

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

The Meeting in Public Session

January 11, 2001

The Members of the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority met this 11th day of January, 2001, beginning at 1:00 p.m., in the waiting room of the Authority's Nantucket terminal, located at Steamship Wharf, Nantucket, Massachusetts.

Present were all four Members: Chairman J. B. Riggs Parker of Dukes County; Vice Chairman Edward J. DeWitt 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 Steven A. Tornovich of Nantucket. Finance Advisory Board member S. Eric Asendorf of Falmouth was not present.

The following members of the Authority's management were also present: General Manager Armand L. Tiberio; Treasurer/Comptroller Wayne C. Lamson; and General Counsel Steven M. Sayers.

Right of First Refusal to Purchase the *Schamonchi*:

Mr. Parker announced that Mr. DeWitt would not be participating in the meeting due to a potential issue under the State Conflict of Interest Law which was expected to be resolved within the next week. Mr. Parker also stated that there was only one item on the meeting's agenda, namely, the acquisition of a right of first refusal to purchase the vessel *Schamonchi*. He then asked for a motion to approve the acquisition, declaring that if the Authority were successful in negotiating the vessel's purchase, it would then be in a position to continue and develop its route between New Bedford and Martha's Vineyard.

Mr. O'Brien agreed that acquiring the right of first refusal was an appropriate thing for the Authority to do. However, he expressed his concern that the Authority had not informed the principals of Hyannis Harbor Tours, Inc. ("Hy-Line") of its intentions, even though Hy-Line had entered into some kind of an agreement with Cape Island Express Lines, Inc. towards the purchase of the *Schamonchi* and operating it or another vessel in its place. For that reason, Mr. O'Brien said, he had mixed feelings about this acquisition and was a little concerned about how the Authority was going about it.

Mr. Parker declared that he felt very strongly that acquiring the right of first refusal was the right thing to do and the right business decision to take. Mr. Parker stated that the Authority needed the *Schamonchi* for a number of reasons, including the opportunity to open a route to New Bedford through an established business and customer base with limited risks. Mr. Parker also pointed out that, if the Authority were to reduce the number of cars carried to Martha's Vineyard, a New Bedford route would address the resulting need for additional parking on the mainland. Although Mr. Parker acknowledged that the primary mission of the Authority has always been, and must continue to be, the provision of adequate transportation for residents of the islands, he noted that passengers of all types were the "bread and butter" of the Authority and that the Authority could not afford to allow other carriers to take its passenger lines, especially when the Authority was considering a change in its service model due to the islands' request for a reduction in automobile traffic.

Mr. Parker further observed that a New Bedford route would provide Authority customers with an additional choice of port from which to depart for Martha's Vineyard, and it would permit the shifting of traffic and parking away from Woods Hole and Falmouth as the route is developed and marketed in the future. Noting that the Authority wanted to move ridership of passengers away from Woods Hole because of the limited amount of parking, Mr. Parker stated that the New Bedford route would be part of an overall plan to get Martha's Vineyard visitors out of their cars before they get to the island, which was a basic component of the Authority's changing service model and business plan.

With respect to Mr. O'Brien's concerns, Mr. Parker pointed out that all parties involved in this matter had been aware of the existence of the right of first refusal, that the Authority was being perfectly up front in acquiring the right in public session, and that it was something the Authority needed to do. In response, Mr. O'Brien said that, from a fiduciary standpoint, he agreed with Mr. Parker completely. It was just that the Authority had declined previous opportunities over the years to purchase the *Schamonchi*, and now it suddenly

appeared to have a deep interest in acquiring the line only after someone else was interested in it.

Mr. Parker emphasized, however, that he believed the Authority needed to purchase the *Schamonchi* not because of someone else's interest in it, but because it was the right business decision to make at that time in light of the Authority's developing business plan. Mr. Murphy similarly declared that he felt the Authority had an obligation to purchase the vessel because it otherwise would be faced with losing ridership. Moreover, Mr. Murphy said, the purchase would help the Authority respond to the needs of the Authority's mainland port communities by diverting some of its traffic off of Cape Cod, while at the same time taking care of the needs of residents of the islands who have to travel on the Authority's ferries and pay their cost.

IT WAS VOTED -- on Mrs. Grossman's motion, seconded by Mr. O'Brien -- to approve the proposed Agreement with Tisbury Wharf Co., Inc. for the acquisition of the right of first refusal to purchase the M/V SCHAMONCHI and/or the business of Cape Island Express Lines, Inc., in the form attached to the General Counsel's memorandum to the Members dated January 9, 2001.

VOTING AYE: Mr. Parker and Mrs. Grossman

VOTING NAY: None

Mr. DeWitt did not participate in the discussion of this subject or vote on the motion. During the entire meeting, Mr. DeWitt sat in the audience with the rest of the public and made no statements to any of the other Members.

Public Comment:

In response to questions from the audience, Mr. Parker stated that the right of first refusal was being acquired from the Tisbury Wharf Company, which was owned by Ralph Packer, Jr.; that the initial purchase price for the right of first refusal was \$10,000; and that if the Authority is successful in acquiring the *Schamonchi*, it will be required to make additional payments to Tisbury Wharf Co. equal to 7.5% of the first one million dollars and 5% of any additional amount of the purchase price. Mr. Parker also reported that the vessel was being docked at Tisbury Wharf pursuant to a dockage agreement,

and that the Authority would have to make the payments required under that agreement as well as additional payments if the Authority decided to no longer dock the vessel there.

Mr. Parker also declared that the Authority absolutely intended to run passenger service using the *Schamonchi*. While acknowledging that it would cost more for passengers to ride on the *Schamonchi* from New Bedford instead of from Woods Hole, Mr. Parker noted that people may have a preference to leave from New Bedford for many reasons, including its convenience to other places and available parking. Mr. Parker further stated that the Authority intended to develop the route by marketing it to the Authority's existing base of customers and incorporating it into the Authority's overall long-term plan.

Elaborating on the events that led to this decision, Mr. Parker said that there had been a realization that, if the Authority were to propose changes in its service model, it would be very important to include as part of that model relief for the parking situation on Cape Cod and a solidification of the seasonal passenger routes for the Authority. Therefore, Mr. Parker said, when this opportunity arose, it was clear that the acquisition was the right thing to do because the Authority needs to have this vessel and route in place so that the Authority can develop it for the future. In this regard, Mr. Parker emphasized that this decision was not a political one; rather, it was a business decision which was being made for the future.

**IT WAS VOTED -- on Mrs. Grossman's motion, seconded
by Mr. O'Brien -- to adjourn the meeting.**

**VOTING AYE: Mr. Parker 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

January 18, 2001

The Members of the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority met this 18th day of January, 2001, 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 Members: Chairman J. B. Riggs Parker of Dukes County; Vice Chairman Edward J. DeWitt 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; and Executive Secretary to the General Manager Maxine Horn.

Minutes:

IT WAS VOTED -- upon Mr. DeWitt's motion, seconded by Mrs. Grossman -- to approve the minutes of the Members' meeting in public session on December 21, 2000.

VOTING AYE: Mr. Parker, Mr. DeWitt and Mrs. Grossman
VOTING NAY: None

Future Ferry Transportation Service Model:

Mr. Parker advised the audience that Mr. Tiberio would be presenting a model that he had prepared to meet the future needs of the Authority in light of requests from the Islands for change in some of the services provided to them, namely, to provide fewer automobiles, and the request from the mainland to consider their difficulties with parking and traffic in both automobiles and freight. However, Mr. Parker cautioned that what the Authority was starting was a public process to develop such a model, which would include public comment on both of the Islands and the mainland as well, and he declared that there would be extensive opportunity for people to understand it. Observing that this was a very complex and detailed subject, Mr. Parker expressed his hope that everyone would review the model carefully and listen to Mr. Tiberio's presentation.

Mr. Parker further noted that at this time Mr. Tiberio's model was only a concept, that is was not a business plan, and that it would not be a business plan until the Authority prepared financial analyses of its components, when adjustments also would be made where necessary to make certain that the plan made sense from a business standpoint. In other words, Mr. Parker said, the model was just a framework for discussion, and the Members would not vote on it that day. Instead, they would proceed to study it and listen to comments from all concerned.

Mr. Tiberio then gave his presentation on the Authority's Future Ferry Transportation Service Model. Due to the length of Mr. Tiberio's presentation, it is attached hereto as a supplement to the minutes of this meeting.

After Mr. Tiberio concluded his presentation, Mrs. Grossman suggested that, because of the numerous implications raised by the model, the Members, in addition to studying it and receiving financial information, may want to have a workshop to discuss it so that they would have all of the facts before reaching any conclusions. Mr. Parker agreed, declaring that the Authority must be run as a sound business and needed to have those kinds of meetings. Mr. Parker also observed that it would be healthy to conduct those meetings in public, as that was how public policy needed to be made.

Mr. DeWitt declared that the model was a very important step for the Authority, noting that this was the first time the Authority was discussing a common vision of a ferry transportation system. Mr. O'Brien said that he also was encouraged, although he observed that the model was just a skeleton and needed a lot of fleshing out. Mr. O'Brien stated that he hoped the Authority

would hold meetings on the model at the various ports so that the public could be informed and given the opportunity to provide their input. Mr. Parker agreed, stating that such meetings were absolutely necessary, not only in the ports currently served by the Authority, but also in any port the Authority may plan to serve in the next year, including New Bedford.

While noting that he had some problems with the model, Mr. Tornovish agreed that it was a starting point and that some of the ideas were very sound. Mr. Tornovish also agreed that the Members had to hold meetings on the model at its various port communities in order to make certain that they were serving the needs of their constituents.

Mr. Tiberio stated that, within the next week, he would prepare a detailed calendar identifying those dates where critical decisions and operational policy changes needed to be made. Mr. Tiberio also stated that management would prepare different financial scenarios based upon various assumptions. In this regard, Mrs. Grossman declared that she never wanted the Authority to forget that its mission is to take care of the islanders, and she expressed her concern about any financial impact the model may have on them. Mr. Parker agreed, noting that the Authority had to serve the Islands completely, adequately and responsibly.

Proposed Resolution for the Sale of Bond Anticipation Notes:

Mr. Lamson then asked the Members for adoption of a Note Resolution as proposed by the Authority's bond counsel, Palmer & Dodge, authorizing the Treasurer/Comptroller, with the approval of the Chairman, to issue and sell \$3,000,000 Bond Anticipation Notes, with the anticipation that the notes will be sold on a competitive basis. Mr. Lamson stated that the proceeds of the notes would be used to acquire property in Fairhaven, Massachusetts, for an off-site vessel maintenance facility.

IT WAS VOTED -- upon Mrs. Grossman's motion, seconded by Mr. DeWitt -- to adopt the proposed Note Resolution in the form attached to Management Summary #A-402, dated January 12, 2001.

VOTING AYE: Mr. Parker, Mr. DeWitt and Mrs. Grossman
VOTING NAY: None

Treasurer's Report:

Mr. Lamson reported that the Authority's net operating loss for the month of December was expected to be almost \$1,000,000 higher than what had been projected in the Authority's revised operating budget, primarily due to legal expenses and year-end accruals for anticipated claims and settlements. As a result, Mr. Lamson said, the Authority's net operating income for the year 2000 was expected to be only slightly higher than 1999's net operating income, which was \$1,230,000. Mr. Lamson also noted that passenger traffic for the year 2000 was up six-tenths of one percent; that automobile traffic was down two-tenths of one percent; and that the number of trucks carried, including trucks under twenty feet, was up one and one-tenth percent.

Right of First Refusal to Purchase the *Schamonchi*:

Mr. Sayers recounted how the Authority, at its last meeting on January 11, 2001, had acquired from Tisbury Wharf Company an assignment and conveyance of its right of first refusal to purchase the *Schamonchi* and all other assets of the business of Cape Island Express Lines, Inc. ("CIEL"). Mr. Sayers then informed the Members that, on January 12, 2001, the Authority had received from CIEL a copy of an offer it had received from Hyannis Harbor Tours, Inc. ("Hy-Line") for the *Schamonchi* and its business, and that on January 16, 2001, the Authority had received a copy of an agreement between CIEL and Hy-Line to extend that offer. Mr. Sayers advised the Members that, under the terms of the right of first refusal and the Authority's agreement with Tisbury Wharf Company, if the Authority desired to exercise that right, it must do so by January 27, 2001, which was fifteen days after the Authority received the offer, and he further noted that this was the Authority's only scheduled meeting before that date.

Mr. DeWitt noted that the statements that had been made by Mr. Parker the prior week on Nantucket clearly summarized the issue before the Authority. Observing that the *Schamonchi's* acquisition would allow a number of things positively to take place within the Authority's operating scheme, Mr. DeWitt stated that it appeared to make business sense and was a good move to take. Mr. O'Brien agreed that, from a business standpoint, it was an excellent move for the Authority. However, Mr. O'Brien reiterated his comments that he had made the prior week on Nantucket, expressing his disappointment over the way the Authority had gone about this and saying that he wished Hy-Line had not been involved.

Mrs. Grossman concurred with Mr. O'Brien's comments and, in light of recent statements that had been made in the press by Hy-Line, asked whether the Members could hear from Philip Scudder or Murray Scudder before voting on the matter. However, Mr. Parker noted that he had said at the beginning of the meeting that the Members were going to reserve public comment until the meeting's conclusion, and that he felt it would be inappropriate to take such comment at that time. Mrs. Grossman then asked if Mr. Sayers could explain how the events transpired so that everyone could be certain not only that this was a good business decision for the Authority, but that the Authority acted in an ethically correct manner.

In response, Mr. Sayers said that he believed the Authority did act in an entirely ethical manner in this instance. In this regard, Mr. Sayers stated that, as he understood from the newspaper accounts, the concerns raised by Hy-Line regarding the Authority's conduct was the possibility that it may have misused confidential information. Mr. Sayers declared flatly that it did not, and that all of the information used by the Authority in the course of acquiring the right of first refusal was public information or appropriately in the public domain. Mr. Sayers also noted that Hy-Line was not required to come before the Authority to obtain approval of its purchase of the *Schamonchi*, and that it never indicated that it believed any of the information it provided to the Authority was in any way confidential. Nor did Hy-Line ask the Authority to keep any information confidential, Mr. Sayers said, and as a matter of law it was not confidential but a matter of public record.

Mr. Sayers further stated that, in any event, the Authority did not use any information provided by Hy-Line to obtain the right of first refusal. Rather, Mr. Sayers said, the events transpired as a result of Ralph Packer, Jr. advising Mr. Parker of the existence of that right. Accordingly, Mr. Sayers declared that he was as confident as he could be personally that he and everyone else at the Authority had handled themselves in an entirely ethical manner.

Nevertheless, Mr. Sayers acknowledged that Hy-Line may have some misunderstandings and, for that reason, the Authority's management had met with Philip Scudder and Murray Scudder the previous day to try to explain the circumstances of these events. In this regard, Mr. Sayers stated that it had been a cordial meeting, that he understood the hard feelings that may result, and that he felt it was the Authority's task to try to put those hard feelings in the past and make certain that they do not reoccur.

Mr. Parker stated that he shared Mr. Sayers' views, and he further expressed his belief that the Members have a fiduciary duty to the Authority

and to the people served by the Authority to protect its interests in a legitimate business-like fashion. Mr. Parker declared that, in this particular instance, there was no question that the Authority did just that, noting that the right of first refusal could have been acquired by anyone, not just the Authority. If the Members do not make such decisions, Mr. Parker said, they will not be serving the Authority or the people of the Islands.

Mr. DeWitt agreed that the Authority, in carrying out this transaction, had acted in a business-like manner, but he observed that it had acted again "like the Authority" in how it dealt with Hy-Line, and that it could have done a better job in communicating and working it out. Mr. DeWitt observed that the Authority always seems to create problems when it acts "like the Authority," and that it has to recognize the unique role it occupies, both as a business and as the entity which licenses and controls other ferry operators. Mr. Murphy, however, emphasized that the Authority, unlike private ferry operators, has to operate in the public eye, that it very much did so in this instance, and that the acquisition of the *Schamonchi* was the only decision that the Authority could make, especially speaking for the island of Martha's Vineyard.

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

- (1) To accept the offer received by Cape and Island Express Lines, Inc. from Hyannis Harbor Tours, Inc., as set forth in two letter agreements between them dated November 29, 2000 and January 13, 2001, pursuant to Section 18 of the March 23, 1998 Dockage Agreement between Tisbury Wharf Co., Inc. and Cape and Island Express Lines, Inc. and the January 11, 2001 Agreement between Tisbury Wharf Co., Inc. and the Authority; and**
- (2) To authorize the General Manager and Treasurer/Comptroller to take all necessary and appropriate actions to acquire the M/V SCHAMONCHI and all of the other assets of the ferry business operated by Cape and Island Express Lines, Inc. in accordance with the aforesaid offer and agreements.**

VOTING AYE: Mr. Parker, Mr. DeWitt and Mrs. Grossman
VOTING NAY: None

Request for Student Discount Rate:

Mr. Tiberio reported that management had not yet prepared a recommendation regarding the request that had been discussed at the prior month's meeting to consider establishing a student discount rate applicable to the Martha's Vineyard route, but that management would attempt have such a recommendation for consideration by the Members at their February meeting.

Island Reservation and Excursion Policies:

In response to a question from Mrs. Grossman, Mr. Tiberio reported that management's intention, under the Authority's new Island reservation and excursion policies, was to allow island residents to retain their profile numbers indefinitely without being required to re-apply on an annual basis unless there was a change in their status due to, for example, a change in their address or vehicle registration.

Public Comment:

Dukes County Commissioner E.B. Collins expressed his thanks to the Members and management for the comprehensive analysis they were engaged in, declaring that he was confident the end result would enable the Authority to perform a more effective job in serving the Islands, the port communities and the traveling public.

John Pagini, Director of the Nantucket Planning and Economic Development Commission, also applauded the Authority for putting a framework for discussion on the table. Mr. Pagini noted that, a few days ago, Nantucket voters had ratified a comprehensive plan containing a broad array of bold measures to try to reduce automobile dependency and the number of automobiles on the island, and that they also had made some suggestions as to how the island might benefit the mainland ports. Among those suggestions, Mr. Pagini said, was that the Authority should play a major role in that reduction, and here only nine days later the Authority was in fact proposing it. Mr. Pagini, however, echoed Mrs. Grossman's concern that while the plan was developed after considerable dialogue, its economic impact on islanders must be considered, as well as the ability of islanders to conduct their daily lives, which included maintaining the lifeline with the mainland unimpaired.

Mr. Parker then recognized George Leontire, City Solicitor and Economic Development Director for the City of New Bedford. Mr. Leontire's statement is attached hereto as a supplement to the minutes of this meeting.

After Mr. Leontire spoke, Mr. Parker declared that the Authority was acquiring the *Schamonchi* in the interest of continuing to operate it from New Bedford, and that he did not believe the Authority could acquire the vessel without continuing that service. Mr. Parker also noted that the Authority had indicated that its plans included eventually replacing the *Schamonchi* on that route with a high-speed passenger vessel, that the Authority intended to discuss the subject with everyone, including New Bedford, and that he hoped those conversations would continue in a constructive manner.

Mr. DeWitt suggested that Mr. Leontire may not be looking at the big picture, noting that the proposed service model, which was based on passenger accommodation, would fail on its face without New Bedford, and that freight service from New Bedford similarly was clearly within its scope. Mr. DeWitt also said that he believed the *Flying Cloud* was a fully functional vessel for that route, and that its previous mechanical difficulties were unrelated to the kinds of waters it was operating in. Further, Mr. DeWitt observed that, while Mr. Leontire had said a number of potential operators were interested in providing service to the Islands, not one of them had come to the Authority for a license. Mr. DeWitt insisted that there was no conspiracy on anyone's part to exclude New Bedford from playing a key part in the proposed service model, and that the Authority's only interest was in providing professional ferry service to the Islands.

Chuck Clifford, Executive Director of the Martha's Vineyard Commission, informed the Members that the Commission was in the early stages of a year-long study of the impacts of vehicles arriving from the Authority's vessels on the island's roads and quality of life. Mr. Clifford stated that he hoped the Authority would continue to use the Commission for information and research regarding the Authority's activities as they pertain to the island. Noting that the Commission recently had proposed that the Authority should turn to barging for freight and should also restrict the size of trucks carried on its vessels, Mr. Parker stated that those proposals were further indications that the direction of the proposed service model was consistent with the desires of the Islands and was being driven by them.

Martha's Vineyard resident Daniel Flynn declared that it was a pleasure to see the Authority moving forward into the 21st Century with a very good potential model for future service that recognized the Authority's important role

in regional transportation planning. While there may be concerns with the model, Mr. Flynn said, he realized the public would be included in the process.

Philip Scudder, Vice President of Hy-Line, expressed his thanks to the Members and Mr. Sayers for their comments during the meeting, saying that Hy-Line appreciated their understanding of its frustration and concern regarding the process that led to the Authority's acquisition of the *Schamonchi*. Mr. Scudder stated that, in his mind, the transaction symbolized the difficulty that both parties have in dealing with the fact that the Authority is both a regulator and a competitor of private ferry operators, and it demonstrated the need for both fairness and reasonableness in the process. Mr. Scudder further stated that, just as the Authority has a plan for the future, Hy-Line was going to continue moving ahead with its own business plan, some aspects of which were very close to what had been presented that morning. Mr. Scudder expressed his hope that fairness and reasonableness would prevail during their discussions in the future, and said that he looked forward to sitting down with the Authority's management and the Members to keep the dialogue open.

Yarmouth representative Theodore Galkowski declared that, with respect to the Hyannis-Nantucket route, the proposed service model seemed to be going in the right direction, and that the Town of Yarmouth looked forward to its implementation, which he hoped would be soon.

In response to a question as to whether New Bedford should be able to appoint an Authority Member, Mr. Parker noted the Authority had not yet started service to New Bedford and that, accordingly, the question was a little premature. Nevertheless, Mr. Parker said, the proposed service model raised many issues, including this one, which would require discussion with New Bedford. Mr. Parker then recognized Mr. Leontire, who stated that there appeared to be disagreement over the meaning of the legislative language, and that it was New Bedford's position that the Authority has been providing service from New Bedford since the date it exercised its option with Hvide Marine, although he would like to avoid litigation over the issue. Mr. Leontire further stated that the Mayor of New Bedford soon would be submitting his proposed Authority Member to the New Bedford City Council for approval at their next meeting, and that he thought everyone would be extraordinarily pleased with the Mayor's choice.

Mr. Tiberio stated that island residents did not need to be concerned about the proposed reduction of the Authority's capacity to carry vehicles to and from the Islands, declaring that the Authority's policies would need to be reviewed and changed to make certain that those residents would not face any

more difficulty in traveling back and forth to the mainland. Mr. Tiberio said that the objective of the proposed service model was to reduce the number of tourists' cars carried to the islands, and to create a system where they will not need their cars because of alternatives that will be made available to them.

Mr. DeWitt agreed, observing that it should be easier for residents to travel when the service model is developed, as they will not be competing for space with the cars of short-term tourists. Mr. Parker also agreed, saying that the model would be a benefit to the Islands in two ways: first, island residents would still get the tourist passengers but not their cars; and, second, island residents would get space on the ferries to do what they need to do.

Nantucket resident Nathaniel Lowell commented that, while the proposed service model sounded great, he felt it was a financial step in reverse. Noting that the Authority was not subsidized and was a seasonal business that operates year-round, Mr. Lowell asked where the money for implementation of the model was going to come from and where the Authority was going to park all of the tourists' cars that will no longer be carried on its vessels. In addition, Mr. Lowell questioned the constitutionality of several aspects of the model, including the limitation on the length of freight trucks, which he said flew in the face of regulations issued by the Department of Transportation. With respect to barging, Mr. Lowell said, everything that possibly could be barged to Nantucket was already being barged to Nantucket, and the Authority's loss of revenues from those operations already were hurting the solvency of the Authority's year-round service for the island.

At approximately 11:20 a.m., Mr. Parker 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. DeWitt'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 contract negotiations with nonunion personnel.

VOTING AYE: Mr. Parker, Mr. DeWitt and Mrs. Grossman
VOTING NAY: None

A TRUE RECORD

GRACE S. GROSSMAN, Secretary

PRESENTATION BY
GENERAL MANAGER ARMAND L. TIBERIO
OF THE
SSA FUTURE FERRY TRANSPORTATION SERVICE MODEL
A Framework for Discussion

January 18, 2001

First of all, what I am going to be reviewing is not to be looked at as a specific proposal that is being presented to the Board. Nor is it really a specific solution. What it is is an attempt to bring together a number of the issues that have been debated internally and externally regarding transportation that we provide and have provided, and how we have done that for the last two to three years. As such, it is going to touch upon the main components of our traffic, that is, the freight issue, the passengers, and vehicles or cars, if you will. It is an attempt to try to put together a framework or a model to begin to analyze those kinds of issues and look at alternative ways of moving freight, look at the impacts if we do move in the direction of reducing cars to the Islands, what impact that will have, and how we address those kinds of issues. It also looks at the benefits of reducing and eliminating the number of trips that are coming in and out of the harbors.

