

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

The Meeting in Public Session

January 22, 1998

The Members of the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority met this 22nd day of January, 1998, 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 Ronald H. Rappaport of Dukes County; Vice Chairman Paul R. Kelleher of Falmouth; Secretary Grace S. 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.

Minutes:

IT WAS VOTED -- upon Mrs. Grossman's motion, seconded by Mr. Kelleher -- to approve the minutes of the Members' meeting in public session on December 18, 1997.

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

VOTING NAY: None

Conversion of the Motor Vessel *Katama*:

Mr. Tiberio requested the Members to approve the conversion of the *Katama* as described in Option #3 of Staff Summary #GM-377, dated January 15, 1998, in order to reduce the project's expected cost from \$7,800,000 to around \$4,000,000. As recommended, Mr. Tiberio said, the project would involve only the vessel's repowering and the addition of a fifty-foot mid-body section in order to increase the vessel's speed sufficiently to allow her to make three round trips between Hyannis and Nantucket within an 18-hour operating day and also increase the average freight capacity of the vessel by four trucks. However, the project would not allow for a drive-through feature (trucks and cars will still be required to back onto the vessel), and would not include covering the freight deck, as originally planned. Mr. Tiberio stated that bids for the contract were scheduled to be opened on January 28, 1998, and that the project should be completed in time for the *Katama* to be back in line service by mid-June.

Mr. Kelleher expressed his concern about spending such a large amount of money and still not receiving a vessel that was suitable to the Authority's needs. In this regard, Mr. Kelleher stated that, because it appeared that the *Katama* would be in the Authority's service for another 25 years or so, he felt it was important to have her converted into a drive-through vessel from the standpoint of both customer convenience and the Authority's operations. Therefore, Mr. Kelleher said, he felt the Authority should undertake Option #2 as described in Mr. Tiberio's staff summary.

On the other hand, Mr. Murphy expressed his concern about approving Option #2 and spending \$8,000,000 on a used freight boat, saying that he would rather have the Authority spend that amount of money for a new vessel except for the fact that it would use up a lot of the Authority's bonding capacity. The other members of the Finance Advisory Board agreed with Mr. Murphy, stating that they all endorsed management's recommendation to approve Option #3.

Mr. O'Brien then suggested that Option #2 might be more cost effective than Option #3, as the Authority would basically end up with a vessel that would be comparable to new construction. Nevertheless, Mr. O'Brien said that he did not feel strongly one way or the other as to which option the Authority should pursue.

Mr. Rappaport stated that he could not vote to approve Option #2, noting that the Members had been advised by Mr. Tiberio that it did not make sense to rip apart the vessel to widen and lengthen it, and to spend an amount of money that was more than sixty percent of what it would cost to build a new vessel. Mr. Rappaport said that he personally felt the Authority might be better off building a new vessel according to its own specifications, but that the high cost of such a project would result in the Authority not having the flexibility to undertake the other projects the Authority needs to pursue in the near future. Ultimately, Mr. Rappaport declared that he felt the Members should accept Mr. Tiberio's recommendation on the grounds that they knew that the Authority needed to expand its freight capacity, that they had a recommendation from Mr. Tiberio as to how best to accomplish that goal, and that the option recommended by Mr. Tiberio would in fact increase the capacity of the vessel by two-thirds of its present capacity.

Falmouth resident Richard Sherman also urged the Members to approve management's recommendation, noting that Option #3 was the only one that would address Nantucket's immediate need for additional freight capacity. In addition, Mr. Sherman said, after lengthening and repowering the *Katama*, the Authority would then know whether it should widen as well as lengthen the *Gay Head*.

In response to a question from Mrs. Grossman, Mr. Tiberio declared that he was emphatic about management's recommendation to approve Option #3. In this regard, he noted that if the Authority were to defer the conversion in order to rebid the project under Option #2, the ultimate cost might be even higher than the current estimate of \$7,800,000 due to the expected increased demand for new vessel construction by the shipbuilding industry. In the end, Mr. Tiberio said, he felt the Authority could efficiently achieve its objective of creating additional freight capacity by approving Option #3 and, although the vessel would not have all of the comforts that were originally envisioned, it would also be at a much lower cost.

IT WAS VOTED -- upon Mr. Kelleher's motion, seconded by Mrs. Grossman -- to approve the conversion of the *Katama* as described in Option #2 of Staff Summary #GM-377, dated January 15, 1998.

VOTING AYE: Mr. Kelleher

VOTING NAY: Mr. Rappaport and Mrs. Grossman

IT WAS VOTED -- upon Mrs. Grossman's motion, seconded by Mr. O'Brien -- to approve the conversion of the *Katama* as described in Option #3 of Staff Summary #GM-377, dated January 15, 1998, and to authorize the General Manager to award the conversion contract provided the Total Estimated Contract Price, including owner-provided equipment, does not exceed \$4,000,000.

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

1998 Freight Reservations Status:

During the Members' discussion of the conversion of the motor vessel *Katama*, Mr. Tiberio reported that the Authority already had mailed out to the freight industry the reservations that individual companies had been granted for the remainder of 1998. Mr. Tiberio also said that, while management was attempting to accommodate the concerns of the two or three companies that had called complaining that they had not received the reservations they had requested, he was surprised that the industry had not raised more concerns as a whole. Mr. Tiberio suggested that the tension surrounding the Authority's freight capacity shortage may have eased somewhat by the second freight boat that the Authority has scheduled for the Nantucket route beginning in March 1998. Nevertheless, Mr. Tiberio observed, the number of reservation requests had not decreased from 1997, and there was nothing to indicate that there would be less demand for space in the future. Therefore, the Authority would still have to provide some additional freight capacity beyond what had been scheduled for this year.

Massachusetts Military Reservation:

Mr. Tiberio reported that management had withdrawn the Environmental Notification Form ("ENF") that the Authority had filed in connection with its proposed development of an off-site parking facility at the Massachusetts Military Reservation due to the local community's opposition to the specific site that the Authority had proposed for the facility. Mr. Tiberio also reported that management had then proposed to the military several other potential locations

for the facility on the Reservation, and that the Authority would hopefully have some sense of direction within the next two weeks as to whether the military would support or oppose any of those sites. However, Mr. Tiberio said that, even if the military did support one of those sites, it would be used for parking only 900 vehicles on a temporary basis until a more permanent location for the facility could be identified and, further, the Authority would still have to receive a waiver from Executive Secretary for Environmental Affairs Trudy Coxe so that it could proceed with the development of the facility outside of the Master Plan and would also still be the subject of a stringent MEPA review process.

High Speed Passenger-Only Ferry Operations:

Mr. Tiberio reported that negotiations were continuing with New York Fast Ferry Services, Inc. regarding the possible use of one of its vessels in connection with the Authority's proposed high speed passenger-only pilot project for Nantucket, but that he was requesting that the matter be discussed in executive session because of various collective bargaining and anticipated litigation issues that were implicated in the negotiations. After discussion of those issues, Mr. Tiberio said that he hoped the Members would be able to reconvene in public so management could make some final recommendations regarding the project.

Priority Loading Guidelines:

Mr. Tiberio then advised the Members that, as a result of a few interruptions in service that had occurred on the Nantucket route over the past month or so, the issue had arisen as to whether, when service resumes, the Authority should give priority boarding to trucks carrying groceries or other perishable products over trucks carrying other products, even though those other trucks may have reservations on the first sailing after service resumes. Mr. Tiberio said that management would be developing guidelines over the next month to address this issue system-wide. Nevertheless, Mr. Tiberio stated that, during the interim, he would like it understood that the Authority was going to continue the understanding that has existed for many years on the Nantucket route, namely, that in the event of any cancellations of any duration on that route, trucks waiting at the Authority's terminals carrying groceries and other perishables would in fact be given priority without question over trucks

carrying other freight, even though those other trucks may have reservations for the next sailing.

Mrs. Grossman agreed with Mr. Tiberio on this subject, although she suggested that the Authority should include oxygen and other types of medical supplies among the products that are accorded priority boarding after an interruption of service. Mr. Kelleher also suggested that drivers carrying such products be required to certify the contents of their trucks so that there would not be any question as to why the Authority was giving them preferred treatment.

In response to a question from Mr. Beach as to whether he thought the guidelines should distinguish between perishable and non-perishable groceries, Mr. Tiberio stated that the important thing was to have a clearly defined policy disseminated to the public so that everyone would know that the terminal managers were making these difficult decisions in a consistent manner and with the Authority's full support and backing.

Request for Authorization to Establish a
Depository Account at the Nantucket Bank:

Mr. Lamson then requested the Members for authorization to establish a depository account at the Nantucket Bank in anticipation of that bank offering the Authority more competitive terms than those offered by BankBoston, which was in the process of acquiring the Authority's current depository bank on Nantucket, the Pacific National Bank.

Although Mr. Beach agreed with Mr. Lamson that the Nantucket Bank would probably offer the Authority more competitive terms than BankBoston, he asked that Mr. Lamson first inform Pacific National Bank of the Authority's intention to change accounts on Nantucket so that the bank at least would have an opportunity to compete.

**IT WAS VOTED -- upon Mr. Kelleher's motion, seconded by
Mr. O'Brien -- to adopt a resolution in the form attached to
Staff Summary #A-364, dated January 8, 1998, authorizing**

the Treasurer/Comptroller to establish a depository account at the Nantucket Bank.

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

VOTING NAY: None

1998 Capital Budget:

Mr. Lamson requested approval of management's proposed 1998 Capital Budget, as set forth in Staff Summary #A-365, dated January 9, 1998, which included nine new projects totaling approximately \$1,121,800. Mr. Murphy stated that the Finance Advisory Board also endorsed the proposed budget.

However, Mr. Rappaport noted that the proposed budget did not include the cost of a new facility on Martha's Vineyard that had been under discussion to accommodate the Martha's Vineyard Reservations Bureau, additional vehicle staging and parking, and integration with other transportation services provided by the Martha's Vineyard Airport and the Martha's Vineyard Transit Authority. Therefore, he asked that the budget be approved subject to the understanding that the Authority would also proceed to obtain a cost estimate for such a facility.

IT WAS VOTED -- upon Mr. Kelleher's motion, seconded by Mrs. Grossman -- to approve management's proposed 1998 Capital Budget, as set forth in Staff Summary #A-365, dated January 9, 1998, subject to receiving final cost estimates for a new facility on Martha's Vineyard to accommodate the Martha's Vineyard Reservations Bureau, additional vehicle staging and parking, and integration with other transportation services provided by the Martha's Vineyard Airport and the Martha's Vineyard Transit Authority.

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

VOTING NAY: None

Treasurer's Report:

Mr. Lamson reported that the Authority's estimated net operating loss for the month of December 1998 would probably exceed \$2,000,000, which would reduce the Authority's net operating income for 1997 to around \$500,000, approximately \$1,700,000 lower than what had been projected in the original operating budget. Mr. Lamson said that most, if not all, of the budget variance was attributable to higher than anticipated operating expenses and that a summary of the major budget variances would be prepared for review after the Authority's books are closed for the 1997 calendar year.

Procurement of Employee Uniforms:

IT WAS VOTED -- upon Mr. Kelleher's motion, seconded by Mrs. Grossman -- to award Contract No. 11-97 for the delivery of employee uniforms from February 1, 1998 through January 31, 1999 to the lowest responsible and eligible bidder for the contract, Wearguard Uniforms Inc., of Norwood, Massachusetts, for an Estimated Total Contract Price of \$84,348.89.

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

VOTING NAY: None

Motor Vessel Governor:

Mr. Tiberio then requested the Members to award Contract 27-97, for the provision of drydock and overhaul services for the *Governor*, to Thames Shipyard of New London, Connecticut, as the lowest responsible and eligible bidder for that contract. In this regard, Mr. Tiberio said that, although the Basic Total Contract Price for the work to be performed by the shipyard was only around \$125,000, the cost of the entire project, including the acquisition of additional lifesaving equipment and work to be performed by Authority personnel, would total approximately \$500,000. Mr. Tiberio also stated that he expected the *Governor* to be back in Woods Hole by mid-February in order for Authority

personnel to begin training on the vessel in preparation for her scheduled entry into line service on March 3, 1998.

IT WAS VOTED -- upon Mrs. Grossman's motion, seconded by Mr. Kelleher -- to award Contract No. 27-97, for the provision of drydock and overhaul services for the Governor, to the lowest responsible and eligible bidder for the contract, Thames Shipyard, of New London, Connecticut, for a Total Contract Price of \$125,680.00.

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

VOTING NAY: None

Old and New Business:

Martha's Vineyard resident James Rothschild praised the Authority's employees in Woods Hole for how well they treated the Authority's customers on December 30, 1997 when no boats were running to the island. Specifically, Mr. Rothschild expressed his gratitude for the friendly and professional attitude of all the employees that day, and the extra efforts they made in taking customers (including Mr. Rothschild and his wife) by shuttle bus from hotel to hotel in Falmouth until they were able to find affordable accommodations.

In response to a question from Theodore Galkowski, the Town of Yarmouth's representative to the Authority, Mr. Tiberio stated that it appeared that the dredging of Hyannis harbor would begin with the following week.

Then, at approximately 11:10 a.m., Mr. Rappaport entertained a motion to go into executive session, and announced that the Members would reconvene their meeting in public after the conclusion of the executive session.

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

VOTING NAY: None

At approximately 11:52 a.m., the Members reconvened their meeting in public session in the same location. Present were all four of the Authority's Members: Mr. Rappaport, Mr. Kelleher, Mrs. Grossman and Mr. O'Brien. Also present were all three Members of the Authority's Finance Advisory Board: Mr. Murphy, Mr. Beach and Mr. Asendorf; as well as the following members of the Authority's management staff: Mr. Tiberio, Mr. Lamson and Mr. Sayers.

High Speed Passenger-Only Ferry Operations:

IT WAS VOTED -- upon Mrs. Grossman's motion, seconded by Mr. Kelleher -- to authorize the General Manager to enter into a one-year bareboat charter agreement with New York Fast Ferry Services, Inc., with a provision granting the Authority an option to extend the agreement for a second year.

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

VOTING NAY: None

January 22, 1998 Meeting
Minutes of the Public Session

At approximately 11:55 a.m., Mr. Rappaport entertained a motion by Mr. Kelleher, which was seconded by Mrs. Grossman, to adjourn the meeting. The vote to do so was unanimous.

A TRUE RECORD

GRACE S. GROSSMAN, Secretary

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

The Meeting in Public Session

February 19, 1998

The Members of the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority met this 19th day of February, 1998, beginning at 9:55 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 Ronald H. Rappaport of Dukes County; Vice Chairman Paul R. Kelleher of Falmouth; Secretary Grace S. 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 were also present: General Manager Armand L. Tiberio; Treasurer/Comptroller Wayne C. Lamson; General Counsel Steven M. Sayers; Marketing and Public Relations Manager Deborah Hughes; Reservations Manager Gina Barboza; and Executive Secretary to the General Manager Maxine Horn.

Minutes:

IT WAS VOTED -- upon Mrs. Grossman's motion, seconded by Mr. Kelleher -- to approve the minutes of the Members' meeting in public session on January 22, 1998.

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

VOTING NAY: None

High Speed Passenger-Only Ferry Operations:

Mr. Tiberio reported that management was very close to finalizing a bareboat charter agreement with New York Fast Ferry Services, Inc. regarding the use of one of its vessels, the *Finest*, in connection with the Authority's proposed high speed passenger-only pilot project for Nantucket, and that they also had been working on a number of policies pertaining to that operation regarding such matters as fares and schedules. Mr. Tiberio said that he expected the Authority would be able to take delivery of the *Finest* around April 1, 1998 so that there could be an adequate training and preparation period before beginning the service on May 1st.

At Mr. Tiberio's request, the Members then agreed to hold a special meeting at 10:00 a.m. on Thursday, March 5, 1998, in the conference room of the Woods Hole terminal in order to discuss various policy issues surrounding the project. Mr. Kelleher stated that he would be away that day, but could participate in the meeting by telephone.

1998 Reservations Program:

Mr. Rappaport then recounted how, for each of the last three years, the Authority had been confronted with a major crisis: in 1995, when there was traffic gridlock in Woods Hole over the Independence Day Weekend; in 1996, when Vineyard Haven experienced the same traffic problems that weekend; and in 1997, after the Authority developed a reservations-only program for Martha's Vineyard to eliminate those traffic problems, when the Authority's customers could not get through to make summer reservations when the Authority began accepting reservations by telephone in February of that year. Mr. Rappaport said that management since had undertaken a number of initiatives to address the various issues that had caused the telephone gridlock, and that one of those initiatives had been to begin accepting mail-in reservations for the 1998 summer season on November 1, 1997.

Mr. Tiberio then reported on the status of those mail-in reservations. Noting that in 1997 the Authority had processed around 46,900 reservations by telephone during the first 37 or 38 days the telephone lines were open (not including Headstart reservations), Mr. Tiberio informed the Members that this year approximately 24,500 reservations (not including Headstart reservations),

or about fifty percent of last year's total, already had been processed by mail before the telephone lines were scheduled to open on March 1st. Mr. Tiberio also observed that all of those mail-in reservations had been processed in a timely manner, sometimes on the same day that they were received, and that the Authority had placed advertisements a few weeks ago again encouraging the public to make summer reservations by mail before the telephones opened.

Mr. Tiberio then summarized the other steps management had taken to make certain that the problems the Authority encountered in 1997 would not happen again this year. For example, beginning on March 1st, the Authority would accept reservations by both telephone and fax, although customers making reservations by telephone would be limited to five reservations. The Authority also was increasing to 35 the number of reservations clerks who would be on duty from 7:00 a.m. through 11:00 p.m. at either the Mashpee Reservations Bureau, the Martha's Vineyard Reservations or a third office that was being set up in the Hyannis terminal's conference room on a temporary basis. Further, if the Authority needed to accept telephone reservations on a 24-hour basis, Mr. Tiberio said that personnel were in place to do so.

Mr. Tiberio also noted that the Authority should be able to process reservations more quickly this year than in 1997 due to the fact that many customers will already have profile numbers. Cumulatively, Mr. Tiberio said, the net effect of all the improvements the Authority has made to the program over the last year would reduce both the number of customers making reservations by telephone and the amount of time it takes each customer to make a reservation by telephone. Nevertheless, Mr. Tiberio acknowledged that the Authority was going to be very busy on March 1st, but that he was looking forward to a very successful season.

In response to a question from Mrs. Grossman, Mr. Tiberio confirmed that customers calling the reservations telephone number would be asked at the beginning of the menu whether they wanted to make a reservation for Nantucket or Martha's Vineyard, and that the number of clerks accepting reservations for each island would then be shifted based upon the volume of calls received. Mr. Tiberio also noted that there would be an entirely separate telephone number for customers who want to make reservations for the spring.

Massachusetts Military Reservation:

Mr. Tiberio reported that, despite intensive efforts over the prior seven months, the Authority would not have a parking facility at the former Otis Air Force Base during the 1998 summer season. However, Mr. Tiberio said that he was confident the Authority would have leases in place within the next few weeks for parking facilities in two or three different locations off of MacArthur Boulevard in Bourne, with a total of 750 to 800 spaces.

Mr. Tiberio advised the Members that, as far as the Base was concerned, the Authority would have to reassess its overall future strategy in light of whether such a parking facility fits into the Master Plan that is being developed for the Base. Nevertheless, Mr. Tiberio said that he still thought there was a possibility of being able to use the property the Authority had originally identified as a parking facility in 1999, assuming that there are no endangered species there; but that the Authority would not know whether an endangered moth inhabited that location until tests could be conducted later that summer. Regardless, Mr. Tiberio said that he felt the Authority had to find a permanent home somewhere for its parking facility by 1999 and that, if that particular site turns out to be not available, there was no indication that the Authority would be allowed to develop a parking facility at any other site on the Base.

Mr. Rappaport said that he was very disappointed that the Authority was not going to have a parking facility at the Base for the 1998 summer season. Noting that everyone involved in the process holds either a public position or a publicly appointed position, and that the area at issue is not only owned by the public, but is also paved and available for parking right now, Mr. Rappaport declared that the failure to bring this matter to a successful conclusion was a shameful example of the public sector failing the traveling public, especially after the Authority had developed such a cooperative relationship with the Town of Falmouth and had shown the utmost flexibility as to where its parking facility could be located.

Mr. Kelleher similarly expressed his opinion that the outcome was very discouraging. Mr. Kelleher recounted how the Authority had reviewed as many as 32 potential sites for its parking facility before ultimately looking at the Base, only to be then placed on hold due to a private issue with the military. As a result of that delay, Mr. Kelleher said that the Authority was now unfairly caught between the military and the Base's civilian working group, whose members were not principally from the Upper Cape and had no conception of the needs of the Upper Cape area.

Martha's Vineyard Reservations Bureau:

Mr. Tiberio reported that he was engaged in discussions with representatives of the Martha's Vineyard Airport regarding the possibility of the Authority securing three to five acres in and around the airport as a future site for an improved reservations bureau as well as a staging area and parking facility. Mr. Tiberio also stated that the Martha's Vineyard Transit Authority had expressed interest in a cooperative endeavor with the Authority to provide a park and ride service from that location to both of the Authority's terminals on the island.

Hyannis Parking:

Mr. Tiberio then reported that management was working actively with the Town of Barnstable to secure additional parking at the Barnstable Airport for the upcoming summer season. Mr. Tiberio also said that the Authority would be leasing additional shuttle buses for its Hyannis operations in order to provide shuttle service from that location.

Proposed Resolution for the Issuance
of \$5,000,000 Bond Anticipation Notes:

Mr. Lamson requested authorization from the Members to issue and sell \$5,000,000 in Bond Anticipation Notes. Mr. Lamson stated the proceeds of the notes would be used to pay for previously approved capital projects, including the *Katama* modifications and repowering, which are required to provide adequate service.

IT WAS VOTED -- upon Mr. Kelleher's motion, seconded by Mrs. Grossman -- to approve a resolution for the issuance of \$5,000,000 Bond Anticipation Notes in the form attached to Staff Summary #A-366, dated February 12, 1998.

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

VOTING NAY: None

Treasurer's Report:

Mr. Lamson reported that the Authority's net operating income for 1997 was \$550,516, which was approximately \$607,000 higher than the operating loss the Authority incurred in 1996, but still \$1,603,000 lower than the Authority's 1997 operating budget estimate. Mr. Lamson stated that most of the budget variance was attributable to higher than anticipated operating expenses.

Mr. Lamson then reported that it appeared the Authority's net operating loss for the month of January 1998 was going to be around \$200,000 lower than anticipated, due to a combination of higher revenues and lower expenses compared to the Authority's budget estimate.

Old and New Business:

Mr. Tiberio reported that the *Governor* was due back the following week from the shipyard and would be going into line service between Woods Hole and Martha's Vineyard on March 3, 1998. Mr. Tiberio also reported that the *Katama* had been delivered to the shipyard in Tampa, Florida, and should be redelivered to the Authority repowered and with a 50-foot mid-body addition around the beginning of June 1998.

David Scudder of Hy-Line Cruises ("Hy-Line") announced that the Town of Barnstable was now in the parking business with the Authority, Hy-Line and the Cape Cod Hospital, but seemed to be confused as to how logistically to get it started. Therefore, Mr. Scudder said that he was wondering whether the Authority would be willing to get together with the other proposed partners and help the Town get this project off the ground and headed in the right direction, because he thought that Richard Clark and the Barnstable Town Council were looking for some leadership in that area. In response, Mr. Tiberio assured Mr.

Scudder that the Authority was open to such discussions, although what the Authority was attempting to address at that time was the immediate issue of preparing a location for use as a temporary parking facility during the 1998 summer season.

Mr. Scudder then asked Mr. Tiberio whether there was going to be a shuttle system from the parking facility for the Authority's high-speed ferry, and whether the Authority was going to be involved in such a system. In response, Mr. Tiberio stated that without question the Authority would be shuttling people from its temporary location that year.

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

IT WAS VOTED -- on Mrs. 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: Mr. Rappaport, Mr. Kelleher and Mrs. Grossman

VOTING NAY: None

A TRUE RECORD

GRACE S. GROSSMAN, Secretary

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

The Meeting in Public Session

March 5, 1998

The Members of the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority met this 5th day of March, 1998, beginning at 10:00 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 three of the Authority's Members: Chairman Ronald H. Rappaport of Dukes County; Secretary Grace S. Grossman of Nantucket; and Associate Secretary Robert L. O'Brien of Barnstable. Although Vice Chairman Paul R. Kelleher of Falmouth was not present at the meeting, he participated throughout by speaker telephone.

Also present was one Member of the Authority's Finance Advisory Board: S. Eric Asendorf of Falmouth.

The following members of the Authority's management were also present: General Manager Armand L. Tiberio; Treasurer/Comptroller Wayne C. Lamson; Marketing and Public Relations Manager Deborah Hughes; Personnel Manager Phillip J. Parent; Reservations Manager Gina Barboza; and Executive Secretary to the General Manager Maxine Horn.

High Speed Passenger-Only Ferry Operations:

Mr. Tiberio announced that the Authority was in a position that day to execute a bareboat charter agreement with New York Fast Ferry Services, Inc. for the use of its vessel, the *Finest*, in connection with the Authority's proposed high-speed passenger-only pilot project for Nantucket. Mr. Tiberio stated that management was also taking this occasion to present to the Members for their consideration a number of proposed policies pertaining to that service which had been developed by management over the past few months.

Mr. Tiberio reported that, under the proposed one-year bareboat charter agreement, the Authority would accept delivery of the vessel around April 1, 1998 so that there could be an adequate training and preparation period before beginning the high-speed service on May 1st. Mr. Tiberio also noted that management's proposed schedule for the service already had been published in the local newspapers in order to comply with the Authority's legal obligations to advertise any changes in its schedules at least sixty days in advance. Mr. Tiberio said that if the vessel performs satisfactorily during the 1998 summer season, the Authority anticipated exercising at that time an option it possessed in the agreement to extend the charter period for an additional six months through the end of September 1999. However, during that time, the Authority planned to tie up the vessel during the months of January through March 1999, resuming service again on April 1, 1999.

Mr. Tiberio then reported that, at the same time, the Authority would be developing a request for proposals for the construction and delivery of its own high-speed passenger-only vessel, using the *Finest's* design as a benchmark. Mr. Tiberio said that he hoped to have the vessel's specifications finalized and approved by May 1998, and the vessel constructed and ready to go into line service by October 1, 1999, so that there would be no break in the Authority's high-speed service upon the termination of the charter agreement.

Summarizing other provisions of the proposed charter agreement, Mr. Tiberio stated that the daily hire rate for the vessel would be \$2,500 during the first year, plus an engine maintenance overhaul fee; that the vessel was scheduled to be hauled the following Monday; and that surveys of the vessel would be conducted both prior to her delivery and upon her redelivery to the owner. In addition, Mr. Tiberio said that the Authority would deposit funds into a joint bank account with the owner as a security deposit; would be able to use the owner's technical personnel and one of its captains for the purpose of training the Authority's employees during the first few months of the charter; and would take delivery of the vessel in Woods Hole rather than New York.

In response to a question from Mrs. Grossman, Mr. Tiberio confirmed that the Authority also would be insuring the vessel during the charter period and, in fact, would be responsible for maintaining the vessel in the same manner as the Authority maintains all of its other vessels. Mr. Tiberio also confirmed that the vessel would be manned by the Authority's own employees.

Mr. Tiberio then stated that management was proposing to establish the following fares: a regular round trip fare of \$40, with a regular one-way fare of \$22; a fare for senior citizens and children between the ages of 5 and 12 equal to 75% of the regular fare, or \$30 for a round trip; free passage for children under the age of 5; and a group fare equal to 80% of the regular fare.

Mr. Tiberio said that the proposed schedule represented a 12-hour operating day with four round trips, noting that the Authority was somewhat limited that year with how it could schedule the *Finest* because the Authority's schedules for its other vessels already had been established. Mr. Tiberio also advised the Members that management was proposing not to operate the vessel during the months of January through March because they did not believe that there would be enough demand during that period to warrant providing the service. Mr. Tiberio noted that whenever the *Finest* might not be able to run for one reason or another, customers would always have the option to travel on one of the Authority's other vessels.

Mr. Tiberio said that customers would be encouraged, but not required, to obtain reservations, and that the Authority already had a special number in place to accept reservation requests by telephone and would begin doing so on April 1st. Mr. Tiberio also stated that, although the *Finest* had a certificate of inspection that allowed it to carry up to 350 passengers, management was proposing to establish 290 as the maximum number of passengers carried in order to maintain an acceptable level of comfort for its customers. He also anticipated that the food concession on board the vessel, which would be operated by Boston Concession Group, Inc., would include the sale of local products. Finally, Mr. Tiberio said, the vessel would carry the logo, "SSA FAST FERRY," for identification purposes.

After Mr. Tiberio finished his report, Mr. O'Brien declared that he felt management's proposed fares were too low, and that he would rather see the Authority establish fares that were closer, if not equal, to the current fares that were then being charged by Hy-Line Cruises. In response, Mr. Tiberio said that management had spent a lot of time looking at the tariff issue and trying to ascertain the vessel's customer base. In this regard, Mr. Tiberio recounted how the Authority had decided to enter the high-speed passenger-only market in an attempt to get people who were traveling to the island out of their cars, and he noted that, even at management's proposed rates, when all of the fares a family of four would be paying (including parking) were added together, the cost of their trip would still be somewhat high at around \$150.

Mr. Tiberio stated that, in arriving at their proposed fares, management also had taken into account the size of the vessel, her seating capacity and her operating costs, and in the end they had concluded that a \$40 round trip fare was pretty reasonable based upon those considerations and what the Authority was trying to accomplish by providing a high-speed service. Quite frankly, Mr. Tiberio said, in their discussions management had tried to stay away from what the airlines or other carriers such as Hy-Line might be charging.

In further response to Mr. O'Brien's comments, both Mr. Kelleher and Mr. Asendorf stated that they too had possessed some initial concerns about the proposed rates, but now agreed with management's consensus that a \$40 round trip fare was appropriate. Still, Mr. O'Brien disagreed, saying that if the Authority's fares initially were too high, it could always decrease them, while it would be very difficult to increase the proposed \$40 round trip fare once it was established. Mr. O'Brien also stated that he did not agree that the lower fare would result in people not taking their automobiles with them to the island, because the Authority's vessels were already filled with cars.

Barnstable resident George Coughlin then commented that it was interesting to watch the Authority establish its fare structure, agreeing that management had done its homework and that, for the size and capacity of the vessel, the \$40 round trip fare was a good and practical rate. But Mr. Coughlin asserted that the Authority also should recognize that Hy-Line Cruises in effect had tested a pilot program for the Authority and now would be undercut by that proposed rate. Mr. Coughlin said that it was unfair for the Authority to regulate its competition, and that there should be another body to do so.

Mrs. Grossman disagreed with Mr. Coughlin's comments, noting that the Authority, as the "lifeline" to the islands, was the only carrier with the responsibility of carrying freight, food and the other necessities of life on a year-round basis, and that no private carrier would be willing to provide that service and consistently incur the large losses that were sustained by the Authority during the winter months. Further, in terms of competition, Mrs. Grossman pointed out that Hy-Line already was carrying more passengers to Nantucket during the summer than the Authority and that, if the Authority were to be successful in curtailing the number of cars transported to the islands, it was going to have to come up with another way to make up for the lost revenues or there would be an assessment against the residents of both the islands and Falmouth for the resulting deficit. Accordingly, Mrs. Grossman declared, the Authority was not establishing these policies in order to compete with any other carrier, but

rather as a financial necessity because the residents of both islands had called upon the Authority to limit its automobile traffic to 1996 levels.

Mr. Coughlin acknowledged that a lot of people depend and rely upon the Authority's service on a year-round basis as the "lifeline" to the islands. But he repeated his concern that other competitors were going to be hurt due to the fact that the Authority had now realized that there was a need to provide a passenger-only service instead of the service that it traditionally has provided, namely, carrying a combination of cars, trucks and passengers.

In response to Martha's Vineyard resident James Rothschild, Mr. Tiberio stated that the proposed fares were based upon the vessel's expected costs of operation, including the daily charter hire rates. However, Mr. Tiberio said, if the Authority were to acquire a newly constructed high-speed vessel, the fares may well be revised based upon the acquisition cost of that vessel and other relevant factors. Mr. Tiberio also disagreed with Mr. Coughlin's assertion that Hy-Line Cruises had established a high-speed pilot project for the Authority, noting that the Authority was a very different kind of enterprise and had to make certain that the new service could be logistically woven with its other operations.

In response to a question from R. Murray Scudder, Jr., Vice President of Operations for Hy-Line Cruises, Mr. Tiberio stated that the Authority anticipated carrying around 140,000 passengers on the *Finest* on an annual basis.

Mr. Rappaport then stated that he was looking at this venture as a one-year test program to see whether providing a high-speed service made sense for the Authority on a long-term basis and, further, whether it also might make sense to provide such a service for Martha's Vineyard as well as Nantucket.

IT WAS VOTED -- upon Mrs. Grossman's motion, seconded by Mr. Rappaport -- to approve the BAREBOAT CHARTER PARTY with Fast Ferry I Corporation and management's proposed policy initiatives pertaining to high-speed passenger-only service between Hyannis and Nantucket, as set forth in the attachment to Staff Summary #GM-380, dated March 2, 1998.

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

Mr. Kelleher also expressed his support for the motion even though he had been advised that he could not vote for it by telephone. Mr. O'Brien also repeated his opposition to the passenger-only tariff schedule, but said that he was in favor of all the other aspects of that motion.

1998 Reservations Program:

Mr. Tiberio then reported that, beginning the previous Sunday, March 1, 1998, the Authority had begun accepting reservations by telephone and that the entire operation had been quite successful, especially when compared to the problems the Authority had experienced in 1997. Mr. Tiberio stated that the Authority had processed around 1,600 phone calls on Sunday and that, subsequently, the Authority had processed an average of 1,300 to 1,400 calls per day, although Sunday and Monday had been by far the busiest days and the evenings had not been busy at all. Mr. Tiberio also said that customers had remained in the queue for only seven to eight minutes, and that once they were connected to a reservations clerk, their requests had been processed in an average time of six to seven minutes.

Mr. Tiberio publicly thanked all of the staff who had been involved in what he described as a monumental six-month effort to make the Authority's Reservations Program such a success this year, including the reservations clerks, their supervisors, Ms. Barboza and MIS Manager Mary Claffey. As a result, Mr. Tiberio said, he felt the Authority now had a very good program in place, and that it would provide a strong base for further refinements in the future.

Mr. Rappaport and Mrs. Grossman then congratulated Mr. Tiberio on the success of the Authority's 1998 Reservations Program, noting that neither of them had received any telephone calls from customers complaining about any problems obtaining reservations this year.

Old and New Business:

Mr. Tiberio reported that the *Governor* was now in line service between Woods Hole and Martha's Vineyard, and that she had proven to be very successful from an operational standpoint. In particular, Mr. Tiberio noted that the time it takes to load the vessel is much less than the time it takes to load the other freight boats because vehicles do not have to back up onto her freight deck.

In response to a question from Mr. Asendorf, Mr. Tiberio attributed the recent increase in vehicle traffic figures to the good weather the area had been experiencing this winter, despite the fact that the Authority had been forced to suspend operations a few weekends.

Public Comment:

In response to questions from Mr. Coughlin, Mr. Tiberio stated that the Authority did not anticipate any problems in having the *Finest's* current certificate of inspection modified prior to commencing service on May 1, 1998, and that there were no sea state restrictions on the vessel's stability letter. Mr. Tiberio also said that the Authority obviously had no practical experience with how fast the *Finest* could sail when fully loaded, but that the vessel's owners had been able to maintain 35 to 40 knots.

In response to a question from Falmouth and Nantucket resident John McCarthy, Mr. Rappaport said that there had been no discussions within the Authority about the possibility of providing high-speed service between Woods Hole and Nantucket, and Mr. Kelleher added that he did not anticipate any such discussions. Mr. Tiberio also stated that the Authority had no plans at that time to provide high-speed service between Hyannis and Martha's Vineyard or provide discounted fares for frequent travelers on the *Finest* by means of commuter books.

In response to a question from West Tisbury resident Virginia Jones, Mr. Rappaport stated that the Authority had not been involved in any discussions regarding the possibility of providing service between New Bedford and Martha's Vineyard, and that such service was not something that he would be prepared to support.

March 5, 1998 Meeting
Minutes of the Public Session

Then, at approximately 10:50 a.m., Mr. Rappaport entertained a motion by Mrs. Grossman, which was seconded by Mr. O'Brien, to adjourn the meeting. The vote to do so was unanimous.

A TRUE RECORD

GRACE S. GROSSMAN, Secretary

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

The Meeting in Public Session

March 19, 1998

The Members of the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority met this 19th day of March, 1998, beginning at 9:55 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 Ronald H. Rappaport of Dukes County; Vice Chairman Paul R. Kelleher of Falmouth; Secretary Grace S. Grossman of Nantucket; 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 Norman F. Beach of Nantucket.

The following members of the Authority's management were also present: General Manager Armand L. Tiberio; Assistant Treasurer Robert B. Davis; General Counsel Steven M. Sayers; Marketing and Public Relations Manager Deborah Hughes; Engineering and Construction Manager James P. Swindler; Reservations Manager Gina Barboza; and Executive Secretary to the General Manager Maxine Horn.

Mr. Rappaport began the meeting by announcing that Mr. Beach was retiring as the Nantucket member of the Authority's Finance Advisory Board and, accordingly, that this was the last meeting which Mr. Beach would be attending in his official capacity. The Members then thanked Mr. Beach for the fifteen years of outstanding service he had rendered to the Authority, declaring that they all greatly admired him not only for the tremendous financial expertise and dedication he brought to all aspects of the Authority's operations, but also for his great sense of humor and natty attire. Noting that Mr. Beach would be sorely missed at subsequent meetings, the Members said that they would continue to call on him for advice.

Minutes:

IT WAS VOTED -- upon Mr. O'Brien's motion, seconded by Mr. Kelleher -- to approve the minutes of the Members' meeting in public session on February 19, 1998.

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

VOTING NAY: None

IT WAS VOTED -- upon Mrs. Grossman's motion, seconded by Mr. Kelleher -- to approve the minutes of the Members' meeting in public session on March 5, 1998.

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

VOTING NAY: None

High-Speed Passenger-Only Ferry Operations:

Mr. Tiberio advised the Members that preparations were continuing for the launching of the Authority's high-speed passenger-only service between Hyannis and Nantucket on May 1st. Mr. Tiberio reported that the *Finest* had been dry-docked, her on-hire survey completed, and her bow modified to fit better into the Authority's slips. Mr. Tiberio also said that the Authority was expecting to take delivery of the vessel by April 6th, and that he was confident that all aspects of the high-speed operation would come together by the time the service was scheduled to commence.

Mr. Tiberio then reported that he had just received a formal request from Hy-Line Cruises for an increase in the licensed capacity of the *Grey Lady II* from 70 to 149 passengers. Mr. Tiberio said that management would be meeting with Hy-Line officials the following week and that, after receiving all of the information required under the Authority's licensing policy, public hearings would be scheduled on Hy-Line's request to take place both on Nantucket and

in Hyannis over the next month or so. Mr. Tiberio stated that he hoped management would be in a position to come back to the Members with a recommendation regarding Hy-Line's request by the May meeting.

1998 Reservations Program:

Mr. Tiberio reported that, between March 1, 1998 (the day the Authority began accepting vehicle reservations by telephone) and March 18, 1998, the Authority's Reservations Department had processed approximately 18,600 reservations, and that no major problems had been encountered or were anticipated for the future. Mr. Rappaport declared that he had heard nothing but compliments on how the system had been handled that year, and that he considered the whole operation to be a tremendous accomplishment. Similarly, Mrs. Grossman mentioned that she had received a number of comments about how courteous, friendly and helpful all of the clerks had been. All of the Members then expressed their sincere appreciation for the exemplary manner in which a very difficult job had been performed that year.

Bourne Parking:

Mr. Tiberio reported that the Authority had entered into two leases for satellite parking locations in the Bourne area that summer, with one lot again located at Barlow's Landing and the second lot on Clay Pond Road. Mr. Tiberio said that management also was discussing the possibility of leasing a third location, which would increase the total number of available satellite parking in Bourne to around 850 spaces.

Hyannis Parking:

Mr. Tiberio then reported that management had not yet heard back from the Town of Barnstable regarding the Authority's efforts to secure auxiliary parking for approximately 300 cars at the Barnstable Airport for the upcoming summer season. Mr. Tiberio also said that management was actively searching for additional off-site parking sites that could accommodate an additional 500 to 600 vehicles.

Martha's Vineyard Reservations Bureau:

Mr. Tiberio reported that management was continuing its discussions with representatives of the Martha's Vineyard Airport regarding the possibility of the Authority securing four to five acres in and around the airport as a future site for an improved reservations bureau with a staging area and parking facility from which a park and ride service could be operated to both of the Authority's terminals on the island. For the upcoming summer, however, Mr. Tiberio stated that the Authority probably would only be able to secure the site for the purpose of staging vehicles in the event of an emergency.

Massachusetts Military Reservation:

Mr. Tiberio advised the Members that management had sent a letter to the Quartermaster's office of the Massachusetts National Guard requesting that the Authority be allowed to conduct an endangered species study that summer with respect to the site originally selected by the Authority for a parking facility at the former Otis Air Force Base. Mr. Tiberio said that, although he had not yet received a response from the military, he did not believe that they would object to the study because they had previously approved the site for the Authority's use and it was located outside of the base's security area.

