

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

The Meeting in Public Session

September 22, 1995

The Members of the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority met this 22nd day of September, 1995, beginning at 9:30 a.m., in the All Purpose Meeting Room of the Gus Cauty Recreation Center, 790 East Main Street, Falmouth, Massachusetts.

Present were all four of the Authority's Members: Chairman Ronald H. Rappaport of Dukes County; Vice Chairman Paul R. Kelleher of Falmouth; Secretary Bernard D. Grossman of Nantucket; 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; Norman F. Beach of Nantucket; and S. Eric Asendorf of Falmouth.

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

Mr. Rappaport began the meeting by welcoming Mr. Asendorf as the Town of Falmouth's new Member on the Authority's Finance Advisory Board.

Minutes:

IT WAS VOTED -- upon Mr. Grossman's motion, seconded by Mr. O'Brien -- to approve the minutes of the Members' meeting in public session on August 17, 1995.

VOTING AYE: Messrs. Rappaport, Kelleher and Grossman
VOTING NAY: None

License Request from New England Steamship Foundation:

The Members then considered a request from the New England Steamship Foundation, Inc. ("NESF") for an amendment to its current license agreement with the Authority so that the Steamship NOBSKA could make landings on Martha's Vineyard en route between New Bedford and Nantucket. Because of the length of the discussions which preceded the Members' vote on this matter, the portion of the minutes pertaining to NESF's request is being prepared separately for subsequent approval by the Members.

IT WAS VOTED -- upon Mr. Grossman's motion, seconded by Mr. Rappaport -- to deny the application of the New England Steamship Foundation, Inc. for an amendment to its license agreement to allow the Steamship NOBSKA to make landings on Martha's Vineyard en route between New Bedford and Nantucket.

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

1996 Operating Schedule:

Mr. Tiberio reported that the staff had presented to the Members for their information the current draft of the staff's proposed operating schedule for the entire 1996 calendar year. Mr. Tiberio stated that the staff was not asking the Members for final approval of the schedule at that time, but that they intended to advertise it in local newspapers over the next few weeks (in accordance with the Authority's legal obligations) and receive additional comments from the public. Mr. Tiberio also noted that the staff was assessing whether the Authority could make certain changes which already had been suggested by several commuters, and that he hoped to bring back a final proposed schedule for the Members' approval at their next meeting.

In response to a question from Mr. Grossman, Mr. Tiberio confirmed that the proposed operating schedule had been prepared with the participation of the Authority's Maintenance and Construction Department, which was satisfied that, even with the proposed addition of a second large passenger vessel on the Martha's Vineyard run during the 1996 winter schedule, there would be a sufficient number of work days available during the upcoming year to accomplish all of the necessary routine maintenance on each of the vessels. Mr. Tiberio also stated that at the Members' next meeting the staff would be making some

strong suggestions in the context of the proposed 1996 capital budget regarding how and when the Authority should refurbish the M/V Nantucket.

Mr. Rappaport expressed some concern that the proposed 1996 winter schedule no longer contained the trip leaving Woods Hole for Martha's Vineyard at 10:00 on Saturday evenings which the Authority had added to that schedule a few years ago, although he acknowledged that ridership on that particular trip had not been very large. Therefore, Mr. Rappaport asked Mr. Tiberio to contact the Martha's Vineyard Regional High School's hockey team to find out whether they had developed their schedule around the availability of that trip and, if so, to see whether the Authority could add a late trip on Saturday evenings during the winter to help the hockey team travel back and forth.

Falmouth Ferry Service:

Mr. Tiberio then reported that he had received a written request from Cape & Islands Transport, Inc. ("CIT"), d/b/a Falmouth Ferry Service, for the Members to reconsider CIT's request for an increase in its passenger capacity at their next meeting in October 1995. Noting the presence of Falmouth Selectmen Mary ("Pat") Flynn in the audience, Mr. Rappaport related how the Members had wondered at their July meeting when they previously considered this matter whether the Falmouth Selectmen had taken any position on CIT's request. In response, Ms. Flynn stated that the Selectmen had not yet taken any such position, but that CIT's president, Vincent Geoffroy, had asked for the matter to be placed on the agenda for their October 2, 1995 meeting.

Falmouth Parking Survey:

Mr. Tiberio then advised the Members that the Authority had received the final report on its Falmouth parking survey which had been conducted the previous summer by Vanasse Hangen Brustlin, Inc. Mr. Tiberio said that the report essentially reconfirmed certain information of which the Authority was already aware and also provided the staff with new insights regarding the type of passengers who ride on the Authority's vessels, their length of stay in Falmouth, and how long they might be willing to ride shuttle busses between the Authority's terminals and off-site parking lots.

Mr. Tiberio stated that the staff would use the information provided by the report in connection with its preparation of an

overall parking and traffic management plan which he hoped would be developed with the Town of Falmouth and the Woods Hole community. Mr. Tiberio also confirmed that copies of the report had been provided to the Falmouth Selectmen and were available to anyone else who would like to have them.

Standby Policy:

Mr. Tiberio then reported to the Members that the staff had spent a considerable amount of time discussing the potential elimination of the Authority's standby program and replacing it with a 100% reservations system, and that they were prepared to continue that deliberative process by conducting public meetings in all of the Authority's port communities over the next few weeks with the view of possibly implementing the change at the beginning of the 1996 summer schedule. Mr. Tiberio stated that there were a number of reasons why the staff was considering the elimination of the standby program, but the primary benefits of such an action would be the ability to manage the flow of traffic coming in and out of the Authority's terminals, particularly Woods Hole, and providing better customer service by eliminating the wait in standby lines which at times last up to ten or twelve hours.

In response to a question from Mr. Rappaport, Mr. Tiberio confirmed that the staff was considering this change in policy as part of a package which would also require the development of adequate parking facilities. Mr. Tiberio said that at this time the staff was looking for guidance from the Members as to whether they should proceed on this basis or whether they should move in a different direction, and that he hoped to come back to the Members at their next meeting with a final recommendation.

In response to Mr. Tiberio's request, both Mr. Grossman and Mr. Beach stated that they felt the possible elimination of the Authority's standby program would be totally unacceptable to the people of Nantucket. Mr. Beach also declared that the standby problem at the Nantucket and Hyannis terminals was totally different and subject to a different solution than what the Authority might apply to Woods Hole and Martha's Vineyard.

Mr. Kelleher emphasized that there was no way the Authority could eliminate the standby program without providing adequate traffic management and parking facilities, and he suggested that an intermediate alternative might be to ticket and stage standby vehicles at locations some distance away from the Authority's terminals. Mr. O'Brien also suggested that the Authority might consider placing a second variable message sign on Route 28

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advising customers of the elimination of the standby line in Woods Hole.

Mr. Murphy encouraged the staff to review records from approximately ten years ago when the Authority eliminated the guaranteed standby program for a year and look at not only the public's reaction to the change but also its effect on the island economy and the communities. Mr. Murphy said that the Authority then moved to a limited guaranteed standby system which was effective only during mid-week, and ultimately returned to the full guaranteed standby system which is currently in place.

Mr. Murphy also noted that part of the Authority's problem was that the island population has grown over the last several years without any appreciable increase in the Authority's schedule to accommodate the additional people. Mr. Murphy emphasized that the Authority must provide some form of transportation service upon which those people can rely to get back and forth to the island.

Mr. Asendorf commented that he thought the conversion of the standby program to a 100% reservations system was the right way to go, and he applauded the staff's decision to attempt it. Noting that all of the Authority's operating vessels, including its freight boats, would be scheduled for carrying vehicles, he emphasized that, with or without the standby program, the exact same number of available spaces will exist under a full reservations system to transport automobiles back and forth to the islands.

Mr. Rappaport declared that there were enormous implications with the staff's proposed change in policy in terms of phasing the availability of reservations and developing a priority system not only for island residents, but also for emergency and other unusual situations. Nevertheless, he said that he felt that the issue was worth exploring because the Authority had to find creative ways to deal with its traffic problems and he saw a dialogue with the Authority's constituent communities as being helpful to that process. Mr. Rappaport noted that the staff's proposal did not entail a reduction of the level of service currently provided by the Authority; rather, it represented an effort to develop a system that would manage the flow of traffic better for the benefit of both the Authority's port communities and its customers. Accordingly, Mr. Rappaport said that he thought the Authority should at least consider making the change and proceed with the public hearings to see what the communities' response will be.

