service that the Authority should be encouraging NEFF to make in the public interest, as it was a service that the Authority does not provide.

IT WAS VOTED -- upon Mr. O'Brien's motion, seconded by Mr. Ranney -- to delegate to the General Manager the authority to act on all requests from private ferry operators for permission:

(a) to provide a limited number of additional trips on a one-time basis between the Massachusetts mainland and the island of Nantucket or the island of Martha's Vineyard, or between said islands; and/or

(b) to change the times of particular trips that the Authority already has licensed them to provide on a scheduled basis, but not to increase or decrease the number of trips in the sailing schedules contained in their license agreements (except on a one-time basis as set forth in paragraph (a) above).

VOTING	AYE	NAY
Mr. Oliveira	10 %	
Mr. Ranney	35 %	
Mr. O'Brien	10 %	
Mr. Hanover	35 %	
TOTAL	90 %	0 %

Proposed 2007 Operating Budget:

Mr. Davis presented management's proposed 2007 operating budget, as set forth in Staff Summary #A-476, dated October 20, 2006, noting that it contained minor revisions from the preliminary draft that management had presented the prior month. Mr. Davis stated that the Authority's operating expenses in 2007 were now expected to increase by $4,400,000, or 6.4%, over the current estimate for the 2006 calendar year. Further, Mr. Davis said, the leading causes for the increase were as follows:

- Liability insurance was expected to increase by $525,000.
- Health care costs were expected to increase by $750,000.
- The cost of vessel fuel oil was expected to increase by $850,000.
- Depreciation expenses will increase by $2,400,000 due to the two new vessels, the widening of the *Sankaty*, and the Fairhaven shop building.
- Payroll will increase by $850,000.

Mr. Davis also reported that, based upon the proposed 2007 operating budget and assuming that the Members also approved the rate adjustments being recommended by management to ensure sufficient income to meet next year's projected cost of service, the Authority net operating income next year was expected to be around $4,000,000, which would be $950,000 lower than the projected operating income for 2006.

Mr. Hanover declared that he obviously was not thrilled with the increase in the Authority's expected expenses next year, which he acknowledged would result in a similar increase in fares. However, Mr. Hanover observed that a large portion of the increase was attributable to increases in insurance and depreciation expenses associated with the *Island Home*, which was also costing the Authority more than $5,000,000 to build simply because it was a double-ender. Hopefully, Mr. Hanover said, such increases in the Authority's expenses will not continue the following year.

Mr. Ranney agreed, although he also noted that management had done a great job in making the Authority's operations more efficient and reducing expenses wherever possible. Mr. Marshall then declared that the Authority must continue its efforts to reduce labor costs, observing that the Authority's personnel costs were proportionately higher than the rest of the transportation world and that it was important for the Authority to keep the traveling public's best interests at the forefront.

In response to a question from Martha's Vineyard resident Arthur E. Flathers, Mr. Hanover acknowledged that the Authority would not be making available for reservations next year the additional vehicle spaces provided by the *Island Home's* lift decks, but he declared that in his opinion those lift decks should be used on a regular basis once the vessel is proven to be reliable. Indeed, Mr. Hanover said, the use of the lift decks could reduce the number of trips by the Authority's freight boats, thereby reducing operating costs.

Several members in the audience agreed with Mr. Hanover's position. For example, Dukes County Commissioner Robert Sawyer observed that the previous sentiment expressed by the Martha's Vineyard community not to use the lift decks probably would change if the public realized that their use would result in lower fares. Tisbury Selectman Denys Wortman similarly declared that he thought the lift decks should be used, although he suggested that they be used for standby vehicles only instead of reservations to reduce the level of frustration island residents felt waiting in the standby lines.

Nevertheless, Mr. Hanover cautioned that it was still too early to tell how the lift decks best should be used, and that the Authority had to wait to address this issue until the vessel actually began line service and proved to be reliable. Mr. Lamson also noted that, in any event, the lift decks will not be able to be used when the vessel is carrying a large number of trucks. Instead, Mr. Lamson said, the Authority will more likely use the lift decks during evenings and weekends.

IT WAS VOTED -- upon Mr. Ranney's motion, seconded by Mr. O'Brien -- to adopt management's proposed 2007 Operating Budget, as set forth in Staff Summary #A-476, dated October 20, 2006, contingent upon the approval of the necessary rate adjustments as in the judgment of the Members are best adapted to insure sufficient income to meet next year's projected cost of service.

