

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

The Meeting in Public Session

April 17, 1997

The Members of the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority met this 17th day of April, 1997, beginning at 9:30 a.m., in the Selectmen's Meeting Room of the Town and County Building, located at 16 Broad Street, Nantucket, Massachusetts.

Present were all four of the Authority's Members: Chairman Grace S. Grossman of Nantucket; Vice Chairman Ronald H. Rappaport of Dukes County; Secretary Paul R. Kelleher of Falmouth; 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; Engineering and Construction Manager James P. Swindler; Executive Secretary to the General Manager Maxine Horn; and Nantucket Terminal Manager Paul R. Harrington.

Minutes:

IT WAS VOTED -- upon Mr. Rappaport's motion, seconded by Mr. Kelleher -- to approve the minutes of the Members' meeting in public session on March 20, 1997.

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

VOTING NAY: None

Traffic Management:

Mrs. Grossman recounted how the Authority had asked the islands in September 1996 for direction as to what they felt the Authority should do with respect to regulating automobile traffic to their communities. Mrs. Grossman then announced that, in response to the Authority's request, Nantucket residents had overwhelmingly adopted a resolution at their 1997 Town Meeting earlier that week which had been proposed by the Nantucket Selectmen to curtail the growth of cars coming to the island. Accordingly, Mrs. Grossman moved that the Authority adopt and support the resolution voted by the citizens of Nantucket at their Town Meeting on April 14, 1997 -- with the proviso that management initiate a review for options pertaining to a high speed passenger-only vessel with provisions for additional offsite parking area on the mainland, as well as a plan for a partnership with the Town of Nantucket for implementation of the resolution.

Mr. Rappaport seconded Mrs. Grossman's motion for the purposes of discussion and, noting that other articles pertaining to traffic and growth issues had been scheduled to be considered by Nantucket residents at their Town Meeting, asked whether any of them had been voted on that week in addition to the resolution. In response, Arthur Desrocher, Chairman of the Nantucket Board of Selectmen, advised the Members that the following resolution and articles had all been overwhelmingly adopted:

- (1) The Selectmen's Resolution, which provides that year-round residents should have unlimited access to the Authority for their vehicles, subject to space availability; that visitors who are staying on the island for less than two weeks should be prohibited from bringing a vehicle to the island; and that visitors with lodging reservations for two weeks or more should be permitted to bring only one car to the island.
- (2) Article 54, which limits the total number of rental cars that are allowed to be available for lease on the island to 650, the number of rental cars that were available in 1996; and
- (3) Article 74, which asks the Authority to take no action that will increase its capacity for transporting automobiles to the island during the months of June through September to any level exceeding its 1996 capacity during that period, and to actively work with the Town and its residents to better meet the transportation needs of year-round Nantucket residents and Nantucket-based businesses.

April 17, 1997 Meeting
Minutes of the Public Session

Mr. Rappaport declared that it sounded like Nantucket had responded to the Authority's request for direction on traffic and growth issues, and had stated that it would like the Authority to address what is obviously a problem. Mr. Rappaport also noted that three of the six towns on Martha's Vineyard had similarly voted overwhelmingly in favor of a resolution to limit automobile traffic to 1995 levels from Memorial Day to Labor Day, and that the three remaining towns would also vote on that resolution within the next month.

However, Dukes County Commissioner Daniel Flynn cautioned the Members to recognize that the votes being taken on the islands reflected the views of only those people who live there, and not the people who own homes but cannot vote there or the people who visit or want to visit the islands. He also expressed concern that public officials on Martha's Vineyard did not have an opportunity to review the resolution before it appeared on the ballots, and felt that the kind of determination voted on should not be made until after the public is informed as to what the economic impacts would be from such a limitation on automobile traffic, such as how the Authority's overall fare structure would be affected.

In response to Mr. Flynn's statements, Mr. Rappaport noted that the votes taken on the islands reflected the overwhelming sentiment of those people who have chosen to make the islands their homes and, accordingly, he felt that the Authority had an obligation to listen carefully to those people who have said that they want the Authority to work with them to deal with a very real problem that fundamentally threatens the quality of life of both islands. Mrs. Grossman also noted that the Authority may not necessarily have to raise prices as a result of curtailing the growth in automobile traffic, since it might be able to make up for the loss in revenues by carrying more passengers and freight. All she was requesting was for the Authority's management to look into these issues and hopefully come back with some suggestions and ideas that would help solve the islands' traffic problems.

Mr. Kelleher declared that he was very pleased to hear the clear and unified opinion that Nantucket residents had expressed at their Town Meeting, and that he welcomed and supported the direction they had given the Authority. However, Mr. Kelleher said that he did not believe the Authority should immediately establish that direction as policy without first having management review its implications.

Similarly, Mr. O'Brien stated that, while he certainly supported and respected the desires of the island residents, he felt that the Authority first had to take a very serious look at

what the impacts would be of implementing the resolutions. For example, Mr. O'Brien noted, the Authority was in no position to acquire another vessel at that time, and had no more property in Hyannis for parking. Such changes in the Authority's operations could not take place overnight, but rather would take years to implement.

Mr. Tiberio recounted how, prior to receiving the traffic forecasting report from KJS Associates, Inc. in September 1996, the Authority had been in the impossible position of trying to accommodate all traffic that appeared at its terminals knowing full well that it did not have the capability to do so. However, KJS's report made it clear that, unless something is done, the traffic will continue to increase and its cumulative impact will be such that neither the islands nor the Authority can hope to absorb it. Accordingly, Mr. Tiberio said that he welcomed the direction given by the islands to curtail that growth somehow and to explore different alternatives to allow people to get to the islands, albeit by passenger-only vessels. He said that he felt it was now the Authority's organizational duty to develop a course with the islands to achieve that goal.

Mr. Rappaport then suggested a more general motion, which was seconded by Mrs. Grossman, to accept the direction that had been given to the Authority by the two islands and to ask management to come forward with a plan to implement the direction that the Authority has received. However, Mr. Murphy expressed his concern that Mr. Rappaport's motion still appeared to accept the various resolutions as a mandate, rather than a direction, and that the Members should not follow such a mandate without knowing what its ramifications were, such as whether it might in fact devastate the islands' economy.