In my mind, it is a basis for moving as opposed to something that is in concrete today, and obviously it is going to be massaged as we proceed. So that is basically the framework within which this document was prepared. I view it as a service model in the sense that it is an attempt to identify those key elements that are components of a ferry transportation system, and that is really what this is attempting to do. So let me go through it in detail and we can see where we end up.

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Page one is an attempt to identify a goal, and in my mind there is a major philosophical change in direction that the goal is attempting to clarify. Basically what we are trying to look at here is to begin to implement and to

develop in 2001 some kind of an interconnected and integrated ferry service transportation system. The term system, hopefully by the end of today, will take on a little different meaning, but one that transitions from what historically has been the model of a vehicle-driven system to a passenger-driven system. By that I mean that, if you look at our vessels, the types of vessels, if you look at what we react to, historically it has been a reaction to the automobile. As growth in the automobile traffic has occurred, and demand has occurred, capacity has been ratcheted up to in fact meet that demand; wherein today we face, the Islands face and the mainland faces, serious congestion issues, especially during the period of May through October.

What I am talking about today really is geared towards that period of May through October. I am not saying that some of what is in here will not be applicable year-round, but the real targeted period of time is May through October, and when I say that the transition is from a vehicle-driven system to a passenger-driven system, that is really during what we typically realize as the season or the height of the season in terms of traffic. That is the goal. That is the ultimate goal. If that goal is accepted -- to begin to transition from a vehicle-driven system to a passenger-driven system -- that doesn't mean that we won't carry cars. There is an underlying theme here, though, that hopefully will begin to develop.

The success, obviously, in doing this is going to depend on two different general areas. One is what I would refer to basically as the bricks and the mortar of the system, that is, the vessels, the terminals, the types of vessels, the types of terminals, and all of the infrastructure issues that you have to put in place in order to make this work. The second part of it is the human issue from the standpoint of our operation and how we in the past have viewed this system and how we have managed this system from a customer satisfaction standpoint and from a customer service standpoint. In order for this kind of a system to take place, there have got to be some cultural changes, some cultural awarenesses understood and moved within our organization to begin to move in that area.

But, in addition, there are the technological aspects that we are looking at, as far as the Internet for customer service, in terms of us being connected as clearly and as closely and as sophisticatedly as we can with other transportation systems, whether they are transit systems or whatever the other modes might be, to be able to make some seamless connections, especially for those persons who are not in their cars. So it has to come together that way. But this cultural change that I am talking about as far as customer service, it includes the basics also. It includes the improved appearance of our vessels, it includes all of our customer spaces, including our terminals, being more

customer-friendly, and, finally, and I am not saying this as a negative, we have got to be consciously and constantly aware of the professional conduct that our people exhibit in terms of the way we do business, the way we conduct business, in terms of the customers.

In order to really solidify a passenger-driven system, those pieces have all got to come together. So it is the bricks and the mortar, and it is the human element, that all have to come together in order to make this work. Those are the goals that really this is attempting to reach out and attempting to move towards.

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On page three there are twelve identified what I would call service model features. These are not necessarily all-inclusive. There may be areas that I have missed. There may be areas that are included within these next few pages that, at the end of the day, we may conclude are not important or are not necessary to address. I am going to constantly refer to the idea that the thinking here relatively is small in terms of where this came from, and so obviously the true test of the validity of this kind of model is to have everybody get it into their hands and to appraise it one way or another. So the features are basically geared towards, at this point, addressing the goal that was established and, if you change the goal, by and large some of the features in the model begin to come a little unsettled in terms of the direction of the model.

Number one, and the first three in my mind are probably the real heart of this whole thing, the heart of the whole model. Number one is that daily vessel vehicle capacity, vehicle meaning cars for right now, for service to the Islands will not grow during the period May through October -- will not grow during the period May through October. Secondly, that the daily vessel vehicle capacity will be restructured to accommodate fewer vehicles per day originating from Woods Hole on the Martha's Vineyard route during the period May through October to accommodate fewer vehicles per day. Thirdly, that the daily vessel vehicle capacity will be restructured to accommodate fewer vehicles per day on the Nantucket route originating from Hyannis during the same period of time.

What that is attempting to address is the reoccurring theme for at least the last two years of the increased number of cars that are being transited to the two Islands during this period of time. I think at the outset what this is really geared towards in addition to this is not the year-round or the summer resident. It is geared towards the person who is going to the two Islands

during the summer for the purposes of vacation. This gets directly tied into a passenger-driven model, that is, if we say we are going to not just only limit the growth of vehicle capacity, but we are going to take some steps to begin to reduce the available capacity for people to get to the two Islands in their cars, that a very critical piece of that is the question of how do you get them there. And the answer that is being proposed here is a better way to move passengers to the two Islands. The mainland communities' concern is that, if we say we are going to reduce cars going to the two islands, the cars don't end up on the mainland because there is limited space with respect to additional parking facilities. So the question becomes, how do we move passengers in a much better state of mind, in a much more sophisticated system to the two Islands, and that will follow very shortly. Those three issues in my mind are major elements of this whole model.

It follows from that, though, that the new vessel design and engineering requirements for the *Islander* will be reconsidered. If you remember during last month's meeting, for most of you that were here, we have had historically a five-year capital project budget. It is a rolling budget, basically, in terms of capital needs from year to year, but during the last five years we have identified what we initially thought we were going to do with the *Islander's* replacement and, in addition, relative to the major refurbishments of the two vessels, the *Nantucket* and the *Eagle*. What I am suggesting here today is that those three elements have to be reconsidered in light of what you will see during the rest of this discussion based upon what is the value of those vessels to us, what their purpose to the organization is going to be, and timelines associated with those two functions in terms of purpose and in terms of moving in the direction that we are going to be moving into. So those three issues need to be reassessed relative to where we were at before.

Vessel allocation, by route, will have to be reconsidered out of necessity as we move from a vehicle-driven to a passenger-driven system. New and existing routes and kinds of service. Freight-only, high-speed passenger-only, and -- something that maybe some people in this room have not been aware of -- a different kind of a vessel, which is a high-speed vessel which also has the capability of carrying freight, cars and passengers all at the same time. Those three issues need to be reconsidered as we move slowly into addressing some of those matters within the rest of the model.

[Page 4]

On page four, the role of the private licensed operators within this system seems to us needs to be reconsidered. As most people know, we are not the

only provider of transportation by ferry to the two Islands. There are a number of other operators that are out there. Some of them have a grandfathered type of service and others have a license to service, and we are continually being requested by outside people who are not even within the environment here, outside operators, to look at new services, to look at new licenses. I think that in order to really make this fit, if we are talking an integrated system, we have got to come up with a better definition, what is the role of the licensed operator, and I don't just mean the licensed operator who is operating today, but in terms of the future relative to new requests for licenses.

The two Islands, I think, have dealt with this. The Martha's Vineyard Commission, I believe, is looking at the issues right now as far as moratoriums, as far as new services. That is what I am referring to. How do those pieces all fit together as far as any kind of an integrated system. So the general function, it seems to me, and role of other operators needs to be reconsidered. They need to sit around the table in order to have some discussions take place.

Future passenger growth could be constrained by restricting our parking facilities in terms of our parking facility growth and expansion on the Cape. And for all practical purposes, in my mind, we are there now. We have been there now for a good number of years. It seems to me that the capability or the probability of initiating and operating and opening up more parking facilities on Cape Cod to assist in terms of passengers getting out of their cars is becoming a limited luxury that we are probably not going to have success with in the future. I think that is a recognition that we just have to buy into and understand what its implication is. Because what we are really saying is that we have passenger capacity growth on the vessel, but that is not going to take place if we don't have additional parking.

Part of this whole plan has got to be an aggressive marketing program on our part and others, it seems to me, to begin to try to sell those would-be customers who are going to bring their cars to the Cape to park and go to the Island that they don't need to do so. So part of the overall process is to assist them in terms of getting to the Cape and then getting to the Islands with the least amount of congestion that they have got to go through. So the parking facility, in my mind at least, is going to become a constraint, and it is becoming a constraint already. We realized that last summer. We have capacity on the vessels that is not going to be used by passengers because there is no way for them to get there because they don't have a place to park their cars.

However, it would seem that any development in terms of any intermodal parking and staging facilities could be coordinated. That makes sense and there still may be some opportunities, and I am not necessarily shutting the

door on this. It seems to me that if there are other opportunities that make sense for some kind of intermodal facilities for parking or staging of cars on the Cape, we should begin to work, which we have already started working, with the Cape Cod Transit Task Force. That is the Task Force which has been underway now for the last year and has become rather aggressive in terms of looking at all of these issues. We are obviously not the only party beginning to pay attention to these issues. There are a number of other organizations. So what I am suggesting is that our role in terms of future parking, if we are going to arrive at any future parking, should be done in terms of a coordinated effort with other operators, with other bus operators, ferry operators, whatever it might be who are in the transportation business, and there may be other opportunities on the Cape. I don't know of that, but I think that we have to leave that door open.

The key here, though, is really that new passenger ferry service will take place when passenger-only transportation services are opened from off-Cape ports. If you look at the dynamics that we are involved with, in order to move into a passenger-driven service, and if we look at the constraints on parking, in order to be successful we have got to look aggressively at off-Cape facilities in order to move passengers in a much more friendly way and at the same time achieve the objective of reducing congestion at our ports, of becoming a part of a bigger picture of everybody on the Cape trying to do whatever they can organizationally to send the message, "You don't need to bring your car to the Cape." And so it is a part of the bigger picture. There is no question about that. But the opportunity to move passengers to the two Islands, it seems, has got to be geared more towards off-Cape operations.

As far as the freight is concerned, up to this point on the passengers and on the vehicles, we are really talking about moving passengers to a different mode of operation and we are talking about, in a sense, not only capping the number of cars, but reducing the number of cars from the tourist segment of the industry going to the Cape. As far as freight, we have to look at that with a different light, and what we are saying here is that there would be no restrictions on the volume of product that needs to get delivered to the Islands. No restrictions on the volume of product, no matter what that might be. However, you follow the train of thought and the discussions over the past couple of years on this issue, there seem to be some common threads that have filtered to the top, and what we are trying to do is address those.

By 2003, what we are suggesting, is that the size of freight trucks carrying product to the Islands will not exceed 55 feet in length. That is a message that seems to me has been very loudly communicated and articulated by all four port communities at one time or another, especially on the two

Islands because of the congestion, because of the length of the trucks that are getting larger and larger, up to 75 feet, and in terms of the two mainland ports here on the Cape, because of the congestion and as we have moved more freight over the last couple of years, that there be a limit. Now 55 feet may not be the answer, but I think the key issue here, though, is: Rather than having that continuing increase, is there a number that we can agree upon and that the communities can agree upon, that makes more sense from a transportation standpoint, that once that truck gets to the Island that there is the opportunity for that truck to get around and is there a better size to be able to provide that? Actually the industry is going to look at this with a very jaundiced eye because it has a tremendous impact for their operations, but it is something that has been continually discussed and it seems to me that it is time we either address the issue or recognize that it is not going to get changed. That is the first part.

The second part is that by 2002, what we are saying here, is that product that can be barged to the two Islands will be barged to the two Islands. It seems that we have been debating this issue for a good length of time now, and we are at a point, it seems, where some closure has got to be made on some of these issues and the direction that we are going in. So what we are saying is that if there is product that has the capability of being barged -- now we haven't defined that yet, I think most people have an idea -- that it will be barged, and that that will start by the year 2002. In addition, we are saying that, if necessary, we will make our facilities on the Island available to accommodate that service. One of the issues that we are constantly debating here is, well, where does the barge end up, and we all know that the services and the end ports on the two Islands are limited in terms of availability of ports. We know that we have ports, so if we are committed to moving in this direction, we may have to reassess our use of our facilities vis-à-vis a barge kind of an operation.

Thirdly, we are saying that, if a private operator does not surface relative to providing this service, that we move aggressively to arrange the necessary situations for it to take place, either through a license, through a contract, or some other mode in order to achieve the objective of moving by barge any and all freight that can in fact be moved by barge to the two Islands. And that will reduce that amount of freight coming to the two mainland ports.

Finally, we are saying that, by 2002, the Nantucket terminal, and one slip of the Nantucket terminal, will be modified and equipped to accommodate a "roll-on, roll-off" barge kind of an operation. Most of you know that right now we are accommodating anywhere between 130 and 145 barge operations per year into Nantucket. That facility was never built to handle that kind of an operation, even though we are doing it, and it just seems that if that is going to

be the direction, we are going to need to bite the bullet and say we are going to continue moving in that direction, and we are going to go one step forward and allow an operation off of a barge to be kind of a “roll-on, roll-off” kind of a situation, which would go towards achieving a reduction in freight coming through the mainland terminal.

So those are the main features as of today, that are somewhat defining what I am going to move into next. What does it really mean in terms of our vessels and as far as our service model as compared to what we have been doing thus far?

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Beginning on page five, and continuing for the next three or four pages, is a very brief schematic in terms of vessel allocations. Again, this is targeting the period May through October. The first is the Nantucket-Hyannis route. In the year 2001, what we will have on the water, and there may be some exceptions during the first part of May, but generally this is the service plan and model that is down there. There are four vessels, the *Nantucket*, the *Eagle*, the *Katama* -- which are all scheduled to run three trips -- and the *Flying Cloud* -- which is scheduled to run six trips -- for fifteen trips per day. Carrying that traffic in order to service the needs for freight, passengers and cars that are servicing the needs of Nantucket.

Beginning in 2002, the first change would take place, if you buy into the proposition and if in fact we begin to see a reduction in moving cars going to Nantucket. Beginning in 2002, the *Katama* comes off the route, so we end up with three basic vessels down there, the *Nantucket*, the *Eagle* and the *Flying Cloud*, so you go from fifteen trips a day to twelve trips a day.

Beginning in 2003 is where the major change takes place. What this envisions is a different vessel being built and being placed on line by the year 2003 that would go on the Nantucket route, and it would be a combination high-speed passenger vessel capable of carrying cars and freight, and it would make six trips a day because the speed of the vessel would enable it to make six trips a day. So beginning in 2003, you would end up with this new vessel and the *Katama* would be able to carry the additional freight. So you would go from fifteen trips a day in 2001 to nine trips a day in 2003. The high-speed vessel basically replaces the two vessels the *Nantucket* and the *Eagle*, but it would be capable of providing the same amount of service making six trips a day that the *Eagle* and the *Nantucket* have been providing.

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That new vessel, and there are no specific dimensions that have been locked in, but just for discussion purposes, would be somewhere in the area of between 70 to 76 meters in length. That is roughly somewhere between 230 and 255 feet in length. It would be capable of carrying approximately sixty spaces in total, somewhere in the area of 500 to 600 passengers, and it would operate somewhere in the area of 30 to 35 knots. The price tag on that kind of a vessel is roughly \$20,000,000, probably \$22,000,000 to \$23,000,000 to \$27,000,000. If you look at the market today those are the kinds of numbers you are talking about.

Beginning in 2002 and continuing in 2003, some freight in terms of jet fuel and other petroleum products would be restricted. In other words, we are saying that at some point in time the requirement would be that products would be barged, so there is going to be a restriction that would come into place as far as certain amounts and volumes of petroleum products that would no longer be allowed on our vessels. What that number is is yet to be defined or determined. And that the additional freight would be barged, utilizing our terminal if necessary in order to accomplish that.

Then we are looking at the freight truck length limitation taking place in the year 2003. So from the standpoint of Nantucket, the big change is going from a four-vessel operation in the year 2001 to a two-vessel operation in 2003, and moving very close to the same amount of traffic, absent what you are able to move with the *Katama* on a day-to-day basis.

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On Martha's Vineyard and Woods Hole, in 2001, what we will have this next year is the *Martha's Vineyard*, the *Islander*, the *Governor* and the *Gay Head* and, if we execute and bring to closure, the *Schammonchi*, which would be running from New Bedford to Vineyard Haven. The basic model in terms of the first four boats is basically what we have had. So you are looking at 31 to 32 trips, 28 trips out of Woods hole, with three or four trips coming out of New Bedford.

Moving to 2002, again, on the basis of a reduction in cars going to the Island, you would drop off the *Gay Head*, so you would go to the *Martha's Vineyard*, the *Islander* and the *Governor*, which would reduce the number of trips coming through Woods Hole from 28 to 21, and then, with the three to

four *Schamonchi* trips out of New Bedford, you would still have 24 to 25 trips. That is moving the number of cars that we are taking to Martha's Vineyard downward. We are opening up a passenger-only service from an off-Cape port, *i.e.*, New Bedford to Martha's Vineyard.

Beginning in 2003, we take the next step and, if the new vessel comes on line in terms of Nantucket, the *Flying Cloud* would then replace the *Schamonchi* and would then run from New Bedford to Martha's Vineyard. So your total trips out of Woods Hole would still be 21, and the total trips servicing the Island would go to 26 or 27, including the New Bedford trips. So in 2003 we would be in an excellent position to provide top-notch passenger-only service, which is capable of growing as that route grows, as we become more successful in marketing and convincing people that they do not need to bring their cars to Cape Cod to get to the Islands, that there is another location. That possibility exists because that route allows itself to grow.

In the year 2004-2005, the last kick here is pertaining to the *Islander*, and what we would do between the time that the new vessel comes on line on the Nantucket route. We would take the vessel *Nantucket* and do a minor rehab to her, and she would replace the *Islander* for a short period of time until we were in a capital position of rebuilding a new vessel for the *Islander*. The *Nantucket*, once the *Islander* is rebuilt, could then serve in a dual capacity. It could serve as a relief vessel or the other option, and we haven't really targeted it yet, is to take the *Nantucket* and to convert it strictly to a freight vessel, which would mean that we would cut the mezzanine area and open it up and it would become purely a freight vessel with enough seating on top for the drivers. The value there is that it is a covered freight vessel, and if you talk to anybody in the industry, we give them a free salt water wash every time they get on our vessels. It is a service which we have talked about in the past when we were discussing rebuilding the *Katama* and the *Gay Head*. That is another option that we have to seriously look at. The *Nantucket* would be an excellent vessel for that.

What would we do with the *Eagle* if this were all to come about? She would become a relief vessel or we could eventually sell the vessel or do something else with it. The other piece here as far as Martha's Vineyard is what we do with the Oak Bluffs terminal, and we spent over the last year or so a good amount of time, energy, effort and money in the sense of looking at that facility, and we have gone out within the community and presented a number of different proposals. The bottom line is that if this system came into effect, the utilization of Oak Bluffs for car ferries actually would be reduced, because once you take the *Katama* off line in 2002 – both she and the *Martha's Vineyard* typically run into Oak Bluffs three times a day, and next year there are seven

trips scheduled to go in there -- that vessel would not be on line and the use of that facility from a car ferry standpoint would be down to three. Because of that, in our minds, it just doesn't warrant the expenditure that we originally talked about. However, it would become a principal passenger-only facility and, therefore, there has to be some work done to that, but by no stretch at the level that we were talking about before, in terms of the money that would be necessary to bring it up to some level of acceptability in terms of a passenger-only facility.

[Attachment]

The other information that is attached to the first eight pages, at the top is called "Components of a Ferry Transportation Service Model." As you go through this you will see that I have only addressed two or three of these areas. There are obviously a number of other pieces that have to be ironed out and worked out and brought into the fold, that we would continue to work on and develop if we were given somewhat of a green light in order to proceed on this basis today.

This outline is by no stretch meant to be limiting other areas, but there are some critical pieces in here that have to come together. The luggage transfer issue has got to come together, not only in terms of the Cape or off-Cape, for example, but what people do with their luggage when they get to the two Islands in connection with where they may end up in terms of a hotel or motel or their own living accommodations. So this has got to be tied together with the Regional Transit Authorities and the other transportation systems and services that are provided on the two Islands.

There may not be yet today the types of services needed to be on the two Islands in order to tell that person in New York that you can do all this and you can get there and it will be without having to jump through a lot of different hoops. So that is the goal and that is the objective, though, but it seems to me that in order to move in that direction we have to take a first step even though it may be a baby step, in recognizing that this goal that has been put out on the table is something that we want to pursue. Then the next question is obviously what I have been talking about, the nuts and bolts, how do you accomplish it. As I have indicated, what I have given the Board today is not meant to be a final product by any stretch, and there may be some better ideas out there that we haven't even touched upon, but hopefully it will act as a framework for discussion as we move forward.

STATEMENT
BY
GEORGE LEONTIRE,
CITY SOLICITOR AND ECONOMIC DEVELOPMENT DIRECTOR
OF THE
CITY OF NEW BEDFORD

January 18, 2001

I would have loved to be able to come here today and say how happy I was with what I have heard today. I will commend you for beginning to think out of the box and trying to take a look at some very serious issues. I would say, however, that I have very grave concerns about what I have heard today. Let me tell you why -- and that doesn't mean that we are not willing to sit down at the table and continue to work with the Steamship Authority irrespective of all of the other activities that are surrounding this issue --- but let me tell you what my basic ... what I heard today that is of really grave concern.

What I heard today is that, other than the buying of the *Schammonchi*, which in and of itself raises a lot of problems for us, the moving of the *Flying Cloud* potentially to New Bedford is in and of itself a problem, because from the experts I have talked to and letters that I have seen that have come to the Steamship Authority, the ability of the *Flying Cloud* to navigate Buzzards Bay, like its current operational issues with respect to Hyannis and Nantucket, is a problem, and there is the question of whether a monohull or the *Flying Cloud* has the ability to carry passengers -- and I can be wrong on this one and I am happy to be convinced otherwise on this question.

One of the concerns is that in your plan to build a new high-speed vessel to carry both freight and passengers and whatever car volume you wish to Nantucket, the idea would be to shift the *Flying Cloud* potentially to New Bedford to take over the *Schammonchi* run. The initial concern that I have with that, and I need some further advice based upon what I have been told to date, is that the *Flying Cloud* is really an inappropriate vessel to be operating in Buzzards Bay because of the nature of the seas, *et cetera* in Buzzards Bay, and I may be completely wrong on that.

Edward J. DeWitt: I think you might be.

Mr. Leontire: I am willing to listen on that, but I do have a memo to the Steamship Authority about the kinds of vessels operating in Buzzards Bay saying that the *Flying Cloud* isn't suitable for Buzzards Bay, but I am happy to look at that issue and be convinced otherwise.

Beyond that issue, the plan seems to me to not address at all the issue or even consider New Bedford's role, number one, in freight. It looks to me like we are back to barging as an alternative to shipping, and barging in and of itself doesn't bother me, except when barging is used as a way to exclude New Bedford from a freight operation. We think that New Bedford has a role to play in the freight operation. We are happy to try to convince you again that it does, and in meetings that come in the future we will do that.

It also looks to us that New Bedford has been by this plan completely taken out of the equation, either for passengers or freight, for Nantucket. I can tell you, contrary to some recent letters I have received from your lawyers, that in fact we have operators, and very significant ones, who would like to run high-speed ferry passenger service and/or freight from New Bedford to Nantucket, and I am wondering why that option isn't even on the table. The only option with respect to New Bedford that I have seen on the table today is the *Schamonchi* and the switch potentially of the *Schamonchi* to the *Flying Cloud*. No issues with respect to freight and no issues with respect to Nantucket.

Now that doesn't mean that New Bedford is saying to the Steamship Authority, "We need to have the whole enchilada or otherwise we don't sit down and work with you." That is not true. We are not looking in that vein, but if we believe that the thinking process of the Steamship Authority as outlined in your initial thoughts here are such that there is no role for New Bedford other than the *Schamonchi*, then I can tell you that we didn't need the Steamship Authority for the *Schamonchi*. We already own the *Schamonchi* and we already had worked with five different buyers to bring them to the *Schamonchi*, who were very interested in the *Schamonchi*, and which brings me to my final conclusion, and I will let you go, and I appreciate the time.

You have said, and you have all said, that it is your primary obligation to the Steamship Authority and good business practices for the Steamship Authority, and I understand that. I think New Bedford could be included in

better business practices for the Steamship Authority in a more coherent way. But put that aside for the moment. I want you to understand my obligation. My obligation is to do what is in the best interest to the City of New Bedford, to the port of New Bedford.

We aren't convinced that your buying of the *Schammonchi* is in the best interest of my community. I understand that it is in the best interest of your Steamship Authority. You are able to take out your competition to bring a high-speed ferry that should be able to help with some of this passenger issue and car issue. And that is something that we are interested in, in working with you on, but we are not sure that the Steamship Authority running that service is necessarily the right thing to do, especially since it sounds like we are not going to be integrated into any other Steamship Authority proposal. It looks to us -- and this is just first blush, and again I am happy to sit down and talk, I know this is a beginning process -- but what it looks to us is that New Bedford's role is for the Steamship Authority to acquire the *Schammonchi* to be able to keep some cars off the Cape mainland ports, which we all agree is necessary.

And let me say this, because I am tired of hearing myself quoted wrong on this, I happen to understand and agree that the Islands ought not to continually be inundated with cars. It is my opinion that if the Islands don't want any cars, that is their choice. That is what local control of communities is about. So I am not on that issue. If New Bedford can assist in that role, we are happy to assist in that role, but to the extent that all New Bedford is going to do is to end up being a way to stop your competition and end up with a service that we were going to get independently of the Steamship Authority, then that is a problem for us. And I am looking frankly at an eminent domain taking right now of the *Schammonchi* and we will file that tomorrow if we determine that in fact we have the appropriate legal authority.