Mr. Tiberio further reported that, in the event the study showed that there were no endangered species at the site or that the Authority could take certain mitigation measures to protect such species, management then intended to refile its Environmental Notification Form and go through the required environmental review process for the site. Mr. Tiberio noted that, because of the passage of time since its prior filing, it appeared that the Authority would no longer need a waiver from Executive Secretary for Environmental Affairs Trudy Coxe to proceed with the development of the parking facility outside of the Master Plan because the Authority's timetable would now more closely coincide with that for the rest of the base.

Inter-modal Transportation Proposal:

Mr. Tiberio reported that Plymouth & Brockton Street Railway Co. had submitted a proposal to provide bus service between the site of the proposed commuter rail station in Kingston, Massachusetts and the Authority's Woods Hole terminal on a pilot-project basis during the 1998 summer season. The service would depart Kingston, stop at the Sagamore commuter lot and arrive at the Authority's docks in sufficient time to meet every ferry's arrival and departure to Vineyard Haven and Oak Bluffs. Passengers also could transfer at the Sagamore commuter lot to take another bus to the Authority's Hyannis terminal. Mr. Tiberio stated that, although the Executive Office of Transportation and Construction had not yet formally responded to the proposal, it had expressed interest in funding the project, which would cost approximately \$63,000 per month, for the first year.

New Bedford Freight Facility Economic Analysis:

Mr. Tiberio advised the Members that management would be issuing a request for proposals the following week for a consultant to conduct a study of the effect ferry fares have on the cost of goods sold on Martha's Vineyard and Nantucket, as well as how those costs would change if a portion of the freight were shipped through an alternative mainland port such as New Bedford. Mr. Tiberio said that the purpose of the project was to obtain a solid estimate of the cost impact such a service would have not only upon the freight industry, the Authority and other potential operators of the service, but more importantly upon the island residents in terms of what they would have to pay for goods and services brought to the islands.

Mr. O'Brien declared that, in his experience, it had proven very important to make certain that firms conducting such analyses have individuals resident within their organization who possess the qualifications and basic talent to perform and supervise the work. Therefore, he asked that the request for proposals be revised to explicitly consider the qualifications of the proponents' employees who will be responsible for the project, so that proponents will not be able to subcontract out important aspects of the work.

Mr. Rappaport also declared that the analysis should be conducted by an entity which has familiarity with the islands and the types of problems they are facing. Accordingly, he asked that the request for proposals be distributed as widely as possible to make certain that firms such as Arthur D. Little, Inc. and Bain & Co. are provided the opportunity to compete. Mr. Rappaport said that he felt the most important factor in the Authority's consideration of which firm should conduct the analysis should not be cost, but rather expertise.

Treasurer's Report:

Mr. Davis reported that it appeared the Authority's net operating loss for the month of February 1998 was going to be around the Authority's original budget estimate, with slightly higher revenues offsetting slightly higher expenses.

Old and New Business:

Mr. Tiberio reported that the dredging of the new Hyannis outer channel had been completed to a average depth of 13 feet below mean low water (with one area around 12 feet, seven inches below mean low water, which will be corrected later). Mr. Tiberio said that, after the repositioning of navigational aids, the Authority should be able to begin using the straightened outer channel around April 1st. Mr. Tiberio further advised the Members that the second phase of the project, which includes the dredging of the inner harbor, would commence that fall, and that the Authority had received assurances that the funds for that second phase were already in place.

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

IT WAS VOTED -- on Mrs. Grossman'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: Mr. Rappaport, Mr. Kelleher and Mrs. Grossman

VOTING NAY: None

A TRUE RECORD

GRACE S. GROSSMAN, Secretary

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

The Meeting in Public Session

April 16, 1998

The Members of the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority met this 16th day of April, 1998, beginning at 10:10 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 Ronald H. Rappaport of Dukes County; Vice Chairman Paul R. Kelleher of Falmouth; Secretary Grace S. 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; S. Eric Asendorf of Falmouth; and Steven A. Tornovish of Nantucket.

The following members of the Authority's management were also present: General Manager Armand L. Tiberio; Treasurer/Comptroller Wayne C. Lamson; General Counsel Steven M. Sayers; Marketing and Public Relations Manager Deborah Hughes; Engineering and Construction Manager James P. Swindler; Reservations Manager Gina Barboza; Port Captain John A. Lasnier; and MIS Manager Mary T. H. Claffey.

Mr. Rappaport began the meeting by asking Mrs. Grossman to introduce Mr. Tornovish, Nantucket's new member on the Authority's Finance Advisory Board. Mr. Rappaport also welcomed Norman F. Beach, the previous Finance Advisory Board member from Nantucket, who was also in the audience.

Minutes:

IT WAS VOTED -- upon Mrs. Grossman's motion, seconded by Mr. O'Brien -- to approve the minutes of the Members' meeting in public session on March 19, 1998.

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

VOTING NAY: None

Fall River Mooring Lease:

Mr. Tiberio reported that management had negotiated a proposed lease agreement with Fall River Line Pier, Inc. for additional mooring space at the State Pier in Fall River so that the *Governor* could be tied up there after she was scheduled to go off line service in May 1998. Mr. Tiberio stated that the proposed lease, which had a one-year term with an option for a second year, also would provide the Authority with the opportunity over time to relocate to Fall River a good portion of the maintenance work which was then taking place in Woods Hole. Mr. Tiberio noted that there were limitations on the scope and type of maintenance work that the Authority was able to do in Woods Hole due to restaurants and other establishments in the area, as well as congestion at the terminal itself. By contrast, Mr. Tiberio said, the facility in Fall River had ample space, and all types of the Authority's maintenance work could be performed there 24 hours a day.

Mr. Tiberio stated that he expected a good portion of the Authority's heavy industrial maintenance equipment would be moved to the Fall River facility during the upcoming summer, although most of the shops would remain at Woods Hole. Vessel maintenance work would then commence at Fall River in the fall. Mr. Tiberio also noted that the additional sailing time from Woods Hole to Fall River, which was around four hours, would not be a major problem because of the length of time that the Authority's vessels will remain in overhaul once they arrive there.

Specifically, Mr. Tiberio requested approval to enter into a lease for 250 feet of bulkhead berthing space at the State Pier in Fall River (at a rental of \$1,520 per month), 3,200 square feet of warehouse space on the pier adjacent to the moorage area (at a rental of \$600 per month), and possibly additional office space for the Authority's maintenance foremen (which would be at a rental of \$250 per month). Mr. Tiberio stated that while the 250 feet of berthing space was more than adequate for any one of the Authority's vessels, the Authority also would be able to use additional berthing space there on a space-available basis. In addition, Mr. Tiberio said, Slip #3 in Woods Hole would still be available for emergency work.

In response to a question from Mr. Kelleher, Mr. Tiberio stated that while the Authority would not have its own security personnel at Fall River when the *Governor* is tied up there, the leased area was within a secured compound that had a guard stationed at the gate. Mr. Tiberio also confirmed Mr. Rappaport's understanding from their prior discussions that there would be no additional labor costs to the Authority as a result of having vessel maintenance work performed at Fall River instead of Woods Hole, and that the Authority would not have to pay any employees any additional wages or expenses due to working at the new location.

Both Mr. Kelleher and Mr. Rappaport then voiced their strong support for management's recommendation. Indeed, Mr. Rappaport noted that it seemed to be almost a necessity, since the time period within which the Authority was required to perform maintenance work on its expanding fleet was getting shorter every year, and the Authority needed to have a place where work could be undertaken on a 24-hours-per-day, seven-days-per-week basis in order to get the vessels back into line service on time.

IT WAS VOTED -- upon Mrs. Grossman's motion, seconded by Mr. O'Brien -- to authorize the General Manager to execute a lease for berthing and warehouse/shop space at the Fall River State Pier in Fall River, Massachusetts, as set forth in Staff Summary #E-8010, dated April 9, 1998.

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

VOTING NAY: None

Inter-modal Transportation Proposal:

Mr. Tiberio reported that, although he had not yet received anything in writing, the Executive Office of Transportation and Construction ("EOTC") had approved funding for Plymouth & Brockton Street Railway Co.'s proposal to provide bus service between the commuter rail station in Kingston, Massachusetts and the Authority's Woods Hole terminal on a pilot-project basis during the 1998 summer season. The service will depart Kingston, stop at the Sagamore commuter lot and arrive at the Authority's docks in sufficient time to meet every ferry's arrival and departure to Vineyard Haven and Oak Bluffs.

Mr. Tiberio further reported that the EOTC's funding would cover all of the project's operations; but, because of the involvement of federal funds, passengers still would be charged fares of around \$5.50 to \$6.00 on a one-way basis. Assuming that the EOTC actually funds the project, Mr. Tiberio said that the Authority was being asked to make a financial commitment of around \$5,000 to \$10,000 for the project's promotion and advertising, which he said would be undertaken by the Authority itself. Mr. Tiberio stated that he felt such a commitment was well justified in view of the Authority's need to find other ways for people to travel to the islands without their automobiles.

Mr. Kelleher asked Mr. Tiberio to see whether the Authority could take even more advantage of the service by having the Plymouth & Brockton buses stop at the Authority's off-site parking lots in Bourne to pick up and drop off passengers who park their cars there. Mr. Rappaport also asked Mr. Tiberio to encourage the bus drivers to use their two-way radios to communicate with the Authority when they are late, so that the boats can then wait for them.

IT WAS VOTED -- upon Mr. O'Brien's motion, seconded by Mrs. Grossman -- to participate in the Plymouth & Brockton Street Railway Company's project to provide bus service between Kingston and Woods Hole, as set forth in Staff Summary #GM-383, dated April 9, 1998, by funding the promotional campaign for the start-up operation, in an amount not to exceed \$10,000.

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

VOTING NAY: None

Katama Conversion Project:

Mr. Tiberio reported that the *Katama* conversion project was continuing pretty much on schedule and on budget, that the shipyard had encountered no major problems to date, and that the refurbishment, repowering and 50-foot mid-body addition should be completed by the beginning of June. Mr. Tiberio said that the Authority would then sail the vessel back from Florida with its own crew so that she will be able to go back into line service to replace the *Gay Head* on the Hyannis-Nantucket route by the middle of that month.

Governor:

Mr. Tiberio reported that, by all accounts, the *Governor* was operating quite satisfactorily, and that both the freight industry and the island residents who have ridden on her had expressed their delight in not having to back their vehicles onto the freight deck. Mr. Tiberio also said that the Authority had not encountered any control problems with the *Governor* since early in her operation and that, although the vessel had missed some trips in March due to the weather, she had missed no more trips than any of the Authority's other vessels. Mr. Tiberio also noted the Authority had been able to take advantage of the *Governor's* ability to carry more than 60 automobiles on her freight deck (as opposed to the 25 or 30 automobiles that can be carried on the Authority's other freight boats) by clearing out the traffic remaining in Woods Hole at the end of the day in one trip instead of two.

1998 Reservations Program:

Mr. Tiberio reported that the Reservations Program had been proceeding much more smoothly this year than in 1997. Mr. Tiberio then discussed how this year the Authority had processed somewhere between 26,000 and 28,000 Head Start reservations, allowing island residents to make five Head Start reservations each, three of which could be transferable, provided that they informed the Authority of the names, addresses and vehicle registrations of the people who were using those reservations by April 15, 1998. Mr. Tiberio stated that when that deadline had passed the day before, only around 2,000 of the 3,328 transferable reservations made had been actually transferred and, as a result, the remaining 1,300 or so were reverting back to the general reserva-

tions pool. Mr. Tiberio also advised the Members that there had not been any apparent abuses of the policy allowing transferable Head Start reservations, so there did not appear to be any reason to make any changes in the 1999 Reservations Program in this regard.

In response to a question from Mr. Asendorf, Mr. Tiberio stated that management had increased the load factors for the *Martha's Vineyard* and the freight boats on reservations-only days in order to reduce the likelihood of customers not being able to obtain reservations on those vessels and then having them sail at less than full capacity. However, Mr. Tiberio noted that some breathing room still had to be built into the system for emergency situations and due to the fact that the Authority did not know the sizes of the vehicles being transported. Mr. Tiberio also observed that the amount of available deck space for vehicles on a vessel varied from trip to trip depending on the number of bicycles and baggage carts that had to be carried.

Mr. Tiberio then reported that freight traffic was continuing to increase, with the Authority having carried 10.8% more trucks during the first three months of 1998 than during the same period in 1997. Yet Mr. Tiberio said that, somewhat surprisingly, there had been far fewer complaints this year from the freight industry about their inability to obtain reservations, which he attributed to the fact that the Authority had added a second freight boat on the Hyannis-Nantucket route during the Spring schedule. Mr. Tiberio stated that the *Sankaty* was scheduled to be taken off that route upon the commencement of the Summer schedule, leaving the *Gay Head* as the only freight boat on that run, making two trips per day. Mr. Tiberio also said that, in June, the *Katama* would replace the *Gay Head* on that run when she returned from the shipyard, and her increased speed would then allow her to make three trips per day.

Bourne Parking:

Mr. Tiberio reported that the Authority had secured three leases for satellite parking locations in the Bourne area that summer -- one lot with a capacity of 200 spaces again located at Barlow's Landing, a second lot on Clay Pond Road with a capacity of 300 cars, and a third location on Route 28A also with a capacity of 300 cars. Mr. Tiberio said that the first two lots already were suitable for the Authority's use. With respect to the third location, however, Mr. Tiberio said that the Authority needed to file an Environmental Notification

Form and obtain permission for a curb cut, but that he expected that site also to be ready for the Authority's use in time for the Independence Day weekend.

Hyannis Parking:

Mr. Tiberio reported that management had secured a lease for a parking lot off of Willow Street in Yarmouth with a capacity of just under 300 spaces, and that the lot should be ready for the Authority's use by the Memorial Day weekend. Mr. Tiberio also reported that management had agreed in principle with the Town of Barnstable to enter into an operating agreement for use of the Town's property on Brooks Road adjacent to the Barnstable Airport as both a staging area for trucks and a parking lot for automobiles. However, Mr. Tiberio said, the Authority would be required to undertake some major renovations with respect to that property.

Martha's Vineyard Reservations Bureau:

Mr. Tiberio reported that management was continuing its discussions with representatives of the Martha's Vineyard Airport regarding the possibility of the Authority securing four to five acres in and around the airport as a future site for an improved reservations bureau with a staging area and parking facility from which a park and ride service could be operated to both of the Authority's terminals on the island. For the upcoming summer, however, Mr. Tiberio stated that the Authority probably would only be able to secure the site for the purpose of staging vehicles in the event of an emergency.

High-Speed Passenger-Only Ferry Operations:

Mr. Tiberio reported that the Authority had as yet encountered no major problems with respect to its commencement of a high-speed passenger-only service between Hyannis and Nantucket on May 1st. Specifically, Mr. Tiberio said, the vessel *Finest* already had arrived in Massachusetts, employees were being trained on the vessel, promotional materials distributed, and passenger reservations accepted.

Oak Bluffs Park and Ride Proposal:

Mr. Tiberio reported that the Authority had received a request from Renee Balter, the Oak Bluffs representative on the Martha's Vineyard Transit Authority, for funding of a new Park and Ride lot behind the old Oak Bluffs Junior High School with a capacity of 85 spaces. Mr. Tiberio also reported that the Oak Bluffs Selectmen had approved the expenditure of \$18,000 for the project, which would be operated by the Transit Authority during the 1998 summer season on a pilot basis, contingent upon receiving financial assistance from the Authority to prepare the site for readiness. Mr. Tiberio stated that, if the request were approved, the Authority would keep the development of the site to a minimum, with an estimated cost of around \$15,000 to \$20,000.

In recommending that the Authority participate in this project on a one-time basis and in an amount not to exceed \$20,000, Mr. Tiberio noted that the Transit Authority had made a commitment to have one of its shuttle buses meet every one of the Authority's vessels arriving in Oak Bluffs. Mr. Tiberio said that the proposed service thus would have a direct benefit to the efficiency of the Authority's operations by reducing congestion at the Oak Bluffs terminal and encouraging customers not to drive their cars there.

Mr. Rappaport joined with Mr. Tiberio in recommending the Authority's participation in the project as part of what he felt was its responsibility to work in partnership with local communities to develop a seamless transportation network. Mr. Rappaport declared that although \$20,000 might be considered a small amount of money, the assistance would be a strong statement of the Authority's commitment to help towns deal with local traffic problems and to provide alternative ways for people to leave their vehicles and not drive them to the Authority's ferry terminals.

However, Mr. Murphy opposed the recommendation, declaring that he did not think that the Authority's enabling act authorized it to contribute funds to such a project. In this regard, Mr. Murphy observed that the principal beneficiaries of the service appeared to be Oak Bluffs merchants, who would be able to park at the Park and Ride lot themselves and thereby free up more parking spaces for their customers in the town. Mr. Murphy also criticized the request's failure to include any breakdown of the development costs which the Authority was being asked to fund.

Dukes County Commissioner Daniel Flynn, who had been a member on the committee that selected the location for the Park and Ride lot, conceded that the site had been chosen for the primary purpose of servicing Oak Bluffs merchants by freeing up more parking spaces in the town. Mr. Flynn also said that, in the future, he expected that most of the Authority's customers would end up parking at the Park and Ride lot that the Authority was planning to develop at the Martha's Vineyard Airport instead of at this particular site.

Mr. Tiberio assured the Members that the Authority's commitment would be limited to the preparation of the site itself, and that the Authority would not be asked to fund any portion of the project's operating costs nor otherwise to provide any further financial support for the project in the future. Mr. Tiberio also stated that the Town of Oak Bluffs would be matching the Authority's contribution by funding the program's operating costs that year.

IT WAS VOTED -- upon Mr. O'Brien's motion, seconded by Mrs. Grossman and amended on a motion by Mr. Kelleher -- to participate with the Town of Oak Bluffs and the Martha's Vineyard Transit Authority in the development of a Park and Ride lot located at the Old Junior High School in Oak Bluffs, as set forth in Staff Summary #GM-382, dated April 9, 1998, provided that the amount of the Authority's financial contribution does not exceed either \$20,000 or the amount of money that is expected to be contributed by the Town of Oak Bluffs.

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

VOTING NAY: None

Treasurer's Report:

Mr. Lamson reported that the Authority had received five bids for the sale of \$5,000,000 in bond anticipation notes payable on November 16, 1998, and that the sale had been awarded to the institution which had submitted the lowest bid, BankBoston, at a net interest cost of 3.598%.

Mr. Lamson then reported that the Authority's net operating loss for the month of March 1998 was expected to come in close to the Authority's budget estimate, including a \$233,000 expense for the dry-docking of the *Islander* that was originally expected to cost \$180,000 and be incurred in the month of February. As a result, Mr. Lamson said, the Authority's net operating loss for the first three months of 1998 was around \$400,000 lower than had been estimated in the 1998 Operating Budget, with most of the favorable variance being attributable to higher than anticipated revenues.

Finally, Mr. Lamson advised the Members that the Authority's 1998 Operating Budget and cash flow projections would have to be revised at the May meeting to reflect the commencement of the Authority's new high-speed passenger-only service between Hyannis and Nantucket.

Old and New Business:

In response to a request from Mrs. Grossman, Mr. Tiberio advised the audience that all of the Authority's vessels, including the *Finest*, were equipped with marine sanitation devices so that they did not dump untreated human waste into the ocean which could contaminate scallops or other shellfish.

In response to a request from Mr. Rappaport, Mr. Tiberio stated that the Authority would soon be in a position to proceed with the Oak Bluffs Terminal Reconstruction Project, and that management would begin working with representatives from the Town of Oak Bluffs within the following month. Although Mr. Tiberio advised the Members that the integrity of the current dock could continue to be maintained, he declared that the deteriorating condition of the structure required the Authority to move forward on a timely basis.

Theodore Galkowski, the Town of Yarmouth's representative to the Authority, advised the Members that he had received a number of reports that the *Finest* was sailing too fast in the Hyannis harbor channel in the vicinity of buoys 17 and 18. Although Mr. Tiberio stated that he was not aware of any such reports, he assured Mr. Galkowski that the Authority would monitor the situation and comply with the speed limits in the channel.

Finally, the Members asked management to consider a request from Nantucket resident Wendy Winger for the Authority to provide a discount to year-round Nantucket residents who were attending college on the mainland so that it would not be so expensive for them to bring their automobiles home at the end of the academic year.

Then, at approximately 11:45 a.m., Mr. Rappaport entertained a motion to go into executive session, and announced that the Members would not reconvene in public after the conclusion of the executive session.

IT WAS VOTED -- on Mrs. Grossman'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: Mr. Rappaport, Mr. Kelleher and Mrs. Grossman

VOTING NAY: None

A TRUE RECORD

GRACE S. GROSSMAN, Secretary

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

The Meeting in Public Session

May 14, 1998

The Members of the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority met this 14th day of May, 1998, 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 Ronald H. Rappaport of Dukes County; Vice Chairman Paul R. Kelleher of Falmouth; Secretary Grace S. 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; S. Eric Asendorf of Falmouth; and Steven A. Tornovish of Nantucket.

The following members of the Authority's management were also present: General Manager Armand L. Tiberio; Treasurer/Comptroller Wayne C. Lamson; General Counsel Steven M. Sayers; Marketing and Public Relations Manager Deborah Hughes; Engineering and Construction Manager James P. Swindler; Reservations Manager Gina Barboza; MIS Manager Mary T. H. Claffey; and Executive Secretary to the General Manager Maxine Horn.

Minutes:

IT WAS VOTED -- upon Mrs. Grossman's motion, seconded by Mr. O'Brien -- to approve the minutes of the Members' meeting in public session on April 16, 1998.

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

VOTING NAY: None

1998 Summer Schedule Operating Plan:

The first item under the General Manager's Report was Mr. Tiberio's request for approval of a revised and somewhat expanded 1998 summer operating plan to take into account a number of significant events that had occurred since the approval of the original schedule in September 1997. In this regard, Mr. Tiberio recounted how the original 1998 summer operating plan called for the *Eagle* and the *Nantucket* to be dedicated to the Nantucket route seven days a week, and for the *Katama* to provide freight service for Nantucket from Mondays through Fridays. On Friday nights through Sundays, Mr. Tiberio said, the *Katama* was then scheduled to provide service for Martha's Vineyard, assisting the *Martha's Vineyard*, the *Islander*, the *Sankaty* and the *Gay Head* during reservations-only weekend periods.

However, Mr. Tiberio noted that the Authority had acquired the *Governor* after the operating plan had been approved in September 1997, and also was experiencing an unexpected increase in the amount of freight traffic demand for both islands. Therefore, he suggested that the Authority realign the vessels during the 1998 summer schedule as follows:

- (a) To assign the *Katama* on the Nantucket route seven days a week (instead of only Mondays through Fridays) upon her return from International Shipyard in Florida in mid-June 1998;
- (b) To replace the *Gay Head* with the *Governor* on the *Gay Head's* scheduled runs between Woods Hole and Martha's Vineyard beginning around June 16th, after the *Governor* undergoes certain maintenance work; and
- (c) To provide additional service with the *Gay Head* between Woods Hole and Martha's Vineyard on Friday nights through Sundays in lieu of bringing the *Katama* from Hyannis on the weekends, and otherwise to tie up the *Gay Head* for use as a standby vessel during the weekdays.

Mr. Tiberio stated that, as a result of those proposed changes, the Authority would be operating an eight-vessel schedule during the summer weekends (from Friday night through Sunday) and that the additional cost of these changes was estimated to be around \$150,000. Nevertheless, Mr. Tiberio said, he felt confident that additional revenues from the increased traffic would more than compensate for the increase in cost.

Mr. Kelleher expressed his concern that the replacement of the *Gay Head* with the *Governor*, which can carry up to three times the number of vehicles, and the operation of eight vessels during the weekends would increase the amount of traffic in Woods Hole and on the streets of Falmouth. However, Mr. Tiberio assured him that the changes would not result in an increase in weekend service for Martha's Vineyard, but rather for Nantucket.

Mr. O'Brien then declared that he did not think that the Authority should be operating a vessel as large as the *Katama* in and out of Hyannis Harbor on summer weekends, noting that the harbor already was full of boats during that time. Mr. O'Brien also wondered whether any weekend freight trips would be needed given the fact that, by running three trips with the enlarged *Katama* on each weekday, the Authority would be providing much more freight service than it did during the 1997 summer season. Therefore, Mr. O'Brien said, if the changes were approved, he would want the *Katama* to operate on weekends only when it was an absolute necessity, and certainly no more than one trip per day. He also emphasized that the vessel should not be scheduled for the weekends, because it would only fill up with more automobiles and increase traffic coming into Hyannis.

Mr. Tiberio advised Mr. O'Brien that the Authority would not be scheduling the *Katama* on weekends during the summer or moving customers off the wait list onto that vessel in an attempt to open up additional capacity. Instead, Mr. Tiberio said, management planned only to have the vessel available in the event the Hyannis terminal became jammed with cars as a result of customers dropping off their vehicles on the weekends without having reservations until the following week. Mr. Tiberio stated that the feeling was that the Authority would be in a position by each Thursday to decide whether or not to operate the *Katama* that weekend and, if the Authority could operate even only one trip on each weekend day and keep the terminal clear of congestion, the terminal's efficiency would be greatly improved.

Mr. Rappaport observed that all of the Members shared the same concerns about the increased demands on the Authority's vessels and facilities, but that it appeared they had no choice but to approve the changes requested by Mr. Tiberio in light of the Authority's need to continue to meet the islands' increasing freight demand. Further, Mr. Rappaport noted that most of the additional capacity would be used by the increased number of freight trucks, and that the Authority was continuing to adhere to its goal of trying to keep the automobile traffic levels between Memorial Day and Labor Day at the same levels that existed in 1995 and 1996.

Mr. Rappaport then informed the Members that he had received a number of letters and telephone calls from members of the Vineyard Haven waterfront community, trucking firms, the Tisbury Selectmen and the Vineyard Haven Harbormaster asking that the Authority substitute the *Governor* for the *Gay Head* on its runs into Vineyard Haven Harbor, principally on the grounds that the *Governor* produced no wake and less noise, and did not need to turn around in the harbor to load and unload. However, Mr. Rappaport noted that if the *Governor* were substituted for the *Gay Head*, she often would be running in and out of Oak Bluffs, and he therefore asked Mr. Tiberio to see whether the vessel could instead take the place of the *Sankaty* so that she would operate all of the time out of Vineyard Haven.

IT WAS VOTED -- upon Mrs. Grossman's motion, seconded by Mr. Rappaport -- to approve the vessel allocation changes in the Authority's 1998 Summer Schedule Operating Plan, as presented in Staff Summary #GM-385, dated May 11, 1998.

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

VOTING NAY: None

Gay Head Refurbishment:

Mr. Tiberio then asked the Members to approve the order of two new reduction gears from Karl Senner, Inc. (at a cost of \$289,100) and two rebuilt EMD main engines from Engine Systems (at a cost of \$569,150) so that the Authority would have the equipment in time for the anticipated *Gay Head* repowering and conversion project. Mr. Tiberio stated that, although he realized that the Members would not be asked to approve the project until September or October 1998 after the Authority has had the opportunity to evaluate the repowered and lengthened *Katama*, there was an eight-to-ten month lead time for the gears and engines, which required the Authority to place orders for them at that time in order to keep the project on schedule. Mr. Tiberio also said that if the Authority were to decide later not to go forward with the project, it still would be able to recoup at least a portion of its deposit either by selling to the equipment to others or receiving a partial refund from the manufacturers.

Mr. Kelleher stated that he was prepared to vote in favor of Mr. Tiberio's request due to the fact that the manufacturers' commitments were going to expire the next day, but he wanted to make it clear that his vote should not be construed as an indication that he would later vote to go ahead with extending the size of the *Gay Head*. In this regard, Mr. Kelleher repeated his concern about how the Authority's vessels best should be utilized in the long term.

IT WAS VOTED -- upon Mrs. Grossman's motion, seconded by Mr. O'Brien -- to authorize the General Manager to enter into two agreements, one with Karl Senner, Inc. to purchase two new reduction gears, and another with Engine Systems to purchase two rebuilt EMD main engines, as set forth in Staff Summary #E 8011, dated May 7, 1998.

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

VOTING NAY: None

Inter-Island License Agreement:

Mr. Tiberio then asked the Members to authorize him to renew the Authority's license agreement with Hyannis Harbor Tours, Inc. ("Hy-Line") for the provision of its passenger-only vessel transportation service between the islands of Nantucket and Martha's Vineyard for another three years, which included a requirement that Hy-Line pay the Authority a guaranteed minimum of \$27,000 in license fees each year. In this regard, Mr. Tiberio advised the Members that management had complied with the renewal procedures contained in the Authority's Licensing Policy, and that no other carriers had offered to provide the service.

However, Mr. Kelleher noted that in Hy-Line's previous agreement the minimum annual guaranteed payment had increased from \$23,000 in 1995 to \$27,000 in 1997, and questioned whether the \$27,000 amount should be similarly increased each year in the renewed agreement. In response, Mr. Sayers stated that management had not discussed such a possible increase with Hy-Line because the number of passengers carried on this route had actually decreased since 1995.

Nevertheless, Mr. Murphy declared that if the Authority were going to give Hy-Line a three-year inter-island license, he felt that it should receive an increased guaranteed minimum payment each year because more and more people were traveling to the islands each year and would be looking for more alternatives for things to do. The Members agreed and, at Mr. Tiberio's suggestion, decided to approve the renewal of the agreement for one year only, on the understanding that management would negotiate an increase in the minimum guaranteed payments from Hy-Line for the years 1999 and 2000, and that the possible renewal of the agreement for an additional two years would then be placed on the agenda for the Members' next meeting in June 1998.

IT WAS VOTED -- upon Mr. Kelleher's motion, seconded by Mrs. Grossman -- to authorize the General Manager to enter into a new one-year "Inter-Island" License Agreement with Hyannis Harbor Tours, Inc. containing the same terms and conditions as its previous license agreement, with a provision for a minimum annual license fee in the amount of \$27,000.

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

VOTING NAY: None

Telephone System Replacements:

IT WAS VOTED -- upon Mr. Kelleher's motion, seconded by Mrs. Grossman -- to approve the redefinition of the Telephone Systems Replacements Capital Project into two phases, as set forth in Staff Summary #MIS-90, dated May 8, 1998, while maintaining the previously authorized overall budget of \$172,500.

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

VOTING NAY: None

Treasurer's Report:

Mr. Lamson then reported that the Authority's net operating loss for the month of April 1998 was estimated to be around \$100,000 higher than the amount that had been anticipated in the Authority's 1998 Operating Budget, with additional operating revenues being offset by higher operating expenses, including approximately \$120,000 in start-up and training costs for the *Finest*. However, Mr. Lamson said, the Authority's net operating loss for the first four months of 1998 was still expected to be around \$340,000 lower than what had been projected in the 1998 Operating Budget.

Mr. Lamson also advised the Members that management was working on a revised Operating Budget for the remainder of 1998 to reflect the estimated incremental revenues and expenses associated with the Authority's new high-speed passenger-only service between Hyannis and Nantucket.

Old and New Business:

While acknowledging that the Authority had incurred some additional expenses in April due to the operation of the *Finest*, Mrs. Grossman declared that the vessel's operation and crew were being extremely well received by Nantucket island residents. Mr. Tiberio agreed, reporting that the service was off to a positive start despite being out of service quite a bit during the first fourteen days of May due to bad weather. Mr. Tiberio also advised the Members that, except possibly on windy days, the Authority was no longer engaging the vessel's water jets while at the dock, which had caused some frothing in Hyannis Harbor.

Mr. Tiberio then reported that the Authority would be participating in a rescue mission training drill with the U.S. Coast Guard, which would simulate the rescue of a passenger who falls overboard during the *Eagle's* morning trip from Hyannis to Nantucket on May 21, 1998.

Then, at approximately 10:22 a.m., Mr. Rappaport entertained a motion to go into executive session, and announced that the Members would reconvene in public after the conclusion of the executive session.

IT WAS VOTED -- on Mr. Kelleher's motion, seconded by Mrs. Grossman -- to go into executive session to discuss personnel matters affecting the Authority's strategy with respect to collective bargaining.

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

VOTING NAY: None

Later that same morning, at approximately 10:32 a.m., the Members reconvened their meeting in public session in the second floor conference room of the Authority's Woods Hole terminal.

Present were all four of the Authority's Members: Chairman Ronald H. Rappaport of Dukes County; Vice Chairman Paul R. Kelleher of Falmouth; Secretary Grace S. 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; S. Eric Asendorf of Falmouth; and Steven A. Tornovish of Nantucket.

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

Performance Evaluation of the General Manager:

Mr. Rappaport announced that the Members would then be conducting a performance evaluation of the General Manager in public session as required by the open meeting law. In this regard, Mr. Rappaport stated that evaluation forms had been completed by all of the Authority's governing Members as well as all of the members of the Finance Advisory Board except for Mr. Tornovish, who had just joined the Finance Advisory Board in April 1998, and that a sub-

committee consisting of Mr. Kelleher, as Chairman, and Messrs. O'Brien and Asendorf had compiled and summarized the results of those evaluations.

Mr. Rappaport stated that he was pleased to report that all six persons filling out the evaluation forms had rated Mr. Tiberio's performance over the prior year as outstanding, and that all six persons similarly had given Mr. Tiberio the maximum possible score that could be given based upon the various criteria that they had been asked to fill out. Mr. Rappaport observed that it went without saying that all of the Authority's governing Members and the members of the Finance Advisory Board were extremely pleased with Mr. Tiberio's performance as General Manager.

Mr. Rappaport then recounted how, when Mr. Tiberio had accepted the position of General Manager in 1995, he made a commitment to the Authority to serve at least five years in that position. However, because the Authority will be in the midst of a number of projects at the end of Mr. Tiberio's five-year term that were being developed pursuant to the Authority's first long-range strategic plan, Mr. Rappaport informed the audience that the Members had asked Mr. Tiberio to extend that commitment for another five years, and that Mr. Tiberio had agreed to do so. Accordingly, Mr. Rappaport said, the Members had voted to enter into an amended employment agreement that will keep Mr. Tiberio with the Authority through the year 2005.

Mr. Rappaport then said that, looking back on his six years as an Authority Member, he felt that the best thing he and the other Members had accomplished was to bring Mr. Tiberio to the Authority as its General Manager. Describing how Mr. Tiberio, with his high level of professionalism, had tackled and carried through on a number of major projects to move the Authority forward, Mr. Rappaport declared that Mr. Tiberio had done an absolutely outstanding job.

Mr. Tiberio expressed his appreciation for Mr. Rappaport's comments, saying that he had enjoyed his tenure as the Authority's General Manager. Nevertheless, Mr. Tiberio said, there was still a lot of work left to do, that he believed the Authority had people within the organization who were committed to accomplishing the projects and objectives that had been identified, and that the true test of any organization was how it met and overcame the challenges that lay ahead of it. Finally, Mr. Tiberio declared that it had been a pleasure for him to work with the Members and everyone in the communities.

Old and New Business:

Hyannis resident Allen Goddard asked whether the Authority had considered offering Barnstable residents free passage on the *Finest* in a similar manner that it had offered Nantucket residents free passage on three Mondays in May. In response, Mr. Tiberio stated that the Authority had not considered any such similar benefit for Barnstable residents, as the original program was intended to encourage Nantucket residents to travel without their automobiles.

Then, at approximately 10:42 a.m., Mr. Rappaport entertained a motion to go into executive session, and announced that the Members would not reconvene in public after the conclusion of the executive session.

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

VOTING NAY: None

A TRUE RECORD

GRACE S. GROSSMAN, Secretary

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

The Meeting in Public Session

June 29, 1998

The Members of the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority met this 29th day of June, 1998, beginning at 9:30 a.m., in the Community Room of the Oak Bluffs School, Oak Bluffs, 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 Grace S. Grossman of Nantucket; and Associate Secretary Robert L. O'Brien of Barnstable. Also present were the following members of the Authority's Finance Advisory Board: Robert C. Murphy of Dukes County; and Steven A. Tornovish of Nantucket.

The following members of the Authority's management were also present: General Manager Armand L. Tiberio; Treasurer/Comptroller Wayne C. Lamson; General Counsel Steven M. Sayers; Marketing and Public Relations Manager Deborah Hughes; Reservations Manager Gina Barboza; Vineyard Haven Terminal Manager Bridget Tobin; Special Projects Manager Wesley J. Ewell; and Executive Secretary to the General Manager Maxine Horn.

Minutes

IT WAS VOTED -- upon Mrs. Grossman's motion, seconded by Mr. O'Brien -- to approve the minutes of the Members' meeting in public session on May 14, 1998.

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

VOTING NAY: None

Public Comment:

Tisbury Harbor Master Jay Wilbur thanked the Authority for scheduling the *Governor* to sail in and out of Vineyard Haven harbor, saying that the vessel was very well suited to the harbor and that everyone liked having her there. Mr. Wilbur also declared that, based upon his own observations, none of the Authority's vessels was creating any wake problems that year, for which he also thanked the Authority.

Mr. Wilbur then informed the Members that he would like to see a shallow area dredged in front of the Black Dog Tavern and the Vineyard Haven terminal parking lot, which he said had become known as "Ferry Boat Shoal." Mr. Wilbur said that the Tisbury Waterways Committee had pledged funds for the engineering work required for the project, which was being undertaken within the next few days, but that in the future he would be making a formal request for funds from the Authority for the dredging project itself.

Hy-Line High Speed License Request:

The Members then considered a request from Hyannis Harbor Tours, Inc. ("Hy-Line") for an increase in the licensed capacity of the *Grey Lady II* from 70 to 149 passengers on its route between Hyannis and Nantucket. Because of the length of the discussion pertaining to Hy-Line's request, a transcript of that portion of the meeting has been separately prepared and attached as a supplement to these minutes.

IT WAS VOTED -- upon Mrs. Grossman's motion, seconded by Mr. Kelleher -- to deny the request from Hyannis Harbor Tours, Inc. for an increase in the licensed capacity of the *Grey Lady II* from 70 to 149 passengers on its route between Hyannis and Nantucket.

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

VOTING NAY: None

Economic Impact Study of
New Bedford Freight Service:

Mr. Tiberio then reported that, in accordance with the Members' request at their November 1997 meeting, management had advertised and issued a request for proposals for an economic analysis of the impact the Authority's freight tariffs have on the cost of goods and services on both islands, and on the potential changes in those costs if a portion of the freight were to be carried through the port of New Bedford. Mr. Tiberio said that, in response to the request, two proposals were submitted, one from The Cornell Group of Fairfax, Virginia, and the second from Cambridge Systematics, Inc. of Cambridge, Massachusetts.

Mr. Tiberio stated that the proposals were then reviewed by a committee comprised of Mr. Lamson and the planning directors from the Authority's port communities: Executive Director Charles Clifford of the Martha's Vineyard Commission; Falmouth Town Planner Brian Currie; Nantucket Transportation Planner Beth Giannini; and Barnstable Planning Director Robert Schernig. The committee found both proponents to be qualified for the project, but four committee members recommended Cambridge Systematics as their first choice, while Ms. Giannini selected The Cornell Group. Subsequently, the proponents' price proposals were opened and, although The Cornell Group's proposed fixed fee of \$72,000 for the project was less than Cambridge Systematics' proposed fixed fee of \$100,000, the four committee members still ranked Cambridge Systematics as their first choice.

In response to a question from Mr. O'Brien, Mr. Lamson stated that he preferred Cambridge Systematics because it appeared to him that the firm had more experience in this particular area, and because its proposal more closely reflected the type of analysis that the Authority was seeking. Mr. O'Brien then stated that he would rely upon the committee's recommendation, although he expressed his disappointment that none of the committee members had asked to interview any of the individuals who were going to work on the project in order to ascertain their specific backgrounds and how much time each of them intended to devote to the study.

Mr. Kelleher then stated that he similarly thought the contract should be awarded to Cambridge Systematics because, in addition to management's recommendation, that firm had proposed conducting face-to-face interviews with the trucking firms, while The Cornell Group had said that it would only conduct telephone interviews. Both Mrs. Grossman and Mr. Rappaport agreed

with Mr. Kelleher, although Mr. Rappaport suggested that the Authority should require Cambridge Systematics to keep the four community planners who were members of the evaluation committee involved throughout the study, so that the Authority was assured of receiving continued input from the persons most knowledgeable about local planning and transportation issues. Towards that end, Mr. Rappaport said, he also had asked Harvard Business School Professor Rosabeth Moss Kanter to act as a coordinator for the four planners, and she had agreed to do so.

IT WAS VOTED -- upon Mr. Kelleher's motion, seconded by Mrs. Grossman -- to award Contract No. 05-98 for an Economic Impact Study to Cambridge Systematics, Inc. of Cambridge, Massachusetts, on the condition that Cambridge Systematics, Inc. be required to work with the four local community planners, as coordinated by Professor Rosabeth Moss Kanter, on an ongoing basis throughout the study.

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

VOTING NAY: None

After the Members awarded the contract, Marc R. Cutler, Vice President of Cambridge Systematics, Inc., assured the Members that his firm would be very happy to work with the four planners and Professor Kanter, and that he thought such a requirement was totally appropriate.

Deferral of Discount Reduction
for Solid Waste and Recyclables:

IT WAS VOTED -- upon Mr. Kelleher's motion, seconded by Mrs. Grossman -- to defer the discount reduction for transporting solid waste and recyclable material from fifty percent (50%) to twenty-five percent (25%) until July 1, 1999, as recommended by management in Staff Summary #GM-386, dated June 17, 1998.