Status Report on Requests for Proposals:

Mr. Sayers advised the Members that only one proposal had been received and opened by the Authority on September 6, 1995 for the new Food Concession Contract, despite the fact that 20 proposal packages had been sent to prospective proponents and the Authority had widely advertised its decision to consider proposals not only from proponents interested in operating the concession on all of the Authority's vessels, but also from proponents interested in operating a concession on only one of the Authority's runs. Mr. Sayers also stated that the one proposal received by the Authority had been submitted by the Authority's incumbent concessionaire, Boston Concessions Group, Inc., and that the staff would be making a recommendation to the Members regarding an award of the contract at their next meeting on October 19, 1995.

Mr. Sayers then reported that 23 proposal packages had been sent to prospective proponents for the Maintenance Management Information System Contract, that proposals for the contract would be opened on September 25, 1995, and that the staff would be making a recommendation to the Members at their November 1995 meeting regarding which proponent the Authority should negotiate with for the purpose of entering into a contract to develop such a system. With respect to the request for proposals for the acquisition of real estate for parking lot use in connection with the Authority's Woods Hole terminal operations, Mr. Sayers stated that 12 proposal packages had been sent in anticipation of opening proposals submitted for that contract publicly on September 28, 1995; and, finally, Mr. Sayers advised the Members that the Authority would be opening proposals for a contract to develop a statistical model for forecasting future traffic levels on November 3, 1995.

Treasurer's Report:

Mr. Lamson then asked the Members to adopt a proposed resolution, as set forth in Staff Summary #A-333, dated September 15, 1995, providing for the issuance of Steamship Bonds totalling \$8,800,000. Mr. Lamson stated that bond proceeds would be used to refund \$4,400,000 of bond anticipation notes which were due on October 30, 1995 and to provide \$4,400,000 in new money to pay for the Hyannis Terminal Reconstruction Project and miscellaneous bond issue costs. Mr. Lamson said that bids for the bonds were scheduled to be opened on October 3, 1995 and that the bond resolution would further authorize the Treasurer to award the bonds to the bidder offering the lowest net effective interest rate.

IT WAS VOTED -- upon Mr. O'Brien's motion, seconded by Mr. Grossman -- to adopt a Resolution Providing for the Issue of \$8,800,000 Steamship Bonds of the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority, in the form attached to Staff Summary #A-333, dated September 15, 1995.

VOTING AYE: Messrs. Rappaport, Kelleher and Grossman
VOTING NAY: None

Hyannis Terminal Reconstruction Project:

With respect to the Hyannis Terminal Reconstruction Project, Mr. Tiberio reported that work on the construction of the terminal building was slightly ahead of schedule and that, if everything proceeded as planned, the building might be completed as early as April 1996. However, Mr. Tiberio said that the Massachusetts Highway Department had not yet executed the marine and site work contract with AGM Marine Contractors because the federal government had not yet released the \$2,000,000 ISTEA funds for the contract. Mr. Tiberio stated that the staff was working to resolve that situation as quickly as possible so that the marine contractor would be able to complete its dredging work during the upcoming three-month window.

Procurements:

Mr. Lamson advised the Members that equipment at both of the Authority's Reservations Bureaus in Mashpee and at the Martha's Vineyard Airport needed to be replaced in order to improve the Authority's automated call distribution systems. Mr. Lamson then asked for authorization to go out to bid for these two pieces of equipment so that they could be installed before the commencement of the Headstart Reservations Program. Mr. Lamson stated that the Mashpee unit was expected to cost \$31,700 and that similar equipment for the Martha's Vineyard office should cost \$20,450, and that both systems would be transferable in the event the Authority changed the locations of either of those offices.

IT WAS VOTED -- upon Mr. Kelleher's motion, seconded by Mr. Grossman -- to authorize the issuance of a request for bids for the purchase of an automated call distribution system to replace the existing Mashpee Reservations Bureau automated call distribution system,

in accordance with the provisions of the Authority's Procurement Policy.

VOTING AYE: Messrs. Rappaport, Kelleher and Grossman
VOTING NAY: None

IT WAS VOTED -- upon Mr. Grossman's motion, seconded by Mr. Kelleher -- to authorize the issuance of a request for bids for the purchase of an automated call distribution system to replace the existing Martha's Vineyard Reservations Bureau call sequencer system, in accordance with the provisions of the Authority's Procurement Policy.

VOTING AYE: Messrs. Rappaport, Kelleher and Grossman
VOTING NAY: None

Old and New Business:

IT WAS THEN VOTED -- on Mr. Grossman'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 and value of real estate, and personnel matters.

VOTING AYE: Messrs. Rappaport, Kelleher and Grossman
VOTING NAY: None

Before the Members voted to go into executive session at approximately 12:45 p.m., Mr. Rappaport stated that the Members would not reconvene in public after the conclusion of the executive session.

A TRUE RECORD



BERNARD D. GROSSMAN, Secretary

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

The Meeting in Public Session

September 22, 1995

As previously set forth in the Authority's minutes, the Members, at their meeting on September 22, 1995, considered a request from the New England Steamship Foundation, Inc. ("NESF") for an amendment to its current license agreement with the Authority so that the Steamship NOBSKA could make landings on Martha's Vineyard en route between New Bedford and Nantucket. The portion of the minutes of that meeting pertaining to NESF's request have here been prepared separately for approval by the Members, due to the length of the discussions which preceded the Members' vote on this matter.

As also previously set forth in the Authority's minutes, the Members' meeting began at 9:30 a.m. in the All Purpose Meeting Room of the Gus Canty Recreation Center, 790 East Main Street, Falmouth, Massachusetts. Present were all four of the Authority's Members: Chairman Ronald H. Rappaport of Dukes County; Vice Chairman Paul R. Kelleher of Falmouth; Secretary Bernard D. Grossman of Nantucket; 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; Norman F. Beach of Nantucket; and S. Eric Asendorf of Falmouth.

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

License Request from New England Steamship Foundation:

Mr. Tiberio reported to the Members that earlier in the month the staff had held a public hearing on the request from the New England Steamship Foundation, Inc. ("NESF") for an amendment to its current license agreement with the Authority so that the Steamship NOBSKA could make landings on Martha's Vineyard en

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route between New Bedford and Nantucket. Mr. Tiberio said that, after the hearing, the staff had conducted an extensive review of all the documents submitted by NESF in support of its application and had then formulated a report with a recommendation not to grant the requested license amendment, which had been made public within the last week.

Mr. Tiberio emphasized that the staff's analysis had been conducted pursuant to the specific criteria contained in the Authority's licensing policy which the Members had adopted as a guideline for considering license requests. Mr. Tiberio then asked Mr. Sayers, who, with Mr. Lamson, was primarily responsible for researching and preparing the staff's analysis, to briefly summarize the reasoning behind their recommendation for the Members and the audience.

Mr. Sayers then delivered a prepared statement summarizing the staff's basis for its recommendation that the Members deny NESF's request for an amendment to its current license agreement. A copy of the prepared text for that statement is attached to these minutes.

NESF's President and Chief Executive Officer, David O. Pritchard, then delivered his own prepared statement in support of NESF's application, the substance of which has been transcribed and similarly attached to these minutes.

After Mr. Pritchard's presentation, Janet Thompson, the owner of the SCHAMONCHI, declared that the grant of NESF's request for a license amendment would be potentially catastrophic to her operation and, down the line, the operation of all the grandfathered carriers. Ms. Thompson stated that the NOBSKA's proposed route represented a duplication of service and not even on a level playing field, since NESF would receive major subsidies while she had never received any. Ms. Thompson also noted that, since starting her service 24 years ago, she had worked very hard to develop her business. Ms. Thompson said that she thought she provided a good service and that she hoped to continue to do so.