So the question can then come up as to where does New Bedford fit in this whole scheme, and even if New Bedford were to own the *Schammonchi*, the issue may be that you people run the *Schammonchi*, not us. We have no interest in running the *Schammonchi*. All that we want to do is Let me tell you why that is a problem -- if you can come up with a better idea I am happy to listen to it -- which is, if in five years from now you decide to stop running the *Schammonchi* or the *Schammonchi* line, we have no recourse.

If the Steamship Authority wants to say to the City of New Bedford, "We are willing to contractually agree with you somehow that if we were in the future to discontinue this line, we are not going to leave you without a service and a private carrier could still look at that option," that is fine and maybe we

don't have to go to that step of looking at the *Schamonchi* as part of New Bedford. It is a step that I don't want to take. I am just looking at it. I don't know whether we have the legal authority to take it. I have a legal opinion being prepared by outside counsel right now on the ability to acquire. It's probably something we won't do, but I just want you to know how serious this concern of ours is that the Steamship Authority ends up with the *Schamonchi* and we lose any independence with respect to operating. That is where we are on the issue.

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

The Meeting in Public Session

February 15, 2001

The Members of the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority met this 15th day of February, 2001, 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 Members: Chairman J. B. Riggs Parker of Dukes County; Vice Chairman Edward J. DeWitt 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; 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 January 11, 2001.

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

Mr. DeWitt abstained from participating in any discussion or decision regarding the minutes of the January 11, 2001 meeting.

IT WAS VOTED -- upon Mr. DeWitt's motion, seconded by Mr. O'Brien -- to approve the minutes of the Members' meeting in public session on January 18, 2001.

**VOTING AYE: Mr. Parker, Mr. DeWitt and Mrs. Grossman
VOTING NAY: None**

Vineyard Haven Harbor District of Critical Planning Concern:

Tisbury Selectman Tristan R. Israel advised the Members that Vineyard Haven Harbor had been designated as a district of critical planning concern ("DCPC") and that, after a comprehensive process involving the Tisbury Planning Board, the Martha's Vineyard Commission and persons along the waterfront itself, among others, the Town had issued DCPC regulations for the harbor. Mr. Israel then recounted the pressure that had been placed on the harbor over the past few years, with the arrival of new fast ferries and the lack of any ability on the part of the Town to require any kind of permitting process. Mr. Israel stated that the regulations were born out of people's concern over what future impacts there would be on the harbor and the Town, and how there was a need to keep Tisbury's character not only for recreation, but also as a working harbor.

Accordingly, Mr. Israel said, the regulations require a harbor use permit, issued by the Board of Selectmen, for all new uses and all expansions of existing uses that impact the waterfront area. While the Town recognized that the Authority was not bound by these regulations, Mr. Israel stated that the Selectmen hoped the Authority would respect their spirit and that, if the Authority were going to propose any new uses or any expansion of any existing uses for Vineyard Haven Harbor, it would elect to go through the process.

Operating Schedules and Tariffs for the M/V Schamonchi:

Mr. Tiberio presented the Members with management's proposed 2001 operating schedules and tariffs for the *Schamonchi*, as set forth in Management Summary #MCR-0100, dated February 12, 2001. Essentially, Mr. Tiberio said, management had attempted to mirror the *Schamonchi*'s schedules from prior years as much as possible, although two daily trips between New Bedford and Martha's Vineyard were being proposed for the shoulder seasons, where in the

past Cape Island Express Lines, Inc. had operated only one trip at those times. Mr. Tiberio also noted that the sailing times had been changed somewhat due to the fact that the vessel would be sailing into Oak Bluffs instead of Vineyard Haven, and that the proposed adult fare had been increased to \$10.00, which was the same increase that the current owner had intended to implement.

In response to a question from Mr. DeWitt, Mr. Tiberio said that management did not believe there was enough demand to warrant a later fourth trip of the vessel on Sunday evenings, noting that the current owner had never operated such a trip and that most customers preferred to leave the island earlier in the day so they can arrive at their homes that evening. Mr. Tiberio also stated that the Authority would continue to allow small hand held freight to be transported on the vessel, which was a service that the current owner had provided for many years. However, Mr. Tiberio said, the Authority would need to develop criteria to limit the weight and sizes of such freight.

In response to a question from Mr. O'Brien, Mr. Tiberio stated that the Authority's marketing plan principally would consist of print advertising in the southern New England region, as well as New York, and that it would start around the beginning of May. Mr. Parker suggested that the Authority might also want to advertise in more northern areas to try to attract customers from Woods Hole to New Bedford, and Mr. Tiberio stated that he would provide the Members with a proposed marketing plan within the following week.

IT WAS VOTED -- upon Mr. DeWitt's motion, seconded by Mrs. Grossman -- to approve the 2001 operating schedules and tariffs for the M/V Schamonchi as proposed by management in Management Summary #MCR-0100, dated February 12, 2001.

VOTING AYE: Mr. Parker, Mr. DeWitt and Mrs. Grossman
VOTING NAY: None

Future Ferry Transportation Service Model:

Mr. Tiberio then reviewed a proposed calendar he had forwarded to the Members on February 13, 2001 for the development of the Authority's future ferry transportation service model. With respect to the meetings listed on that calendar, Mr. Parker announced that the public meeting on Martha's Vineyard

would not take place on February 28th, because that date fell within a school vacation week, and that it probably would be rescheduled for sometime during the week of March 5th. Mr. Tiberio noted that there were still public meetings scheduled in Falmouth and Barnstable for February 21st and March 7th, and that he also was meeting with newspaper editorial boards to review the service model and answer questions as best he could.

After Mr. Tiberio completed his presentation of the calendar, Mr. Parker asked for discussion among the Members. Mrs. Grossman then asked to make a statement, which is attached as a supplement to the minutes of this meeting.

Mr. DeWitt declared that Mrs. Grossman had asked legitimate and important questions that needed to be answered, but he emphasized that the Authority was embarking on this process in order to answer those questions and that it should be done as rapidly as possible. Mr. DeWitt noted that the technology of fast ferries was constantly emerging and stated that the Authority should not be so shortsighted as to close the door on these issues even before the questions were asked. Indeed, Mr. DeWitt said, continuing forward with the process would allow the Authority intelligently to make the key decisions it had to make regardless of what model might ultimately be adopted. Mr. DeWitt further suggested that the Authority's acquisition of the *Flying Cloud* was not so much the result of foresight but more a reaction to Hy-Line's commencement of its own high-speed service.

However, Mrs. Grossman questioned why the Authority was touting the proposed service model to the editorial boards of various newspapers as well as the Authority's communities before the Members had decided that they were even going to consider it. In response, both Mr. DeWitt and Mr. Parker stated that they felt it was important for the public to know what the proposed service model was before it was developed. In addition, Mr. Parker stressed that whenever he spoke about the model, he referred to it as a business concept, not as a business plan, because it would not be a business plan until it was accompanied by appropriate financial data. Mr. Parker further noted that, if the Authority did not educate the communities about the model, the public would not be able to make intelligent comments about it, and he declared that the Authority needed those comments to make certain it was headed in the right direction. Nevertheless, Mr. Parker agreed that all of the questions raised by Mrs. Grossman were entirely appropriate, and that neither the Members nor the Authority's management had the answers to any of those questions.

Observing that the Authority was at a crossroads where it was going to have to make decisions about what to do with three of its vessels, Mr. O'Brien

stated that he thought the timing of the process was very appropriate and that the Authority should proceed as quickly as it could. Mr. Murphy similarly said that he saw no harm in going through the process and obtaining the answers to Mrs. Grossman's questions.

Mr. Tornovish declared that Mrs. Grossman had laid out a great framework of the issues that the Authority had to address, and he noted that the proposed service model would not work unless it passed each and every one of the tests that Mrs. Grossman had posed. The Authority could not afford a mistake, Mr. Tornovish said, especially if it was considering providing service to Nantucket with only one vessel, because the Authority would be out of business if that vessel were to fail as often as the *Flying Cloud* had failed the previous year. Mr. Tornovish also stated that he wanted to make certain the Authority talked about the proposed service model with its captains and all of the other people on the front lines, and asked that a meeting be scheduled with the Nantucket community after the financial information was developed so that the model could be discussed with the people who will be most affected by it.

In this regard, Mr. Parker said that it was his assumption that meetings would again have to be scheduled with all the communities once the financial information was developed and policy changes were proposed, as there was no other way for the communities to obtain the information they will need to provide the Authority with meaningful input as the model is being evaluated. Mrs. Grossman agreed, and observed that the Authority may well be faced with a difficult situation in the event decisions had to be made that would affect the island communities one way and the mainland communities another way. But both Mr. Parker and Mr. Tornovish observed that the Authority and the island communities should be able to find responsible ways to work with the mainland communities while at the same time making certain that necessary goods and services were provided to the islands.

Mr. DeWitt declared that, if the Authority did not make any changes to its operations, its fares and tariffs would continue to increase significantly, and that he felt the only way the Authority could continue to provide inexpensive and efficient transportation was to review and make improvements to the way it conducts its business. Mr. Parker agreed, noting that the Authority's costs were clearly rising and that the major portion of those costs were personnel. Mr. Parker also observed that the Authority had made certain commitments with the mainland, and that it had to live up to those commitments and act responsibly. Finally, Mr. DeWitt noted that one of the key assumptions of the proposed service model was that the islands wanted to reduce the number of automobiles carried by the Authority without necessarily reducing the number

of tourists; and he pointed out that, if this was not what the islands wanted, the proposed service model would not work.

Resolution for the Sale of \$5,800,000 Steamship Bonds:

Mr. Lamson then asked the Members for adoption of a resolution as proposed by the Authority's bond counsel, Palmer & Dodge, authorizing the Treasurer/Comptroller, with the approval of the Chairman, to issue and sell \$5,800,000 Steamship Bonds on a competitive basis, with the proceeds to be used to refund the \$3,000,000 of bond anticipation notes issued the prior week, to pay for improvements at the Authority's new Fairhaven maintenance facility, and to acquire the *Schamonchi*.

IT WAS VOTED -- upon Mrs. Grossman's motion, seconded by Mr. DeWitt -- to adopt the proposed resolution authorizing the sale of \$5,800,000 Steamship Bonds in the form attached to Management Summary #A-403, dated February 9, 2001.

VOTING AYE: Mr. Parker, Mr. DeWitt and Mrs. Grossman
VOTING NAY: None

Mr. Lamson also reported that four bids had been received in connection with the Authority's recent sale of \$3,000,000 of bond anticipation notes, dated February 9, 2001, and that three of the bids were for the entire amount of the notes. Mr. Lamson stated that the lowest bid had been submitted by Eastern Bank of Boston, with a net interest cost of 3.48 percent, and that the notes had been awarded to Eastern Bank in accordance with the resolution that the Members had adopted at their prior meeting on January 18, 2001.

Treasurer's Report:

Mr. Lamson reported that the Authority's operating income for the year 2000 was \$1,390,768, approximately \$160,000 higher than the previous year but around \$1,369,000 lower than the revised 2000 operating budget estimate that had been adopted by the Members in June 2000. Mr. Lamson also stated

that the Authority expected to issue its audited financial statements during the week of March 19, 2001. Finally, Mr. Lamson reported that the Authority's net operating loss for January was expected to be around \$2,500,000, which was just about what had been projected in the Authority's 2001 operating budget.

Martha's Vineyard Airport Reservations Office:

IT WAS VOTED -- upon Mr. DeWitt's motion, seconded by Mrs. Grossman -- to authorize the General Manager, Armand L. Tiberio, as signatory, to execute the contract and any other documents between the Authority and the Executive Office of Transportation and Construction relative to the FY2001 water transportation grant to construct a commuter park and ride lot at the Martha's Vineyard Airport commercial park.

**VOTING AYE: Mr. Parker, Mr. DeWitt and Mrs. Grossman
VOTING NAY: None**

Request for Student Discount Rate:

With respect to a request that the Authority had received in December for a student discount rate applicable to the Martha's Vineyard route, Mr. Tiberio reported that management was recommending the Authority not proceed in the direction of creating such a rate.

M/V Flying Cloud:

Mr. Tiberio advised the Members that the *Flying Cloud* was at Derecktor Shipyard awaiting arrival of its new engines that week; that work on the vessel was pretty much on schedule; and that the installation of the new engines should be completed by March 1st. Mr. Tiberio further reported that the other warranty work on the vessel had been completed, including the installation of two new generators to address the electrical load issue which had caused problems with the air conditioning; that the final outfitting of the vessel would

occur around the first week of March; and that the Authority would then conduct its sea trials and other tests. Although he did not know whether the *Flying Cloud* would be able to be back in line service by April 1st, Mr. Tiberio stated that it should be ready very shortly after that date.

Public Comment:

Nantucket resident Curtis Barnes asked the Authority to hold a public meeting on Nantucket regarding the proposed service model before undertaking any financial analysis of it because he felt that public input received by the Authority would assist it in preparing that analysis. Further, Mr. Barnes said, he was not convinced that all island residents wanted the Authority to stop bringing cars to Nantucket, and he questioned whether it was the Authority's responsibility to make such a decision in any event. Mr. Barnes declared that island residents needed to be able to get off and on the island with their cars and, even now, he could not obtain an automobile reservation during February.

Tisbury Selectman Tristan Israel stated that the Tisbury Selectmen's philosophy with respect to automobile traffic coming through Tisbury was that they were not asking for less or for more, and that the current situation was fine. Mr. Israel also stated that Tisbury could not handle more freight traffic, and was not looking for any more freight increases. Further, Mr. Israel said, Tisbury welcomed passengers, who are important for its economy, and he expressed the Selectmen's dismay over the removal of the *Schamonchi* from Tisbury, which he noted was a serious economic loss to the Town. Mr. Israel declared that Tisbury did not want to become just an entry point for cars and that the Selectmen were upset over the Authority's decision to take away the passenger vessel from the Town only two weeks after deciding to acquire it.

In response, Mr. Tiberio stated that the decision to move the *Schamonchi* to Oak Bluffs had been made after meetings with the Tisbury Selectmen and Ralph Packer, Jr., and that the decision was made primarily on the basis that the *Schamonchi*'s docking facility in Vineyard Haven was not at all suitable for off-loading 300 to 400 passengers and that it also lacked any of the necessary amenities if the Authority were to attempt to increase the vessel's ridership. Mr. Tiberio also noted the ongoing disagreement between Mr. Packer and the Town regarding those facilities, and he declared that the Authority was not interested in getting involved in that dispute. Ultimately, Mr. Tiberio said, the decision had to be made quickly because of the Authority's need to finalize details surrounding the *Schamonchi*'s service in time for this summer season.

Nantucket resident Nathaniel Lowell questioned whether the Authority should be considering the purchase of futuristic vessels given the fact that its traffic was leveling off, noting that private companies generally did not buy things that are not needed. Instead, Mr. Lowell said, the Authority should lengthen the *Sankaty*, because its smaller capacity was requiring the Authority to start its summer schedule sooner in the year and costing the Nantucket route more money. In this regard, Mr. Lowell also criticized the Authority's decision to reduce the fares charged for unloading barges to one dollar per ton year-round, declaring that, as a result, the Authority had lost much needed revenues to ensure that route's delicate financial solvency.

Mr. Parker, in response to a question from *Vineyard Gazette* reporter Julia Wells, confirmed that the Governor's Task Force had asked to meet with all four Members at a meeting which would take place in the Authority's Woods Hole conference room at 10:00 a.m. on Friday, February 23, 2001. Mr. Parker also stated that he presumed the meeting would be private, although he did not know for certain because it was not the Authority's meeting. In this regard, Mr. Sayers noted that the Members would not be subject to the open meeting law with respect to this meeting of the Task Force, as the Members themselves would not be deliberating on any subject over which they had any control, supervision or advisory power.

At approximately 11:20 a.m., Mr. Parker 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. DeWitt'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 contract negotiations with nonunion personnel.

VOTING AYE: Mr. Parker, Mr. DeWitt and Mrs. Grossman
VOTING NAY: None

A TRUE RECORD

GRACE S. GROSSMAN, Secretary

STATEMENT MADE BY
GRACE S. GROSSMAN, THE NANTUCKET MEMBER
OF THE
WOODS HOLE, MARTHA'S VINEYARD
AND NANTUCKET STEAMSHIP AUTHORITY,
REGARDING THE
AUTHORITY'S PROPOSED SERVICE MODEL

February 15, 2001

I am appalled by the rapidity of this so-called model or plan that has been proposed. Supposedly it was presented to the Board as a framework for discussion last month on January 18th. The purpose was for the Board to begin to analyze issues and look at alternative ways for moving freight, reducing cars and reducing the number of trips to the Islands. This so-called business plan has no financial data at the moment attached to it that we have seen. It is being touted to the editorial boards of the newspapers on the Cape, in New Bedford, on the Islands, and in Boston as a business plan before we, as a Board, have had a chance to discuss the pros and cons of such a plan -- a plan that will change our whole mode of operation with a suggested timeline of six months.

I believe that we as a Board have been open to suggestions and new ideas over the years, but not at lightning speed that may change the character of the Cape and Islands forever. The fast ferries of the magnitude suggested for Nantucket are untried technology in the United States. Should a non-profit agency such as the Steamship Authority be a guinea pig for such a venture? I don't think so.

As far as reducing cars, this is not a new idea for the Steamship Authority. In early 1997, I presented at town meeting the idea of a passenger fast ferry to Nantucket as a way to reduce cars. I discussed it with the Board and Mr. Tiberio, we thought it was a good idea, and it was voted unanimously. The Steamship Authority advertised leaving cars at home and we would handle all the baggage and make all of the arrangements so that it would be a very

easy travel plan for the people who are coming to the Islands. It was advertised and in every advertisement we all said, "Leave your cars at home and come with us." It was approved unanimously at town meeting, and it was approved by the Board, and the first vessel that we had was the fast ferry from New York as a trial to see if it would be popular and a way to go. It was. People liked it -- didn't love it because it was not our boat -- and it was successful as a test of the market. And this led to building our own *Flying Cloud*, which has proved to be a preferred manner of travel -- when she runs. Unfortunately, we missed 356 trips due to mechanical trouble, weather and ice conditions.

Forgetting the financial impact of this new model for a moment, can we take a chance as a so-called public, non-profit organization with a so-called three-tier fast ferry as our only way of sea travel to Nantucket? I say absolutely not, and I have some reasons why.

- A. What would be the impact on the Authority and Nantucket financially as well as the impact on the rates for the residents and businesses and school teams traveling from Nantucket?
- B. How reliable is the technology as our only source of ocean travel? There are many operating problems with high-speed vessels all over the world. The technology is in its infancy.
- C. The cost of fuel consumed by this type of vessel will escalate. Weather conditions and cancellations are a problem. What happens to Nantucket when the so-called three-tier fast ferry is not working or is in drydock? What effect will the wake or draw be on the harbors of Nantucket and Hyannis, as well as the Vineyard. The *Flying Cloud* was built for Nantucket and should remain there unless the engines prove faulty again.

I am adamantly opposed to any such plan unless there is proof that it will be financially sound and the technology is proven.

Before I close I would like to read excerpts from a journal called *Seatrends* that Arthur Desrocher brought to my office:

"The ferry industry, taken for granted by most of the customers, has witnessed some dramatic changes during the last ten years. There are currently around 2,500 ferries in global operation, of which 1,100 are conventional ferries. The balance, 1,400, are either passenger-only or vehicle-carrying fast ferries. Taking the fast car ferries, there were, at the beginning of 1999, a total of 85

worldwide made up of 60 catamarans, 23 monohulls and two hovercraft. A further 22 fast ferry units were delivered during 1999 and 18 more in 2000. However, the aging conventional fleet remains the most important segment, representing approximately 94% of the total gross tonnage, 77% of the total passenger capacity, and 93% of the total car carrying capacity.

“Market conditions, an understandable reluctance to commit to new conventional tonnage in anticipation of more stringent safety legislation, and the significant capital cost of building conventional vessels have all helped to fuel the fast ferry industry. However, despite an impressive 125 fast vehicle-carrying craft of varying shapes, sizes, capacities and capabilities in the world, this sector of the ferry industry has not really created the successful diversion from conventional tonnage that some envisioned, as witnessed by the 20% of the total that are currently available for purchase or charter.

“Moreover, of the total of 24 yards that have been instrumental in creating the current fleet of car-carrying fast ferries, eight already have withdrawn from the marketplace, leaving Australia as clear innovators and leaders in the field.”

I am going to skip some more.

“More modern craft have learned important lessons from the prototypes that regrettably used owners, operators, and the general public as guinea pigs. Mechanical and structural breakdowns and seasickness have given way to a level of sophistication and maturity that is fast seeing certain crafts on some routes becoming a sensible and acceptable alternative.

“So what is the future for fast ferries as conventional RoPax vessels come dangerously close in terms of speed to these aluminum dinosaurs? While pondering, ask an operator or owner of fast ferries to define his level of profitability. You will get some sad answers.”

Thank you.

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

The Meeting in Public Session

March 15, 2001

The Members of the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority met this 15th day of March, 2001, beginning at 9:30 a.m., in Room 104 of the Marine Biological Laboratory's Candle House, located on Water Street, Woods Hole, Massachusetts.

Three Members were present: Chairman J. B. Riggs Parker of Dukes County; Vice Chairman Edward J. DeWitt of Falmouth; and Secretary Grace S. Grossman of Nantucket. Associate Secretary Robert L. O'Brien of Barnstable was not present. 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; and Executive Secretary to the General Manager Maxine Horn.

Minutes:

IT WAS VOTED -- upon Mrs. Grossman's motion, seconded by Mr. DeWitt -- to approve the minutes of the Members' meeting in public session on February 15, 2001.

VOTING AYE: Mr. Parker, Mr. DeWitt and Mrs. Grossman
VOTING NAY: None

Request for Renewal of the *Pied Piper* License:

Mr. Sayers advised the Members that Cape & Islands Transport, Inc. ("CIT") had requested that the Authority renew its license agreement for the 2001 summer season to carry passengers between Falmouth Inner Harbor and Edgartown, and that the Authority also authorize it to replace the *Pied Piper* on the licensed route with the vessel currently known as the *Sunshine*. Mr. Sayers reviewed the management staff's recommendation, as set forth in Management Summary #L-321, dated March 9, 2001, and stated that management was in favor of the renewal and the replacement of the *Pied Piper* with the new vessel. However, Mr. Sayers said that management was in favor of the replacement only because the new vessel would provide greater passenger comfort, and he emphasized that management's recommendation should not be construed as any indication that management would be agreeable to an increase in the licensed passenger capacity of the vessel. Indeed, Mr. Sayers noted, management previously had recommended against any such increases based upon reasons wholly unrelated to the limited passenger capacity of the *Pied Piper*.

CIT's attorney, Robert Ament, stated that CIT understood the conditions of management's recommendations, and that it had no objections to them. Specifically, Mr. Ament said that CIT agreed and understood that the approval of the license renewal and the substitution of the new vessel was no indication of any approval of additional capacity. In this regard, Mr. Ament noted that CIT desired the increased capacity of the new vessel for reasons that had nothing to do with the ferry service, as the vessel also would be used for charter trips around Falmouth Harbor. Mr. Ament also assured the Members that he would advise CIT of a continuing complaint regarding the idling of the vessel's engine in Edgartown, and ask that it be addressed.

Mrs. Grossman moved to approve management's recommendation, and Mr. DeWitt seconded her motion. Mr. Parker then moved to amend the motion so that the Members' vote contained a proviso that the approval did not imply in any way that any increase in the licensed passenger capacity would be authorized in the future. In this regard, Mr. Parker stated that he felt the Members needed to take a very clear position on that issue to make certain there was no implication that the larger vessel will provide CIT an opportunity to carry more passengers. Rather, Mr. Parker said, any request by CIT to carry more passengers would be subject to another proceeding. Mr. DeWitt agreed and seconded Mr. Parker's amendment.

IT WAS VOTED -- upon Mrs. Grossman's motion, as amended by Mr. Parker and seconded by Mr. DeWitt -- to authorize the General Manager to execute a new license agreement with Cape & Islands Transport, Inc. ("CIT") to carry up to 75 passengers for hire on the new *Pied Piper* (currently known as the *Sunshine*), only on its 6:45 PM trip from Edgartown to Falmouth on Sundays and holidays, and up to 70 passengers for hire on all other trips of the vessel during the 2001 summer season; provided, however, that the authorization to replace the current vessel does not imply in any way that any increase in the licensed passenger capacity of the new vessel will be authorized in the future.

**VOTING AYE: Mr. Parker, Mr. DeWitt and Mrs. Grossman
VOTING NAY: None**

Acquisition of the M/V Schamonchi:

Mr. Sayers then requested approval of a revision to the Authority's Asset Purchase Agreement with Cape Island Express Lines, Inc. ("CIEL") and Janet P. Thompson for the acquisition of the *Schamonchi* and CIEL's business, as set forth in Management Summary #L-320, dated March 9, 2001, with two further changes, namely, that CIEL be allowed to continue using its corporate name (although the Authority would acquire all of its trade names) and that the acquisition also be contingent upon the Authority being protected against any existing or potential maritime liens on the vessel.