In response, Mr. Rappaport said that his motion was simply recognizing that, for the first time, the island residents overwhelmingly had told the Authority to look seriously at ways to curtail automobile traffic, and that the Authority should respect that request by having management analyze how to respond to those plain expressions of opinion and come back with appropriate recommendations. Similarly, Mrs. Grossman declared that no one wanted to stop the islands' economic growth, but that this growth could not be left uncontrolled in such a manner that would jeopardize the precious nature of the islands that is the very reason why people travel there.

Mr. Sayers then suggested a substitute motion to reflect the consensus that appeared to exist among all the Members. After the language was refined by Messrs. Murphy and Beach, it was moved by Mr. Kelleher and seconded by Mrs. Grossman. Mrs. Grossman and Mr. Rappaport then withdrew their previous motions.

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

- (1) To express support for the direction on traffic and growth management issues recently given to the Authority by the islands, as expressed by their adoption of a resolution and two articles at Nantucket's 1997 Annual Town Meeting, and their approval of a ballot question at recent town elections on Martha's Vineyard; and
- (2) To direct management to review those initiatives and provide the Members with recommendations regarding their possible implementation and an analysis of the ramifications and cost implications thereof.

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

VOTING NAY: None

Hyannis Terminal Reconstruction Project:

Mr. Tiberio reported that the Hyannis Terminal Reconstruction Project was still proceeding pretty much on schedule, although there had been a delay with the transfer bridge for the new slip and that, therefore, beginning next month the Authority would only be able to use the new slip as a tie up slip until the pier is completed later in the year. Mr. Tiberio also stated that construction at the Hinckley parking lot was sufficiently completed so that it would be able to be used during the Daffodil Weekend.

Automated Reservation and Ticketing System:

Mr. Tiberio then reported that management was in the process of reviewing the lessons learned earlier in the year regarding problems associated with processing reservations, and that he hoped to have a series of recommendations for the Members' review in June which will suggest certain changes to address those problems. Mr. Tiberio said that management had also scheduled some preliminary meetings with island residents as well to receive their comments on some of the possible changes being considered, such as having separate telephone lines for each

island and starting the mail-in feature of the program as early as November.

Traffic Research and Evaluation:

Mr. Tiberio informed the Members that KJS Associates, Inc. ("KJS") had conducted their first survey of Authority passengers during the prior weekend in an attempt to better identify the market segments of Authority customers, and that they would repeat the survey at the end of July or the beginning of August to see how the makeup of customers differs during different times of the year. Accordingly, Mr. Tiberio said, KJS would be in a position to present their preliminary traffic findings by September, although they hoped to be able to provide the Members with at least some information pertaining to the Authority's freight operations next month to help the Members decide how the Authority could improve that aspect of its service.

New Vessel:

Mr. Tiberio then announced that management had provided the Members with general arrangement drawings for the new vessel and would be making a presentation on them at the May meeting. Mr. Tiberio said that, using the *Martha's Vineyard* as a prototype, the drawings make certain changes to increase interior passenger capacity (which means the elimination of one truck lane), adding more restroom facilities, installing a dumbwaiter to load stores and provisions more easily, and raising the height of the pilot house to improve the deck officers' line of sight when approaching slips and docking.

Mr. Tiberio also reported that management was engaging the services of another naval architectural firm to conduct an independent review of the Authority's prior studies which concluded that the new vessel should have a conventional hull like the *Martha's Vineyard* instead of being a "double-ender." In response to a question raised by Mr. Kelleher, Mr. Tiberio stated that the review would not have any impact on the project's schedule (assuming that it concludes that no significant changes to the vessel's design are warranted), and that the new vessel should be delivered sometime in the Spring of 1999 so that she can be placed into service for that year's summer schedule.

Treasurer's Report:

Mr. Lamson reported that the Authority's net operating loss for the month of February 1997 was expected to be a little better than what was projected in the 1997 Operating Budget and that, as a result, the Authority's net operating loss for the first two months of 1997 was expected to be very close to management's original budget projections.

Mr. Lamson also explained that, while the Authority carried about 9,500 more passengers, 3,600 automobiles and 1,000 trucks during the first two months of 1997 compared to 1996, the additional revenue basically had been offset by a change in the way the Authority accounts for the sale and use of 10-ride automobile coupon books. In previous years, the revenue from the sale of those books was recognized as each book was sold. This year, Mr. Lamson said, the revenue was being recognized when each coupon ticket is actually used.

Old and New Business:

In response to a question from Mr. Murphy, Mr. Swindler reported that the Authority's Oak Bluffs terminal had suffered significant damage from the last storm, but that it would still be ready in time for the summer schedule.

Mr. Rappaport then informed Mr. Tiberio that he had received a request for the Authority to provide recycling containers on its vessels and at its terminals for both newspapers and cans, ideally in time for the summer season. (Mrs. Grossman said that she had received a similar request as well.) Mr. Rappaport then asked Mr. Tiberio to review whether the number of days on which customers may travel to and from the Vineyard on an excursion fare could be increased to the same number of days for which the Nantucket excursion fare was valid, since the problems which previously had justified the difference (namely, some customers' abuse of the fare by giving the second half of an excursion ticket to another customer) appeared to be now addressed by having all automobile tickets non-transferable.

Mr. Murphy also expressed concerns about how the brochure rack at the Vineyard Haven terminal was being used almost entirely by only one person, and how the area around the terminal was being littered by brochures that were being left on the Authority's property. In response, Mr. Tiberio reported that management had drafted tentative procedures which should address his concerns regarding the depositing and display of brochures on Authority property, and that those procedures were going to be

tried out on a test basis at the Woods Hole terminal within a few months.

Mr. Rappaport then expressed his frustration over the lack of attendance by the public at the Authority's meetings on Nantucket, and questioned whether it made sense for the Authority to incur the expense of having both the Members and management staff travel to the island unless more Nantucket residents attended the meetings.

Finally, Mr. Rappaport announced that Jason Gay was moving to Boston and, therefore, was attending his last Authority meeting as a reporter for the *Vineyard Gazette*. The Members wished Mr. Gay well on his new endeavors, and declared that he would be missed.