VOTING	AYE	NAY
Mr. Oliveira	10 %	
Mr. Ranney	35 %	
Mr. O'Brien	10 %	
Mr. Hanover	35 %	
TOTAL	90 %	0 %

Proposed 2007 Rate Adjustments:

Mr. Davis then reviewed management's proposed 2007 rate adjustments, set forth in Staff Summary #A-477, dated October 20, 2006, again noting that it contained minor revisions from the preliminary draft that management had presented the prior month. Mr. Davis stated that the proposed adjustments had been calculated to raise approximately $4,000,000 in additional revenues needed to cover the Authority's projected cost of service and to provide a sufficient cash flow to meet debt service requirements.

Mr. Davis then reported that, based on the allocation of the Authority's projected revenues and cost of service by route, the Authority needed to enact rate adjustments sufficient to raise an additional $3,000,000 in revenues for the Martha's Vineyard route and an additional $1,000,000 for the Nantucket route. Mr. Davis stated that management was proposing to do so, effective January 1, 2007, as follows:

A. Martha's Vineyard route:

- A $0.50 increase in full fare passenger rates (with corresponding increases in discounted passenger fares).

- A $3.00 increase in "on-season" standard automobile fares and a $2.00 increase in "off-season" standard automobile fares.

- A $10.00 increase in "on-season" excursion fares and a $7.00 increase in "off-season" excursion fares.

- A 8.5% increase in rates for commercial vehicles 20 feet or more in length (with increases in the rates for commercial vehicles less than 20 feet in length the same as the automobile rate increases).

- A $50.00 increase in the price for a Woods Hole annual parking permit, and a $25.00 increase in the price for an off-site annual parking permit.

- An increase in the ambulance rate to $100 round trip.

B. Nantucket route:

- A $1.00 increase in full fare passenger rates on the SSA's conventional ferries (with corresponding increases in discounted passenger fares), but no increase in passenger fares for the SSA's high-speed service.

- A $5.00 increase in standard automobile fares.

- A $10.00 increase in "on-season" excursion fares and a $5.00 increase in "off-season" excursion fares.

- A 5% increase in rates for commercial vehicles 20 feet or more in length (with increases in the rates for commercial vehicles less than 20 feet in length the same as the automobile rate increases).

- An increase in both on-season and off-season barge unloading rates by $1.00 per ton.

- A $50.00 increase in the price for a Hyannis annual parking permit, and a $25.00 increase in the price for an off-site annual parking permit.

Although Mr. Hanover acknowledged that raising more revenue was the only financially responsible course the Members could take this year, he expressed his hope that the Authority would be able to increase efficiencies, reduce costs and find other sources of revenue next year so that they will not have to raise rates for 2008. Mr. Hanover also observed that, if management and the Members had not already taken certain cost reduction measures, the Authority would have needed a seven percent (7%) fare increase this year.

In response to a question from Mr. Marshall, Mr. Lamson stated that under the proposed fare increases each individual route would be paying for its own proportionate cost of service, although each route would be doing so in a different manner. On the Martha's Vineyard route, commercial vehicles would be paying a higher fare per foot of deck space than automobiles, while it would be the opposite situation on the Nantucket route. Nevertheless, Mr. Lamson noted that, for both routes, the proposed fare increases would result in more even distributions of the cost of service between automobiles and commercial vehicles than what currently existed.

Declaring that he was not a proponent of commercial vehicles not paying their way on the Authority's vessels, Mr. Marshall suggested that it should be foremost in the Members' planning process to eliminate the subsidy that such vehicles receive from other segments of the Authority's traffic. But Mr. Ranney noted that identifying the amount of subsidy received by commercial vehicles was not an easy calculation, as even management's analysis did not include other revenues received from those vehicles for drive-on/drive-off services.

Mr. Sawyer then suggested that the Authority investigate the possibility of having a variable fare structure where customers would be charged more for traveling on certain vessels. Such a structure, Mr. Sawyer said, might reduce the cost of travel for island residents while at the same time generating more revenue. But Mr. Marshall observed that the suggestion sounded strikingly similar to the airline industry's fare structure, and he noted that it more than likely would result in both greater inconvenience for island residents and less revenue for the Authority.

In response to Mr. Sawyer's suggestion that the Members approve greater increases for standard automobile fares, Mr. Hanover expressed his concern that those fares were already overpriced. Observing that the Authority had carried 5,000 fewer automobiles on the standard fare that year, Mr. Hanover declared that the island already was sending a message that it was a difficult place to get to, and he did not want to drive any more tourists away.

IT WAS VOTED -- upon Mr. Ranney's motion, seconded by Mr. Oliveira -- to approve management's proposed 2007 Rate Adjustments, as set forth in Staff Summary #A-477, dated October 20, 2006, effective January 1, 2007.