Mrs. Grossman, however, declared that she was not going to vote for the acquisition of the *Schamonchi* in protest of the proposed service model's plan to replace that vessel on the New Bedford-Martha's Vineyard route with the *Flying Cloud*. Mrs. Grossman stated that she did not believe it was fiscally prudent to purchase a vessel for \$1,800,000 and then, after a year or two, not use it; and she also was against giving up the *Flying Cloud* for Nantucket.

In response, Mr. Parker emphasized that the Members were not making any decision that day which necessarily would require the transfer of the *Flying Cloud* to the New Bedford-Martha's Vineyard route, and that each decision had to be made individually. For the moment, Mr. Parker said, it was important to proceed with acquisition of the *Schamonchi* so that the Authority could provide its customers with the ability to park their automobiles at an off-Cape location.

IT WAS VOTED -- upon Mr. DeWitt's motion, seconded by Mr. Parker -- as follows:

- (1) to approve the Asset Purchase Agreement with Cape Island Express Lines, Inc. ("CIEL") and Janet P. Thompson for the acquisition of the *Schamonchi* and CIEL's business in substantially the form attached to Management Summary #L-320, dated March 9, 2001, provided that CIEL will be allowed to continue using its corporate name and that the acquisition would also be contingent upon the Authority being protected against any existing or potential maritime liens on the vessel;**
- (2) to authorize the execution of the aforesaid agreement by the Authority's General Manager; and**
- (3) to authorize the General Manager, Treasurer/Comptroller and General Counsel to take all necessary and appropriate actions to acquire the *Schamonchi* and all of the other assets of the ferry business operated by CIEL in accordance with the aforesaid agreement.**

VOTING AYE: Mr. Parker and Mr. DeWitt

VOTING NAY: Mrs. Grossman

Future Ferry Transportation Service Model:

Mr. Tiberio reported that Marketing and Community Relations Manager Gina L. Barboza had identified a number of the Authority's operating policies that will have to be reviewed, developed and/or implemented so that they will be consistent with the proposed future ferry transportation service model, as set forth in Management Summary #MCR-101, dated March 8, 2001, and that in May management would provide the Members with greater detail as to what will need to be done with respect to those policies. In this regard, Mr. Parker asked Mr. Tiberio to consider the possibility of scheduling a "Vineyard boat," as had been proposed at one of the public meetings on Martha's Vineyard, declaring that the Authority's service model will be flawed if it is not skewed in the direction of providing island residents with the transportation they need.

Mr. Lamson then presented the first phase of his financial analysis of the proposed service model based upon certain features, vessel allocations and assumptions, as set forth in his memorandum to Mr. Tiberio dated March 9, 2001. Because of the length of Mr. Lamson's presentation, it is attached hereto as a supplement to the minutes of this meeting.

In response to questions from Mrs. Grossman, Mr. Lamson stated that, in his analysis, he had used an estimate of \$30,000,000 in current dollars for the cost of the proposed high-speed combination ferry for the Nantucket route, and that he had assumed it would be depreciated over a useful life of 25 years. Mrs. Grossman, however, said that she disagreed with those assumptions, especially since no high-speed vessel carrying freight, cars and passengers has ever operated in the United States. Responding to another question from Mrs. Grossman, Mr. Lamson stated that he had not taken into consideration any costs that the Authority might have to incur to change or adjust its docking facilities, and that those additional costs would have to be reviewed.

In response to a question from Mr. DeWitt, Mr. Tiberio stated that he felt the Authority would be in a better position to obtain a T-21 grant for the acquisition of a high-speed ferry, rather than a conventional vessel, based upon the types of projects that had been funded over the past several years. For example, Mr. Tiberio said, the State of Alaska had received \$10,000,000 for a project to construct two (and up to five) high-speed combination ferries, and the construction contract for those vessels was scheduled to be awarded within the following few weeks. Mr. Tiberio stated that Alaska was the first state to move in this direction and that, otherwise, the only high-speed combination ferry operating in the United States was the "Cat" that runs between Maine and Nova Scotia and was built in Australia. Nevertheless, Mr. Tiberio noted that, over the last ten to fifteen years, close to one hundred such vessels have been built for operation in Europe and other countries.

However, Mrs. Grossman pointed out that, based upon reports she had read in journals, a number of those high-speed ferries had not been successful in terms of carrying freight, automobiles and passengers. Mr. Tiberio agreed, although he noted that more problems had arisen with vessels designed to travel at speeds of 36 knots or higher, because the weight of the vehicles on board the vessel is not conducive to speed. By contrast, Mr. Tiberio said, he was proposing a vessel that would travel at only 30 to 32 knots, which would allow the vessel to make six round trips between Hyannis and Nantucket within an 18-hour operating day, and he declared that it was commonplace in other parts of the world for vessels of this speed to carry sufficient tonnage.

Mr. DeWitt observed that Mrs. Grossman's questions were so important because other ferry operators, such as British Columbia, had in fact made bad decisions regarding high-speed ferries. Accordingly, Mr. DeWitt said, the Authority had to make certain to ask the right questions and to receive the right answers so that it did not quickly select a vessel that will not serve the needs of the islands. However, Mr. DeWitt noted that many good decisions also had been made and that they had resulted in successful high-speed ferry operations, and he hoped that this process would lead to the Authority making the right decision for the islands, Cape Cod and Massachusetts.

Mrs. Grossman said that she appreciated Mr. DeWitt's comments, and emphasized that the Members had an obligation to look at any proposed high-speed ferry very carefully because it was a new technology that has not been tested in the United States and has the potential of being disastrous, especially for a small public organization such as the Authority. Mr. Parker declared that he similarly agreed with Mrs. Grossman's questions, and that it was very clear that she was one of the Authority's strongest consciences in terms of keeping the Members from making unwitting errors. However, Mr. Parker stated that he thought the Members had to continue with what could well be a long process of educating themselves and the public on these issues.

Treasurer's Report:

Mr. Lamson reported that, on March 8, 2001, the Authority had received five bids to purchase \$5,800,000 Steamship Bonds, and that the low bid had been submitted by Corby North Bridge Securities of Boston at a net effective rate of 4.11%. (Mr. Lamson also reported that all five bids were under 4.16% and that Moody's had assigned an AA2 rating to the bonds.) Mr. Lamson stated that the proceeds of the bonds would be used to refund the bond anticipation notes that had been issued the previous month for the acquisition of the Hathaway-Braleigh Wharf property in Fairhaven, to pay for certain initial improvements to that property, and to pay in part for the acquisition of the *Schamoonchi*.

Mr. Lamson then reported that the Authority's net operating loss for the month of February was a little more than \$2,000,000, bringing the Authority's total loss for the first two months of 2001 to around \$4,500,000, which was slightly lower than what had been projected in the Authority's 2001 operating budget.

Public Comment:

Richard O'Neal criticized the aspect of the Authority's proposed service model that would limit the length of trucks carried on the Authority's vessels to 55 feet, declaring that no one would purchase new equipment with less capacity simply to carry goods to the islands. Mr. O'Neal stated that the real problem associated with trucks on the roads was their lack of maneuverability, not their length, and that the problem could be solved by requiring trucks to have movable axles instead of stationary ones. Mr. O'Neal also criticized the Authority's decision not to tweak the schedule for the freight service being provided between New Bedford and Martha's Vineyard that year, saying that carrying freight to the islands had only become more difficult. Declaring that, in his opinion, the proposed service model would do nothing but increase the cost of goods and services on the islands, Mr. O'Neal stated that the Authority could never run a freight service from New Bedford more economically than from Woods Hole, and that any New Bedford service should concentrate on carrying automobiles of customers who use the service only once or twice a year.

In response to a question from Richard Sherman, Mr. Tiberio stated that the Authority's Oak Bluffs Terminal Reconstruction Project had been placed on hold pending the development of the Authority's proposed service model, as it obviously would dictate what the needs and requirements of that particular facility will be in the future.

In response to a question from Arthur Flathers regarding past inequities of assessed costs between the islands, Mr. Lamson noted that fare increases on the Nantucket route over the past several years had resulted in the rates of each route paying for their allocated costs and, therefore, removing the inequity for the future. Mr. Parker further noted that the issue of past inequities still had to be addressed, but that he was confident that Mr. Lamson would review the situation and develop an appropriate resolution.

In response to another question from Mr. Flathers, Mr. Tiberio said that, under the proposed service model, the *Eagle* would become a relief vessel for the entire system in the event another vessel had to be taken out of service, and that alterations could be made to the vessel to make it suitable for service on the Martha's Vineyard route. In response to a question from Julia Wells, Mr. Tiberio also stated that the construction of a new double-ended vessel to replace the *Islander* would still take place, but farther into the future, so that the refurbishment of the *Nantucket* for the Martha's Vineyard route could be viewed as an interim measure until that time.

In response to another question from Ms. Wells, Mr. Tiberio stated that he, along with Messrs. Parker, DeWitt, Murphy and Lamson, had attended the annual international high speed ferry conference in New Orleans that week, and that Mr. O'Brien and a Captain from the Authority's fleet were still there. Mr. Tiberio reported that several papers had been presented at the conference on environmental issues that the Authority will have to address for the future, such as issues pertaining to wake wash, sedimentation and scouring.

Nathaniel Lowell declared that maintaining the Authority's rate for barge unloading at \$1.00 a ton, while increasing rates for trucks traveling on the Authority's vessels, was discriminatory against small companies who cannot afford to buy 400 tons of stone in one day. Mr. Lowell stated that it would be reasonable to charge \$3.00 a ton for offloading barges on a year-round basis, as such a rate would not dissuade the one company which has been able to take advantage of the service from barging, and the Authority would no longer be giving away revenues that it needs to pay for the Nantucket operation.

Paula Peters then asked whether the Authority, under its proposed service model, would rely upon the private sector to provide barge freight service. In response, Mr. Tiberio said that, given the fact that there already were individuals in the private sector providing that service, the Authority was looking into the issue to see whether it made sense.

At approximately 11:15 a.m., Mr. Parker 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. DeWitt'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 contract negotiations with nonunion personnel.

VOTING AYE: Mr. Parker, Mr. DeWitt and Mrs. Grossman
VOTING NAY: None

A TRUE RECORD

GRACE S. GROSSMAN, Secretary

PRESENTATION BY
TREASURER/COMPTROLLER WAYNE C. LAMSON
OF THE
FIRST PHASE OF HIS FINANCIAL ANALYSIS
OF THE
SSA FUTURE FERRY TRANSPORTATION SERVICE MODEL

March 15, 2001

We have prepared a preliminary cost analysis of the proposed service model through the year 2011. The analysis was based on certain assumptions and vessel allocations for each route which are outlined in the paper that I have prepared.

The proposed service model envisions an operation of a high speed passenger/vehicle ferry between Hyannis and Nantucket in place of the M/V Nantucket, M/V Eagle and M/V Flying Cloud during the months of May through October. The M/V Nantucket and M/V Eagle would be refurbished and the M/V Islander would then be retired. It is proposed that the M/V Flying Cloud would replace the M/V Schamouchi on the New Bedford route. This plan would require an increase in the Authority's bond limit from \$50 million to approximately \$75 million, assuming that the Authority finances the entire acquisition cost of the new high speed ferry.

The projected costs under the proposed service model were compared to the projected costs of the current program to acquire a replacement vessel for the M/V Islander and to refurbish the M/V Nantucket and M/V Eagle, both with and without an increase in the Authority's bond limit. The preliminary financial analysis did not consider the potential revenue and cost impacts of the proposed reduction in daily vehicle capacity through the Hyannis and Woods Hole terminals during the summer season. That will be addressed in the next phase of this ongoing financial review of the proposed service model.

The bottom line of this preliminary financial analysis is that it would appear to be basically cost neutral on the Authority as a whole compared to continuing with the current program. However, when you look at the projected cost by route, the total vessel operating expenses under the proposed service model for the Nantucket route are projected to be less by approximately \$22 to \$28 million over the next ten years versus a continuation of the current program. Higher capital costs would more than be offset by lower projected daily operating costs with fewer vessels. The allocated vessel operating costs on the Woods Hole-Martha's Vineyard route would be relatively the same under each of the three scenarios during the same ten-year time period. The New Bedford-Martha's Vineyard route, on the other hand, would see an increase in allocated vessel operating costs due to the proposed replacement of the M/V Schamonchi with the M/V Flying Cloud.

This analysis does not take into consideration:

- (1) the suitability of a single, high speed ferry as the Authority's primary means of transporting passengers and vehicles to Nantucket;
- (2) possible environmental impacts; or
- (3) certain other policy issues that will undoubtedly need to be addressed before a final decision can be made.

I feel we should continue to explore the viability of the conceptual service model that Armand has proposed including the proposed reduction in daily vehicle capacity to the islands from Woods Hole and Hyannis, a limit on the length of trucks that will be transported on the Authority's vessels, and expanded use of barges for transportation of certain products to the islands. Needless to say, a lot more information needs to be gathered and the model's current assumptions will eventually need to be validated, including vessel specifications and ultimate estimated cost of construction.

I would be happy to address any questions or comments the Board Members may have about this initial financial analysis of the service model as it has been proposed.

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

The Meeting in Public Session

April 27, 2001

The Members of the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority met this 27th day of April, 2001, beginning at 9:30 a.m., in Meeting Room #1 of the Falmouth Public Library, located at 123 Katharine Lee Bates Road, Falmouth, Massachusetts.

Present were all four Members: Chairman J. B. Riggs Parker of Dukes County; Vice Chairman Edward J. DeWitt 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; and General Counsel Steven M. Sayers.

Mr. Parker began the meeting by entertaining a motion for the Members to go into executive session. Mr. Parker also announced that the Members would reconvene in public after the conclusion of the executive session.

IT WAS VOTED -- on Mr. DeWitt'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, and contract negotiations with nonunion personnel.

VOTING AYE: Mr. Parker, Mr. DeWitt and Mrs. Grossman
VOTING NAY: None

The Members of the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority reconvened their meeting in public session this 27th day of April, 2001, beginning at 10:15 a.m., in Meeting Room #1 of the Falmouth Public Library, located at 123 Katharine Lee Bates Road, Falmouth, Massachusetts.

Present were all four Members: Chairman J. B. Riggs Parker of Dukes County; Vice Chairman Edward J. DeWitt 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; and General Counsel Steven M. Sayers.

Seabulk International, Inc. License Application:

Mr. Sayers reported that the Authority had received a proposal from Seabulk International, Inc. ("Seabulk"), formerly known as Hvide Marine Incorporated ("Hvide"), in cooperation with the City of New Bedford, for a license to provide year-round ferry service between New Bedford and the islands of Martha's Vineyard and Nantucket. Mr. Sayers then presented the management staff's analysis, contained in Management Summary #L-322, dated April 25, 2001, as to whether, in their opinion based upon the information received, Seabulk had demonstrated (a) that its proposal to provide water carriage to the islands of Nantucket and Martha's Vineyard was required by public convenience and necessity; and (b) that Seabulk has the fitness and ability to provide the proposed service. Ultimately, Mr. Sayers said, it was the management staff's recommendation that Seabulk's proposal should be denied for the reasons stated in the management summary.

Mr. Parker then invited comments from the Members regarding Seabulk's proposal, and provided Seabulk's Director of Operations, Craig Johnson, and the City Solicitor and Economic Development Director for the City of New Bedford, George J. Leontire, with the opportunity to speak as well. Due to the length of the statements made by both the Members and Mr. Leontire, they are attached hereto as a supplement to the minutes of this meeting

IT WAS VOTED -- on Mr. DeWitt's motion, seconded by Mrs. Grossman -- to adopt Management Summary #L-322, dated April 25, 2001, subject to and modified by the comments of the Members at this meeting.

VOTING AYE: Mr. Parker, Mr. DeWitt and Mrs. Grossman

VOTING NAY: None

Future Ferry Transportation Service Model:

Mr. Lamson then presented the second phase of his financial review of the Authority's proposed future ferry transportation service model, as set forth in his memorandum to Mr. Tiberio dated April 23, 2001, concentrating on the potential revenue impact of reducing truck traffic through Woods Hole and Hyannis.

In response to a question from Mr. Asendorf, Mr. Tiberio stated that his estimate for the cost of the proposed high-speed ferry between Hyannis and Nantucket had locked in around \$35,000,000, based upon discussions with a number of shipyards and operators who had acquired the same kind of vessel of similar size and propulsion. In response to a question from Mrs. Grossman, Mr. Tiberio confirmed that no shipyard in the United States had built such a vessel, and that all of the discussions had been with overseas shipyards and operators.

In response to a question from Mr. DeWitt, Mr. Lamson confirmed that, under the proposed service model based upon the present assumptions, the percentage of costs allocated to the Nantucket route would decrease over time compared to what that percentage would be if the Authority were to continue with its current program. Mr. DeWitt commented that the costs could decrease even further if the Authority were successful in receiving a grant for the proposed high-speed ferry, and he suggested that this possibility be explored as the service model continued to be developed.

Recounting the hearing on the proposed service model which had been held on Nantucket the previous Tuesday, Mr. Tornovish observed that one of the major concerns expressed by Nantucket residents was that the Authority had not identified any example of a vessel similar to the proposed high-speed combination ferry operating on a similar route carrying passengers, freight and vehicles in a similar manner as was being proposed. Mr. Tornovish stated that,

until the Authority could identify such a vessel and route so that the residents could draw conclusions from an existing operation, they had spoken “loud and clear” that they don’t want the Authority wasting a lot of money on it. In this regard, Mr. Tornovish declared that he understood their sentiment and that, while he too would like to tweak the Authority’s service model and find a way to provide safe, reliable service to the islands in a more cost-efficient manner, he believed the first bridge the Authority had to cross was to identify such a vessel so that the island residents did not think all the Authority was talking about was an imaginary “flying carpet.”

Mrs. Grossman also recounted the hearing on Nantucket, which she said had been attended by as many as 800 people, many of whom gave articulate reasons why the Authority should not adopt the proposed service model. The bottom line, Mrs. Grossman said, was that there has never been any vessel in this country that has done what the proposed high-speed combination vessel is supposed to do. Mrs. Grossman declared that, as far as Nantucket, the people had spoken, and that she had been asked by the Nantucket Selectmen to move to discontinue the Authority’s studies, consultants and all other expenses relating to the proposed service model for Nantucket. However, none of the other Members seconded Mrs. Grossman’s motion.

Mr. DeWitt stated that one of the reasons he was not seconding the motion was that the proposed service model was more than just about a high-speed ferry. For example, Mr. DeWitt said, it also is intended to address alternative means for the transportation of freight, and what the ultimate use should be of both the *Nantucket* and the *Eagle*. For these reasons, Mr. DeWitt declared that the continued development of the service model would keep the Members’ focus on looking at the Authority as a system in a way that made sense. Nevertheless, Mr. DeWitt acknowledged that Nantucket residents had clearly sent a message about their concerns over reliability and their fear of being stranded, which he said were important issues that had to be addressed.

Mr. Parker also acknowledged that he was impressed with the unanimity of opinion on the part of Nantucket residents regarding the issue of the high-speed ferry. Mr. Parker then recounted how someone at the meeting had submitted a list of questions to the Members, and he stated that Nantucket residents deserved the courtesy of having those questions answered. However, Mr. Parker declared that the Authority should not abandon its effort to develop the proposed service model, as it had to order equipment and decide what technology to use for the next ten to twenty years. Mr. Parker stated that, in the end, the Authority may want to continue using existing technology, but it had to recognize that it would then be committed to that technology for a very long period of time.

Mrs. Grossman then referred to an article in the *Vineyard Gazette* in which Mr. Parker had said that if the Nantucket community informed itself and made an informed judgment that they did not want a particular service to the island, it would be irresponsible for anyone on the Authority to vote for such a service, as the islanders are the ones who know what their needs are. Saying that Nantucket residents had spoken, Mrs. Grossman declared that they do not want the proposed high-speed ferry. Accordingly, Mrs. Grossman offered to revise her motion so that the Authority would discontinue studies, consultants and other expenses only with respect to the high-speed ferry for Nantucket, and to continue with all other aspects of the proposed service model. However, none of the other Members responded to Mrs. Grossman's offer.

Mr. Parker declared that he stood by the statement he made in the article that appeared in the *Vineyard Gazette*. However, he noted that neither he nor management was informed enough on any of these issues to make a decision at this time, and it would be unusual to conclude that communities as a whole were sufficiently informed to make those decisions. Therefore, Mr. Parker said, he felt the research should go forward because the Authority had to look at the future and inform itself about the technology to determine what the service to the islands should be. Mr. Parker stated that if, after the process was completed, Nantucket residents do not want a particular kind of service and they are prepared to pay the fares to keep and rebuild the service they have and to accept the fact that they will not be participating in the technology of the future, he would stand by his statement and not make Nantucket accept the service. Mr. Parker declared that he would not vote for a service that island residents do not want after they have fully informed themselves, because he did not believe the islands should be dictated to regarding what they need.

Mr. Tornovish suggested that the Authority could answer the questions that had been submitted to the Members on Nantucket without spending a lot of money in the process. For example, Mr. Tornovish said, the Authority should be able to answer the fourth question -- which asked where high-speed ferries are currently operating successfully carrying cars, passengers, trucks and freight -- without the assistance of any consultants. Mr. Parker agreed, although he pointed out that, as far as he was aware, the Authority had not incurred any substantial expenditures to date on research for the proposed service model. Mr. Tiberio confirmed this, saying that all of the research had been done internally and that there had been no consultants involved in the project. Further, in response to a question from Mrs. Grossman, Mr. Tiberio stated that consultant Kenneth Fox had been involved only to the degree that he was working on a number of other outstanding projects, and that the Authority had not spent more than \$1,000 for his advice.

Mrs. Grossman emphasized that one of the apprehensions of Nantucket residents was that the proposed high-speed ferry may not prove to be reliable and, in this regard, she noted the recent history of the *Flying Cloud*. In her opinion, Mrs. Grossman said, as much as she loved the vessel, island residents simply could not afford to depend upon the *Flying Cloud* or any similar vessel based upon a new technology that has never been tried in the United States to bring them the necessities of life. Mr. Tornovish agreed, declaring that reliable service was the Authority's mission and first order of business.

Mr. DeWitt then suggested that management should prepare a budget for the development of the proposed service model for the Members' consideration at their next meeting. In response, Mr. Tiberio stated that he would be more than happy to prepare such a budget that envisioned completing the process by August, as set forth in his original timeline, although he noted that previously he had been accused of moving too quickly and now it appeared that he was not moving quickly enough because he had not yet provided all of the information that people realistically need to make a final decision. Mr. Tiberio said that he was more than willing to go in whichever direction the Members desired.

Mr. Tiberio further stated that information regarding where high-speed vessels were currently operating was being assimilated at that time and that, unless he was instructed otherwise, he would host a symposium in mid-May where two or three major shipbuilders of these vessels, as well as two to three operators and engineering firms that have been involved in the design of these vessels, would make presentations regarding their successes and failures. In addition, Mr. Tiberio said, by the next meeting he should be able to provide specific answers to all but one or two of the questions posed to the Members on Nantucket.

Mrs. Grossman repeated that Nantucket residents simply did not want to become guinea pigs for a vessel that has never been tried in the United States, and Mr. Tiberio said that he respected that. However, Mr. Tiberio pointed out that the Authority had not yet presented to them where such vessels are operating, such as across the English Channel. While Mr. Tiberio agreed with Mrs. Grossman that the route was different because English residents do not depend upon one high-speed vessel for all of their necessities of life, he said that the important question was the reliability of those vessels in those waters under those sea conditions. In this regard, Mr. DeWitt declared that Nantucket residents had given the Authority a loud and clear message that, if they cannot depend upon a particular vessel, then they do not want it.

Finally, Mr. Asendorf pointed out that the final page of Mr. Lamson's report highlighted the fact that increases in traffic over the last few years were attributable to island residents, not the general traveling public. Mr. Asendorf declared that these statistics demonstrated that islanders were clearly telling the Authority what they wanted, namely, increased service.

Inter-Island License Agreement:

IT WAS VOTED -- upon Mr. O'Brien's motion, seconded by Mr. DeWitt -- to authorize the General Manager to enter into a new "Inter-Island" License Agreement with Hyannis Harbor Tours, Inc. ("Hy-Line") for the 2001 operating season as described in Management Summary #L-323, dated April 24, 2001.

VOTING AYE: Mr. Parker, Mr. DeWitt and Mrs. Grossman

VOTING NAY: None

Cape Cod Transit Task Force:

Mr. Tiberio then requested that the Members approve the Authority's participation in a one-year project, developed under the guidance of the Cape Cod Transit Task Force, which would provide express bus service between the Route 128 MBTA/Amtrak parking garage and the Authority's Woods Hole terminal, as described in Management Summary #GM-429, dated April 23, 2001. Mr. Tiberio stated that the project was an attempt to offer a seamless mode of transportation for the Authority's customers traveling to Martha's Vineyard for weekends during the period commencing the latter part of June through Labor Day.

Mr. Tiberio further reported that the MBTA was willing to provide a grant of up to \$150,000 for the service this year, but that the Authority would be required to participate with a twenty percent (20%) match of the funding, which could be provided in cash or by rendering in-kind services. Mr. Tiberio also stated that the Volpe Center was preparing a request for proposals from bus contractors to provide the service and that, if the project is successful, next year the Authority could provide service to New Bedford as well.

