

MINUTES
OF THE
WOODS HOLE, MARTHA'S VINEYARD
AND NANTUCKET STEAMSHIP AUTHORITY

The Meeting in Public Session

December 29, 1999

The Members of the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority met this 29th day of December, 1999, beginning at 9:30 a.m., in the Harbor Room of the Holiday Inn, located at 291 Jones Road, Falmouth, Massachusetts.

Present were all four Members: Chairman Paul R. Kelleher of Falmouth; Vice Chairman Grace S. Grossman of Nantucket; Secretary Ronald H. Rappaport of Dukes County; and Associate Secretary Robert L. O'Brien of Barnstable. Also present were all three members of the Authority's Finance Advisory Board: Robert C. Murphy of Dukes County; S. Eric Asendorf of Falmouth; and Steven A. Tornovish of Nantucket.

The following members of the Authority's management were also present: General Manager Armand L. Tiberio; Treasurer/Comptroller Wayne C. Lamson; General Counsel Steven M. Sayers; Marketing and Community Relations Manager Gina Barboza; and Executive Secretary to the General Manager Maxine Horn.

Election of Officers:

Mr. Kelleher stated that, in accordance with the Authority's Enabling Act, Mrs. Grossman automatically would become the Authority's Chairman for the year 2000. Mr. Kelleher then entertained motions for the election of the remainder of the Authority's officers for the upcoming year.

IT WAS VOTED -- upon Mr. O'Brien's motion, seconded by Mrs. Grossman -- to elect Ronald H. Rappaport to serve as the Authority's Vice Chairman for the year 2000.

VOTING AYE: Mr. Kelleher and Mrs. Grossman
VOTING NAY: None

The Members deferred the election of the Authority's Secretary for the year 2000 pending the appointment by the Falmouth Selectmen of the new Falmouth Member.

IT WAS VOTED -- upon Mr. Rappaport's motion, seconded by Mrs. Grossman -- to elect Robert L. O'Brien to serve as the Authority's Associate Secretary for the year 2000.

VOTING AYE: Mr. Kelleher, Mrs. Grossman and Mr. Rappaport

VOTING NAY: None

IT WAS VOTED -- upon Mrs. Grossman's motion, seconded by Mr. Rappaport -- to elect Wayne C. Lamson to serve as the Authority's Treasurer for the year 2000.

VOTING AYE: Mr. Kelleher, Mrs. Grossman and Mr. Rappaport

VOTING NAY: None

Noting that Mr. Kelleher was not seeking reappointment as the Authority's Falmouth Member, Mr. Rappaport declared that, during the entire five years they had worked together, Mr. Kelleher always had conducted himself with the best interests of both the Authority and the Town of Falmouth at heart. Further observing how Mr. Kelleher also had always treated everyone with courtesy and decency, Mr. Rappaport stated that he had tremendous personal respect for Mr. Kelleher, and they were all going to miss him.

Mrs. Grossman and Mr. O'Brien agreed, expressing their appreciation for having the pleasure of serving with Mr. Kelleher and wishing both him and his wife the best.

Minutes:

IT WAS VOTED -- upon Mr. Rappaport's motion, seconded by Mr. O'Brien -- to approve the minutes of the Members' meeting in public session on November 5, 1999.

VOTING AYE: Mr. Kelleher, Mrs. Grossman and Mr. Rappaport

VOTING NAY: None

IT WAS VOTED -- upon Mr. Rappaport's motion, seconded by Mr. O'Brien -- to approve the minutes of the Members' meeting in public session on November 18, 1999.

VOTING AYE: Mr. Kelleher, Mrs. Grossman and Mr. Rappaport

VOTING NAY: None

Freight Transportation Service to the Islands and
the Implementation Plan of the Freight Reduction Policy:

With respect to the status of the request for proposals that the Authority had issued for a private operator to provide freight service to the island of Martha's Vineyard, Mr. Tiberio reviewed the contents of Staff Summary #GM-415, dated December 21, 1999. Specifically, Mr. Tiberio reported that two proposals had been submitted in response to the request, one from Hvide Marine, Inc. ("Hvide") in the amount of \$1,475,000, and the other from Seaport Maritime II, LLC ("Seaport") in the amount of \$1,575,475. Mr. Tiberio stated that both proponents were capable of providing the service as defined in the

request and that both proposals had been ranked as being advantageous to the Authority based upon the criteria set forth therein. Mr. Tiberio also noted, however, that neither proponent had received a commitment from the City of New Bedford for the use of the State Pier as its mainland terminal facility.

Mr. Kelleher then invited representatives of the proponents to speak. No one representing Hvide was present, but Peter A. Ryan, Senior Vice President and Chief Financial Officer of Seaport, did make a presentation. Because of the length of that presentation, it is attached hereto as a supplement to the minutes of this meeting

After the presentation, Mr. Tiberio declared that he did not wish to get into a debate over the substantive issues raised by Mr. Ryan. However, as a matter of clarification, Mr. Tiberio reported that the Authority had received a subsequent communication from Hvide in which Hvide had acknowledged that it had completed the proposal form incorrectly and, further, that it would provide the Authority with the requisite performance bond if requested.

In response to a question from Mr. Rappaport, Mr. Ryan stated that Seaport's vessel was not a union vessel, declaring "that's the beauty of it." As a result, Mr. Ryan said, Seaport could work its boat 24 hours a day, seven days a week without any more labor cost, while every increase in service provided by Hvide would come with a cost.

At Mr. Rappaport's request, Mr. Tiberio then responded to a number of the issues raised by Mr. Ryan. First, Mr. Tiberio stated that, with respect to freight capacity, the question was whether Hvide could meet the minimum requirements specified in the request for proposals. Noting that Hvide had proposed a number of vessels ranging from 175 feet to 195 feet in length with 32-foot wide freight decks, Mr. Tiberio declared that the evaluation committee had concluded it would be able to meet those minimum requirements. In this regard, Mr. Tiberio also commented that, in any event, both Hvide and Seaport would have to modify the sterns of their proposed vessels to enable them to fit into the Authority's slips.

Mr. Tiberio further reported that Hvide's proposed schedule similarly complied with the guidelines in the request for proposals, and that both proponents had stated their willingness to work with the Authority regarding what their exact schedules would be. Mr. Tiberio noted that an operator would only be able to make two round trips between Martha's Vineyard and New Bedford within a 12-hour time frame, and he stated that each proponent had

proposed making two round trips a day. In addition, either proponent could provide a third trip if requested, although Mr. Tiberio stated that was not a requirement contained in the request for proposals. Accordingly, Mr. Tiberio said, neither proponent's schedule was more advantageous to the Authority than the other's schedule.

With respect to Hvide's financial condition, Mr. Tiberio stated that, because the company recently had emerged from Chapter 11, the evaluation committee did not believe its bankruptcy filing earlier in the year warranted excluding Hvide from consideration, especially since the Authority had no information indicating that Hvide would not be able to meet its obligations during the six-month pilot project. Mr. Tiberio further noted that, although Seaport's principals individually might possess extensive experience in the maritime industry, Seaport itself did not meet the minimum requirement of having ten years of such experience, and that such organizational experience and resources were critical factors when considering whether a proponent would be able to provide this anticipated level of service.

Mr. Tiberio declared that he had ranked Hvide first because of its overall qualifications, and that he believed Hvide's background, history and experience in the maritime industry moving freight, its equipment, resources, personnel and engineering back-up were far superior than Seaport's. Mr. Tiberio noted that both proponents had proposed using the Authority's terminal facilities on Martha's Vineyard and had proposed using the State Pier in New Bedford, and that, based upon the information in the evaluation committee's possession, both proposals had been evaluated as being advantageous. Finally, Mr. Tiberio noted that Hvide's financial proposal was \$100,000 less than Seaport's, and he declared that the bottom line was that he did not believe the Authority should spend another \$100,000 to obtain the same level of service.

In response to a question from Mr. Rappaport, Mr. Tiberio said that, in arriving at his ranking, he did not consider whether either proponent was unionized, as that was not a requirement specified by the Authority. However, Mr. Tiberio noted that Hvide's marine operations included a large percentage of union personnel, although he did not believe that all of Hvide's employees were organized. In summary, Mr. Tiberio declared that, based upon his evaluation and analysis, as well as Mr. Ryan's presentation that day, it was his position that Hvide ranked number one for all of the reasons he had stated, even though it had been a difficult decision.