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

VOTING NAY: None

Before the Members voted to go into executive session at approximately 10:55 a.m., Mrs. Grossman stated that the Members would not reconvene in public after the conclusion of the executive session.

A TRUE RECORD



PAUL R. KELLEHER, Secretary

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

The Meeting in Public Session

May 15, 1997

The Members of the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority met this 15th day of May, 1997, beginning at 9:30 a.m., in the second floor conference room of the Authority's Woods Hole terminal, located at the foot of Railroad Avenue, Woods Hole, Massachusetts.

Present were all four of the Authority's Members: Chairman Grace S. Grossman of Nantucket; Vice Chairman Ronald H. Rappaport of Dukes County; Secretary Paul R. Kelleher of Falmouth; 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; Engineering and Construction Manager James P. Swindler; Customer Services Manager Gina Barboza; Special Projects Manager Wesley J. Ewell; Port Engineer Carl Walker; and Executive Secretary to the General Manager Maxine Horn.

Mrs. Grossman began the meeting by recognizing John S. Alley, Chairman of the Martha's Vineyard Airport Commission, who stated that he was pleased to announce that the Commission had voted the previous evening to allow the Authority to use the East Line Road in the airport's business park for emergency parking during the 1997 summer season. Mr. Alley said that the area should be able to accommodate as many as 300 cars, and that he would work out the details of the arrangement with Mr. Tiberio at his convenience.

Minutes:

IT WAS VOTED -- upon Mr. Rappaport's motion, seconded by Mr. Kelleher -- to approve the minutes of the Members' meeting in public session on April 17, 1997.

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

VOTING NAY: None

Hyannis Terminal Reconstruction Project:

With respect to the Hyannis Terminal Reconstruction Project, Mr. Tiberio reported that there had been a delay in the delivery of the transfer bridge for the new slip and that, therefore, it probably would not be installed until after the Memorial Day weekend. In the interim, Mr. Tiberio said, the Authority has decided not to tie up a freight vessel at the Hyannis terminal overnight, which has resulted in some adjustments to its sailing schedule. Otherwise, construction work at the terminal was pretty much on schedule and should be completed by the July 9, 1997 completion date, with the repair work to the concrete plaza beginning around June 1st.

In response to a question from Mrs. Grossman, Mr. Tiberio stated that the Authority had received information from the U.S. Army Corps of Engineers that, upon the appropriation of federal funds, dredging in the outer portion of Lewis Bay could begin as early as September 1, 1997. However, Mr. Tiberio cautioned that the Authority had not yet received any confirmation that any federal funds would soon be appropriated.

Automated Reservation and Ticketing System:

Mr. Tiberio then reported that the Authority's new 100% reservation program for Martha's Vineyard on summer weekends had begun, and that management was in the process of developing recommendations regarding changes that the Authority might consider making to the program for 1998.

Mr. Tiberio stated that he would also be meeting with the Martha's Vineyard Chamber of Commerce the following Monday to find out what suggestions that organization has as well.

Traffic Research and Evaluation:

Mr. Tiberio then introduced Joseph Savage of KJS Associates, Inc. and Francis Mahady of FXM Associates, who presented some of the preliminary results from their telephone survey of trucking firms which make bulk reservations for space on the Authority's vessels. Mr. Savage began the presentation by recounting how KJS previously had projected a growth in freight traffic to the islands of between 1% and 4% annually for the next ten years, and he noted that, consistent with that forecast, the Authority's freight traffic levels for the first few months of 1997 had grown around 3% from the same period in 1995.

Mr. Savage then said that KJS was in the process of interviewing the 139 trucking firms that made bulk reservations for space on the Authority's vessels during the 1997 calendar year, and had completed interviews with 93 of those firms, which account for 75% to 85% of all of the Authority's annual truck reservations. A profile of those 93 firms showed the following:

- The majority of the firms (48) served only Martha's Vineyard, 28 firms served only Nantucket, and 17 served both islands.
- Approximately one-half of the firms (45) were based on the islands, while 14 firms were located on Cape Cod, nine in New Bedford and 25 in other areas.
- Last October, when the firms made their bulk reservation requests for 1997, the majority of them (59) obtained all of the reservations they requested, 16 firms did not obtain all of their requested reservations but did not have to make any major changes to their operations, and 18 had to make significant changes to their operations because they could not obtain the reservations they wanted. (Twelve of those 18 firms serve Nantucket, while the remaining six firms serve Martha's Vineyard.)

With respect to those 18 firms who had to make significant changes to their operations, Mr. Savage remarked that it was costing them more time and more money to carry goods to the islands, which in turn meant that those goods will cost island residents more in the long run. In addition, noting that two-thirds of those 18 firms were serving Nantucket, Mr. Savage observed that the Nantucket route was much more constrained than the Vineyard route, and that this observation was borne out by a summary showing that only 80 to 90 percent of weekday reservation requests for that route during the 1997 summer season had been granted.

Mr. Savage also advised the Members that the variation in the number of truck reservations between the summer and winter seasons was only around 22 to 28 percent, far less than had been suspected. Essentially, Mr. Savage said, what used to be peaks and valleys in truck reservations from season to season were now all peaks.

Based upon their telephone interviews to date, Mr. Savage reported that the twenty largest firms carried approximately two-thirds of the goods to the islands and accounted for around one-half of all truck reservations. The types of commodities carried by those twenty firms were as follows: food (39%); building and construction materials (23%); fuel (14%); solid waste (11%); household goods (10%); mail (5%); and recyclables (1%). Further, except for the trucks carrying such things as solid waste and recyclables, most firms were only carrying goods to the islands, which meant that most of their trucks were traveling empty to the mainland. Mr. Savage also stated that the most frequent origin or destination point on the mainland for the twenty largest firms was the New Bedford/Southeast Massachusetts area excluding Cape Cod (27%), while the remaining trucks were going to Western Massachusetts (22%), Rhode Island or Connecticut (20%), Cape Cod (13%), New Hampshire, Vermont or Maine (12%), and the Boston/Eastern Massachusetts area (7%).