In response to a question from Mr. Asendorf, Mr. Tiberio stated that the Task Force had spent a substantial amount of time considering whether the service should be offered first to Woods Hole or to New Bedford, and had decided to begin with Woods Hole because it represented the larger potential market. In response to a question from Mr. Parker, Mr. Tiberio also stated that he was confident the request for proposals process could be completed in time to conduct the necessary marketing for the service.

IT WAS VOTED -- upon Mr. DeWitt's motion, seconded by Mr. O'Brien -- to approve the Authority's participation in the Route 128 project and to provide up to \$30,000 in either cash, in-kind service or equivalents to satisfy the twenty percent (20%) match requirement.

VOTING AYE: Mr. Parker, Mr. DeWitt and Mrs. Grossman
VOTING NAY: None

Dolly Freight Tariff for the M/V Schamonchi:

Mr. Tiberio requested approval of hand held freight rates carried on the *Schamonchi* between New Bedford and Martha's Vineyard for the 2001 season, as set forth in Management Summary #MCR-102, dated April 23, 2001. In response to a question from Mr. Parker, Mr. Tiberio stated that no restrictions on the service being proposed by management would unduly hinder any of the freight patterns that the *Schamonchi* had handled in the past.

IT WAS VOTED -- upon Mr. DeWitt's motion, seconded by Mr. O'Brien -- to approve the rates set forth in Management Summary #MCR-102, dated February 23, 2001, for the 2001 season for hand held freight on the M/V Schamonchi.

VOTING AYE: Mr. Parker, Mr. DeWitt and Mrs. Grossman
VOTING NAY: None

Proposed Supplemental Rate Increase:

Mr. Lamson advised the Members that, for the reasons contained in his memorandum to Mr. Tiberio dated April 24, 2001, he was recommending that the Members vote next month to increase the Authority's one-way adult passenger fares to both islands by fifty cents on all vessels except the *Flying Cloud* and the *Schamonchi*, and also to increase the Authority's round trip excursion fares from both islands by two dollars. Mr. Lamson said that he believed the proposed increases, which would be effective June 1, 2001, were necessary to improve the Authority's cash position and ensure sufficient income to meet the cost of service. In this regard, Mr. Lamson noted that the Authority's ridership figures were down for the first three months of 2001 and that, compared to last year, the Authority also had \$600,000 fewer prepaid reservations as of March 31st.

In response to a question from Mr. DeWitt, Mr. Lamson said that events could occur during the following month which might change his opinion as to the necessity or size of the proposed rate increases. However, Mr. Lamson stated that, if traffic continued to decrease, he might have to recommend even larger increases.

Mr. Murphy noted that, because Mr. Lamson was proposing to increase fares by the same amount for each route, his recommendation represented a larger percentage increase for the Martha's Vineyard route than the Nantucket route. Accordingly, Mr. Murphy declared that more information was needed before it could be determined whether the proposed increases were appropriate, especially since the Martha's Vineyard route effectively had been subsidizing the Nantucket route over the past several years.

Mr. DeWitt agreed that Mr. Murphy had raised a legitimate question regarding the proportionality of the proposed fare increase, and he expressed his confidence that Mr. Lamson would review the issue. However, Mr. DeWitt also stressed that the Authority operated as an entire system and that, in his opinion, it was time to look forward. Mr. Parker suggested that management review the Authority's policies regarding allocation of revenues and expenses by route, saying that if any changes to those policies appeared to be warranted based upon present circumstances, they should be presented to the Members for their consideration. Ultimately, the Members agreed with Mr. Murphy that the Finance Advisory Board should sit down with Mr. Lamson in an attempt to resolve some of these issues before the next meeting.

Treasurer's Report:

Mr. Lamson then reported that the Authority's operating loss for the month of March was around \$333,000 higher than projected in the Authority's original 2001 operating budget, due primarily to lower than expected operating revenues. As a result, Mr. Lamson said, the Authority's operating loss for the first three months of 2001 was almost \$6,700,000, compared to a loss of only around \$5,400,000 for the same period in 2000.

Public Comment:

Dukes County Commissioner Daniel Flynn declared that he was totally against any fare increases whatsoever for the island of Martha's Vineyard, saying that there were other ways for the Authority to generate revenues. In addition, Mr. Flynn stated that, if the Authority were to consider increasing its fares, it should first conduct public hearings on the subject.

In response to a question from *Cape Cod Times* reporter Paula Peters, Mr. Parker stated that, while the Authority had rejected the particular proposal that had been submitted by Seabulk, it was willing to entertain and consider any other application that might be submitted in accordance with its licensing policy. Mr. DeWitt agreed, saying that all the Authority did that day was to reject a specific application which contained a number of conditions that were not acceptable for a number of reasons. Mr. DeWitt also noted that the Authority still had to analyze what its role should be, and he cautioned that the denial of Seabulk's application was not necessarily any indication of the direction where the Authority would be going.

With respect to the recent grounding of the *Flying Cloud*, Mr. Tiberio announced that the vessel had been hauled out of the water earlier that day, and that its T-foil had sustained some damage. Mr. Tiberio also stated that the vessel should be back in service within two days, and that the Authority would take it back off line at a later date to complete the necessary repairs.

At approximately 1:05 p.m., Mr. Parker 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. DeWitt's motion, seconded by Mrs. Grossman -- to go into executive session to discuss the Authority's strategy with respect to litigation matters.

VOTING AYE: Mr. Parker, Mr. DeWitt and Mrs. Grossman

VOTING NAY: None

A TRUE RECORD

GRACE S. GROSSMAN, Secretary

**DISCUSSION REGARDING THE
APPLICATION OF SEABULK INTERNATIONAL, INC.
FOR A LICENSE TO PROVIDE YEAR-ROUND FERRY SERVICE
BETWEEN THE CITY OF NEW BEDFORD AND
THE ISLANDS OF MARTHA'S VINEYARD AND NANTUCKET**

April 27, 2001

J.B. Riggs Parker: Thank you, Mr. Sayers. In order to put this before the Members for discussion and action, it is my plan -- I will outline how I think we will proceed here this morning -- is that we will put it before the Members and allow the Members to make their comments and have what discussion they feel is appropriate on the issues, and then before we vote as an Authority we will take comments of Mr. Johnson, the applicant, if he wishes to make them, in accordance with our normal procedure when we have an application before us to allow the applicant to speak. And since it has been represented that Mr. Leontire represents them ...

George J. Leontire: I don't represent Seabulk. I represent the City of New Bedford.

Mr. Parker: Well, in any case, I will make an exception to my normal principle of not taking public comment until after the decision, and allow Mr. Leontire to make a comment, and then the Authority will decide how it will proceed on the matter from there. So that is the program. I will entertain a motion to put this report before us so that we may discuss it.

Grace S. Grossman: So moved.

Edward J. DeWitt: Second.

Mr. Parker: All those in favor?

Mr. DeWitt: Aye.

Mrs. Grossman: Aye.

Mr. Parker: Aye. The report is now before us, and I will turn to the Members, first to ... I will actually go through a section here, section six, page by page, and ask for comments. But I believe that any comment by the Members on a general matter that they want to make before that, I would make that at this time.

Mr. DeWitt: I would like to reserve my comments in sort of generality before the vote and I think move through the analysis of the application at this point.

Mrs. Grossman: Mr. Chairman, on page 30, excuse me.

Mr. Parker: Well, then we will proceed -- excuse me, Mrs. Grossman -- we will proceed to page 30 and begin to take from the Members their comments on any specific matters in the report of the recommendations.

Mrs. Grossman: Most of my comments that I would have made, Steve has taken care of, but on page 30, "under each alternative, Seabulk also has requirements with respect to docking facilities and scheduling. Seabulk has declared that it must have the right to use the Steamship Authority's docking facilities at Vineyard Haven and Nantucket, and has proposed being able to use them at no more than nominal cost. Seabulk's proposed use of the Authority's island terminal would not be limited to simply docking its vessels there. They would need space at the terminal to stage trucks" and so forth. We on Nantucket do not have that space. We can barely stage our own and therefore it would be impossible for us to stage any of their trucks, because we don't have the room. Also, they want to use our employees to assist with the docking, and that may not be possible either. Thank you.

Mr. DeWitt: I would just like to add to that, that I think when you tie that in in the next paragraph, the inability to us to require changes in the schedule, that compounds that potential problem.

Mrs. Grossman: Exactly.

Mr. Parker: Any other comments on page 30 from the Members? ... Page 31? ... Page 32? ... Page 33? ... Page 34? ... And now page 35? ... Page 36?

I have one comment, several comments there. One, having reviewed the financial statements that were furnished to us, I have concern, and wish to note that the Hvide financial statements which were furnished to us, which is the applicant under this license, do not contain an audited certificate. They contain a statement of the senior vice president as to the propriety of the statements, but the absence of an audited statement places some concern as to whether or not the statements themselves have been sufficiently reviewed by an outside auditor. On the other hand, Seabulk's statements are ... they do have an audited ...

Mr. DeWitt: Patriot's ...

Mr. Parker: Excuse me, Patriot's statement does have an audited review by KBM&G, I believe it is, but they are not, at this point, an applicant on the license, and are not connected with this application. So I note that and it gives me some concern, and, I believe, Mr. DeWitt ...?

Mr. DeWitt: Well, I just have concerns about what role Patriot Holdings actually has. I mean, they have been absent through the hearing process, and I think it is important to note that, although Seabulk said that the application would go forward on Seabulk's own, that part of the application clearly envisioned some relationship with Patriot Holdings and their experience and financial stability, and during the process there was no further information developed upon that, and I would just note that.

Mr. Parker: Any further comment on page 36? ... Page 37?

Steven A. Tornovish: Mr. Chairman?

Mr. Parker: Yes.

Mr. Tornovish: A principal objection expressed by the people of Nantucket at our hearing held on this proposal on April 17th concerned the amount associated with the performance bond offered by Seabulk. The granting of any long-term license will affect the Authority's short and long term capital planning. An adequate performance bond is necessary to protect the Steamship Authority and its ratepayers. I do not feel that the amount proposed by Seabulk is any way adequate.

Mr. Parker: Thank you, Mr. Tornovish. Any further on page 37? ... Page 38? ... Page 39?

Mr. DeWitt: I would just like to add just a sort of tag-on to Mr. Sayers' comments in terms of some of the issues that he has enumerated here in terms of the assignability of the license and the concerns over that, that I think that that is a major concession in terms of what Seabulk is asking for.

Mr. Parker: Yes, I would agree with that in F too, and I think that, for a license that could go as long as fifteen years, the fact that it would be assignable would put the Authority in the position of basically abrogating its licensing powers to another private entity to license to affiliated entities with no real understanding of what makes an affiliated entity, and I think it is totally unacceptable. ...

[During the change of tape, the Members proceeded to page 40]

... Mr. DeWitt?

Mr. DeWitt: Mr. Sayers in his presentation, I think, said that he is giving Seabulk the benefit of the doubt in terms of some of the issues in this grid and its license application. I am not so sure that I would agree with giving

them the benefit of the doubt. There is an essential sort of theme throughout all of these issues and, specifically, number 1, 4, 9, 12 and 13, 19 and 21, in which I think Seabulk is basically challenging and disputing the ability of the Steamship Authority to license these operations and to maintain the lifeline to the island for lack of another choice of words. And this sort of attitudinal approach concerns me in terms of our ability to resolve problems should any licensing issues develop, particularly over the long term, the unusually long term of this license pending. So on those items, 1, 4, 9, 12, 13, 19 and 21, I would disagree with Mr. Sayers' analysis, although I think he is probably correct that these could be resolved through negotiations, but I would not agree in terms of, at this point, giving the applicant the benefit of the doubt, and would find that they were not in compliance with the licensing policy for those particular items.

Mr. Parker: Well, that takes us through the recommendations of the staff and, at this point, I would open the meeting to the Members for general comments and call on Mrs. Grossman first, if she would like to make any general comments?

Mrs. Grossman: I think that Steve has covered everything except for the comments that we made today, and I am very happy with that.

Mr. DeWitt: I do have a couple of general comments that I would like to make. Philosophically, I am not opposed to licensing a private carrier operation to operate between New Bedford and the islands. I think there is sort of a proviso there that the operation basically follow some kind of fair market approach. What Seabulk has submitted is not what I would consider a license application, but more in line of something that Mr. Johnson described at the Hyannis hearing as a service proposal. It is a service proposal that requires a large number of concessions from the Authority, and I think that the Authority is bound to make any concession so that it is in the public's interest, in the overall public's interest, and I have some serious concerns that these concessions that have been asked for in this proposal are in the public's interest. I think, in the hearings that I participated through, there was concern that this is asking for some kind of sweetheart deal, as is described at some point within the report, and I think also that there is an important message in terms of this application, and that the Steamship Authority may not be in its leanest, safest position to continue to compete with private carriers, that I think we are going to hear from more private carriers, and I think that we are going to continue to do this, and that we have to work as an organization to

make sure that we provide the service in the most economic and safest manner that we can, and, you know, I think that we need to move towards the goals that Mr. Sayers outlined in his presentation, and that this is a key ingredient to the Steamship's longevity and future. And that is all I would like to say at this time, Mr. Chairman.

Mr. Parker: Mr. O'Brien?

Robert L. O'Brien: I would like to comment briefly, I guess, on what Ed has just said here. I think there is a place for private carriers. However, and I hope that it will be permanent, the New Bedford freight service, that I feel strongly that we should run it. The Steamship Authority should run it. I think that this gives us the kind of control that we need, and we don't get into these situations where we are worrying about whether something else is going to happen down the line. We have to make a big commitment, certainly on a long term, as far as our capital program is concerned, if we are going to have a private carrier, though we need to make sure that when we have a permanent run that we control it. To me, at least, I feel that we should be controlling it and we should run it ourselves where we know what our capital requirements are, we know what our needs are, and we can I think is the best way of assuring the public and certainly the islands that we are going to provide a good service to them.

This doesn't have anything really to do with the license itself. As far as seven B is concerned, I am not willing to buy off on that entirely yet. Just on the basis of a building inspector saying that there is going to be a twenty percent drop. I don't want to drop the Nantucket run out of this entirely. I want to keep that at the forefront of our thinking, so I don't want to make those kinds of decisions at this point.

Mr. Parker: Members of the Financial Advisory Board?

S. Eric Asendorf: I still feel that this is a resistance to change, but probably a resistance to change for the right reasons in this case. Just to highlight one, their respect for safety and compliance is not a negotiable item, and I just hope that this is the beginning of a process that is going to continue to find a suitable solution to the problem.

Mr. Parker: Any further comments from the Members? Well, I would like to make a couple of comments myself. One, I was very impressed with the hearings, the participation of the audience in those hearings. I had the good fortune to be at each one of them, and the questions that I heard were astute. They came from an obvious point of having done their homework, the individuals had done their homework, and they pointed out the problems that the Authority needs to discuss and be concerned with. I was particularly proud that the Authority's employees attended almost all of the hearings and were quite vocal, and they were vocal about operating problems and policies and not just issues of whether there were more or less jobs at stake, and I think they deserve credit for doing their research and coming to those hearings and speaking up about operating issues.

Secondly, I would like to add my voice to the voices here this morning that say we have to solve this problem. There is no doubt that we have commitments and we have problems at mainland ports. We also have problems on island ports. Mrs. Grossman has referred to her space problems that she has on Nantucket. We have substantial problems on the Vineyard as well, and if it can be said that, at the moment, all of the freight goes down through Woods Hole Road and comes through that funnel, it can also be said that most of the freight go back through a funnel in the Town of Tisbury and to some degree in Oak Bluffs. These are problems that have to be addressed and they have to be dealt with.

Whether or not the Authority will be able to solve all of those problems, I do not know. I think the islands themselves have to address them as well. But I do believe that we need to make change, and to move forward, and discuss operations out of other ports, namely, New Bedford, and I intend to move forward myself on that and look forward to the plans of the Authority to see what solutions we can come up with. Unless the Members wish to have further discussion ... Hearing none, I would entertain comments from Mr. Johnson if he would like to make some.

Craig Johnson: I would like to take some time to read this over, and ...

Mr. Parker: A little louder, please.

Mr. Johnson: I think it would be unprofessional for me to answer or say anything else at this time at a public meeting I think, ... but thank you.

Mr. Parker: Thank you. Mr. Leontire?

Mr. Leontire: May I use the podium? Is that okay?

Mr. Parker: Absolutely.

Mr. Leontire: You know I have something to say.

Mr. Parker: How would we know that?

Mr. Leontire: I don't know. First of all, Mr. Chairman and the Board, thank you very much for the courtesy of allowing me to speak. It is a big change from when I was sitting in the front row year after year raising my hand and having to wait to be the last speaker at these meetings, so I do appreciate it.

Let me start out by saying, first of all, that irrespective of what happens today on this proposal, both I and the City of New Bedford are going to do our best to continue to work with the Steamship Authority to find solutions and a method and a process and a service that works for all parties concerned. Let me also tell you, the Board and the public, that we are here today and this proposal was submitted because in federal court and in federal pleadings it was the Steamship Authority, through their counsel, that kept insisting to the federal court that New Bedford had never been, or that a private carrier had never been, turned down from New Bedford. So the reason you have a proposal before you is to respond to the arguments of the Steamship Authority that the case was not ripe. Well, I think the case is going to be pretty ripe after today.

Let me also tell you that I am really troubled because it seems we go left, you go right. We go right, you go left. The Steamship Authority is a bit schizophrenic. Three years ago, three and a half years ago, all I heard was, "We will never come to New Bedford. We will never operate from New Bedford." And then, you know, after two years of hearing that, you kind of convinced me, and I said, "Okay, if the Steamship Authority doesn't want to come to New Bedford, and we think that there is a need for service out of New Bedford, and

we think that as a matter of right we ought to have commerce through our community, then we are going to try to get private carriers.”

And the reason -- by the way, I do disagree with many of the characterizations of Mr. Sayer with respect to my comments, and my position and Seabulk's position. I think they are absolutely wrong -- but one of the reasons I objected to a private carrier when the Steamship Authority first put out its proposal several years ago was because it was to simply allow for hazardous materials to go through our community, and I want you to know that I am hearing that again today. I am beginning again to hear that siren of, “Well, we can't divert. However, you know, it makes sense for hazardous materials, maybe commodity based, through New Bedford.”

Let's get it straight. It's not going to happen. Will New Bedford take its share of ...? Will New Bedford take its share of hazardous materials? You bet it will. But if you think that you are going to do it on a commodity basis, that it is going to be all hazardous materials through New Bedford, you are dead wrong. And if you think it is all going to be barge service, which ultimately means hazardous material, you are dead wrong. Because if you think the fight over the last three and a half years was something, you watch what will happen with that kind of talk.

Having said that, I don't know if that is where you are going, but I hear it again. It is rising its ugly head. Now maybe it is going to be the Steamship Authority that will run the hazardous materials, and not a private carrier, but that was the reason we opposed the private carrier several years ago. In any event, the management summary ... let me just get back to this schizophrenic personality.

So for several years I was told, “Never will the Steamship Authority come to New Bedford.” We worked to get a private carrier, we worked to get a private carrier to provide high speed service. Then the Steamship Authority buys the option. We do away with the private carrier based upon the fact that they don't want to have competition, the Steamship Authority. Okay. I can live with that. Now the federal court is told that, “Your Honor, they haven't applied, they never applied, we haven't denied,” which you are going to do today, so we will see where that argument goes.

Having said that, I now look at a management report that says, “Maybe we will come to New Bedford.” So let me give you my specific comments about that. I think that the management summary substantially corroborates the factual allegations set forth in our federal complaint. It confirms the congestion of the Cape ports. It confirms the commitment, however hedged, by

the SSA to the Cape communities to reduce traffic through the Cape to 1997 levels. It confirms that the port of New Bedford is the only feasible off-Cape port. While the management summary repeats *ad nauseam* the need to do something to reduce traffic through the Cape ports, the Steamship Authority in fifty pages makes absolutely no concrete proposal to achieve this goal. The Steamship Authority recognized, in 1997, that the Cape ports had reached capacity for freight, and New Bedford was the only alternative. A 1997 study by KJS Associates and FXM Associates show the Hyannis and Nantucket route at capacity for much of the year, and Martha's Vineyard route near capacity, and the situation would only get worse. Those are not my words. This is in your management summary, pages two and three. The one that we were given today. The SSA recognized the need to develop an off-Cape facility. Management summary, page three. Armand Tiberio recognized that New Bedford was the best choice. Management summary, page three. Mr. Tiberio reported that New Bedford waterfront stood out as the only port suitable for a mainland freight facility serving both islands because none of the other ports had the highway access and water depth needed for the proposal. That is a footnote in the management report issued today. In November 1997, an agreement between the SSA and Barnstable, the SSA to develop -- I won't be long, by the way -- the SSA to develop -- I don't want to wear out my welcome that you have been so kind to ... -- the SSA to ...

Steven M. Sayers: You are reading the first thirty pages that I left out.

Mr. Leontire: ... the SSA to develop an off-Cape freight terminal, the goal is return Cape terminals to 1997 freight levels. Management summary, page 5.

The management summary illustrates the problem that arises when the regulator competes with the regulated. Regulatory decisions are made primarily in the interest of the regulator to maintain the advantages that the regulator enjoys by virtue of exercising governmental power. To the extent that New Bedford-island carriage represents a viable business opportunity, the SSA asserts, it should exploit it. I think that is un-American. The management summary acknowledges that Seabulk expects to operate more cost effectively than the SSA.

The bottom line is that the Steamship Authority has turned down the Seabulk license application, although it has identified no other means for achieving its commitments to the Cape communities. It admittedly takes this

position because it fears the economic impact of competition. Let me say a couple of the major erroneous points -- I only have five more paragraphs here.

Mr. Sayer knows that Seabulk said, that with respect to the time of operation, if it wasn't two o'clock then maybe it was three o'clock. It was in the general parameter. If we say we want to run at two, and you say that you can't run until ten PM, then that is a problem. But in our conversations we have always said that the times can be adjusted. That is just one issue.

With respect to ... and there are many kinds of nuances to the comments and concerns you raised and, by the way, your lawyer did a great job in trying to deflect the real reasons for denying this application, which is the financial impact on the Steamship Authority. It is not about the finding of good behavior [?], it is about the financial impact on the Steamship Authority. This is clear, and this is the issue that we are going to discuss in court.

In my opinion -- it is just my opinion, folks, I may be completely wrong -- it is unacceptable in a country that is constitutionally committed to the free movement of people and goods in interstate commerce that condemns the legally mandated exclusion of competition which provides economic protection to local suppliers solely to save a governmental agency money. I believe the Constitution has spoken on that issue. You are wrong. I am not a Supreme Court judge. I think this may end up there, but I am not a Supreme Court judge and I could be one hundred percent wrong. The Steamship Authority has not made a case against the kind of competition that the Constitution requires and on which the nation is based.

Even the decision to purchase the *Schamanchi* was made specifically for the purpose of protecting its passenger base, thereby eliminating competition, again another example of the Steamship Authority's sole purpose to limiting competition. Why? Because it alleges that it cannot provide the essentials needed to the islands without losing money. Well, let me tell you, the MBTA loses money, Massport loses money. Government transportation ...

Mr. Tornovish: They are subsidized

Mrs. Grossman: They are subsidized, sir.

Mr. Leontire: And that is your decision, ma'am. The government ...

Mrs. Grossman: Our decision?

Mr. Leontire: You bet it is. I think that if ... you bet it is. Government entities frequently lose money in the providing of transportation services. The best New Bedford and Cape communities can take away from this report is the statement, "If and when a permanent vision of New Bedford service appears, we believe that it would be in the best interests of both the islands and the Authority if the Authority could economically provide that service itself with its own vessels and its own employees." Management summary, page 46. You notice that the SSA had to include, still, "if." "If and when a permanent vision of New Bedford ..." They still can't make a commitment. The SSA refusal to make a commitment to operate freight service from New Bedford reminds me of the old saying, "Always a bridesmaid and never a bride."

The fifty-page management report can be summed up by a quote made by Saint Augustine in the Fifth Century, "Give me chastity and continence, but not yet." The City of New Bedford is willing to continue to work in cooperation with the SSA as it ponders the question, if and when a permanent vision -- permanent vision -- of New Bedford service appears, even though it sounds like we are waiting for a vision of the Virgin Mary to appear. While we are awaiting this revelation regarding the SSA's intentions to New Bedford, however, we will continue to vigorously pursue our more earthly remedy in the federal court. I am committed to having appropriate service operate from New Bedford either by divine intervention, through the SSA, or by order of a federal court. I am wondering if we are not going to create a greater traffic problem in Woods Hole. Instead of Saint Bernadette, we are going to end up with Saint Tiberio having the vision of New Bedford here in Woods Hole and thousands of pilgrims from New Bedford coming to Woods Hole to see the vision of Tiberio when the vision finally comes down that New Bedford ought to be included in the Steamship Authority routes.