Mrs. Grossman then declared that she was comfortable with Hvide due to the fact that the Authority's management had looked into these matters very thoroughly. Mr. Rappaport similarly stated that he did not feel he was in a position to supersede management's evaluation when it came to an analysis of the proposals. Accordingly, after Mr. Tiberio confirmed again that he had looked at all of the issues raised by Mr. Ryan and that he still believed Hvide should be ranked first for all of the reasons he had stated, Mr. Rappaport moved to award the contract to Hvide. Mrs. Grossman seconded the motion.

Given the small number of vehicles that were going to be transported from New Bedford, Mr. Murphy observed that, no matter which option the Authority chose, the project was going to be a highly expensive proposition and its cost was going to be passed onto the inhabitants of Martha's Vineyard and the people who use the Authority's services. However, Mr. Murphy noted that the Authority basically had no choice but to move forward. Mr. Asendorf said that he was glad to see that the Authority was about to move forward and get this program started, declaring that the Members should trust management to make the best decision they can.

Mr. Kelleher then invited discussion of this subject among the Members. Because of the length of the Members' statements, they are attached hereto as a supplement to the minutes of this meeting. After the Members finished their discussion, Mr. Sayers stated that, based upon his review of the proposals, Hvide's proposal was not contingent upon the availability of the New Bedford State Pier and that, therefore, an award of the agreement to Hvide did not have to be made contingent upon the availability of that pier.

IT WAS VOTED -- upon Mr. Rappaport's motion, seconded by Mrs. Grossman -- to award the agreement to provide a freight transportation service to the island of Martha's Vineyard to Hvide Marine, Inc. ("Hvide") in accordance with the request for proposals issued by the Authority and the proposal submitted by Hvide in response thereto, for a Total Compensation in the amount of \$1,475,000.

VOTING AYE: Mrs. Grossman and Mr. Rappaport
VOTING NAY: Mr. Kelleher

Public Comment:

West Tisbury Selectman Cynthia Mitchell declared that she also thought Mrs. Flynn's mediation proposal was a good idea and that the Authority ought to have a seat at the table. Ms. Mitchell further stated, on behalf of Martha's Vineyard, that she accepted the Authority's offer to fund the mediation, and that she hoped the Towns of Falmouth, Barnstable and Nantucket similarly would agree to it.

Dukes County Commissioner Daniel Flynn suggested that the Authority should open up its passenger policies and allow the business environment to dictate how traffic is moved, which he felt would reduce a lot of the traffic in Woods Hole and Falmouth.

Oak Bluffs Selectman Kenneth Rusczyk advised the Members that the Town of Oak Bluffs had voted a building cap on December 16, 1999, which will greatly reduce the number of trucks coming over to the island with building supplies, and that the Town also was going out to bid for the construction of a wastewater treatment plant, which will similarly limit the number of trucks. Mr. Rusczyk declared that the interests of the residents of the island and Falmouth were the same, namely, their quality of life.

Falmouth Selectman Mary ("Pat") Flynn thanked Mr. Kelleher for his five years of service to the Falmouth community and participating in all of the difficult and complex issues involving the Authority. Ms. Flynn stated that two of Mr. Kelleher's most important strengths had been his ability to be a true representative of the community and his ability to articulate the interests of the community as he knew them to be. Observing that Mr. Kelleher had made it his business to be aware of the concerns of both the Falmouth Selectmen and the community at large, Ms. Flynn declared that he had served the Town well.

Ms. Flynn then stated that Mr. Kelleher's comments made a whole lot of sense to her as a layperson. However, Ms. Flynn said, everyone had agreed all along that the decision whether to use a private operator or an Authority vessel to provide the service was an operational one for the Authority to make because the Authority was the entity that would be financially accountable for the outcome. Ms. Flynn declared that the decision had now been made and that it was the one that everyone would have to live and work with, even though she felt it would still be viewed by Falmouth as a very small step.

Mrs. Flynn noted that the question was now whether the pilot program would accomplish what the community wants it to accomplish and how the Authority would evaluate the effectiveness of the program. Mrs. Flynn suggested that the Authority should include representatives from Falmouth, Martha's Vineyard and the trucking industry to work with it in monitoring the program and its cost to the Authority in light of the amount of freight diverted. Ms. Flynn observed that the representatives would thus provide community feedback as to whether the program should be continued for another year and whether it should be expanded upon. Ms. Flynn further stated that she was heartened by Mr. Rappaport's comments that this was only a first step in a continuing process, and thanked him for his support of her proposal to have the five communities discuss the issues around the table in order to develop a strong public policy that will serve all of the communities in terms of what the Authority's operations will be in the future, and she suggested that the Authority could take more of a leadership role in bringing the parties together.

Falmouth Town Administrator Peter Boyer declared that his perspective was slightly different from Ms. Flynn's perspective, and that he needed to advise the Members of the clear dilemma that the Falmouth Selectmen now faced, namely, whether the Authority's action was a sufficient acknowledgment of Falmouth's problems so that the Authority did not need to do any more in the immediate future in terms of freight reduction. Mr. Boyer declared that while he similarly supported the concept of mediation, they were now faced with the immediate prospect of the community's reaction to the Authority's decision, and that he thought the response from Falmouth's citizens would be that the Authority's action was simply not enough.

Mr. Boyer reminded the Members that the Falmouth Selectmen would be discussing the Authority's decision the following Monday when they considered their position with respect to the bill pending in the Legislature. Mr. Boyer stated that the question was whether Falmouth will accept the assurances of the island Members that this is only the first step, or whether Falmouth will essentially lose patience and seek assistance from the Legislature.

State Representative Eric Turkington recounted how the Joint Resolution in April 1999 had identified a couple of immediate points which everyone had wanted to be addressed this year, namely, to cap freight traffic at 1997 levels and to get rid of the early freight boat trip out of Woods Hole. Noting that the Authority was making progress on both points, Representative Turkington declared that it was now time for New Bedford to step up to the plate while the Authority fine-tuned the program over the following six months.

Yarmouth Representative Theodore Galkowski similarly agreed that the communities should be working together, but he complained that the Town of Yarmouth was being ignored. Mr. Galkowski stated that the Town had not been advised of any of the private meetings that were apparently taking place between Nantucket and Barnstable, and that he did not think that was how they should be conducted.

Mr. Rappaport observed that both the mainland and the islands were suffering from overdevelopment and that, if he could flip a switch and turn back traffic to a lower level, he would do it for both communities. Mr. Rappaport noted, however, that dealing with growth was an extremely complicated matter and that cost obviously was not the only issue. Nevertheless, saying that people should not lose sight of the fact that the Authority was the only public transportation authority he knew of which operated without taxpayer subsidy, Mr. Rappaport declared that the Authority had an obligation to continue to provide safe, reliable and dependable service at a reasonable cost.

Mr. Rappaport further stated that the freight issue obviously had been the most difficult subject he had faced in his seven years as an Authority Member, and one that they all had struggled with mightily. Mr. Rappaport declared that he did not see why the Authority's governing structure should be changed over what may be disagreements over the resolution of the issue in a manner that was leading to a pilot program. To the contrary, Mr. Rappaport said, the Authority works, did not need to be tampered with and, indeed, was an organization which the Commonwealth should be proud of because it does not cost the taxpayers a single penny.

Mr. Rappaport also observed that this was a situation where it was impossible to satisfy all of the stakeholders, noting that Martha's Vineyard residents also were going to be very unhappy over the rate increase that was going to be imposed to pay for a service that was not needed because the Authority already possesses the necessary capacity. Taking this issue aside, Mr. Rappaport said, he and Mr. Kelleher had voted together well over ninety percent of the time, and there were very few instances where the Members' votes had not been unanimous. Mr. Rappaport stated that he similarly had disagreed with Mr. O'Brien on very few matters and that, when one looked at the whole picture, there had been only a few occasions where the Members had such opposite views.