Henry Horn then read into the record a letter which he had submitted to Mr. Rappaport that day. Mr. Horn also said that he had met with the Mayor of the City of New Bedford earlier in the week and that she advised him, that although she supported the restoration of the NOBSKA, she had never promised to provide NESF with any berthing facilities for the NOBSKA and that she did not support any interference with the SCHAMONCHI's operations.

Mr. Horn also took issue with Mr. Pritchard's statement that the NOBSKA's operation would result in the SCHAMONCHI carrying

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additional passengers who miss the NOBSKA's 9:00 a.m. departure. Mr. Horn pointed out that the NOBSKA would be berthed about one-half of a mile closer to the highway in New Bedford than the SCHAMONCHI and, as a result, would probably pick up most of the SCHAMONCHI's passengers who are carried on its 9:00 a.m. sailing, which is its most popular trip.

Mr. Horn declared that he did not think it was necessary for the NOBSKA, in order to be restored and become a popular tourist attraction, to operate on this particular route. Mr. Horn noted that the NOBSKA already had a license to operate between New Bedford and Nantucket, and that that route should not interfere with either the Authority's operations or the operations of any grandfathered carrier. Mr. Horn also dismissed Mr. Pritchard's marketing survey as only dealing in generalities. In the end, Mr. Horn said, there did not appear to be any question that public necessity did not require the granting of this amendment and that there was no demonstration of need.

Both Charles Bardelis, whose family owns and operates the ISLAND QUEEN, and R. Murray Scudder, Vice President of Hyannis Harbor Tours, Inc., stated that they agreed with and supported the recommendation of the Authority's management staff.

Falmouth Selectman Mary ("Pat") Flynn then advised the Members that the Falmouth Selectmen had voted unanimously to support NESF's request for an amendment to its license, even though they realized that the NOBSKA's operation would not reduce any traffic in Falmouth. Ms. Flynn said that the older population was increasing and that the NOBSKA would attract them by offering them an opportunity to reminisce on the boat. She also stated that she felt the importance of the NOBSKA's restoration should be included in the Authority's long term plan. In response to a question from Mr. Rappaport, Ms. Flynn further said that the Falmouth Selectmen would give very serious consideration to the operation of the NOBSKA out of Woods Hole if a traffic management plan could be worked out which would allow passengers to be transported to Woods Hole in ways other than in their automobiles.

Dukes County Commissioner Dan Flynn stated that the Dukes County Commissioners had, at their last meeting, discussed NESF's request with Mr. Rappaport and had taken a vote on the matter. Mr. Flynn said that Mr. Rappaport already had received a copy of the minutes of that meeting and that he did not have any additional comments to make at that time.

Henry Burt, Chairman of the Tisbury Board of Selectmen, said that he viewed the NOBSKA as a unique service and a very different travel experience than that provided by the Authority and the grandfathered carriers. Mr. Burt also stated that he did not see

the NOBSKA as competition with the Authority or the SCHAMONCHI, both of which provide excellent service with no complaints, and, while he would not want to see them at all jeopardized, he did not believe that they would be by the NOBSKA's operation.

Tisbury Selectmen Elizabeth Wild then endorsed the position of the Falmouth Board of Selectmen and Mr. Burt's statements. Stating that the NOBSKA would not be an efficient means of transportation, but rather would be a floating museum, she asked the Members to give serious consideration to granting NESF's request.

Edgartown Selectmen Ted Morgan acknowledged that all of the public bodies had voted to endorse NESF's request, but noted that at the time they had not had access to any detailed report and no details had been given. Mr. Morgan said that he thought there would be a different sentiment when people realized what the ramifications of the proposed service were and what traffic impact it would have on the Vineyard. He further questioned the true amount of public support for the NOBSKA, noting that none of the organizations which had voted to support NESF's request had voted to provide any funds for the project. And, finally, Mr. Morgan questioned the need to have the NOBSKA operational, suggesting that it simply could be restored and placed in an historic siting. Mr. Morgan declared that with all of the other carriers operating to the island, there already was sufficient transportation to accommodate anyone who desires to travel to the Vineyard.

Mr. Rappaport stated that he read all of the letters which had been received by the Authority on this subject from numerous public bodies, and that he had recently received letters from the Oak Bluffs Board of Selectmen and the Martha's Vineyard Commission.

Frank Shephard of the Citizens for Sound Planning stated that he felt the study produced by the staff was simply filled with inconsistencies. Mr. Shephard also said that if the Authority wanted to curtail pedestrian traffic on Martha's Vineyard, it should stop all advertising and curtail all further mainland parking. He further declared that it was inappropriate for the Authority to discuss the NOBSKA's potential threat to the Authority's financial health by pointing to its excess passenger capacity, since the Authority has built capital facilities to accommodate every last marginal passenger and his or her car on the busiest day of the summer and, as a result, necessarily has excess passenger capacity the remaining 364 days of the year.

Mr. Shephard suggested that the Authority instead should decrease the amount of its facilities by 25% or 30%, and license

the marginal excess to private carriers who are willing to take higher risks and are probably able to operate in a more cost effective manner. Finally, stating that many people in Falmouth perceive the NOBSKA's license as a forward way to look at ferry transportation which would take some pressure off of Falmouth, Mr. Shephard declared that they would regard the denial of the license as a slap in the face which may have consequences down the line when it comes to developing a long-range parking plan.

Susan Shephard stated that the fact that the NOBSKA did not have any facilities at any of its proposed ports should not have anything to do with granting the license amendment. Rather, she suggested that, because a denial of the license would seriously affect NESF's efforts to raise money, the Members might condition the license by requiring NESF to have facilities in place by the time it was ready to begin its operations. Ms. Shephard also said that she felt the NOBSKA would create its own market.

Ralph Parker, President of Sea Education Association, endorsed Ms. Shephard's comments and declared that, in his opinion, the Authority was setting up another organization to fail even before it started. Mr. Parker also said he was intrigued by the concept of the Authority having a monopoly on its own market. Recounting his amazement when he arrived in this country 27 years ago to see how little of America's maritime heritage survived, Mr. Parker stated that he was very concerned about the lack of support for that heritage. He said that the NOBSKA presented not only an opportunity to raise the level of consciousness of this country's maritime heritage, but also an opportunity for this region's economy to further develop and grow.

James Rothschild stated that he did not think the NOBSKA should disappear, if at all possible. Rather, he suggested that it could be a tourist attraction as a non-operating floating historic museum.

Several other members of the audience, including members of NESF and representatives from the National Trust for Historic Preservation, the Martha's Vineyard Preservation Trust, the New Bedford Historical Commission and the New Bedford Whaling Museum, then spoke in support of NESF's request.

Mr. Pritchard then addressed the Members again, stating that the question of whether the NOBSKA was going to add tourism growth was in part the question of what kind of people would come. Mr. Pritchard declared that if the islands are going to continue with the kind of people who are carried by common carriers, as opposed to the uniquely attractive kind of people that cultural heritage tourism brings, they are going to be hurt

even more than they have been. Mr. Pritchard also said that, as for docks, NESF was not going to be like "Charlie on the MTA," but that NESF will have places for people to get off.

Mr. Grossman then stated that, based upon his experience with historic preservation, he had learned that any restoration and preservation project needed at least two things, namely, tremendous enthusiasm and adequate working capital for the initial restoration. Mr. Grossman acknowledged that NESF had tremendous enthusiasm; however, with respect to adequate working capital, he declared that in all the years that NESF had been in existence he had seen no evidence that the organization has raised any funds other than to pay for its current expenses, and that nothing had been done with respect to the preservation of the ship.

Mr. Grossman then observed that he still saw no evidence of NESF's ability to raise the money which would be necessary for the restoration. Therefore, noting that a license to land at an extra port on Martha's Vineyard would not make the difference in raising the money that is needed to place the NOBSKA in drydock for its restoration, Mr. Grossman asked Mr. Pritchard how that money was going to be obtained.

In response, Mr. Pritchard stated that NESF already had been granted \$3,000,000 in ISTEAF funds which would be available sometime in October 1995 and were committed irrespective of what action the Members might take on NESF's request for an amendment to its license. Mr. Pritchard also said that, as he had explained to the Authority's staff in 1994, NESF intended to get that grant and the other \$2,500,000 ISTEAF grant in place before going after private funding sources for the balance that was needed to restore the NOBSKA.