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

VOTING NAY: None

1998 Revised Operating Budget:

Mr. Lamson then reported that management had prepared a revised operating budget for the remainder of 1998 for approval by the Members, which included the estimated operating expenses for the new high-speed ferry service between Hyannis and Nantucket. In this regard, Mr. Lamson stated that management had assumed that revenues from the new service will be sufficient to pay for its estimated cost, and that one-half of the passengers carried on the new service otherwise would have traveled on the Authority's conventional vessels.

Mr. Lamson further reported that, in preparing the revised operating budget, management had taken into account changes that had been made to the operating schedule since the original budget had been adopted in October 1997, and also had included the Authority's actual revenues and expenses through May 31, 1998. Under the revised budget, the net operating income for 1998 was now projected to be \$2,279,373.

In response to a question from Mr. Rappaport, Mr. Murphy stated that the Finance Advisory Board had reviewed management's proposed revised 1998 operating budget and unanimously supported it.

**IT WAS VOTED -- upon Mrs. Grossman's motion, seconded by
Mr. Kelleher -- to approve management's proposed 1998
Revised Operating Budget, as set forth in the corrected Staff
Summary #A-367, dated June 25, 1998.**

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

VOTING NAY: None

Old and New Business:

Richard Sherman and Harriet Barrows of the Tisbury Waterways Committee reminded the Members that, under the Federal Clean Air Act, trucks and buses are only allowed to idle their engines for a maximum of five minutes, unless they are providing heat or air conditioning for passengers on board their vehicles. Mr. Sherman also stated that he repeatedly has observed trucks and buses at the Authority's terminals violating that law (which carries penalties up to \$2,000), and asked that the Authority more strictly enforce its requirements.

Several members of the audience then expressed their satisfaction with the changes that the Authority had made to the reservations program over the past year. Specifically, Martha's Vineyard resident Anne Floyd agreed that things had greatly improved, although she asked for the opportunity to give further input regarding next year's schedules when they are prepared later in the year. In response, Mr. Tiberio assured her that concerned members of the public would be given such an opportunity in either September or October.

Several other year-round residents commented about how they were able to obtain reservations during the summer for the first time in years. However, two year-round residents requested the Members to consider reducing the island excursion rate during the summer season from \$60 to \$32, which is the rate during the winter, and to increase the number of days islanders can be on the mainland under that fare beyond the five days that are currently allowed. They also asked the Members to consider providing reduced rates to people who need to travel off-island for legitimate medical reasons. Another person commented that, while he was always able to get a preferred reservation off the island, there never were any spaces available coming back, which meant that he had to go standby in Woods Hole.

Then, at approximately 11:20 a.m., Mr. Rappaport entertained a motion to go into executive session, and announced that the Members would not reconvene in public after the conclusion of the executive session.

IT WAS VOTED -- on Mrs. Grossman'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: Mr. Rappaport, Mr. Kelleher and Mrs. Grossman

VOTING NAY: None

A TRUE RECORD

GRACE S. GROSSMAN, Secretary

PARTIAL TRANSCRIPT
OF A
PUBLIC MEETING
OF THE
WOODS HOLE, MARTHA'S VINEYARD
AND NANTUCKET STEAMSHIP AUTHORITY

June 29, 1998

The Members of the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority met this 29th day of June, 1998, beginning at 9:30 a.m., in the Community Room of the Oak Bluffs School, Oak Bluffs, 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 Grace S. Grossman of Nantucket; and Associate Secretary Robert L. O'Brien of Barnstable. Also present were the following members of the Authority's Finance Advisory Board: Robert C. Murphy of Dukes County; and Steven A. Tornovish of Nantucket.

The following members of the Authority's management were also present: General Manager Armand L. Tiberio; Treasurer/Comptroller Wayne C. Lamson; General Counsel Steven M. Sayers; Marketing and Public Relations Manager Deborah Hughes; Reservations Manager Gina Barboza; Vineyard Haven Terminal Manager Bridget Tobin; Special Projects Manager Wesley J. Ewell; and Executive Secretary to the General Manager Maxine Horn.

Hy-Line High Speed License Request:

Mr. Rappaport: We will move into the Hy-Line high-speed license request, and I think I will start out -- I know that we have the Scudders here -- since it is your request, do you have any additional comments that you would like to make before we entertain our discussions? And how I intend to proceed is to ask if you would make a request and then if anyone in the audience would like to speak. And then we are going to hear management's report and then

have it be discussed by the Members and the Finance Advisory Board, and then have a vote taken. That would be the procedure.

I will give a little bit of history. The license request to increase from 70 to 149 passengers was submitted in March, I believe. We have had hearings, as is required by our licensing policy, in the two affected port communities, which are Hyannis and Nantucket. Those occurred on June 3rd and June 4th and this is the culmination of the licensing process where it is brought to the Members for a vote. So I would invite you at this time, if you would like to make any comments.

David Scudder: Dave Scudder, Hy-Line Cruises. I would just like to ask that you favorably look upon this license request and any future license requests that come before you. We provide a needed service, along with the Authority, provide service to Nantucket and the Vineyard that is needed. We ask that you favorably vote on the request.

Mr. Rappaport: Now I would ask if anybody here would like to make any additional comments, and then we are going to move into the management's discussion. Mr. Morgan?

Ted Morgan: Would now be the time for us to comment? You are not going to take any more comments after the discussion?

Mr. Rappaport: No, we would move into, again, the management's recommendation and then discussion among the Members, and then a vote. We have received one additional letter, which was just handed to me by Mrs. Grossman, so let me read this because this would I guess complete the written record. And it is a letter dated June 25, 1998 and it is addressed to "Dear Chairman Rappaport and Members of the Authority."

"At its meeting of June 24, 1998, the Board of Selectmen unanimously voted to strongly recommend to the Steamship Authority that it vote against the Hyline's request for any additional passengers. We have serious concerns as to the ability of the Island's infrastructure to sustain such an increase. Further,

the Steamship Authority's financial viability must be preserved, as Nantucket's lifeline to the mainland. Please vote against the request.

And it is signed, "Sincerely, Arthur L. Desrocher, Chairman of the Nantucket Board of Selectmen."

Mr. Morgan or Mr. Smadbeck?

Arthur Smadbeck: Ted asked me to speak. I'm the Acting Chairman since Tom isn't here, but Ted did speak with Tom. My name is Art Smadbeck and I am a Selectman in the Town of Edgartown, and we did also vote to recommend that you were against this license request for exactly the same reasons that were outlined in the letter that you received from Nantucket. And I think that it warrants a lot of discussion in the future since there has been so much discussion now about other licenses and other competing, if you will, ferries and services that could possibly interfere with the economic viability of the Steamship Authority, which would then have detrimental effect on all the rest of the served islands. So if you would take that into consideration, we would appreciate it.

Mr. Rappaport: Thank you. Mr. Morgan?

Mr. Morgan: As Art just stated, the Board was in favor of supporting the Nantucket Selectmen. And also, how far can we go? How many more people on these islands? I am sure Nantucket has the same problems as we do in accommodations. We cannot accommodate what is coming here already. I wish we had better control over what is already operating, and it is unfortunate we don't. The quality of life on these islands gets worse every year, and these seasonal people, they don't have to be concerned with the ramifications of the additional buses, mopeds, bicycles, rental cars, you name it. We do, and every year it gets more and more serious. We have more and more problems, so by increasing numbers, if you do it with Nantucket, how are you going to not recommend if they want to come to the Vineyard with additional increases in passengers. So I think you should give it very serious consideration. Think of what is going on on the islands. Even now. It is not even the Fourth of July yet and it is a zoo. Thank you.

Nora Nevin: Just a question. How often would the 149 passengers discharge onto the island? How many times a day?

Mr. Rappaport: It is proposed to be six trips a day.

Ms. Nevin: Six trips a day. So ... fine. Thank you.

Shirley Evans: My name is Shirley Evans. I've been coming to this island for fifty years and I see the progressive influx of people. However, more people would like to come and visit and this Hy-Line does not bring cars, right? It is just people, right? I am sure that they don't stay, they are just day-trippers during the summertime, and it just seems like -- and I've watched it over the years -- the Steamship Authority is controlling everything so that people can't come at their own wish, and it sort of bothers me because I had a very bad experience two weeks ago with the Steamship Authority, which I will deal with later. So I feel as though that people who just want to come for day-trippers, I mean that is how people make their money here during the summertime. Maybe the news should be "Don't come to Martha's Vineyard"? I live here permanently, but maybe the answer to that is, "Don't come to Martha's Vineyard." That is what you are telling people, because they are talking about all around about Hy-Line, and it is a needed service.

Mr. Rappaport: Mr. Alley?

John Alley: Yes, it is my opinion as a Selectman in West Tisbury and a County Commissioner, although the respective boards have not discussed or voted on this issue, it has been my opinion that the islands should stand together whenever there are problems unique to them, and to that end that my Governors support Nantucket's position on this issue.

Mr. Rappaport: Thank you. Mr. Flathers?

Arthur Flathers: Is it fair to ask the question why this hearing was not conducted before the Steamship Authority introduced the fast ferry? And it also is important to recognize that the Steamship Authority has generated surpluses in excess of \$20,000,000 in the past several years, so crying wolf doesn't make a good deal of sense, at least to me.

Mr. Rappaport: Are there any other public comments? O.K., we will move into management's recommendation.

Mr. Tiberio: Thank you. The licensing policy which the Board adopted a good number of years ago identifies pretty much the process that we go through in analyzing any particular license request, whether it is a new license request or an add-on such as what this one here is. And in that policy itself there are six main questions that we look at in terms of the analysis upon which we then try to fashion a recommendation to the Board, and I think it is important to understand that that is what it is, it is a recommendation, as it comes today before the Board, and it is their prerogative to amend, modify, delete, change, as they see warranted to do so.

The six questions -- and I am going to briefly go through this -- there is a copy of the full recommendation and the supportive documentation available. I am not going to read that, but you can feel free to take that with you. Basically, I want to try to go through and summarize the thinking behind the recommendation, and specifically deal with the six questions very briefly.

The first question is whether the increase is necessary or convenient to satisfy the public need for adequate transportation and, in looking at this particular question, there is no debate that the capacity which is currently in effect between our operations and Hy-Line's operation in terms of servicing Hyannis to Nantucket that there is excess capacity. That is not really what the issue I think that is being beckoned here. What we are really talking about is a new service in the sense of the high-speed passenger-only market and throughout my discussions here this morning I want to stress that what we are looking at is a different market, if you will. And as we have broached and looked at and analyzed increases in conventional ferries in the past, it may not be totally appropriate in terms of this particular issue. So, number one, there is plenty of capacity, so the question of whether people are not going to be able to get between Hyannis and Nantucket should not be an issue.

The question really becomes the convenience as far as from a customer standpoint, and I think what is beginning to develop thus far in that high-speed passenger-only market is in a transition from the conventional ferries to the high-speed market. I think if you look at the -- there are some numbers in the report -- very briefly if you look at the experience that we have incurred to date and you add that on to what Hy-Line's experience has been to date for the first 52, 53 days of operation since we have had the *Finest* in operation, that trend is beginning to develop. That is, people are opting from a convenience standpoint, from a speed standpoint, of taking a two and one-half hour trip on our vessel down to a 55 minute trip on the *Finest*, but they are opting to the other vessels in terms of the speed, so the convenience factor is there, and I think the numbers in the sense will further show that as time goes on. It is a very early developing market. If you look anywhere in this country or elsewhere where high speed has been introduced, where there have been conventional ferries running opposite them, there is a transitional period that will take place, and I think that this system we are talking about here, it is not unique in that regard and I think over time we will begin to see a further erosion as long as high-speed capacity increases in order to meet increase in demand from the convenience factor. If there is a lid put on it, then definitely that transition will come to a stop because capacity will not be there on the high speed. I think that is one trend that we are going to begin to see further and further.

It is not possible, we believe today, to conclude that in fact there is not going to be a continued increase from the customer standpoint for high speed. It is too early to make that determination. The only thing that we do know is that that transition is beginning to take place.

The second question is whether the increase, if there is an increase, whether it would adversely affect the SSA's financial situation. There are a lot of numbers that one can look at, and in the report that we have provided there are a lot of numbers in there, and you can go back in time and look at the history in terms of the numbers. I think it is important to look at it from today and into the future as far as what impact the high-speed market will have potentially on the financial condition of the SSA. There is no question that over the last three to four years in our operation there has been a reduction in passengers on our conventional ferries. Part of that probably is due to the fact the high-speed vessel that Hy-Line brought on line was introduced. I think the other part of it obviously is the ease with which and the increase in terms of the airline traffic. A part of it also might be because our terminal over the last

two and one-half to three years down there has been in total disarray as far as construction. So I think there have been a number of factors, but the fact is we did lose passengers, as walk-on passengers from Hyannis to Nantucket over the last two to three years.

If you look at the experience year to date, that trend is beginning to reverse itself. Again, the reasons why, supposition at this point. One is the economy, I think. Overall traffic is up on the Cape. Secondly, the terminal is totally done. It is a very user-friendly kind of a terminal in terms of getting in and getting out, in terms of the bus shuttles, in terms of the baggage, and I think thirdly and equally important is our introduction into the high-speed passenger-only market as of May 1. Whether those trends will continue into the future, I guess time will tell as far as the impact for us in terms of any financial impact on our operation. Again, we don't believe today that you can conclude that there will or will not be a financial impact in terms of our operation, taking this thing into the future as far as what the license request has been from Hy-Line.

The third question is whether the denial of the request would have an adverse effect on Hy-Line's financial health and stability and, again, from the information we have looked at, taking today as the benchmark, there is no firm conclusion that can be reached by denying this request today that there would be an adverse financial impact on Hy-Line's financial condition. Again, using today's information. Into the future, as far as how the markets will change in terms of the high speed, we do know that their conventional ferries for the last two to three months are now also seeing a downward trend in terms of passengers. Whether that trend will continue into the future, again, I think it is too early to tell, but with the information we have in hand right now I don't believe that there is conclusive evidence that one could actually say that by the denial today of any increase that it would adversely affect their financial condition. Again, their future is somewhat uncertain at this point.

The fourth question is what physical impacts this kind of an operation or this increase would have in terms of the two ports that the vessel is serving. Initially, on Nantucket, when we went to the hearings there were a number of questions, a number of issues raised by the residents of Nantucket and we duly took note of those and whatever happens, whether there is or is not an increase today, our purpose is to notify the proper officials of the Town of Nantucket of those concerns, and we believe that it is an issue that should be addressed between the carrier and the island of Nantucket. And these areas

basically concern themselves with a little bit of safety, with a little bit of traffic congestion on the wharf on which they land. And also some zoning questions that have been raised by residents during the hearing. So there possibly could be some impact, but we believe right now that those issues should be principally dealt with between the operator and the island of Nantucket.

The fifth question is the physical impact, if any, in terms of the Town of Hyannis, and I just note that we received a letter from the Barnstable Town Council, I think it was dated March 19th, wherein they basically endorsed the request from Hy-Line for the increase, and we are therefore taking that to mean that there are no physical impacts or at least barriers for the Town of Barnstable that would prevent, or at least they are going on record in terms of communicating to us because they have endorsed it in the form of a letter.

The last question is whether Hy-Line is fit to provide the service. Again, looking at the history of their services that they have provided outside of the issues that I have raised earlier in terms of some of the environmental issues that have been raised by residents of Nantucket the financial condition of Hy-Line, the operational condition of Hy-Line, there is no evidence to support that they are not fit to provide this service or the increase in service if in fact it is granted.

That's basically the six questions that we looked at, and obviously the detail is much more involved in terms of the report. The recommendations that I have submitted to the Board in terms of the matter are as follows:

1. To grant the increase to 100 passengers, which is the maximum number of passengers that that vessel as it is currently configured inside for seating arrangements could handle from a customer satisfaction and from a customer comfort level. Not 149. That is not to say that that vessel could not be modified by going inside, gutting the interior and coming up with a different seating arrangement. If you take the vessel as it is configured today, the maximum number of people that could be comfortable on that vessel would be 100, and so the recommendation is to grant that increase to 100 passengers.

That the license be a temporary license that would run effectively from today or July 1 through December 31, 1998, which is the date that the license agreement expires, at which time it would be up for total renewal. And that between now and then the SSA must decide on our role in the future in the high-speed business. Most know we are in a pilot project. We have a vessel

under lease, initially for twelve months with an option to renew for an additional six months, which would put us through the second season. And in that we do not have yet a firm answer on that, is the reasoning for the temporary increase and a temporary license to be granted. At the time that the Board makes the decision, whether it is September or October of next year, on our fate vis-a-vis high-speed passenger-only, can be the appropriate time also that the Hy-Line request is either renewed, debated, discussed and/or dealt with at that point in time or later into the year.

In addition, depending upon the decision that is made by the Board in terms of our future in the high-speed operation, that would be an appropriate time also to address the question of the license fee and if in fact a decision is made that by granting an increase that there potentially could be an adverse effect on the financial structure of the SSA, it would be the appropriate time to fashion a license fee to mitigate against that. On the other hand, if the decision was made that we were not going to be in the high-speed business, the same kind of an analysis could be done at that time. So the recommendation does address the question that the license fee would be up for a review with possible modification.

And the fifth recommendation, the fifth part of it, is that the future extension or renewal of any permanent license is predicated on satisfactory resolution of those issues that have been identified by the residents of Nantucket during the hearing process between Hy-Line and the island of Nantucket, so there aren't any outstanding issues.

Those are the recommendations that have been submitted to the Board.

Mr. Rappaport: O.K., I will open it up for discussion and I ask, has the Finance Advisory Board taken a position on this?

Mr. Murphy: We have. The Finance Advisory Board is unanimously opposed to any increase.

Mr. Rappaport: Can you shed some light on your reasons?

Mr. Murphy: Reading through the documentation, we can't really find a hardship, a need, and as long as we are providing the service and have the ability and the space to provide it, we really don't see the need to divert these funds to another carrier as long as we have need for the funds and the ability to carry.

Mr. Rappaport: Steve, do you adopt that, or would you like to add anything?

Mr. Tornovish: Yes, and speaking with the folks on Nantucket, they also feel very strongly. The constituents almost unanimously feel that the impact, aside from financial, just on the infrastructure, is overwhelming at present. They don't want any more people coming.

Mr. Rappaport: We'll open it for discussion now among the Members. We'll go in any order you like.

Mr. O'Brien: Obviously, from the vote that was taken by the Town Council in Barnstable and the representation that was there at the hearing, I am certainly in favor of this for a couple of reasons. The number I am in favor of, from the standpoint that it is the maximum number that they can carry and, secondly, I think it is a compromise based on what we heard at both the third and the fourth of June, I think that it is something that perhaps can lay this thing to rest, at least for six months. I just see this thing going on and on if there isn't voted something here today.

Mr. Rappaport: Paul ...

Mr. Kelleher: Not at this time.

Mr. Rappaport: Mrs. Grossman?

Mrs. Grossman: I'd like to read just a short summary of what I feel, but I would like to be able to come back later with more if I have to.

First, I'd like to say that I think the Scudders run a very nice operation. Everybody loves to go on the Hy-Line and they have a very nice experience. The people are friendly and nice, so that it isn't that Nantucket has anything against the Hy-Line operation. However, we are testing the waters literally with our fast ferry, and monitoring the number of passengers and its performance in open sea. Until we assess the issues of the demand of fast ferry, plus the desires of the islands, as well as the financial and physical impact on Nantucket, I propose a moratorium on all additional vessels and passengers until we have a better reading of the situation.

I have heard loud and clear from my constituents at the public hearing on June fourth, as well as the Board meeting of the Selectmen, that Nantucket's infrastructure cannot accommodate any more people, particularly in the center of town and in the summer months. We feel that for the quality of life for our people on the island, it is impossible, as a couple of people have said, to continue to bring all these people to our island. People come to the Vineyard and to Nantucket because they want to see a different kind of life, the peace and quiet, the beautiful beaches, and if we are to become exactly like the mainland, which is lovely but it's not an island, then people might as well stay on the mainland. So that is all I have to say at the moment.

Mr. Rappaport: Paul?

Mr. Kelleher: Well, I think the Scudders have run a very good operation. They are very successful businessmen, and they are very popular businessmen in both ports, and that point was certainly brought out at the hearing in Hyannis. I find in the hearings that there maybe was one thing lacking, particularly at Hyannis, that the proponents of this increase never once mentioned the needs and the servicing of the islands as being the paramount issue, and the Scudders are very, very smart business, they have done very well. They also have a memory of the licensing requirements of the Steamship Authority that go back to 1960, and how strong those have been shown in a court of law. To move on to Nantucket, I think the feeling was certainly of a majority, a large majority in this hearing, against this increase. Call it infrastructure if you will, but there were some very specific points mentioned,

just inadequate toilet facilities for the people that are getting off those vessels at Straight Wharf, never mind any of the other issues or any increase.

I guess, after making those comments and I could go on -- a lot of them would be something that would have been repeated by me in the hearing for the initial request for an increase last year and those are part of the minutes of the meeting -- but I have a concern that if an increase is granted, that the Steamship Authority is going to be literally inundated with additional requests. There are probably four or five operators in the wings right now. Their requests for licensing and increases are probably already have been printed up waiting for the outcome of the decision this morning, and I have a major concern with that.

From my own particular interest and background in being a former member of the Finance Advisory Board, I think that the Steamship Authority really has to look to its bottom line, and you could mention a great deal in the way of numbers. I will mention basically just one, and that is, in 1996 and 1997 there were 148,000 more passengers that were carried from Hyannis to Nantucket on Hy-Line than the Steamship Authority carried, and those numbers say an awful lot because the Steamship Authority has been accused of being "Big Brother" and a heavy-handed operator. I think it can be clearly shown in the numbers and in a review of those figures over the last couple of years that it is the case of the other way around. From market share, which is what the professionals get into, there has been a major shift in market share over the last couple of years. So I think basically the Steamship Authority is obligated by its statute to protect its own interest, financial and otherwise.

Mr. Rappaport: Does that mean you are against the request?

Mr. Kelleher: I am.

Mr. Rappaport: Mrs. Grossman, do you want to ...?

Mrs. Grossman: No, go ahead.

Mr. Rappaport: Do I take it from your comments that you are against the request also?

Mrs. Grossman: Yes, very.

Mr. Rappaport: Obviously this is an issue which has consumed a lot of our collective thinking processes. All Members went to both hearings in Hyannis and on Nantucket, and we have an extensive amount of financial statements and information that we have all gone through, and this is the culmination of a process, and we all have a lot of thoughts that I am sure we want to share but trying to keep our thoughts brief. But I think it is important to look at history. The service to the islands before the creation of the present Steamship Authority was littered with public and private failures. We had the New York, New Haven & Hartford Railroad, which provided service and which failed; we had the Massachusetts Steamship Lines, which provided service and which failed; and we had the New Bedford, Woods Hole, Martha's Vineyard and Nantucket Steamship Authority, which saddled us with deficits.

That was changed in 1960 when the Legislature created the current Authority, in which it combined local interest, namely, there were three voting communities -- Martha's Vineyard, Nantucket and Falmouth -- and it imposed upon those communities the obligation to make sure that the Steamship Authority provided service twelve months out of year, 365 days a year, and provide the necessities of life for the people of the islands. And it was charged with the responsibility of ensuring that it could provide that service on a continuous year-round basis and provide it in a way that was affordable. And it imposed upon the voting Members of those communities the obligation to ensure the financial integrity of the Steamship Authority, because if it wasn't maintained, there would be tax assessments against those three communities. And that is an obligation that all of us take very seriously.

That experiment in government has been a success. And I would just like to read a quote that was said by one of our predecessors: "That the experiment in creating the Steamship Authority, subject to control by elected and appointed officials responsible to local governments in the communities we serve, giving it certain powers to license and control tourist and excursion and boat traffic in the waters of Vineyard and Nantucket Sound, and at the same time making it responsible for providing the life line to the islands of Martha's

Vineyard and Nantucket on a daily year-round basis, has worked so well ... that it was a combination where the Massachusetts government powerfully tied obligation and authority, knowing that to be successful in a free society it is impossible to have one without the other.”

And this was talked about as a success, because as far as we know, as far as I know, it is the only public transportation in the country which does not operate with public subsidies. The reasons that the Steamship Authority was given licensing powers over passenger service -- and this has been in existence since 1960 and was expanded in 1973 to limit its licensing powers to anybody who wishes to carry over 40 [passengers] -- was to prevent seasonal operators from skimming the cream of the business in the summer and leaving the Authority with the obligation to operate for the rest of the year without the resources to do so.

A little bit of other history. In 1978, the Hy-Line challenged that licensing authority and sought to enact a bill in the Legislature which would eliminate the Authority’s ability to license and control “grandfathered” carriers, and that legislation was defeated. And in response, in 1983, the Hy-Line and others filed a lawsuit in Barnstable Superior Court seeking to challenge the Authority’s exercise of that power. And the Superior Court reviewed the history and upheld the Steamship Authority’s powers, and repeated that “the Authority is required to meet certain fixed costs and expenditures that do not burden its commercial competitors,” that “the Authority has to maintain year-round service to the islands using larger, ferry-type vessels,” that the Legislature was wise when it created the Authority and gave it that power, and that “the underlying purpose of the legislation has been to decrease and limit the competition against the Authority” and “it is not likely that the Legislature intended to have the limitations set by ‘what the market will bear.’”

So the Authority has the obligation to look and look closely at what is being proposed to make sure that it is carrying out its fiduciary obligations to the people of the islands. In 1995, after an extensive public process, the Steamship Authority developed a road map as to what criteria it would look at when acting upon a request for licenses, and those are the regulations governing license requests. And I would commend those to anyone’s reading.

Point number one. It says that the Authority shall not grant a license for any proposed vessel transportation service between the mainland and the islands unless it is demonstrated that public convenience and necessity require

the proposed service. It then goes on for twenty-seven pages, listing the various criteria and factors that the Steamship Authority should look at. And that was a cooperative process. That process involved every carrier, every "grandfathered" carrier and every licensed carrier, including the Hy-Line, and everyone approved those licensing guidelines. And there are three that stand out, and some which Armand touched on today, but three that stand out.

One is, "Is the service required?" And, based upon my review of the numbers it is clear that there is no unmet demand. The Steamship Authority vessels are traveling well under capacity, and the Hy-Line vessels are traveling well under capacity. So I cannot sit here and say that there is an unmet demand, and I note that management in its recommendation says that it is too early to tell.

The second is, the Steamship Authority also has an obligation to ensure that the licensed and "grandfathered" carriers remain financially viable. And we have been provided with copies of the financial statements of the Hy-Line, and based upon my review of those financial statements, it is clear to me that the Hy-Line is doing quite well. In the last two years, its revenues are up 26.2%, its net income is up 57.8%, its shareholders equity is up 36.8%. And this done without any further analysis of breakdowns of salaries or anything else. These are just basic bottom line numbers. And the 1998 performance indicates that Hy-Line is also doing quite well. For the first two months when both high-speed boats have been running to Nantucket, Hy-Line's numbers are way up over what they were in 1997.

So based upon those two criteria, the burden has not been met. But to me what turns this is the issue of local impact. And I want to read a section from the licensing policy. And that says, "When evaluating licensing requests, the Authority always shall consider what local impacts the proposed service would have on all affected communities. Issues such as traffic congestion, pedestrian safety, parking, harbor use, potential neighborhood conflicts and environmental impacts shall be addressed and answered before -- not after -- the Authority approves a new service."

Here we have a split between the two communities which are being served by the Hy-Line. Barnstable has spoken loud and clear, both by resolution of its Town Council and at the public hearing we attended, that they are in favor of this service. Nantucket has spoken equally clearly, in the unanimous position of its Board of Selectmen and in the numerous citizens

who turned out at the public hearing, that they are against this proposed service. I do not regard it as the Steamship Authority's obligation to mediate between two communities. Rather, the burden falls on the applicant under our licensing policy to make that showing that they have satisfied the concerns of both communities. And at this point Hy-Line has not done that.

During my tenure on the Authority, we have approved a number of new carriers and expansion of service. We've approved Freedom Cruises from Harwich to Nantucket; we've approved the Edgartown ferry from Falmouth to Edgartown; and last year we voted to increase the Hy-Line's capacity on its *Grey Lady* from 40 to 70. In each of those instances, those requests were supported by the two port communities being affected. Here, again, we have a different situation.

Simply stated, if we are to follow our own licensing guidelines, the Hy-Line's proposal has not at this time met their burden. Listening to Armand speak on the number of issues, he has concluded that it is too early to tell about need, it is too early to tell about financial impact on the Steamship Authority, it is too early to tell about the financial on the Hy-Line. And, finally, we are in a pilot program for the Steamship Authority's high-speed. I have made no decisions myself whether or not this pilot-program should continue. This is a one-year test pilot program. And I think to increase a number while we are undergoing a pilot program which we may or may not be in next year is premature.

I look on this as a question of public trust and public responsibility. And our responsibility lies both to our port communities, to the islands, and to Falmouth, which would have to accept any deficit if one were voted. We cannot gamble. We have a public trust and, at this point, the burden has not been met in my view. And I do not see how I can vote for this proposal at this time. I am not saying that circumstances would not change which would permit me to change that. I think that we should have the experience of a season to see what impact the operations have and whether any of these numbers would change. And a season would also permit the Selectmen of Nantucket to view the operations and perhaps they would come to a different conclusion. But at this time I cannot support this proposal.

[To Mrs. Grossman] You had reserved your right to say something. I don't know whether you want to ...

Mrs. Grossman: I think you have covered most of it. I think one thing. I feel we have spent over a million dollars for the benefit of the Town of Barnstable and a great deal of our parking has been moved away from the terminal. We also have spent a lot of money on the building there. I can understand -- you have to be a Solomon, as I have said before, to really know what to do in this situation. But both of our islands are very fragile, and we have to take care of them, and the people have spoken on our islands, and even though I understand how Hyannis and the Town of Barnstable feel, as our host town, we have to be concerned with what happens once a person gets to our islands, and both in the infrastructure, the quality of life of people. And I myself cannot vote for these additional passengers.

Mr. Rappaport: It is still open for discussion. We have no motion on the floor.

Mr. O'Brien: ... I understand, but it sound to me as though to prolong this isn't going to prove very much. ... It sounds to me as though you have the votes, Mr. Chairman.

Mr. Rappaport: ... I do want to say, particularly to Bob O'Brien who I know has struggled with this issue and to the Town Council, that I personally -- I don't want to speak for others, but I am sure that I am -- that we greatly appreciate the cooperation that we receive from the Town of Barnstable. We have had two agreements with the Town and, even though I wasn't around for the first and voted against the second, I will say that the Town has worked extremely cooperatively with the Steamship Authority and I greatly appreciate it. But I don't regard this as a Barnstable vs. Nantucket issue. I regard this as, among the other reasons, that the applicant has the burden under our own regulations of showing that it satisfied the governing authorities of both communities that the service will not have a local impact. And it is difficult for me. I would like to come out with some sort of a compromise, but at this time I just believe that the applicant has not met its burden.

Would somebody like to make a motion? And I am not trying to cut off any debate. If anybody wants to say anything else ... The question is, do we need a motion?

Mr. Tiberio: We need a response. There was a formal request, so some sense of direction needs to be communicated back to them.

Mrs. Grossman: I move that we deny the request of Hy-Line for 149 passengers.

Mr. Rappaport: I would like to make another suggestion. As I have indicated, I do not believe that Hy-Line has met its burden and I am not saying that it is a burden that at some point they will not be able to meet. We have listed our concerns and I certainly have at probably greater length than people wanted to hear, but I don't know whether it is appropriate or not, and I'd ask Steve as our counsel, whether just a motion to defer action would be appropriate.

Mr. Sayers: That would be fine and we could probably work out any procedural difficulties with adequate notice to the public.

Mrs. Grossman: What about the proposal that I had -- a moratorium on all additional vessels and passengers until we had a better reading of the situation?

Mr. Rappaport: Oh, that was a motion originally?

Mrs. Grossman: Well, it wasn't a motion, but it was my suggestion in my opening remarks.

Mr. Rappaport: So are you suggesting that we vote ...

Mr. Kelleher: As an opinion, I think it would be cleaner not to defer, to either vote it up or down, and then a separate motion on a moratorium, which I think is an exceptionally good idea.

Mr. Rappaport: Well then, there has been a motion to deny. Is there a second?

Mr. Kelleher: I will second it.

Mr. Rappaport: Is there any further discussion on that motion? ... And what I will tell the Scudders at the risk of being repetitive is that I am going to vote for that but as far as I am concerned I regard that denial as a vote to defer it until the burden has been met, and I think there could be discussion as to whether you would need to go through the formal process again, or whether a way could be worked out that this could be brought back at a time when the burden has been met. So I just wanted to say that to you publicly.

Mrs. Grossman: I second that.

Mr. Rappaport: ... There is a motion on the floor to deny. There has been a second. I will call for the vote. All those in favor?

Mr. Kelleher: Aye.

Mrs. Grossman: Aye.

Mr. Rappaport: Aye. Now would you ...

Mrs. Grossman: Yes. I would like to propose a moratorium on all additional vessels and passengers until we have a better reading of our situation.

Mr. Kelleher: I think that we should identify a specific time period in which those things would occur, perhaps a two-year moratorium specifically on any consideration of further licensing, either of existing operators or new operators.

Mr. O'Brien: How would that affect the comment that the Chairman just made to the Scudders?

Mr. Kelleher: We can always reconsider that, but I think that in boom times there is always going to be pressure, and the Steamship Authority has to service in both boom times and in the slim times when the private carriers can cut back without any request to the Steamship Authority or anyone else. So I think that a moratorium is in order until some of the decisions and review that needs to be done with respect to the position of the Steamship Authority, and that this moratorium of a two-year period would give the Steamship Authority that opportunity.

Mr. Rappaport: Well, I am put into an awkward position where my heart tells me one thing and my head tells me something else, but we are here on what has been a widely advertised meeting to discuss the request of the Hy-Line and to then move on to a moratorium raises issues of a larger scope than the public has been given notice that we would be considering. And a moratorium certainly would have far-reaching impacts. We have our licensing regulations which I think provide clear guidelines and I think for us to amend those, to suspend them and put a moratorium in requires more deliberation and more public notice and comment, so I frankly think that it is premature to address that at this meeting, so I would like that be deferred and if it is going to be an agenda issue that we make it an agenda issue and advertise it as such so that the public will not feel that they were deprived of the opportunity to comment on it.

[To Mrs. Grossman] You've made the motion. Was the motion seconded?

Mr. Kelleher: I would second it.

Mr. Rappaport: There is a motion and a second for a two-year moratorium on acting upon any licensing request ...

Mrs. Grossman: Should we change it to one year?

Mr. Kelleher: I can accommodate that.

Mr. Rappaport: Well, I must say that I question the wisdom of doing that at this meeting and that motion would force me to a premature action, and I am not prepared to address that issue at this meeting. I am asking that it be deferred until July, but apparently I am not receiving much success, but I would ask that that be put over to a time when we can give the public a meaningful opportunity to comment on it.

Mrs. Grossman: I think we can do that. If Ron needs more time ...

Mr. Rappaport: I think it is a question of the public ...

Mrs. Grossman: Well, it is the same issue that we are discussing today, opening up the floodgates for all of these other vessels to be able to compete at this time, and I don't see the difference whether the Hy-Line or any other vessel is going to be asked to be licensed.

Mr. Murphy: If you are going to defer this issue, I would suggest that you not do it at the July meeting, because that is only a couple of weeks away, a little less than three weeks, so it should be deferred, if it is going to be deferred, to another meeting when we are back in Woods Hole or something.

Mrs. Grossman: How do you feel about it?

Mr. Murphy: I think the public needs a little more notice on it, and by deferring it I am not sure they will get that notice within the two to three weeks that we have before the July meeting.

Mr. O'Brien: I would agree with that.

Mrs. Grossman: I will withdraw, but I would like to consider it at our August meeting.

Mr. Kelleher: I would recommend that that be on the agenda for the August meeting.

Mr. Rappaport: There has been a request that that issue be put on the agenda for the August meeting, and that is an issue that we can deal with at that time. But I take it that you are withdrawing the motion, and Paul, you are withdrawing the second at this point? ... Okay. That concludes the discussion on that issue of a moratorium. ... Yes, Mr. Scudder, please, I would be glad to ...

Murray Scudder: My brother and I have a couple of appointments, and I don't want it to appear as if we are walking out without addressing the Board. I understand the very difficult nature of what just went on, and we appreciate that. All we ask is, as we have corresponded in the past, that an honest and fair dialogue take place between the two of us, that we can work something out, and I think that what has created such an issue over this is that, although it is a very stringent requirement to meet on this licensing, there is a fairness issue and that is what the public really demands. And I don't know what fairness means other than all we want to do is be able to sit down honestly and talk about it so that we both are viable operations and able to help the traveling public back and forth to the islands. ...

Mr. Rappaport: I appreciate that comment and, again, I think that those discussions should be open. And to the extent that there is an issue of unfairness -- I don't know whether you are raising one now -- but if there is an issue of fairness ...

Mr. Scudder: It is just the general feeling.

Mr. Rappaport: I think that there are a couple points I would like to make on the question of fairness. I think this process has been open with extensive public comment, and I think the decisions that have been reached by the Board are heartfelt and reflect our best abilities to deal with what is a complicated public issue in which there is not unanimity among the ports that you are serving. It is a difficult public issue. I just think a couple of issues that are helpful to the debate, because I know it has been out there that the Steamship Authority charges a license fee for the operation of the *Grey Lady*, and the computations have been done in terms of the number of the fee would indicate that that comes out to about 37 cents per passenger, at least for 1997. And I think when issues such as finances and financial statements, that is obviously part of it, that the public debate would be enhanced by having that information public. But we can address that at another time also.

But I will always keep an open mind on this question. I have indicated that I would and I think the rest of the Board would and I would invite that the dialogue continue.

Mr. Scudder: I think it was fair. It wasn't the process that I was referring to in terms of fairness. It was a general upset, and I appreciate those comments.

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

The Meeting in Public Session

July 16, 1998

The Members of the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority met this 16th day of July, 1998, beginning at 9:30 a.m., in the second floor conference room of the Authority's Hyannis terminal, located at 141 School Street, Hyannis, 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 Grace S. 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; S. Eric Asendorf of Falmouth; and Steven A. Tornovish of Nantucket.

The following members of the Authority's management were also present: General Manager Armand L. Tiberio; Treasurer/Comptroller Wayne C. Lamson; General Counsel Steven M. Sayers; Marketing and Public Relations Manager Deborah Hughes; Port Captain John Lasnier; Engineering and Maintenance Manager James Swindler; Reservations Manager Gina Barboza; Port Engineer Carl Walker; and Executive Secretary to the General Manager Maxine Horn.

Minutes

IT WAS VOTED -- upon Mrs. Grossman's motion, seconded by Mr. Kelleher -- to approve the minutes of the Members' meeting in public session on June 29, 1998.

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

VOTING NAY: None

Streamlined Inspection Program:

Mr. Tiberio requested the Members for authorization to submit an application to the United States Coast Guard for inclusion in the Coast Guard's Streamlined Inspection Program ("SIP"). Because of the length of the discussion pertaining to this subject, a transcript of that portion of the meeting has been separately prepared and attached as a supplement to these minutes.

IT WAS VOTED -- upon Mr. Kelleher's motion, seconded by Mr. O'Brien -- to endorse the Authority's participation in the United States Coast Guard's Streamlined Inspection Program, to authorize the General Manager to submit a letter to the Coast Guard for application into the Program, and to approve management's implementation plan for the Program, as set forth in Staff Summary #E-8012, dated July 10, 1998.

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

VOTING NAY: None

1999 Budget Policy Statements:

Mr. Lamson reported that the management staff was in the early stages of developing the Authority's 1999 Operating Budget, and that he expected the budget would be presented to the Members at their September 1998 meeting, together with any proposed rate increases, but that final approval of the budget would not be needed until the Members' October 1998 meeting. Mr. Lamson also stated that, in preparing the budget, the management staff was proposing to use the same budget policy guidelines that were used the previous year, such as providing the same service schedule as the Authority currently is providing in 1998 (including the high speed passenger-only service between Hyannis and Nantucket), maintaining the current seasonal levels of employees, and using the actual traffic statistics for the most recent twelve-month period to project 1999's operating revenues. Accordingly, Mr. Lamson requested the Members' approval of those guidelines.

Mrs. Grossman asked management to see whether the schedule for the high speed passenger-only ferry could be changed in 1999 so that the first trip each day could leave earlier from Nantucket and the last trip of the day could arrive later on the island. In response to a question from Mr. Lamson, Mrs. Grossman said that she did not want the Authority to operate more high speed trips than the four daily round trips that the Authority already was operating this year, but rather to have a different schedule.

Mr. Tiberio stated that management would have to review the cost and operational implications to see whether the *Finest's* schedule could be changed to accommodate Mrs. Grossman's request without adding any additional trips. Nevertheless, Mr. Tiberio said that all of the preliminary schedules would be part of the overall package that management would forward to the Members in September.

However, Mr. O'Brien expressed his concern over adding any more trips to the *Finest's* schedule, declaring that it would be totally inconsistent with the Authority's denial in June of the request by Hyannis Harbor Tours, Inc. for an increase in the passenger capacity of the *Grey Lady II*. But Mrs. Grossman and Mr. Tornovish assured Mr. O'Brien that Nantucket residents were requesting only a realignment of the *Finest's* scheduled trips, not any additional trips, and Mr. Rappaport declared that he would not be inclined to vote for any expansion of any service either.