Finally, Mr. Savage stated that KJS's remaining tasks were to complete their survey and analysis, update the truck traffic statistics for 1996 and 1997, analyze the values of cargoes and trucking costs, and conduct interviews with the residents and businessmen who use goods that are carried to the islands. Mr. Savage said that they expected to be able to make a full presentation of their study to the Members in June, together with suggestions that have been received from the trucking firms for improvements to the Authority's operations and reservations program.

In response to questions from the Members, Messrs. Savage and Mahady stated that their traffic projections were estimates of what the unrestricted demand will be in the future based upon the year-round population on the islands and seasonal economic activity, as measured by retail employment. Declaring that they were confident of their projections unless the islands imposed some growth management restrictions, they noted that their forecasts fell well within the build-out potential for each island and simply reflected a continuation of the growth that the islands had been experiencing for the last 25 years.

In response to a questions from the audience, Mr. Savage said that he was aware of anecdotal evidence that the size of the trucks traveling to the islands had been increasing over the years, both by a foot or two within each class of trucks, and by moving up from one class to another. Mr. Savage also acknowledged that their study had not yet taken into account the number of trucks that travel on standby because the Authority's reservation system did not keep track of that information.

Albert Egan then declared that his company, the Marine Lumber Company of Nantucket, was in serious difficulties because it had been "cut off at the knees" by receiving only one-half of the 650 reservations it had requested for 1997 and being forced to have its trucks travel back and forth to the island on a standby basis. Mr. Egan complained that the Authority was granting reservations to competitors of his company who had never before done business in Nantucket, and stated that he did not believe it was fair for the Authority to grant any reservations to those competitors until after his company received at least the same number of reservations it had obtained in the past. Accordingly, Mr. Egan said, he was "seriously going to fight this thing."

Acknowledging that the Authority did not have the capacity on either route to accommodate the current demands of the freight industry, let alone the projected increase in those demands that had been forecast by KJS for the next ten years, Mr. Tiberio reported that he had received complaints not only from trucking firms who cannot obtain space on the Authority's vessels to carry their goods to the islands, but also from local island businesses who cannot get their products onto the islands in order to sell them. Mr. Tiberio stated that the problem was only going to get worse in the future unless the Authority moved to find a long term solution, and that any such solution had to address the two types of restrictions facing the Authority, namely, the number of

vessels it had available to operate and the terminals themselves, which logistically could not handle any more freight traffic. Mr. Tiberio also noted that there did not appear to be any quick fix to those problems, and recommended that the Authority begin to search for possible opportunities to commence operations from another facility on the mainland for the primary purpose of augmenting its freight service.

Although recognizing that the Authority had a real problem which had to be dealt with, Mr. Rappaport expressed his concern about the effect that the cost of operating from another facility would have on the island residents' cost of living. Accordingly, he asked Mr. Tiberio to make certain that the paramount consideration of any analysis be the economic impact that such an operation would have on the islands. In addition, both Mr. Rappaport and Mr. Murphy cautioned Mr. Tiberio that the needs of each island were very different and that, therefore, the solution for Martha's Vineyard could well be totally different than the solution for Nantucket.

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

- (1) To direct management to commence immediately a thorough review and analysis to determine where an additional mainland freight facility could be located that would be utilized for the express purpose of assisting the Authority in meeting its mandate in providing freight service to the islands and how such service is to be carried out; and**
- (2) To have management provide its findings and recommendations to the Members no later than September 1997.**

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

VOTING NAY: None

Freedom Cruise Line License Request:

The Members then considered a request from Alan McMullen, d/b/a Freedom Cruise Line, to increase the licensed capacity of his vessel, the *Freedom*, from 60 to 100 passengers. Mr. Sayers reviewed the contents of Staff Summary #L-274, dated May 7, 1997, which he said had been sent to public officials both on Nantucket and in Harwichport, as well as to all of the other carriers serving the islands, and explained the basis for management's conclusion that the public interest would be served by increasing Mr. McMullen's licensed capacity to 80 passengers.

However, Messrs. Kelleher and Murphy expressed their concern over the financial impact that such an increase in Mr. McMullen's capacity would have on the Authority, noting how the Authority had been spending millions of dollars in connection with its development of the Hyannis terminal and off-site parking lots. Mr. Kelleher also argued that, while the Authority might not have any more space for vehicles on its vessels during the summer, it still had considerable unused passenger capacity and, in light of the fact that the number of passengers carried to Nantucket on the Authority's vessels the previous summer season had decreased by 7.2%, while the number of passengers carried by Mr. McMullen had increased by 5.2%, he felt that the Authority should give more consideration to making certain that it did not incur a deficit as the result of allowing increases in other carriers' passenger capacity. Accordingly, Mr. Kelleher moved to amend paragraph (a) of management's recommendation so that it would provide for a renewal of Mr. McMullen's license without any increase in the vessel's passenger capacity.

None of the other Members seconded Mr. Kelleher's motion to amend management's recommendation. Mrs. Grossman stated that she was in favor of the recommendation, relying on management's analysis that the proposed increase would not have an adverse financial impact on the Authority. Mrs. Grossman also noted that Mr. McMullen was not bringing many more people to Nantucket and, in any event, it was difficult to determine how many of those people would travel to Hyannis to ride on the Authority's vessels if they could not get on board the *Freedom*. In the end, Mrs. Grossman said, she felt it was reasonable to conclude that the increase, together with the payment of license fees, would not have an impact on the Authority one way or the other.

Messrs. O'Brien and Asendorf stated that they were inclined to agree with Mrs. Grossman that the proposed increase in Mr. McMullen's passenger capacity probably would not have that much impact on the Authority's revenues, since the *Freedom* was operating from a different port on the mainland and was carrying only a small number of passengers.

Mr. Rappaport then discussed how every time the Members were asked to consider granting a license request they were faced with the obvious dilemma of potentially losing passenger revenue that is needed to subsidize other aspects of Authority's operations. However, Mr. Rappaport said that he would vote for management's recommendation in this instance because they had analyzed the proposed increase's potential financial impact on the Authority, because there would be a license fee payment for every additional passenger carried, and because the two ports affected by the service were in favor of it.