Mr. O'Brien agreed that the Members had been on the same frequency with respect to most of the issues that had faced them, but he stated that the Town of Barnstable, which had a port that was much overused at that point, had made it clear that it wanted a vote on the Authority, and that was his position as well.

Thomas Renshaw of the Woods Hole Community Association declared that Woods Hole was at capacity as far as the Woods Hole residents were concerned and that, although the Authority could carry more traffic through that port, it could not be done without a tremendous price to those who lived there. Mr. Renshaw stated that it was clear that sooner or later there was going to have to be a significant alternative port to handle traffic to Martha's Vineyard and that the simplest concept was to solve the problem by diverting trips from Woods Hole to New Bedford. Mr. Renshaw noted that the Authority was starting that process now, but that it was being judged by how much it was going to cost even though it was being done in a way that made the least economic sense. As a result, Mr. Renshaw said, the Authority should not point to its cost as a reason to reject the concept in the future; rather, the only way the experiment should be judged is whether trucks begin to be moved from New Bedford instead of Woods Hole.

Woods Hole resident Luella Thompson declared that no one had ever suggested terminating service from Woods Hole – whether it be for trucks, cars or people – and that the only thing being discussed was reducing traffic levels. Ms. Thompson advised the Members that Falmouth residents were likely to run out of patience and, in fact, many of them already had done so. Contending that the Authority's action was merely a delaying tactic, Ms. Thompson argued that the islands were not trying to protect a lifeline, but rather a "lifestyle" line which required Falmouth to absorb an unlimited number of people, cars and trucks generated by an overheated island tourist industry and builders of trophy homes. Ms. Thompson stated that the Authority had no right to ask Falmouth to provide those kinds of services and that, if all the islands were asking for was a lifeline, they should receive only one boat a day.

Mr. Ryan then repeated a couple of points that he had made earlier in the meeting. First, Mr. Ryan said, he could not imagine that any bank did not provide a negative reference for Hvide, which would have required the evaluation committee to give Hvide a "not advantageous" rating with respect to its qualifications. Accordingly, Mr. Ryan declared that he wanted to go on record as saying publicly that the Authority's evaluation committee had applied a different standard from what was clearly stated in the request for proposals.

Second, Mr. Ryan declared that, to the extent Hvide's vessel cannot handle three lanes of trucks, it has not met the minimum requirement specified in the request or, alternatively, Seaport's vessel should have been evaluated based on its ability to handle four lanes of trucks, which would have resulted in it being given a "highly advantageous" ranking. Third, Mr. Ryan stated that Hvide's proposed schedule of trips should not have been accorded an "advantageous" ranking, all of which had led him to believe that the evaluation committee was giving Hvide preferential treatment.

License Requests:

Mr. Sayers reviewed Staff Summary #L-313, dated December 21, 1999, regarding several license requests that were pending before the Authority. In particular, Mr. Sayers reported that management intended to act on a request from Alan McMullen for approval of a proposed new vessel for his ferry service between Harwichport and Nantucket, that management would be scheduling hearings the following month on a request from Cape & Island Transport, Inc. to increase its ferry service between Falmouth Inner Harbor and Edgartown, and that management had been making substantial progress in resolving the objections that it had to the New England Steamship Foundation's previous request to amend its license agreement allowing the *Nobska* to operate between New Bedford and Nantucket.

IT WAS VOTED -- on Mrs. Grossman's motion, seconded by Mr. O'Brien -- to authorize the General Manager to execute a new three-year "additional service" license agreement (i.e., through the end of the 2002 summer season) with Hyannis Harbor Tours, Inc. ("Hy-Line") upon the same terms and conditions as Hy-Line's current license agreement except as follows:

- 1. Although Hy-Line will continue to be licensed to operate six daily trips to Nantucket during the summer seasons, it will be required to operate only five of those trips in the event it finds that operating the sixth trip is unfeasible.**

2. **During the term of the *Grey Lady II*'s license agreement, the passenger capacities of Hy-Line's two other vessels operating between Hyannis and Nantucket are to be reduced as follows:**
 - (a) ***Great Point* -- from 800 passengers to 720 passengers per trip.**
 - (b) ***Brant Point* -- from 600 passengers to 520 passengers per trip.**
3. **During the term of the *Grey Lady II*'s license agreement, Hy-Line also is required to obtain the Authority's approval for any additional high-speed or conventional ferry service between the mainland of Massachusetts and the island of Nantucket or the island of Martha's Vineyard, or between said islands, or for any replacement of any of its existing vessels providing service on any of those routes, prior to entering into any contract or other commitment for the construction, purchase, lease or charter of any such vessels.**

VOTING AYE: Mr. Kelleher, Mrs. Grossman and Mr. Rappaport

VOTING NAY: None

Transferability of Freight Reservations:

Mr. Tiberio reported that, unless the Members felt otherwise, management intended to review the Authority's current practices of allowing freight companies to transfer reservations to different companies on the day of sailing and to cancel their reservations up to 24 hours prior to sailing without penalty. Mr. Tiberio stated that, in his opinion, those practices were negating the value of the "wait list" capabilities of the Authority's reservations program and denied everyone in the freight industry an equal opportunity to obtain reservations no longer needed by companies that originally made them. Mr. Tiberio said that he wanted to review these issues with the industry, develop recommendations

regarding the practices, and bring the matter back to the Members for their consideration at the March 2000 meeting.

Mrs. Grossman recounted how both of these issues had been discussed with the freight industry on Nantucket earlier that year, and how the shippers had advised the Authority in no uncertain terms that they did not believe any changes were warranted. Accordingly, both Mrs. Grossman and Mr. Tornovich urged Mr. Tiberio to meet with the shippers again and listen to their concerns.

Mr. Rappaport agreed that the transferability and cancellation practices needed to be reviewed, as well as with Mr. Tiberio's approach to discuss these issues with the industry before bringing them back to the Members with his recommendations for their consideration. Mr. Rappaport also noted that Art Flathers had spent a lot of time analyzing this matter and suggested that his knowledge would be helpful to Mr. Tiberio.

IT WAS VOTED -- on Mr. O'Brien's motion, seconded by Mr. Rappaport -- to authorize management to review the Authority's practices of allowing the transfer and cancellation of freight reservations and to develop recommendations for the Members' consideration at their March 2000 meeting, as described in Staff Summary #GM-414, dated December 21, 1999.

VOTING AYE: Mr. Kelleher, Mrs. Grossman and Mr. Rappaport

VOTING NAY: None

Proposed Tariff Changes:

Mr. Lamson reported that the Authority had received several requests to establish a reduced passenger fare for student commuters from both islands and to reconsider the proposed increase in the student group fare between Hyannis and Nantucket effective January 1, 2000. As a result, Mr. Lamson said, management was recommending that the Authority extend the current ten-ride senior citizen book rates to student commuters and that the round-trip student group fare for the Hyannis-Nantucket route be increased from

\$6.00 to \$6.50 instead of to \$7.50, as more fully described in Staff Summary #A-385, dated December 21, 1999.

In response to questions from the Members, Mr. Lamson stated that the book rates for student commuters would only be available to island residents who were full-time students, and that he believed their usage would be relatively low. Mr. Lamson also agreed that the opportunity for abuse of such coupon books would be reduced if student commuters were required to show a current school picture identification card each time they used such a ticket to board an Authority vessel. Further, Mr. Lamson confirmed that the book rates would apply to high school students as well as college students, and would include passage on the Authority's high-speed passenger-only ferry.

IT WAS VOTED -- on Mrs. Grossman's motion, seconded by Mr. Rappaport -- to extend the Authority's current ten-ride senior citizen book rates to island residents who are full-time student commuters upon application to the General Offices and proof of school enrollment, provided that such student commuters shall be required to show a current school picture identification card each time they use such a ticket to board an Authority vessel.

VOTING AYE: Mr. Kelleher, Mrs. Grossman and Mr. Rappaport

VOTING NAY: None

Both Mrs. Grossman and Mr. Tornovich expressed their appreciation to Mr. Lamson for his review of these tariffs, and stated that they agreed with his recommendation regarding the revised increase in the new round-trip student group fares for the Hyannis-Nantucket route.