In any event, the second part of my comments -- I hope you take the first part as they are, which is a willingness to work -- and I am almost done. And I hope you take the second part as described by my good friends the editor of the *Vineyard Gazette* who recently referred to me as the enemy of the islands, that -- I think they graduated from the school of the National Inquirer, the National Inquirer School of Journalism. But in any event I don't think that I am the enemy of the islands. All I have been trying to do for four years is get the Steamship Authority to recognize what its obligations are with respect to New Bedford and to get service from New Bedford. My problem is, you keep changing the target. I finally listen to you, you say no service by the Steamship

Authority, go try to get private operations, then you change one hundred eighty degrees. Now you are saying, no, we want to run the service. I don't know if tomorrow that is going to be the case or not. Thank you very much.

Mr. DeWitt: I would like to say, George, that I would be happy to help you attain chastity and ... [laughter]

Mr. Parker: It was great to have your literary allusions. It certainly adds to our meeting.

Mr. Sayers: Mr. Chairman, if I could only make one comment, and that is only one comment regarding the facts. The staff summary was saying that hazardous cargo may not be the appropriate commodity to ship from New Bedford because of operational problems that those particular trucks have. I understand that, in 1999, part of that was done because of the origin of that market, but the concern that we are raising at this point is that it may not be appropriate for any hazardous commodity to go out of New Bedford. The opposite of what you are concerned about.

Mr. Parker: We have further comments by the Members?

Mr. DeWitt: Well, I would just like to point out is that there are two recommendations that the staff has made. One is to deny this license. The second is to move forward with the problems and issues that Mr. Leontire has articulately described in terms of how this fits into a system. And I think the key ingredient here is that New Bedford is part of a system, but it is only part of a system, and how that piece fits into the whole system, I think we need to move forward and bring to some kind of resolution so that there is a vision as to what is going to happen, and I think that is an important part of what we need to be dealing with in the near future in terms of what goes on.

Mr. Parker: Anything further? ... Well, I agree with what Mr. DeWitt has just said. I think we do have to go forward and we do have to create a vision that is a long-term vision for the solution of the Falmouth. And, if there are no further comments by the Members, I would entertain a motion to adopt the report of the staff subject to and modified by the comments of the Members

at this meeting. If that is an acceptable motion to the Authority Members, I will entertain such a motion or an amended one.

Mr. DeWitt: So moved.

Mrs. Grossman: Second.

Mr. Parker: Any further discussion? ... All those in favor?

Mrs. Grossman: Aye.

Mr. DeWitt: Aye.

Mr. Parker: Aye. Well, that matter is resolved and we can move forward. In our traditional manner, we will reserve public comment on this and the rest of the meeting until the conclusion of our meeting. ...

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

The Meeting in Public Session

May 17, 2001

The Members of the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority met this 17th day of May, 2001, beginning at 9:30 a.m., in the Large Instruction Room of the Nantucket High School, located at 10 Surf-side Road, Nantucket, Massachusetts.

Present were all four Members: Chairman J. B. Riggs Parker of Dukes County; Vice Chairman Edward J. DeWitt 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 S. Eric Asendorf of Falmouth. Finance Advisory Board member Steven A. Tornovish of Nantucket was not present.

The following members of the Authority's management were also present: General Manager Armand L. Tiberio; Treasurer/Comptroller Wayne C. Lamson; and General Counsel Steven M. Sayers.

Minutes:

IT WAS VOTED -- upon Mrs. Grossman's motion, seconded by Mr. DeWitt -- to approve the minutes of the Members' meeting in public session on March 15, 2001.

VOTING AYE: Mr. Parker, Mr. DeWitt and Mrs. Grossman
VOTING NAY: None

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 27, 2001.

**VOTING AYE: Mr. Parker, Mr. DeWitt and Mrs. Grossman
VOTING NAY: None**

Request for Replacement of the *Grey Lady II*:

Mr. Tiberio reported that Hyannis Harbor Tours, Inc. ("Hy-Line") had submitted a request for permission to build a new high-speed vessel with a capacity for 300 passengers to replace the *Grey Lady II* and the *Point Gammon* on Hy-Line's route between Hyannis and Nantucket beginning in the Spring of 2003. Mr. Tiberio stated that Hy-Line had proposed operating six trips a day with the new vessel, which would be called the *Grey Lady III*, and would designate two of those trips to operate at full capacity and the other four trips to operate at a capacity of only 149 passengers. Mr. Tiberio said that management's recommendation was to approve the request on those conditions, to transfer the *Grey Lady II*'s existing license to the *Grey Lady III* when it commences service, and to extend the license agreement through December 31, 2005, with the understanding that, within the next two to three months, management would be reviewing the issue of what should be the appropriate license fee and that, after a new license fee provision is approved by the Members, it would then be incorporated into the agreement.

Mr. Parker then asked whether any of Hy-Line's representatives wished to speak regarding its request. In response, R. Murray Scudder, Jr., Hy-Line's Vice President of Operations, advised the Members that the request had been dictated by passenger market trends and economics. Specifically, Mr. Scudder stated that, as more passengers continued to travel on its high-speed ferry, Hy-Line was experiencing a decline in ridership on its conventional vessels and needed to have a new service model that was viable in the marketplace.

After Mr. Parker also invited comments from the audience, Nantucket resident Nathaniel Lowell suggested that the Authority should try to work out an arrangement with Hy-Line so that the school children could travel on the *Grey Lady* at a discount when the *Flying Cloud* was not in service. Mr. DeWitt agreed, declaring that it was important for the Authority, particularly during the off-season, to coordinate with Hy-Line to make certain, on the one hand, that the two high-speed ferries are not off line at the same time and, on the

other hand, that service is not being unnecessarily duplicated. Mr. DeWitt said that the Authority and Hy-Line should discuss how best to meet the needs of the Nantucket community and their own needs in terms of cost.

Nick Judson, Director of Nantucket Community Sailing, expressed his concern over how fast the high-speed vessels were sailing down the channel leading into Nantucket harbor. Other members of the audience also expressed their concern over the environmental impacts of such vessels and the amount of wake wash they generate. In response, Mr. Scudder stated that, because high-speed vessels still represented a relatively new technology, he was not aware of any studies addressing the issue of their wake wash, although more data were being developed. Regardless, Mr. Scudder said, Hy-Line was certainly open to addressing those types of concerns.

Mr. DeWitt noted that the Authority had to be careful to balance the island's economic need for high-speed passenger travel, as clearly indicated by the tremendous shift in passengers from conventional vessels to the two high-speed ferries, with the concerns that had been raised over the safety and environmental impacts of those ferries. In this regard, Mr. DeWitt observed that the design of these new ferries posed challenges with respect to environmental issues, because traditional means of minimizing impacts, such as reducing speed to reduce wake wash, may in fact have the opposite effect. For this reason, Mr. DeWitt said, the United States Coast Guard had taken the position that regulations pertaining to the operation of high-speed ferries had to be site specific, because the same regulations that may work in Chesapeake Bay may not work in Nantucket Harbor.

In response to other questions from the audience, Mr. Scudder stated that the new vessel would have four diesel engines similar to those that already were installed in the *Grey Lady II*; that Hy-Line was not aware of any turbidity studies addressing the impact of water jets on the bottom of waterways; that Hy-Line was committed to year-round, sunrise-to-sunset service; and that it would happily cooperate with any studies undertaken by Nantucket regarding wake wash and the effect of any of its vessels on sediment transport. In this regard, Martha's Vineyard resident Arthur Flathers noted that both Hy-Line and the Authority were operating high-speed ferries and that, accordingly, both parties should cooperate to make certain that Nantucket was provided with the appropriate information.

Nantucket Selectman Matthew Fee acknowledged that, the prior evening, the Nantucket Board of Selectmen had voted to endorse Hy-Line's request, but he noted that only three of the five selectmen had voted for it and even then

with some reservations. Specifically, Mr. Fee said, the selectmen had both environmental and economic concerns about Hy-Line's proposed high-speed vessel. Mr. Fee declared that if it is later discovered that high-speed vessels are in fact ruining the harbor, it may well be too late and Nantucket may not be able to get rid of them.

In response to a question from Mr. Parker, Mr. Scudder acknowledged the importance of having a discussion and understanding regarding what the appropriate license fee should be for the *Grey Lady III* before Hy-Line entered into a contract for the new vessel, because a substantial increase over the amount of its current fee would have an impact on Hy-Line's ability to proceed in this direction. Nevertheless, Mr. Scudder stated that Hy-Line definitely wanted the Members that day to approve management's recommendation.

IT WAS VOTED -- upon Mr. O'Brien's motion, seconded by Mrs. Grossman -- to grant the request of Hyannis Harbor Tours, Inc. ("Hy-Line") to construct a new high-speed passenger-only vessel with a maximum capacity of 300 passengers, and to authorize the General Manager to enter into a new license agreement with Hy-Line containing the following terms and conditions:

- 1. The current license for the *Grey Lady II*, which is scheduled to expire on December 31, 2001, will be renewed and, upon delivery of the *Grey Lady III*, the *Grey Lady II*'s license will be transferred to the *Grey Lady III* and extended through December 31, 2005;**
- 2. The *Point Gammon* will cease operations between Hyannis and Nantucket once the *Grey Lady III* commences service;**
- 3. The *Grey Lady III*'s operating schedule will be the same as the *Grey Lady II*'s operating schedule;**
- 4. Hy-Line will designate two trips within the daily operating schedule of the *Grey Lady III* where the maximum capacity will be 300 passengers, and will designate four trips within the daily operating schedule of the *Grey Lady III* where the maximum capacity will be 149 passengers; and**

- 5. After review by management within the next two to three months of Hy-Line's current license fees, any changes to the license fee provisions approved by the Members will be incorporated into the new license agreement.**

VOTING AYE: Mr. Parker, Mr. DeWitt and Mrs. Grossman
VOTING NAY: None

Future Ferry Transportation Service Model:

Mr. Tiberio then summarized where he thought the Authority stood with respect to the ongoing discussion of its future service proposal. Mr. Tiberio stated that, except for the application of a high-speed vessel on the Nantucket route, the Authority's port communities had shown a lot of interest in the issues and goals that had been identified by the Authority. Mr. Tiberio then recounted the Authority's four principal goals: first, cost containment, in light of the fact that several very expensive projects were on the horizon, such as the refurbishment of the *Nantucket* and the *Eagle*, the replacement of the *Islander*, and the reconstruction of the Oak Bluffs terminal; second, the diversion of freight from the Authority's mainland port communities, which prompted the Authority to review whether barging operations of private operators could be expanded to relieve some of the mainland ports' congestion; third, the increasing competition for deck space on the Authority's vessels between island residents and other members of the traveling public who want to take their cars to the islands; and, fourth, the decision not to increase capacity during the summer seasons and the impact that decision has in terms of flattening revenues.

Mr. Tiberio then stated the conclusions he had reached at this stage of the process. First, with respect to the cost containment issue, Mr. Tiberio declared that if the Authority was not going to be able to use technology on the Nantucket route as he originally envisioned because it was not a suitable solution, so be it. However, Mr. Tiberio stated that he felt the Authority had to continue to explore whether technology could be used in any other application to reduce the Authority's costs as they pertain to labor and increase efficiencies over the long term.

With respect to diverting freight from the Authority's mainland port communities, Mr. Tiberio declared that it did not appear that barging was going

to be the solution in the absence of a very specific policy directive on the part of the Authority requiring the transport of certain products or segments of the market by barge. Indeed, Mr. Tiberio said, there was no indication that the freight industry on its own would gravitate towards barging as a means of transporting their products to the islands. Accordingly, Mr. Tiberio stated that he felt the Authority had to explore other options to accomplish this goal, although he did not know what those other options might be.

Mr. Tiberio further recounted how, at all of the meetings on the proposed service model, one issue repeatedly was raised, namely, the Authority's need to provide island residents with better choices and opportunities so they can travel back and forth on the ferries. In this regard, Mr. Tiberio observed that island residents were competing with tourists for space, which was becoming an increasingly scarcer commodity not only during the summer but on a year-round basis. In order to make additional space available for island residents, Mr. Tiberio said, the Authority was attempting to transfer freight from its vessels and persuade tourists that they don't need to take their cars to the islands.

Finally, Mr. Tiberio stated that the Authority needed to continue working on this list of critical issues, and that he did not believe there was anything out there which would solve all of them. Nevertheless, Mr. Tiberio noted that the Authority was still gathering information and that it hopefully would be in a position to make clearer choices within a few months.

Mrs. Grossman noted that the Authority already had commenced service with the *Flying Cloud* to allow people to visit Nantucket for several days without bringing their cars. However, Mrs. Grossman said, a passenger-only fast ferry was completely different from a three-tiered high-speed ferry that carries cars, freight and passengers. Mrs. Grossman observed that those larger ferries posed a multitude of problems in terms of safety and environmental issues, and that the people of Nantucket had spoken, saying that they do not want a three-tiered high-speed ferry on the Nantucket route.

While agreeing with Mrs. Grossman, Mr. Parker stated that he thought it was the Authority's responsibility to proceed and obtain answers to questions even though it may later reject this particular solution to the problems it faces. Mr. Parker declared that the Authority would soon have to propose certain solutions which it did not yet have to fulfill its obligations under its agreement with the Town of Barnstable, and the Authority therefore needed to study all potential opportunities and review all of the facts before making any decisions. Mr. Parker also observed that if Nantucket residents did not want the Authority

to use new technology to improve its service, the Authority needed to discuss with them the fact that they will need to pay rate increases resulting from the continued operation and maintenance of the Authority's conventional vessels.

Mrs. Grossman, however, pointed out that the Authority did not have any information showing that it will be more expensive to operate conventional vessels than a three-tiered high-speed ferry and that, in any event, it should be up to the residents of each island to decide what is best for their community. Mrs. Grossman also declared that the Authority had to figure out a way to stop any more fare increases, because the Authority's fares, which had been raised substantially each year for several years in a row, already had gotten to a point where island residents could not afford them anymore.

Mr. DeWitt agreed that the Authority had identified certain changes in its service model that were not going to happen. For example, Mr. DeWitt said, he thought it was a given that the Authority would not be operating a single high-speed ferry to provide service for Nantucket. Nevertheless, Mr. DeWitt noted that the Authority operates a system to the islands and was facing a number of expensive capital projects. Mr. DeWitt declared that the Authority was obligated to review its system to ensure that it provides the best service at the lowest possible cost because, if the Authority were to continue to operate in the same manner as it has in the past, Nantucket residents would face huge fare increases. In this regard, Mr. DeWitt pointed out that the Authority's costs were driven largely by salaries, and that the people of Nantucket would benefit if the Authority could reduce those costs by using technology that would enable it to carry the same amount of freight, passengers and cars with fewer vessels.

Noting that the Authority will be facing significant problems in the future that will affect its ability to meet its obligations, Mr. DeWitt stated that one of the reasons the Authority was going through this process was to find out how improvements in its service could be accomplished. But he also acknowledged that, in the end, the Authority may conclude that its current mode of operation will continue to make sense for the future. In this regard, Mr. DeWitt said that the Authority had heard Nantucket loud and clear: there was not going to be a single high-speed three-tiered ferry to Nantucket.

Mrs. Grossman then questioned why management was still spending time on a symposium regarding high speed vessels when, in her opinion, they should be concentrating on current problems with the Authority's operations. In response, Mr. DeWitt said that the Authority should be as educated as it can regarding its operational options for the future, and the symposium would allow the Authority to learn about different types of high-speed ferries and their

trade-offs. Although Mr. DeWitt acknowledged Mrs. Grossman's concern that the shipyards and engineers making presentations at the symposium may not be objective due to their desire to sell their own products, he noted that he also had been talking about these issues with the United States Coast Guard, ferry operators, and the Authority's own captains.

Mr. Parker also stated that it was fine that Nantucket had said it did not want to have the proposed high-speed ferry; but he then pointed out that the next question was whether Nantucket residents were prepared to pay the cost of continuing the existing service. Noting that Mr. Lamson had estimated, based upon certain assumptions, that the high-speed ferry would result in a savings of \$20,000,000 to \$27,000,000 for the Nantucket route over the next ten years, Mr. Parker declared that Nantucket residents could not have it both ways because their choices had consequences. Specifically, Mr. Parker said, if Nantucket residents choose not to have the proposed high-speed ferry, they have to be prepared to take the consequences and cannot say that they cannot afford any more fare increases, because that is what the Authority is facing.

Proposed Supplemental Rate Increase:

Reporting that the Authority was then running around \$3,800,000 behind its original cash budget projections, Mr. Lamson advised the Members that supplemental rate increases, as set forth in his memorandum to the Members dated May 14, 2001, were needed to provide sufficient cash flow over the following four to five months in order to meet the Authority's debt service requirements through March 1, 2002. Mr. Lamson stated that the proposed increases, if approved to go into effect as of June 1, 2001, were expected to raise approximately \$986,000.

In response to questions from the Members, Mr. Lamson said that there were numerous reasons for the cash shortfall, such as the recent \$850,000 settlement with Hyannis Marina, the \$700,000 of legal fees associated with that lawsuit, and the acquisition of the *Schammonchi*, which was expected to operate at a loss of \$400,000 to \$500,000 that year. In addition, Mr. Lamson reported that the Authority's pre-paid reservations for the first three months of 2001 were \$600,000 lower than the previous year, and that the Authority's traffic for the first three months of 2001 also had decreased around five percent with respect to passengers, automobiles and trucks. In short, Mr. Lamson said, the Authority could not continue to meet its obligations without the proposed supplemental rate increases. Indeed, Mr. Lamson declared that, even

with those increases, the Authority still may need to make use of its reserve fund, which then had a balance of approximately \$1,900,000, in order to meet its requirements.

Mr. Lamson further reported that management was reviewing all aspects of the Authority's operations to reduce expenses. In this regard, Mr. Lamson noted that the Authority's insurance was being renewed at the same rates as last year, and that management would be controlling all other expenses, such as overtime, wherever they could. Mr. Lamson said that management had even looked at possibly reducing the operating schedule, but concluded that it would not be appropriate due to the impact such changes would have on customers who already had reservations.

In response to a question from Mrs. Grossman, Mr. Tiberio stated that he had not prepared a proposed budget for the development of the Authority's future service model, as had been suggested by Mr. DeWitt at the last meeting, because he did not anticipate incurring any hard costs in connection with that matter, and that there really would be no expenditures other than time spent by the Authority's management staff. Indeed, Mr. Tiberio said, even the participants in the High Speed Vessels Symposium would be responsible for their own expenses, so the Authority's only cost with respect to that event would be the room rental.

Mr. Murphy reported that the Finance Advisory Board had reviewed the proposed rate increases and were endorsing them. However, Mr. Murphy stated that, with respect to the larger issue of cost allocation between the two routes, the Finance Advisory Board had not reached any agreement except to have additional meetings on the issue over the following few months.

Mr. DeWitt stated that the Authority also should review its freight rates in order to encourage shippers to use fully loaded smaller trucks instead of partially loaded larger trucks, which resulted not only in inefficiencies but also more traffic problems on both the mainland and the islands. Mr. Parker agreed and declared that the Authority needed to go even farther and review the seasonal nature of its freight rates as well as all other aspects of its tariffs.

IT WAS VOTED -- upon Mr. DeWitt's motion, seconded by Mrs. Grossman -- to approve management's proposed supplemental rate increases as set forth in Mr. Lamson's memorandum to the Members dated May 14, 2001.

VOTING AYE: Mr. Parker, Mr. DeWitt and Mrs. Grossman
VOTING NAY: None

Old and New Business:

Mr. DeWitt stated that it was time for the Authority to start laying out the framework of where it was going with respect to New Bedford service. Specifically, Mr. DeWitt said, the Authority should establish a timeline, identify what its options were and also identify how it was going to address the issue. Mr. DeWitt suggested that the Authority may want to issue a request for proposals from private vessel operators to provide New Bedford service, and have the Authority submit a proposal of its own in competition with them after discussing the matter with its unions to determine how the service could best be accomplished with the Authority's own vessels and employees.

With respect to the issue regarding the seasonal nature of the Authority's freight rates that was raised earlier in the meeting by Mr. Parker, Mr. O'Brien noted that he always believed the purpose of the seasonal differential was to encourage more freight activity during the off-season, and to discourage it during the summer. In this regard, Mr. O'Brien declared, he felt the Authority should be careful not to reverse any existing policies that already were helping it to accomplish its goal of reducing freight traffic during the summer season.

Noting that she had not been informed that the *Flying Cloud* was being taken off its regular schedule later that day for an event with the Falmouth Chamber of Commerce, Mrs. Grossman asked that the Members be consulted before such decisions were made in the future. In this particular instance, Mrs. Grossman said, the timing of the event was problematic because of the number of people traveling to Nantucket for its Wine Festival that weekend.

Public Comment:

Tisbury Selectman Thomas Pachico observed that Martha's Vineyard had problems similar to those experienced by Nantucket, and he declared that no one could decide what service should be provided from New Bedford without first determining what impacts any such service would have on the other communities. Accordingly, Mr. Pachico suggested that all of the respective boards of selectmen meet with the Authority to discuss the issue, saying that if

everyone truly wants to reduce freight and develop a service plan, they all had to figure out exactly what they want to accomplish and then determine what type of vessel will best accomplish that.

In this regard, Mr. Pachico said, the City of New Bedford has offered to build a vessel, and he declared that it should be asked to put that offer in writing and build a vessel that, while maybe not "high-speed," is faster than the current freight boats, environmentally sound and cost effective. Noting that travelers to Martha's Vineyard were bringing their cars to the island as well, Mr. Pachico noted that the optimum vessel for providing service between New Bedford and Martha's Vineyard may well be one that carries cars, freight and passengers, as he could not imagine it would be more cost effective to operate one vessel just to carry freight and then another high-speed vessel to carry passengers, which still would not meet the needs of customers who want to travel to the island with their automobiles.

Finally, Mr. Pachico noted that, historically, service between New Bedford and Nantucket was the big loser because of the route's long distance, but that service between New Bedford and Martha's Vineyard was not as much a loser if it was a loser at all. With this in mind, Mr. Pachico said, everyone needed to sit down, agree on what their goals are, and determine how much it was going to cost to achieve those goals.

Nantucket resident Nathaniel Lowell declared that the Authority already had many other ways to reduce expenses even without the addition of a high-speed vehicle ferry. Observing that the *Nantucket* was leaving every night without any passengers or vehicles, Mr. Lowell suggested that the Authority could shorten the summer schedule and be more efficient during the shoulder seasons. He also suggested that the Authority should lengthen the *Sankaty* and revise the *Flying Cloud*'s schedule so that it does not make any more trips with no passengers on board. Essentially, Mr. Lowell said, the Authority should be able to carry the same number of vehicles during the shoulder seasons with fewer boats -- in particular, freight boats, which were less expensive to operate -- and passengers could be accommodated primarily on the *Flying Cloud*.

Martha's Vineyard resident Arthur Flathers reported that, within the last few months, trucking firms on Martha's Vineyard had begun to work with the Authority on all levels to get a better understanding of each other's operations, and that it had been very encouraging. With respect to the seasonal nature of the Authority's freight rates, Mr. Flathers also noted that such differences in the freight rates would not succeed in encouraging the carriage of goods off

season because the cost of carrying such goods in inventory was four times the cost of their transportation.

Mr. Tiberio stated that the High Speed Vessels Symposium tentatively had been scheduled for June 14th and 15th, and that the purpose of the symposium was to hear presentations from major shipyards which have built such vessels and their corresponding naval architectural and engineering firms which have designed them. In this regard, Mr. Tiberio stated that there were only four or five engineering firms and shipyards around the world that have been involved with these vessels, and that he hoped the Authority could learn from their experience and the problems they have encountered. Mr. Tiberio further stated that he hoped operators of these vessels would also make presentations at the symposium and share information they have regarding the reliability of these vessels.

In response to a question from *Nantucket Inquirer and Mirror* reporter Joshua Bolling, Mr. DeWitt stated that, as far as he was concerned, the Authority would not be operating, as its only ferry to Nantucket, a three-tiered high-speed ferry. Mr. DeWitt said that he always had concerns about such vessels due to his understanding of their engineering limitations, and that the development process of the Authority's proposed service model had not revealed any advances in technology that addressed those limitations.

Nantucket Selectman Tim Soverino declared that it was a good day for Nantucket because the Authority's Members clearly had listened and were not inclined to build a three-tiered high-speed ferry for all of the reasons that had been articulated. Mr. Soverino also stated that no one questioned the Authority's decision to look into the future and try to become more efficient, because island residents expect the Authority to do the best job it can while charging the least amount of money possible to its customers. What concerned island residents, Mr. Soverino said, was that the development of the proposed service model was moving at too fast a pace where decisions could neither be well thought out or accepted. Nevertheless, Mr. Soverino acknowledged that the Authority was going to continue to struggle with the issue of labor costs, as the Town was as well.

Finally, noting Mr. Parker's statement that Nantucket residents would have to be willing to pay higher fares if they did not want a high-speed ferry, Mr. Soverino declared that the willingness of Nantucketers to pay their fair share had been demonstrated clearly over and over again; but by the same token they expected the Authority's Members not to waste their money.

At approximately 12:00 noon, Mr. Parker 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. DeWitt's motion, seconded by Mrs. Grossman -- to go into executive session to discuss the Authority's strategy with respect to litigation matters.