VOTING	AYE	NAY
Mr. Oliveira		10 %
Mr. Ranney	35 %	
Mr. O'Brien	10 %	
Mr. Hanover	35 %	
TOTAL	80 %	10 %

Proposed 2007 Capital Budget:

Mr. Davis presented the Members with management's preliminary draft of the proposed 2007 Capital Budget, as set forth in Staff Summary #A-475, dated October 20, 2006, noting that the budget included requests for eleven projects that together were estimated to cost $2,500,000. Mr. Davis also stated that, after the final transfers of funds this year, the Authority was expected to have $19,459,000 available for capital projects, of which $14,465,000 already had been committed to current projects. Accordingly, Mr. Davis said, if all of the proposed projects were approved, the Authority would still have around $2,500,000 left for use as a contingency or for future projects.

Mr. Davis further noted that the staff summary included management's proposed five-year Capital Improvement Plan for the years 2008 through 2012, including estimates for anticipated projects, the projected sources of funds, including fund transfers and bond issues, and the remaining available bond authorization. Mr. Davis stated that, while the Members did not need to take any action at this time, management would be asking for a vote on the capital budget at their next meeting.

In response to a question from Mr. O'Brien, Mr. Lamson confirmed that the proposed capital budget will need to be revised to reflect whatever changes are made to the M/V Nantucket Mid-Life Refurbishment Project in light of the bid the Authority had received to perform the work involved in that project.

Treasurer's Report:

Mr. Davis reported that management soon would be closing the books for the month of September 2006, and that he expected the month would show a slight increase in net income over what had been projected in the 2006 Operating Budget. As a result, Mr. Davis said, the Authority's net operating income for the first nine months of 2006 would be around $9,700,000, which was approximately $900,000 higher than anticipated.

Procurement:

Mr. Lamson reported that the Authority had received only one bid for the *Nantucket* Mid-Life Refurbishment Project, which was from Detyens Shipyards, Inc. of North Charleston, South Carolina in the amount of $7,522,595. While Mr. Lamson thanked Mr. Walker for traveling to the shipyard and negotiating a reduction in the bid to $6,813,779, he observed that this amount was still well above the $5,500,000 project estimate. Accordingly, Mr. Lamson asked the Members to reject the bid, suggesting that the Authority instead issue a new invitation for bids for the vessel's dry-docking this winter, and then complete the mid-life refurbishment the following fall without any dry-dock requirement. Mr. Lamson noted that this revised structure may also reduce the overall price of the project, as it appeared that more shipyards were interested in the work but had been unable to submit bids because they did not have an available dry-dock. Meanwhile, Mr. Lamson said, it appeared that the Authority might have to place the *Islander* back into service for up to two months next fall to provide sufficient capacity while the *Nantucket* is at the shipyard.

IT WAS VOTED -- upon Mr. Ranney's motion, seconded by Mr. Hanover -- to reject the one bid received in response to the Authority's invitation for bids for Contract No. 12-06 for the mid-life overhaul and dry-docking services for the M/V Nantucket, as recommended by management.

VOTING	**AYE**	**NAY**
Mr. Oliveira	**10 %**	
Mr. Ranney	**35 %**	
Mr. O'Brien	**10 %**	
Mr. Hanover	**35 %**	
TOTAL	**90 %**	**0 %**

Port Council's Report:

Mr. Jones reported that, at their last meeting, the Port Council had discussed many of the same issues that were on the agenda of Authority's meeting that day, as reflected in the minutes of the Port Council's meeting that previously had been provided to the Members. Mr. Jones also reported that the Port Council had heard a complaint from two of the Authority's neighbors in Hyannis about the *Nobska* whistle that recently had been installed on the *Eagle*.

Public Comment:

Mr. Hanover noted that he had received a letter from the Town of Oak Bluffs' emergency medical services expressing their deepest gratitude for the assistance that the Authority provides in meeting their travel needs even when they arrive at the terminal only a few minutes before a vessel's departure.

Tisbury resident Cora Medeiros suggested that the Authority increase the number of its customers during mid-week by offering a special package rate with island hotels and businesses. The Members generally agreed that such a package rate might be a good idea, but they noted that it was the responsibility of the island's businesses to develop a proposal for the Authority to consider.

One of the Authority's freight customers complained about his inability to make same-day reservations for his freight trucks during the Authority's reservation-only days, resulting in him having to wait for hours while watching cars who received their reservations after he arrived repeatedly get on the boats. While he acknowledged that same-day reservations were a good idea and reduced traffic congestion, he asked whether the Authority could change its system to allow trucks as well as cars to make such reservations.

At 11:48 a.m., Mr. Marshall entertained a motion to go into executive session and announced that the Members would not reconvene in public after the conclusion of the executive session.