IT WAS VOTED -- on Mrs. Grossman's motion, seconded by Mr. Rappaport -- to increase the new round-trip student group fares for the Hyannis-Nantucket route from \$6.00 to \$6.50 effective January 1, 2000.

**VOTING AYE: Mr. Kelleher, Mrs. Grossman and
Mr. Rappaport**

VOTING NAY: None

Treasurer's Report:

Mr. Lamson reported that the Authority's net operating income for the month of November 1999 was around \$346,000 higher than the Authority's budget estimate, primarily due to higher than anticipated revenues, bringing the Authority's net operating income for the first eleven months of the year to within \$36,000 of the Authority's original projections, after being off by as much as \$1,300,000 at the end of June. As a result, Mr. Lamson said, the Authority had a good shot of exceeding its originally projected net operating income for the year of \$2,295,000.

Proposed Tariff Increases:

Mr. Rappaport then asked Mr. Lamson whether the Members should vote that day on the tariff increases that would be necessary to pay for Hvide's freight transportation service between New Bedford and Martha's Vineyard and, if so, whether he had any recommendations regarding what those increases should be. In response, Mr. Lamson stated that a decision was needed that day because the Authority would have to reprint all of its schedules and brochures for new mailings to the Authority's customers. Mr. Lamson also recommended that, in order to raise additional revenues of \$1,475,000, the Authority implement the following fare increases on the Martha's Vineyard route: (1) a \$3.00 increase in the one-way automobile rates year-round; (2) a \$3.00 increase in the round-trip excursion rates year-round; and (3) a twelve percent (12%) increase in the freight rates year-round. Mr. Lamson further recommended that the freight rates between New Bedford and Martha's Vineyard be equal to the freight rates for the Woods Hole-Martha's Vineyard route.

Mr. Lamson noted that, because freight reservations are normally not prepaid, the new freight rates generally would apply to all trucks traveling in the year 2000. However, Mr. Lamson said, the Authority would honor the

automobile reservations that already had been made and paid for under the Headstart program, and would begin to apply the new automobile rates for reservations processed under the general mail-in program in February 2000.

IT WAS VOTED -- on Mr. Rappaport's motion, seconded by Mrs. Grossman -- as follows:

- 1. To approve the following tariff increases for the Woods Hole-Martha's Vineyard route:**
 - (a) a \$3.00 increase in the one-way automobile rates on a year-round basis;**
 - (b) a \$3.00 increase in the round-trip excursion rates on a year-round basis;**
 - (c) a twelve percent (12%) increase in the freight rates on a year-round basis.**
- 2. That the above tariff increases shall go into effect no later than March 22, 2000; provided, however, that they shall be contingent upon the securing of a private operator to provide a freight transportation service between New Bedford and Martha's Vineyard.**
- 3. That the freight rates for service between New Bedford and Martha's Vineyard be equal to the freight rates for the Woods Hole-Martha's Vineyard route.**

VOTING AYE: Mr. Kelleher, Mrs. Grossman and Mr. Rappaport

VOTING NAY: None

Old and New Business:

At approximately 1:45 p.m., Mr. Kelleher 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 -- on Mr. O'Brien's motion, seconded by Mr. Rappaport -- to go into executive session to discuss the Authority's strategy with respect to litigation and collective bargaining matters, the purchase and value of real estate, and contract negotiations with nonunion personnel.

VOTING AYE: Mr. Kelleher, Mrs. Grossman and Mr. Rappaport

VOTING NAY: None

A TRUE RECORD



RONALD H. RAPPAPORT, Secretary

STATEMENT
BY
PETER A. RYAN,
SENIOR VICE PRESIDENT AND CHIEF FINANCIAL OFFICER
OF
SEAPORT MARITIME II, LLC

December 29, 1999

Good morning. My name is Peter Ryan. I am with Seaport Maritime. After reviewing the evaluation material that the General Manager prepared for this latest six-month RFP, I would like to bring to the Board's attention some of the differences that we have looked at that I don't think were addressed in the analysis. If I could, I would like to hand out a short presentation, at least to the Board members who will be making this critical decision. With regards to whether our competitor, Hvide Marine, has actually met the minimum requirement that was put forth in the RFP.

If I could pass out this handout here, at least to the voting members. Mrs. Grossman; Mr. Kelleher; Mr. Rappaport; and of course Mr. Tiberio. Mr. O'Brien; Mr. Lamson, you certainly were a part of the evaluation. And is there a representative from New Bedford? And of course, for courtesy's sake, I will hand this out to a representative from Hvide Marine.

At the November fifth meeting, the board took painstaking time to come up with a configuration that would best meet its six month's needs and, in doing so, it provided a requirement to move a certain minimum requirement of trucks, certain proponent qualifications, terminal facilities on Martha's Vineyard, mainland facilities, whichever the proponent was able to commandeer. However both companies that responded had identified New Bedford. Also there was a category for vessel specifications as well as frequency of trips.

Now the evaluation that was concluded by the evaluation committee basically put Hvide Marine as advantageous as proponent qualifications and Seaport Maritime as not advantageous. The response that I was able to discern from the evaluation material is that because Seaport Maritime did not have the

requisite ten years of experience as a company itself, certainly the principals of the company well exceed that requirement. But moving over to the other side where the proponent qualifications of Hvide, certainly in obtaining an advantageous rating, of course one would have to have not had any negative bank references, and I would very much be surprised with the recent Chapter 11 filing that Hvide Marine went, if the evaluation committee could conclude that there were no bank references when Hvide Marine had to discharge 433 million dollars of debt under their reorganization which entitled them to emerge recently from Chapter 11. So I believe that that was an oversight on the evaluation committee and that indeed would make Hvide Marine unacceptable.

But in addition to that, as far as proponent qualifications are concerned, in their proposal that they submitted, there were certainly a number of things that were of concern to us because, in our engagement with the Steamship Authority in the first RFP as well as this latest one, we have respected the Steamship Authority's very specific request in their RFP. We have answered these questions thoroughly. When we thought there was doubt we provided more information than less.

When we reviewed the Hvide proposal we noticed that, in section B of the Request for Proposals, there is a Part One that says, "answer detailed questions in the service proposal regarding the freight transportation service being proposed." And the question in Exhibit A, Question 7, is, "During the past three years has the proponent or any person identified in your answer to Question 4" – which refers to the officers of the company – "been subject to a petition of bankruptcy, liquidation or reorganization?" And their answer to that question is "No." Now, I don't know whether there is any threading of the needle going on here, but I think that, as a practical matter, I think that is a false answer.

The second item, in the Freight Transportation Service Experience, Number Two, says, "State whether the proponent, if awarded the Agreement, will provide the Authority with a performance bond in the manner and in the amount specified in Article 23 of the Agreement form which is attached as Exhibit D to the Request for Proposals?" Hvide Marine's response is that they ignored that request. And I particularly think that a performance bond is a critical aspect of this RFP, especially with a company with a recent history as Hvide's, where their very existence is in question. They ignored that. They left it blank. I think that is a critical oversight in responding to your very sensitive request for proposals.

The third item here is in that section where you require an officer of the company to certify and acknowledge that the statements in that RFP are correct. That is equivalent to a "reps and warrants" which any person who has

to do with financing knows what that is all about, and they confirmed that the information in that document is correct. I find that to be an inconsistency.

The next page, page 3 for the Board members who are following along with this information – and by the way anybody can request their filing of Chapter 11. It is a public document. It is a federal document – just to review some of the items that I found alarming and, certainly, as an investor I would look at these particular sections. Certain risk factors to be considered. In this particular section, which is 61 and 62 of their filing, Section A says, product financial information – and this is what they put in their own document – there is a risk that the Internal Revenue Service will challenge their assumptions which affect Hvide's ability to utilize its pre-confirmed operating losses, essentially that is a tax shelter for previous losses and depreciation associated with their assets that were financed with their banks' debt. And what they basically say is that that would result possibly in increased federal income tax due. Now that is when the federal government comes in and says, "You owe us money. You have to pay in cash." They go further on to say that, although the debtor's – of course, Hvide and of course they are going to put the best particular face on any of the issues – projections are reasonably attainable, the point here that is made somewhat all of the estimates will vary and variations between the estimates and the actual financial results may be material, and that is I think a critical point as well.