After Mr. Pritchard finished his response, Mr. Grossman expressed his opinion that he did not consider that answer satisfactory in view of the magnitude of the challenge ahead of NESF.

Mr. Kelleher then stated that, in order to address his concerns, he thought certain conditions should be contained in any license that the Members might award NESF, as follows:

- (1) That it be clearly understood and acknowledged in writing that the Authority is not a party to the ferry service other than to license it;
- (2) That the Authority will not provide any financial assistance or support now or at any time in the future;

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- (3) That the round trip excursion fare be charged to all passengers (for example, if a passenger disembarks on Martha's Vineyard, the round trip leg is only good for return passage to New Bedford);
- (4) That NESF not be allowed to sell any Martha's Vineyard-Nantucket route tickets (to protect the route presently licensed by the Authority);
- (5) That no use of Authority slips, facilities, personnel or equipment be assumed by NESF or advertised, promoted or inferred in any of its materials or conversations, since there has been no negotiations for such use nor is any approval for such use foreseen in the future;
- (6) That the license be for five years starting January 1, 1998; and
- (7) That NESF provide the Authority with passenger counts from the first day of its operation on a weekly basis (within seven days after the end of each week) and annual financial statements (by February 1st of each year) in order to retain its license.

Mr. Beach declared, on behalf of Mr. Murphy and himself, that as Members of the Finance Advisory Board, they considered their principal purpose to be to provide substantive financial advice for the Authority's well-being, that they had studied all of the literature which had accompanied NESF's request, and that they supported the opinion expressed by the management staff. Mr. Beach also noted that they had been similarly opposed to granting NESF its license to operate between New Bedford and Nantucket.

Mr. Asendorf said that he did not agree with the opinions expressed by Messrs. Beach and Murphy. Rather, he stated that he was a firm believer in competition and the capitalistic system, and he questioned the Authority's right to deny NESF the right to succeed. Mr. Asendorf also said that he found serious problems with the staff's report.

Mr. Grossman then noted that the reason for the Authority's existence and its powers was due to the fact that, in 1948, again in 1960 and even today, private carriers were not willing to provide service to the islands during the winter season because traffic levels are insufficient to make it economically sound.

Mr. O'Brien expressed his opinion that, once a service is licensed or grandfathered, the Authority assumes an obligation not to issue another license that would jeopardize the original

recipient's ability to operate successfully. Therefore, while he did not share any concern that the NOBSKA's operation might hurt the Authority, Mr. O'Brien stated that he was concerned about how NESF's requested license amendment would affect the grandfathered carriers, particularly Cape Island Express Lines and Hy-Line. Mr. O'Brien acknowledged that a special ridership for the NOBSKA may develop over time, but that at least initially the two grandfathered carriers would be hurt and would have to continue to operate while that special ridership developed. On the other hand, Mr. O'Brien said, he had spent a great deal of his professional career with ships and, personally, he wanted to see the NOBSKA move ahead and be successful.

Mr. Rappaport then explained the reasons why he could not support NESF's request, and the substance of his statements has been transcribed and attached to these minutes.

IT WAS VOTED -- upon Mr. Grossman's motion, seconded by Mr. Rappaport -- to deny the application of the New England Steamship Foundation, Inc. for an amendment to its license agreement to allow the Steamship NOBSKA to make landings on Martha's Vineyard en route between New Bedford and Nantucket.

**VOTING AYE: Messrs. Rappaport and Grossman
VOTING NAY: Mr. Kelleher**

A TRUE RECORD


BERNARD D. GROSSMAN, Secretary

PREPARED TEXT OF THE STATEMENT
MADE BY
GENERAL COUNSEL STEVEN M. SAYERS
TO THE
MEMBERS OF THE
WOODS HOLE, MARTHA'S VINEYARD AND NANTUCKET STEAMSHIP AUTHORITY

September 22, 1995

In November 1994, the Authority granted the New England Steamship Foundation ("NESF"), which was then known as the Friends of NOBSKA, a license for the NOBSKA to provide one round trip per day directly between New Bedford and Nantucket during the summer seasons of the years 1997 through 2009. That license allowed NESF to qualify for \$3,000,000 in federal ISTEAF funds earmarked for historic preservation. At the time, NESF had advised the Authority that, if it did not receive those funds, the NOBSKA would have to be scrapped within five months.

On June 23, 1995, NESF applied to the Authority for an amendment to its license to include landings on Martha's Vineyard en route between New Bedford and Nantucket. In support of its application, NESF provided the staff with an updated Business Plan, a Research Study conducted by the Massachusetts Office of Travel and Tourism, a number of letters from public bodies and private organizations supporting NESF's efforts to restore the NOBSKA, and copies of newspaper articles and editorials over the years similarly supporting the project.

Earlier this month the staff held a public hearing on NESF's application at the Tisbury Senior Center, where approximately 50 people, including a number of public officials from Martha's Vineyard, Falmouth and New Bedford, expressed their support for NESF's application. However, based upon our analysis of all the information submitted, the staff has been compelled to conclude that granting the license amendment is not required by public convenience and necessity and that, in any event, it does not appear that NESF currently has the ability to provide the service as proposed in its application and its accompanying Business Plan.

As proposed, the NOBSKA would not be providing service to the islands from any new port on the mainland. To the contrary, NESF proposes to operate the NOBSKA from New Bedford, from which the SCHAMONCHI has been sailing for many years. Nor would the

NOBSKA be providing service to any community on Martha's Vineyard which is not currently being served by a carrier, since NESF has proposed landing in Oak Bluffs, a port which already is well frequented not only by the Authority's vessels, but by Hy-Line's boats and the ISLAND QUEEN as well.

Indeed, the NOBSKA's proposed schedule between New Bedford and Martha's Vineyard is an almost exact duplication of the most popular portion of the SCHAMONCHI's current daily schedule and, similarly, the NOBSKA's proposed schedule between Martha's Vineyard and Nantucket is almost identical to a portion of the schedule currently being provided by Hy-Line. However, neither the SCHAMONCHI nor any Hy-Line vessel has been operating anywhere close to capacity. To the contrary, during the months of June through September 1994, the SCHAMONCHI had an average passenger load factor of around 38% for its 9:00 a.m. trip from New Bedford. Further, Hy-Line's inter-island vessels operated on average around 15% of capacity. Thus, the staff feels that the service currently afforded the traveling public by existing grandfathered and licensed carriers between these ports is more than adequate to take care of present day needs.

The staff acknowledges that practically every public body and private organization on Nantucket and Martha's Vineyard, as well as those in Falmouth and New Bedford, have expressed their support for NESF's efforts to restore the NOBSKA to her historic route in an historic manner. But those letters do not appear to be prompted by any unmet transportation needs. Rather, they reflect the wide-spread sentiment that the NOBSKA should be saved for historic preservation purposes and as a tourist attraction. The staff believes that those purposes could just as well be served by operating the NOBSKA from New Bedford to Nantucket (for which the NOBSKA already has a license and would not be competing against any existing carriers), or from New Bedford to any other port on the mainland, or even from Providence to Newport, to name just a few alternate routes that should prove to be financially successful if NESF is correct in its assertion that the NOBSKA will create its own substantial market and become a tourist destination in-and-of-itself.

But here we are dealing with the proposed operation of the NOBSKA between New Bedford and Martha's Vineyard, which the staff believes would also undermine the health and stability of Cape Island Express Lines, the owner of the SCHAMONCHI, and adversely impact Hy-Line's financial condition. Because the NOBSKA's proposed routes and schedules are similar, if not identical, to the most popular schedules currently offered by those other carriers, the NOBSKA will be directly competing with them for passengers, even though, as NESF asserts, different psychographic segments of the market may well be drawn more towards one vessel than another.

NESF itself declares in its Business Plan that its primary marketing objective will be to quickly build passenger volume by, among other things, "placing some emphasis on taking from the existing market." NESF also intends to spend \$465,000 each year promoting the NOBSKA as the most comfortable way to travel to the islands. In these circumstances, the staff has little doubt that at least a portion of the NOBSKA's passengers between New Bedford and Martha's Vineyard will be comprised of persons who otherwise would have ridden on the SCHAMONCHI, probably to the extent of forcing Cape Island Express Lines out of business. Then, if the NOBSKA's service proves unsuccessful as well, New Bedford could conceivably find itself without any service to Martha's Vineyard at all.