IT WAS VOTED -- upon Mr. Ranney's motion, seconded by Mr. O'Brien -- to go into executive session to discuss the Authority's strategy with respect to collective bargaining and litigation matters, the purchase, exchange, lease and value of real estate, contract negotiations with nonunion personnel, and the deployment of security personnel and devices.

VOTING	**AYE**	**NAY**
Mr. Oliveira	**10 %**	
Mr. Ranney	**35 %**	
Mr. O'Brien	**10 %**	
Mr. Hanover	**35 %**	
TOTAL	**90 %**	**0 %**

A TRUE RECORD

H. FLINT RANNEY, Secretary

MINUTES

OF THE

WOODS HOLE, MARTHA'S VINEYARD AND NANTUCKET STEAMSHIP AUTHORITY

The Meeting in Public Session

December 5, 2006

The Members of the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority met this 5th day of December, 2006, beginning at 9:30 a.m., in Rooms 104 and 105 of the Marine Biological Laboratory's Candle House, located on Water Street, Woods Hole, Massachusetts. All five Members were present: Chairman Robert S. Marshall of Falmouth; Vice Chairman David J. Oliveira of New Bedford; Secretary H. Flint Ranney of Nantucket; Robert L. O'Brien of Barnstable; and Marc N. Hanover of Dukes County.

Port Council Chairman Robert R. Jones of Barnstable; Port Council Vice Chairman Robert V. Huss of Oak Bluffs; Port Council Secretary Nathaniel Lowell; and Port Council members S. Eric Asendorf of Falmouth and Philip H. Chase of New Bedford were also present, as were the following members of management: General Manager Wayne C. Lamson; Treasurer/Comptroller Robert B. Davis; Manager of Reservations and Community Relations Gina L. Barboza; Director of Terminal and Parking Operations Mark Rozum; Director of Information Technologies Mary T.H. Claffey; Woods Hole Terminal Manager Kevin Smith; and General Counsel Steven M. Sayers.

<u>Election of Officers</u>:

Mr. Marshall announced that, in accordance with the Authority's Enabling Act, Mr. Oliveira, as the Authority's New Bedford Member, would automatically become the Authority's Chairman for the calendar year 2007. Mr. Marshall then entertained motions for the election of the remainder of the Authority's officers for the upcoming year.

> **IT WAS VOTED -- upon Mr. Oliveira's motion, seconded by Mr. O'Brien -- to elect Mr. Ranney to serve as the Authority's Vice Chairman for the year 2007.**

VOTING	**AYE**	**NAY**
Mr. Oliveira	**10 %**	
Mr. O'Brien	**10 %**	
Mr. Hanover	**35 %**	
TOTAL	**55 %**	**0 %**

IT WAS VOTED -- upon Mr. Oliveira's motion, seconded by Mr. Hanover -- to elect Mr. O'Brien to serve as the Authority's Secretary for the year 2007.

VOTING	**AYE**	**NAY**
Mr. Oliveira	**10 %**	
Mr. Ranney	**35 %**	
Mr. O'Brien	**10 %**	
Mr. Hanover	**35 %**	
TOTAL	**90 %**	**0 %**

Mr. Marshall noted that there was no longer any need to elect someone to serve as the Authority's Treasurer on an annual basis because on March 17, 2005 the Members had elected Mr. Davis to serve as the Authority's Treasurer/ Comptroller indefinitely. Mr. Marshall also noted that there similarly was no need to elect someone to serve as the Authority's Clerk on an annual basis because on September 23, 2004 the Members had appointed the Authority's General Counsel as the Authority's Clerk indefinitely.

Chairman's Report:

Mr. Hanover declared that it had been a pleasure for all of the Members to serve with Mr. Marshall as Chairman the past year. Mr. Hanover thanked Mr. Marshall for his leadership, and observed that Mr. Marshall had fulfilled his duties as Chairman in the highest professional manner.

Mr. Marshall then expressed his appreciation to the other Members for maintaining an atmosphere of compromise and cooperation that resulted in a very productive year. Among the Authority's accomplishments, Mr. Marshall said, were two new vessels that would be commencing line service within the next several months, progress in the Authority's information technology and reservations systems, and increased efficiencies with the new Fairhaven vessel maintenance facility building.

Mr. Marshall also complimented the increased participation of the Port Council, under the able direction of Mr. Jones. But Mr. Marshall declared that his major disappointment this year had been the lack of progress with District No. 1 – PCD, MEBA (AFL-CIO) towards new collective bargaining agreements for employees in two of the Authority's bargaining units. Nevertheless, he declared that the Authority would continue to pursue agreements that will maintain a fair balance between its employees and the traveling public by not imposing costs that will sicken the organization.

Mr. Marshall then thanked the Authority's management team under the steady hand of Mr. Lamson. Observing that the commitment of the Authority's employees was extraordinary, Mr. Marshall predicted that the Members will continue to make good progress in the year to come.