Going on to B, "depressed industry condition and substantial cash requirements have adversely affected the company's liquidity." You can find this on page 62. This is a very interesting one that I think you should look at carefully. "For the six months ending December 31, 1999, the company estimates that in addition to working capital requirements, cash requirements will be approximately 35 million dollars consisting of approximately 21 million dollars in principal and interest payments on its debt and capital leases, approximately 12 million dollars for vessel maintenance and improvements, and approximately 2.2 million dollars for vessel operating lease obligations."

Now, of course, for the Board members, they can see the highlighted next sentence, which is, "Assuming that the industry conditions do not improve significantly, the company's cash flow from operations and cash on hand will not be sufficient to satisfy its short term working capital needs, capital expenditures, debt service requirements and lease and other payment obligations." Now, if you people have any experience in this business, you will note that the forecast does not include any words near "substantial." So I would be looking at whether or not Hvide has indeed got the cash on hand to make it through a short-term period, which is defined as less than a year. Now of course their banks can continue throwing money at them, and they may.

C. "Recent adverse publicity about the company, including its Chapter 11 filing, has harmed the company's ability to compete in a highly competitive business." And it basically goes on to say that their vendors are not providing them credit for product. They have to come up with cash, further reducing their liquidity and basically the company is under brain drain. People are leaving the company. And it goes on to say, "this attrition has had and is likely to continue to have adverse effects on the ability of the company to compete."

Now, as far as the proponent's qualifications, I hope you consider those things in providing them with a grade appropriate for those types of risks associated.

The page 4 that I handed out is basically a summary of the proposals that have been submitted we think by Hvide Marine but certainly what Seaport has. In the first column, and this ties into whether or not they meet their minimum requirement for vessel specifications. In the RFP it states that the proponent has to demonstrate that it has to provide on a daily basis nine trucks and a configuration of 70 and 55 feet. To the extent you can discern which vessel that Hvide is proposing to use because basically they slapped together about a dozen sheets of paper, put them together and left it up to the Steamship Authority to figure out what vessel they are going to use, the important key factor is the clear width deck space of the boat. Each one of the boats that qualify under the RFP are no wider than 32 feet, so for them to meet the nine truck requirement they would have to get three lanes of nine and a half foot trucks onto their deck. That essentially leaves three and a half feet of dead space.

Now I will tell you, we have tracked this issue down and three and a half feet is what we consider unsafe. It is difficult to get three trucks on a boat and get them off of the landing bridge and parked on the boat three deep. So to the extent that you say that from a practical matter three and a half feet is unsafe, you need more than that, they fail that minimum requirement as far as they would be reduced to providing two lanes of trucks.

But let's just say the Steamship Authority will give Hvide a little liberal interpretation on that and we will call it the "shoehorn" approach. They will shoehorn those trucks onto the boat. Well, then, I propose that you give us the "shoehorn" approach and, with our boat, which is forty feet wide, we can get four lanes of trucks on, which could substantially increase our payload and go beyond the minimum that we have submitted in our proposal because we felt that 11 and one-half feet of dead space is safe operating practice. Trucks that have to discharge and load within a half an hour aren't going to be fooling around with a bunch of guys signaling back and forth. We left enough space. However, we want the same treatment. You are going to give them a "shoe-

horn" treatment. We want the "shoehorn" treatment and we can get four lanes of trucks nine and a half feet wide. We have a superior vessel under that criteria.

I am going to come back to this page just to show you some of the effects on how much better Seaport Maritime's proposal is for the Steamship Authority. As you can see, pages five and six are diagrams of how the trucks are supposed to go onto the ships. Hvide Marine, I guess, left it up to the evaluating committee's imagination on how they were going to do. We did supply it so we could comply with your request. Under our submittal we basically show you the minimum requirement, the nine trucks. What we do have here is, since we are going to assume that the "shoehorn" approach is going to be applied to all, we show you a diagram of the trucks that will be transported on our vessel, and they result in 24 trucks a day that can be moved on our vessel. If that is the criteria that is going to be used, that translates to twelve 70-foot trucks, sixteen 55-foot trucks and four 40-foot trucks. That is far superior to what we are competing against. Now to the extent we even stay within the confines of two trips a day, that translates to Seaport Maritime moving 4,224 trucks during that six-month peak period, where that could be an attractive aspect of our proposal.

Now with respect to having that capacity and utilizing it, it would further go to your primary course that I have heard talked about in the paper and what you have basically talked about repeatedly, is the financial aspect of it. With moving that number of trucks you can reduce the unit cost per truck to 373 dollars. Under what I assume Hvide is submitting, their unit cost runs anywhere between 1,397 and 931 dollars. Our unit cost price is one-third of theirs. So when you figure out the tariff that you are going to employ for trucks going between New Bedford and Vineyard Haven, you have a lot more to work with 373 versus 1,397 dollars.

Now, since we sort of got this vague proposal that Hvide put forth and who knows, maybe they have provided some clarification, we feel Seaport should provide some clarification. We can provide three trips a day if the Steamship Authority would like, and we can do it at the same cost that we provided in our submittal, and whether that is acceptable or not, it sort of ties into the last item that the bids were evaluated on, and that is the frequency and timing of trips.

If you turn to page 7, what we have done there is provided you with a time line of what Seaport Maritime has proposed and part of the minimum requirements and what was communicated by the Steamship Authority is that there is a consideration for the truckers to have enough time to arrive at the New Bedford State Pier, travel over to Martha's Vineyard, drop their load, do

what they have to do, get back on a Seaport Maritime boat, sail back to New Bedford and have enough time to get back to their home warehouse within a twelve-hour day because the regulations for truck drivers are such that they are prohibited from driving more than twelve hours a day. We have done that and we have provided certainly excess time in the schedule because our approach is to provide safety. And because our boat is new. It is a brand new constructed boat. It runs at 15.4 knots. We can make up any time we need to within the schedule that we have and we actually put some slack time in there.

Now our vessel is running two ten-hour trips. We are not constrained with our labor. Our labor is a fixed cost. We can run the boat 24 hours a day if we had to. Which goes back to my point earlier with the frequency of trips. If this proposal where we basically look at accommodating the Steamship Authority's request to accommodate the truckers is not sufficient, we can go to a back-to-back three trips a day, which further increases the number of trucks we can move in a six-month period, further reducing the unit cost down to 249 dollars.

So depending upon the needs of the Steamship Authority, Seaport Maritime has provided a solution that has built-in flexibility and safety, and those are the points in which I would like the board members to consider today when they look at, and going back to page one, how they evaluate the bids if indeed they are going to vote for the reduced service of six months for Martha's Vineyard. The top section shows that there was a evaluating committee a preference for Hvide, but when you look at the revised qualifications, I propose that Hvide does not even meet the minimum requirements for vessel specifications. Seaport Maritime provides superior advantages for the Steamship Authority, and as far as the frequency of trips, there is no comparison whatsoever. Seaport Maritime is far superior.

So I hope that what I have shared with you today is evaluated carefully and when you go back to page four and you look at the dollar amounts, we provide the flexibility that we can provide four lanes of 9.5 foot trucks. We can do up to three trips a day, and if the Steamship Authority calls on us to operate on the weekends, we can and if that was a requirement the only thing that we would charge for is approximately fuel and lube. For emergency situations or for that matter if you wanted to utilize the boat on the weekends.

One additional point that I did leave out which shows the flexibility of the proposal that Seaport Maritime has put together. As I discussed, the frequency and timing of trips. We take the trucker over to Martha's Vineyard and we essentially lay up for two hours. We come back and pick up that same truck that we dropped off on Martha's Vineyard. Now, what that does is keep that

truck out of the Steamship Authority's system because that is the purpose of this whole endeavor is to move congestion off the Cape.

That is not what Hvide Marine proposes. They propose back-to-back trips. And as far as their frequency and timing of trips, one of the requirements is that they have enough time for each person to drop their load and get back within a twelve-hour day. Certainly if you consider Hvide's schedule, the trucker that goes over on the morning trip would have to come over on the afternoon trip to be able to make their drop and come back. But on the second trip, the trucker, if they have to do some activity on Martha's Vineyard, has to lay overnight. It is not attractive if I were a trucker.