IT WAS VOTED -- upon Mr. O'Brien's motion, seconded by Mr. Rappaport -- to authorize the General Manager to enter into a new three-year license agreement with Alan McMullen containing the same terms and conditions as his previous license agreement, with the following revisions:

- (a) An increase in the capacity of his vessel, the *Freedom*, from 60 to 80 passengers per trip;**
- (b) A change in the amount of license fees payable by Mr. McMullen so that they are based upon 10% of the adult fares charged by Mr. McMullen instead of by the Authority; and**
- (c) The inclusion of a provision requiring Mr. McMullen to enter into a discussion with the Cape Organization for Rights of the Disabled ("CORD") regarding access for people with disabilities and to submit a report to the Authority on the status of such access by October 31, 1997.**

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

Hyannis Harbor Tours, Inc. License Request:

The Members then considered a request from Hyannis Harbor Tours, Inc. ("Hy-Line") for a license to carry up to 70 passengers per trip on its new high-speed vessel, the *Grey Lady*, between Hyannis and Nantucket. Mr. Sayers reviewed the contents of Staff Summary #L-275, dated May 7, 1997, and explained the basis for management's conclusion that the public interest would be served by allowing Hy-Line's request with certain conditions as set forth in the staff summary.

Mrs. Grossman commented that many Nantucket residents were impressed with the *Grey Lady's* service, but had expressed their concern that any increase in the vessel's capacity might have an adverse financial impact on the Authority. Therefore, Mrs. Grossman asked Murray Scudder, Hy-Line's Vice President, whether two years from now Hy-Line would be willing to revert back to carrying 40 passengers per trip on the *Grey Lady* if the Authority were to find at that time that the license has had a detrimental financial impact on the Authority. In response, Mr. Scudder stated that in such a circumstance, Hy-Line certainly would have no choice but to continue operating the *Grey Lady* at her present capacity of 40 passengers.

Mr. Kelleher moved to deny Hy-Line's request, saying that the *Grey Lady* appeared to be competing more with the Authority, which had experienced a decrease in Nantucket passengers during 1996, rather than the airlines, which had carried more passengers to Nantucket last year. Mr. Kelleher declared that he felt the Members should not create a situation where the Authority's constituent communities might be faced with a deficit due to the Authority allowing private carriers to carry more passengers who otherwise would have traveled on the Authority's vessels. In addition, Mr. Kelleher said that he found it difficult to approve a license even on a tentative basis knowing that Hy-Line already had contracted to build a larger vessel to replace the *Grey Lady*.

Although Mr. Murphy echoed Mr. Kelleher's statements, and Mr. Rappaport stated that he shared Mr. Kelleher's concern for the Authority's financial condition, none of the other Members seconded Mr. Kelleher's motion. Messrs. O'Brien and Rappaport agreed that a portion of the *Grey Lady's* passengers would fly back and forth to Nantucket rather than ride on the Authority's vessels if they could not travel on the *Grey Lady*, although they did not know how many, and they felt that if the Authority granted the license it would at least receive a license fee for each of those passengers carried.

IT WAS VOTED -- upon Mr. O'Brien's motion, seconded by Mr. Rappaport -- to authorize the General Manager to enter into a standard license agreement with Hyannis Harbor Tours, Inc. ("Hy-Line") allowing it to carry up to 70 passengers per trip on the *Grey Lady* between Hyannis and Nantucket through December 31, 1998, with the following provisions:

- (a) A requirement that Hy-Line operate the *Grey Lady* on a year-round basis, as set forth in its currently published schedule for the vessel;**
- (b) A requirement that Hy-Line pay the Authority a license fee in the amount of 10% of the adult fares charged by Hy-Line for each passenger exceeding 40 carried on each trip of the *Grey Lady*;**
- (c) The inclusion of a provision requiring Hy-Line to enter into a discussion with the Cape Organization for Rights of the Disabled ("CORD") regarding access for people with disabilities and to submit a report to the Authority on the status of such access by October 31, 1997; and**
- (d) The inclusion of a condition precedent requiring Hy-Line to provide the Authority with satisfactory evidence that the Barnstable Town Council has no objection to its parking plans around the Hyannis waterfront.**

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

Parking Rate for Bourne Off-Site Lots:

Mr. Tiberio advised the Members that the Authority had secured two properties in Bourne that would be used for parking during the 1997 season. One property was the Bourne Outlet Center on MacArthur Boulevard that the Authority had previously used in 1996 for parking approximately 250 cars, and the other property, which had a parking capacity of 150 cars, was owned by

Component Properties, Inc. and located on Barlows Landing Road. Although noting that the Authority had not charged anything for parking at the Bourne Outlet Center in 1996, Mr. Tiberio asked the Members to approve a parking rate of \$5.00 per calendar day during the 1997 season for both that lot and the Barlows Landing Road lot in order to recover approximately fifty percent of the anticipated operating costs of those lots.

Mr. Kelleher moved to establish a parking rate of \$6.00 per calendar day for the Bourne lots, arguing that the Authority should attempt to recover more of the lots' operating costs. Mr. Kelleher also expressed his concern that a lower rate might cause customers to want to park in the Bourne lots before the Falmouth off-site lots are filled, which would leave vacancies in the Falmouth lots and increase the operating costs of the Bourne lots because they would be open more of the time.

However, Messrs. Rappaport and Asendorf expressed their concern that if the Authority were to charge too high a rate for parking in the Bourne lots, the Authority's customers would not want to park there and would instead drive around trying to find parking spaces in Falmouth. Ultimately, none of the other Members seconded Mr. Kelleher's motion.

IT WAS VOTED -- upon Mr. Rappaport's motion, seconded by Mr. O'Brien -- to accept management's recommendation set forth in Staff Summary #A-352, dated May 9, 1997, and to establish a parking rate of \$5.00 per calendar day at the Bourne lots for the 1997 season.

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

VOTING NAY: None

Treasurer's Report:

Upon Mr. Lamson's request, the Members agreed to defer the renewal of the Authority's marine and non-marine insurance policies until their June 1997 meeting. Mr. Lamson reported that one of the proponents had requested the deferral until management had the opportunity to address certain

questions it had posed regarding the recommendation submitted by the Authority's insurance advisor, Edward M. Taylor.