Mr. Rappaport also asked management to consider whether the reservations-only program should be expanded in 1999 so that it encompasses the entire week preceding Independence Day, noting that automobile traffic over the Independence Day weekend on Martha's Vineyard was overwhelming this year. Mr. Kelleher further suggested that the Authority consider expanding the program both by having it begin earlier in the season and by increasing the number of weekdays when the program is in effect. Mr. Kelleher observed that, due to the fact that the program currently runs only from Fridays through Mondays, the Authority had seen a tremendous crush of stand-by customers in Woods Hole attempting to travel on Thursdays, and the situation was becoming almost uncontrollable.

Finally, Mr. Tiberio stated that the management staff was committed to having the proposed budget ready for the Members' review at their September meeting. By doing so, Mr. Tiberio said, both the Members and the public would have an opportunity to comment on the budget (and management would

then have the opportunity to revise the budget in light of those comments) before it was again presented to the Members at their October meeting for final approval.

IT WAS VOTED -- upon Mr. Kelleher's motion, seconded by Mrs. Grossman -- to approve management's proposed 1999 budget policy statement, as set forth in Staff Summary #A-368, dated July 8, 1998.

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

VOTING NAY: None

Treasurer's Report:

Mr. Lamson reported that, even though the Authority had higher than anticipated operating revenues during the month of June 1998, the Authority's net operating income for that month was expected to be around \$220,000 lower than the Authority's revised budget estimate due to even higher operating expenses. As a result, Mr. Lamson said, the Authority's operating loss for the first six months of 1998 was expected to be around \$4,155,000, and its net operating income at the end of the year was expected to be a little more than \$2,000,000, assuming that the Authority continued to meet its revenue projections and controlled its expenses.

Food Concession Contract:

Mr. Lamson advised the Members that the Authority's food concession contract with Boston Concessions Group, Inc. would expire at the end of the year, and that the management staff was in the process of developing a request for proposals for a new contract to commence January 1, 1999. Mr. Lamson stated that management expected to open proposals for the new contract on September 9th and to forward a recommendation to the Members for their consideration at the October meeting. No significant changes from the current contract were anticipated, Mr. Lamson said, except for extending the term from

three years to five years in order to encourage a greater amount of capital investment and commitment from the selected concessionaire. Mr. Lamson also stated that management would not be soliciting separate proposals for each of the routes served by the Authority, but would instead solicit only proposals for one contract covering all of the Authority's vessels, terminals and other facilities.

The Members agreed with management's recommendations. However, they requested that the contract encourage the sale of local products by the selected concessionaire, either by specifying certain requirements in this regard or by having built-in incentives. Mr. Lamson also suggested that proponents could be evaluated on the amount and kinds of local products offered. On the other hand, Messrs. Murphy and Tornovish expressed their concern that any such requirement on the concessionaire to sell local products would result in an increase in the price of food and beverages sold on the Authority's vessels.

Old and New Business:

Wayne Kurker then talked to the Members at some length about his assertion that the Authority's vessels were stirring up sedimentation from the bottom of Hyannis harbor and causing shoaling in front of Hyannis Marina. In response, Mr. Rappaport assured Mr. Kurker that the Authority was taking his claim seriously, but noted that there was obviously a difference of opinion as to the merits of his claim. Mr. Rappaport also reminded Mr. Kurker that the Authority appropriately had agreed to mediate their dispute under the auspices of the Massachusetts Office of Dispute Resolution, and he felt strongly that the subject should be discussed in that forum rather than at a public meeting.

In response to a question from Julia Wells, Mr. Rappaport clarified that he and Mr. Kelleher had asked management to review two different issues pertaining to the Authority's 1999 reservations-only program. Mr. Rappaport noted that he had asked management to look into whether the program should be implemented on more days next year during the week before Independence Day, while Mr. Kelleher had asked for a broader review of whether the program should be expanded so that it might begin earlier in the season and cover additional days of the week. Both Members said that they had not reached any conclusions about what should be done with respect to either of those issues, but simply thought that they should be investigated.

Then, at approximately 10:45 a.m., Mr. Rappaport entertained a motion to go into executive session, and announced that the Members would not reconvene in public after the conclusion of the executive session.

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

VOTING NAY: None

A TRUE RECORD

GRACE S. GROSSMAN, Secretary

PRESENTATION

BY

CAPTAIN PETER A. POPKO
OFFICER IN CHARGE MARINE INSPECTION
UNITED STATES COAST GUARD

REGARDING THE PARTICIPATION OF THE

WOODS HOLE, MARTHA'S VINEYARD
AND NANTUCKET STEAMSHIP AUTHORITY

IN THE

UNITED STATES COAST GUARD'S
STREAMLINED INSPECTION PROGRAM

July 16, 1998

Mr. Tiberio: The first issue on the agenda is a program that we've been working on with the Coast Guard, approximately for the last eight or nine months, and is referred to as the Streamlined Inspection Program. What I'd like to do here for the next couple of minutes is just give you a general overview. For the people in the audience there are some handouts that we've prepared which the Board has and I'm going to be speaking from. But I'd like to just generally go through some of the main features of the Program and the recommendation before you, and then ask Captain Popko from the United States Coast Guard to also make some comments relative to the Program and the Coast Guard's investment in the Program and the partnership, hopefully, that we will establish with them through the development and the implementation of the Program.

As I mentioned, for the last eight or nine months, we have been actively working with the Coast Guard in terms of making some determinations, whether (1) we belong in the Program, (2) when we should get into the Program, and then (3) the resources needed to really accomplish that. If the Board remembers, here approximately two years ago we started what was referred to as a maintenance management information system program, which was really a first step towards getting ourselves prepared to be able to enter into the

Streamlined Inspection Program. At this stage, the vessels are all working within the MMIS, and even though they may be at different stages with it, at least the ground work has been laid, which is a critical piece in terms of record keeping documentation. As I indicated, that will be needed once we get into the Streamlined Inspection Program. The other issue that has taken place over the last couple of years is a continuing effort and initiative on our part to have the vessel crews do more and more preventive maintenance as opposed to waiting until the annual cycle of time when they come into the yard, when they come in to lay up for maintenance, and so the crews themselves have been more or less brought into the equation over the last couple of years as far as doing preventive maintenance. We felt that those two pieces have to be in place in order to effectively move to this next level, which is the Streamlined Inspection Program.

Basically, the document that we've handed out gives you a pretty good detail in terms of the components, what the Program is about, and the benefits for us being able to move into the Program. I'd like to say, first of all, it is voluntary. It's not a requirement, and it requires a request of the Coast Guard. It is not something that the Coast Guard is necessarily going to bless unless the employer or the company is prepared, with a commitment and the financial resources and staffing, to move into the Program. So it's a voluntary kind of a program, but what it basically will do is move us from a reactionary kind of an inspection program, which has been going on, into more of a continuous inspection program that our personnel will be involved in, or to a very concise program and tracking mechanism under the guide, supervision and monitoring of the Coast Guard.

It's not self-inspection, in the sense that the Coast Guard is not involved. It's more of a streamlined inspection in that we will become responsible for doing the inspections on all of the ships' machinery, the structures, furnishings, *et cetera*, but not to the exclusion of the Coast Guard. And that's the biggest difference, and I think the other major element here is that it's a continuous inspection program, and that most people know that the vessels that we operate under the jurisdiction of the Coast Guard on an annual basis are required to go through an annual inspection, and then there are quarterly inspections. Under this Program, it moves us away from that. It puts us more into a recognition that there's a benefit to the employer, there's a benefit to the Coast Guard, and there's a benefit to public safety and vessel safety that the recognition and the awareness be more at a continuous level of inspection. And that's really the bottom line on what's really driving this move.

We personally feel within management that it's the next step that we should take the fleet to, and we have sat down over the last couple of weeks and we've reviewed the Program in detail with senior captains and the senior engineers on each of our vessels, and they are completely behind the Program. It will, over time, we believe, provide much more involvement, commitment on the part of our vessel crews in terms of becoming actively involved in the vessel itself that they're working on, because they will be responsible for making sure that the vessel is up to code on a basis of 365 days a year, and not just waiting until "it's ready to go in for an annual inspection or there's a quarterly coming, and everybody's doing the rounds." So it puts a different flavor on it, it puts a different level of attitude in terms of our personnel. But it's a much greater commitment on our behalf, too, that we're willing to make, and we believe that we should make, in terms of the particular Program. There's a lot of work left to be done. If in fact the Board today approves the Program (unless the Board needs additional time with the Program), we will submit a formal request to the Coast Guard. At that point, it's their decision whether they feel that we're ready, willing and able to commit ourselves to the Program, and then we will commence the Program.

In the packet of information, we've presented a budget and timeline, and we're looking over a two year period of time to have all of our vessels transitioned in. We will take the *Martha's Vineyard*, if we move into the Program, as kind of the pilot, and hopefully we can get her up to speed in terms of everything working within the first four to six months, and then we'll go into the next stage of bringing every vessel on line. Two years we believe is achievable. If it can be done earlier, it will be done earlier. But we're doing this thing as kind of a stepping stone and making sure that all the pieces fit together, plus in addition to having the Coast Guard buy off on every step that we go through. And I'd just like to stress that there's a continuous monitoring and control that Captain Popko I'm sure is going to speak to from the Coast Guard's standpoint, so we're not out there on our own. We're not out there doing our own little thing in the sense of the Program itself. So I think with that I'm going to stop and, again, the materials we've presented to you are self-explanatory, so if there are questions, I can address those questions.

The four individuals that have really spent a considerable amount of time from the Steamship Authority's point of view on this project are Port Engineer Carl Walker, Port Captain John Lasnier, Bob Buckley, who's the vessel maintenance captain out of the fleet, and John Connell the chief engineer who's worked very closely with MMIS over the last couple of years and has really been the cornerstone in terms of putting together the pieces. So there's a committee involved, or there's a team involved, and we've given you the organizational

structure included in the Program with definite line of responsibilities. It's an all-encompassing Program, all the way down to the unlicensed personnel who need to be trained in certain facets, so, it's a very broad ranging kind of a Program, which, again, is a benefit in terms of getting everybody involved in the process and have a little bit more sense of ownership in the Program. So, I think with that, I'll turn it over to the Coast Guard and Captain Popko is here representing the Coast Guard and is basically, we're somewhat at his mercy today in terms of our mission with the Program.

Captain Popko: Good morning, everyone. I'm Captain Pete Popko. I'm the Commanding Officer of the Marine Safety Office in Providence. My area of responsibility includes the State of Rhode Island, Cape Cod up to Plymouth, and the Islands. I have many titles. One of them is Officer in Charge, Marine Inspection. I have a staff of marine inspectors who inspect U.S. flagged vessels that carry cargo, passengers and commercial service. They also inspect foreign ships that come into our ports. I have other titles too, but I won't get on to those things this morning.

Some of you may ask why go to a Streamlined Inspection Program. Is this a step away from safety? Is this something less than we're used to seeing? The answer to that is no. This is actually an enhanced safety routine. Within the last ten years, the Coast Guard and others around the world have realized some things. First of all, people cause most of the accidents. Eighty to eighty-five percent of all accidents are caused by people. So more regulation, more prescriptive regulation, more equipment isn't necessarily going to result in fewer accidents. The second thing I think we've come to realize is that it's to everybody's benefit to work together. The Steamship Authority and the Coast Guard have common goals. You want safe transportation of passengers. You want safe operations. So does the Coast Guard. That's our mission. So why not work together on those common goals rather than working in an adversary situation where we come periodically to beat you over the head to make sure you meet minimum standards that are prescribed by regulation? The other realization is that our coming here to visit a vessel once a year or sometimes four times a year isn't going to provide the level of safety throughout the entire year. There might be peaks when the company or the ship gets ready for the Coast Guard inspection. "Oh, the Coast Guard's coming next week, let's make sure we get things ready and make sure we know what we're doing." So there, you could see these peaks along the year where things are in a heightened state of readiness and then maybe fall off for a period of time. That doesn't make a lot of sense either.

So a few years ago, the Coast Guard said, "Why don't we take some of the mystery out of our inspection requirements, and let's go to a company that's got a quality program in place and is committed to safety, that has a safety culture already developed in their company, and let's see if we can work out a better way of doing business." So they said, "Well, why don't we have some of the crew members or some of the owners and operators and crew understand what a Coast Guard inspection is about? What does the Coast Guard look for when they look at a life jacket? What do they look for when they look at a lifeboat or a life raft or do a machinery test? And let's get some of the people from the company trained in those things so that there is an awareness level that's built up."

Let me give you some examples of how that could come into play. Under the old system, you could have a wrench that's a required piece of equipment at a fire station. The wrench is needed to put the hose on the hydrant. And that could be missing for eleven months, with the crew just walking by, nobody even knowing that it was a problem. Under this Program, there will be people on board every day walking by that hose station realizing and knowing that that wrench should be there. And part of this Program is the management commitment to make sure that if a deficiency is found on the boat, it's going to be corrected right away. It's not going to wind up in somebody's in-box and forgotten about. It's going to be acted upon. That wrench will be replaced right away. So as you can see, the heightened level of readiness for that vessel is going to be there continually.

Other shipping companies and boat operators who've developed this Program have found out that the crews really appreciate having some ownership on the safety of the vessel. It becomes a commitment on everybody in the organization, from the person that was hired yesterday right up through the president of the company. Everybody in between has a safety-minded culture. And they have ownership in that. It's not somebody else's responsibility to provide good safety. It's our responsibility, collectively, and we take that responsibility very seriously. The ferry boats you operate carry the most precious cargo there is. They carry people. They carry families. And we owe it to them to maintain the boats and to train the crew as best as we can. So this Program is not stepping away from safety. It's really stepping forward to safety.

And as was mentioned earlier, this Program isn't offered to every company out there. To someone who may view it as stepping back from safety. "Oh, the Coast Guard's not going to be there as often, I can get away with things or I can go down to the minimums." We look for companies that have a commitment to safety, that have the infrastructure, the engineering that can

make this happen and make it happen well. We will be working through this Program step by step. Lieutenant Ron Cantin is local. He's up at Otis. He's down here all the time, 'cause you're our biggest customer in far as inspection goes. He's going to be working, and he has been working, hand in hand with your people to make sure this Program's done the right way and it's done for the right reasons.

If anybody thinks this Program is expensive, try having an accident. You know, the cost of accidents are very, very high in terms of human suffering, but also impact on the bottom line of your company. I've got some statistics that talk about companies that have adopted programs like this, and they are seeing tremendous impact on their bottom line, because their vessels aren't down as often, they don't have as many accidents. The crew, because they have the ownership, like working and have this commitment to safety all the time. So the bottom line is affected by this, and it's resulted in tremendous improvements, sometimes thirty to fifty percent fewer accidents that may happen in, for a particular vessel.

So it's good, it's the right thing to do. I think it is in tune with what you're going to be mandated to do with the International Safety Management Code and that philosophy. In previous years, the ships and the managers tended to drift apart, and there wasn't a responsibility that was linking there. And internationally, we've come to the realization and put the fact in international treaty, in a U.S. law, that there's got to be management responsibility. That many times management causes the accidents because of their inattention to the needs of the crew and to the ships. So this Program puts you right in step with what you'll have to do in 2002, and that's to have a program to have this linking of management, this safety commitment, the training of the crews, all those necessary things in place in hand. So I commend you for your efforts already, and we're looking forward to this.

I was involved in the development of the Streamlined Inspection Program at Coast Guard Headquarters four or five years ago, and I was also the Officer in Charge of Marine Inspection in New York City prior to my job here. And this is the first time I've felt comfortable enough with a company to really propose this Streamlined Inspection Program to them, because I think you've got this sort of organization here and commitment here that's necessary. So, I am looking forward to these next few years and working with this company. I think it's going to be tremendous success and Ron Cantin who's my local representative here, and myself, are really interested in working with you and solving the problems that may come up and the glitches and all those sorts of things, because I think this is going to be a wonderful step for the Steamship

Authority, and that really sets you in the right stead for the next century. Thank you.

I'll be happy to answer any questions if there might be any.

Mr. Rappaport: Are there other organizations in your jurisdiction who have entered into this type of Program or would the Steamship Authority be the first?

Captain Popko: The Steamship Authority would be the first.

Mr. Rappaport: And what is in your jurisdiction?

Captain Popko: Rhode Island and Cape Cod. There is a ferry operation that runs from Long Island that has entered the Program. They've been in the Program quite some time now. The Passenger Vessel Association, which represents small passenger vessel operators throughout the country, is four-square behind this Program. They are trying to get more of their companies involved. You see the benefits of it. I think one of the true benefits for your company, as Armand pointed out, is that you become more in control of the safety equipment and the scheduling of those things. You know, you have a vessel out here that has 1,500 life jackets, and for the Coast Guard to inspect 1,500 life jackets means taking the vessel out of service, having a crew of maybe six people pull all the life jackets out, stack them up, pre-inspect them, and then the Coast Guard comes by and looks at them. Under this Program, you'd be able to do one locker at a time at your pace, or one deck at a time. It could be scheduled in with the normal maintenance of the vessel, so you don't have this tremendous load of work to be done in just a very small amount of time. You can schedule it out as part of your preventive maintenance program, and that's a tremendous benefit to the ships, because you don't have that down time.

Mr. Rappaport: I don't know if this is directed to you or not, Armand, but the estimated cost of the Program is approximately \$200,000 or slightly under. But how do you get the cost and what drives that figure?

Mr. Tiberio: The budget that we've prepared shows some additional start-up costs that we are going to have to go through in terms of some hardware and some software equipment on board the vessels. Beyond that, you're basically looking at some training costs and the cost of the individual who's going to be doing the training. Keep in mind that a good number of people on board the ships are going to have to be trained in terms of the type of inspections we're going to be conducting, of our own life jackets, for example. How you go through it, what you look at as far as each life jacket, what you do to determine that that life jacket does not meet code. And as the crews are trained there are additional costs that are going to be associated with that.

A lot of those costs, if not the majority of them, are one time start-up costs, and they are going to be phased in over two years. It's not an initial up-front cost of \$200,000, but over the next two-year period of time. Beyond that, the Program is somewhat of a self-perpetuating kind of thing. There may be some enhancements, but nothing near that kind of a number. So, it's basically some hardware, some software costs, and training costs associated with our personnel. As far as tracking documentation, it's going to be tied into the MMIS.

Mrs. Grossman: Will the Coast Guard be training our people or will we be training them?

Mr. Tiberio: We will, although the Coast Guard will be involved with us to make sure that the training that we're providing is the type of training that they believe needs to be done with our personnel. It's a partnership, as opposed to us doing the Program by ourselves. The Coast Guard will have oversight. There will be a senior advisor assigned to this project -- I believe it's going to be Lieutenant Cantin -- who is going to be working with us on a day-to-day basis, so it's not as if the Coast Guard is divorced from it. It's more of a partnership. But the actual physical work of doing the inspections, the majority of the inspections, will be done by us.

The Program does not include dry-docking inspections, that's very specifically excluded from the Program. They will still continue to be done by the Coast Guard. That's not to say also that the Coast Guard, once this Program is under way, may not show up in terms of doing a regular, routine audit, in terms of inspecting the documentation to demonstrate that we are in fact living up to the Program. They may go down and inspect some vital system on board the vessel. So it is a combination of both. But the way that the

inspection program was working before, it's basically turned upside down 180 degrees. We accept full responsibility and accountability for doing the inspection on a continuous basis, of making sure that that vessel and all of the systems and all of the equipment and everyone on board that vessel is up to code 365 days a year. I think that's the real bottom line on it, so there is definite cost and commitment to doing that. I mean, it's a cultural change that we're going to have go through, too, in terms of our personnel.

Mr. O'Brien: Who is the Project Manager and how is that cost allocated?

Mr. Tiberio: Carl Walker will be the Project Manager, but because his salary is already included in administration payroll we did not allocate it as a cost of this project. Similarly, Bob Buckley's Vessel Maintenance Captain position is already an authorized position, so his salary isn't included in the project's budget either. The \$65,000 Project Management cost represents 50% of John Connell's wages over the two-year implementation period, because it is an extra cost resulting from the project. If we were to decide not to implement the Program, John would be reassigned to the fleet and a more junior engineer would be laid off. Therefore, we felt it appropriate to charge one-half of John's salary to the project.

Mr. Murphy: Will you need to replace any of the positions that they're now occupying?

Mr. Tiberio: John has been working on MMIS for the last year and a half to two years. Bob Buckley is in a legitimate position called the Vessel Maintenance Captain as it is right now, and he's been brought in from the fleet to be in that position for the last year or so.

Mr. Murphy: So will there be any net increase in staffing?

Mr. Tiberio: The net increase is continuing with John Connell in support of this project. Not Bob Buckley. That's already an authorized position. So there will be one new position.

Mr. Rappaport: Does anybody else have anything?

Mr. Tornovish: I just think that in any business you do well the things that you know are going to be checked, and so I commend you folks for taking this crucial step to provide the safety for the customers of our line, and I agree with the Captain that safety is not something that you do a big cost-benefit analysis on, and it seems pretty reasonable, particularly where some of the costs are simply being transferred.

Mr. O'Brien: Yes, I really think that the staff needs to be congratulated, as well as the ship operators, because this certainly reflects a very high opinion that the Coast Guard has of the organization, and I congratulate you on this.

Mr. Rappaport: We have a General Manager and the head of the Coast Guard for the region telling us that we should be doing this for public safety reasons. I see no reason why we shouldn't proceed and do that. That's our first obligation, public safety.

IT WAS VOTED -- upon Mr. Kelleher's motion, seconded by Mr. O'Brien -- to endorse the Authority's participation in the United States Coast Guard's Streamlined Inspection Program, to authorize the General Manager to submit a letter to the Coast Guard for application into the Program, and to approve management's implementation plan for the Program, as set forth in Staff Summary #E-8012, dated July 10, 1998.

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

VOTING NAY: None

Mr. Rappaport: It's a unanimous vote. Thank you. And thank you, Captain, and we look forward to working with you.

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

The Meeting in Public Session

August 20, 1998

The Members of the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority met this 20th day of August, 1998, beginning at 9:30 a.m., in the large group instruction room of the Nantucket High School, located at 10 Surfside Road, Nantucket, 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 Grace S. 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; S. Eric Asendorf of Falmouth; and Steven A. Tornovish of Nantucket.

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

Minutes:

IT WAS VOTED -- upon Mrs. Grossman's motion, seconded by Mr. Kelleher -- to approve the minutes of the Members' meeting in public session on July 16, 1998.

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

VOTING NAY: None

License Request from Island Commuter Corp.:

Reminding the Members that he was a member of the Woods Hole Golf Club, Mr. Kelleher declined to participate in the matter regarding Island Commuter Corp.'s request for a renewal of its license and dockage agreement so that the *Island Queen* could transport participants in the Woods Hole Golf Club outing from Falmouth to Martha's Vineyard, Nantucket and then back to Falmouth on Monday, October 19, 1998 and Tuesday, October 20, 1998. Mr. Kelleher also abstained from voting on the proposed agreement.

IT WAS VOTED -- upon Mrs. Grossman's motion, seconded by Mr. O'Brien -- to authorize the General Manager to execute the renewal of a License and Dockage Agreement with Island Commuter Corp. and to take all necessary and appropriate actions to fulfill the Authority's obligations under that agreement, as set forth in Staff Summary #GM-389, dated August 10, 1998.

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

Treasurer's Report:

Mr. Lamson advised the Members that, although he had reported at the previous month's meeting that the Authority's net operating income for the month of June was going to be approximately \$220,000 lower than projected in the 1998 Revised Operating Budget, the actual net operating income for that month turned out to be only \$193,000 lower than projected. Mr. Lamson further stated that it appeared that the Authority's net operating income for the month of July would be approximately \$30,000 higher than projected, which meant that the Authority's net operating loss for the first seven months of 1998 was expected to be around \$832,000, or approximately \$162,000 greater than anticipated in the 1998 Revised Operating Budget.

Mr. Lamson also informed the Members that the Authority would be receiving an unanticipated dividend from its workers' compensation insurance carrier in the amount of \$70,000 over the next six months because of its excellent claims record for the policy year ending June 30, 1997.

Proposed Licensing Moratorium:

Saying that she had heard from a number of Nantucket residents that the vessels of both the Authority and Hyannis Harbor Tours, Inc. ("Hy-Line") had more than enough room for additional passengers and that Nantucket did not have the restroom facilities, restaurants or other services for the large numbers of people who were visiting the island that summer, Mrs. Grossman moved for a temporary moratorium on licensing any additional passengers to Martha's Vineyard and Nantucket until the islands have formulated a plan ensuring that the infrastructure around the port areas can handle the increases without harming the fragility of the islands. Also noting that such a moratorium had the support of the majority of the Nantucket selectmen, Mrs. Grossman proposed that the moratorium go into effect upon receiving the similar support of the Martha's Vineyard Commission, who were scheduled to consider it that evening. Mr. Kelleher seconded the motion.

Mr. Rappaport then read the following letter dated August 19, 1998 that the Members had received from Linda Holland, Executive Director of the Nantucket Land Council, Inc.:

"The Nantucket Land Council, Inc. is a non-profit environmental organization with 1600+ members. We ask for your cooperation in working with the Nantucket community in recognizing that the existing number of passengers coming to the Island is overwhelming to its infrastructure and public services capacities.

"Limiting the licensing of additional passengers to Nantucket is one of the many initiatives that have been identified by townspeople as a way to minimize additional stress to the Town's already overburdened infrastructure (i.e. sewer system capacity, public road and sidewalk capacity) and public service facilities and operations (i.e. restrooms, trash receptacles and pick-up, receiving locations). Each time additional passenger capacity is licensed, that ultimately means freight needs increase as well.

"As managers of the primary water transport system between Nantucket and Hyannis, the S.S.A. has been confronted with expanding to accommodate Nantucket's burgeoning residential and tourist growth. Recently the S.S.A. has increased the freight boat schedule, it has leased a high-speed passenger ferry, purchased

additional property in Hyannis for parking, expanded its Hyannis terminal and slip space, etc.

“Finally, the S.S.A. has an obligation to operate in the black. If the S.S.A. allows expanded service by competing carriers, it will reduce your revenues and undermine your financial stability. The taxpayers of Nantucket depend on the reliable, year-round passenger and vehicle service provided by the S.S.A. and expect continued solvent business operation.

“Continually increasing additional passenger capacity does not appear that it will benefit the S.S.A.’s management and operations in the longer term, nor Nantucket’s community.”

Mr. Rappaport then asked for comments from the members of the Finance Advisory Board. In response, Mr. Murphy declared that he did not feel it was appropriate for the Authority to initiate such a moratorium. Rather, Mr. Murphy said, the Authority’s port communities should first vote on the subject and, if they were to endorse the idea, it would then be something that he could certainly support.

After Mr. Rappaport opened the discussion to the members of the public in the audience, Nantucket resident Curtis Barnes expressed his concern that the Steamship Authority itself was creating part of the problem by operating its high-speed passenger-only ferry even though its conventional vessels continued to have excess passenger capacity.

Mrs. Grossman stated that she agreed with Mr. Murphy and that the purpose of the moratorium would be to hold off on licensing the carrying of any additional passengers until the island communities told the Authority what it should do. As for the Authority’s fast ferry, Mrs. Grossman noted that, in response to a request from the overwhelming majority of island residents, the Authority had agreed to limit the number of automobiles transported to the islands and that the new service was needed to make up the revenue that the Authority would be losing as a result of that policy and to provide more convenient service for passengers who would no longer be able to travel with their cars.

Nantucket resident Vincent Vacca declared that he was fully supportive of Mrs. Grossman’s proposal, noting that the town was “bursting at the seams” and that everyone was very anxious to come up with some way to reduce the

tremendous influx of people that were crowding the streets. Nantucket resident Arthur Desrocher similarly voiced his support, observing that people were becoming more and more worried about the number of new carriers who were expressing interest in providing additional service to the island. At least after the island's comprehensive plan was passed (which is expected to be completed by April 1999), Mr. Desrocher said, the Authority would know what Nantucket residents wanted.

A number of additional members of the audience then expressed what appeared to be their unanimous support for such a moratorium. For example, while acknowledging that no one could turn the clock back, Nantucket resident Robert Bennett declared that the excessive number of people had such a negative impact on the island this year that he could not see how it could be allowed to grow by even one percent and, accordingly, it appeared that a moratorium was the only solution.

Nantucket resident Noel Berry informed the Members that, upon hearing at the last minute that the Authority would be considering such a moratorium, she quickly obtained the signatures of 28 downtown merchants who were overwhelming in their support of the proposal and, indeed, possibly even a rollback. Ms. Berry said that, if she had more time, she was certain that she would have been able to obtain many more signatures because everyone was frustrated and angry.

Nantucket resident Ted Anderson asked the Members to consider trying to be the motivator to analyze all the transportation means by which people travel to the island, including the airlines. Mr. Anderson noted that if there were cooperation among all the various transportation industries, the overall number of visitors would be more likely to be reduced in a logical way. In response, Mr. Rappaport said that it was his personal view that the initiation of such an effort lay with the communities' planning agencies, not with the Steamship Authority, although the Authority should certainly be cooperative and responsive to what the islands want.

Declaring that he was in support of the island's concerns, Hy-Line Vice President Murray Scudder stated that Hy-Line would be happy to be part of a discussion of how to help to ease the problem. However, Mr. Scudder asked Mrs. Grossman whether she intended to include the Steamship Authority in her proposed moratorium. In response, Mrs. Grossman said that the Authority absolutely would be included in any moratorium and would not expand its service. Nevertheless, Mr. Scudder noted that since Hy-Line started its

seasonal service this year through July, it had seen a seven percent decrease in the number of people it had brought over to Nantucket, and that he did not want Hy-Line to be part of the solution to the extent of being put out of business.

Maia Gaillard of the Nantucket Chamber of Commerce then noted that, at the transportation issues forum which the Chamber had hosted in 1997, there already appeared to be an enormous amount of consensus among the various transportation agencies, as well as Nantucket's own transportation planner and Hy-Line, that everyone should work together to address these challenges. Ms. Gaillard also observed that, in light of the ongoing development of Nantucket's comprehensive plan and the planned expansion of the airport, now was a good time to begin the process, and asked that the Authority be the catalyst for it.

William O'Dell of the Nantucket Merchants Association (which represents more than seventy businesses in downtown Nantucket) declared that the Association's members had discussed this matter over the prior two weeks and similarly supported a moratorium on any further licensing until more planning could be done. Nantucket resident and taxi driver Diane Coombs also stated that she supported the proposed moratorium, recounting the many conversations she had this summer with visitors who declared that they would never come to Nantucket again because they had spent hours standing in line in front of restaurants simply trying to get in to feed their children.

Mrs. Grossman observed that she had heard from the majority of the Nantucket Selectmen and the business community that Nantucket does not need any more people and that everyone was concerned that the large numbers of people already on the island were harming it instead of helping it. She then again emphasized that, in her view, it should be up to the town to decide what it wants, and then the Authority should cooperate with whatever the town wants it to do. However, Mrs. Grossman also pointed out that as the Authority cuts back on the number of cars it brings to the islands, it has to find other ways to operate in the black in order to continue bringing the necessities of life, such as food, fuel, oil and gas, to the islands. Noting that the islands cannot exist without the Authority, Mrs. Grossman said that she nevertheless felt there could be a happy medium which would include restraints not only on other carriers but on the Steamship Authority as well.

Mr. Kelleher also cautioned the audience that the Authority only has the statutory power to license vessels operating from the Massachusetts mainland, and has no power to regulate air traffic either. Accordingly, Mr. Kelleher said, the town should be the one to initiate the planning process to address these transportation issues, although the Authority could participate in that process.

Mr. O'Brien then stated that he certainly appreciated everyone's sentiments based just upon his wandering around Nantucket the previous evening. However, he expressed his concern that the public had not received adequate notice that the Authority would be considering a moratorium on licensing at this meeting, and felt the management staff should also have an opportunity to address the issue. In addition, Mr. O'Brien said, he agreed with Mr. Murphy's view that the initiative should come from the towns and that the Authority should vote on the matter only after the towns had acted.

Mr. Kelleher said that he similarly thought the public had not been given sufficient notice of the subject for the Authority to vote that day. He also asked that similar consideration be given to the infrastructure of the mainland port communities, noting that during the summer the Authority's terminals in both Woods Hole and Hyannis were already operating at their maximum capacities. Mr. Asendorf then observed that the islands appeared to be experiencing a problem that had been brought on by market forces. Therefore, he did not think that the Authority should attempt to resolve the issue at that time because it was really not the Authority's decision to make.

Declaring that everyone had to keep in mind that the essential purpose of the Steamship Authority was to provide the necessities of life for the islands, Mr. Rappaport noted that the islands are affected differently than national trends, and that there is a point, which perhaps had already been reached, beyond which they cannot accommodate any additional traffic. Mr. Rappaport then recounted his personal observations of Vineyard Haven this summer, saying how there were now three different boat lines within two hundred yards on Beach Road with no place to park and no facilities where passengers could be picked up or dropped off. As a result, Mr. Rappaport said, whenever boats arrive at those locations, traffic just stops, creating traffic jams that year beyond anything that he could remember. Further, Mr. Rappaport acknowledged that this problem was not just limited to Vineyard Haven, but was a problem in every one of Authority's port communities.

Nevertheless, Mr. Rappaport declared that, in his opinion, the responsibility for dealing with such traffic planning issues did not lie with the Steamship Authority, but rather with local planning agencies such as the Martha's Vineyard Commission, although he felt that the Authority should participate in their studies and be responsive to their planning efforts to the extent they were reasonable and did not affect the Authority's economic viability. Mr. Rappaport also observed that it was clear that the overwhelming sentiment of the people in the audience that day -- including representatives from both government and business groups -- was that the fragility of the island of Nantucket itself was being threatened and that something needed to be done for the long-term preservation of the island's essential character that was the very reason why everyone lived there.

Mr. Rappaport then said that if the Martha's Vineyard Commission and other local planning agencies were to say that they wanted a moratorium so that planning could proceed, and if a moratorium could be defined, he would support it. However, he agreed that the subject should receive more public debate before such a decision is made. For that reason, Mr. Rappaport said, he would be appearing that night before the Martha's Vineyard Commission to present the issue to them for their consideration. Mr. Rappaport declared that in the final analysis both islands had to work together to preserve what makes them unique, and he would not like to see a moratorium go into effect on one island and not on the other.

Ultimately, the Members agreed with a suggestion by Mr. Rappaport that they defer Mrs. Grossman's motion until the Martha's Vineyard Commission could be consulted, that the matter be placed on the agenda of the Authority's next meeting in September, and that action be taken at that time. Noting that their next meeting would take place in Woods Hole, Mr. Rappaport assured everyone in the audience that it would not be necessary for them to attend the meeting because the Members had heard them that day.

Old and New Business:

Then, at approximately 11:00 a.m., Mr. Rappaport entertained a motion to go into executive session, and announced that the Members would not reconvene in public after the conclusion of the executive session.

IT WAS VOTED -- on Mrs. Grossman'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: Mr. Rappaport, Mr. Kelleher and Mrs. Grossman

VOTING NAY: None

A TRUE RECORD

GRACE S. GROSSMAN, Secretary

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

The Meeting in Public Session

September 17, 1998

The Members of the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority met this 17th day of September, 1998, 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 Ronald H. Rappaport of Dukes County; Vice Chairman Paul R. Kelleher of Falmouth; Secretary Grace S. 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; S. Eric Asendorf of Falmouth; and Steven A. Tornovish of Nantucket.

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

Declaring that the summer of 1998 was an excellent summer as far as the Steamship Authority was concerned, in that the Authority handled record traffic volumes without the chaos that had marked prior years while at the same time placing two new boats into service, Mr. Rappaport personally thanked Mr. Tiberio, his staff and all of the Authority's employees for what he considered to be a job very well done in serving the traveling public. Further, Mr. Rappaport asked that a letter be sent to every employee so that they were all told how well they had performed this past summer and how the Members were grateful for it.

Mr. Kelleher then advised the Members of the recent death of retired Authority employee August "Gus" Lopes, and asked that an expression of sympathy be sent on their behalf to Mr. Lopes' family.

Minutes:

IT WAS VOTED -- upon Mr. Kelleher's motion, seconded by Mrs. Grossman -- to approve the minutes of the Members' meeting in public session on August 20, 1998.

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

VOTING NAY: None

Mr. Rappaport advised the audience that the Members would be discussing the proposed vessel operating schedules, reservations program, operating budget and rate adjustments for the calendar year 1999, but no votes on those items would be taken that day. Rather, Mr. Rappaport said, the Members planned to vote on those matters at their next meeting, which was scheduled for October 8, 1998 at the Old Agricultural Hall in West Tisbury.

Proposed 1999 Vessel Operating Schedules:

Mr. Tiberio then reviewed management's proposed 1999 Vessel Operating Schedules, as set forth in the attachments to Staff Summary #GM-390, dated September 11, 1998. With respect to the Martha's Vineyard route, Mr. Tiberio stated that the principal change from the 1998 schedule was the decision to operate only four vessels during the summer season instead of five, on the assumption that both the *Governor* and the *Gay Head* will be refurbished during the upcoming off-season to increase their respective vehicle capacities. As a result, Mr. Tiberio said, the *Sankaty* will become a true spare vessel next summer and will be operated only if the Authority has to temporarily increase service due to a vessel malfunction or unusually bad weather.

Mr. Tiberio noted that the reduction in the number of vessels being operated on the Martha's Vineyard route will result in a number of other benefits for the Authority. First, the refurbishment of both the *Governor* and the *Gay Head* will increase the route's overall vehicle capacity from 1,218 to 1,330 spaces, allowing the Authority to accommodate any growth in the demand for freight shipments (Mr. Tiberio stated flatly that the Authority's intention was not to carry more automobiles); second, the Authority will realize a cost savings of around \$500,000 by not operating a fifth vessel; and third, the schedule will eliminate seven trips each day between Woods Hole and Vineyard Haven, resulting in less congestion both in the harbors and on the streets of those port communities.

However, Mr. Rappaport questioned whether there would be any increase in the route's overall vehicle capacity, noting that management had stated that there would be an increase in the *Governor's* capacity from 24 spaces in 1998 to 50 spaces in 1999 when in fact the vessel already was carrying at least 50 automobiles. In response, Mr. Tiberio agreed with Mr. Rappaport that, in terms of the number of automobiles she can carry, the physical constraints of the *Governor* would be the same in 1999 as they were in 1998, but he stated that this past summer the Authority had only accepted reservations for the equivalent of 24 spaces on the *Governor* and that, in 1999, it would accept reservations for all the spaces that the vessel can actually carry.

Mr. Tiberio reminded the Members that the schedule was predicated on both lengthening and repowering the *Gay Head* and modifying the *Governor* by adding additional bulkhead space and performing needed electrical work, which he stated was a good decision from both a financial and operational standpoint. Specifically, Mr. Tiberio said, despite the *Governor's* limitations (for example, she cannot prudently be scheduled to operate during the winter months or, because of her depth, sail into the Oak Bluffs terminal), he felt it was worth it to invest another \$900,000 to increase the vessel's capacity given her useful life of another ten to fifteen years. Mr. Tiberio stated that work on the *Governor* would begin after she came off line in November 1998, so that it would be finished well before she was scheduled to resume service in March 1999, while the *Gay Head* was scheduled to be refurbished between January 1999 and the beginning of June 1999.

Mr. Kelleher expressed his concern about management's proposed vessel arrival times in Woods Hole, particularly during the late afternoons when the larger passenger ferries and the enlarged freight boats were scheduled to arrive within five minutes of each other. Noting that the five minute difference in

arrival times was marginal, Mr. Kelleher observed that the offloading of such large numbers of vehicles in a very short time period would contribute to serious traffic backups in Falmouth. Therefore, he asked management to reconsider whether those arrival times could be spread out a little bit more.

With respect to the Nantucket schedule, Mr. Tiberio stated that the only major change was with how management was proposing to address the freight issue and that, based upon the Authority's experience this past summer, management was equating two trips of the lengthened *Katama* with three trips of the *Sankaty*. Accordingly, Mr. Tiberio said, during several times of the year when the *Sankaty* previously had operated seven days a week, management was proposing to operate the *Katama* only Mondays through Fridays (although the *Katama* would operate seven days a week during the Spring schedule while the *Sankaty* operates only Mondays through Fridays). Mr. Tiberio noted that, as a result of this change, the Authority would no longer have to crew one of its freight boats for a seven-day-a-week operation.

However, Mr. Tiberio cautioned that management did not yet know whether its proposed freight schedules would be adequate to meet the trucking industry's bulk reservations demand. In this regard, Mr. Tiberio said that the Authority already had asked the trucking firms for their 1999 bulk reservations requests, and that those requests were then being entered into the system on the assumption that the 1999 vessel operating schedules would be approved as proposed. Mr. Tiberio stated that if it turned out that the proposed schedules did not have sufficient capacity to meet the freight demand during certain times of the year, management would attempt to make some adjustments to the proposed freight schedules prior to the Members' next meeting on October 8, 1998.

Mr. Tiberio also noted that, under the proposed 1999 operating schedule, the *Finest* would continue to operate four trips a day, although there would be an earlier trip from Nantucket in the morning and a later trip to the island in the evening. Mr. Tiberio said that one problem resulting from that change was the vessel's daily four-hour layover on Nantucket, and that management was still trying to adjust the schedule so that the layover could be in Hyannis, which would provide for suitable crew relief times and allow the Authority to perform maintenance work on the vessel in a more efficient manner.