Nor would it take much of an impact to drive Cape Island Express Lines out of business. In 1994 the SCHAMONCHI carried 51,187 passengers to Martha's Vineyard from New Bedford. In its Business Plan, NESF anticipates carrying almost three times that number (145,920) between the two ports. Thus, if only five percent of the NOBSKA's expected passenger volume is comprised of persons who otherwise would have traveled on the SCHAMONCHI, Cape Island Express Lines will experience more than a 14% drop in revenues, which by any account would be a devastating blow.

Granting NESF its requested license amendment could also adversely affect the Authority's financial situation. For example, if only one-fourth of the NOBSKA's anticipated passenger volume was comprised of individuals who otherwise would have traveled on the Authority's vessels, the Authority would see more than a 3% drop in its passenger and parking revenues during the time period that the NOBSKA is in operation, which could adversely affect the Authority's service levels and/or tariffs.

NESF maintains that the NOBSKA would not carry any passengers from New Bedford to Martha's Vineyard who otherwise would travel on the other carriers' vessels. Rather, NESF's position is that almost all of the NOBSKA's 145,920 passengers will be people who would not travel to the islands if they could not do so on board the NOBSKA. If NESF is correct, which the staff doubts, it nevertheless should be noted that in these circumstances the NOBSKA's successful operation would not provide any traffic relief in Falmouth and Woods Hole. NESF itself declares that the present market of people going to the islands would have to "dramatically change their present habits and do so on a regular basis [and that t]his simply isn't going to happen." At best, NESF states, the NOBSKA will "in the future act as a safety valve."

NESF also has failed to demonstrate that it will be able to provide the proposed service. Currently, NESF has no facilities at any of the ports it proposes to serve. Although discussions with the City of New Bedford are ongoing, NESF has not received any commitment -- either written or oral -- that it will be able

to berth the NOBSKA anywhere in New Bedford harbor from May through October each and every year through the year 2009.

With respect to possible dockage locations on Martha's Vineyard and Nantucket, NESF declares that it would like to use the Authority's facilities. But the staff has made it clear that the Authority was giving NESF no indication upon which it should rely in any way that such permission will be forthcoming and, in the past, the Authority has repeatedly expressed its reluctance to allow NESF to use its facilities in connection with any of its proposed operations.

Nor has NESF demonstrated the likelihood that the NOBSKA will ever be restored. Although NESF states in its Business Plan that it will cost \$7,500,000 to restore the NOBSKA to her original 1925 configuration, NESF has conceded that the figure is not firm and that the exact restoration costs will be "unknown" until the NOBSKA is lifted out of the water and NESF conducts a complete survey of the vessel. Further, while NESF has the original plans for the vessel, it has not yet undertaken any material new planning and design for the propulsion and other mechanical facilities, or for the main deck, or for the upper hurricane deck. Nor has the U.S. Coast Guard reviewed any plans for compliance with current regulatory, safety and ADA requirements.

Even if NESF were able to state with confidence what the actual cost will be to restore the NOBSKA, it has not shown that it will be able to raise the amount of private funds which will be necessary to see the project through to completion. Therefore, when all is said and done, the staff is unable to conclude that NESF will be able to raise what is yet an undetermined amount of money to restore the NOBSKA to her original 1925 configuration.

The staff also has substantial concerns about the economics of NESF's proposed operation. NESF states in its Business Plan that the appropriate way to estimate the number of passengers which the NOBSKA will carry per year is to look at the average passenger load capacity realized by the Authority's vessels from May through October and assume that the NOBSKA will achieve the same load capacity as that achieved by the Authority. NESF then states that it anticipates achieving an average 80% passenger load factor, which would result in it carrying 148,504 passengers per year, because that is the load capacity which it believes the Authority's vessels achieve.

In fact, however, the Authority's two passenger vessels which leave the mainland for the islands between 9:00 and 10:00 in the morning had average load factors of only 40% and 25%, for a combined average passenger load factor of around 32%, during the period from May 17, 1994 through October 15, 1994. Thus, even if one were to accept NESF's unsubstantiated method of

predicting how many passengers the NOBSKA will carry, that method would not provide a basis for assuming that the NOBSKA will achieve viability on its proposed route, since NESF's own Business Plan states that the NOBSKA needs to achieve at least a 53% average load factor to operate on a break-even basis.

Moreover, NESF's Business Plan envisions that in order to reach a break-even point the NOBSKA will have to carry almost twice as many passengers from New Bedford to Martha's Vineyard on its one daily trip than were carried by the SCHAMONCHI in 1994 on its three daily trips combined. Thus, in order for the NOBSKA's operation to survive as set forth in NESF's Business Plan, that is, without diverting any passengers from the SCHAMONCHI, island tourism from New Bedford will actually have to increase threefold.

The staff similarly has concerns about certain aspects of the "Projected Expense Analysis" contained in NESF's Business Plan. In short, the staff believes that NESF's Business Plan fails to make adequate provisions for certain major expenses which NESF will undoubtedly incur.

Accordingly, despite the undeniable attraction that the NOBSKA will have operating on its historic route in an historic fashion, the staff is of the opinion, based upon the information provided by NESF in its June 23, 1995 application, its accompanying Business Plan and at the September 12, 1995 public hearing, that it would be irresponsible for the Authority to grant NESF an amendment to its current license to include landings on Martha's Vineyard en route between New Bedford and Nantucket.

TRANSCRIPT OF THE STATEMENT
MADE BY
RONALD H. RAPPAPORT, DUKES COUNTY MEMBER
OF THE
WOODS HOLE, MARTHA'S VINEYARD AND NANTUCKET STEAMSHIP AUTHORITY

September 22, 1995

The question of whether to grant a license to the NOBSKA for a Martha's Vineyard run has been one of the most difficult of my three years as the Vineyard representative to the Steamship Authority. I have been urged by many respected and thoughtful citizens, some of whom are in this room, to grant this license so that this historic vessel can serve as a floating museum and as a reminder of our maritime heritage. Numerous government bodies on the Vineyard and elsewhere have also urged a yes vote. I have read all the materials supplied by David Pritchard, head of the New England Steamship Foundation, who has worked so hard and creatively for the NOBSKA's restoration. I, too, have fond memories of riding the NOBSKA, and as a native Vineyarder, I understand the desire to have this vessel saved.

But the issue before the Steamship Authority is not whether public sentiment favors the restoration of the NOBSKA, or whether it is desirable to have a coastal steamer sailing in our waters again. The issue is whether there is sufficient public need as defined in our licensing policy and in our charter for a vessel to provide daily service for some 1,200 passengers, from New Bedford to the Vineyard, Nantucket and back, between mid-May and mid-October -- the height of our tourist season -- for a 12-year period beginning in approximately three years.

Based on my review, I have to concur with management's assessment.

First, I see no demonstration of need, and I don't believe that is disputed. The SCHAMONCHI carries approximately 51,000 passengers to Martha's Vineyard on three daily trips it runs between May and October. The best capacity that it gets is 38 percent. The Hy-Line carries approximately 31,000 passengers a year between Martha's Vineyard and Nantucket and it operates at only 15 percent of its capacity. These figures demonstrate to me that there is no present need for additional service between New Bedford and the Vineyard, and between the Vineyard and Nantucket.

The larger issue is whether the public interest requires the licensing of an additional carrier. Last year, the Steamship Authority carried two million passengers between Woods Hole and Martha's Vineyard, and 550,000 passengers between Hyannis and Nantucket. It transported 350,000 cars and 60,000 trucks between Woods Hole and Martha's Vineyard, and 76,000 cars and 27,000 trucks between Hyannis and Nantucket. While those figures speak for themselves, the Authority could have provided much more service. It could have run through the night on a regular basis. It could have created more demand.

But, instead, it has cut its advertising budget and imposed certain limits on its operation. Last month, we voted to adopt a business plan which calls for no increase in traffic in 1996, and we are about to discuss imposing reservation-only travel during the summer.