Minutes:

IT WAS VOTED -- upon Mr. Ranney's motion, seconded by Mr. O'Brien -- to approve the minutes of the Members' meeting in public session on October 26, 2006.

VOTING	**AYE**	**NAY**
Mr. Oliveira	**10 %**	
Mr. Ranney	**35 %**	
Mr. O'Brien	**10 %**	
Mr. Hanover	**35 %**	
TOTAL	**90 %**	**0 %**

Results of Operations:

Mr. Lamson summarized the results of the Authority's operations for September 2006, as set forth in a business summary for that month which had been provided to the Members and the public. Mr. Lamson reported that the Authority had carried 0.7% more passengers, 1.6% fewer automobiles and 2.7% more trucks during that month compared to September 2005.

Mr. Lamson then summarized the results of the Authority's operations for October 2006, as set forth in a business summary for that month which also had been provided to the Members and the public. Mr. Lamson reported that the Authority had carried 3.3% more passengers, 1.8% fewer automobiles and 9.2% more trucks during that month compared to October 2005. Further, Mr. Lamson stated that the increase in the number of trucks carried in October 2006 compared to October 2005, particularly on the Nantucket route (which had seen a 19% increase in the number of trucks carried), was probably due in part to the fact that the Authority had cancelled only 27 trips due to weather this past October, while the previous October it had cancelled 56 trips.

Mr. Lamson also reported that the net operating income for the month of September 2006 had been approximately $200,000 higher than what had been projected, and that the net operating income for the month of October 2006 had been around $196,000 lower than projected, so the two months combined had ended up pretty much on budget. As a result, Mr. Lamson said, the Authority's net operating income for the first ten months of 2006 was around $696,000 higher than expected, which was also $3,500,000 higher than what the net operating income had been for the first ten months of 2005.

M/V Island Home:

Mr. Lamson reported that the construction of the *Island Home* was moving right along; that the vessel's main engines had been started; that the installation of the lift decks was 90% complete; and that the internal finishes were around 75% complete. Mr. Lamson noted that the Authority had now assigned both a Senior Captain and a Senior Engineer to the vessel, who will be there until around Christmas and who will then return again in January 2007. Mr. Lamson further reported that the vessel's dock trials were scheduled for that week, its sea trials scheduled for the week of December 18th, and that the vessel should arrive at Fairhaven on or before the contractual delivery date of January 27, 2007. Mr. Lamson then complimented Captain Edward Jackson and Larry O'Rourke for a truly outstanding job, observing that, despite the additional costs of seven months of delay attributable to Hurricane Katrina, the vessel was still less than $50,000 over its original budget.

M/V Iyanough:

Mr. Lamson reported that the *Iyanough* had been successfully launched the prior week; that the food counter area was taking shape; and that the vessel's seating was being installed. Mr. Lamson also stated that the vessel's dock trials would take place that week, and that the Authority expected to accept the vessel before Christmas. However, Mr. Lamson said, the vessel would then be berthed at Gladding-Hearn Shipyard over the winter, after which it would begin service at the commencement of the 2007 Spring Schedule. Finally, Mr. Lamson noted that the project was about $188,000 under budget.

Fairhaven Vessel Maintenance Facility:

Mr. Lamson then reported that the Authority's new modular shop building at its Fairhaven vessel maintenance facility had been erected and was completely enclosed; that its utilities had been piped in; and that its concrete floor had been poured. Mr. Lamson also stated that the project's site improvements were ongoing and that the entire project should be completed by mid-January 2007.

Freedom and *Pied Piper* License Agreement Renewals:

IT WAS VOTED -- upon Mr. Ranney's motion, seconded by Mr. O'Brien -- to authorize the General Manager to execute new two-year license agreements (*i.e.*, through the end of the 2008 calendar year) with Freedom Cruise Line, Inc. and Cape and Islands Transport, Inc. upon the same terms and conditions as their previous license agreements, as recommended by management in Staff Summary #L-359, dated November 29, 2006.

VOTING	**AYE**	**NAY**
Mr. Oliveira	**10 %**	
Mr. Ranney	**35 %**	
Mr. O'Brien	**10 %**	
Mr. Hanover	**35 %**	
TOTAL	**90 %**	**0 %**

Hyannis Harbor Tours, Inc. License Agreement Renewal:

The Members then discussed at length the request from Hyannis Harbor Tours, Inc. ("Hy-Line") for a renewal of its license agreement with the Authority for service between Hyannis and Nantucket and between Hyannis and Oak Bluffs, with changes to its sailing schedules described in Staff Summary #L-360, dated December 4, 2006. Hy-Line's Vice President, R. Murray Scudder, also participated in the discussion.