In response to a question from Mr. Rappaport, Mr. Tiberio reported that there would not be any significant cost associated with the proposed five hour increase in the *Finest's* operating day. In this regard, Mr. Tiberio stated that,

while the Authority had been operating the *Finest* with a double crew this past summer, it had incurred a considerable amount of overtime whenever the vessel's operating day went beyond twelve hours. Next year, Mr. Tiberio said, management was proposing to triple-crew the vessel, which would eliminate that overtime and result in pretty much the same cost. At Mr. Rappaport's request, Mr. Tiberio stated that he would have that cost quantified prior to the Members' next meeting.

Mrs. Grossman asked whether management could consider changing the time of the *Finest's* last daily trip so that the vessel left Hyannis at 6:00 p.m. instead of 5:45 p.m. Mrs. Grossman noted that the *Finest* would then arrive at Nantucket by 7:00 p.m., which would still leave a one-half hour turnaround time before her last scheduled departure from the island at 7:30 p.m.

Both Mrs. Grossman and Mr. Rappaport urged management to work actively with the mainland bus companies to coordinate their schedules with the Authority's schedules to the greatest extent possible. In response, Ms. Hughes stated that management already had coordinated the Authority's schedules with the mainland bus companies, but had wanted to present the proposed schedules to the Members before sending them to those companies. Indeed, Ms. Hughes also advised the Members that the short five-minute differences in vessels' arrival times at Woods Hole were being proposed so that they would directly coincide with buses leaving for Boston, and that she thought the public would see a big improvement next year based upon how the schedules had been developed.

Finally, Mr. Tiberio reminded the Members that the *Finest* was included in the proposed 1999 schedules on the assumption that the Authority will renew its charter agreement for the vessel with New York Fast Ferries. In that event, Mr. Tiberio said, the *Finest* will go off line at the beginning of January 1999 and then provide service again from April 1, 1999 through September 30, 1999, after which she will be returned to New York Fast Ferries unless there is an additional extension of the agreement.

Proposed 1999 Reservation Program:

Mr. Tiberio then reviewed management's proposed changes to the 1999 Reservation Program, as set forth in revised Staff Summary #GM-391, dated September 14, 1998. Mr. Tiberio said that management was not proposing any major substantive changes to the program next year because it had appeared to work well over the past summer with very few complaints. Specifically, Mr. Tiberio stated that with management's proposed changes to the program:

- (a) The eligibility requirements for participation in the Headstart program (before it is opened to the general public) and for preferred vehicle spaces and excursion rates will be the same, namely, the individual will have to be an island resident. Once approved each year, island residents will be given a profile number that will then be used for all "Islander Program" benefits.
- (b) Headstart applications will be mailed in October 1998 by first class mail to island residents, who may then request up to five reservations by mail or fax beginning on November 1, 1998. The general public mail-in and fax line open on January 2, 1999, and everyone will be able to make reservations by telephone beginning on March 15, 1999.
- (c) With the exception of three of the reservations made by island residents during the Headstart period, all reservations will continue to be non-transferable. Further, the three transferable reservations held by island residents must be transferred to another vehicle before May 1, 1999 or they will automatically revert back to the general pool of reservations available to the public. (This year the deadline was April 15, 1998.)
- (d) The reservations-only days for the Martha's Vineyard route will again be Fridays through Mondays from June 16 through September 14, 1999, and will also include the days around Memorial Day (May 28 through May 31) and Independence Day (June 30 through July 6).
- (e) Changes are also being considered for the preferred vehicle space benefits for Martha's Vineyard, including allowing island residents to change their preferred space reservations at any time prior to departure without penalty, and not allowing any preferred space to be purchased more than seven days prior to travel. (Preferred spaces from the island would then be sold on a one-way basis or in

combination with a return drawn from regular space or with an open ticket that can subsequently be drawn from preferred availability.)

- (f) A customer who arrives at a terminal with a reservation for a different vehicle than the one he or she is driving will be required to turn over the boarding pass to the Authority without a refund and purchase a new reservation. In order to reinforce the non-transferability policy, the Authority will then contact the person who originally purchased the ticket and may prohibit that person from thereafter participating in the program if it is found that he or she has been repeatedly violating the policy.

In response to a question from Mr. Rappaport, Mr. Tiberio stated that there would be problems associated with allowing customers to call in for same-day reservations on standby days as customers now can do during reservations-only periods. For example, Mr. Tiberio said, the Authority might never be able to move standby vehicles if other customers could call in and obtain reservations for spaces that the standby cars otherwise would occupy.

Both Mr. Rappaport and Mr. Murphy declared that they were skeptical about moving the deadline by which customers can transfer three of their five Headstart reservations from April 15th to May 1st. Mr. Rappaport also stated that he would like to see the time period within which residents can travel on excursion fares during the summer increased from five days to either nine or sixteen days, although he recognized that any such change would have revenue implications for the Authority.

In response, Mr. Lamson stated that it appeared that increasing the time period for excursion travel on the Martha's Vineyard route from five to nine days would result in a decrease of around \$40,000 in revenues, without taking into account the possible loss of additional revenues due to more residents traveling off island and thereby taking up spaces that otherwise would have been filled by customers paying full fare. Commenting that such an amount seemed to be small when compared to the additional convenience that would inure to island residents, Mr. Rappaport asked Mr. Lamson for a more detailed analysis of the revenue implications if such a change in the excursion policy were made.

Noting that the Authority was going to be sending out the Headstart reservations material to all eligible island residents by first-class mail, Mr. Kelleher observed that it did not appear necessary or desirable to spend any

additional money to advertise the program. Mr. Kelleher also raised the issue of whether the Authority should consider expanding the reservations-only period from Fridays through Mondays to seven days a week during the summer months. Mr. Kelleher recounted how there had been some major traffic back-ups in Falmouth during the three mid-week standby days this past summer, and stressed how the reservations-only program results in an even flow of traffic as well as more convenience to the Authority's customers by moving their vehicles through smoothly and efficiently.

In this regard, Mr. Kelleher also expressed his concern that there would be a larger backup of standby vehicles at the Authority's terminals in 1999 once the Authority began accepting reservations for all of the *Governor's* fifty vehicle spaces. This past year, he noted, the Authority had only accepted reservations for 24 of those spaces, which allowed a large number of standby cars to be transported on each trip of that vessel.

Treasurer's Report:

Mr. Lamson reported that the Authority's actual net operating income for July was around \$3,409,000, bringing the Authority's net operating loss for the first seven months of 1998 down to \$718,000, approximately \$48,000 higher than management's revised budget estimate. Mr. Lamson also stated that, for the month of August, it appeared that higher than anticipated revenues would be partially offset by higher operating expenses, leaving the Authority with an estimated net operating income of \$4,183,000 for that month, approximately \$88,000 higher than projected. As a result, after the first eight months of 1998 the Authority's net operating income was around \$3,465,000, approximately \$40,000 higher than the revised budget estimate, and Mr. Lamson estimated that if the Authority were able to meet its budget projections for the remainder of the year, its net operating income for 1998 would be around \$2,279,000.

Mr. Lamson also explained how the Authority's net operating income is used to meet the Authority's various legal obligations, such as making bond principal payments when they become due. Mr. Lamson further noted that the Authority's enabling act requires the transfer of its cash balances to special purpose funds on a monthly basis, first to an operations fund and then, if there is any excess, to the following funds in the following order: a sinking fund to satisfy bond principal and interest payments; a replacement fund; a reserve fund to cover potential operating deficits; and, finally, a bond redemption

account that can be used to pay bonds ahead of maturity or for capital projects.

Proposed 1999 Operating Budget:

Mr. Lamson reported that, pursuant to management's proposed 1999 Operating Budget, as set forth in Staff Summary #A-370, dated September 11, 1998, the cost of service in 1999 was expected to reach \$46,218,000, which represented an increase of 1.4%, or approximately \$658,000, over 1998 operating expenses. Mr. Lamson also stated that 1999 operating revenues had been projected using the actual traffic statistics for the twelve-month period ending August 31, 1998 and included an additional \$700,000 from rate increases that would be needed to cover the projected cost of service and provide sufficient cash flow from the Authority's operations to meet the following year's fund transfer requirements. Finally, Mr. Lamson said that, based on management's estimated revenues and expenses, the Authority's net operating income for 1999 was expected to be approximately \$2,265,000, which was about the same amount projected for this year in the 1998 Revised Operating Budget.

Mr. Rappaport questioned the omission from the proposed budget of any funds for police services, noting that based upon what he had observed the police officers around the terminals on Martha's Vineyard were necessary at times and provided a service. In response, Mr. Tiberio stated that the omission of such funds from the proposed budget did not mean that the Authority would not have a need for police during 1999, but that they would no longer be automatically scheduled as they had been in the past. Mr. Tiberio observed that the cost of police services had grown over the prior couple of years to the extent where they had become a fixed item whether or not the Authority needed them on a particular day. In the future, he hoped that the terminal managers would instead use their discretion in deciding when to request such services.

While agreeing with Mr. Tiberio's concerns, Mr. Rappaport nevertheless stated that it did not seem appropriate to reduce the police services budget to zero when the Authority already knew that such services would be needed on occasion. However, Mr. Tiberio stated that a portion of the overall terminal operations labor budget had been earmarked for this purpose.

In response to another question from Mr. Rappaport, Mr. Lamson confirmed that the costs associated with the development of a new reservations

bureau on Martha's Vineyard would be included in the proposed 1999 Capital Budget rather than the operating budget.

Mr. Rappaport then observed that the proposed operating budget showed a significant projected operating surplus for the Martha's Vineyard route while at the same time anticipating an operating deficit for the Nantucket route, and that it thus appeared that 1999 would be the third year in a row that the Martha's Vineyard route would be subsidizing the Nantucket route. Recounting how it had been the Authority's policy since 1979 to allocate the Authority's operating costs by route, Mr. Rappaport declared that such allocations had appeared to have gotten significantly out of line, and asked Messrs. Tiberio and Lamson to propose a way to ensure that those subsidies will be compensated for in the future and that each route pays for itself.

Mrs. Grossman agreed with Mr. Rappaport that each route should pay for itself over the long term, but noted that the Authority's cost allocation by route historically has fluctuated from year to year depending upon which route needs additional services and projects at a particular time. Mrs. Grossman also noted that in the near future the Nantucket route may once again be subsidizing the Martha's Vineyard route for a while due to the anticipated renovation of the Oak Bluffs terminal, the conversion of the *Gay Head* and the development of a new Martha's Vineyard reservations bureau.

Nevertheless, Mr. Rappaport declared that the cost allocation between the two routes had never been as much out of line as it was at that time, and he wanted to be assured that a mechanism is in place so that when those projects are undertaken, the Martha's Vineyard route will receive a credit for the time when it has subsidized the Nantucket route and over time each route will have paid for itself.

Mr. Lamson suggested that one approach might be to review annually the accumulated net income from operations for each respective route over a rolling ten-year period, and then to determine how much the cost allocation by route has been out of line over that period. Once the amount was determined, Mr. Lamson said, adjustments could be made to recover the difference over a five-year period, so that the Authority would not be required to impose large tariff increases or decreases in any one year. Finally, Mr. Lamson stated that, by the Members' October meeting, management would have an estimate of the allocation of revenues and expenses by route for 1998, and also would be able to see how such an adjustment on a rolling basis would work for the future.

Mr. Tornovish also suggested that at least part of the difference in the accumulated net income from operations for each route might be attributable to how the Authority's expenses have been allocated over the years. Noting that the allocation formulas have not been reviewed for more than ten years, Mr. Tornovish also said that it appeared to be time to revisit them.

Proposed 1999 Rate Adjustments:

Mr. Lamson then reported that, based upon an allocation of projected 1999 revenues and cost of service, management was recommending that an estimated \$700,000 revenue shortfall should come entirely from an increase in Nantucket rates. Noting that current freight rates did not cover the operating costs of a freight boat and that the number of automobiles traveling at reduced excursion rates was continuing to increase as a percentage of the total number of automobiles carried, Mr. Lamson recommended the following specific rate adjustments for the Nantucket route for the 1999 calendar year:

- (a) An increase in the one-way Nantucket passenger fare on conventional ferries from \$11.00 to \$12.00;
- (b) An increase in the one-way passenger fare on the *Finest* from \$22.00 to \$23.00 and in the round trip fare from \$40.00 to \$42.00;
- (c) An increase in the Nantucket regular one-way automobile rates by \$1.00 year round;
- (d) An increase in the Nantucket automobile excursion rates during the shoulder seasons from \$77.00 to \$82.00; and
- (e) An increase in Nantucket commercial vehicle rates by approximately 3% year round.

Mr. Lamson stated that the additional revenue derived from the above rate adjustments was estimated to be around \$755,000.

Although Mrs. Grossman acknowledged that the Authority was going to have to increase its rates in 1999, she stated that she did not want any increases in the automobile excursion rates during the shoulder seasons. Therefore, Mrs. Grossman suggested that the Authority instead increase the

regular automobile rate by one dollar during the summer and increase the rates for hazardous cargo shipments as well.

Mr. Tornovish agreed with Mrs. Grossman that the excursion rates should not be increased, and he further suggested that the proposed three percent increase in the freight rates could be reduced to two percent by increasing the regular automobile rate during the summer by two dollars instead of one dollar. Mr. Tornovish observed that such a marginal increase in the regular automobile rate was certainly not going to be a burden on anyone trying to bring a car to the island during the summer, while a lower freight rate would help keep the cost of living down for Nantucket residents on a year-round basis.

With respect to Mrs. Grossman's suggestion, Mr. Sayers assured the Members that it would be legal for the Authority to impose a premium rate on hazardous cargo shipments and that, indeed, it appeared that the Authority had good reasons for doing so. Mr. Tiberio also noted that increasing the hazardous cargo rate would make it more attractive for those customers to barge their fuel, petroleum products and other hazardous cargo to the island instead of transporting them by truck on the Authority's vessels. Although he said that he did not know how much the Authority would have to increase its rates in order for barges to be competitive, Mr. Tiberio declared that it certainly would be a benefit to the Authority to get those hazardous cargo trucks off of the Authority's vessels.

Observing that this was a very important issue to Hyannis, Mr. O'Brien declared that he certainly supported increasing the hazardous cargo rates in an effort to get those trucks off of the Authority's vessels. However, because Mr. Rappaport had not considered the issue as to whether hazardous cargo on the Martha's Vineyard route similarly should be charged a premium, the Members agreed with Mr. Murphy's suggestion that this subject should be discussed again at their October meeting but not voted on until November.

In response to a concern expressed by Mr. Asendorf that the automobile excursion fare continued to be considerably less than the cost of the service, Mr. Rappaport declared that the Authority had an obligation to maintain its lower excursion rates during the off-season so that year-round island residents could afford to travel, noting that neither year-round island community was wealthy. Mrs. Grossman agreed, observing that it was not only expensive for Nantucket residents to travel to the mainland, but it also took more than two hours each way. Without such excursion fares, Mrs. Grossman said, children

who live on the island might never be able to afford to see a museum, or go to Boston, or experience other cultural and social events that children on the mainland take for granted.

Proposed Licensing Moratorium:

In response to an overwhelming number of requests from public officials, business groups and citizens of our communities, Mrs. Grossman moved for a temporary moratorium on the licensing of any additional passengers to the islands of Martha's Vineyard and Nantucket. With respect to Nantucket, Mrs. Grossman said, the moratorium would last until the island has formulated its comprehensive plan ensuring that the infrastructure around its port areas can handle the increases without harming the fragility of the island, and the Authority is also assured that the infrastructure around the mainland port areas can handle such increases without harming the fragility of their communities. With respect to Martha's Vineyard, the moratorium would last until the island similarly has formulated its plan to ensure that the infrastructure around its port areas can handle the increases without harming the fragility of the island, and the Authority is also assured that the infrastructure around the mainland port areas can handle such increases without harming the fragility of their communities; provided, however, that the moratorium with respect to Martha's Vineyard would not last beyond the 1999 summer season unless extended by another vote of the Members if requested to do so by the Martha's Vineyard Commission.

Mrs. Grossman stated that, during the moratorium, no person operating a vessel with a Coast Guard approved capacity rating in excess of forty passengers for the carriage of passengers for hire between the mainland and the islands would be permitted to operate any additional trips or vessels, or to increase the number of passengers carried on any trip, beyond what is currently licensed by the Authority or is otherwise "grandfathered" under the Authority's enabling act. Similarly, except in exigent circumstances, the Authority would not increase the number of trips or vessels it operates between the mainland and the islands beyond what it has been operating during the current 1998 summer season.

After seconding Mrs. Grossman's motion for discussion, Mr. O'Brien observed that the proposed moratorium would basically mean that the licensed carriers would not be allowed any passenger increases and that the Authority

similarly would be restricted in terms of the number of its trips and vessels over what it had operated in 1998. However, Mr. O'Brien stated that he was concerned about the open-ended nature of the proposed moratorium, and moved to amend the motion by inserting the following paragraph at its end: "Notwithstanding the foregoing, this moratorium shall be reviewed not later than the August 1999 meeting."

After Mrs. Grossman seconded his motion to amend, Mr. O'Brien said that while he would prefer to have the moratorium reviewed by a date earlier than August 1999, he would not have any objection to Mrs. Grossman's motion if it were amended as proposed. Mr. O'Brien also stated he could support such an amended motion because it appeared to be the direction where the Members wanted to go, but that he frankly did not think that a moratorium was needed because the Members had the power anyway to control the number of passengers that other ferry operators could carry if that is what they wanted to do.

In response to a question from Mr. Rappaport, Mrs. Grossman stated that Nantucket's comprehensive plan should be completed by no later than July 1999, although its schedule had changed many times. Still, Mr. Kelleher observed that the adoption of Mr. O'Brien's proposed amendment would allow the Authority to keep control of its own decision-making without tying it into the completion of that plan.

Mr. Rappaport then read a letter dated September 16, 1998 that he had received from Charles W. Clifford, Executive Director of the Martha's Vineyard Commission. The letter stated as follows:

"The Martha's Vineyard Commission, meeting in Regular Session on Thursday, August 20, 1998 did discuss the issue of the impact of passenger/pedestrian growth on the existing infrastructure of the ports or receiving towns on the Island of Martha's Vineyard.

"Following discussion the Commission did formally vote, on a motion by Mr. Jason, duly seconded, to ask the Steamship Authority to impose a temporary moratorium not to exceed one year, on the licensing of any additional or expanded passenger only ferry service to Martha's Vineyard until the Island (re: the Commission) has formulated a plan that would ensure that the infrastructure around the receiving port areas could handle the increased pedestrian traffic without harming the fragility of the Island.

"The vote was unanimous.

"The Commission intends to pursue this activity forthwith and will be contacting you shortly regarding potential financial support from the Authority."

Mr. Rappaport then stated that he had in fact received a subsequent letter from the Commission in which the Commission had requested the Authority to contribute between \$25,000 and \$30,000 in order for them to undertake such a study, which they anticipated would be completed by the middle of the 1999 summer season. Mr. Rappaport suggested that the Members authorize Mr. Tiberio not only to discuss the matter with Mr. Clifford to determine whether the Authority already might have some information in its possession that would be helpful to the Commission, but also to spend up to \$25,000 to assist the Commission in undertaking the study if Mr. Tiberio were satisfied of the need for such funds.

Mr. Tiberio stated that he would meet with Mr. Clifford, review what the Commission had in mind, and report back to the Members at their October meeting. Mrs. Grossman and Mr. O'Brien also agreed with Mr. Rappaport that it would not make any sense for the Authority to adopt the proposed moratorium if the Commission did not have the resources to develop the type of plan contemplated by Mrs. Grossman's motion.

Because of the impact that the proposed moratorium would have on private ferry operators as well as the Authority, Mr. Rappaport asked R. Murray Scudder, Jr., Vice President of Hyannis Harbor Tours, Inc. ("Hy-Line"), whether he wished to comment on the subject. In response, Mr. Scudder stated that he hoped the islands' comprehensive plans will address the impact that all modes of transportation have on the islands.

Both Mrs. Grossman and Mr. Rappaport agreed with Mr. Scudder. In this regard, Mrs. Grossman noted that Nantucket's plan was even addressing the issue of transportation on the island once people got there. Mr. Rappaport similarly stated that, while the direction of the moratorium was to study the congestion around the port areas on both the islands and the mainland to determine what can be done to accommodate and improve the situation, the Members hoped that the islands' plans would look at all modes of transportation, as they did not want to limit one segment of the public from traveling while others who can afford the luxury of air travel could continue to come and go at will.

IT WAS VOTED -- on Mr. O'Brien's motion, seconded by Mrs. Grossman -- to amend Mrs. Grossman's motion for a temporary moratorium on the licensing of any additional passengers to the islands of Martha's Vineyard and Nantucket by inserting the following paragraph at the end of the motion:

"Notwithstanding the foregoing, this moratorium shall be reviewed not later than the August 1999 meeting."

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

VOTING NAY: None

IT WAS VOTED -- on Mrs. Grossman's motion, as amended, seconded by Mr. O'Brien, -- that the Authority adopt a temporary moratorium on the licensing of any additional passengers to the islands of Martha's Vineyard and Nantucket, as follows:

- (a) With respect to Nantucket, the moratorium shall last until the island has formulated its comprehensive plan ensuring that the infrastructure around its port areas can handle the increases without harming the fragility of the island, and the Authority is also assured that the infrastructure around the mainland port areas can handle such increases without harming the fragility of their communities.**
- (b) With respect to Martha's Vineyard, the moratorium shall last until the island similarly has formulated its plan to ensure that the infrastructure around its port areas can handle the increases without harming the fragility of the island, and the Authority is also assured that the infrastructure around the mainland port areas can handle such increases without harming the fragility of their communities; provided, however, that the moratorium with respect to Martha's Vineyard shall not last beyond the 1999 summer season unless extended by another**

vote of the Members if requested to do so by the Martha's Vineyard Commission.

- (c) During the moratorium, no person operating a vessel with a Coast Guard approved capacity rating in excess of forty passengers for the carriage of passengers for hire between the mainland and the islands shall be permitted to operate any additional trips or vessels, or to increase the number of passengers carried on any trip, beyond what is currently licensed by the Authority or is otherwise "grandfathered" under the Authority's enabling act. Similarly, except in exigent circumstances, the Authority shall not increase the number of trips or vessels it operates between the mainland and the islands beyond what it has been operating during the current 1998 summer season.**

Notwithstanding the foregoing, this moratorium shall be reviewed not later than the August 1999 meeting.

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

VOTING NAY: None

In conjunction with the temporary moratorium on ferry service to the islands, Mrs. Grossman then moved for the Members to direct the General Manager to contact all ferry operators serving the islands requesting that they join with the Authority in cooperating with the islands' various planning agencies to develop and implement reasonable and fair plans that will not only provide for the economic needs of the islands, but also ensure the long-term preservation of the unique character of both the islands and the Authority's mainland port communities. Mr. Kelleher seconded the motion.

In response to a question from Mr. Rappaport, Mr. Scudder declared that Hy-Line was fully in support of such cooperation. Further, Mr. Scudder said that although Hy-Line would have liked this effort to have begun in 1997 and also hoped that the Authority would continue to be sensitive to changes in the market place, it would certainly sit down now and join with the Authority to make this work for everybody.

IT WAS VOTED -- on Mrs. Grossman's motion, seconded by Mr. Kelleher -- to direct the General Manager to contact all ferry operators serving the islands requesting that they join with the Authority in cooperating with the islands' various planning agencies to develop and implement reasonable and fair plans that will not only provide for the economic needs of the islands, but also ensure the long-term preservation of the unique character of both the islands and the Authority's main-land port communities.

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

VOTING NAY: None

Old and New Business:

At approximately 12:15 p.m., Mr. Rappaport entertained a motion to go into executive session, and announced that the Members would not reconvene in public after the conclusion of the executive session.

IT WAS VOTED -- on Mrs. Grossman'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: Mr. Rappaport, Mr. Kelleher and Mrs. Grossman

VOTING NAY: None

A TRUE RECORD

GRACE S. GROSSMAN, Secretary

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

The Meeting in Public Session

October 8, 1998

The Members of the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority met this 8th day of October, 1998, beginning at 9:38 a.m., in the Old Agricultural Hall on State Road in West Tisbury, Massachusetts.

Present were three of the Authority's Members: Chairman Ronald H. Rappaport of Dukes County; Vice Chairman Paul R. Kelleher of Falmouth; and Associate Secretary Robert L. O'Brien of Barnstable. Although Secretary Grace S. Grossman of Nantucket was not present, she participated throughout the meeting by speaker telephone.

Also present were all three members of the Authority's Finance Advisory Board: Robert C. Murphy of Dukes County; S. Eric Asendorf of Falmouth; and Steven A. Tornovish of Nantucket.

The following members of the Authority's management were also present: General Manager Armand L. Tiberio; Treasurer/Comptroller Wayne C. Lamson; Marketing and Public Relations Manager Deborah Hughes; Engineering and Maintenance Manager James P. Swindler; MIS Manager Mary T. H. Claffey; Reservations Manager Gina Barboza; Vineyard Haven Terminal Manager Bridget Tobin; and Executive Secretary to the General Manager Maxine Horn.

Mr. Rappaport began the meeting by thanking the Preservation Society for making the Old Agricultural Hall available that day, and declared that the Authority was privileged to be the first organization to meet in the beautifully renovated theater, which was an outstanding example of historic preservation on Martha's Vineyard.

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 September 17, 1998, subject to further review at the Members' November 19, 1998 meeting of the portion of the minutes pertaining to the Reservations Program.

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

Mrs. Grossman also stated her support for the motion by telephone.

Mr. O'Brien noted that there had been an omission in a letter that had been mailed to private ferry operators after the September 17, 1998 meeting informing them of the licensing moratorium that the Members had approved at that meeting. Specifically, Mr. O'Brien said, the letter did not include the portion of the Members' vote stating that the moratorium would be reviewed not later than the August 1999 meeting, and he asked that an amendment to the letter be sent to advise the ferry operators of that aspect of the moratorium.

1999 Vessel Operating Schedules:

Mr. Tiberio reviewed the revisions that management had made to their proposed 1999 Vessel Operating Schedules since the Members' last meeting, as set forth in Staff Summary #GM-394, dated September 30, 1998. With respect to the Martha's Vineyard route, Mr. Tiberio stated that the principal change from the 1998 schedule was still the decision to operate only four vessels during the summer season instead of five, on the assumption that both the *Governor* and the *Gay Head* will be refurbished during the upcoming off-season to increase their respective vehicle capacities. As a result, Mr. Tiberio said, the *Sankaty* will become a true spare vessel next summer and will be operated only if the Authority has to temporarily increase service due to a vessel malfunction or unusually bad weather.

Mr. Tiberio also acknowledged that the revised schedules did not address the concern that the Members had expressed at their September 1998 meeting

over the proposed short five-minute time periods between certain arrival times of vessels at the Woods Hole terminal during the summer season, and he said that management would continue to work on increasing the difference between those arrival times to mitigate traffic impacts.

With respect to the proposed Nantucket schedule, Mr. Tiberio stated that management had revised the high-speed ferry schedule to provide for an earlier morning trip from the island in an effort to address a concern expressed by Nantucket residents. Mr. Tiberio said that management was proposing to operate this schedule during the months of April and May 1999, but that if it did not prove to be efficient, to revert back to the current schedule that the fast ferry has been following since May 1998.

Mr. Rappaport noted that the four-vessel schedule for Martha's Vineyard during the summer would be an improvement for Vineyard Haven harbor, and he expressed his opinion that the Authority should resist any temptation to use the *Sankaty* for any reason other than as a spare vessel. Mr. Kelleher agreed, although he expressed his continuing concern over the short periods between vessel arrival times at Woods Hole. Mr. Kelleher thanked management for reviewing the schedule further with a view towards increasing those periods so that there would be at least fifteen-minute differences between such arrival times, and he observed that such a goal should be easier to accomplish with only four vessels in operation instead of five.

Mr. Kelleher also agreed that it was worthwhile to change the Spring 1999 fast ferry schedule so that Nantucket residents will be able to travel to the mainland earlier in the morning, and he suggested considering whether that schedule should be maintained through June 15th instead of only through the end of May. However, Mrs. Grossman said that it would be necessary to make the decision in May as to what schedule should be run for the rest of the summer in order to make certain that the bus schedules were tied into the fast ferry's schedule. In this regard, Ms. Hughes assured the Members that the Authority's schedules had been coordinated with those of the Bonanza and Plymouth & Brockton bus lines, and that both companies were very agreeable to working with the Authority on this subject.

In addition, Mr. Tiberio advised the Members that, under the proposed Spring 1999 fast ferry schedule, the vessel would be berthed overnight on Nantucket. As a result, maintenance would be performed on the island after the vessel ties up for the night, and the Authority would have to make certain that it is able to provide adequate sleeping arrangements for the crew.

Mr. Kelleher then discussed how, with the increased capacity of both the *Gay Head* and the *Governor*, the proposed four-vessel schedule for Martha's Vineyard during the summer would still result in an additional 112 vehicles spaces every day than what the Authority had available during the 1998 summer season. Mr. Kelleher expressed his concern that the Woods Hole terminal simply could not handle such an increase in capacity, noting that in September 1996 the Authority had been advised by KJS Associates, Inc. that the terminal already was near capacity, and that since then traffic had increased even more. Observing how Martha's Vineyard was also concerned with the large number of automobiles being transported to the island, Mr. Kelleher suggested that both communities might be well served if the Authority were to eliminate two trips a day from the proposed schedule in order to maintain the same capacity that it had during the 1998 summer season.

Mr. Rappaport declared that he shared Mr. Kelleher's concern, but emphasized that the increase in capacity was needed in order to accommodate the growth in freight traffic to the island. In this regard, he noted that freight traffic to Martha's Vineyard during 1998 had increased by approximately five percent, and he observed that it was difficult to predict whether that growth would continue through 1999. Therefore, Mr. Rappaport said that he felt any reduction in the number of trips would unduly constrain the Authority's ability to respond to any further increases in the island's freight demands

Nevertheless, Mr. Rappaport agreed that if this increase in capacity is not used by freight trucks, it should not revert to the general pool of automobile reservations. Instead, Mr. Rappaport said, the unused spaces should be set aside and allocated for people who need to travel due to medical and other last-minute unforeseen emergencies.

IT WAS VOTED -- upon Mr. Kelleher's motion, seconded by Mr. O'Brien -- to approve the proposed 1999 vessel operating schedules as set forth in Staff Summary #GM-394, dated September 30, 1998, with the following amendments:

- (a) that management will attempt to spread out the vessel arrival times in Woods Hole so that, to the extent feasible, there is a minimum of fifteen minutes between such times;**

- (b) **that the Spring 1999 fast ferry schedule will revert to the current 1998 schedule on June 1, 1999 or as soon thereafter as practicable, unless otherwise voted by the Members; and**
- (c) **that any increase in capacity on the Martha's Vineyard route during the 1999 summer season not used by freight trucks will not be available for general automobile reservations, but will instead be set aside for people who need to travel due to medical and other last-minute unforeseen emergencies.**

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

Mrs. Grossman also stated her support for the motion by telephone.

1999 Reservation Program:

Mr. Tiberio then reviewed management's proposed changes to the 1999 Reservation Program, as described in Staff Summary #GM-395, dated September 30, 1998. Mr. Tiberio said that management was not proposing any major substantive changes to the program in 1999 because it had appeared to work well over the past summer with very few complaints. Specific changes to the program discussed by Mr. Tiberio included the following:

- (a) With the exception of three of the reservations made by island residents during the Headstart period, all reservations will continue to be non-transferable. However, management was proposing to allow island residents until May 1, 1999 (this year the deadline was April 15, 1998) to transfer the three transferable reservations to another vehicle before they automatically revert back to the general pool of reservations available to the public.
- (b) Martha's Vineyard residents will be allowed to change their preferred space reservations at any time prior to departure without penalty, and to purchase preferred spaces from the island on a one-way basis or in combination with a return drawn from regular space or with an open ticket that can subsequently be drawn from preferred availability.

- (c) In order to ensure the integrity of the program, customers who arrive at a terminal with reservations for different vehicles than those they are driving will be required to turn over their boarding passes to the Authority without a refund and to purchase new reservations. The Authority will then contact the persons who originally purchased the tickets and may prohibit those persons from thereafter participating in the program if it is found that they have been repeatedly violating the policy.
- (d) After reviewing the issue since it was discussed at the September 17, 1998 meeting, management was proposing to allow Martha's Vineyard travelers to be able to make "day-of-sailing" reservations on standby days during the non-summer schedules, although they will still be prohibited from doing so on guaranteed standby days during the summer season.

Saying that the 1998 reservations-only program was a marked improvement from 1997, Mr. Tiberio reported not only that the Authority handled more vehicles while still managing to keep traffic flows under control, but also that more people were finding the program to be a better way of traveling to and from the island than traveling on standby. Nevertheless, Mr. Tiberio said, management had decided not to recommend going to a reservations-only program seven days a week during the 1999 summer season, believing that the Authority needed one more year of experience with the program before entirely eliminating standby travel during the following year's summer season.

Mr. Kelleher expressed his concern that having a program which went back and forth among reservations-only days, standby days without "day-of-sailing" reservations, and standby days with "day-of-sailing" reservations made the system too complicated for the Authority's customers, requiring them to remember which program was in effect depending on which day of the week it was as well as which season it was. Accordingly, Mr. Kelleher argued that it would be far more consistent and less complicated to go to a reservations-only system seven days a week on a year-round basis, and to increase the number of preferred spaces during the weekdays for island residents. Mr. Kelleher said that it seemed to him always to be to the customer's advantage to be able to obtain a reservation from home simply by spending a couple of minutes on the telephone as opposed to waiting a couple of hours in the standby line without a reservation.

Mr. Rappaport agreed that it appeared inevitable the Authority would move to a seven-day-a-week reservations-only policy, but felt that the program had not yet been sufficiently refined to where the public was able to work their way through the system and be reasonably assured of passage. Mr. Rappaport stated that the biggest complaint he had heard was the inability of the public to obtain reservations during the off-season, because the Authority does not allow freight boat reservations to be made except during the summer. For this reason, Mr. Rappaport said, he would encourage expanding the reservations-only program year round in the future, so that the public would be able to make reservations on the freight boats during the shoulder seasons.

Mr. Rappaport also declared that he did not agree with management's recommendation to allow island residents until May 1, 1999 to transfer their three transferable Headstart reservations, saying that he actually did not believe any of the reservations should be transferable and, therefore, had only reluctantly voted for the April 15th deadline the previous year. Mr. Rappaport observed that extending the deadline from April 15th to May 1st would result in making those vehicle spaces unavailable to the traveling public for fifteen more days, and said that he could not support such a change.

In response to a question from Ann Floyd, Mr. Rappaport stated that he would not support any change to the Headstart program that would allow island residents to purchase ten one-way reservations instead of five round trips. Mr. Rappaport noted that the purpose of the Headstart program was to ensure that island residents were afforded a minimum amount of access back and forth between their homes and the mainland; it was not to provide the rental industry with the ability to reserve spaces before the general traveling public in order to get one of their customers off the island on one ticket and then have another one of their customers arrive on another ticket.

IT WAS VOTED -- upon Mr. Kelleher's motion, seconded by Mr. O'Brien -- to approve the proposed 1999 Reservations Program, as set forth in Staff Summary #GM-395, dated September 30, 1998, with one change, namely, not to extend the deadline by which island residents must transfer their three transferable Headstart reservations from April 15th to May 1st.

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

Mrs. Grossman also stated her support for the motion by telephone.

Martha's Vineyard Commission:

Mr. Tiberio reported that the Authority had received a request from the Martha's Vineyard Commission to participate in a study of the potential impact of additional passenger ferry service on the ports of Martha's Vineyard and that, in response to the Commission's request, he was recommending that the Authority participate in the study by contributing up to \$30,000.

Mr. Kelleher agreed with Mr. Tiberio's recommendation, although he expressed his opinion that when the Authority is asked by other public entities to finance activities such as this study, they should be done on a shared basis so that the Authority does not contribute more than one-half of their cost. The recommendation was also endorsed by Mr. O'Brien, who stated that the Authority should be willing to support other communities if they were to ask for contributions to undertake similar studies.

IT WAS VOTED -- upon Mr. Kelleher's motion, seconded by Mr. O'Brien -- to approve the expenditure of no more than \$30,000 in support of the study described in the scope of services prepared by the Martha's Vineyard Commission and attached to Staff Summary #GM-392, dated September 28, 1998.

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

Mrs. Grossman also stated her support for the motion by telephone.

Renewal of Freedom Cruise Line License Request:

Mr. Tiberio reported that the Authority had received a request from Alan McMullen (doing business as Freedom Cruise Line) for a renewal of his current license agreement, which will expire after the 1999 summer season, for an additional three-year term with no increase in the licensed passenger capacity

of his vessel, the *Freedom*. In addition, Mr. Tiberio stated that management was recommending approval of Mr. McMullen's request for an additional three-year term from this date, so that the license would expire at the end of the 2001 summer season, and upon the condition that the Authority could revise Mr. McMullen's obligation to pay license fees after the end of the 1999 summer season, since the Authority might desire to review the license fee provisions in all of its license agreements in light of the fact that they all will be expiring by the end of 1999.

However, Mr. McMullen informed the Members that his request was for a renewal of his license from the end of 1999 through the end of the year 2002, and that at the time of his application he was not aware of the possibility of any change in license fees. Mr. McMullen stated that, given his difficulty in agreeing to a new license without knowing what the fees will be after the year 1999, he would rather withdraw his request at this time and apply again next season.

Fast Ferry Project:

Mr. Tiberio then recounted how the Authority had been engaged in what management considered to be the highly successful fast ferry project since May 1998, and requested authorization to exercise the Authority's option to extend the charter agreement for the *Finest* from March 31, 1999 through September 30, 1999. Mr. Tiberio also asked the Members to approve the advertisement of a request for proposals for the design and construction of the Authority's own fast ferry, saying that the Members would be in a position to review the proposals in January or February of 1999 and decide at that time whether or not to proceed with the project. Unfortunately, Mr. Tiberio said, it appeared that even if the Authority then began constructing a new vessel, it could not be finished in less than one year, and the Authority would have no fast ferry in operation from October 1999 through April or May of 2000 unless New York Fast Ferries subsequently agreed to yet another extension of its charter agreement.

Mr. Tiberio also advised the Members that the Authority had submitted requests for two grants in connection with the fast ferry project, one from the federal government in the maximum amount of \$2,000,000 and another one from The Commonwealth of Massachusetts. Mr. O'Brien suggested that the Authority might want to consider having someone else build and operate the

fast ferry under the Authority's direction instead of having the Authority itself build and operate the vessel, especially if the Authority were not successful in obtaining one of those grants. Mr. Rappaport said that he shared Mr. O'Brien's sentiments from a cost viewpoint; however, Mrs. Grossman disagreed, saying that she would not be in favor of awarding to a private company what she considered to be one of the most impressive aspects of the Authority's operations.

IT WAS VOTED -- upon Mr. Kelleher's motion, seconded by Mr. O'Brien -- to extend the vessel charter agreement with Fast Ferry I Corporation from March 31, 1999 through September 30, 1999, and to approve the advertisement of a request for proposals for the design and construction of a new Fast Ferry, as set forth in Staff Summary # GM-393, dated September 30, 1998.

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

Mrs. Grossman also stated her support for the motion by telephone.

1999 Operating Budget and Fare Adjustments:

Mr. Lamson reported that management had made a few refinements to the proposed 1999 Operating Budget, as described in Staff Summary #A-373, dated October 1, 1998. Specifically, Mr. Lamson said, under the new budget, the Authority's cost of service for 1999 was expected to be around \$46,178,000 and its net operating income around \$2,295,000, assuming that the Authority received a \$700,000 increase in revenues from rate adjustments. Therefore, Mr. Lamson stated that he was recommending approval of the proposed budget contingent upon the Members' corresponding approval of at least \$700,000 in rate increases.

Mr. Lamson also reported that, based upon an allocation of projected 1999 revenues and cost of service, management was recommending that all of the estimated \$700,000 in rate increases come entirely from an increase in the Nantucket rates, as follows:

- (a) An increase in the one-way Nantucket passenger fare on conventional ferries from \$11.00 to \$12.00 (and an increase in the other Nantucket passenger rates in generally the same proportion);
- (b) An increase in the one-way passenger fare on the *Finest* from \$22.00 to \$23.00 and in the round trip fare from \$40.00 to \$42.00;
- (c) An increase in the Nantucket regular one-way automobile rates from \$110 to \$115 during the summer season, and a \$1.00 increase in those rates during the rest of the year; and
- (d) An increase in Nantucket commercial vehicle rates by approximately three percent (3%) year round.

Finally, Mr. Lamson stated that, in response to the concerns expressed by the Members at their September 17, 1998 meeting, management was no longer recommending any increases in the automobile excursion rates.

Mr. Rappaport then advised the audience that management had been asked at the September meeting to estimate how much the Authority would lose in revenues if it were to increase the maximum length of stay allowed for excursion tickets during the summer season from five days to sixteen days, which was the maximum length of stay for excursion tickets during the off-season. In response to that request, Mr. Lamson reported as follows:

- (a) If the Authority were to increase the maximum length of stay for excursion tickets from five days to sixteen days during the entire summer season, the Authority would lose around \$171,000 in revenues; or
- (b) If the Authority were to increase the maximum length of stay for excursion tickets from five days to only nine days during the summer season, the Authority would lose around \$102,000 in revenues; or
- (c) If the Authority were to increase the maximum length of stay for excursion tickets from five days to sixteen days only for an additional month in the Spring (from May 14th through June 14th) and an additional month in the Fall (beginning on September 15th instead of October 15th) instead of for the entire summer season, the Authority would lose around \$68,000 in revenues; or

- (d) If the Authority were to increase the maximum length of stay for excursion tickets from five days to only nine days for an additional month in the Spring (from May 14th through June 14th) and an additional month in the Fall (beginning on September 15th instead of October 15th), the Authority would lose only around \$41,000 in revenues.