The New England Steamship Foundation has stated in its business plan that it could bring 148,000 new passengers who would not otherwise travel to the islands. The Foundation proposes to spend almost \$500,000 in advertising -- four times the amount spent by the Authority -- in order to create its own demand. According to the plan, these new passengers will constitute a new market of travelers who will neither take away nor detract from existing carriers. If this is so, Falmouth and Woods Hole will not get the relief they seek from a new port in the granting of this license, and the islands will get a large influx of new tourists in a season that is already hectic.

These 148,000 new passengers, if they are realized, represent 8.5 percent of the current market, or three times as many passengers as the SCHAMONCHI carries. I have concerns that, at a time when Oak Bluffs is obliged to transport its sewerage from its overflowing septage lagoons off-island to Falmouth (and now, I believe, to Carver) and, when gridlock is a term increasingly used and experienced in our port communities, I question whether we should be sanctioning the stimulation of additional travel to the islands.

Our transportation committee formed last year has yet to come up with its recommendations about the Vineyard's current traffic problems, but I believe that to add even more people to the Vineyard before meaningfully addressing these concerns is simply shortsighted.

On the issue of lack of facilities, according to their business plan, the NOBSKA's proponents propose to use the Steamship Authority wharf in Oak Bluffs twice a day from mid-May to mid-October -- essentially for free, which means that it would be subsidized by rate payer subsidy. It is my understanding that they are similarly proposing to use the Steamship Authority wharf in Nantucket under the same conditions. In my view, it would be unfair to commit these facilities for private purposes for the

12-year period contemplated by the license, especially when the NOBSKA's competitors are forced to pay substantial docking fees themselves.

As to the lack of private investment, a concern raised by Mr. Grossman, my review of the New England Steamship Foundation's financial records demonstrates that private investment has been virtually nonexistent to date, and that the project will not get off the ground without a substantial infusion of taxpayer dollars. Management believes that the NOBSKA cannot survive without continued public subsidies. This, at a time when Coast Guard stations, our own included, are being closed due to lack of public funding. This lack of private funding underscores to me management's opinion that this venture will not survive without continued public subsidy. And I am concerned that, if a license is granted, the Authority will be obligated to pick up the pieces.

As to New Bedford as a port, gambling will probably become a reality in New Bedford in the next several years. If that occurs, there will be increased pressure on the Authority to operate out of New Bedford. In part as a result of the NOBSKA application, it is my understanding that the Federal Highway Administration may designate the route between New Bedford and Martha's Vineyard an extension of the federal highway system. I question whether this designation is either warranted or wise.

I am concerned that the development of New Bedford as a port of call to the islands will not only cause a further influx of tourism, which our communities at present cannot handle, but that it will substantially increase the Steamship Authority's rate structure. It is a fact that the last time the Steamship Authority operated at a deficit was when it operated from New Bedford. The Authority, now more than ever, has been working with our port communities to alleviate growing traffic concerns. At this point in time, creating new demand for travel from New Bedford to Martha's Vineyard is not the answer.

The proposal before us is to license the NOBSKA as a commercial carrier to the islands for 1,200 passengers a day. I do not believe that this is in the public interest at this time. I do not believe that it is in the interest of the Steamship Authority. I do not believe that it is in the interest of Martha's Vineyard. My analysis might be different if a different plan were presented. We all have fond memories of old boats traveling in these waters and we love the memory of them. But this is a business proposal with potentially negative implications and at this time I simply cannot support it.

TRANSCRIPT OF THE PREPARED STATEMENT
MADE BY
DAVID O. PRITCHARD, PRESIDENT & CEO
OF THE
NEW ENGLAND STEAMSHIP FOUNDATION, INC.
TO THE
MEMBERS OF THE
WOODS HOLE, MARTHA'S VINEYARD AND NANTUCKET STEAMSHIP AUTHORITY

September 22, 1995

The decision you face today is about permission to operate an historic ship over its historic route and in an historic manner with amenities from a bygone age which have almost disappeared -- an operation which will allow future generations to understand what travel was like along the New England coast well before the Civil War right up to World War Two. For however much one may suggest other routes, the important thing to remember is that Williamsburg is Williamsburg because it is where Williamsburg is, not next door to Columbus, Ohio, something which Disney learned to their dismay in Manassas.

It is about how you, as appointed guardians of a well-developed society on the threshold of the twenty-first century, define the meaning of public necessity and convenience, because that is one of the principal things which we are being told we do not meet. It is about whether you choose the preservation of our historic culture and cultural and sociological past in order that future generations may understand where they came from and how they got there. NOBSKA is part of the fabric of the islands.

But, finally, it is about how the staff of a public authority chooses to analyze and judge the values of another business for its potential for success.

About a year ago, NESF applied for a license to operate the NOBSKA over this route. It was pointed out that with the addition of this route as a water-route of the National Highway System, we could apply for federal ISTEA funds from two categories: First, Section 1007, which is for enhancements and historic preservations, for \$3,000,000, which is determined by state highway departments in each state; and, second, Section 1064, which is for new ferries construction, for \$2,500,000,

which is determined at the federal level by the Department of Transportation.

At that time and as part of our application, we resubmitted our business plan which originally had been written in 1992 and given to the SSA at that time. The essential part of that plan was that, in the early years, NOBSKA could successfully operate with an average daily passenger load as low as 540 passengers. Over the long haul, NOBSKA would have to average 780 passengers per day, and it was probably possible, and it was a goal, to reach as many as 960 passengers per day, based upon the experience from SSA figures which had been supplied, gentlemen, by your staff.

Now I am not suggesting that they may have misinterpreted our request, or we may have misinterpreted their numbers, but the issue as to the justification for NOBSKA's run on the issue of what the Steamship Authority is doing is not germane to the issue of whether NOBSKA can be successful or not. Now let's remember one thing about those two boats that run between nine and ten o'clock in the morning. In the case of the NOBSKA, someone comes specifically because they want to ride the NOBSKA, they get one shot a day. Passengers coming to ride Steamship Authority vessels, if they miss the boat, they can take the next boat or the boat after that, or the boat after that, because there are multiple trips.

Knowing that our business plan had been reviewed and expressing concern over the possible competitive effects our operation may have on the grandfathered carriers, particularly the SCHAMONCHI, SSA staff stated that they could recommend a New Bedford-Nantucket license as it would compete with no other carrier, but to grant the Martha's Vineyard landing they would need information which would clearly indicate that we would draw a distinct market in order to avoid any directly competitive market forces. We stated at that time that we could accept the Nantucket license as a starting point, but we made it very clear, even on the day that we received that license, that we still needed the Vineyard portion of the license as our business plan was based upon going to both islands; and I would submit to you gentlemen that as much as there may be people who want to ride the NOBSKA, there is a differential between a person who says, "Yes, I would like to get on NOBSKA and I would like to ride two hours each way," as opposed to those who say would say, "I would like to ride four hours each way." Let's also remember that roughly eighty percent of the traffic goes to the Vineyard anyway as opposed to twenty percent that goes to Nantucket, and that in part is probably because of the differential between forty-five minutes and two hours.

In any event, we asked the SSA staff at that time what they expected and we pointed out that quantifiable market studies of the sort they were talking about could create an insurmountable

obstacle. We were told that nothing that sophisticated was required, but they simply needed to know how the audiences differed. I will say that, in the end, thanks to the Mass. Office of Travel and Tourism, we were able to provide that kind of sophisticated information anyway, which has been generally denied.

At the same time, we presented our proposed operation to every principal planning body of Falmouth, Nantucket and Martha's Vineyard. In every case they both approved and applauded our operation, and there was not a single dissenting vote. Every museum and historic preservation organization with every constituency we could touch approved of our restoration of service. The outpouring of public support was gratifying. The result was the license that we were granted in 1994, and this did of course allow us to apply for federal ISTEA funds. Again, as I say and we reiterated then that we needed a Vineyard license.