But here is the point that I want to make. During that lag time that we are in the harbor waiting for the trucker to do their route, pull back into Vineyard Haven, pick them up and take them back to New Bedford, we can make a run over to Woods Hole. That is not in the RFP, but we are flexible to provide the Steamship Authority that option, and I know that BFI has been interested in something like that and there would be a run that can be dedicated for BFI to go back and forth. Now granted, it is to Woods Hole, but it is better use of your dollars than you are spending for this contract.

So please consider these points that I have made and, if you do, you will realize that Seaport Maritime provides by far a superior proposal than what Hvide Marine has done. Thank you very much.

STATEMENTS MADE BY
MEMBERS OF THE
WOODS HOLE, MARTHA'S VINEYARD
AND NANTUCKET STEAMSHIP AUTHORITY
REGARDING
THE AUTHORITY'S FREIGHT REDUCTION POLICY

December 29, 1999

Statement Made by Ronald H. Rappaport

This is a culmination of a long process and it is time – and I am quoting one of the Falmouth Selectmen – to put a boat in the water to see what works and what doesn't. We have had a lot of theories out there, but it is time to put a boat in the water.

This process has been ongoing for a number of years, as all of you who are frequent attendees of our Steamship Authority meetings know all too painfully well. The analysis of this issue started several years ago by the Steamship Authority and, in the course of its analysis, a number of studies have been undertaken. The process was accelerated by New Bedford receiving federal and state money for the construction of a roll-on, roll-off port facility which is not yet built and is scheduled to go on line May first. But I would like briefly to go through some important points which have brought us to where we are today.

On April 22, 1999, there was a resolution passed by this Board and that resolution, which was supported by the leading governmental officials of both islands, outlined a five-point program. Number one was to put out a request for proposals for a private carrier. That was on April 22, 1999. An RFP was put out for both islands which would have been a five-year program, and my memory is that it would have provided four round trips to Martha's Vineyard and two round trips to Nantucket.

Five days after that vote was taken, the City of New Bedford adopted a resolution, unanimously passed by their City Council, which said that they rejected that program, that the rejection was based on the clear intent of the

motion to protect existing shipping operations, and that the City of New Bedford would not accept a private carrier. I repeat, that was for a five-year program, year-round, four trips to the Vineyard and two trips to Nantucket, and within five days that was rejected.

I cannot sit here and tell you what impact that had on the willingness of the industry to come forward with proposals, but the proposals that came in were high. But before we had a chance even to act on the proposals, one of the proponents was threatened with a revocation of its lease in the City of New Bedford. A business which had been there for a long period of time and, based on the statements in the newspaper, it appears that the threat of that revocation of the lease was based upon the submission of a proposal for service to the Steamship Authority. The City has taken the position that there will not be barge service, that only a certain percentage of the freight could be certain types of commodities.

So we came to our meeting on November 5th, we unanimously voted that we could not accept the proposals, and we unanimously voted to go out with a program that is in front of us today, which is a six-month seasonal pilot program, and I would point out that it is a two-year seasonal program. The Steamship Authority has the option to cancel it after one year if it proves to be financially disastrous, but it is my intention that it be a two-year program. We no sooner passed that resolution, which, again, I repeat was a unanimous vote by the Members, than the City said they would not accept a seasonal service.

There is an exchange of correspondence which I would like to briefly bring to people's attention. Armand called the City to discuss their willingness to cooperate with the Steamship Authority so that we could get a boat into the water as had been unanimously voted by all three Members. They didn't return his phone calls. So Armand sent a letter on December 6th stating what the merits of the program were and why we were attempting to move forward to address the issue of freight congestion in the Town of Falmouth and the port of Woods Hole. It is a letter of December 8th, and that letter responded to a letter from New Bedford's City Solicitor who said that they were not interested in seasonal service. Armand's letter indicated that it was a prudent effort to determine the economic viability and desirability of the service, and that the limitation of service to the peak season months was intended to increase the prospects of the pilot project's success, in that it will be operating principally during the late Spring and Summer seasons when the island's freight demand is at its highest and when port congestion and traffic are at their most troublesome. Beginning the service as a year-round proposition would only serve to unnecessarily jeopardize the experiment, and he urged the City's cooperation.

There was no response to Armand's letter, but what we did learn about were letters from other interested proponents. What is most troubling to me are three letters we received. One from General Dynamics, a Massachusetts company, which said, among other reasons, that they were not submitting a proposal because the City of New Bedford had indicated in writing to the Steamship Authority and verbally to the company, American Overseas Marine, a subsidiary of General Dynamics, that they will not lease the State Pier for a period of only six months. "We are therefore unable to provide a suitable off-Cape terminal facility," and they did not submit a proposal. The same statement is contained in a letter from a company in Connecticut called Cross Sound Ferry Services, Inc., who said they had a boat, they would like to provide the service, but they were unable to tender a proposal because of the uncertainties regarding the terminal availability in the New Bedford area. And similar statements were made in a letter that was submitted by Tisbury Towing and Transportation, Inc., which cited other reasons why they also were not interested in submitting a proposal. But there were three companies which said they were not submitting proposals – one solely because of the position taken by the City and two others which listed, among other reasons, that they could not submit a proposal because of the position of the City.

I would bring us forward to November 18th when we had a two-to-one vote on the specifics of the RFP. I know that that vote caused consternation with my colleague, Mr. Kelleher, and with certain officials in the Town of Falmouth. Paul wished to add about eight conditions to the RFP and I believe that those conditions were reflective of sentiment in the community of Falmouth. Nevertheless, that was for a seasonal program, a program which the City has said they would not accept.

So I think the Authority has attempted – and we certainly have spent an enormous amount of time – to deal with an issue that is an extremely complicated issue and that, unfortunately, has pitted community against community and is a very difficult issue to solve. Because what we learned from the first RFP process was that the maritime industry was not interested in getting into this business without being guaranteed that they could make a profit, and that the shippers were not interested in shipping from New Bedford. So we have had to deal with this issue in the face of industry resistance and in the face of debate within our communities and between our communities, but nevertheless with a commitment on the part of the Steamship Authority and the Vineyard to work with the Town of Falmouth to address concerns about truck and freight traffic, particularly during the season. So we are here today, having been hampered in our efforts by the actions of certain City officials.

Nevertheless, it is incumbent upon us to take action, to get a boat in the water and to get the process underway. So I am prepared to vote for the

submission by Hvide, but I wish that we had had a full opportunity to get other proposals so that we could have known what other prices were out there. I will also say to the Town and my colleague, Paul Kelleher, that I have attempted as best I could over the past couple of weeks to see what other alternatives are open to the Steamship Authority in terms of not just putting this service out there, but what we could do to reduce service through Woods Hole. I have asked management, and will continue to ask management, to see whether they can get rid of that 6:15 AM boat which I know we committed to do and to see whether at least that run can be diverted so that the first run out of Woods Hole can be after 7:00 AM. So that is also going to be my request that that be done.

I have a number of other thoughts that I will just speak to briefly. "Why not Steamship Authority service as opposed to a private carrier?" That is a legitimate question. At this stage the only possibility would be to use the *Sankaty*, which has the term "spare vessel" attached to it. I don't look at that spare vessel as a luxury. I look at that as a necessity. The Steamship Authority's fleet consists of the *Islander*, which is 50 years old, the *Governor*, which is over 40 years old, and the *Nantucket*, which is 25 years old. The *Governor* was out of service last summer for almost three days. Our mission is to provide reliable transportation. The impact not on just the traveling public but on all of our communities if one of our vessels goes out of service and we do not have a backup would be much greater than what exists now. I do not believe we can afford the risk, with the age of the fleet, of not having a backup vessel available to be put into regular service in the event one of our vessels is out for an extended period of time.