IT WAS VOTED -- upon Mr. Ranney's motion, seconded by Mr. O'Brien -- to authorize the General Manager to enter into a new license agreement with Hyannis Harbor Tours, Inc. ("Hy-Line") containing the same terms and conditions as its previous license agreement except as follows:

1. **The term of the agreement shall be for two years (January 1, 2007 through December 31, 2008).**

2. **Hy-Line's sailing schedule between Hyannis and Oak Bluffs (and its corresponding inter-island sailing schedule between Oak Bluffs and Nantucket) shall be modified as follows:**

   (a) to eliminate all ferry service during the winter season (December through March); and

   (b) to extend the summer inter-island sailing schedule (one daily round trip by the *Lady Martha*) for an additional week in September.

3. **Hy-Line shall be prohibited from using the *Lady Martha* to provide service between Hyannis and Nantucket as a substitute for the *Grey Lady* without advance consultation with, and approval of, the General Manager.**

4. **Hy-Line's sailing schedule between Hyannis and Nantucket with the *Grey Lady* shall be modified to allow Hy-Line to operate a sixth round trip with that vessel on a daily basis earlier in the year beginning in mid-May (May 15, 2007) rather than on Fridays only from mid-May through the beginning of June.**

5. **Hy-Line's sailing schedule between Hyannis and Nantucket with the *Great Point* shall be modified to reduce the current number of daily round trips with that vessel from three to two during the four-week period following Memorial Day through late June and again for the two-week period following Labor Day through mid-September.**

6. **Hy-Line's license fee formula for its service between Hyannis and Nantucket shall be modified as follows:**

	Fee as % of SSA Average Revenue	
Passengers Carried	**Current Formula**	**New Formula**
0 - 250,000	0 %	0 %
250,001 - 325,000	15 %	15 %
325,001 - 350,000	25 %	25 %
350,001 - 375,000	30 %	30 %
375,001 - 400,000	30 %	40 %
400,001 +	30 %	50 %

7. **Hy-Line's license fee formula for its service between Hyannis and Oak Bluffs shall be modified as follows:**

	Fee as % of SSA Average Revenue	
Passengers Carried	**Current Formula**	**New Formula**
0 - 100,000	0 %	0 %
100,001 - 110,000	10 %	10 %
110,001 - 120,000	10 %	20 %
120,001 - 130,000	25 %	30 %
130,001 - 140,000	25 %	40 %
140,001 +	50 %	50 %

VOTING	**AYE**	**NAY**
Mr. Oliveira	10 %	
Mr. Ranney	35 %	
Mr. O'Brien	10 %	
Mr. Hanover	35 %	
TOTAL	**90 %**	**0 %**

Reservation Policies:

Mr. Lamson requested that the Members make certain changes to the Authority's current policies relative to the re-pricing of reservation tickets after a rate increase has been approved and implemented, as described in Staff Summary #GM-494, dated November 30, 2006. Mr. Lamson noted that the Authority's existing policy was that, if any change is made to a reservation after the implementation of a fare increase, the customer must pay the increased fare instead of the fare that was in effect when the reservation was originally booked. Mr. Lamson said that management was recommending the following changes not result in any re-pricing of an original reservation: changing license plate numbers; adding or subtracting passengers; changing a reservation to another trip on the same day; or changing vehicles within the same rate category.

The Members agreed with all of management's recommended changes. However, Mr. Ranney suggested that a reservation similarly not be subject to re-pricing as a result of a change in the reservation's date. After discussion, the Members agreed, provided that the new date falls within the same winter schedule.

IT WAS VOTED -- upon Mr. Ranney's motion, seconded by Mr. Oliveira -- to revise the Authority's reservation policies so that the following changes to a reservation shall not result in any increase in the price of the reservation even though the Authority may have implemented fare increases subsequent to the time the reservation originally had been made:

1. **changing license plate numbers;**
2. **adding or subtracting passengers;**
3. **changing a reservation to another trip on the same day;**
4. **changing a reservation to a preferred space reservation on the same day;**
5. **changing vehicles within the same rate category; and**

6. changing a reservation to a different date if the date is within the same winter schedule.

VOTING	**AYE**	**NAY**
Mr. Oliveira	**10 %**	
Mr. Ranney	**35 %**	
Mr. O'Brien	**10 %**	
Mr. Hanover	**35 %**	
TOTAL	**90 %**	**0 %**

Mr. Lamson then asked the Members to change another reservation policy that he felt did not make any sense. Specifically, Mr. Lamson stated that the Authority's current policy was that vehicle tickets are valid only during the calendar year in which they are purchased. Instead, Mr. Lamson said, he was recommending that a vehicle ticket be valid for one year from the date of original purchase, just as the Authority's passenger tickets are. Thus, if a customer the following day (December 6, 2006) were to make a vehicle reservation for December 29, 2006, and later has to change plans, the customer would have until December 6, 2007 to use the ticket (assuming the Authority is provided with appropriate advance notice of the change in plans) instead of being required to use it by December 31, 2006.