After hearing Mr. Lamson's report, Mr. Rappaport asked that the maximum length of stay for excursion tickets be increased from five days to sixteen days for an additional month in the Spring and an additional month in the Fall, so that the only time when island residents would not be able to travel for more than five days on an excursion fare would be during the three peak summer months from June 15th through September 14th. In this regard, Mr. Rappaport noted that the Authority's definition of an "island resident" was fairly broad, in that it included both year-round and seasonal residents, and he thought the Authority could arrive at a better definition of that term in the future so that excursion fares would only be available to those in most need of them.

Mr. Rappaport also suggested that, because the percentage of vehicles traveling on excursion rates was continuing to increase every year (possibly due to the fact that the very favorable rate included round trip passage for one vehicle, two adults, two children and an unlimited number of animals), the increase in the maximum length of stay during those two months should be on a one-year trial basis only. In the event the Authority lost more revenues than expected, Mr. Rappaport said that the Members could then take another look at the situation, although he hoped that the Authority would also use the time to better define the term "resident" and thereby restrict the number of people who were eligible for the fare.

Mr. Lamson recounted how the Members also had asked management to develop a method to take into account the past allocation of the Authority's net operating income when considering any future rate increases for Nantucket and Martha's Vineyard. Mr. Lamson stated that one possible approach would be to use a rolling ten-year period, which would include the actual allocations for the prior eight years, an estimated allocation for the current year and a projected budget allocation for the ensuing year, thus arriving at the accumulated allocation for the operating income during this ten-year period in comparison with what the ideal distribution should have been. To the extent that rate increases were necessary, Mr. Lamson said, this distribution would be made over a five-year period to avoid significant fare adjustments in one direction or another for either island. Then, if any additional rate adjustments were neces-

sary, the Authority would look to the proposed budget allocation of revenues and costs of services for the ensuing year to make up any differences. Mr. Lamson stated that the Members could then re-evaluate this adjustment every year before approving any new rate increases.

IT WAS VOTED -- upon Mr. Kelleher's motion, seconded by Mr. O'Brien -- to approve management's proposed 1999 Rate Adjustments, as set forth in Mr. Tiberio's memorandum to the Members dated October 6, 1998, and to increase the maximum length of stay for excursion tickets from five days to sixteen days for an additional month in the Spring (from May 14th through June 14th) and an additional month in the Fall (beginning on September 15th instead of October 15th) on a one-year trial basis.

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

Mrs. Grossman also stated her support for the motion by telephone.

IT WAS VOTED -- upon Mr. Kelleher's motion, seconded by Mr. O'Brien -- to approve management's proposed Policy for the Distribution of Any Future Rate Increases by Routes, as described in Staff Summary #A-372, dated September 30, 1998.

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

Mrs. Grossman also stated her support for the motion by telephone.

IT WAS VOTED -- upon Mr. Kelleher's motion, seconded by Mr. O'Brien -- to approve management's proposed 1999 Operating Budget, as set forth in Staff Summary #A-373, dated October 1, 1998.

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

Mrs. Grossman also stated her support for the motion by telephone.

Treasurer's Report:

Mr. Lamson reported that the Authority's actual net operating income for the first eight months of 1998 was \$3,434,000, approximately \$9,000 higher than anticipated. Accordingly, Mr. Lamson said, if the Authority is able to meet its budget projections for the remainder of the year, its net operating income for 1998 would be slightly less than \$2,300,000.

Proposed Note Resolution:

IT WAS VOTED -- upon Mr. Kelleher's motion, seconded by Mr. O'Brien -- to adopt the proposed note resolution in connection with the refunding of \$5,000,000 Bond Anticipation Notes dated April 7, 1998 and payable November 16, 1998, in the form attached to Mr. Lamson's memorandum to the Members dated October 7, 1998.

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

Mrs. Grossman also stated her support for the motion by telephone.

Old and New Business:

Mr. Kelleher informed the audience that he thought it was unfortunate that the Community Working Group established by Executive Secretary for Environmental Affairs Trudy Coxe to recommend future plans for the Massachusetts Military Reservation had received only four letters from Martha's Vineyard supporting the Authority's attempts to develop a single large parking facility on that property, and that the Group had since forwarded to the Department for Environmental Protection ("DEP") a report which was not particularly supportive of the Authority's efforts. Nevertheless, Mr. Kelleher

said that it would still behoove island residents to send their written comments to DEP as quickly as possible because a failure on the part of DEP to endorse the project would have a significant impact on both the island's economy and its residents.

Mr. Rappaport joined in Mr. Kelleher's comments, and urged everyone to write DEP in support of the Authority's efforts. Mr. Rappaport noted that, in attempting to develop a parking facility at the Reservation, the Authority was trying to secure additional inexpensive parking spaces to induce people to get out of their cars and not create more traffic congestion in Falmouth and on the island. Mr. Rappaport declared that it was baffling to him that the Authority was not being allowed to use a small portion of such a large area that was available and perfectly suited for this purpose.

Mr. Rappaport then announced that the Authority had established a designer selection board for the renovation of the Oak Bluffs terminal, which was comprised of three Authority employees (James Swindler, Wesley Ewell and Kathleen Walters) and four island residents (engineer Fred Sonnenberg, architect Kate S. Warner, Oak Bluffs businessman Marc Hanover and Oak Bluffs Marine Manager Kara O'Connell). Mr. Rappaport stated that the board was developing the criteria for the renovated facility and hoped to be able to present a project outline to the Members at the November 1998 meeting so that the Authority will then be able to issue a request for proposals from prospective design teams for the project.

With respect to this project, Mr. Rappaport declared that, despite his personal reservations as to whether Martha's Vineyard should have high-speed ferry service, he believed it would be short-sighted not to design the new terminal so as to be able to accommodate a high-speed vessel in the event a decision is made to initiate such a service in the future. Mr. Rappaport noted that the terminal's location outside of Oak Bluffs harbor would be suited for high-speed service, unlike facilities in Vineyard Haven or other harbors that were already congested with small boat traffic.

Mr. Rappaport also announced that the Martha's Vineyard Airport Commission had agreed to lease to the Authority four acres in the airport business park, and that the Authority hoped to have the property cleared and available for parking before the 1999 summer season. Mr. Rappaport further stated that the Authority also planned to build a new Reservations Bureau at that site by the year 2000 because the present location for the bureau was no longer adequate for the Authority's needs.

Mr. Tiberio and the Members then responded to a number of questions from the audience regarding such subjects as the design of the Authority's high-speed vessel, the Authority's parking permit program, the *Gay Head* conversion project, the Authority's guaranteed standby program, and the possibility of varying the amount of customers' excursion fares based upon their length of stay on the mainland.

At approximately 12:40 p.m., Mr. Rappaport entertained a motion to go into executive session, and announced that the Members would not reconvene in public after the conclusion of the executive session.

IT WAS VOTED -- on Mr. 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

Mrs. Grossman also stated her support for the motion by telephone.

A TRUE RECORD

GRACE S. GROSSMAN, Secretary

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

The Meeting in Public Session

November 19, 1998

The Members of the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority met this 19th day of November, 1998, 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 Ronald H. Rappaport of Dukes County; Vice Chairman Paul R. Kelleher of Falmouth; Secretary Grace S. 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; S. Eric Asendorf of Falmouth; and Steven A. Tornovish of Nantucket.

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

Minutes:

IT WAS VOTED -- upon Mrs. Grossman's motion, seconded by Mr. Kelleher -- to approve the minutes of the Members' meetings in public session on September 17, 1998 and October 8, 1998.

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

VOTING NAY: None

Strategic Business Plan:

Mr. Tiberio quickly reviewed Staff Summary #GM-396, dated November 13, 1998, regarding the Authority's Strategic Business Plan, which had been originally presented to the Members in August 1997 and subsequently revised in August 1998. Mr. Tiberio said that a number of people within the Authority had developed specific action plans to accomplish each of the long term objectives contained in the Strategic Business Plan, and that the Members were now being asked formally to approve, disapprove or defer those objectives in order to provide management with the appropriate direction on how to proceed. In addition, because the Strategic Business Plan represented an allocation of both financial and labor resources for the organization, Mr. Tiberio stated that management had coordinated the plan with the proposed capital budget in an effort to best meet the demands and needs of the Authority's customers and port communities.

Mr. Rappaport agreed that management needed clear direction from the Members as to where the Authority should be moving, and that the Authority's Strategic Business Plan deserved their fullest consideration on a point-by-point basis. Indeed, because of the plan's extreme importance to the Authority and all of its port communities, Mr. Rappaport asked that its contents be given greater public exposure before being voted on by the Members. Specifically, Mr. Rappaport asked management to forward copies of the various documents to local public officials and planning agencies, and suggested that the Members defer any consideration of the major decisions requested by management until a subsequent meeting in December 1998. In this way, Mr. Rappaport said, the public would be assured of an opportunity both to be present and to provide their input.

The other Members agreed with Mr. Rappaport's suggestion and, ultimately, they also agreed to begin their next regularly scheduled meeting on December 17, 1998 at eight o'clock in the morning so that they would have as much time as necessary to carefully consider each of the issues raised in the plan.

In particular, Mr. Kelleher asked the Members to consider whether the Authority should be spending significant additional amounts of money on the *Governor* due to both her age and limitations in being able to operate only between Woods Hole and Martha's Vineyard during the non-winter seasons. Noting that the Authority already had spent around \$750,000 on the vessel

after receiving her from the United States Coast Guard, Mr. Kelleher expressed his concern about the financial wisdom of investing another \$1,000,000 into the *Governor* to strengthen her bulkheads in order to carry heavier trucks and other vehicles, and he said that he needed to be reassured that this would be the proper course of action.

In response, Mr. Rappaport said that, as far as the Vineyard community was concerned, the *Governor* had been a very successful addition to the fleet and that she had been enthusiastically received by the traveling public. But Mr. Rappaport nevertheless agreed with Mr. Kelleher that management should address the question of whether additional expenditures on the vessel would be a worthwhile investment in light of her anticipated longevity.

Oak Bluffs Terminal Reconstruction Project:

Mr. Tiberio then requested the Members to approve the Reconstruction Program for the Oak Bluffs Terminal, in the form attached to Staff Summary #SP-086, dated November 12, 1998, that had been prepared by the Authority's Designer Selection Board. Mr. Tiberio stated that, once the program was approved, the Authority could begin the competitive process to select a design team that would prepare the final design and engineering plans for the project, which could then be accomplished in various stages over the next six years. Further, Mr. Tiberio said, the Authority would not necessarily have to complete each of the project's stages; rather, the project could be revised or downsized at any time in the future depending upon what financial resources were then available to the Authority.

Mr. Rappaport declared that, in light of the deterioration of the Oak Bluffs pier, it was essential that the project get started immediately in order to completely upgrade the pier in 1999. Although the Designer Selection Board had successfully been able to identify the Authority's immediate needs as well as its long term needs and desires for the terminal, Mr. Rappaport noted that the project could no longer move forward without bringing in a design team, that the pier had to be upgraded no matter what else was done with the facility, and that the subsequent phases of the project could be adopted, deferred or scaled back as the Authority's budget required.

Mr. Kelleher agreed that there was no question that the Oak Bluffs pier needed immediate attention. However, he expressed his concern about how

the estimated cost of the project had grown from \$1,000,000 to somewhere between \$12,000,000 and \$15,000,000, and he questioned whether such a large expenditure was appropriate for a facility that could only be used during the summer season. Mr. Kelleher also pointed out that if all of the projects contained in the proposed capital budget were approved, the Authority would find itself around \$20,000,000 over its bonding limit, and he simply did not think the Authority could afford to commit itself to such a large project in these circumstances. Furthermore, Mr. Kelleher said, the scheduled completion of the project would result in postponing the rehabilitation of the Woods Hole Terminal beyond the year 2005, and he strongly disagreed with such a change in priorities.

Instead, Mr. Kelleher asked that the money designated for the design of the Oak Bluffs Terminal Reconstruction Project be reallocated to the Woods Hole Terminal Rehabilitation Project, and that the Members re-establish the priority of rehabilitating the Woods Hole Terminal before completing the Oak Bluffs project, except for the upgrade of the pier, which Mr. Kelleher agreed needed to be done immediately. In this regard, Mr. Kelleher noted that the Authority had spent little money on the Woods Hole Terminal over the years, even though it was the busiest of all of the Authority's terminals and handled more traffic of all kinds than any of the others.

Nevertheless, Mr. Rappaport argued that, given the fact that everyone agreed that the Oak Bluffs pier had to be significantly upgraded, it made no sense to perform that work in isolation without a sense of how it would fit into an overall future plan for the terminal. Mr. Rappaport said that management was recommending approval of the program only so that the Authority could engage the services of a design team, and that whether any subsequent phase of the overall project were to proceed after the rehabilitation of the pier was something that would be decided in the future on a year-to-year basis.

Mr. Rappaport also agreed with Mr. Kelleher's concerns about the Woods Hole facility, and said that the types of improvements discussed in the past should be included in the capital budget to make the terminal more attractive. In addition, Mr. Rappaport said that he agreed with the statements on this subject that had been made by Representative Eric Turkington in a recent letter sent to the Members. However, Mr. Rappaport declared that he felt it was imperative that work on the Oak Bluffs pier begin immediately in the manner recommended by management.

Mr. Kelleher agreed with Mr. Rappaport that the rehabilitation of the Oak Bluffs pier needed to begin immediately, and he said that he also supported selecting a design team that could subsequently incorporate into their pier work design additional improvements to the Oak Bluffs Terminal that might (but might not) be voted on in the future. Yet Mr. Kelleher pointed out that, as presented, the Reconstruction Program for the Oak Bluffs Terminal included capital commitments through the year 2005 in the aggregate of more than \$12,000,000, and he declared that he could not vote for such a program.

However, Mr. Tiberio assured Mr. Kelleher that, by approving the program, the Members would not be approving the capital expenditures to complete the project. Rather, Mr. Tiberio said that management's purpose in requesting the program's approval was to be able to engage the services of a design team that may well develop suggestions completely different from what was included in the program. Mr. Tiberio stated that after the design team is selected, public hearings would be held on the project and that any revisions to the program resulting from those hearings or suggested by the design team would be brought back to the Members for their approval. Further, Mr. Tiberio said, the Members also would have to approve each individual phase of the project before construction of that phase began.

Mr. O'Brien said that while he agreed with Mr. Kelleher's concerns about spending as much as \$1,500,000 in design fees when the Authority might not go forward with several phases of the project, he nevertheless felt that the Authority had a real need to begin working on the Oak Bluffs pier.

IT WAS VOTED -- on Mrs. Grossman's motion, seconded by Mr. O'Brien -- to approve the Reconstruction Program for the Oak Bluffs Terminal in the form attached to Staff Summary # SP-086, dated November 12, 1998.

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

1999 Proposed Meeting Dates:

IT WAS VOTED -- on Mr. Kelleher's motion, seconded by Mrs. Grossman -- to approve the dates and locations for the Authority's 1999 monthly meetings as set forth on Executive Secretary Maxine Horn's November 19, 1998 memorandum to the Members and Finance Advisory Board (with the April 15, 1999 meeting rescheduled for April 22, 1999).

VOTING AYE: Mr. Kelleher and Mrs. Grossman

VOTING NAY: None

Noting that he might not be reappointed as the Authority's Member from Dukes County in 1999, Mr. Rappaport abstained from voting on the motion.

Proposed 1999 Capital Budget:

Mr. Lamson reported that management was recommending the approval of eleven capital projects, with a total estimated cost of \$630,000 that would be paid for from the Authority's Replacement Fund, and five additional projects, with a total estimated cost of \$11,010,000 that would require the issuance of additional bonds or bond anticipation notes, but that the Members' approval of the budget could be deferred until their next meeting in December 1998. Mr. Lamson also stated that management had reviewed the proposed 1999 capital budget with the Finance Advisory Board, and that they had approved it.

Mr. O'Brien suggested that instead of deferring this subject, the Members might want to approve the eleven items that were going to be paid for from the Replacement Fund, as all of those projects appeared to be justified. However, Mr. Kelleher expressed concern about voting for certain of those items which management had identified as being only "desirable" or "profitable" instead of "essential," with some exceptions. Those exceptions were the acquisition of an emergency generator for the Nantucket Terminal and the refurbishment of the Authority's property at 254 Palmer Avenue in Falmouth for crews' quarters, both of which Mr. Kelleher said he was prepared to vote for as being excellent suggestions.

Noting that only two other capital projects requested by management had not been initially identified as "essential," namely, the offsite parking lot at the Martha's Vineyard Airport Business Park and the leasehold improvements to the Mashpee Reservations Bureau, Mr. Tiberio said that both of those projects had been included on the list because, in his mind, they were essential and could be paid for in 1999 while still maintaining a reserve of \$500,000 for contingencies.

In response to a question from Mr. Asendorf, Mr. Tiberio said that the Authority would not be responsible for transporting its customers between the proposed offsite parking lot at the Martha's Vineyard Airport Business Park and its terminals, but instead was discussing other possible arrangements with the Martha's Vineyard Transit Authority. Mr. Rappaport further stated that the Transit Authority may not be the one responsible for transporting the Authority's customers either, and that another entity might undertake that operation. Mr. Rappaport declared that he felt it was important to have the offsite parking lot as a place to stage vehicles in an emergency, such as when the Authority has to cancel a number of trips due to a hurricane.

Mr. Tiberio also said that the \$100,000 cost estimate for the parking lot, which was based upon the Authority's recent experience in developing a similar lot in Barnstable, included engineering, permitting and development costs for preparing the site as a staging area and parking facility in time for the 1999 summer season, but that it did not include the cost of subsequently developing the site to be the new location for the Martha's Vineyard Reservations Bureau.

IT WAS VOTED -- on Mrs. Grossman's motion, seconded by Mr. O'Brien -- to approve the eleven projects described in management's proposed 1999 Capital Budget that would be paid for from the Replacement Fund, as set forth in Staff Summary #A-374, dated November 12, 1998, and to defer action on the remaining capital projects until the Members' next meeting in December 1998.

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

VOTING NAY: None

Deloitte & Touche LLP 1998 Audit Fee:

IT WAS VOTED -- on Mr. Kelleher's motion, seconded by Mrs. Grossman -- to engage Deloitte & Touche LLP for the audit of the Authority's financial statements for the year ending December 31, 1998, as set forth in Staff Summary #A-375, dated November 13, 1998.

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

VOTING NAY: None

In response to a question from Mr. Asendorf, Mr. Lamson stated that the \$2,800 increase in the audit fee from the prior year was attributable to the promulgation of more auditing standards, which had created more work for the auditors in preparing additional disclosures that were required to be included in the footnotes to the Authority's financial statements.

Treasurer's Report:

Mr. Lamson reported that the Authority had rolled over the bond anticipation notes that had come due on Monday, November 16, 1998, and that the new notes, which are due May 18, 1999, were sold to State Street Bank and Trust Company for a low bid of 2.939% in accordance with the note resolution that had been adopted at the previous month's meeting.

Mr. Lamson also reported that the Authority's net operating income for the month of October 1998 was expected to be slightly higher than had been estimated in the 1998 Revised Operating Budget. As a result, Mr. Lamson said, the Authority's net operating income for the first ten months of 1998 was expected to be around \$150,000 to \$200,000 greater than the revised budget projections.

Food Concession Contract:

Mr. Lamson reported that the Authority had received two proposals in response to its request for proposals for a new five-year Food Concession Contract. One proposal was from the incumbent food concessionaire, Boston Concessions Group, Inc. of Cambridge, Massachusetts, and the other proposal was from Classic Foods of Greenfield, Massachusetts. Mr. Lamson stated that management had determined that Classic Foods did not have the minimum experience qualifications specified by the Authority in the request for proposals and, therefore, were recommending that the contract be awarded to Boston Concessions Group.

Mrs. Grossman thanked Boston Concessions Group for having been cooperative and creative in incorporating a number of local products into its menus on the Authority's vessels, and asked that those efforts be continued in the future because of the popularity of those local products with residents and tourists alike. Mr. Rappaport agreed, although he noted his disappointment in not seeing any local products on the menus from Martha's Vineyard.

In response, Boston Concessions Group manager Chris Ball stated that, in the past, businesses from Martha's Vineyard had not been interested in meeting the price structures and delivery schedules that were required to sell their products on the Authority's vessels. Nevertheless, Mr. Ball declared that Boston Concessions Group would commit itself again to seeking out businesses on the island, as well as in the Authority's other port communities, for more local products. Mr. Rappaport thanked Mr. Ball for that commitment and said that he would be glad to provide whatever assistance he could to facilitate those efforts.

IT WAS VOTED -- on Mr. Kelleher's motion, seconded by Mrs. Grossman -- to award the Food Concession Contract -- Contract No. 15-98 -- to Boston Concessions Group, Inc., of Cambridge, Massachusetts, as described in Staff Summary #A-376, dated November 13, 1998.

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

VOTING NAY: None

M/V Martha's Vineyard Contract:

IT WAS VOTED -- on Mr. Kelleher's motion, seconded by Mr. O'Brien -- to confirm the award of Contract No. 18-98, for drydock and overhaul services for the M/V Martha's Vineyard, to American Shipyard Corporation, of Newport, Rhode Island, in the amount of \$158,900, as described in Staff Summary #E-8014, dated November 16, 1998.

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

VOTING NAY: None

Old and New Business:

At approximately 11:05 a.m., Mr. Rappaport entertained a motion to go into executive session, and announced that the Members would not reconvene in public after the conclusion of the executive session.

IT WAS VOTED -- on Mr. Kelleher's motion, seconded by Mrs. Grossman -- to go into executive session to discuss the Authority's strategy with respect to litigation and collective bargaining matters, the purchase and value of real estate, and personnel matters.

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

VOTING NAY: None

A TRUE RECORD

GRACE S. GROSSMAN, Secretary

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

The Meeting in Public Session

December 17, 1998

The Members of the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority met this 17th day of December, 1998, beginning at 8:20 a.m., in the Sea Crest Resort and Conference Center, located at 350 Quaker Road, North 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 Grace S. 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; S. Eric Asendorf of Falmouth; and Steven A. Tornovish of Nantucket.

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

Mr. Rappaport began the meeting by asking for a moment of silence in honor of Robert L. Stutz, a person of decency and integrity who had passed away the previous week. Noting that Mr. Stutz had represented Dukes County as its Authority Member from 1987 through 1990, when the islands were facing tremendous growth pressures, Mr. Rappaport recounted how Mr. Stutz had advocated policies that provided a meaningful but measured response. Now a decade later, Mr. Rappaport said, the Authority was facing similar issues, which, if not thoughtfully addressed, would threaten the quality of life on the islands. Mr. Rappaport declared that he wished the Authority could still call upon Mr. Stutz for advice, saying that he would be missed.

Election of Officers:

Mr. Rappaport stated that, in accordance with the Authority's enabling act, Mr. Kelleher automatically would become the Authority's Chairman for the year 1999. Mr. Rappaport then entertained motions for the election of the remainder of the Authority's officers for the upcoming year.

IT WAS VOTED -- upon Mr. Kelleher's motion, seconded by Mr. O'Brien -- to elect Grace S. Grossman to serve as the Authority's Vice Chairman for the year 1999.

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

IT WAS VOTED -- upon Mr. O'Brien's motion, seconded by Mrs. Grossman -- to elect Ronald H. Rappaport to serve as the Authority's Secretary for the year 1999.

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

IT WAS VOTED -- upon Mrs. Grossman's motion, seconded by Mr. Kelleher -- to elect Robert L. O'Brien to serve as the Authority's Associate Secretary for the year 1999.

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

VOTING NAY: None

IT WAS VOTED -- upon Mrs. Grossman's motion, seconded by Mr. Kelleher -- to elect Wayne C. Lamson to serve as the Authority's Treasurer for the year 1999.

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

VOTING NAY: None

Minutes:

IT WAS VOTED -- upon Mr. O'Brien's motion, seconded by Mrs. Grossman -- to approve the minutes of the Members' meeting in public session on November 19, 1998.

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

VOTING NAY: None

Strategic Business Plan:

Mr. Tiberio advised the Members that, over the past year, a number of people within the Authority had developed specific action plans to accomplish each of the long term objectives contained in the Strategic Business Plan, which had been originally presented to the Members in August 1997 and revised in August 1998, and that the Members were now being asked formally to approve, disapprove or defer specific major decisions in order to provide management with the appropriate direction on how to proceed. In addition, because the Strategic Business Plan represented an allocation of both financial and labor resources for the organization, Mr. Tiberio stated that management had coordinated the plan with the proposed capital budget in an effort to best meet the demands and needs of the Authority's customers and port communities.

Long Term Objective #1:

Mr. Tiberio stated the first major decision that management was asking the Members to approve was the design, construction and purchase of six self-propelled luggage trucks, at an estimated cost of \$400,000, in order to achieve Long Term Objective #1, which was the seamless point-to-point processing of customer luggage at all terminals by the year 2001. Mr. Tiberio noted that, in the proposed Capital Improvement Program, management had earmarked approximately \$350,000 for the completion of this project in the year 2000.

IT WAS VOTED -- upon Mrs. Grossman's motion, seconded by Mr. O'Brien -- to purchase six luggage trucks, design/construct self-propelled terminal baggage carts, construct luggage locations at terminals, design and construct luggage storage areas on new vessels and modify existing vessels.

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

VOTING NAY: None

Long Term Objective #2:

Mr. Tiberio stated that Long Term Objective #2 was to achieve freight carrying capacity to accommodate 105% of system wide, year round demand by the year 2001, so that, as the demand for freight traffic expanded, the Authority would be in a better position to meet that demand without needing to bring new facilities on line. Mr. Tiberio said that management had identified seven specific items that could be accomplished to achieve that objective, as follows:

- A. To lengthen and repower the *Gay Head* in the same manner that the Authority had lengthened and repowered the *Katama* earlier in 1998.
- B. To lengthen the *Sankaty* for the similar purpose of increasing its capacity.
- C. To construct a new freight vessel or acquire a used freight vessel or develop a management partnership agreement with an outside freight vessel operator whereby the Authority may or may not be the prime operating entity.
- D. To refurbish the *Nantucket* to remove the mezzanines and enclose the upper deck, which would open up additional freight deck space for trucks.
- E. To refurbish the *Eagle* in a similar manner for the same reason.

- F. To provide freight service from an additional off-Cape port to avoid overloading existing terminals at Woods Hole and Hyannis, and to work with the communities concerning any negative impacts that additional freight service may have in their particular areas.

Regarding the lengthening and repowering of the *Gay Head*, Mr. Tiberio stated that management would be presenting the Members with a proposed contract for that project in January 1999. In addition, Mr. Tiberio said that, even though the refurbishment of the *Nantucket* and the *Eagle* would reduce the passenger capacities of those vessels, those projects must be considered in light of the Authority's high-speed passenger-only operations, which had resulted in a definite transition of passengers from the conventional vessels to the high-speed ferry, without any indication that the transition would not continue in the future.

Mr. Rappaport noted that the question of whether the Authority should have a goal of achieving freight carrying capacity to accommodate 105% of demand was really not as simple as it sounded, because there were strategies that could be implemented to mitigate the amount of freight service that might be required, such as warehousing, barging, other ways of transporting freight, and licensing out certain aspects of the service. Therefore, Mr. Rappaport said, while he agreed that the Authority definitely should provide for the freight needs of the islands, it was difficult to answer the question as to whether the Authority needed to be the one to provide the service if other mitigation efforts could be taken.

Observing that the Strategic Business Plan had envisioned that in the future the Authority would carry all the freight on the freight boats, and only passengers and automobiles on the larger passenger vessels, Mrs. Grossman asked why management was now proposing to remove the mezzanines on the *Nantucket* and the *Eagle* in order to carry more freight on those vessels. In response, Mr. Tiberio stated that while the accomplishment of having all the freight carried on the freight boats was an admirable goal, as a practical matter it was difficult to pinpoint when that goal could ever be achieved.

Mr. Kelleher stated that he was very concerned about being asked to approve a goal to achieve freight carrying capacity to accommodate 105% of demand because it appeared that the Authority was attempting to put pieces of a puzzle together without knowing what the full picture was, which was due to the fact that the Members had not yet made a policy decision that will require any additional freight service to originate from a different mainland port.

Observing that there was no way the Authority could consider increasing its freight carrying capacity without identifying where that additional freight service will come from, Mr. Kelleher asked the Members to address the issue and specifically acknowledge that any additional freight service would be required to originate from some place other than Woods Hole and Hyannis, as the capacities of those terminals already had been exceeded. Mr. Kelleher stated that he felt it was absolutely essential for the Members to resolve that issue before proceeding any further with their discussion on this subject, and that otherwise the Authority could not even contemplate increasing its capacity.

However, Mr. Rappaport stated that he was not prepared to make such a decision that day, and instead suggested that the Members address only the issue of the lengthening of the *Gay Head* and defer all of the other items pertaining to Long Term Objective #2 until after they had an opportunity to review the freight economic impact analysis that was going to be presented by Cambridge Systematics, Inc. later in the meeting. In response, Mr. Kelleher said that he would accept that suggestion if the Members agreed that no additional freight capacity would be operated out of Woods Hole, but otherwise he could not support any increase in the Authority's freight operations, including any increase due to the lengthening of the *Gay Head*.

Mr. Tiberio then advised the Members that the *Gay Head* project was integral to the Authority's 1999 Vessel Operating Schedules that already had been approved by the Members at their October 1998 meeting, noting that a key element of the Authority's ability to go from a five-vessel to a four-vessel summer schedule on the Martha's Vineyard route was the lengthening and repowering of the *Gay Head* in addition to the modifications that were going to be made to the *Governor*. Therefore, Mr. Tiberio said, the *Gay Head* project had to be completed irrespective of the results of Cambridge Systematics' freight economic impact analysis or whether the Members agreed with the long term objective's freight capacity goals.

Mr. O'Brien agreed with Mr. Kelleher that the Members should defer action on all of the items pertaining to Long Term Objective #2 until after the presentation by Cambridge Systematics. Further, Mr. Kelleher suggested that any vote by the island Members to go ahead with the *Gay Head* project without any consideration of the mainland ports would be badly received and make all of the Members look terrible.

Nevertheless, Mr. Rappaport declared that deferring any vote on the *Gay Head* project would appear to be posturing, because the Members already had voted for the 1999 Vessel Operating Schedules, which had reduced the number of boats in service during the summer season on the assumption that the *Gay Head* was going to be lengthened. Therefore, Mr. Rappaport said, any attempt to characterize their vote to lengthen the *Gay Head* as a decision with respect to the larger issue of whether the Authority should increase its capacity to accommodate 105% of freight demand would misstate what the Members were doing.

IT WAS VOTED -- upon Mrs. Grossman's motion, seconded by Mr. Rappaport -- to lengthen and repower the *Gay Head*, and to defer all of the other major decisions related to Long Term Objective #2 of the Strategic Business Plan, as set forth in Mr. Tiberio's memorandum to the Members dated December 8, 1998, until after Cambridge Systematics, Inc. presents its economic analysis of potential freight service through the port of New Bedford.

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

Long Term Objective #3:

Mr. Tiberio stated that Long Term Objective #3 was to achieve a 25% reduction in passenger loading/off-loading time from the Authority's vessels by the year 2001 in order to improve customer service, and that management was proposing to install two passenger loading ramps per slip at each terminal so that the Authority would be able to load and offload passengers at the stern and forward sections of each vessel with two different doors and two different gangplanks. Mr. Tiberio also stated that the additional loading ramps and modifications to the vessels were estimated to cost around \$400,000, and that management had earmarked that amount from the replacement fund in order to accomplish the project in the year 2000.

In response to a question from Mr. O'Brien, Mr. Tiberio said that the project would not require any major physical modifications to the Hyannis terminal. Rather, Mr. Tiberio said, the project would involve more of a re-

alignment with respect to how the Authority queued passengers and where their luggage was to be dropped off and picked up.

Mr. Rappaport declared that, as a frequent passenger on the Authority's vessels and witnessing people queuing up almost the entire length of the boat in order to disembark, he strongly supported this project in order to improve customer convenience. Mr. Asendorf also agreed that the Authority should improve the flow of passenger traffic, noting that he similarly rode the boats all the time and saw customers standing on deck for a half hour or so, particularly during the summer.

Nevertheless, Mr. Asendorf noted that even though there were three passenger loading ramps for Slip One at the Woods Hole terminal, only one of them was utilized, and he did not understand the reason for that. In response, Mr. Tiberio stated that there simply had not been the necessary discipline, and that he felt the Members' approval of the installation of two passenger loading ramps per slip at each terminal would be a very clear statement as to how the Authority was going to operate.

Although Mr. Kelleher agreed that baggage security, safety and passenger comfort were paramount concerns for the Authority and that he was in favor of making the Authority's operations smoother and more convenient for its passengers, he believed that the specific goal of a 25% reduction in passenger loading/off-loading times would overload the port communities. Noting that the port communities already were choking on pedestrian and vehicular traffic generated by the Authority, Mr. Kelleher observed that increasing the efficiency of terminal operations by such a large factor would result in even more people and cars trying to get through Woods Hole Road and Five Corners in Vineyard Haven at the same time. Therefore, Mr. Kelleher said that while he agreed with the decision to install two passenger loading ramps per slip at each terminal, he did not approve of the long term objective of achieving a 25% reduction in passenger loading/off-loading times.

IT WAS VOTED -- upon Mr. O'Brien's motion, seconded by Mrs. Grossman -- to install at each terminal two passenger loading ramps per slip.

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

VOTING NAY: None

Long Term Objective #4:

Mr. Tiberio stated that Long Term Objective #4 was to achieve customer reservation technology to accommodate 100% of the demand within industry standard wait-time (currently three minutes) by the year 2001, and to acquire customer service systems that lead the industry in their application (*e.g.*, ticket scanners, ticket vending equipment, *et cetera*) by the year 2002. Therefore, Mr. Tiberio said, in order to move in that direction, management was asking for approval of the decision to achieve and maintain customer reservation and ticketing systems that represent state of the art technology and offer multiple choices to customers that are efficient and cost effective.

IT WAS VOTED -- upon Mrs. Grossman's motion, seconded by Mr. Kelleher -- to achieve and maintain customer reservation and ticketing systems that represent state of the art technology and offer multiple choices to customers that are efficient and cost effective.

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

VOTING NAY: None

Long Term Objective #5:

Mr. Tiberio stated that management was asking for the approval of two decisions in connection with the Long Term Objective #5 of becoming the premier provider of high-speed passenger-only ferry service to the islands by the year 2003. Mr. Tiberio said that the first proposed decision was to acquire a new fast ferry to serve the island of Nantucket, and that management had earmarked funds for that project in the proposed 1999 Capital Budget. The second proposed decision, which Mr. Tiberio said was more of a policy directive regarding the continuing development of a passenger-only program, was to determine other viable high speed ferry routes and to prepare an operating plan (including vessel acquisition through purchase, lease or charter arrangement) or develop a management partnership agreement with an outside operator whereby the Authority may or may not be the prime operating entity.

IT WAS VOTED -- upon Mrs. Grossman's motion, seconded by Mr. Kelleher -- to construct a new fast ferry to serve the island of Nantucket.

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

VOTING NAY: None

Mr. Rappaport then suggested that the Members defer the proposed decision to determine other viable high-speed ferry routes, saying that, before moving forward on this issue, he felt the Members needed guidance as to whether the existing port facilities can handle this type of traffic. In response, Mr. Kelleher said that he had no problem with deferring this issue, as long as there was an understanding that high-speed ferry service could not operate out of Woods Hole, since he felt that it was totally impossible for that terminal physically to deal with that additional volume of people. Mr. Rappaport said that he agreed with Mr. Kelleher's statement and that, therefore, the Members were in agreement to defer that decision.

Long Term Objective #6:

Mr. Tiberio stated that management was asking the Members to approve two decisions in connection with Long Term Objective #6 until the islands communicated with the Authority otherwise. The first decision was to achieve automobile carrying capacity to accommodate 100% of system wide demand from September through June; and the second decision was to limit automobile traffic to 1995 summer levels (June, July and August) for Martha's Vineyard, and 1996 summer levels for Nantucket.

Mrs. Grossman stated that, if the islands eventually had as much traffic in the off-season as they were then experiencing during the summer, she had concerns with accommodating 100% of that demand. However, Mr. Tiberio said that management needed to know in advance whether or not the Members wanted the Authority to meet that demand, because other important aspects of the Authority's operations, such as the maintenance schedule, were necessarily based upon that policy directive.

In response to a question from Mr. O'Brien, Mr. Tiberio stated that the Authority would limit summer automobile traffic to 1995 and 1996 levels by limiting capacity and not increasing the operating schedules. Mr. O'Brien observed that such a decision would have an impact on the mainland ports because people will still want to travel to Nantucket and they will need to park somewhere on the mainland. But Mr. O'Brien made it clear that he was not suggesting that the Authority run additional trips out of Hyannis, just that it was going to be difficult for the Authority to resolve all of its traffic issues.

IT WAS VOTED -- upon Mrs. Grossman's motion, seconded by Mr. Kelleher -- to limit auto traffic to 1995 summer levels (June, July and August) for Martha's Vineyard and 1996 summer levels for Nantucket.

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

VOTING NAY: None

Mr. Kelleher then moved to disapprove the proposed decision to achieve automobile carrying capacity to accommodate 100% of system wide demand from September through June, but no other Member seconded his motion. Instead, Mrs. Grossman moved -- with reservations -- to approve the decision, and Mr. Rappaport seconded her motion, although he also cautioned that the Authority should continue to keep a close eye on the situation.

Mr. Kelleher stated that his concern with such a decision was essentially a financial one, noting that the Authority operated at an loss of approximately \$1,500,000 per month during the off-season because island residents were traveling on excursion fares at that time that were far lower than the cost of the service and the fair market value for those trips. Mr. Kelleher declared that he did not see how the Authority could establish a policy to meet 100% of that off-season automobile demand when the demand simply was not paying its way.

Mr. Rappaport noted that historically he had disagreed with Mr. Kelleher on this issue, and that he was in favor of providing island residents, who were the Authority's principal customers during the off-season, the opportunity to travel during that time. Mr. Rappaport also declared that it was a common misconception that the islands' year-round residents were wealthy people, but

that they are in fact not wealthy and have a need to travel to the mainland for medical appointments, funerals and other basic necessities. Mrs. Grossman agreed, declaring that the Authority had to take care of the needs of the island residents, and that she would fight to keep the excursion rates as they were.

IT WAS VOTED -- upon Mrs. Grossman's motion, seconded by Mr. Rappaport -- to achieve auto carrying capacity to accommodate one hundred percent (100%) of system wide demand from September to June.

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

Long Term Objective #7:

Mr. Tiberio stated that Long Term Objective #7 was to lease an improved maintenance facility that will be fully operational by the year 2001, and that management was requesting approval of the decision to relocate the Authority's maintenance facility to the preferred optional site in New Bedford that had been selected from the five sites evaluated in the Strategic Action Plan for that long term objective. However, Mr. Tiberio said, because that decision involved real estate, it might best be considered by the Members in executive session.

Mr. Kelleher then moved to approve the proposed decision, but no other Member seconded his motion. Instead, Mr. Rappaport said that he agreed with Mr. Tiberio's suggestion that it would be most appropriate to discuss this matter in executive session because it involved particular parcels of real estate and strategies in relation thereto.

IT WAS VOTED -- upon Mrs. Grossman's motion, seconded by Mr. O'Brien -- to consider in executive session whether to relocate the Authority's maintenance facility to the preferred optional site in New Bedford selected from the five (5) sites contained in the Strategic Business Plan.

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

Long Term Objective #8:

With respect to Long Term Objective #8, Mr. Tiberio stated that management was requesting the Members to approve five decisions in order to achieve vehicle parking capacity to accommodate 105% of system wide, year round demand by the year 2003, and that the only proposed decision that had not previously been discussed by the Members was the development of a remote staging lot on Nantucket. Mr. Tiberio said that management was proposing that development because the traffic situation at the Nantucket terminal was becoming unbearable and that, if the Authority did not start moving in that direction, the terminal's infrastructure was not going to be able to handle effectively the flow of both vehicles and pedestrians. Mr. Tiberio also stated that the objective of such a remote staging lot was to keep as many cars out of the terminal as possible, and that accommodating thirty cars at that site could be sufficient to smooth the flow of operations.

IT WAS VOTED -- upon Mrs. Grossman's motion, seconded by Mr. O'Brien -- to approve in their entirety all of the major decisions related to Long Term Objective #8 of the Strategic Business Plan, as set forth in Mr. Tiberio's memorandum to the Members dated December 8, 1998, as follows:

- (a) to continue to pursue, at the Massachusetts Military Reservation, property for a central parking facility;**
- (b) to develop the "Wing Property" that is under a five-year lease to the maximum number of vehicle spaces (approximately 800);**
- (c) to develop property at the Massachusetts Military Reservation that is subject to the three-year temporary provision to the maximum number of vehicle spaces (approximately 900);**
- (d) to coordinate and participate with the Town of Barnstable in developing the municipal parking facility at the Barnstable Airport; and**
- (e) to develop a remote staging lot on Nantucket (away from the center of town) for up to 30 vehicles.**

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

VOTING NAY: None

Long Term Objective #9:

Mr. Tiberio stated that two specific policy issues were raised by Long Term Objective #9, which is to achieve an additional net operating income of \$500,000 in the year 2003 from new markets and products not currently being served or from improvements to existing markets and products. The first policy issue, Mr. Tiberio said, was whether the Authority should be involved in a merchandising program that would include Authority logos on products that would be marketed. In this regard, Mr. Tiberio observed that the Authority's customers were continually asking for products associated with the Authority, and that management felt there would be a huge demand for such products if they were of high quality. The second policy issue, Mr. Tiberio said, was whether the Authority should develop and implement an advertising program to include selling space on buses, vessels and terminals in a professional manner, assuming that it could be accomplished without compromising the quality of the Authority's services to its customers.