I also do not believe that this vote is the end, but is a part of a continuing process to work with the port communities to provide relief from freight traffic, and along with that I would ask that management look at getting the fuel and petroleum products off the Steamship Authority vessels. That has been a matter that I have brought up on a number of occasions and I know that it is contained in the letter which we have received from the Falmouth Selectmen. I would ask that that option be looked at because that is real relief, and I would tell Mr. O'Brien that if that could be accomplished, that would bring the number of trucks through Hyannis down to 1997 levels, which I know he is particularly interested in and his Town Council and County Commissioners have spoken to most recently.

So again, this is a step and we will continue to work this process. It is very important that our communities do the best we can to work together. But as I have said, it is time to put a boat in the water. Let's get this program underway.

Finally, this doesn't come without cost. This is a \$1,500,000 cost and that is going to be reflected in a rate increase which will impact significantly the people on the Vineyard. What makes this issue so difficult, among the other factors that I have mentioned, is that the Steamship Authority has the capacity to provide the service with its existing fleet with a four-boat schedule, as opposed to the five-boat schedule that we had a couple of years ago, for the next several years. So this is entirely an expense without revenue. Nevertheless, we have to proceed. Let's get that boat in the water. And I am prepared to vote for this.

Statement Made by Paul R. Kelleher

Ron led you through a reasonably complete history of some of the issues that we are here to vote on today. I have a couple of issues that I would like to discuss myself. It has been several years and the Board has struggled with the issue of getting some kind of relief, and the proposal and the studies that have been done show a solid increase in traffic through the year 2005, and those numbers have exceeded that in the Woods Hole-Martha's Vineyard run. So to get back to 1997 figures is very difficult and the studies have shown that it is feasible.

We have an uncompromising representative from the City of New Bedford that has taken a position of no to everything at this point. They want different things than what the Board has tried to accomplish. But they are accepting federal and state money to develop a facility and, without being an attorney, I find it difficult to believe that they could refuse service once that is complete and ready for business.

But that is another issue. We are not talking people or personalities. What we are really trying to do is solve the increasing traffic that is going through Falmouth and Woods Hole. Since 1997, if I may give you a little bit of added history, we have increased the vessel capacities by getting the *Governor* and spending just about \$1,000,000 in the last year to increase and strengthen the freight deck to carry longer, larger and heavier trucks. We have spent approximately \$5,000,000 apiece in order to lengthen two of the freight vessels by fifty feet and to repower them so that they can hold more and heavier trucks. One of those freight vessels is serving the Hyannis-Nantucket route, but the other one of concern to us means that in 1998 we increased the truck capacity just in that one year by 112 trucks a week.

You can play a lot of numbers. But a few numbers here and, well, it's just a couple there, and all of a sudden, since 1997, the Steamship Authority has increased its truck capacity from 270 to 488. That is a serious increase. It is a serious volume of traffic that is going through the Town of Falmouth and, in general, there is absolutely no benefit from that particular increase in volume. And I need to emphasize, as I mentioned at the last meeting, that the Steamship Authority is in the process right now of spending \$1,000,000 to rebuild the Oak Bluffs terminal, and the 1998 capital budget shows a final figure for a \$16,000,000 facility – which I might add that we don't have that money at this time. But we are also in the process of a \$1,500,000 engineering study to see what is the best way to develop that.

And the bottom line of that is to give relief to their Vineyard Haven terminal, and I think Woods Hole needs the same kind of respect. In not one of the meetings of the committee on Oak Bluffs or any of the public discussion was one voice raised to the cost of that. And that is serious money. So we don't have the money right now, but it is part of the capital budget through 2005, and I think you will see that grow. That initial capital budget pushed the rehabilitation of the Woods Hole terminal, which hasn't had anything done to it for 30 years, right off the capital budget through the end of 2005, although because of objections we went back in with a token amount of money to rehabilitate it without getting into a major rehabilitation for Woods Hole. But the point is, they want relief from their traffic pile-ups in Vineyard Haven, and Woods Hole wants the same.

I made up some key points that have had restricted distribution to some political organizations and people, and I did that after the November 5th meeting and before the November 18th meeting. I just want to touch base on a few of them.

"I think the RFP that went out is an exercise for failure. There are no teeth in it. A six-month period with no guarantee of continuing." And this was way back then. My comment on these key points. "It is unlikely that many, if any, operators will be willing to commit vessels, men and money to such a restricted operation." Voilà. Mr. Rappaport just led you through that. The letters from people who won't submit a proposal because of some uncertainties. "Not only in time, but it is restricted to no more than two trips a day in the use of our facilities at Vineyard Haven."

"If there is any response to the RFP, it is likely that the cost will be prohibitive, over \$1,000,000." We are talking about approximately \$1,500,000 and that does not include any of the costs of operating the mainland facility or any payments to the New Bedford Harbor Development Commission for its use. We are into serious money. "By not allowing the Steamship Authority to direct

freight haulers and specific types of cargo to a specific geographical area – that is, west and north of New Bedford – there will be no reason or incentive for any shippers to use New Bedford.” And this is probably the key. “As presently restricted in the crafting of the motion of November 5th, there is no relief at all for Falmouth or Woods Hole, and as a result of no reduction in Woods Hole-Martha's Vineyard freight ferry trips, the cost will be as proposed with no income from fares except those generated by the free market, since Woods Hole trips will still be made and they will be considered the paying freight operators and the income from the freight.”

“The Woods Hole freight ferry trips must be reduced by at least four trips a day and no extra trips should be undertaken in any circumstances.” The figure through this month – and it needs qualification because, according to the reporting that they do, any trips exceeding five trips a day is considered an extra trip -- there were 1,443 extra trips this year out of Woods Hole. Now that is for reporting purposes because they are using a standard of five trips a day. The boats change so you have maintenance and things get changed one way or another, but any boat that runs in excess of five scheduled trips a day is considered an extra trip. The reduction of four scheduled trips out of Woods Hole would allow a Steamship Authority vessel or even a private carrier to run out of New Bedford.

The private carrier issue has to be addressed on two points. But let me finish this first. “There is absolutely no relief to Falmouth or Woods Hole in spite of the joint Martha's Vineyard Selectmen and Falmouth Selectmen and Citizens Committee that convened last winter to ‘support relief for Falmouth’ and proposed a resolution to the Board last April with a contingency that the Steamship Authority would operate a New Bedford operation if a private carrier were not committed to by August 1999. Well, we have slipped and slid another few months.” It is now December, I wrote this in mid-November, so I will just change it. It is now December, the end of December

We have others who are prepared to change the way the Steamship Authority is governed and the way it is going to operate if we don't take local action ourselves and I think we are not facing what I consider to be an awful hard fact. Through October 14th, truck traffic is up 3.9% over 1998. Now I have not been able to pull the latest figures together because I have had personal issues that I have had to deal with, but as of October 14th, there were 2,164 trucks more. That figure is over 3,000 now. The final figure through December 14th is a 4.7% increase in 1999 over 1998, and 1998 was a little over 1997. And we go back to that ten-year study that said we were going to have a 3%-a-year increase out of Woods Hole. And at that point we were close to capacity, but I just told you what happened to our capacity. It has increased by almost double. Falmouth needs help.

The Martha's Vineyard Selectmen and Falmouth Selectmen and Citizens Committee proposed back in March "to reduce as soon as possible, and no later than May 2000, freight traffic levels to those of 1997, and to permanently maintain or further reduce such levels. ... Furthermore, to direct the Steamship Authority staff to identify the origin and types of freight which would logically be shipped through New Bedford," and it also identifies that freight which originates on Cape Cod is expressly not included in the diversion plan. "To develop a contingency plan using Steamship Authority vessels to move at least 3,000 trucks through New Bedford in the event a contract with a private carrier cannot be consummated." Now that is a joint Martha's Vineyard Selectmen and Falmouth Selectmen and Citizens Committee that agreed to this. Where are we?

A solution that has been avoided by going out with this RFP is for the Steamship Authority to run the service. I am sure the employees would like that, but that is not the reason we are here. New Bedford and the Harbor Redevelopment Commission has specifically said that they will allow Steamship Authority vessels to operate from New Bedford. A project costing \$1,700,000 that is restricted to freight only is a guaranteed loser because you are not directing any freight to go there, you are not indicating those types of freight that could more conveniently operate out of New Bedford, you are not reducing the traffic out of Woods Hole and, financially, it is doomed to failure because the freight operation is financed because it only pays 65% of the true cost.