IT WAS VOTED -- upon Mr. Ranney's motion, seconded by Mr. Hanover -- to revise the Authority's reservation policies so that a vehicle ticket is valid for one year from the date of original purchase instead of only for the remainder of the calendar year in which the ticket is purchased.

VOTING	**AYE**	**NAY**
Mr. Oliveira	**10 %**	
Mr. Ranney	**35 %**	
Mr. O'Brien	**10 %**	
Mr. Hanover	**35 %**	
TOTAL	**90 %**	**0 %**

Mr. Lamson then announced that, no later than the beginning of the 2007 Summer Schedule, management was planning to eliminate the routine mailing of vehicle tickets and change notices for advance reservations, which he said will save the Authority a substantial amount of postage and office expenses. (In this regard, Mr. Lamson noted that the Authority already does not mail vehicle tickets or change notices that are made within ten day of sailing.) However, Mr. Lamson assured the Members that, if a customer still were to ask the Authority to mail a confirmation of a reservation and/or change, the Authority will continue to do so. In addition, Mr. Lamson observed that customers will be able to obtain confirmations of their reservations via email, through the Authority's website, or at the Authority's ticket offices.

Proposed 2007 Capital Budget:

Mr. Davis presented the Members with management's proposed 2007 Capital Budget, as set forth in Staff Summary #A-478, dated November 29, 2006, noting that the budget included requests for new projects that together were estimated to cost $14,138,000, including the *Nantucket* Mid-life Refurbishment Project, phase one of the Oak Bluffs Terminal Reconstruction Project, parking lot equipment upgrades, and various computer replacements.

Mr. Davis stated that the Authority already had $18,400,000 available for capital projects, of which $13,900,000 had been committed to current projects, and that estimated fund transfers in 2007 included the proceeds from the sale of the *Flying Cloud* and the issuance of bond anticipation notes, which should then leave around $400,000 remaining for contingencies and/or future projects. Mr. Davis further noted that management had developed a five-year Capital Improvement Plan for 2008 through 2012, including estimates for anticipated projects, the projected sources of funds, and remaining available bond authorization, with no prediction as to the possibility of receiving additional federal or state funding.

In response to a question from Mr. O'Brien, Mr. Davis stated that the Authority could issue additional bond anticipation notes if the expected proceeds from the sale of the *Flying Cloud* did not materialize. Mr. Oliveira also suggested that the Authority consider purchasing shuttle buses with wider doors, similar to those operated by car rental companies; but Mr. Davis noted that management already had looked into that possibility and found that the cost difference was substantial. Nevertheless, Mr. Davis said, management would look into the issue once again.

Mr. Lamson noted that the Capital Budget anticipated completing the Oak Bluffs Terminal Reconstruction Project in several phases, with the first phase consisting of a new transfer bridge, new dolphins and new lanes on the north side of the pier. Mr. Lamson observed that this initial work would cost around $5,000,000 and would take place between October 2007 and the Spring of 2008. With respect to the parking lot upgrades, Mr. Lamson stated that this project would include all of the lots that the Authority operates, including those rented by the Authority. In this regard, Mr. Marshall strongly suggested that the Authority change its operations so that it no longer needs to staff any parking lot that has as few as six cars in it.

IT WAS VOTED -- upon Mr. O'Brien's motion, seconded by Mr. Ranney -- to adopt the Authority's 2007 Capital Budget as proposed by management in Staff Summary #A-478, dated November 29, 2006.

VOTING	**AYE**	**NAY**
Mr. Oliveira	**10 %**	
Mr. Ranney	**35 %**	
Mr. O'Brien	**10 %**	
Mr. Hanover	**35 %**	
TOTAL	**90 %**	**0 %**

Treasurer's Report:

Mr. Davis reported that, while it was too early to have an estimate for November 2006 activity, the Authority's passenger traffic for that month was down 1.5% from the same month the previous year, automobile traffic was also down 4.6%, and truck traffic was up 5.3%. Mr. Davis further reported that passenger traffic between Hyannis and Nantucket during the Christmas Stroll Weekend had also been slightly lower than in 2005, even though the Authority had carried 300 more passengers to the island this year.

The Members took this opportunity to extend their compliments and thanks to the Authority's Captains and crews for keeping the vessels sailing in the difficult weather conditions that existed this year during Nantucket's Christmas Stroll weekend. Mr. Lamson similarly declared that the Authority appreciated all of their efforts and skill in maintaining this essential lifeline to both islands, especially on such an important occasion.