Mr. Lamson reported that the Authority's net operating loss for the first three months of 1997 was expected to be very close to management's original budget projections, with the Authority's operating expenses during that period coming within eight-tenths of one percent of the Authority's 1997 budget estimate.

Strategic Business Plan:

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

- (a) To strongly endorse the initiatives as presented to the Authority by the islands as a positive and timely response to the Authority's request to the islands seeking their future direction on automobile traffic growth;**
- (b) To instruct management to incorporate the spirit and intent of the islands' initiatives into the development of their strategic business plan and in the process to identify those factors, e.g., operations, financial, structural, political, environmental and community economics, that could or would impact or be impacted by the implementation of the initiatives; and**
- (c) To further instruct management that, in the development of the business plan, the island initiatives are to be considered key strategic areas and, wherever possible, are to become a part of the overall business plan.**

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

VOTING NAY: None

New Vessel:

Mr. Tiberio reported that the Authority had engaged the services of JJMA, Naval Architects and Marine Engineers, to review the design and selection work that had been completed to date on the new vessel. Mr. Tiberio also reported that earlier in the month JJMA's Executive Vice President, George Knight, had met with the Authority and representatives from the Tisbury harbor community to hear their concerns about management's decision to use the *Martha's Vineyard* as a prototype for the new vessel and to determine whether there may be engineering and design solutions to possibly eliminate these issues. Mr. Tiberio said that JJMA hopefully would be able to finish its report on those issues in time for the Members' next meeting in June 1997.

Mr. Tiberio then requested authorization to place an order for the new vessel's two main engines from the General Motors Electro Motive Division (EMD) before a 7.5% price increase went into effect the following day. Mr. Tiberio stated that EMD was requiring twelve months lead time for new engines with only six available production slots remaining for the first quarter of 1998, and that the engine specifications would be applicable for the new vessel regardless of its final design (*i.e.*, conventional hull or "double-ender").

IT WAS VOTED -- upon Mr. Kelleher's motion, seconded by Mr. Rappaport -- to accept management's recommendation set forth in Staff Summary #GM-362, dated May 13, 1997, and to authorize the General Manager to proceed with the purchasing of the EMD engines identified therein by placing an order with EMD and submitting the equivalent of a ten percent deposit of the total purchase price.

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

VOTING NAY: None

Old and New Business:

Denis Gazaille, Treasurer of Marine Lumber Company Inc., spoke to the Members regarding his company's request for public records relating to Nantucket bulk freight reservations for the years 1993 through 1997. Mr. Gazaille stated the request had been submitted because they felt that some of the decisions that had been made that year in the reservation allocation system were unfair, discriminatory and illegal, and they wanted to study what was going on. Specifically, Mr. Gazaille said, they did not think that it was fair for their company to receive only 400 bulk freight reservations for 1997, as compared to the 600 it had received in 1996, while other companies that previously had no bulk reservations were now being given them. Mr. Gazaille declared that the Authority was choosing who was going to do business on the island just by how it allocated reservations.

Anne Floyd of Sandcastle Realty Inc. then read a list of questions she had for the Members regarding Authority policies for 1998. Ms. Floyd stated that she expected a written response to her questions from the Members.

IT WAS VOTED -- on Mr. Rappaport's motion, seconded by Mr. Kelleher -- 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: Mrs. Grossman, Mr. Rappaport and
 Mr. Kelleher**

VOTING NAY: None

Before the Members voted to go into executive session at approximately 11:45 a.m., Mrs. Grossman stated that the Members would not reconvene in public after the conclusion of the executive session.

A TRUE RECORD



PAUL R. KELLEHER, Secretary

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

The Meeting in Public Session

June 19, 1997

The Members of the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority met this 19th day of June, 1997, beginning at 9:30 a.m., in the Selectmen's Room of the Edgartown Town Hall, 70 Main Street, Edgartown, Massachusetts.

Present were three of the Authority's Members: Vice Chairman Ronald H. Rappaport of Dukes County; Secretary Paul R. Kelleher of Falmouth; and Associate Secretary Robert L. O'Brien of Barnstable.

Also present were two Members of the Authority's Finance Advisory Board: Robert C. Murphy of Dukes County; 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; Vineyard Haven Terminal Manager Bridget Tobin; and Executive Secretary to the General Manager Maxine Horn.

Mr. Rappaport welcomed the public to the Authority's first meeting in 1997 on Martha's Vineyard, and advised the audience that the Authority's Chairman, Grace S. Grossman of Nantucket, was unable to attend that day's meeting due to a death in her family. Mr. Rappaport then stated that, because he assumed that most of the people in the audience were there that day to comment on the Authority's new reservations program, the Members would consider that subject immediately after approval of the minutes.

Minutes:

IT WAS VOTED -- upon Mr. Kelleher's motion, seconded by Mr. O'Brien -- to approve the minutes of the Members' meeting in public session on May 15, 1997.

VOTING AYE: Mr. Rappaport and Mr. Kelleher
VOTING NAY: None

Reservations Program:

With respect to the Authority's new reservations program, Mr. Tiberio informed the audience that management was in the process of reviewing the lessons learned earlier in the year regarding problems associated with processing reservations, and that they would be suggesting certain changes to address those problems for 1998, such as a revised time line for making reservations by mail and having separate telephone lines for each island. Messrs. Rappaport and Tiberio also informed the audience that management would not be asking the Members to approve any changes to the program until the September 24, 1997 meeting, which would be held on the Vineyard, and they encouraged people to continue giving their input as the summer progressed. Mr. Rappaport then asked for comments from the audience, saying that the Authority was there that day to listen and receive constructive suggestions and criticisms.

Edgartown Selectmen Fred B. Morgan began the discussion by welcoming the Members to Edgartown. Then, on behalf of the Edgartown Board of Selectmen as well as the All-Island Selectmen, Mr. Morgan declared their support for the Authority's new reservations program, although he acknowledged that there had been some glitches in its implementation that year. Mr. Morgan also stated that he felt the majority of the people on the island similarly supported the program, and urged the Members to "stay the course."