Mr. Tiberio also assured the Members that, after the marketing and advertising programs were developed and before their implementation, each program would be presented to the Members for approval of not only the products involved, but also the types and locations of the advertisements for those products.

**IT WAS VOTED -- upon Mr. Kelleher's motion, seconded by
Mr. O'Brien -- to create and implement a merchandising
program that will include Steamship Authority logos on all
products that will be marketed.**

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

VOTING NAY: None

Mr. Kelleher moved to approve the proposed advertising program with a modification prohibiting all exterior advertisements. Mr. Rappaport stated that he agreed with that prohibition because he shared Mr. Kelleher's concern that the advertisements had a potential of becoming tacky, and that he assumed all of the Members felt the same way.

IT WAS VOTED -- upon Mr. Kelleher's motion, seconded by Mr. O'Brien -- to develop and implement an advertising program to include selling space on buses, vessels and cubical displays at terminal locations, provided that there are no exterior advertisements.

VOTING AYE: Mr. Kelleher and Mrs. Grossman

VOTING NAY: None

Long Term Objective #10:

Mr. Tiberio stated that management was requesting approval of four decisions in connection with Long Term Objective #10, which is to achieve at least 5% efficiency/productivity improvements by the year 2001, as follows:

- A. The completion of electrical and structural enhancements to the *Governor*;
- B. The development and implementation of a standardized system-wide signage and communication program that will include all facilities, vessels, terminals and parking lots;
- C. Oak Bluffs Terminal Reconstruction/Refurbishment Program; and
- D. Woods Hole Terminal Reconstruction.

At Mr. Rappaport's suggestion, the Members decided to address only the decision involving the signage and communication program at that time, as later in the meeting they were going to be discussing whether to approve the contract for the modifications to the *Governor* and, in connection with the proposed capital program, the terminal reconstruction projects.

Although Mr. Kelleher said that he agreed that it would be nice to have better signage and communications, he expressed his concern that the cost of such a program could be enormous. In response, Mr. Tiberio stated that management did not have a specific program in mind at that time, and that it had to analyze alternative programs and develop cost estimates as to each of them. After those alternative programs and costs are developed and known, Mr. Tiberio assured Mr. Kelleher that management would present them to the Members for their consideration and approval before any action were taken.

IT WAS VOTED -- upon Mrs. Grossman's motion, seconded by Mr. O'Brien -- to develop and implement a standardized system-wide signage and communication program that will include all facilities, vessels, terminals and parking lots.

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

VOTING NAY: None

Long Term Objective #11:

Mr. Tiberio stated that, in connection with Long Term Objective #11, management was requesting approval of the decision to continuously acquire market information to determine customer requirements and needs that will assist the Authority in defining levels of customer satisfaction. In response to a question from Mrs. Grossman, Mr. Tiberio stated that management initially would try to achieve the objective by using in-house personnel, but that there might later be a need to engage the services of a consultant. In such an event, Mr. Tiberio said, management first would obtain the Members' approval of any consulting arrangement, and would still try to perform in-house as much of the work as possible.

Mr. Kelleher suggested that any surveys undertaken by the Authority be kept relatively short and concise, noting that sometimes they seem to take on a life of their own and result in relatively large expenditures.

IT WAS VOTED -- upon Mrs. Grossman's motion, seconded by Mr. O'Brien -- to continuously acquire market information to determine customer requirements and needs that will assist in defining levels of customer satisfaction.

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

VOTING NAY: None

Long Term Objective #12:

With respect to Long Term Objective #12, Mr. Tiberio stated that the Members were being asked to approve a proposed decision that the Authority should aggressively assume a leadership position in order to establish a seamless and coordinated transportation system(s) between the mainland and island destinations, and to establish formal cooperative working agreements with state, regional and private transportation operators. Mr. Kelleher said that he agreed with the proposed decision with one caveat, namely, that the Members should be kept informed about the Authority's efforts in this area.

For example, Mr. Kelleher mentioned that he had not yet seen any staff summary regarding the success that the Authority experienced as a result of its partnership with the Executive Office of Transportation and Construction and Plymouth & Brockton Street Railway Company operating a bus line between Kingston and Woods Hole the previous summer. Mr. Tiberio advised Mr. Kelleher that, unfortunately, the experiment had failed miserably. Further, in response to another question from Mr. O'Brien, Mr. Tiberio stated that management could not estimate at that time what a seamless and coordinated transportation system would cost the Authority, because other agencies and private entities might fund some of the facilities or subsidize a portion of the operating costs.

IT WAS VOTED -- upon Mr. Kelleher's motion, seconded by Mrs. Grossman -- to aggressively assume a leadership position in order to establish a seamless and coordinated transportation system(s) between the mainland and island destinations, and to establish formal cooperative working

agreements with state, regional and private transportation operators.

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

VOTING NAY: None

Long Term Objective #13:

Mr. Tiberio stated that, in connection with Long Term Objective #13, the Members were being asked to approve the decision to create and implement a comprehensive community action plan that addresses each community's major concerns and issues. Mr. Tiberio said that this objective essentially recognized that the Authority's operations have an impact on the port communities and that the Authority needed to be sensitive to their needs and concerns.

**IT WAS VOTED -- upon Mrs. Grossman's motion, seconded
by Mr. Kelleher -- to create and implement a comprehensive
community action plan that addresses each community's
major concerns and issues.**

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

VOTING NAY: None

Long Term Objective #14:

With respect to Long Term Objective #14, Mr. Tiberio asked the Members to approve a decision to expand the Authority's marketing alliances by working with all other transportation and tourism operators and providers to offer quality transportation services and options to customers visiting Cape Cod and the Islands. However, Mr. Kelleher expressed his concern that the Authority should not be expanding its marketing and tourist promotions to draw more people to the ports and the islands when the Authority's vessels and terminals

were already operating at full capacity. Mr. Rappaport agreed, saying that the Authority should coordinate with other carriers only in an effort to share information, not to increase ridership. Accordingly, Mr. Rappaport suggested that the Members replace the words "marketing alliances" in the proposed decision with the words "information alliances" to clarify their intent.

IT WAS VOTED -- upon Mrs. Grossman's motion, seconded by Mr. O'Brien -- to expand information alliances by working with all other transportation and tourism operators and providers to offer quality transportation services and options to customers visiting Cape Cod and the Islands.

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

VOTING NAY: None

Long Term Objective #15:

Noting that the trends in the transportation industry were changing rapidly, Mr. Tiberio asked the Members to approve the proposed decision to continuously monitor, access and incorporate newly tested and proven technologies into the daily operation of the Authority's business in order to achieve Long Term Objective #15.

IT WAS VOTED -- upon Mr. Kelleher's motion, seconded by Mrs. Grossman -- to continuously monitor, access and incorporate newly tested and proven technologies into the daily operation of the business.

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

VOTING NAY: None

Long Term Objective #16:

Observing that the Authority may not have paid sufficient attention in the past to developing and budgeting training programs for its employees, Mr. Tiberio stated that in order to promote the safe operation of the boat line and accomplish Long Term Objective #16, the Members were then being asked to approve the decision to achieve and continuously maintain a highly skilled, trained, diverse and motivated work force.

IT WAS VOTED -- upon Mrs. Grossman's motion, seconded by Mr. Kelleher -- to achieve and continuously maintain a highly skilled, trained, diverse and motivated work force.

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

VOTING NAY: None

Long Term Objective #17:

Finally, Mr. Tiberio stated that Long Term Objective #17, pursuant to which the Members were being asked to approve a decision to develop an organizational culture that understands, promotes and delivers the Authority's products and services with the highest regard for quality every operating day, reflected the kind of organizational culture that the Authority needed in order to accomplish its long term objectives. Mr. Tiberio said that this objective also was a recognition that the current organizational culture had to be revised, and he declared that it would be his intent to make such changes as are needed in order to accomplish what the Authority intends to accomplish in the next few years.

IT WAS VOTED -- upon Mrs. Grossman's motion, seconded by Mr. Kelleher -- to develop an organizational culture that understands, promotes and delivers the Authority's products and services with the highest regard for quality every operating day.

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

VOTING NAY: None

After the Members had considered all of the proposed major decisions in connection with the Strategic Business Plan, Mr. Kelleher took the occasion to compliment Mr. Tiberio and his staff for what he thought was a very good document. Mr. Kelleher declared that, while there had been some differences of opinion along the way, the decisions made by the Members that day would provide the guidance the Authority needed to operate as a good business. Mr. Rappaport agreed, noting that although each specific project still would have to be approved by a vote of the Members, their decisions reflected statements as to what the Authority's major goals were for the upcoming years.

1999 Capital Budget:

Recounting how the Members, at their November 1998 meeting, had approved eleven new capital projects for the 1999 calendar year which are going to be paid for from the replacement fund, Mr. Tiberio reported that management was now proposing a Capital Improvement Plan for the years 1999 through 2006 containing projects to be paid for from bond and note proceeds, as set forth in Staff Summary #GM-398, dated December 10, 1998, and staying within the current \$50,000,000 bonding limit. That proposed plan, Mr. Tiberio said, recommended four new projects for 1999, as follows:

1. Making electrical and structural improvements to the *Governor*, at an estimated cost of \$960,000;
2. The lengthening and repowering of the *Gay Head*, at an estimated cost of \$3,750,000.
3. The reconstruction of the pier at the Oak Bluffs terminal, at an estimated cost of \$1,000,000; and
4. The acquisition of a high-speed passenger-only vessel, at an estimated net cost of \$5,000,000 after the receipt of a \$2,000,000 grant that the Authority had been awarded by the federal government for the project.

With respect to capital projects after 1999, Mr. Tiberio declared that the Authority's first priority was to commit itself to the construction of a new vessel to replace the *Islander*. Mr. Tiberio further stated that because of the cost of that project, the Authority would not be able to start any of the its other major capital projects until after the construction of the *Islander's* replacement was completed in the year 2003. After that, Mr. Tiberio said, the next proposed capital project was the refurbishment of the *Nantucket*, which could not be undertaken until the *Islander's* replacement was in line service together with the *Islander* because the work on the *Nantucket* would require that vessel to be in a shipyard for as long as ten months. As a result, Mr. Tiberio noted that the *Islander* also would also have to be maintained in a seaworthy condition for the following seven to eight years.

Mr. Tiberio acknowledged that there were a number of other projects that were not listed on Attachment #5 of Staff Summary #GM-398, dated December 10, 1998, that people might consider necessary to the Authority's operations. However, Mr. Tiberio said, the Authority only had a limited amount of funds, and management felt that the projects listed on Attachment #5 were the most critical ones that could be funded within the current bonding limit.

Mr. O'Brien observed that, without any doubt, the *Islander* was the key to the whole Capital Improvement Program, and it appeared that the vessel would have to remain in service while the *Nantucket* and then the *Eagle* were refurbished. Noting that the Authority would probably be spending around \$500,000 each year to keep the *Islander* seaworthy, Mr. O'Brien suggested that the Authority might want to accelerate the timing of that vessel's replacement in the year 2003, and in turn questioned whether the Authority should be spending any money at this time for improvements to the Woods Hole terminal, at least in the manner described in Mr. Tiberio's memorandum to the Members dated December 10, 1998.

Mr. Rappaport said that, while he would like to see the timing of certain projects moved around in terms of priorities, he agreed with Mr. O'Brien that the *Islander* project drove the rest of the Capital Improvement Plan and stated that it appeared to be the consensus of all of the Members to see whether that project could be moved forward. Mrs. Grossman also observed that this would result in the *Nantucket* refurbishment being started before 2005, which she felt was badly needed. Accordingly, Mr. O'Brien asked Mr. Tiberio if management could investigate that possibility and report back to them.

Mr. Kelleher stated that he also agreed that the *Islander* needed to be replaced due to her age, and suggested that the design work for the project might be moved forward a year so that construction of her replacement could begin earlier if some funds subsequently became available. Mr. Kelleher then expressed his concern about the similar age of the *Governor*, and said that while he agreed that the proposed electrical work needed to be done from a safety standpoint, he was uncomfortable about spending additional money for her bulkhead improvements not only because of the vessel's age but also because she could not be used during the winter due to her exposed deck.

In addition, Mr. Kelleher stated that while he appreciated the inclusion of the Woods Hole terminal improvements in the Capital Improvement Program, he agreed with Mr. O'Brien that it reflected more of a band-aid approach. In particular, Mr. Kelleher said, he disagreed with the design's suggestion that trees be planted near the water, observing that such an approach violated the cardinal rule that trees should never be planted near the water because they ruin the view. Nor did Mr. Kelleher believe that it was necessary to tear up the asphalt, saying that it would probably be adequate to paint lines. Finally, while Mr. Kelleher agreed that the building's appearance could be improved, he said that he was uncomfortable with spending any significant amount of money for that purpose without first receiving community input.

Mr. Rappaport agreed with Mr. Kelleher that no improvements to the Woods Hole terminal should be made without extensive community involvement, and declared that he would not be in favor of any improvements that were not supported by the community. However, Mr. Rappaport disagreed with Mr. Kelleher's assessment of the *Governor*, saying that the vessel had proven her ability, exceeded the Authority's expectations, and provided real relief.

Mr. O'Brien declared that the Authority should not begin spending money on improvements to the Woods Hole terminal until it pinned down exactly what the facility was going to consist of in the future. Recounting how he had been hearing about the development of a master plan for the Woods Hole terminal ever since he became a Member, Mr. O'Brien observed that a number of significant decisions still had to be made regarding the terminal, such as whether or not the Authority's administrative staff should remain at that location. With respect to the replacement of the *Islander*, Mr. O'Brien cautioned that the Authority should not begin the design work earlier unless the Members were prepared to commence construction once the design was complete. Otherwise, Mr. O'Brien said, the design and the cost estimates associated with it would be neither current nor appropriate.

Mr. Rappaport then asked for a motion to approve the Capital Improvement Program, which he said would incorporate by spirit all of the Members' comments.

IT WAS VOTED -- on Mrs. Grossman's motion, seconded by Mr. O'Brien -- to approve the proposed long range capital program as presented by management in Attachment 5 of Staff Summary #GM-398, dated December 10, 1998, subject to dealing with the specific project involving improvements to the M/V Governor, and to direct management to take the appropriate actions necessary to complete those projects; provided, however, that each individual project will be subject to final budget authorization and approval.

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

VOTING NAY: None

Renewal of Grey Lady II License:

IT WAS VOTED -- on Mr. O'Brien's motion, seconded by Mrs. Grossman -- to authorize the General Manager to execute a new license agreement with Hyannis Harbor Tours, Inc. (d/b/a Hy-Line) extending the term of its current license agreement to carry up to 70 passengers for hire on its high-speed passenger-only ferry, the *Grey Lady II*, on a year-round basis between Hyannis and Nantucket through December 31, 1999, as set forth in Staff Summary #L-304, dated December 7, 1998.

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

VOTING NAY: None

Treasurer's Report:

Mr. Lamson reported that the Authority's net operating loss for the month of November 1998 was estimated to be around \$1,600,000, which was \$109,000 higher than anticipated. As a result, Mr. Lamson said, the Authority was expected to have a net operating income of just under \$4,000,000 for the first eleven months of 1998. Mr. Lamson also reported that, because the net operating loss for December was projected to be around \$1,700,000, it appeared that the Authority would have a net operating income for the 1998 calendar year of approximately \$2,300,000.

M/V Governor Contract:

Mr. Tiberio reported that the Authority had received only one bid for the *Governor* Shipyard Modifications Contract, which was from American Shipyard Corporation in the amount of \$345,770, and that management was recommending that the contract be awarded to American Shipyard in accordance with that bid. Mr. Tiberio also reported that the contract would include the installation of electrical components as well as additional structural work, including the installation of four new watertight bulkheads at a cost of \$206,000. The cost of the entire project, Mr. Tiberio said, would be around \$860,000, including the cost of the electrical components themselves and engineering fees.

Mr. Tiberio also declared that the hull of the *Governor* was in excellent condition, advising the Members that the Authority had conducted readings on the *Governor* when it received the vessel from the United States Coast Guard, and that nowhere was the steel on the hull less than one-half of an inch. Accordingly, Mr. Tiberio said, if the Authority maintained the coatings on the vessel, the hull would easily last another ten or fifteen years. Mr. Tiberio stated that the critical issue with respect to the bulkheads was the opportunity to increase the vessel's freight capacity in terms of tonnage requirements.

In response to a question from Mr. Rappaport, Mr. Tiberio said that the money to install those bulkheads would definitely be well spent, and that from a cost and operational standpoint the total investment of \$2,500,000 in the vessel would be very beneficial to the Authority even if the *Governor* were only used as a back-up vessel for the next ten years. Mr. Tiberio also stated, in response to a question from Mr. O'Brien, that the 1999 Vessel Operating

Schedules had been approved on the assumption that both the *Governor* and the *Gay Head* would be refurbished during the upcoming off-season to increase their respective vehicle capacities

Nevertheless, Mr. Kelleher expressed his concern over spending more than \$200,000 on the *Governor* when that money otherwise could go almost halfway towards completing the design work for the *Islander's* replacement a year ahead of schedule, which would then accelerate both the construction of that project and the refurbishment of the *Nantucket*. Mr. Kelleher declared that the money should be used for those other purposes rather than towards a vessel that could not be used either year-round or on the Nantucket route, and would probably serve only as a back-up vessel.

IT WAS VOTED -- on Mrs. Grossman's motion, seconded by Mr. O'Brien -- to award Contract No. 20-98 for the installation of main propulsion electrical components and structural upgrades of the M/V Governor to American Shipyard Corporation, of Newport, Rhode Island, in the amount of \$345,770, as described in Staff Summary #E-8015, dated December 9, 1998.

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

M/V Nantucket Contract:

Mr. Tiberio then recommended that the Members award the contract for drydock and overhaul services for the *Nantucket*, in the amount of \$210,700, to American Shipyard as well. Mr. Tiberio noted that the amount of the contract was higher than the original \$150,000 budgeted for the services because the shipyard was going to strip off the vessel's coating and repaint it, which had not been included in the original budget figure. In response to a question from Mrs. Grossman, Mr. Tiberio assured the Members that a lot of attention would also be paid to the interior of the *Nantucket* when she was in the shipyard.

IT WAS VOTED -- on Mr. Kelleher's motion, seconded by Mr. O'Brien -- to award Contract No. 23-98 for drydock and overhaul services for the M/V Nantucket to American Shipyard Corporation, of Newport, Rhode Island, in the amount of \$210,700, as described in Staff Summary #E-8016, dated December 9, 1998, and James P. Swindler's memorandum to Armand L. Tiberio, dated December 16, 1998.

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

VOTING NAY: None

New Bedford Freight Economic Impact Analysis:

Mr. Rappaport then introduced Marc Cutler of Cambridge Systematics, Inc., who made a formal presentation to the Members regarding the results of the New Bedford Freight Economic Impact Analysis that his firm had conducted for the Authority. Due to the length of the presentation, the portion of the minutes pertaining to the presentation (as well as the discussion that followed it) is being prepared at a later time for subsequent approval by the Members.

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

- (a) That the Members take the Cambridge Systematics report under advisement and provide copies of the report to appropriate public officials in the Authority's port communities as well as the freight shipping firms in those communities;**
- (b) That the Members receive input from those public officials, freight shipping firms and the public on the issues raised by the report; and**

- (c) **That the Members, after they have received such input from their communities, discuss the issues raised by the report at a subsequent meeting of the Authority, in order to provide management with guidance on developing specific policy and operating alternatives.**

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

VOTING NAY: None

Old and New Business:

At approximately 1:20 p.m., Mr. Rappaport entertained a motion to go into executive session, and announced that the Members would not reconvene in public after the conclusion of the executive session.

IT WAS VOTED -- on Mr. Kelleher's motion, seconded by Mrs. Grossman -- to go into executive session to discuss the Authority's strategy with respect to litigation and collective bargaining matters, the purchase and value of real estate, and personnel matters.

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

VOTING NAY: None

A TRUE RECORD

GRACE S. GROSSMAN, Secretary

PRESENTATION
BY
MARC R. CUTLER
OF
CAMBRIDGE SYSTEMATICS, INC.
REGARDING THE
NEW BEDFORD FREIGHT ECONOMIC IMPACT STUDY

December 17, 1998

[cross-referenced to the transparencies used by
Mr. Cutler during his presentation, which are attached hereto]

Thank you, Mr. Chairman. I will be making the presentation, but I would like to introduce two members of the project team: Dan Beagan, who was the project manager from Cambridge Systematics; and Charles Norris, who was the project manager from TAMS consultants who did the marine operations portion of the analysis.

This is obviously an issue of great importance to a number of communities, and I guess fortunately we don't have to compete with an impeachment vote today for everyone's attention and the press's attention so that we can focus on a real important issue. What I would like to do is kind of frame the study for you at the outset, present our major findings early in this presentation so there is no suspense, and then kind of walk you through how we got to that point.

Problem Statement
(page 2)

First of all, what was the problem that the Steamship Authority asked us to address. First of all, the forecast for the demand for freight transportation to the islands was projected to increase by thirty percent (30%) between 1995 and 2005. This was developed in the prior study done by KJS Associates, was completed in 1997 and this was the basic input to our study. This was our starting point. This is the demand curve for freight to the islands and what are the strategies for meeting that curve.

There are indications that the curve as projected is already being exceeded. These are very prosperous times on the islands. Freight and transportation of all kinds increase and decrease in direct proportion to economic activity, so it is not surprising if over the first few years of this curve anyway it is being exceeded. And the Authority is essentially at capacity for carrying freight to Nantucket. This situation is straining the capacity of the Cape ports, particularly during the peak summer seasons.

In addition to those problems, there is also an opportunity that has been presented, which is the rehabilitation of the State Pier in New Bedford and the potential that that presents for moving some of the freight service to another location. But I want to emphasize that our client on this project is the Steamship Authority and we were asked specifically to address the freight issues related to freight transportation to the islands.

Goals of the Study (page 3)

We had a very, very specific charge from the Steamship Authority to look at three or four key issues. The first is to calculate the impact on the price of goods sold and delivered on the islands if some freight transportation were shifted to New Bedford.

Secondly, what would be the willingness of the shipper community to transfer to New Bedford and under what set of travel time, cost and service parameters would they be most likely to do so. And I use the term shipper throughout this presentation, and it is really shorthand for anyone involved in making the decision on how stuff moves to the islands. So it could be a wholesaler on the New England mainland. It could be a receiver on the island. It could be the carriers themselves.

Then to define operational and cost parameters for what would a New Bedford based freight service look like based upon the information we have gathered. And also to identify other Cape-based strategies which could be used in lieu of or in addition to New Bedford as way of meeting the demand for freight transportation.

Finally, it wasn't actually an explicit mission of the study, but it kind of fell out of the analysis that we needed to do, which is, what would be the impact on Cape Cod traffic if you removed some portion of island freight traffic and moved it to New Bedford.

What the Study Does Not Address

(page 4)

Now, these questions obviously lead to a whole series of secondary questions if the Steamship Authority were in fact to do this. I am not going to go through all of these, just to make the point that this study had a very defined, very specific mission, as I just listed. It was not to go into some of these secondary questions, which now kind of pose themselves as policy questions for the Authority.

Major Findings

(page 5)

So, start with the major findings of the project. First, the economic impact on the islands. We found that the increment of cost to the retail price of goods sold on the islands of diverting one-third of the freight to New Bedford, and as we go through this I will explain the significance of the one-third number, will be 0.35 % and, again, that is a fraction of one percent, so that if a bundle of goods on the island today cost one hundred dollars (\$100), they would cost one hundred dollars and thirty-five cents (\$100.35). That would be the net impact. It would vary a little depending on which scenario, what set of assumptions we use, but the variances are all around the same basic number, some fraction of one percent. Now that comes out to about 4.4 million dollars out of a future 2005 value of all the goods sold on the islands projected for the year 2005, which would be 1.25 billion dollars. So while an economic impact of four million something sounds like a big number, it is a very small number relative to the total cost of all goods sold on the islands.

Now, there will be a cost that will be very noticeable to the shipper. And that cost could range anywhere from twelve to forty percent of the shipper's costs of transportation. So if the shipper, and the shippers in our interviews were very forthcoming in saying, "Yeah, if we have that kind of cost increase, we will pass it along of course to the end user, the consumer on the islands." But why does that number translate to such a small number when you get down to the retail price? And it is because the cost of ferry transportation itself, just the ferry trip, is slightly under one percent, .8 percent (0.8%), of the total retail value of the price of goods sold on the islands. So even if a shipper experiences a forty percent increase in their costs, once that cost is factored through the total value of the goods and comes out on a retail shelf, it is a very small number, a fraction of one percent.

And remember, I think there is a general perception that transportation costs are a larger share of the cost of goods in general than they really are. Nationally we find that transportation costs are about five percent of the retail cost of goods. That's all, about five percent. Now, and when we look at just the ferry trip, which is the only piece of the transportation cost that is going to increase, that is the last leg of a trip that could be thousands of miles long. So let's take the example of a head of lettuce that is grown in the Salinas Valley in California and ends up at the A&P in Edgartown. Well, that's got to be shipped all the way across the country to some point on the New England mainland. Nothing about that trip is going to change. From the point it gets into New England until it gets to a port city, actually if it goes through New Bedford, the cost of that piece of the trip will generally go down because for anybody on the mainland it is easier to get to New Bedford than it is to the Cape ports, particularly in the summer. So the only piece of the trip where the price and time will go up is that last little piece, the ferry trip, and that is only changing at the margins.

Now, one result of this if some freight were shipped out of New Bedford, is that some shippers would change their suppliers and would find suppliers in the New Bedford region. Or some shippers would be replaced by new shippers in the New Bedford area. And we found that compared to costs generally across Massachusetts, costs are slightly lower in New Bedford due to wage differences, land cost differences, *et cetera*. So that if even ten percent of the shippers shifted to a New Bedford-based supplier, that would result in a potential savings of 3.7 million dollars, as an example. So on the one hand you would have an increase of a little over four million, potentially counterbalanced by cost savings if cheaper, less expensive suppliers were developed in the New Bedford region.

Major Findings (continued)

(page 6)

The second thing we did was test the attractiveness of going to New Bedford among the existing shipper community, and in this case we used the data base that was developed in the KJS study over the past few years and did interviews with the shipping community. And I will describe those in a little more detail.

We found that when we use an economic model, that New Bedford theoretically could be made economically attractive to somewhere between thirty and sixty percent of the shippers if fares were equalized across all of the

ports so, in other words, all of the freight costs were put into one pool for Hyannis, Woods Hole, New Bedford -- still kept separate based on the islands -- so that it didn't cost any more in terms of the fare to ship out of New Bedford to Martha's Vineyard than it did out of Woods Hole to Martha's Vineyard, *et cetera*. The service was offered in the peak summer season when the New Bedford travel time advantage on the land is greatest because the Cape is more congested, or faster vessels were used out of New Bedford to reduce the water time travel disadvantage that New Bedford experiences. So the economic model told us through some combination of those factors you could make New Bedford attractive to a fairly large segment of the shipping community.

However, when we surveyed the shippers, we found that actually it is never attractive to them to divert to New Bedford under any scenario. We found no more than twenty percent of the shippers who would say, "Yes, under that set of conditions we would willingly on our own divert to New Bedford." And I will explain why those results are different from what the model might have suggested versus what the shippers told us.

Major Findings (continued)
(page 7)

So based on these findings we developed an operational model that we think would be the most cost-efficient approach to New Bedford service if the Authority chose to do it. And that would be to use modified existing freight vessels, basically the enlarged *Katama*-class vessel, operate the service in the peak season when the problem is greatest at the Cape ports and the travel time advantage is greatest to New Bedford, and run four daily round trips to Martha's Vineyard and two to Nantucket out of New Bedford with the remainder of the freight continuing in the existing ports.

However, we found that the shipping community had a strong preference that if you are going to go to New Bedford, we want to go all year round. We don't want to have two separate sets of procedures. This strategy would require the purchase of one net additional vessel of the *Katama* class beyond the capacity expansion program required to meet the thirty percent growth in freight if you stay on the Cape in the Cape ports. That would be the net additional cost of New Bedford service to the Authority, and this strategy will provide capacity in New Bedford for roughly one-third of the freight that is expected to exist in the year 2005 and, interestingly, that number has double significance because it is about equal to the growth rate of thirty percent, so that what we are saying is that here is a strategy to take all of the growth in

freight that occurs between 1995 and 2005, maintain the freight level of service and demand that existed in 1995 at the Cape ports and take the increment of growth and move it to New Bedford.

Major Findings (continued)
(page 8)

So while there is no obvious market-based strategy, in other words there is no strategy where a large segment of the shipper community says, "Yeah, we really want to do this," there are clearly a set of strategies available to the Authority by either policy directive or some cross subsidy where New Bedford could be made a viable operation with very minimal impact on the cost of goods on the islands.

Methodology
(page 9)

Now how did we get there to these findings? Basically we did three things in this study: First of all, we developed a quantitative economic model that would predict what does it cost to transport goods to the islands from the New England mainland in a fairly simple but statistically valid way; we conducted a survey of the shipper community to find out what they wanted to do; and then we coordinated very closely with the Authority on the definition of the marine service strategies.

Economic Model
(page 10)

So the economic model consisted of the sum of the individual components of a trip. First of all, the land side travel time to the mainland ports, and in this case we are talking about from the point where a product either originates or reaches a wholesaler or supplier in New England generally, to get from that point to a port city. We priced that at \$65 an hour, which is at the high end of national data. In almost every case here we used the high-end conservative assumptions. Then you have the waiting time at the ferry terminal. The cost is going to be a little bit less because they can turn off the engines and not consume fuel. The ferry fare. The water travel time. The time it takes to unload and deliver the products on the islands. And finally and a very important factor is the back haul because essentially there is no back haul going to the

islands. Stuff is brought over from the mainland and generally the trucks come back empty. It is pretty much a consuming society. It is a one-way trip, but you have to account for the cost of bringing that truck back empty. The single exception of things coming back the other way is waste that is primarily hauled off of Martha's Vineyard and hauled back.

We added all of those factors up, divided by the total wholesale value of all the goods sold on the island, and that gives us the share of transportation costs equal to the wholesale price. We then adjusted that by the island retail markup because that won't change. Whatever the markup is, is what it is. And so that the percentage impact on retail price is actually smaller than the percentage impact on wholesale price.

We reduced it by the percentage of freight diverted to New Bedford and since we used as this model diverting a third, we took the total number and took a third of it and then discounted it by whatever tendency there might be to shift to New Bedford suppliers and save money that way.

Variables Tested (page 11)

We looked at a number of different variables: The fare. We tested in a number of different ways what would be charged for service out of New Bedford. We looked at different at different water travel times. We looked at faster vessels, slower vessels, see if that made any significant difference. We tested different seasonal combinations of service. Year-round service, peak service, *et cetera*. And we also looked to see if there was any difference among the major commodity categories.

Commodity Distribution by Island (page 12)

It is interesting to look at the distribution of commodities on the islands and generally on all of these charts in each case the bar on the left (the one for Martha's Vineyard – the bar on the right is Nantucket) you can see that there is a very significant difference in the mix of the products shipped to and from the islands, and the main difference is the share of material that is product that is construction material is much greater on Nantucket than it is on Martha's Vineyard and of course that is reflecting the current building boom and economic situation on the island. But over half of the product shipped to Nan-

tucket is construction material, where it is only about a third to the Vineyard. And of course the other significant difference is that waste is shipped back off of Martha's Vineyard but is disposed of locally on Nantucket.

Transportation Costs by Island
(page 13)

We also looked at the share of the different elements of the trip which account for the cost of transportation. And again here you see a subtle difference between the two islands, the exact difference that you would expect, which is that the ferry travel and wait time is a more significant piece of the total transportation cost to Nantucket, whereas the landside cost is a larger share to Martha's Vineyard, reflecting the much longer ferry trip to Nantucket. So as a result of this, you will see on the next series of slides that the impact is always slightly greater on Nantucket than it is on Martha's Vineyard because the ferry piece of the transportation cost is always a little bit higher for Nantucket.

**New Bedford to Martha's Vineyard Shipping Costs
As a Percent of Retail Cost**
(page 14)

So we looked at shipping costs as a percent of retail costs. First of all, for New Bedford to Martha's Vineyard. And here we are looking at the total trip landside and waterside from the New England based supplier/wholesaler to the island receiver. So we are not just looking at the ferry piece of the trip, which gets more expensive when you go to New Bedford. We are also looking at the landside piece of the trip, which gets less expensive, and looking at the balance. So, today, shipments out of Woods Hole account for 1.88% of the retail value and when you look at New Bedford, and what we have here are four different fare strategies, some of which have fares equally distributed so there is no difference in the fare between Woods Hole and New Bedford, and in other cases we looked at assigning the true operating costs of each service to each city. So if you use the equal fares, the share of retail price goes up to 1.95%, which .07 percent difference, almost nothing. When you go up to assigning the true cost of the service to each port, the impact is greater, but it is .23 percent of the total retail cost, about a quarter of one percent.

**New Bedford to Nantucket Shipping Costs
As a Percent of Retail Cost**
(page 15)

A similar analysis here for Nantucket, again comparing New Bedford versus Hyannis. Again, all of the numbers are a little bit bigger for Nantucket because it is a longer ferry trip. Currently out of Hyannis the percent of retail cost is 2.64%. Under various scenarios the highest you get is 3.04%, so it is a .4 percent differential. So the differential is a little bit greater for Nantucket. It gets as high as .4 percent. It never gets higher than about .23 percent for Martha's Vineyard. These are all very small numbers.

**Comparison off Transportation as Percent of
Retail Prices by Commodity**
(page 16)

We also looked for the impact of each island broken down by the four main commodity groups: Food; fuel; construction; and other. We didn't bother to put value on waste. And you can see that food, the most essential product, the cost of transportation is the smallest share and goes up the least under any scenario. For Martha's Vineyard, the most expensive product, in terms of transportation cost, is fuel, and that would go up the most relative to other sets of commodities. It is not surprising. The value of fuel relative to the special precautions that have to be taken to transport it. The value is low. Special precautions have to be taken to transport it, so it is high.

Profile is a little bit different on Nantucket. Both fuel and construction materials stand out as having a relatively high share of transportation cost and they both would go up the greatest amount if you moved service from Hyannis to New Bedford.

Shipper Preference Study
(page 17)

Now I would like to move on to the second part of the study, which was our survey of the shipper community. What we did, we conducted a formal choice exercise for a stated preference survey. We didn't just go out and say to the shippers, "Well, you know, if they operated out of New Bedford, what would you think you would do?" or "Would you do it?" Or "Would you use it?" We presented them with a series of very specific choices based on travel time, cost

and service and asked them to choose between those very specific choices. The same technique that we use when we do consumer market research for a new kind of cell phone or something like that. To really force people to make tradeoffs in the real world between sets of parameters of service.

We contacted 80 shippers which represented 86% of the total freight value and 100% of the potentially divertable freight value. The difference being the 14% difference are Cape based shippers. We assumed that under no circumstances would someone based on the Cape choose to divert to New Bedford, so we did not bother to survey them. We successfully completed 42 interviews, so roughly half of the people would complete the survey for us. They represented 58% of the total freight value or 70% of the divertable freight. So we think we have a pretty large sample of the total market.

Impact of Attributes on Port Choice (page 18)

One thing we were able to determine was what is the relative impact of a different set of factors on their choice of port and this is interesting to compare it back to the economic model, and this is where I mentioned that there was a difference between what the shippers told us and what the economic model suggested, and we can see the difference here.

First of all, comparing that to Nantucket, just like the economic model would have predicted, people who ship to Nantucket, the landside trip is relatively less important compared to the long ferry trip. It is exactly what you would expect. But what we also found is that there were two other factors that we did not take into account in the economic model, and that would be the yellow and purple wedges. One of them represents seasonality, and where the economic model would predict that if you have to do something that is going to cost you more, you would rather just do it part of the time, and you would particularly rather do it in the summer because that is when the travel time to the Cape is most congested, so you would be better off with a seasonally-based service in New Bedford. But, as I mentioned, what the shippers said was, "No, we want to do the same thing all year round because there are costs to us of having two different sets of operations." That is a little bit harder to capture in a model.

The other factor is a general, sort-of, "We don't want to do something different" kind-of feeling. We are comfortable doing what we are doing. This is going to complicate our lives. "We are not quite familiar with what we are going

to be faced with in New Bedford, so we would just assume not change.” And, of course, that type of attitude is impossible to capture in a model, but understandable. We are talking to the existing shipper community.

Attributes Which Do Not Impact Choice of Port
(page 19)

Those were the attributes that affected their choice. There were a number of attributes that didn’t affect their choice at all. First, the number of trips offered per day. There would obviously be fewer trips per day in New Bedford than out of the Cape ports because it is a longer trip. You can only get so many round trips out of it. That didn’t seem to be a factor to the shippers.

We also tested whether expanded valet service or consolidation service, either at the Cape ports or at New Bedford, would be important factors, and they weren’t. And the reason, I think, is that to the extent that the demand for these services exist, they are already being met. The Authority does offer valet service in Hyannis where they will drive the truck onto the vessel and drive it off. Seventeen percent of the shippers in Hyannis take advantage of that. That I would say is the market for it. It is being used. And there is already consolidation service offered at the Cape ports. It is offered by companies like Cape Cod Express, Sun Transport, Carroll’s. That’s what they do. They are essentially a market-based consolidation service. So that demand seems to be being met.

New Bedford Base Case
(page 20)

Now we tested a number of variables in our analyzing the results of the survey. We started with a base case in which New Bedford was offered in the peak season, roughly in the summer extended. The fare structure was based on the true operating costs, so it would be more expensive to ship out of New Bedford than the Cape, and we used the existing 13-knot vessel fleet, the *Katama*-class vessel, as the standard. And then we varied these factors to see what the shippers would respond to if we presented them with different choices.

Base Case vs. Variables Tested

(page 21)

So these are the results of the surveys, starting with the base case. In a base case of peak service, slow vessels or existing vessels, and true cost of the service, only six percent of the Martha's Vineyard shippers said, "Yes, under that set of circumstances, we would willingly go to New Bedford," and only three percent of the Nantucket shippers said so. And you will see through most of these that that two-to-one ratio of roughly double willingness to divert from among the Martha's Vineyard shippers pretty much holds. And the reasons for that are probably two-fold. One, it is a very long ferry trip from New Bedford to Nantucket, and, two, there is a much closer commercial relationship between Nantucket-based receivers and Hyannis-based shippers and probably a greater reluctance to disrupt those relationships than there is between Martha's Vineyard receivers and Falmouth shippers.

Now, if you went into a scenario where you equally priced the service, so you took all of the freight costs, put them in a pot, and you charged the same out of New Bedford as you did out of the other ports by island, that was the most significant factor in people's willingness to divert, and it basically gets up to around twenty percent for each island, and that is the highest percentage we were able to get from any variable or any set of variables. If you offered year-round service, yes, that was more appealing than seasonal service, about doubled from 6.3 percent to 11.6 percent. If you offered faster vessels to cut down the water-time disadvantage, that had some appeal. If you offered a more flexible reservation system, again, roughly the same level of appeal. And if you discounted off-peak service.

We also tried stacking these variables. In other words, we combined equal pricing with fast vessels. Still got twenty percent, so it really seemed that the price, the fare, was the salient factor to the shippers in deciding what to do.

One other thing here, I will point to, it's just at the end here, the food, when we looked at it by commodity, the food shippers were almost completely unwilling to divert to New Bedford relative to others, and the reason for that is a concern about the impact of a longer water voyage on refrigeration equipment which would have to be off while the vessel is on the boat, so that was sort of a unique response for the food shippers.

Most Efficient Operational Model

(page 22)

So, looking at those results, the economic model, again, coming back to, if you did go to New Bedford, what would be the most efficient way to operate the service. Again, use the existing open-freight vessels, the *Katama*-class. For the Steamship Authority it would make the most sense to operate only in the peak season. Four round trips daily to Martha's Vineyard and two to Nantucket. This could be done by expanding the capacity of the *Sankaty* and *Gay Head* so that they are equal to the *Katama*, and purchasing two new similar boats. Assign two boats each to New Bedford. One would do Nantucket service, the other would do Martha's Vineyard service. You would have two other freight boats in Woods Hole, one in Hyannis, and a back-up in Woods Hole that could go either way.

This would require one net additional freight boat beyond what would be required to do the same level of service and meet the same demand at the Cape ports, and a big part of the reason for that is when you take freight and you put it in New Bedford without passenger service, you are limiting the flexibility that the Authority has today to trade off trucks and cars. So, in other words, some percentage of trucks today are carried on the closed multi-use vessels. Those vessels, under this scenario, wouldn't be operating out of New Bedford, so you wouldn't have that ability to trade off back and forth.

And, as I mentioned, this strategy would accommodate roughly one-third of the 2005 truck trips which about equals the growth rate over the ten-year period.

Vessel Options

(page 23)

This slide shows differences in cost by types of vessel. Obviously, if you were to go to a faster vessel out of New Bedford, it would cost more. There is nothing in the economic model or in the surveys that would indicate it is worth it. It just doesn't have that big a factor in attracting shippers.