Well, why can't the Steamship Authority finance that? In my judgment, the worst possible scenario is to use the *Sankaty*, because, as Mr. Rappaport pointed out, we do have some older vessels. But if we have to use it, we have to use it, and that still allows New Bedford what they wanted and I think they will probably accede to a seasonal-only operation. The cost of that operation will be less than \$1,000,000, but it still wouldn't do anything to reduce Woods Hole traffic.

The number of vessel trips has been reduced, I believe, from 35 to 26 a day. What difference does that make in the Woods Hole harbor? It doesn't help the volume of traffic because the capacity has increased tremendously. So what is the best solution that solves a lot of these problems we have just been talking about? Reluctance of New Bedford, finances, reducing traffic at Woods Hole. If you reduce four trips a day out of Woods Hole and implement what was in the Committee's recommendation last April that was voted for, namely, a contingency plan if it wasn't feasible to operate a private carrier. Certainly I think we have enough reasons to do that right now. For a price that was put out as alternative number two by the Steamship Authority to reduce current freight vessel schedules between Woods Hole and Martha's Vineyard by four round trips a day and to reschedule that vessel - because you are already

paying for it, you are already crewing it – to run two trips a day out of New Bedford to Martha's Vineyard.

And I am not dealing with the Hyannis-Nantucket route. I have my plate full with the Woods Hole-Martha's Vineyard issue right now, so let's stick with that. Reschedule that vessel by reducing four trips a day out of Woods Hole. New Bedford is happy. Woods Hole is probably not going to be happy, but it certainly would be leaning that way, and it would only cost the Steamship Authority an additional \$188,000, not \$1,700,000. Voilà. A solution that solves all of the problems.

So I made my attempt to amend the motion to make it more realistic last month. It didn't work. We now are focusing on a proposal and a motion on the floor for what will amount to \$1,700,000 thrown down the drain because one of my amendments that was not approved was to allow cars to fill in any gaps until this operation got going based upon the way the RFP was done, and I thought the room was going to erupt from the Vineyard contingent side. You have to do something to support a truck fleet operation that only gives you 65% of the cost of running it. That is the difference – financing a couple of hundred thousand dollars, running our own vessels with our own people, and eliminating four trips out of Woods Hole. So if you haven't gathered by now, I am going to vote against this motion.

Statement Made by Grace S. Grossman

I would like to read a couple of excerpts from the first Annual Report of the Steamship Authority in 1960 and, this is ancient history perhaps, but it might help a little bit in understanding what we are talking about.

“Every town and city in this Commonwealth is connected to its neighbors by roads and bridges paid for the Commonwealth. That is, by all of its taxpayers, including those who live on Martha's Vineyard and Nantucket. But the highway that connects the mainland to these two islands, perhaps because it winds its way over the blue waters of Nantucket Sound, does not seem to be an obligation of this state. Practically the entire cost of establishing this highway and maintaining it is laid on these two small island communities. Chapter 701 of the acts of 1960, in section 2, provides that steamship bonds issued under the provisions of this act shall not be deemed to constitute a debt of the Commonwealth, but the bonds shall be payable

solely from the funds herein provided for. In other words, the line must pay for itself and, if it doesn't, the Town of Falmouth, the County of Dukes, not including Gosnold, and Nantucket shall make up its losses. The major purpose of the Commonwealth's network of fine highways is to bring to Massachusetts a large number of summer visitors that like to visit our mountains and our seashore. Yet these two beautiful islands, which cannot by their location hope to have any industry to swell their tax rolls and are entirely dependent on summer visitors, are left to their own limited resources to bring these visitors from the mainland.

"In enacting chapter 701 of the acts of 1960, the General Court has made possible the elimination of New Bedford as the home port and western terminal of the line. This reduces by about 32 miles the length of each round trip to the islands. It also eliminates the necessity for operating on schedule through the Woods Hole channel which is narrow, full of tidal currents and lined with rocks. This makes it necessary to move our executive offices, our maintenance shop and stores to Woods Hole so that operations may be effectively supervised and so that repairs, when necessary, may be made quickly and economically without sending the vessel to New Bedford."

And it goes on, but in 1960, they anticipated a savings of \$100,000 per year after the move to Woods Hole was completed, and I think that history is repeating itself and that if we don't learn from history, then we are bound to make the same mistakes.

I agree that we have to relieve the ports of the excess traffic from 1997, and we have been working very hard in Nantucket and through Mr. O'Brien of the Cape Cod Chamber of Commerce, meeting regularly to try to find ways to have staging and do other things so that we can eliminate some of the traffic. We are all very much interested in this and we do care about the mainland ports, but we also have to worry about our islands. I think there is a way that we can all work together and not have to have the Authority change in any way as far as the Enabling Act. But also, in order to work together as communities, we have to remember that we are neighbors and, if we can't work together as neighbors, it is a very sad commentary on all of us. We should decide that we can work out our problems ourselves. I think that is what we should do.

I feel that we should try this program because the summer months are when the Steamship Authority makes most of its money, and in the winter we lose money. To do it year-round it would be a failure. If we can find out during the six-month period, which is our popular period, whether the program will work, then we should try it.

Statement Made by Ronald H. Rappaport

If I may, you have mentioned a number of points and I obviously am not going to pick you up on all of them. I just want to highlight a couple.

You have talked about a cost of \$188,000 to take four trips off the run from Woods Hole and make two round trips from New Bedford, so that would mean the elimination of four round trips from Woods Hole and the addition of two round trips from New Bedford. The expense side would be approximately \$200,000. The lost revenue from that would be another \$800,000. That would be a cost of \$1,000,000 and what you would be doing is reducing service by four one-way trips a day, so there would be a cost of \$1,000,000 and a reduction in service.

The idea of putting automobiles on the freight boat to make up for vacancies has two major negatives. One is that it flies in the face of reservations-only. Our reservations-only program was put in to eliminate standbys, and that is something which you and I have agreed on. You would like to see the program go all summer and so would I, but right now it is four days a week and two of those days are Mondays and Fridays. To put automobiles on the freight boat flies in the face of reservations-only. It also takes up space from freight, and we want to get freight on these vessels.

The growth statistics that you talked about reflect an unrestricted amount of growth, in other words, an assumption that the communities will do nothing to restrict growth. From the Vineyard side, what has been done since April is that three of the six towns on the Vineyard are now subject to complete building moratoriums until such time as the towns, as in the case of Chilmark and West Tisbury, vote building caps. Two other towns have voted building caps, and the sixth town has yet to act but I believe is scheduled to do so in January. Those caps, when voted, will put a cap on the number of building permits which is a thirty percent reduction over what was done last year, and our statistics show that the freight demand is directly tied to building permits. That has been the case over the last decade, and over thirty percent of the freight shipped on the Steamship Authority is construction materials. And to put the freight issue in perspective, there are actually more trucks that went through Woods Hole in 1988 than in 1998. There were slightly fewer to the Vineyard but there was also service to Nantucket out of Woods Hole in 1988.

The issue of the Oak Bluffs terminal. We all voted, because of the disrepair of the terminal, to put \$1,000,000 into making that terminal safe and, again, that was a unanimous vote. We also all voted to have an engineer go out and take a look to see what improvements could be done to make that

facility more serviceable. And what we are hearing in the studies which are coming back is that there is not much that can be done to make that facility - which is the only one of our facilities which is not in a protected harbor - more serviceable, so the number which is way out there in the capital budget will undoubtedly never be realized or not be realized anywhere close to what is in there.

As I indicated, this is a beginning, not an end. I know that Mrs. Flynn has called for a joint community planning effort, and if the planning agencies of these five communities wish to proceed, I think it is something the Steamship Authority should support in providing whatever expertise is necessary as well as funding. We are where we are. From what I understand from Armand, it is not possible to pull four trips off the run. Even if that were something that is desirable, it is not physically possible. So we are at the end of a long year, and I think it is time to test the waters and see if there is a demand and at least go forward and get a boat out there and, again, hopefully get rid of that 6:15 AM run, which will provide some real relief.