However, many other people in the audience asked the Members to reinstate the guaranteed stand-by policy so that they could travel whenever they wanted. They declared that guaranteed stand-by was necessary for them

to make a living on the island and that they had lost a considerable amount of business due to the public's perception of the Authority's new reservations policy. Particular subjects of criticism included the following:

- (a) Reports that the Authority's vessels were running with large numbers of empty spaces even though the Authority's Reservations Bureau was informing the public that no spaces were available on those boats.
- (b) The public's perception that it was impossible to get to the Vineyard that year, even without a car, and the Authority's lack of advertising and a public relations campaign to correct that perception.
- (c) The confusing nature of the Authority's printed schedules.
- (d) The presence of a "Stand-by Line Closed" sign at the entrance of the Woods Hole terminal, which they felt discouraged travelers from entering onto the terminal and finding out that they could make day-of-sailing reservations.
- (e) The inability to get through on the telephone to the Authority's Reservations Bureau at the Martha's Vineyard Airport, and the lack of a separate telephone line for Vineyard residents to make reservations at that bureau.
- (f) The inability to obtain a reservation for a tenant on the day that the tenant's rental period begins.
- (g) The inability to transfer a reservation from one tenant to another.

Not everyone in the audience expressed a desire to abandon the new program or agreed with all of the above criticisms. A number of people declared their support for the program, saying that residents had to be patient and give it a chance in order to stop the deterioration of the island's quality of life. Others reported from personal experience that the program actually had improved their ability to obtain reservations to travel off the island when they needed to do so that summer. One person said that guaranteed stand-by was simply a barbaric way of getting to the island on summer weekends, and that the new reservations program was a much more civilized way of traveling. Another person suggested that the Authority begin the program later in the year so that summer residents could travel to open up their houses whenever they wanted to during the months of May and June.

Several persons expressed their view that island residents themselves had been responsible for causing the negative perceptions about the new program and had created a self-fulfilling prophecy, while others who changed the way they did business had succeeded in increasing their sales or rentals. Some people also felt that the downturn in tourism that year also could have been caused by the bad weather the island had been experiencing or from too many businesses pricing themselves out of the market.

After everyone in attendance had been given an opportunity to speak, Mr. Rappaport acknowledged that mistakes obviously had been made in the implementation of the program that year and declared that a lot of work had to be done before September in order to make meaningful decisions about the program for 1998. Mr. Rappaport said that the Authority had implemented its new program because of the general recognition that the previous guaranteed stand-by policy was a flawed system with serious public safety problems, and they felt that the new program was an improvement to that policy. Nevertheless, he stated that he had heard the public's comments and encouraged everyone to contact him if any group wanted to meet and discuss the subject with him further during the remainder of the summer.

Hyannis Terminal Reconstruction Project:

Mr. Tiberio referred the Members to Staff Summary #SP-074, dated June 12, 1997, for a status report on the Hyannis Terminal Reconstruction Project.

Insurance Renewals:

The Members then considered management's recommendation that the Authority renew its entire insurance program with Paul Peters Agency, Inc. ("Paul Peters") in accordance with the proposal that Paul Peters submitted in response to a request for proposals that the Authority had issued earlier in the year. Mr. Lamson asked Mr. Sayers to summarize the basis for management's recommendation for the Members and the audience, and a copy of the prepared text for Mr. Sayers' statement is attached to these minutes.

Mr. Asendorf reported that he and Mr. Beach had discussed the subject by conference call with Mr. Lamson, and were in agreement with management's recommendation essentially for the same reasons that had been expressed by Mr. Sayers. However, Mr. Murphy stated that he had abstained from any participation in the matter and expressly declined to participate in any discussion regarding the Authority's insurance program during the meeting.

Mr. Rappaport then stated that he had been called the day before by Thomas Sheppard of Sheppard Riley Coughlin, the other insurance agency which had submitted a complete proposal for the Authority's insurance program, and that he had asked Messrs. Lamson and Sayers to review various issues that Mr. Sheppard subsequently had raised in a letter to the Members. In response, Mr. Sayers stated that he and Mr. Lamson had reviewed those issues and believed that they had addressed them in his presentation. Mr. Sayers also declared that, in his opinion, the Authority had complied with all of its legal and ethical obligations with respect to its request for proposals and that, furthermore, the Authority could not award the insurance program to Sheppard Riley Coughlin as requested by Mr. Sheppard unless it violated fundamental principles of public procurement.

IT WAS VOTED -- upon Mr. Kelleher's motion, seconded by Mr. O'Brien -- to approve management's recommendation, as set forth in Staff Summary #A-354, dated June 11, 1997, and to renew the Authority's entire insurance program with Paul Peters Agency, Inc. in accordance with the proposal submitted by Paul Peters Agency, Inc. in response to the Authority's request for proposals.

VOTING AYE: Mr. Rappaport and Mr. Kelleher
VOTING NAY: None

Change in the List of Authorized Check Signers:

IT WAS VOTED -- upon Mr. Kelleher's motion, seconded by Mr. O'Brien -- to adopt the resolutions attached to Staff Summary #A-355, dated June 10, 1997, authorizing certain individuals to sign checks in connection with the Authority's various bank accounts.

VOTING AYE: Mr. Rappaport and Mr. Kelleher
VOTING NAY: None

Marine Fuel Contract:

IT WAS VOTED -- upon Mr. O'Brien's motion, seconded by Mr. Kelleher -- to accept management's recommendation, as set forth in Staff Summary #L-277, dated June 12, 1997, and to award Contract No. 12-97 for the supply and delivery of No. 2 diesel fuel suitable for marine service to the lowest responsible and eligible bidder for the contract, Canal Fuel Company of Sagamore, Massachusetts, for a Total Price per Gallon of \$0.6787.

VOTING AYE: Mr. Rappaport and Mr. Kelleher
VOTING NAY: None

Acquisition of Two Shuttle Buses:

The Members deferred consideration of the acquisition of two new handicapped lift equipped shuttle buses due to the absence of Mrs. Grossman and certain concerns raised by Messrs. Kelleher and Asendorf regarding management's recommendation that the new buses be powered by diesel fuel instead of gasoline.

Treasurer's Report:

Mr. Lamson reported that management expected the Authority to come in on budget for the month of May, which would put the Authority approximately \$173,000 behind management's projection for the first five months of 1997. In this regard, Mr. Lamson noted that the Authority's 1997 operating budget projects a net operating income for the year of \$2,153,000.