VOTING AYE: Mr. Parker, Mr. DeWitt 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 21, 2001

The Members of the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority met this 21st day of June, 2001, beginning at 9:30 a.m., in the Katharine Cornell Theatre of the Tisbury Town Hall, located at 51 Spring Street, Vineyard Haven, Massachusetts.

Present were all four Members: Chairman J. B. Riggs Parker of Dukes County; Vice Chairman Edward J. DeWitt 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 S. Eric Asendorf of Falmouth. Finance Advisory Board member Steven A. Tornovish of Nantucket was not present.

The following members of the Authority's management were also present: General Manager Armand L. Tiberio; Treasurer/Comptroller Wayne C. Lamson; and General Counsel Steven M. Sayers.

Mr. Parker opened the meeting by thanking the Town of Tisbury for hosting the Authority's first meeting on Martha's Vineyard this year. Observing that the town is the gateway to the island, in that it receives the majority of the Authority's island-bound traffic, Mr. Parker also declared that Tisbury deserves the Authority's cooperation and thanks for that effort.

Minutes:

IT WAS VOTED -- upon Mrs. Grossman's motion, seconded by Mr. DeWitt -- to approve the minutes of the Members' meeting in public session on May 17, 2001.

VOTING AYE: Mr. Parker, Mr. DeWitt and Mrs. Grossman
VOTING NAY: None

New Bedford Freight Service:

Mr. Tiberio reviewed Management Summary #GM-431, dated June 12, 2001, which he said represented management's recommendation at that time regarding the continuation during 2002 of the freight service pilot project between New Bedford and Martha's Vineyard, although Mr. Tiberio noted that the Members also could consider providing no freight service at all from New Bedford next year or engaging a private operator to provide the service by issuing a request for proposals. In any event, Mr. Tiberio said, there did not appear to be any interest on the part of the freight industry to travel during the weekends or any reason to provide the service except on a seasonal basis ending in September. Mr. Tiberio also stated that management hoped to present the Members with a draft overall operating schedule for the year 2002 for their initial review at the July meeting, because management would need to know by August the direction in which the Authority was going to proceed in order to prepare the 2002 operating budget.

Mr. DeWitt declared that he was very supportive of the type of approach being recommended by management, although he suggested that they consider more scheduling options that would result from a triangulation of the route and possibly address some of the problems that truckers had experienced in either not having enough, or having too much, turnaround time on Martha's Vineyard before returning to New Bedford. Mr. DeWitt noted that, in the past, he had criticized the pilot project because he did not feel it had been given the best design for success, and he thought management's recommendation was a step in the right direction.

Mr. O'Brien similarly declared that he was supportive of management's recommendation because he thought that the Authority, rather than a private operator, should be providing the service. Both Mr. O'Brien and Mr. DeWitt also observed that a market appeared to be developing for the service, as the *Seabulk Minnesota* already had carried 1,000 trucks this year, compared with the 1,900 trucks it had carried from May through October of 2000.

Mr. DeWitt further noted that this growth could mean that more shippers themselves may choose to leave from New Bedford, making it unnecessary for the Authority to address the complicated issue of how to decide which shippers

would no longer be allowed to leave from Woods Hole. Mrs. Grossman also expressed her concern that the Authority should not try to dictate what ports shippers would be able to use, as that might be construed as discriminatory. Ultimately, the Members agreed that management should continue to review the subject and, in connection with that review, discuss with the Authority's employees all of the various alternatives, including providing the service with the Authority's vessels at a reasonable cost, issuing a request for proposals from private operators to provide the service, or doing nothing.

2002 New Bedford to Martha's Vineyard
High-Speed Passenger-Only Demonstration Project:

Mr. Tiberio then reviewed Management Summary #GM-432, dated June 12, 2001, in which he requested authorization from the Members to begin to explore the feasibility of conducting a demonstration project in 2002 whereby the Authority would operate a high-speed passenger-only vessel between New Bedford and Martha's Vineyard in lieu of the *Schamonchi*. Mr. Tiberio stated that the first step in exploring the project would be to determine what the preferences of the island residents are (such as whether the vessel should dock at Vineyard Haven or Oak Bluffs) and how any high-speed service would fit into the Authority's overall service model. Declaring that acceptance of the service by the island was critical, Mr. Tiberio noted that the first order of business would be to discuss the subject with the island towns.

Mr. Tiberio emphasized that the purpose of high-speed service from New Bedford was not to attract more people to the island, but rather to provide the Authority's customers with more choices and to make it easier for them to travel without taking their cars. In this regard, Mr. Tiberio observed that the project would not result in more passengers being carried to the island, because the high-speed vessel, while being able to make more trips per day, would have less passenger capacity than the *Schamonchi*. However, Mr. Tiberio said, the project would allow the Authority to address a number of issues before jumping into a permanent operation, including determining the Authority's pricing strategies (how to price the substantial savings in time for the Authority's customers), and resolving issues pertaining to the environment (such as the impact of the vessel's wake wash), speed management, where the dockage facilities should be located in New Bedford, and parking. In addition, Mr. Tiberio noted that the Authority would be able to assess whether high-speed service from New Bedford will actually reduce the demands being placed on Woods Hole in terms of both traffic and parking.

Mr. Tiberio further stated that the service would operate only during the period of May through September. While he did not envision selling the *Schamonchi*, Mr. Tiberio said that the only application he could think of for that vessel would be to provide inter-island service during that same period. Obviously, Mr. Tiberio said, there were many issues that would have to be addressed, and there may not even be a vessel available next year to bareboat charter; but because of the tremendous amount of work that would need to be done, Mr. Tiberio declared that he felt the need to explore the possibility as soon as possible in order to increase the chances of its success.

With respect to the possible use of the *Schamonchi* to provide inter-island service, Mrs. Grossman noted that the service had a very limited market and did not appear to be a money-making proposition, especially with the number of crewmembers the Authority would be required to have on board that vessel. Mr. DeWitt suggested that the matter also should be discussed with Hyannis Harbor Tours, Inc., the private operator currently providing that service, because he felt it would be far better to use the *Schamonchi* during the summer than to let it sit idle and perhaps creative ways could be found to make inter-island travel more attractive to tourists.

Mrs. Grossman declared that she was concerned the project would be a financial disaster, and that the Authority already had spent a lot of money to acquire and refurbish the *Schamonchi*. Further, Mrs. Grossman observed, just the previous month the Authority had increased its fares again, and the island residents simply could not afford any more rate increases. For these reasons, Mrs. Grossman stated that the Authority had to think very seriously about what it was spending money on and what it could afford, and she did not think the Authority could now afford to begin any new high-speed service. Instead, Mrs. Grossman said, the Authority's management should be concentrating on improving the current level of service and taking care of the refurbishing that needs to be done of the Authority's existing vessels.

Mr. O'Brien declared that he too had financial concerns about the project because, if the service were successful, the Authority would be compelled to acquire another high-speed vessel to provide the service on a permanent basis. In this regard, Mr. O'Brien stated that he did not think the Authority could afford another such vessel at that point in time as part of its capital program, even though it might receive a grant to fund some of its acquisition cost. Further, Mr. O'Brien noted, due to the age of the *Schamonchi*, that vessel would see a lot of deterioration if it were laid up instead of being operated.

Mr. Parker acknowledged that he shared the other Members' financial concern, but he noted that the Authority had begun to explore high-speed service because its costs were increasing relentlessly and its revenues were flattening out. Accordingly, Mr. Parker stated that he thought Mr. Tiberio was correct in asking for authorization to test the market for high-speed passenger service from New Bedford, as it may be worse to do nothing than spend money on such a new service. Indeed, Mr. Parker said, he felt it would be an unwise business decision not to explore the service and obtain information upon which the Members could then base a decision. However, Mr. Parker cautioned that no one should construe the examination as even a preliminary decision on the Authority's part to operate the service and, for that reason, he suggested that the examination include a study of what should be done in the form of an exit strategy if the service turns out not to be successful or is too costly.

Mr. O'Brien then asked that the Finance Advisory Board also review the cost of acquiring another high-speed vessel to determine what effect it would have on the Authority's capital program. But Mr. Asendorf pointed out that the demonstration project would not place any of the Authority's own capital at risk, and would allow the Authority to experiment and determine how best to proceed before acquiring a new vessel. Mr. Asendorf also declared that the project presented an extraordinary opportunity to attract summer tourists, as they would no longer have to ride the Authority's shuttle buses between Bourne, Falmouth and Woods Hole, while at the same time it would allow the Authority to eliminate expenses associated with operating those shuttle buses.

Mr. DeWitt said that he similarly was of the opinion that a high-speed operation from New Bedford had the potential of being the most profitable line for the Authority because it would be the fastest way to travel to the island. In addition, Mr. DeWitt noted, all of those people would be traveling without their automobiles, which would be beneficial for the island as well. Accordingly, he felt the Authority had a duty to explore whether that potential can be realized. Mr. Parker agreed, observing that customers traveling from the Boston area would save approximately 20 miles by going to New Bedford instead of Woods Hole and, further, would not have to face any traffic congestion associated with the canal bridges or downtown Falmouth.

Mr. Parker noted that one of the reasons the Authority purchased the *Schamanchi* was because Hy-Line was about to buy the vessel for the purpose of replacing it with high-speed service from New Bedford and diverting the Authority's passenger base. Nevertheless, pointing out that the Authority had only been operating the *Schamanchi* since May 18th, Mrs. Grossman declared that she did not think it was a good business decision to take the vessel out of

service so soon without giving it a chance to succeed. In response, Mr. Parker stated that continuing the service with the *Schamonchi* would be one of the alternatives considered by management because high-speed service from New Bedford may not be successful.

Mr. O'Brien stated that, while Mr. Parker may be concerned that high-speed service from New Bedford would not work, he was more concerned about the possibility that it will work. Mr. O'Brien pointed out that the Authority was now in a different situation than a few years ago when it chartered the *Finest* to operate the Nantucket high-speed pilot project. At that time, Mr. O'Brien said, the Authority had the money to go forward and buy the *Flying Cloud*. By contrast, Mr. O'Brien said that he did not think the Authority had the money to buy another high-speed vessel at this time, and he did not want the Authority to start a new high-speed service, find it to be successful, and then have to stop it.

Nevertheless, Mr. Parker declared that he did not think the Members would be fulfilling their fiduciary duty to the public and, indeed, would be negligent if they did not consider the possibility of providing high-speed service. Mr. Parker further noted that determining what service is needed by the islands would be difficult, and would require listening to differing points of view before reaching a decision based upon what is heard and what the Authority can afford.

Mrs. Grossman then asked that the Members be afforded an opportunity to listen to island residents about what they wanted before voting on whether to authorize the study, declaring that she did not see how the Members could make a decision without first having heard from the islanders. But Mr. Parker declined, noting that, in order to expedite their meetings, it had been his practice to conclude the Authority's business based upon the Members' discussion before taking comments from the audience. Mr. Parker also repeated that, in his opinion, it would be negligent for the Authority not to conduct a study of such an opportunity, and he pointed out that high-speed service between New Bedford and Martha's Vineyard, although commencing in 2003 instead of 2002, always had been part of the plan first introduced by management the day after the *Schamonchi* was acquired.

IT WAS VOTED -- upon Mr. O'Brien's motion, seconded by Mr. DeWitt, and amended as suggested by Mr. Parker -- to authorize management to begin to explore the feasibility of conducting a high-speed passenger-only demonstration project between New Bedford and Martha's Vineyard during 2002, including studies of possible exit strategies in the event such high-speed service does not work and what the Authority's costs will be if it does not go forward with such high-speed service.

**VOTING AYE: Mr. Parker and Mr. DeWitt
VOTING NAY: Mrs. Grossman**

2002 Operating Schedules:

Mr. Tiberio advised the Members that he recently had received a request from the Tisbury Business Association and the Oak Bluffs Association for an opportunity to review the Authority's proposed operating schedules for the year 2002, and he stated that management would make themselves available to discuss the proposed service schedules with all critical groups on the islands as the schedules were being developed.

Route 128 "Relax and Ride" Shuttle Program:

Mr. Tiberio reviewed Management Summary #GM-433, dated June 12, 2001, regarding the new Route 128 "Relax and Ride" Shuttle Program between the MBTA/Amtrak Route 128 station in Westwood and the Authority's Woods Hole terminal that had been developed under the guidance of the Cape Cod Transit Task Force, whose members include the Authority, the Cape Cod Commission, and the Cape Cod Regional Transit Authority. Mr. Tiberio also requested that the Members approve the Interagency Agreement with the Cape Cod Regional Transit Authority, in the form attached to the summary, and that they award the contract for the bus shuttle service to Plymouth and Brockton Street Railway Co., the only bus operator which had submitted a bid in response to the Authority's invitation for bids to provide the service. Noting how the Authority was aggressively beginning to advertise the service on its vessels so that its customers would learn of it and hopefully try it the next time they visit Martha's Vineyard, Mr. Tiberio announced that, depending upon the

success of the program this year, Clay Schofield of the Cape Cod Commission already had secured funding for an enhanced program during 2002 to provide service from Route 128 to New Bedford and Hyannis as well as to Woods Hole.

IT WAS VOTED -- upon Mr. O'Brien's motion, seconded by Mr. DeWitt -- to authorize the General Manager to execute the Interagency Agreement with the Cape Cod Regional Transit Authority, in the form attached to Management Summary #GM-433, dated June 12, 2001.

VOTING AYE: Mr. Parker, Mr. DeWitt and Mrs. Grossman
VOTING NAY: None

IT WAS VOTED -- upon Mr. O'Brien's motion, seconded by Mr. DeWitt -- to award the Service Contract to provide the bus shuttle service between Westwood and Woods Hole, in the form attached to Management Summary #GM-433, dated June 12, 2001, to Plymouth and Brockton Street Railway Co., the only responsible and eligible bidder for that contract.

VOTING AYE: Mr. Parker, Mr. DeWitt and Mrs. Grossman
VOTING NAY: None

Treasurer's Report:

Mr. Lamson reported that the Authority's net operating income for the month of May was expected to be around \$372,000 lower than the Authority's budget projection, due primarily to higher-than-anticipated expenses, and that, as a result, the Authority's net operating loss for the first five months of 2001 would be around \$8,100,000, or \$498,000 more than the Authority's budget estimate. By comparison, Mr. Lamson noted that the Authority's net operating loss for the first five months of 2000 was only \$6,400,000. Mr. Lamson also reported that the Authority probably would end up well short of its original budget projection of a net operating income of \$3,300,000 for the year, estimating that the Authority would end up with an annual net operating income of around \$2,000,000 if there were good weather that year, although it was still too early to tell.

Barge Unloading Rates:

Mr. Tiberio advised the Members that, after the Authority increased its rates for the unloading of barges at its Nantucket terminal the prior month from \$1.00 per ton to \$3.00 per ton, he had received letters from Myles Reis, Jr. of P & M Reis Trucking, Inc. and Victor Petkauskos of Island Barge, Inc. requesting that the Authority reconsider that rate increase. Mr. Tiberio said, however, that his suggestion would be not to reduce the rate from \$3.00 per ton during the summer, when the Authority did not particularly want increased barge activity, although he thought the Authority might want to consider reducing the rate during the off-season.

Mrs. Grossman recounted how the Authority previously had lowered the barge unloading rate to encourage shippers to barge more bulk material, thereby getting more trucks off of the Authority's vessels and relieving some of the traffic congestion in Hyannis. For this same reason, both Mrs. Grossman and Mr. O'Brien argued, the Authority should consider reducing the rate again.

Mr. DeWitt, however, questioned whether the previous rate reduction actually resulted in any shift of goods from trucks to barges, and whether the increase implemented in May would have the opposite effect either. Mr. DeWitt said that, in his opinion, the Members did not yet have enough information on which to base any decision which would make sense in terms of the Authority's overall operation. The fundamental question which needed to be answered, Mr. DeWitt said, was who should pay, the barge operators or the truckers? Nevertheless, Mr. O'Brien declared that the Authority should not take any action that would risk increasing truck traffic on the mainland.

Mr. Lamson then informed the Members that, prior to reducing the rate last year, it had been \$6.50 per ton during the summer season and \$3.25 per ton during the rest of the year. Accordingly, Mr. Lamson noted, the prior month's increase to \$3.00 per ton did not even bring the rate back to where it had been before 2000.

Mr. DeWitt observed that it was clear what the Authority was trying to accomplish by decreasing the rate, but he just did not know whether the reduction was having any impact. Therefore, he felt the Authority should keep the rate at \$3.00 per ton, which appeared to him to be a reasonable amount, until management provided the Members with more information on the subject. The other Members agreed, and Mr. Parker then asked Mr. Tiberio to prepare a memorandum for the Members at their next meeting regarding the impact that such changes in the Authority's barge unloading rate have had in the past.

Senior Citizen Discount:

Mr. Tiberio then advised the Members that he had received a letter from the Town of Bourne asking the Authority to include residents of that town who are senior citizens in the Authority's senior citizen discount program. In this regard, Mr. Tiberio noted that the Authority's program traditionally has offered a senior citizens discount of fifty percent on passenger tickets only to senior citizens who reside in Falmouth and Barnstable. However, Mr. Tiberio stated that the Authority may want to consider revising the program to include senior citizens of all communities in which the Authority has a presence (which includes Bourne, as the Authority has a parking facility there), and to reassess the amount of the discount itself. As part of this process, Mr. Tiberio said, it would be useful to review what senior citizen discounts are offered by other transportation systems.

The Members agreed, noting that whatever the Authority offers in terms of senior citizen discounts should make sense on a system-wide basis and should also take into account the impact of the program on the Authority's revenues.

Public Comment:

Mr. Parker began the public comment section of the meeting by reading to the audience a letter he had received, dated June 21, 2001, from Renee Balter, Executive Director of the Oak Bluffs Association.

Falmouth and Martha's Vineyard resident Richard Sherman then related how one of the things he and tourists to the island always enjoy about taking the ferry is the ability to go outside on the vessel's deck and relax, and he noted that no one would be able to go outside on a fast ferry. Mr. Sherman also recounted how, before acquiring the *Flying Cloud* for the Nantucket route, the Authority had watched Hy-Line's operation with the *Grey Lady* and then had chartered the *Finest* for two years to determine whether the service would be a success, and he asked that the Authority not move so fast to begin high-speed service to Martha's Vineyard and get rid of the *Schamonchi*. Indeed, Mr. Sherman questioned whether Martha's Vineyard needed high-speed service, observing that it is closer to the mainland than Nantucket, and asked whether the Authority could consider using the *Nobska* on the New Bedford-Martha's Vineyard route, as it would not cost the Authority anything to acquire it.

Martha's Vineyard resident Robert Iadiccico asked Mr. Parker to reconsider his policy of reserving public comment until the end of the meeting, arguing that the Members no longer needed the public there because they had concluded all of their business and all of their votes. Mr. Iadiccico stated that the public similarly did not need to be there, as they were not participating in any way, the Members did not receive any input from them, and they could get almost just as much from reading the newspaper the following day as being there. Mr. Iadiccico also noted that previously the Members had allowed public comment on each item before it came up for a vote, and he encouraged Mr. Parker to reconsider his current policy.

Mr. Iadiccico then noted that, with respect to the possible high-speed demonstration project between New Bedford and Martha's Vineyard for 2002, the Authority's management had only asked for permission to study whether chartering a fast ferry would be a good idea or not, and he declared that he was dismayed that one of the Members had voted against that request. Mr. Iadiccico further stated that he had heard the City of New Bedford had even offered to pay for a high-speed ferry to run to Martha's Vineyard.

In response, George Leontire, City Solicitor and Economic Development Director for the City of New Bedford, declared that New Bedford has only offered to help the Authority raise money for such a ferry by pursuing federal grants and other funding sources. Mr. Leontire also informed the audience that New Bedford already had gone to the Congressional delegation, including Senator Kennedy, to ask them to include a \$2,000,000 line item appropriation in the federal budget for the Authority towards a high-speed vessel to run between New Bedford and Martha's Vineyard. Mr. Leontire noted that New Bedford was very good at getting money to help pay for these types of things, and he stated that he was fairly confident that New Bedford would be able to secure additional millions of dollars towards the \$8,000,000 vessel.

In response to a question from a member of the audience, Mr. Tiberio stated that there was no possibility of a high-speed ferry going between Woods Hole and Martha's Vineyard. The audience member then complained about the quality of service on the Authority's vessels, recounting several incidents of rudeness by Authority employees, and declared that the Authority needed to go back to guaranteed standby and change its name to the "Steamship Service" so that its employees would be reminded about what their real purpose was. In response, Mr. Parker agreed that service was what the Authority was striving for and that it had not yet reached the point of being acceptable.

Martha's Vineyard resident Robert Lamb then criticized the Authority's decision to pursue an \$8,000,000 high-speed ferry to operate between New Bedford and Martha's Vineyard when it would simply sit idle for the majority of the year. Mr. Lamb noted that he not only had attended the Authority's symposium on high-speed ferries the prior week, but subsequently had talked privately with the salesmen who had made presentations at that symposium, and that they had not disclosed at the symposium that their vessels would require several million dollars a year in planned maintenance and other costs.

In response, Mr. Tiberio declared that no decision had been made to acquire a high-speed ferry, that the symposium was an attempt to get more information, and that there simply had been a lot of discussion. Mr. Tiberio observed that the fact of the matter remained that the Authority has three vessels which need major work: the *Islander* needs to be replaced; the *Nantucket* needs a major conversion; and the *Eagle* needs major work, all within the next five to ten years. Mr. Tiberio stated that the issues being discussed had to do with what to do with those vessels and how to move forward. For example, Mr. Tiberio asked, is there another application as far as moving freight? But Mr. Tiberio emphasized that no decisions had been made.

Mr. Tiberio noted that, last December, the Authority could have simply continued with its existing capital plan to replace the *Islander* and to refurbish both the *Nantucket* and the *Eagle*. However, Mr. Tiberio said, the Authority would then be committed to those vessels for the next 25 to 30 years, and he said the issue needed to be discussed as to whether that would be the right decision in terms of both the environment and the demands being made on the Authority. Similarly, Mr. Tiberio stated that he was not totally satisfied that a high-speed application for Nantucket with freight, cars and passengers was the solution either. Although he thought there may be some application for high speed, Mr. Tiberio said, he was not sure what that might be. Mr. Tiberio stated that there might also be some application for a mid-speed freight vessel that might be more in tune with what some of the Authority's needs will be in the future.

Mr. Tiberio cautioned that the Authority had to realize that both Hyannis and Woods Hole had agreed with policy decisions by the Authority that require the organization to reduce the freight traffic through their communities, and at the moment the Authority had not done anything other than the pilot project. Further, with respect to the pilot project, Mr. Tiberio declared that the *Katama* was not the solution because the vessel could not generate sufficient revenues. Instead, Mr. Tiberio said, the Authority needed a larger freight vessel that can run more trips during an 18-hour operating day.

Mr. Tiberio declared that all of those issues were still up for discussion and there was no timeline to bring closure on any of them until the Authority began to move in a particular direction. Accordingly, Mr. Tiberio said, at that time he simply could not respond to Mr. Lamb's comments except to say that maybe now is the time for the Authority to sit back and look at what might be some other options in terms of the service model. Mr. Tiberio declared that the Authority was engaged in a dynamic, moving process to address how it should provide service in the future. Ultimately, Mr. Tiberio said, the Members may decide to continue the Authority's current model, and that would be fine; but he did not believe the Authority would be serving the public, as residents and payers of the service, if it did not go through the exercise and try to find answers to all of these questions, especially if there were in fact a better way of providing the service.

Martha's Vineyard resident Robert Carroll said that he hoped what the Authority was doing in New Bedford was what the island needs. For example, he could see moving heavy freight from New Bedford because of the time savings and the fact that a major highway connects to the New Bedford freight ferry terminal. But Mr. Carroll declared that the Authority would be courting disaster if it operated a high-speed vessel between New Bedford and Martha's Vineyard, especially in the fog during the summer. Mr. Carroll stated that this situation was different from the Nantucket-Hyannis route, because Buzzards Bay is a busy recreational sailing area and Woods Hole is one of the most dangerous pieces of navigable water in the world.

Mr. Leontire declared that he appreciated the tenor of the conversations he had had with the Authority over the prior six months, but noted that the Authority, as a public entity, had some responsibilities. With respect to the *Schamonchi*, Mr. Leontire recounted how New Bedford had five major players in the industry who wanted to run a high-speed ferry between New Bedford and Martha's Vineyard. Therefore, Mr. Leontire said, it would be wrong for the Authority to buy the *Schamonchi* to protect itself from competition and then not provide high-speed service like the competition wanted to do. If that were to happen, Mr. Leontire declared that the Authority simply would be protecting itself at the expense of the people of New Bedford.

Mr. Leontire also stated that New Bedford had no problem with the New Bedford freight service proposal being recommended by management, and was willing to work with the Authority to make that service succeed and also to help the Authority obtain money for the service. Mr. Leontire said that he was always amused when people say that things which work for Nantucket make no sense for New Bedford, and he declared that such comments represented an

inappropriate double standard. (Mr. Leontire also noted that the high-speed vessel would operate through Quick's Hole, not Woods Hole.) Mr. Leontire repeated that New Bedford stood ready to help the Authority and, further, that New Bedford wanted to be part of a transportation system of which it had the right to be part.