Procurement:

Mr. Lamson reported that Thames Shipyard of New London, Connecticut, was the lowest eligible and responsible bidder for the contract to dry-dock and overhaul the *Nantucket*, at the price of $320,860. Mr. Lamson stated that the vessel was scheduled to be in the shipyard from mid-December 2006 through mid-January 2007 to undergo a United States Coast Guard hull examination, painting and mid-life modifications that are required to be conducted while it is in dry-dock. Mr. Lamson noted that having this work done now will allow the Authority to issue a new invitation for bids for the remaining portions of the *Nantucket* mid-life refurbishment contract next year and solicit bids from shipyards that were unable to perform the dry-docking requirement of the original contract.

IT WAS VOTED -- upon Mr. Ranney's motion, seconded by Mr. Hanover -- to award Contract No. 12-06R for the Dry-dock and Overhaul of the M/V Nantucket to the lowest eligible and responsible bidder for the contract, Thames Shipyard & Repair Company of New London, Connecticut, with a Total Contract Price of $320,860, as recommended by management in Staff Summary #E 2006-14, dated November 29, 2006.

VOTING	AYE	NAY
Mr. Oliveira	10 %	
Mr. Ranney	35 %	
Mr. O'Brien	10 %	
Mr. Hanover	35 %	
TOTAL	90 %	0 %

Mr. Lamson then reported that management was recommending that the Authority reject all bids received for performing dolphin repairs at the Nantucket terminal because several of the contractors had informed the Authority that they would not be able to perform the work by the end of the winter schedule as required. Mr. Lamson stated that when management had issued the invitation for bids, the lead time for certain materials necessary for the work had been eight to ten weeks, but since then that lead time had grown to as long as sixteen weeks, making the work difficult, if not impossible, to complete within the required timeframe. Rather than taking a chance with the 2007 Spring Schedule, Mr. Lamson said, management intended to issue a new invitation for bids earlier next year so that the repair work can be scheduled to commence immediately after Nantucket's 2007 Christmas Stroll.

IT WAS VOTED -- upon Mr. Hanover's motion, seconded by Mr. Ranney -- to reject all bids received for Contract No. 22-06 for the Nantucket Terminal Dolphin Repairs, as recommended by management in Staff Summary #E 2006-15, dated November 29, 2006.

VOTING	**AYE**	**NAY**
Mr. Oliveira	**10 %**	
Mr. Ranney	**35 %**	
Mr. O'Brien	**10 %**	
Mr. Hanover	**35 %**	
TOTAL	**90 %**	**0 %**

IT WAS VOTED -- upon Mr. Ranney's motion, seconded by Mr. O'Brien -- to award Contract No. 12-06 for the Dredging of Woods Hole Slip #1 to the lowest eligible and responsible bidder for that contract, Patriot Marine Inc. of Winthrop, Massachusetts, for a Total Contract Price of $47,000, as recommended by management in Staff Summary #E 2006-16, dated December 1, 2006.

VOTING	**AYE**	**NAY**
Mr. Oliveira	**10 %**	
Mr. Ranney	**35 %**	
Mr. O'Brien	**10 %**	
Mr. Hanover	**35 %**	
TOTAL	**90 %**	**0 %**

Port Council's Report:

Mr. Jones reported that, at their last meeting, the Port Council had discussed many of the same issues that were on the agenda of Authority's meeting that day, as reflected in the minutes of the Port Council's meeting that previously had been provided to the Members.

2007 Meeting Schedule:

Mr. Lamson reported that he had sent a memorandum to the Members, dated November 28, 2006, setting forth the 2007 Authority Meeting Schedule, but that the schedule had erroneously stated that the Members' March 2007 meeting would be held on March 20, 2007. Instead, Mr. Lamson said, that March 2007 meeting would take place on March 13, 2007.

At 11:41 a.m., Mr. Marshall entertained a motion to go into executive session and announced that the Members would not reconvene in public after the conclusion of the executive session.

IT WAS VOTED -- upon Mr. Hanover's motion, seconded by Mr. Ranney -- to go into executive session to discuss the Authority's strategy with respect to collective bargaining and litigation matters, the purchase, exchange, lease and value of real estate, contract negotiations with nonunion personnel, and the deployment of security personnel and devices.

VOTING	**AYE**	**NAY**
Mr. Oliveira	**10 %**	
Mr. Ranney	**35 %**	
Mr. O'Brien	**10 %**	
Mr. Hanover	**35 %**	
TOTAL	**90 %**	**0 %**

A TRUE RECORD

H. FLINT RANNEY, Secretary