Old and New Business:

After a member of the audience asked why the excursion fare was available during the summer for trips originating from Nantucket for up to 16 days but not for similar trips originating from Martha's Vineyard, Mr. Rappaport asked Mr. Tiberio to review whether the number of days on which customers may travel to and from the Vineyard on an excursion fare could be increased to the same number of days for which the Nantucket excursion fare was valid.

IT WAS VOTED -- on Mr. Kelleher'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: Mr. Rappaport and Mr. Kelleher
VOTING NAY: None

Before the Members voted to go into executive session at approximately 11:45 a.m., Mr. Rappaport stated that if, upon the conclusion of the executive session, the Members decided to reconvene in public, they would do so on a later day in June and give the requisite statutory notice.

A TRUE RECORD



PAUL R. KELLEHER, 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

June 19, 1997

In January, the Authority issued a request for proposals for the renewal of the Authority's entire insurance program when our current policies expire at the end of this month. We received two complete proposals in response to that request -- one from the incumbent, the Paul Peters Agency, and another from the firm of Sheppard Riley Coughlin of Boston.

Assuming that both firms can adequately handle all of the Authority's insurance needs, the proposal from Paul Peters has several things to recommend it:

- (1) Its cost is less expensive than Sheppard Riley's, by approximately \$90,000 a year; and
- (2) Paul Peters' proposal also contained a three-year premium guarantee for the hull and P&I coverages, contingent upon the Authority maintaining an acceptable loss ratio of 60% or below, which we believe it will, as well as a three-year commitment to the current rating structure and methodology for Workers' Compensation, Property Insurance, General Liability and Automobile Liability insurance. The Sheppard Riley proposal is for a single-year arrangement with no future rate guarantees.

Accordingly, it appears clear that the Authority would be warranted in awarding the entire insurance program to Paul Peters in accordance with its proposal.

Sheppard Riley, however, has suggested that the Authority divide its insurance program between marine coverages and non-marine coverages. If the Authority were to do this, it would still award the marine insurance policies to Paul Peters, since Paul Peters' premiums for those policies, including savings attributable to lower deductibles in those policies, are approximately \$170,000 lower than Sheppard Riley's. On the other hand, according to Sheppard Riley, the Authority would then award the non-marine policies to Sheppard Riley, since its premiums for those policies are approximately \$80,000 lower than Paul Peters'. (I understand that Sheppard Riley believes its premiums for those policies would be around \$93,500 lower than Paul Peters', based upon changes it wants to make to its proposal after it was submitted.) Accordingly, Sheppard Riley argues that, by dividing its insurance program in this way, the Authority could save almost \$300,000 in premiums over three years.

While we all would certainly like the Authority to save this much money, there are several serious problems with Sheppard Riley's suggestion:

First, as I stated before, Sheppard Riley's proposal was for a single-year arrangement with no future rate guarantees. There-fore, after the first year, Sheppard Riley could increase its premiums to the extent that it would reduce, if not entirely wipe out, the savings achieved in the first year.

Sheppard Riley has argued that, after its proposal was submitted, one of its carriers "has agreed to guarantee the rates where legal for three years based upon loss ratio." In all candor, I consider that statement rather vague -- What loss ratio? What is meant by the phrase "where legal"? But the larger issue is that we cannot properly consider Sheppard Riley's attempt to improve its proposal now.

While private companies may engage in what many people consider to be the sharp business practice of inviting proposals from two competitors and then playing one off against the other until the maximum amount of savings is achieved by drawing the maximum amount of blood, public agencies are held to a different, higher standard. We cannot allow one proponent to lie back and wait to see what his competitor offers the Authority as its best deal, and then sweeten his own deal in an attempt to obtain a contract. As the Inspector General has made clear, after proposals are opened, a proponent may not change the financial terms or any other provision of his proposal in a manner prejudicial to the interests of fair competition. This is a very restrictive standard.

I would also like to point out that, in our request for proposals, we specifically asked proponents for policies subject to fixed rates for a three year term. Paul Peters responded to that request in its proposal. Sheppard Riley did not, and for the purpose of evaluating both proposals we are constrained to assume that any savings achieved by dividing the insurance program during the first year may be more than offset by increases in Sheppard Riley's insurance premiums during the second and third years.

Second, Paul Peters' proposal specifically states that it is based upon its current program, which covers all of the Authority's insurance needs, raising the question of whether it would be obligated to accept an award of only the marine coverages at the premiums quoted. Sheppard Riley argues that Paul Peters' proposal is in fact severable; but Paul Peters has stated the contrary. As a result, if we were to divide the program as requested by Sheppard Riley, we could find ourselves in a position where Paul Peters refuses to accept the marine coverages and we have to procure all of our insurance needs from Sheppard Riley, which would mean that instead of saving \$90,000 per year, as Sheppard Riley contends, we could pay \$90,000 more each year than if we were to award the entire program to Paul Peters.

Third, the decision whether to divide the program and award it to two separate brokers or to award the entire program to one broker is entirely discretionary with the Authority in the exercise of its business judgment. In this regard, even Sheppard Riley concedes that, and I quote, "in a perfect world we would all like to have a single carrier as long as that carrier is financially sound," and Paul Peters' proposal gives us one carrier for all of the major lines of insurance where there is most likely to be conflict. And to the extent Paul Peters' proposal has identified additional carriers to provide supplemental lines of coverage, the Authority still has only one broker to look at to make certain that if one carrier denies coverage another will assume it. Thus, awarding the program to one broker, instead of splitting the program between two, is clearly preferable administratively.

In sum, Sheppard Riley was given a full and fair opportunity to submit a proposal for the Authority's insurance program. It did so, and, after its proposal was evaluated in comparison with the one submitted by Paul Peters, it clearly came in second. Sheppard Riley now seeks to have the Authority tailor its program to meet not the Authority's needs, but its own, and, in order to induce the Authority to do so, it has attempted to sweeten its deal in a manner that cannot properly be considered by the Authority. In any event, in my opinion, it would not be in the Authority's best interests, either financially or administratively, to do so.