Quite contrary to what is said on the staff summary that we were told we could not come back until we had four million (because we specifically said that we could not accept that), we were told to come back in January of 1995. Our reason for not coming back in January of 1995 had to do with what we regarded as our sensitivity to the Steamship Authority. It was about that time that Representative Straus introduced another one of his Steamship Authority-busting bills in the Legislature and we didn't want to be a political football or a pawn in the middle of that. This was discussed with SSA staff at the time.

This was followed by the circulation of a new draft policy, the policy to which Mr. Sayers refers, licensing guidelines for private carriers. We questioned a number of points in this draft, including some of the underlying assumptions, but because such heavy emphasis was placed on the issue of public convenience and necessity, we strongly took exception to any narrow definition to this basis for licensing. Specifically, we asked the question, "What about, if you will, is art and culture necessary to society?" We recognized then that in primitive terms NOBSKA's return to service is not necessary. This grand ship, America's last coastal steamer, could disappear and life could go on. But we would all be poorer for it.

SSA staff seemingly answered our concerns as to how this issue of public convenience and necessity would be defined in your final summary policy, which was approved initially. It included this language:

"In any particular case, the evidence may reveal a recognizable group of potential new passengers who would patronize an interesting new service offered by a carrier, particularly if it provided a unique cultural and educational experience to the public. On the other hand, the evidence may show that the service currently

afforded the traveling public by existing grandfathered and licensed carriers is adequate and satisfactory to take care of present day needs. The issue will not be whether the existing carrier's service meets some absolute standard of performance, but whether the public convenience and necessity would be served by the entry of new carriers into the marketplace."

It appeared that SSA Members and staff understood that culture, which includes history and an understanding of the past, was a public necessity. Today we're faced with a staff summary which advises the Members that, after careful analysis of our request for an amended license, our landing is not required by public convenience and necessity. Apparently culture has nothing to do with convenience and necessity. This opinion completely ignores the provision in your own policy statement for a carrier offering such a service. I believe that it is a fair statement that the type of experience we will offer is not offered by any other carrier and cannot be. By their very nature they can't.

"In its business plan, NESF provides no basis to quantify the size of this market who will seek out NOBSKA as a travel destination in and of itself." This is the claim that is made. Our application consisted of the business plan along with quantifiable marketing research done by the Mass. Office of Travel and Tourism and our application must be treated as a whole, not the business plan apart. Any degree of careful reading of the MOTT research would show that there are approximately 18.6 million pleasure visitors to Massachusetts annually who spend at least one night overnight in the Commonwealth. Nineteen percent of these, approximately 3.5 million, are culture-seeking heritage-minded visitors, and I think everybody knows what that means, that these clearly are an audience who would be drawn to our boat. Another sixteen percent, another 3 million, are what are referred to as "explorers," people seeking unique travel experiences.

So the market size is at least 6.5 million from out of state alone, and that doesn't even count what the MOTT report refers to as the "repeaters," many of whom would like to return to the old habit of riding NOBSKA from New Bedford to the Vineyard, or other pleasure travelers from within the state. We believe that it is reasonable to assume that, as a percentage, there are as many cultured people in Massachusetts as there are in the rest of the country. In short, we did provide the basis, not in our business plan but directly from the MOTT research itself.

Finally, at the public hearing held ten days ago, your staff asked for admission figures to the New Bedford Whaling Museum. Apparently their desire was to use this figure as a basis to determine whether or not NOBSKA could draw sufficient ridership to be self-sustaining. Notwithstanding the questionable analysis of our business plan revenues projections and estimated expenses,

and that matter I will take up in a moment, at the time we stated we would provide such figures, but questioned whether the Whaling Museum was, to use real estate appraisal parlance, a proper comparable, as this is an indoor museum without some of the attractions of an operating passage back in time. We suggested that perhaps a better comparable would be Mystic Seaport and have provided those figures as well. So let's look at those figures, and they are not apocryphal as they are dismissed in the report.

First off, for us to operate at break-even in the early years when our annual maintenance will be low, we should draw approximately 480 passengers a day on average or over 73,000 for the summer. Over the long haul we need to draw 630 or around 96,000. Indeed, this year the Whaling Museum during the comparable season will only draw around 47,000, substantially less than we need. But Mystic Seaport, an outdoor family attraction, drew 300,000 from May through August. Last year from May through October, Sturbridge Village drew 251,000. This year Plimouth Plantation, from May through September, has drawn 289,000.

And, finally, seeking as direct a comparable as we could possibly find, I would point you to the BELLE OF LOUISVILLE, a boat on the Historic Register. It is an historic day-excursion boat on the Ohio River owned by Jefferson County, Kentucky. It is 200 feet LOA, 47 foot beam, three passenger decks, historic register, and licensed to carry 1,048 passengers by the Coast Guard. Since it started operating in 1963, and 1963 was something of an exception because they only operated half a season, they have ranged between 122,000 and 160,000 each season, and they have averaged somewhere between 135,000 and 140,000, at least 40,000 more than we need. We have given the name of the general manager and the phone number to your staff and we have said, "Be our guest, call, if there are any details you want, there they are," yet this is dismissed as anecdotal.

No question about it, each of these attractions is different and unique, just as is NOBSKA, but they demonstrate that such attractions do draw their own audience and in numbers far exceeding those we need in order to be successful. Which brings me to the first major flaw in your staff's business analysis. Nowhere does that analysis recognize that markets are created, and based upon other experience one can demonstrate this. We submit that Mystic, Connecticut next year would have very few visitors were it not for the Seaport, as would Sturbridge, Massachusetts. While Plymouth, the apocryphal first landing place of the Pilgrims, would probably fare a little better, its numbers would be small compared to those drawn to Plimouth Plantation.

NOBSKA will draw its own audience and it will draw it in more than sufficient numbers to sustain itself, provided that it does not have to suffer the onerous task of operating a full-day, four-hour uninterrupted journey to Nantucket and back. And

giving some further thought to it, maybe Nantucket is the only place for the culture seekers. Gentlemen, we are not an uncultured lot on Martha's Vineyard, and that was amply demonstrated by the turnout at the public hearing.

Having raised the first major flaw in the analysis of our business plan, and it is a very big one -- and I am sorry if I am boring you but I hope I am not -- I'd like to touch on a few of the so-called problems raised by their analysis. They place great emphasis on the dramatically mistaken figures for SSA passenger counts and load factors for SSA boats. First of all, we would point out that the figures again were supplied by your own staff personnel in 1991 and 1992 and, again, perhaps it was misunderstood. But more importantly, while those figures gave us a basis on which to determine our own goals, they have nothing to do with our ability to draw passengers in sufficient numbers to successfully operate. BELLE OF LOUISVILLE operates with at least a 60-plus percent load factor on a regular basis. We only need 52 percent. The numbers drawn by other active historic attractions in this area far exceed anything we need. So the real focus should be on revenue projections and estimated expenses.

The revenue side should be easy, and some recognition should be given the fact, totally ignored by your staff, that there are at least nine additional revenue streams available to the Foundation for which no income is attributed, including state room rentals, gift shop sales, Friends of NOBSKA memberships, special events, winter museum admissions during the five-month period the boat is a museum on the waterfront in Providence. For all practical purposes, the idea that there is any revenue from section seven of our business plan was dismissed. (In all fairness, they did mention the stateroom revenue.)

Insofar as the expense side of things go we were principally criticized in these areas: crew costs; food service gross revenues; dockage; annual maintenance. As to crew costs, the wages stated are union east rates. We understand that these rates are somewhat under those currently paid by the SSA, but they are substantially above any of those paid by the private carriers. Universally, when this plan has been reviewed by other knowledgeable ship managers, one of the first points made is that our crew costs have been overstated, not understated as your staff analysis indicates.

Our gross restaurant and lunch counter revenues have been criticized as overstated by comparing them to the gross revenues from the snack bar services provided on the M/V EAGLE. Our restaurant plan was developed by a graduate of Cornell University's famed hotel and restaurant management school, a man with many years of experience in the field. Your staff's criticism takes no account that the kind of food service we will provide is substantially different than that on the EAGLE. Nor does it take account of the fact that our audience will be substantially

different from that on the EAGLE and generally traveling for altogether different reasons and experiences. Where we will be serving veal oscar and crabcakes as part of a fine dining experience, EAGLE serves hot dogs and pretzels. Where our lunch counter will be offering overstuffed deli sandwiches and potato salad, EAGLE will be serving kielbasa and chips. And finally, people aboard NOBSKA will view the food service as part of the experience, something which very few do on the EAGLE.