**Impact of New Bedford Service on
Cape Cod Traffic**
(page 24)

Finally, if you did divert one-third of the freight to New Bedford, what would be the impact on Cape Cod traffic. Interesting question. Roughly 80% of island truck trips cross the Cape Cod Canal, so roughly 80% percent of the trips are from off-Cape. Those truck trips equal less than one percent of the Canal's daily traffic or its peak hour traffic. Less than one percent. If you took them all away, there would be no measurable impact on traffic either on the Canal bridges or at the Cape ports. There would be no quantifiable impact. There probably would be some qualitative impacts that people would perceive in the immediate vicinity of the Cape ports, because you would have fewer trucks staging around the area, you would not have the kind of truck surge following the unloading of the ferry, and there might be a perception of somewhat less traffic, a little bit less noise, a little bit less air pollution, but I doubt any of it could be quantified. Because the numbers just aren't that big relative to the total amount of the traffic on the Cape in general or in the immediate vicinity of the ports.

Conclusion
(page 25)

So, in conclusion, I guess there are two key points. The economic impact of New Bedford-based service on the price of goods sold on the island is statistically insignificant, under one percent no matter how you test it. The shipping community, however, will not choose to divert to New Bedford in large numbers absent a policy direction and/or a subsidy, a cross-subsidy, from some other aspect of the Authority service. So that is really now the choice, it really comes down to a policy choice that is facing the Authority in how they want to address these set of facts.

COMMENTS
BY
PROFESSOR ROSABETH MOSS KANTER
OF THE
HARVARD BUSINESS SCHOOL

Thank you Mr. Chairman and Board of Governors for giving me the opportunity to contribute along with my colleague, Dr. Barry Stein, who represented me at many meetings of the advisory committee. You know, economics is called the dismal science, so it is amazing that so many of you have turned out to hear the report of an economic study, so maybe it is not so dismal after all, or maybe the study is really opening up a larger set of questions that we should address.

First of all, I would like to compliment Cambridge Systematics, who really did a terrific job on the economic study and was very open to comments and input, but also recognized the limits of what they were asked to do and, therefore, could not address all the planning questions that the Cape and Islands face about their futures, nor could go far beyond the mandate of the study. So I want to ask all of you to look at what I think is one of the most important pages in the report, it is page four, what the study does not address, because I have a few things to add to that list as well.

I also want to compliment New Bedford on fabulous economic development efforts. I am a member of the Governor's Economic Council. I am also on the Board of Directors of Alliance for the Commonwealth, which is a public-private partnership looking at trade issues and economic development issues for the Commonwealth, Associated Industries of Massachusetts, plus trade professionals, various state officials, and so forth, so I am very familiar with the terrific efforts New Bedford has been making -- the plans to be a seaport and an important maritime capital for the region. I think that is fantastic, and if I were speaking for the interests of New Bedford, I would be doing exactly as they are doing. They are building up the port and they want to find as many ways as they can to make use of that port.

And I would have my eyes on the islands. I would say, "Aha, this is an important jewel for Massachusetts -- Martha's Vineyard and Nantucket. In fact, it is a world-class destination and not just a place to live. And I would be

looking at those islands and saying, "Wouldn't it be an interesting part of New Bedford's future to not only be a shipping port but also be a gateway to the islands." That's what I would be thinking long term even if it is not in the plans today. But I do applaud New Bedford. I think it is important for the Commonwealth and for the region that the revitalization of New Bedford go forward. But that is different from thinking about what the interests of the Cape and the islands are.

First, let me talk about the Cape, because there was one other very important page in the report as we broaden beyond what Cambridge Systematics has already presented. Page 24 -- "Impact of New Bedford Service on Cape Cod Traffic" -- because I know a lot of the people here from Cape Cod are very concerned about that. The study said that the impact would not be discernible, but there are a number of assumptions there that I think you as the Board of Governors need to look at. There was no assumption made about what would happen to the extra capacity that would be freed up for the Cape ports if freight service were to go from New Bedford. What would happen to that? Would that vacuum be filled with more cars and would that in effect leave the traffic situation the same or worse on Cape Cod? So there is nothing we can tell from this study and from the forecasts made really about whether this will help the traffic situation on Cape Cod or not. Again, Cambridge Systematics did a tremendous job using the economic models they had created to say that there was no discernible impact, that is, it won't get better if the freight goes to New Bedford. We also don't know whether it could still get worse if something isn't done about the traffic planning going to the islands.

And forecasting, you know, is an interesting thing, as Marc himself said in the report. There is an old joke about economists that they have learned the danger of forecasting. It is a very dangerous occupation, especially about the future. You know, forecasting works very well when you make extrapolations from past behavior. We don't know how behavior will change. We don't know that. Nobody can know that. And so, people who make policy have to think about how they would like behavior to change and not base their decisions simply on economic forecasts.

I am reminded of the year 1955, approximately, when IBM Corporation was deciding to invest in a new technology offered by a company called Haloid. It was the Xerox machine. And IBM did a study that showed that the world-wide demand for the Xerox machine could never amount to many more than 5,000 machines, and therefore they didn't invest.

So we don't know what the change of behavior is because of an increase in capacity. And, in fact, evidence shows that whenever you increase capacity – more ways to get to more places – demand grows even faster than capacity. Look at what's happening with our telephone system. We have run out of lines in area codes and all of us once again are going to have to change our area codes, I'm sure, because our demand for telephone service, or the use of those lines with new technologies, has grown faster than even the capacity. So every time capacity opens up, demand to use it grows. So I think you need to look at what the impact is of then having multiple ports, all of which are going to the islands, on the islands.

Next, the study again shows that, in the aggregate, the amount of extra cost imposed on the islands by the shipping alternative is not very great. But if you look at that on a per-family basis, or per-capita basis, we are talking about 4.4 million dollars, approximately 20,000 year-round permanent residents of the islands, that's about \$230 per person as an island tax. Essentially that is an island tax. So I don't know the answer to that question, but I would want to know ...

Now, we could bring that number down by assuming summer residents, seasonal people are bearing some of that costs, but I don't know how people on the islands would feel about paying that island tax, and there is nothing about the economic study here that could tell us that. I also don't know whether they would rather that that 4.4 million dollars be spent in other ways to improve their quality of life rather than to ask them to pay more for the goods coming to the islands. So that is to be explored. That also is on the list of what this study didn't address, even though it did an excellent job – again I want to reiterate that – a really excellent job of addressing what it could address.

In addition, we have learned that there would be some capital expenditures required by the Steamship Authority. A new boat, *et cetera*. And this study was not asked to address alternative capital uses for the Steamship Authority. It was not asked to address, for example, whether there are other forms of warehousing on the islands so that the goods that are clogging the arteries to the islands in the summer time – the construction materials – could be stockpiled and warehoused over the winter, thereby creating new jobs for the islands. We don't know that. And I am not saying that is the right thing to do or that any one thing is the right thing to do, but from the Steamship Authority's perspective, it is not "yes" or "no" making the capital expenditures here. I think you need to explore a range of alternatives for how you would spend the capital you have at your disposal.

Finally, the islands themselves. You know, the Steamship Authority exists really to serve the interests of the islands. There would be no need for the Steamship Authority if these weren't islands. And that is its reason for being. In my book, *World Class* -- this book is about the global economy, so it is about global business, and it is really pro-business in the interests of business -- but it also says that regions have to work together in this new economy. And, again, I applaud New Bedford's leadership role for the regional economy. But I open the book with a little story that was told to me by an activist on Martha's Vineyard, Res Williams, and here's the story: He has lived year-round on Martha's Vineyard and he remembers the day he was walking on a beach with his five-year old son, and his son asked him while walking on the beach one day. He said, "We live on an island, right?" "Right," Res replied. "We're surrounded by water, right?" "Right again." There is a long pause while the five-year old thought about this and then he said, "Are we connected to the world?"

Well that is what an island is. It is a place that is only connected to the world because of what the Steamship Authority permits, and the airports. We are not talking about air transportation now. So in some ways your responsibility first and foremost is to think about that island that you are connecting to the world, and this report certainly couldn't address the planning concerns on the island about being choked with traffic or about too much construction. They are far beyond the scope of this, but I would say that one would want to know what the islands' perspective is on this because this is not simply an economic matter of what the cost will be for shippers, although I don't like adding a tax to shippers either, but I think that we need to know what the islands think, because that is the purpose of the Steamship Authority.

So this is great job, but it is really the opening statement of what should be a dialogue rather than a conclusion. Thank you.

**MARC R. CUTLER'S RESPONSES
TO
QUESTIONS AND COMMENTS FROM THE MEMBERS**

In response to a question from Mrs. Grossman, Mr. Cutler stated that his firm had conducted no interviews with shippers on a personal basis. All of the interviews were conducted by telephone by transportation professionals in his office. The process had three steps. The professionals would make an initial call to establish that the shipper wanted to do the interview and to determine the nature of the shipper's operation. Cambridge Systematics would then fax the shipper a customized choice exercise that specifically related to the shipper's operation, which the shipper filled out and faxed back to Cambridge Systematics. And then the professionals would have a follow-up conversation with the shipper.

In response to a question from Mr. O'Brien, Mr. Cutler stated that the total number of vehicles per bridge crossing the Cape Cod Canal on a daily basis is approximately 70,000, and that the total number of island-bound trucks was around 200. Woods Hole is the destination for two-thirds of those trucks, while Hyannis is the destination for the other third.

Mrs. Grossman then recounted how one of the reasons the Members had selected Cambridge Systematics to conduct the study, even though it was more expensive than the other firm which had submitted a proposal, was that Cambridge Systematics was going to conduct personal interviews of the shippers, and questioned why that had not been done. In response, Mr. Cutler stated, "We said that we would conduct a few personal interviews in the pre-test process. But these people are all over the place. There would be no way that you could cost effectively conduct forty to eighty interviews in person. I am very confident with the findings we got from the telephone survey."

Mr. Cutler also responded to several questions from Mr. Rappaport regarding how Cambridge Systematics calculated what it would cost the Authority to provide freight service from New Bedford in accordance with Cambridge Systematics' "Most Efficient Operational Model" that was described on page 22 of its presentation. Although page 22 states that the Authority would have to purchase two new freight boats, Mr. Cutler said that his firm included the cost of only one of those boats as being attributable to the New Bedford service, based upon the assumption that, even if the Authority chose

to continue providing all service from the Cape ports, it would still have to purchase one new freight boat and expand the *Sankaty* and *Gay Head* to *Katama*-class vessels in order to meet the projected demand. Further, Mr. Cutler clarified that the \$250,000 cost estimate to operate the New Bedford terminal, which was referred to on page 32 of the presentation, was the estimated cost for each island per year.

Noting that the estimated cost of a new freight vessel was \$8.5 million, Mr. Rappaport questioned whether Cambridge Systematics' cost estimate of \$2,700 for the bond interest payment per day was accurate, as he had arrived at a figure that was almost three times that amount based upon an interest rate assumption of around five percent and recognizing that the bond payments would have to be paid from a service that was only operating 110 days each year, rather than 365 days. In response, Mr. Cutler said that he thought his firm had based the cost estimate on a 260-day operational year, assuming a year-round five-day-a-week operation from New Bedford, and that his firm could take another look at its calculations to make certain that everyone was comfortable with them.

Mr. Cutler also stated that his firm had ended up with an estimated total operating cost for each freight boat of between \$3.5 million and \$4.5 million per year. In this regard, Mr. Cutler said that, if the Authority chose to absorb that cost itself through some form of cross-subsidy, there would be no cost to the shippers and the consumers. On the other hand, Mr. Cutler said, if the Authority chose to pass on the full cost of the New Bedford service to the shipper through fares, in the end it would be a wash for the Authority because it would cover its costs.

However, Mr. Rappaport pointed out that, by his rough calculations, the rates for service between New Bedford and Martha's Vineyard would have to be somewhere between \$255 and \$380 simply to cover the cost of service, which was up to four times what the current fare structure was from Woods Hole. In response, Mr. Cutler agreed that the fare similarly would double in some of the scenarios that had been calculated by his firm.

Mr. Rappaport declared that the cost of the service was going to be a key factor in the Members' consideration of any policy decision, and observed that even Mr. Cutler's suggestion of a cross-subsidy required an increase in the rates from Woods Hole and Hyannis in order to permit some service to be operated out of New Bedford. In this regard, Mr. Rappaport noted that one of the Members' major tasks was to look at the Authority's bottom line and not go back to their communities with any assessments.

In response to other questions from Mr. Rappaport, Mr. Cutler stated that his firm had assumed that the freight boats would operate at roughly ninety percent capacity, that he had assumed there would be a back-up boat, and that he did not believe they had addressed the possibility of cancellations. Mr. Cutler also said that he did not make any judgment with respect to KJS Associate's forecast that there would be a thirty percent increase in the islands' demand for freight by the year 2005. His firm was simply given that figure.

Mr. Cutler further stated that he had not recommended any other strategies to deal with the expected increase in freight demand, such as providing valet or off-site consolidation services or implementing off-peak pricing incentives, because the shippers had indicated that none of the strategies would be desirable due to their cost implications. But after Mr. Rappaport pointed out that the shippers similarly stated that they did not want to go to New Bedford because of the costs associated with that change, Mr. Cutler agreed that the pros and cons of the other mitigation efforts could be discussed as well.

In response to a question from Mrs. Grossman, Mr. Cutler pointed out that prices of goods in New Bedford were generally lower than they were in Massachusetts as a whole. Therefore, although he said he was not making a recommendation with respect to this issue, Mr. Cutler agreed that an inference from the study was that, in the event the Authority were to provide freight service from New Bedford, the cost of goods on the islands could be lowered if they began buying their goods from New Bedford suppliers instead of Cape-based suppliers.

Observing that the shippers appeared less than enthusiastic about operating out of New Bedford, Mr. Asendorf asked Mr. Cutler if he could account for their resistance to the change. Mr. Cutler stated, "I would say that it is two things. They can add. It does impose an additional cost on them because the water trip is longer than the land trip is shorter, so they are looking at it from their perspective that this is going to cost them more and that will cause them aggravation. So it is a purely rational economic response. The second factor is I think just sort of what you point out is that there is always a general resistance to change. Long established patterns here. Long established commercial relationships. They know the Cape ports. They don't know New Bedford. Things are good. Why change?"

PUBLIC COMMENT

George Leontire, City Solicitor and Economic Development Director for the City of New Bedford: One of the major issues is that with respect to your analysis on cost, you have not taken into consideration the cost of expanding your existing facilities to meet the expected thirty percent increase in utilization. We are providing a 3.5 million capital investment for a terminal, which is a cost that you would not need to incur if you came to New Bedford. The analysis is based upon one-third of the freight. What we are looking at the growth factor. That may or may not be the case. You are only talking about the amount of increase of new freight. With respect to some earlier comments about the 1.2 billion dollars worth of commodities that go to the island and the 20,000 people who use them, I assume that none of the tourists eat or use any of the other facilities or that all of the 1.2 billion worth of commodities is used by the 20,000 residents, and that is pure nonsense. And that 250 figure is a red herring. With respect to increasing the demand on the islands, that is a very critical point. We know it, you know it and the public and islanders know it. But to suggest that by moving freight to New Bedford is then going to open up additional freight opportunities at Hyannis and Woods Hole which will then impact the islands is really another red herring because it is within the Authority's purview to keep the existing freight services from those ports at current capacities. This will cause additional pressures to the islands, and that is not our goal.

Frederick M. Kalisz, Jr., Mayor of the City of New Bedford: Regional cooperation is the only option, and if South Coast communities and Cape Codders solve regional problems and advance their respective interests, from water resources to transportation to land use planning, we must begin a meaningful dialogue on these issues. While each of our communities may have its own unique issues to contend with, our overall success depends upon the success of our collaborative efforts. Because of the unique attributes, New Bedford is in a position to be a valuable partner in this process. The issue of freight ferry is one of these issues. Regionalism only works when regional partners benefit. It is not our intention to increase the financial burden on the island communities. The fact is New Bedford freight service will not cause such increases. When you examine the issue in the totality, the minimal increased transportation costs to ship from New Bedford is more than offset by the reduced wholesale prices from the New Bedford area.

This becomes even more apparent as New Bedford continues to develop its regional intermodal transportation network, which I will address shortly. It is not our intention to interfere with existing Hyannis and Falmouth businesses presently shipping goods from Hyannis and Woods Hole. Regionalism does not mean picking your neighbors' pockets for your own community's benefit. Regionalism does mean, though, working cooperatively and rationally to address serious problems which affect communities in different ways. A major advantage of regionalism is the substantial ... of working together which provides in a host of areas both political and otherwise. The south coast, not including the Cape and islands, comprise some 450,000 people. Collectively we can address our respective problems in ways that individually appear insurmountable.

I want to take the moment to quote to you from the Municipal Manual of the City of New Bedford, a quote that was printed in the year 1917. "New Bedford is a natural trading center for the whole of Cape Cod and the hundreds of summer communities which line the shores of Buzzards Bay. It provides steamer connections with New York, Woods Hole, Martha's Vineyard, Nantucket and Cuttyhunk, and has sail and steam packet connections with the Azores, Cape Verde Islands and Portugal."

Those were the facts at the turn of the century. These now are the facts as we enter the new millennium. New Bedford is developing an intermodal transportation network which includes air, rail, harbor and highway. With respect to the harbor, New Bedford's harbor is one of the safest havens on the Eastern seaboard. The harbor entrance features some one and one-half mile hurricane breakwater and a massive tidal gates, some eight hundred and eighty tons, which protect the city from storm surge. New Bedford's harbor operates twenty-four hours a day, unlike Hyannis or Woods Hole, which operate approximately 12 hours a day. Freight vessels can leave New Bedford at any time and arrive and depart on the islands before local residents begin their day. This is not possible under current conditions.

The State Pier, which will be the home of the new fast freight terminal, presently has sixty-eight thousand square feet of trams and sheds, with rail and truck docks for use by freight companies shipping to the islands. It has a dry storage capacity of some 24,000 square feet and a cold storage facility for perishable goods. Freight haulers would now have the option of breaking down their eighteen wheelers into small panel trucks, if they so choose, thereby relieving the island of some of the 18 wheeler traffic. The east face of the terminal can handle vessels of up to 525 feet in length and it has some 5.5 acres of truck staging and maneuvering space.

New Bedford's ferry terminal will be built at a cost of some 3.5 million with no cost to the Steamship communities, not one dollar to construct. This facility will service not only the freight of the islands of Nantucket and Martha's Vineyard, but the ports up and down the East coast. The cost of expanding the present facilities in Hyannis and Woods Hole, two Steamship members' communities, to accommodate the thirty percent projected increase in cargo needs, has not been included in the analysis of the benefits or detriments of moving freight from New Bedford. The survey did also not take into account the enormous cost savings which will result from shipping commodities from communities which is rapidly becoming a regional freight center through its intermodal transportation center, which I would like to further discuss.

New Bedford's harbor master plan is nearing completion. The linchpin in New Bedford's plan, insisted upon by our community, is to continue maintenance of the waterfront as a working waterfront. You will not find condominiums or homes competing with working harbor activities. Putting such activities side by side inherently leads to a conflict of competing interests. There are few, if any, waterfront communities which have committed to maintaining their working waterfronts as exclusive working waterfronts. Such a commitment deserves to be recognized and nurtured. Some have suggested that this commitment is a natural extension of a community that once boasted 351 whaling ships and, more recently, an equal number of fishing vessels. Nantucket, Martha's Vineyard and New Bedford cooperated and depended upon each other for life and prosperity during so much of their histories as sea-faring communities and historically New Bedford served as that mainland link.

New Bedford's seafaring heritage has been further solidified by the recent designation of the city's magnificent historic downtown area as the New Bedford National Whaling Historic Park. The 305th national park will be so deemed by the United States Congress. Combining this recent designation with federal and state appropriations of some 18 million dollars to reconnect the waterfront with the National Park, the downtown and adjoining neighborhoods, 2.2 million dollars in Seaport bond allocations for fender and dock repairs, the plans to repair the state pier, and the authorization of 3.5 million dollars for a ferry terminal, collectively, illustrates New Bedford's waterfront is flourishing.

In addition to such waterfront initiatives, New Bedford has embarked upon a permitting process to extend its airport runway to serve growing air freight needs at either Logan or T.F. Green. The MBTA, the Legislature and the Governor have all committed to extend rail service from Boston to New Bedford

and Fall River. In fact, in next year's budget, 12 million dollars in railroad bridge repairs in New Bedford will begin. New Bedford's location at the intersections of Interstate 195, Route 140, Route 6, air, rail and, yes, ferry service will result in New Bedford becoming a major intermodal transportation hub. Such a transportation hub will have an enormous positive impact on new Bedford and the south coast region, which has long been isolated from the prosperity enjoyed by the remaining parts of the Commonwealth for far too long. In a broader regional context, it will provide much needed relief to various Cape communities under continuing development and traffic pressures while not adversely affecting the cost of goods to the islanders or unduly creating hardships for shippers and mainland businesses.

Members of the Authority, Finance Board, ladies and gentlemen gathered here today, New Bedford is ready and willing to be such a partner. The good doctor made reference to the tremendous strides that we have made in eleven months to begin to turn around the economic initiatives in our city. I stand here as a Mayor, with the support of the Governor, with two United States Senators, a Congressman and direct working relationships with the White House and the current administration. We have put a plan together that is showing movement and progress and one that will be mutually beneficial to an entire region. Thank you very, very much.

Fred B. Morgan, Jr., member of the Board of Selectmen of the Town of Edgartown, on behalf of his board: I am frequently amazed by surveys, and this is a typical example of the ideal. I cannot believe that operations out of New Bedford are not going to cost more and impact the people of the islands that are going to be most affected. I won't believe that. No amount of statistics or surveys is going to prove that to me. I know that New Bedford has gone to Barnstable and Falmouth, and the two communities that would be affected the most have not been contacted, at least up until now. Now I understand that certain individuals will appear on Martha's Vineyard and, before you get involved in any decision-making process, you should hear from the people of Martha's Vineyard.

Ed Belisle, Member of the Board of Assessors for the Town of Edgartown: I also happen to be a person who has been using the trucking facilities of the Authority for the past fifteen years. We operate a truck six days a week during the season for six months, and then four days a week during the winter. I see absolutely no reason why we should change anything. There is no advantage to the island of Nantucket or the island of Martha's Vineyard. It is going to

cost us more. The service isn't going to be as good. The potential for a deficit is much greater, and I see absolutely no reason why we should change. It makes no sense to me. I am not an economist. I am a businessman. I can remember the deficit. Edgartown is saddled with the largest amount of anybody. I don't think we are looking for it. I don't think the majority of the people of Martha's Vineyard are for it. If you took a survey, most people would be against it.

Mary "Pat" Flynn, Chairman of the Board of Selectmen of the Town of Falmouth: I believe that the economic impacts are very important in terms of moving freight to the islands. It is important to all of the communities. Those of us in Falmouth and Barnstable, however, also feel very strongly about the quality of life issues as they affect our communities and the members of our communities. I want to commend the Authority for commissioning this study. I think it is a very good beginning, but I think there is a lot more work to do. I have a number of questions about it. One is the issue of fuel. It seems that fuel always seems to be transported to the islands on trucks, and I have always wondered why it isn't carried on barges. I am not an economist.

I think that it is very important to keep in mind that New Bedford has now offered us an opportunity, and we should not turn our backs on this opportunity. New Bedford has created a maritime infrastructure in the city and freight is just one small part of that, and freight has to be just one part of something that is very large in order to be economically feasible. So we should explore it. Every time you look at an option, you look at the feasibility, the benefits and the accountability and we should be able to work through some of these issues.

One of the concerns we have is the issue of assessment of the deficit. The islands and Falmouth have a major concern about that. If the Steamship Authority were to contract that out, that is also an option. And perhaps there is an opportunity for a private enterprise to provide the service. The Board of Selectmen is always willing to sit at the table to work with both islands, as well as New Bedford. Falmouth wants to be a major player as this moves forward.

We want you to look at this opportunity. We want to work with you to explore this opportunity and we hope that, as a result of this, we will be able to do something about relieving some of the quality of life issues of people who live in Falmouth. The freight that was addressed was only the growth through the year 2005, and we are very concerned about the freight that is already

there. We would like any option that looks at the current freight that originates off-Cape as well as future growth.

Wayne Holmes, Nantucket attorney: I represent some of the people here today. I speak for them and as a citizen of Nantucket. I think it is accurate to say that the vast majority of the residents of Nantucket oppose this proposed move requiring freight and/or passengers to embark and disembark at New Bedford. History suggests that the past relationship with New Bedford was both inconvenient and expensive. The report suggests that the change to New Bedford would have a minimal impact on Nantucket and Martha's Vineyard, but yet I share the skepticism of the gentleman from Edgartown.

There are several factors that I would ask you to consider, including: despite the report, the economic impact on the communities is anything but clear. For instance, your own statistics suggest the greater Hyannis commercial complex sells and/or transports to Nantucket \$51,00,000 worth of product a year. What is to happen to that \$51,000,000 taken out of the Hyannis commercial complex? Many Nantucket businesses have established bases of operations in Hyannis or they have formed many alliances at considerable capital cost. Are they going to be abandoned? The added cost of transportation is going to exacerbate the cost of housing. Our community is populated by tradespeople, teachers, clerks and blue collar workers. We are not all millionaires. We seek to enjoy the same enjoyments of life as all of those people in New Bedford.

There is no single benefit that I have heard today that is contained in that report that would cast any benefit to Nantucket or Martha's Vineyard. Not the slightest. Every single statistic presented, if you accept it as valid, suggests a penalty to Nantucket and Martha's Vineyard. In addition, your own economic statistics confirm the fact that the commerce between Hyannis and Nantucket justify 150 year-round jobs on the mainland. Seasonal jobs are important. Year-round jobs are vital. What is the impact on the 150 jobs? That has not been addressed in the report.

I am of an age to remember the service to New Bedford. I remember the difficult relationship with the longshoremen union in New Bedford and how often service was disrupted. I did not hear a single benefit today by reason of the proposed shift. At the same time, I recognize that there may be community traffic problems shared by all of us. Every community involved seems to have a traffic problem, and the towns on the mainland are no exception. It would seem to be a better solution to have the four communities involved meet and

address their problems to work towards a solution that preserves the economic benefits we now all enjoy rather than cast aside those benefits and establish measures of processes that penalize the islands.

Nantucket has imposed a moratorium which requires a declining number of new single family dwelling structures. That reduction is a significant factor and, without knowing what is the impact on freight demand of housing starts going from 300 a year down to 120, the statistics presented here today are necessarily flawed. It will take people of good will – not people who come here and issue a challenge – to resolve the issues. Before we discard a relationship that has worked well for 35 years, before we cast that aside, we should make a cooperative effort of having the communities meet to solve their problems.

Robert F. Mooney, Nantucket attorney: I have lived on Nantucket all my life. For the past 38 years, this Steamship Authority has provided the islands with rapid, reliable and efficient service, and I urge you not to do anything to break up this winning combination. The Cape and islands are a unit. They get along well and function well. They have brought the islands their greatest prosperity in history and, unfortunately, that was not the case when New Bedford was on the steamship line. I had the privilege of representing Nantucket in the State House at the time the Steamship Authority was set up as we know it today and, when the boat line bill was passed eliminating New Bedford, the headlines were the biggest in history. You have a good operation now. You are doing very well. If you attach New Bedford to this steamship line, you will not only lose flexibility, but you will gradually lose control of your own Authority. There is an old adage that says: those who do not learn from history are doomed to repeat it.

Augie Ramos, Nantucket shipper: I have been through a port change already. We made the move to Hyannis. We now have a satellite yard in Hyannis. I do most of my hauling out of New Bedford, but I don't know if I can do that if I have to go to New Bedford. I only have one driver. I am down to one tractor trailer. I am not a large company. The consumers are getting tired of having costs passed on to them. You have a lot of thinking to do. Don't rush.

Philip Bartlett, Chairman of the Finance Committee on Nantucket: I disagree with the statement that the economic impact on New Bedford-based service on goods sold on the island is statistically insignificant. If it is \$235, I

am sure you are going to double that. If I have one tractor trailer from Cape Cod Express, that costs \$800. According to the report, you are going to increase that by forty percent. That is going to be passed on to the consumer. The entire report is wrong. Should we even dare ask them to answer the safety issues relating to weather if the service comes out of New Bedford?

Robert Sawyer, Dukes County Commissioner-Elect: The most important thing to look at is page four: what the study does not address. There are also all kinds of unanswered questions that are not listed on page four, suggesting that shippers on the Cape were not interviewed in this study. I suggest that those shippers are small businesses and if this were to come to pass a lot of companies on Cape Cod are going to be hurt very badly and put out of business. That has to be considered. Another thing is, what is going to happen to Steamship jobs? They are obviously going to lose them. The study does not go into anywhere near enough detail about the cost. That is an average. If you take an inexpensive commodity, the increase could be very much greater than .35 percent. This has to be analyzed. In analyzing the cost, they use \$55 an hour. I question whether that is realistic.

Frank Shephard, Falmouth's Representative to the Cape Cod Commission: I recognized that there are many different points of view for what is a very difficult issue for so many communities that are involved. This isn't going to be solved today, and it is not appropriate to ask the Authority to solve it. The mainland ports are at or near capacity. If that is true, we have to deal with the growth of the islands, and that growth obviously has an impact on us. The truck traffic over the bridge is less than one percent. As that traffic moves to Woods Hole, that percentage increases. If there is no relief in terms of other ports, the impact is on a small residential area. The hidden tax of \$230. The mainland point of view is that we pay a hidden tax as well, in terms of what is happening to our communities due to this growth. I hope that we can sit down and work out some of these issues.

Leonard Jason, Dukes County Commissioner: This decision is going to go far beyond the year 2005. It is going to affect the islands for years to come and does not have the support of its principal players. It brings benefits to New Bedford, Falmouth and Hyannis at a cost of \$230 per person on the island. There must be a better way to spend \$4.4 million to solve this regional problem. Only through regional cooperation will this regional problem be solved. Let the dialogue begin.

Bruce McGregor, Sun Transportation: Page 12 of the report shows that construction is a big item in the commodities distribution, but my company generally deals with the “other” category. Most of the category I deal with, the “other” category, isn’t any cheaper if it went to New Bedford because that category is made of goods bought from stores who do their own deliveries. It doesn’t cost anything different to deliver something to Hyannis, New Bedford or Falmouth. The delivery truck has 20 stops. You are not going to miss the traffic of that truck. It just has one less stop.

In my personal experience, we plan businesses for year, not just days or weeks. I have been in the trucking business for over 20 years. My vehicles have spent one-tenth of one percent of their time in New Bedford. That is the only place where I have had a truck hijacked. We usually leave trucks at the terminals and pick them up at a later date. On the islands and on the Cape we have had very good luck with people not tampering with our vehicles, and I can’t think that would be the same in New Bedford.

Rick Hillger, North Atlantic Transfer of Nantucket: This study did not break down the difference of shippers *per se* to show those truckers who only have one truck. If I had to spend more time on the boat, I would be out of business tomorrow. I could not compete with someone who has thirty trucks. I have to go with my vehicle. Trips of four and one-half hours each way make my total time on the ferry nine hours in a twelve-hour day. This would not leave enough time to make deliveries or pick-ups, and would extend all of my trips by a day or two, making me not cost competitive. Also, I was one of the shippers surveyed, and the information I gave them was returned incorrect.

Joe Gondek, Nantucket shipper: We only deliver to Nantucket. I was also an active participant in the survey. Before we proceed on this at all and look into the costs of shipping products to the islands and what costs can be passed onto the consumers, it needs to be done on a one-on-one basis, and you have to make certain that the persons answering the survey understand what is being asked so that the questions can be answered properly. There are a lot of hidden costs, such as equipment costs. As a participant in the survey, I feel obligated to say that before we go on any farther with this, the survey should be done more appropriately and that we should be able to give a little more input on the costs that are going to be imposed upon us, because those costs are going to be turned over to the consumer.

Mark Maurice, United Parcel Service: There are six things our company would need to know in order to evaluate the use of New Bedford:

1. I never really heard what the actual running time is from New Bedford to Martha's Vineyard and Nantucket.
2. We would need to know whether there would be valet service in New Bedford to Martha's Vineyard and Nantucket. Currently we do use the valet service to Nantucket, and we would be interested in valet service to Martha's Vineyard.
3. At what point is the capacity exceeded in Hyannis and Woods Hole? I haven't heard exactly at what point we would exceed capacity and when the Authority would need to incur some costs to increase that capacity anyway.
4. We would be interested in alternative schedule times. I don't know what restrictions there are on night transportation to the islands, but we might actually evaluate that.
5. Is New Bedford just restricted to freight terminals? A lot of the people going across to the islands do come down Interstate 195 from either New York, New Jersey or Connecticut. We do have a severe traffic problem going to the Steamship Authority. A lot of that traffic could be removed if they did passenger service from New Bedford to the islands.
6. Currently -- and I use the word "currently" -- UPS does not pass on any additional charges to get to the islands for our packages. We would need to evaluate the additional cost to see where we would need to pass along additional charges. Currently if you ship from anywhere on the mainland to another town on the mainland or to the islands, it is the same charge.

Peter Noonan, J.P. Noonan: I think the most important issue is weather. Also, we deliver fuel to a gas station in Nantucket as well as the airport and small oil companies. If our trucks were required to come out of New Bedford, we would have to stop that service because it would not be cost effective. The barge operator would then be able to charge whatever price he wanted for fuel.

Another issue is waste water coming from Oak Bluffs. I imagine it would cost about three hundred percent more to transport it.

Lee Carroll, Carroll's Trucking: We have provided service for Martha's Vineyard and Nantucket for a number of years. Forty years ago we moved from New Bedford to Woods Hole, and then to Hyannis, to become more cost effective, and as each year goes along, we seem to be getting smoother and smoother in terms of both boats and time. It's working, and if it isn't broken, don't fix it.

Warren Valero, W.G. Valero and Sons, Inc.: We run three satellites. I happen to be old enough to remember the New Bedford run. We go with our trucks. We don't use the valet service. It would be a tremendous inconvenience to go out of New Bedford. It's too long a ride.

Myles, Reis, Jr., P & M Reis Trucking: I reiterate what you have been hearing. I hope you think long and hard over the decision that you are going to make about our future. What you are seeing about the cost and freight numbers, there is no way you can afford to run a boat twice as long for such a small percentage increase. It is going to more than double my cost, which is going to be passed on to the consumer. Not only is the freight rate going to double, right now, under ideal conditions, I can make two trips a day back and forth to the island. In order to come up with two trips out of New Bedford, it means that I am going to have to buy another vehicle. I will have to double the number of my vehicles in order to provide the same service.

Ted Fitzelle, Falmouth resident: In the summer, when you look out at Vineyard Sound, there is a third boat out there waiting because there is no slip in Woods Hole. The boat sits out there for one-half hour, and when the slip opens up it comes in. We are talking about the freight boats as well as the passenger boats. So I would say to you on the Vineyard and Nantucket, "Wake up and smell the coffee." We are at capacity, and Falmouth is not going to be just a doormat while you get more and more trucks. You have to look for another port.

Susan Shephard, Falmouth resident: It is my impression that most of the truckers we have heard from here today are from the islands and would undoubtedly not even be affected by this change. One of the things the study addressed is that they were not talking about affecting Cape shippers. They were talking about a small percentage of shippers overall. One gentleman said, "Things are running smoother and smoother with more and more boats." That's the problem, folks. Smoother and smoother for some, and more and more boats for some, is not the same thing for the rest of us. That is the problem.

I would like to remind you that the Town of Barnstable -- and we only wish it were true of Falmouth as well -- has an agreement with the Steamship Authority to look into moving some of this freight off. They can't continue to increase the freight from Hyannis no matter how much some of us might wish it were so.

The Mayor was right. This is a regional problem, and it has to be addressed regionally. It is not just the islands any more. There are a lot of people affected by this, and we need to take that into consideration.

Theodore Galkowski, Yarmouth Representative to the Authority: Our area, which is Hyannis Park and the bay, certainly is a resort area, and if you would sit there in the summer time and watch all the freight boats coming out of Hyannis to Nantucket, the situation has deteriorated. We have lost the beach, although we are getting some of the sand back -- not all we wanted, by the way, about 8,000 cubic yards short -- but I think that any relief we can get is going to help us. Because if you are a resort community, you are only as attractive as your people who come there, and if they can't use their boats and their beaches. You can't count this in dollars and cents, but it certainly has a monetary value.

James Rothschild, Martha's Vineyard resident: I am going to give you the shortest speech on record. If it ain't broke, don't fix it. The Steamship Authority is doing a tremendous job.

Mimi Frank, Falmouth resident: I do feel that it is broken for those of us who live here. I understand why the Steamship Authority exists for Martha's Vineyard and Nantucket. None of us disputes that. We all benefit from each other. It is a community problem. But what expense do the rest of

us have to take for this? We can't expand any more where we live. We are getting cremated by what is happening on the islands. We need relief. We need it now. We cannot wait until 2005. I am from Falmouth. We have to do some-thing. Falmouth cannot be turned into any more of a parking lot for the island. We sympathize with the island. We love the island. We go there too. We don't want to see them have to pay any more for their services and products. We really don't. We don't want to pay any more for ours either, but we also are taking the brunt. We cannot do it any more. We need relief. And the idea of what New Bedford was one hundred years ago or fifty years ago, whatever, that is not what it is now. I appreciate the fact that they are going to help us with some regional problems. We at least need to listen.

Chester Krajewski, Teaticket resident: I would like to bring up a very important point that the attorney from Nantucket did not mention. He was a part of initiating, passing and promoting the enabling act when it first started. Well that is insignificant. It was made. It can be changed. And I highly recommend that the people of these towns that are being affected by quality of life and I repeat, quality of life, that is what we are suffering with, in the Town of Falmouth, and especially in Teaticket.

Speaking of transportation, which this study is all about, I would like to bring up a situation which occurred in Teaticket in the Falmouth Mall parking lot. Two -- not one -- two propane trailers were parked there at 7:00 in the morning. We walk in the mall at 7:00. We come out at 8:00. They were still there. This was reported to the Fire Chief of the Town of Falmouth. He said, "Yes, I'll look into it." He did. And whatever came out of it, it never came back to us. He did say that this was not a staging area for the ferry. Palmer Avenue is, and I question that to a high degree because there are residences there.

And lo and behold, a week ago this past Monday, I was coming back from Providence and there was another propane tank parked in the Stop & Shop parking lot. Once again in Teaticket. What was he doing there? It is conjecture on my part, but he was probably bunking for the night at the Admiralty Inn. I would like to see Mr. Tiberio look into that. Why are the tankers staging in Falmouth? Why are they?

And back to the towns that should band together and change the enabling act and move to New Bedford without hesitation, I will promote that through the selectmen of the Town of Falmouth. The Mayor is here and believe me they are committed to partake in any deficit. This was committed by the Mayor in his presentation to the Town of Falmouth and his committee last

Wednesday, so there is no need to worry about that. And I also question why this study did not solicit comments from the private carriers out of New Bedford that are waiting for permits to operate out of New Bedford at cost.

Nat Lowell, Yates Gas Co.: I would just like to make a point. It has nothing to do with trucks, boats or anything. It has to do with different communities. What they have. What another one doesn't have. We just watched our football team disappear from Massachusetts, and I have been making these little comparisons to myself the past few weeks. But Boston said, "We don't need you." Well, Hyannis and Falmouth are saying, "We don't need you" because they have already gotten something. Foxborough is like Martha's Vineyard and Nantucket. Everybody in that whole community has just jumped. But Hartford is like New Bedford. Where was New Bedford when John Rollins, we will give you \$375 million to build a stadium? New Bedford is dying for congestion. That's what they want, and that's great. But when you go to Boston, if it is busy you might want to take Route 128 around to go to New Hampshire, but you certainly don't take Interstate 495 around. That is what we are being asked to do.

After Mr. Cutler and Professor Kanter responded to several questions from members of the press, Mr. Rappaport formally noted for the record that he also had received letters on this subject from the Economic Development Commission of the Town of Barnstable and a number of shippers who were not there that day or who were there but chose not to speak.

In response to a question from Mrs. Grossman, Mr. Lowell stated that truck drivers were subject to regulations promulgated by the Department of Transportation that limited to twelve the number of hours that they can work in any one day. As a result, Mr. Lowell said, if his firm -- which is required to have a driver with its truck at all times because it delivers gasoline and propane -- were required to operate out of New Bedford, it would have to hire another driver for each shipment because each one-way trip would take about five hours. Mr. Lowell stated that his firm would then have to have one driver in the truck just to ride on the boat, and another driver to return to New Bedford to get the product and come back to Nantucket with it the next day. Currently, Mr. Lowell said, in perfect conditions operating out of Hyannis, it takes his driver eleven hours to go from his house on the mainland to Hyannis to get on the boat to Nantucket, and then to return to Hyannis, Providence

and, finally, his house again. Mr. Lowell noted that this would be the identical situation for anyone who goes with his own truck.

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

- (a) That the Members take the Cambridge Systematics report under advisement and provide copies of the report to appropriate public officials in the Authority's port communities as well as the freight shipping firms in those communities;**
- (b) That the Members receive input from those public officials, freight shipping firms and the public on the issues raised by the report; and**
- (c) That the Members, after they have received such input from their communities, discuss the issues raised by the report at a subsequent meeting of the Authority, in order to provide management with guidance on developing specific policy and operating alternatives.**

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

VOTING NAY: None

After the Members voted, Mr. Rappaport acknowledged the passion with which everyone had spoken about his or her respective community, and observed that all of them were fortunate to live in a part of the country where people felt so strongly about their communities.