Finally, take a look at the number of people on your boats who bring their own food aboard. In fact, Mr. Chairman, as I recall, we met at the Black Dog this morning. I bought orange juice there because I can buy real orange juice which I can't buy from the concession stand. I bought two doughnuts and I bought better coffee, and I carried it aboard. So that's a good indication of the kind of thing that is happening. This is something our audiences are unlikely to do, however, as they will all for the most part be cultured travelers well away from home, an audience which likes to eat out.

As to dockage, even if our annual costs in New Bedford were fifty thousand annually instead of the ten thousand estimated, which recognizes the value of NOBSKA to the city as a tourist attraction, stateroom revenues alone would more than offset this. As to Martha's Vineyard and Nantucket, while we would still hope to work out some arrangement in the future with the SSA which would mean we would give up the ticket revenue for passengers traveling between the islands, a license not unlike what we were granted in 1985, if we wind up in private docks we would not have to give up this revenue.

Further, we believe that the operation of NOBSKA from Martha's Vineyard to Nantucket would result in a dramatic increase in travel between the two islands. This recognizes that the same kind of audience, including those culture seekers among island residents, will be attracted to travel to Nantucket, something which very few do today. These persons presently are not so inclined. Our business plan conservatively estimates that, on average, seventeen people taken to Martha's Vineyard would travel to Nantucket each day. We believe that this is a drastic underestimation of what would really occur with far greater revenues than the plan anticipates.

Finally, annual maintenance. At the time we developed this plan we did indeed consult with your maintenance personnel. We did this, with the permission of the then General Manager, as to the typical costs of maintenance on ISLANDER, and the ones that appear on our plan were the ones that were given to us. So if we are off, again I come back to your people, we went to what people we thought had experience. This was of course before ISLANDER was re-engined, and that occurred I believe in 1992 and 1993 and which we understand had a major impact on overall costs of

maintenance for the SSA fleet during the years which were cited in your analysis.

So while there may be some basis for minor criticism here, the analysis is based on comparing apples to oranges and, in any event, is nothing which endangers the overall operation of NOBSKA.

As to the overall criticism on which the staff's recommendation is based, to the effect that NESF currently does not have the ability to provide the proposed service, that is indeed correct. It would be imprudent management on our part for us right now to have a full staff on board ready and able to provide the required service when we are not yet ready to run. This is not to say that we are not talking right now and are going to contract with qualified ship management construction people for the reconstruction.

They say our ship is in too poor condition to run. It certainly is, but it won't be by the time we're ready to run.

They say we don't have sufficient resources, yet the state has already committed to the first three million in ISTEA enhancement funds for historic preservation. We do have the other grant pending for 2.5 million, and things are looking very good there if we get the Vineyard license. They say we cannot obtain these funds because they are for new ship construction, but old ship construction is allowed and our application already has been passed on by the Federal Highway Administration as qualified. They say that competition for funds is fierce, yet the SSA has, to the best of our knowledge, never had an application rejected, and we know that this year the total amount of funds applied for from all states is less than the total funds available. You should have gotten an application in, guys, there's money there.

Who are your staff to judge whether, in the competitive environment of government grant applications, the NOBSKA is not an attractive proposition? As I recall when you first applied for ISTEA funds your staff said you would never get it, but you did get it. It carries with it values which no SSA project can have. What your staff calls analysis is nothing more than a bit-by-bit effort to pick our proposition apart on a piecemeal basis without looking at it as a whole project. Our job is to arrive at the starting line sometime between May of 1997 and May of 1999 with a U.S. Coast Guard certified vessel which is steam powered, on the National Register, and operated by NESF as a non-profit entity, and we will do so. How we get there should be our business.

Your staff's approach to the analysis of our business is to insist that we have everything cast in bronze, today, right now, that everything must be defined in absolutes, that absolute

certainty rule the day. Yet their own analysis takes issue with itself. One moment they say that it is likely that we will take substantially away from the SSA's business, then they say there is no evidence that we would offer any traffic relief to Falmouth. They say we will put SCHAMONCHI out of business, then they say our fare is too high. They suggest that if as many as two percent of our passengers were to otherwise have ridden the SCHAMONCHI, at our peak fare figure of 145,000 annual rate, that this would be a devastating blow to SCHAMONCHI. This amounts to 19 passengers a day, and presumes that there is no burden on SCHAMONCHI to continue to develop their own business.

I would submit that if we manage to operate at 145,000 annual rate, there will be enough people missing our boat's sailing time each day to probably add 35 or 40 to the fares of their next boat. After all, they run several times a day. Or perhaps they will go on to Woods Hole to catch an SSA boat. Sorry Falmouth, we don't mean to burden you. And given the growth of the overall market over the last twenty years, it begs the question as to why SCHAMONCHI's own business hasn't grown. They obviously have the capacity. Don't they have some burden to build their own business? MOTT's study has identified their market for them, and it is larger than ours, and it is different than ours.

Gentlemen, your staff's analysis is not sound business analysis, although there are certainly some points to consider, and consider them we will. Rather, it is legalistic nitpicking aimed at supporting a proposition which they, perhaps you, already want to take regardless of the validity of our proposed service. It demands absolutes in a world which has none. No one in their right mind believes that the operation of S/S NOBSKA would threaten the economic well-being of the SSA. We have clearly demonstrated that there is a unique and very large market segment which will be drawn to NOBSKA, more than big enough to support NOBSKA, and it is distinctly different than that drawn to SCHAMONCHI.

Your staff has chosen to believe that the consumer benefits of the operation of an historic ship such as NOBSKA, America's last coastal steamship and recognized by both the National Trust for Historic Preservation and the National Maritime Alliance as one of America's ten most endangered maritime resources, does not outweigh a possible, yet nominal, adverse impact on a grandfathered carrier. Your staff has decided that culture and history and education are not a need of society. Please, help us redefine this need.

According to your guidelines, our prospects for obtaining this license should be enhanced, since we have supplied you with effective market research that confirms that there is an unsatisfied demand for our service, as called for in your guidelines. Namely, and I am quoting from your own document, "A market

segment which desires a cultural and historical and educational experience in a lively and entertaining manner," which we will provide. We have done so not only qualitatively but quantitatively, with research far better than anything we could have afforded.

Last of all, and overlooked in all of this, are your constituencies. Virtually every elected body in Nantucket, Martha's Vineyard and Falmouth loudly and virtually without dissent, every planning board, every museum organization and, with the exception of Nantucket, where we have never requested such a resolution, every board of selectmen has voted favorably upon us. Last week you held a public hearing on Martha's Vineyard, the one port affected by this application. At an extremely large turnout for such a hearing, there was not a single dissenting voice. Your staff stated in a letter to us dated September 8th, four days before that hearing, that they would make no decision on our application until they received the benefit of the comments which would be made at that hearing. What benefit? What was the point of that hearing? Unfortunately, they didn't get the kind of response they wanted.

Gentlemen, NOBSKA is in poor condition. NOBSKA will be restored to the grandeur which was hers in 1925. She can and will operate successfully without harm to the SSA or the grandfathered carriers. Recognize that she meets a major public convenience and necessity. Recognize that by the time our vessel is ready, so will our organization have the skill and personnel to provide the service we have outlined and, in any event, we wouldn't be allowed to operate if we didn't.

Your staff wants everything cast in stone today. That's impossible. All we ask for is a measure of certainty for tomorrow so that we can finish obtaining the funds which we said we would develop at the outset, and deliver the service we proposed in the first place. And, gentlemen, I would submit that we have at least gotten this far, we have gotten the first three million, so it isn't like we're standing still.

We need the Vineyard license and, as the guardians of public transportation between the mainland and the islands, you have a duty to allow it, for it is a necessary part of public convenience and necessity which you are charged with overseeing. Fairness, duty and the public interest dictate it. Please, I beg of you, gentlemen, carefully consider your vote. Thank you.