Mrs. Grossman pointed out that the Authority began high-speed service for Nantucket because Nantucket residents needed to get back and forth more quickly to and from Hyannis, without staying overnight, when they have to go there for hospital or doctor visits or to do other things

Tisbury Selectman Thomas Pachico declared that Mr. Leontire had told him and another Tisbury selectman that New Bedford would pay for a boat, not that New Bedford would help pay for it. But Mr. Pachico also asked the Authority to consider building a mid-speed vessel for New Bedford service that can carry cars, freight and passengers. As an island resident, Mr. Pachico said, he would want to be able to take his car to New Bedford so that he could do his shopping and run errands. In addition, summer residents coming from New York and Connecticut need to bring their cars. With the separate freight boat and high-speed passenger-only vessel, Mr. Pachico observed, there was no provision for that. Mr. Pachico also expressed his concern that the Authority would be taking more freight into Vineyard Haven harbor, and declared that all of those issues needed to be reviewed. Mr. Pachico reported that the Tisbury selectmen had met with Falmouth representatives, and he thought the Authority would have to eliminate some trips out of Woods Hole in order to make New Bedford successful.

Mr. Parker pointed out that freight boats are very different from vessels that can also carry passengers and cars, which require greater manning levels and equipment on board. As a result, Mr. Parker said, it costs more to build and operate a vessel which carries freight, cars and passengers.

With respect to whether the Authority could operate the *Nobska* between New Bedford and Martha's Vineyard, Mr. Tiberio noted that there were many unknowns as to whether there were sufficient funds available to refurbish the vessel and, if so, when the refurbishment will be completed. Mr. Tiberio stated that he had not thought about incorporating the *Nobska* into the Authority's service model and, while the Authority could consider a role that the *Nobska* could play, it would be difficult in light of the lack of any completion date.

With respect to the Authority's barge unloading fares, Nantucket resident Nathaniel Lowell observed that the previous fare of \$1.00 per ton for unloading

one barge carrying 446 tons of aggregate was the same as the Authority's Nantucket round-trip fare for one dump trailer, which carries only around 28 tons of aggregate. Thus, Mr. Lowell declared, the fares had been totally out of skew and barges still have a deal even though they now pay \$3.00 per ton.

Mr. Lowell also suggested that the Authority could change Nantucket's shoulder season schedule and tighten its summer schedule, declaring that everyone had to work together on this issue. Mr. Lowell, however, questioned why the Authority would acquire a high-speed boat for service between Martha's Vineyard and New Bedford and then have two vessels that are operated only during the summer months. Mr. Lowell declared that such a move would have an adverse financial effect on the Authority's non-subsidized operations, and that he felt the solution to the Authority's financial situation was to become more efficient instead of simply raising rates.

In response to a question from the audience, Mr. Tiberio reported that the Authority was exploring some different equipment so that customers' tickets could be scanned as their cars board the vessels to determine on a real-time basis when space becomes available. In this way, Mr. Tiberio said, the Authority was trying to improve on the situation where customers are not able to obtain reservations although the vessels are not sailing full.

Martha's Vineyard resident Stephen Bernier also asked Mr. Parker to reconsider his policy of holding all public comment until the end of Authority meetings, saying that the one-and-one-half-hour wait discouraged people from speaking. Mr. Bernier declared that members of the public who are present at the meeting should be participants in the process, and that the only way to accomplish that is to allow them to speak while particular subjects are being considered and before they are voted on. Mr. Bernier observed that their inability to speak on issues until after decisions are made increases their level of frustration and creates more conflict.

Mr. Parker said that he would take the suggestion under consideration, but he noted that there had to be a balance between conducting the Authority's business and allowing the public to comment. Mr. Parker observed that, while he could cut people off during the course of a meeting, he did not like to do that because he believes in having unlimited public comment. On the other hand, Mr. Parker said, allowing unlimited public comment during the meeting would make it very difficult to conduct business effectively. For this reason, Mr. Parker said, he has chosen the accommodation of deferring unlimited public comment until the end of each meeting.

Martha's Vineyard resident Marie Laursen questioned why the Authority wanted to commence high-speed service for the island, as she had not seen any demand for such service from either residents or tourists. Ms. Laursen also pointed out that there were no parking facilities within walking distance from the New Bedford terminal, and she expressed concern that any parking revenues in the future would go to New Bedford instead of to the Authority, which she said would result in the loss of millions of dollars each year.

In response, Mr. DeWitt disagreed with Ms. Laursen that there was no demand for high-speed service to the island. In addition, Mr. Parker pointed out that the Authority could not in any way be the gatekeeper of traffic to the island or the shaper of what traffic comes to the island. Mr. Parker declared that the Authority is charged with serving the island people and providing the transportation the island people need, as well as the necessities of life; the Authority is not charged with choosing who should come or how they should come. Mr. Parker also observed that the Authority could not control the island's growth, which was the responsibility of the island's local public officials. To the contrary, Mr. Parker said, the Authority has the responsibility to meet the island's growth as its needs expand.

Mr. Leontire stated that high-speed service was not going to attract more people to the island, but rather enable the Authority to divert customers from traveling to Woods Hole by offering them a savings in the time it takes to travel to the island. With respect to the *Nobska*, Mr. Leontire declared that it would be a miracle if the *Nobska* were to run in his lifetime, that it was \$15,000,000 from going anywhere, and that it was being evicted from its present facilities.

Angela Gompert, Executive Director of the Martha's Vineyard Regional Transit Authority, thanked the Authority for all of their assistance. Comments from other members of the audience included a request for the Authority to consider accepting subsidies, as every other transportation system in the country does; a request to give senior citizen discounts only to senior citizens residing on the islands, as they are the ones who have to travel to the mainland to buy things they can neither obtain nor afford on the islands; a request not to rush to provide high-speed service between New Bedford and Martha's Vineyard; a request for a well-designed survey of island residents to find out what they want the Authority to do; a request to consider providing senior citizen discounts to senior citizens residing in Yarmouth; a request not to provide more trips and faster trips to attract more and more tourists; a request to make certain that there are enough employees in the Authority's parking lots to answer questions from customers; and a request to allow island residents to travel on a stand-by basis.

At approximately 12:25 p.m., Mr. Parker 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. DeWitt'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 contract negotiations with nonunion personnel.

VOTING AYE: Mr. Parker, Mr. DeWitt 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

July 19, 2001

The Members of the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority met this 19th day of July, 2001, beginning at 9:30 a.m., in the second floor meeting room of the Authority's Hyannis terminal, located at 141 School Street, Hyannis, Massachusetts.

Present were all four Members: Chairman J. B. Riggs Parker of Dukes County; Vice Chairman Edward J. DeWitt 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; and General Counsel Steven M. Sayers.

Mr. Parker opened the meeting by noting that the Members would greatly miss Mr. DeWitt, who recently had submitted his resignation as the Falmouth Member effective at the close of that day's meeting. Mr. Parker also noted that Mr. Tiberio had advised the Members of his intention to leave the Authority's employment in the future so that they would have ample time to search for his replacement.

Public Comment on Agenda Items:

Martha's Vineyard resident Arthur Flathers asserted that the Authority's Martha's Vineyard service generated a \$16,000,000 surplus during the 1990s, while its Nantucket service lost around \$1,000,000 during the same period. Accordingly, Mr. Flathers declared that Nantucket owed the Authority around

\$17,000,000, plus interest and adjustments for inflation, as future investments by the Authority on the Martha's Vineyard route would now have to be made with inflated dollars. Further, Mr. Flathers said that he felt any shortfalls in traffic levels due to the Authority's rates or over-scheduling were attributable to the Authority's marketing department, as it is the one responsible for determining the Authority's fundamental level of service and the fares charged.

Minutes:

IT WAS VOTED -- upon Mr. DeWitt's motion, seconded by Mr. O'Brien -- to approve the minutes of the Members' meeting in public session on June 21, 2001.

VOTING AYE: Mr. Parker, Mr. DeWitt and Mrs. Grossman

VOTING NAY: None

Hy-Line Cruises License Fee Reconsideration:

Mr. Sayers then reviewed Management Summary #L-324, dated July 16, 2001, reporting on management's ongoing review of current license fees paid by Hyannis Harbor Tours, Inc. ("Hy-Line") pursuant to its various license agreements with the Authority, and possible changes to the license fee provisions contained in those agreements as a result of the approved replacement of the *Grey Lady II* with a new high-speed vessel of greater passenger capacity. Mr. Sayers further stated that management also believed that the development of a better license fee formula should not be restricted to Hy-Line's license agreements, but should include all of the Authority's other licensed carriers as well. Accordingly, Mr. Sayers said, he had sent copies of the management summary to all of the carriers providing ferry service between the mainland and the islands, and would be contacting them over the next few weeks to obtain their comments.

After Mr. Sayers finished his presentation, Mr. DeWitt declared that he felt whatever formula is used should be simple and based upon capacity rather than the number of passengers actually carried, because it would be easier for the Authority's licensees to predict at the beginning of each year what their licensing costs are going to be. Mr. DeWitt also stated that he felt the formula

should no longer be based upon a vessel's capacity in excess of 40 passengers, but rather on its total passenger capacity, similar to the approach that the Authority has taken in its inter-island license agreements with Hy-Line.

Mr. DeWitt and Mrs. Grossman further noted that the Authority is the only carrier that is required to operate year round, and agreed that the license fees paid by the other carriers should contribute towards the revenues which their services divert from the Authority year round, as the Authority needs those revenues to offset the losses it incurs during the winter months.

Mr. Parker agreed that the ultimate fee formula should be simple and something that would enable the licensees to estimate their expenses at the beginning of the year. For that reason, Mr. Parker observed that it may make sense to have a carrier's license fee based on its overall passenger capacity, which may also have some effect on the size of vessels used. However, he felt that the Authority should continue its discussions with the licensees, and said that he was not insisting that any particular approach be used.

Barge Unloading Rates:

Mr. Tiberio then reviewed Management Summary #GM-434, dated July 16, 2001, regarding the recent requests received by the Authority from barge operators to roll back the price for off-loading bulk product at the Nantucket terminal from \$3.00 per ton to \$1.00 per ton. After Mr. Tiberio finished his presentation, Mrs. Grossman asked whether the barge operators would be agreeable to a rate of \$1.00 per ton during the off-season and \$3.00 per ton during the summer, but Mr. Tiberio said that they would not.

Mrs. Grossman said that she would like to see the rate reduced to \$1.00 per ton year round to encourage customers to stockpile bulk cargo, and noted that the Town of Nantucket had been discussing the possibility of building a storage facility for that purpose. Mrs. Grossman also declared that she felt the Authority should not be making it more expensive to barge, but rather should continue to take steps to reduce the number of trucks carried by the Authority, which would relieve some of the traffic congestion in Hyannis.

Mr. Murphy, however, declared that he still failed to see any hardship that would be suffered by the barge operators if the price were maintained at \$3.00 per ton. Indeed, Mr. Murphy observed that if any of the barge operators were to decide now to carry their products on the Authority's vessels instead of

barging them, their costs would increase from \$79,000 (based upon the current price of \$3.00 per ton) to \$660,000 (based upon the Authority's truck fares for carrying the equivalent amount of cargo). Therefore, Mr. Murphy said, he did not see any realistic possibility that the barge operators were going to begin trucking their cargo because of the price increase; but, on the other hand, he did see the physical abuse to the Authority's terminal caused by the barges, as well as the increased congestion there. Nevertheless, Mr. Murphy stated that this was a Nantucket issue and that, if Nantucketers wanted to lower the price for off-loading bulk cargo at the Nantucket terminal, that was their decision.

Mr. DeWitt similarly agreed that this was a Nantucket issue regarding what price to establish for off-loading bulk cargo at its terminal, but he noted that the issue was more about the message the Authority was sending than it was about dollars. In this regard, Mr. DeWitt observed that none of the barge operators had stopped barging their product as a result of the price increase, so he thought the Authority was still sending the right message at \$3.00 per ton, namely, that barging was the preferred method of transportation.

Mr. O'Brien, however, declared that this was also a Barnstable issue and that he did not want to see one more truck traveling through Hyannis as a result of any price increase in the Authority's barge off-loading rates. Noting that, without this barge activity, there would have been 5,500 more trucks traveling through Hyannis, Mr. O'Brien stated that he wanted the Authority to return the price to \$1.00 per ton, especially since there was not much money involved.

Mr. Tornovish disagreed, saying that he did not see any need to change the price back to \$1.00 per ton, as the cost of barging was still only one-tenth the cost of the only other viable way of transporting this product to the island. In addition, Mr. Tornovish said, the increased revenue would help offset the cost of the wear and tear on the terminal.

Mr. Parker similarly found it difficult to see how a barge operator would choose to transport his product by truck when his costs would increase so significantly, and he thought that lowering the price to \$1.00 per ton would run counter to good business practices. Nevertheless, Mr. Parker said, if Nantucket wanted to do so for other reasons, he would support that decision, as the loss of revenue would be on its route, but he cautioned that he did not want the decision to be construed as any precedent for Martha's Vineyard.

Mrs. Grossman agreed with Mr. Parker that this would not be construed as any precedent for Martha's Vineyard. She also agreed with Mr. O'Brien that

this wasn't just a Nantucket issue, but one that affected both Nantucket and Hyannis, and Hyannis was clearly saying that they wanted the Authority to reduce the number of trucks going through that community.

IT WAS VOTED -- upon Mrs. Grossman's motion, seconded by Mr. O'Brien -- to reduce the price for off-loading bulk product at the Authority's Nantucket terminal from \$3.00 per ton to \$1.00 per ton on a year-round basis.

VOTING AYE: Mr. Parker, Mr. DeWitt and Mrs. Grossman
VOTING NAY: None

Future Freight/Shipper Policies:

Mr. Tiberio then reviewed Management Summary #MCR-103, dated July 12, 2001, describing a number of proposed changes to the Authority's freight policies that had been developed over the course of the prior four months and which represented a consensus of opinion of not only the Authority's own employees, but industry representatives as well. Mr. Tiberio thanked everyone involved in the process, and especially the efforts of Martha's Vineyard resident Arthur Flathers.

After Mr. Tiberio finished his presentation, Mrs. Grossman expressed concern that the proposed changes might be construed as prohibiting the practice of transferring reservations among freight shippers after a service disruption due to bad weather, observing that the practice benefited Nantucket by making certain that trucks carrying food and other necessary supplies were transported to the island as soon as possible after an extended storm instead of the trucks of other freight shippers who previously had obtained reservations. Mr. Tiberio agreed that the proposed changes were not intended to be followed during those kinds of emergencies, and that the Authority would continue to address the islands' needs as it historically has done in those situations, making certain that essential supplies are given first priority.

Mr. DeWitt declared his support for the proposed changes, and similarly praised the fact that they were developed by the Authority's own employees in cooperation with the industry. Mr. Parker agreed, saying that he was thankful for Mr. Flathers' participation in the process, but that he was most proud of the Authority's employees -- the reservations clerks, the terminal agents, Gina

Barboza and Mark Rozum -- who were flexible in the finest tradition of developing customer service.

Mr. O'Brien suggested that management may want to consider moving the semi-annual reservations periods so that they matched with the proposed periods for the two-tier season for freight tariffs. Mr. O'Brien also asked whether the proposed ten percent deposit for each reservation processed was sufficient, but both Mr. Tiberio and Mr. Parker recounted how the requirement for a deposit had been proposed by the truckers themselves to provide an incentive for them not to make more reservations than they need, and at this time they did not feel it was appropriate to insist upon a higher amount.

Finally, Mr. Tornovish said that this was a good example of the Authority listening to the people on the front lines and getting a good result. He also observed that greater utilization of the Authority's truck spaces will benefit the Authority's other customers as well by opening up more spaces for them.

2002 Budget Policy Statement:

Mr. Lamson reported that management had begun the preparation of the Authority's operating budget for the 2002 calendar year and, in connection with that process, had developed proposed policy guidelines for the Members' consideration, as set forth in Management Summary #A-404, dated July 13, 2001, containing certain assumptions about such matters as the Authority's operating and maintenance schedules and projected traffic levels. Mr. Lamson stated that it would be helpful if the Members could resolve various issues before management got too far along in the process, such as how freight service would continue to be provided between New Bedford and Martha's Vineyard, and whether the Authority would be operating the *Flying Cloud* during the winter months. Mr. Lamson also stated that management would then present a preliminary 2002 operating budget for the Members' consideration at their September meeting.

Mrs. Grossman asked Mr. Lamson to reconsider the assumption that high-speed passenger-only service between Hyannis and Nantucket will only be provided during the spring, summer and fall schedules, and requested that he investigate the possibility of having the *Flying Cloud* operate one or two more months next year. In this regard, Mrs. Grossman suggested that the Authority may want to try to coordinate its overhaul schedule for the *Flying Cloud* with Hy-Line's overhaul schedule for the *Grey Lady II*, so that island residents were

assured of having at least one high-speed vessel in service at all times during the winter. Mrs. Grossman also noted that taking the *Flying Cloud* out of service this past year for the entire winter was confusing for the Authority's customers, who did not know whether the vessel would be operating again in the future.

Mr. Parker said that he supported Mrs. Grossman's suggestion that the Authority cooperate with Hy-Line, but he cautioned that the Members needed to know more specifically what was being proposed to determine what it will cost and how it will benefit Nantucket residents. Mr. DeWitt also supported further discussions with Hy-Line about this issue to see whether the parties could agree upon an arrangement where Nantucket would have high-speed transportation throughout the year but only one operator would be in service at a time during the winter. In response, Mr. Lamson stated that management could proceed on that basis, although it would mean increased costs for the Nantucket route and, he suspected, probably require an increase in rates.

Mr. Parker then asked Mr. Lamson what his intention was with respect to implementing the policy that had been approved by the Members in 1998 regarding the distribution of any future rate increases to recover over a five-year period any difference between a route's allocated revenues over a ten-year period and the allocated cost of service for that route.¹ Mr. Lamson noted that the policy had not been consistently applied since it had been adopted because it would have had too much of an impact on Nantucket fares all at once, although Mr. Lamson also noted that Nantucket fares had now been increased to the point where that route was once again paying its own way. Mr. Lamson stated, however, that Nantucket's 1997, 1998 and 1999 operating losses still had to be addressed, and he was proposing a revision to the current policy by establishing a threshold of five percent within which no "catch-up" adjustment would be required, provided projected revenues are sufficient to meet the allocated cost of service budget estimate for the ensuing year, and, further, if a "catch-up" adjustment is required, he also was proposing to extend the recapture period from five years to ten years.

Mr. Parker noted that he was not a Member when the current policy was adopted, but that his predecessor had voted for an allocation method based upon recovering a sum of money for the Martha's Vineyard route over a five-

¹ Reporter's Note: The Policy for the Distribution of Any Future Rate Increases by Routes, which was approved by the Members on October 8, 1998, is set forth in Staff Summary #A-372, dated September 30, 1998.

year period that represented an imbalance on the Nantucket route that came at a time when Nantucket needed to renew its facilities and increase its service. Mr. Parker declared that the Martha's Vineyard route was now facing similar needs, as the Authority will soon be required to renew the Oak Bluffs terminal and replace the two oldest vessels in its fleet, both of which service that island. In this regard, Mr. Parker also noted that all of those capital expenditures would have to be paid for with inflated dollars.

For these reasons, Mr. Parker said, he thought the current policy was a good one, and he saw no reason not to follow it with respect to past obligations. However, Mr. Parker acknowledged that he could understand if the Authority were to change the policy with respect to future imbalances, and he could also support expanding the time period within which the Nantucket route would be able to pay back its obligations; but he did not believe policies should be made simply to abandon them later, and he did not think the debt should simply be forgiven. Mr. Murphy agreed, saying that the Nantucket route owed the Martha's Vineyard route around \$7,000,000, and that forgiving the debt would not be fair to the people of Martha's Vineyard. However, Mr. Murphy similarly stated that he would be amenable to stretching out the repayment of that money over a longer period of time, but not in the manner being proposed by Mr. Lamson, which would preclude any recovery if the Authority continued to remain within a five percent threshold.

Mrs. Grossman expressed support for Mr. Lamson's proposed revisions to the policy, saying that the Authority had always been considered one organization and that she had not been thinking clearly when she supported the policy in 1998. Mrs. Grossman also noted that a significant portion of the losses incurred by the Nantucket route over the last few years was attributable to unforeseen events, such as cost overruns on the Hyannis terminal and the settlement of the Hyannis Marina lawsuit. Mrs. Grossman declared that those types of costs more appropriately should be borne by the entire organization, as they did not reflect increases in service or new facilities that had been requested by the people of Nantucket.

Mr. Parker agreed that the Authority was one organization, but he said that he did not see any good reason to change the policy with respect to past obligations incurred by the Nantucket route, although he would be happy to change the policy for the future. Mr. DeWitt then cautioned that any policy adopted by the Members needed to be flexible, observing that it appeared that, while Martha's Vineyard would benefit by implementing the policy with respect to past obligations, Nantucket would benefit by implementing the policy with respect to anticipated future obligations. Mr. DeWitt also observed that the

policy was creating a rift between the two islands, and he urged the other Members to develop a consensus between them regardless of some potential inequities so that they could look at the Authority as one system.

Mr. Tornovish also observed that the policy could not have been adopted at a worse time for Nantucket, just after the Authority had completed three significant capital projects for the Nantucket route. Mr. Tornovish further observed that the policy ignores any previous contributions the Nantucket route could have made to the Martha's Vineyard route, which he understood had occurred on a regular basis for years. Accordingly, Mr. Tornovish said, the amount in question was essentially a figment, and the Members instead should focus on developing an equitable allocation method for the future.

Mrs. Grossman also pointed out that Nantucket only has a fraction of the service that Martha's Vineyard has because it is so much farther out at sea. In addition, Mrs. Grossman said, the cost of providing service for Nantucket was much higher than the cost of providing service for Martha's Vineyard, and Nantucket residents simply could not afford any more fare increases. However, Mr. Parker declared that just because Nantucket costs were higher did not mean that Nantucket should not cover its own costs.

Ultimately, Mr. Parker noted that the Members did not need to vote on the policy that day, and he agreed with Mr. Tornovish that a different picture might emerge if management were to allocate the Authority's revenues and cost of service by route for a longer time period prior to the 1990s. Therefore, the Members agreed to defer the matter pending their receipt of that additional information.

IT WAS VOTED -- on Mr. O'Brien's motion, seconded by Mr. DeWitt -- to adopt the 2002 Budget Policy Statement, in the form attached to Management Summary #A-404, dated July 13, 2001, subject to possible modifications to the *Flying Cloud's* operating schedule after engaging in discussions with Hyannis Harbor Tours, Inc.

VOTING AYE: Mr. Parker, Mr. DeWitt and Mrs. Grossman
VOTING NAY: None

Treasurer's Report:

Mr. Lamson reported that the Authority's net operating income for the month of June was expected to be around \$100,000 lower than the Authority's budget projection and that, as a result, the Authority's net operating loss for the first six months of 2001 would be approximately \$435,000 more than the Authority's original budget estimate. Mr. Lamson noted that a large portion of the difference was attributable to the operation of the *Schamonchi*, which was not included in the Authority's original budget projections.

Capital Improvement Plan:

Mr. Tiberio reported that there had been a number of meetings with the All-Island Selectmen of Martha's Vineyard and a sub-committee that had been established regarding the Authority's future direction, including the Authority's feasibility study of high-speed passenger service between New Bedford and Martha's Vineyard and other aspects of the Authority's proposed service model. As a result, Mr. Tiberio said, management was close to formulating a new capital plan for the Authority.

Specifically, Mr. Tiberio said that the All-Island Selectmen had endorsed the continuation of freight service between New Bedford and Martha's Vineyard, as well as the Authority providing that service, from May through September with three trips per day, and eliminating the 6:00 a.m. hazardous freight trip from Woods Hole. Mr. Tiberio stated that they also had endorsed the idea of taking a harder look at the type of vessel which should be used in connection with that service, such as a mid-speed dedicated freight vessel, in the event the service were to become a permanent feature of the Authority's service model.

In addition, Mr. Tiberio stated that the selectmen had endorsed investigating the feasibility of providing a high-speed passenger-only service between New Bedford and Martha's Vineyard during the 2002 summer season, although they were not endorsing the service itself. Instead, Mr. Tiberio said, they wanted the Authority to discuss the subject further with Oak Bluffs and Tisbury. Finally, Mr. Tiberio reported that the selectmen had endorsed the goal of giving priority to the replacement of the *Islander*.

Mr. Tiberio also reported that Ralph Packer, Jr. had advised both the Authority and the selectmen that his barge operations were being evicted from the New Bedford waterfront and that, if he were not able to continue operating his own freight service, he would need approximately 8,000 truck spaces on the Authority's vessels to transport the equivalent amount of cargo. Mr. Tiberio stated that the selectmen were attempting to resolve the matter directly with New Bedford; but he noted that, if no resolution were achieved, Mr. Packer's participation in the Authority's bulk reservation program undoubtedly would have a significant impact on the Authority's operations.

Mr. Parker observed that this situation clearly demonstrated to Martha's Vineyard how important Mr. Packer's efforts were in terms of bringing material and fuel to the island. Accordingly, Mr. Parker said, the Authority needed to do whatever it could to ensure that the island continues to be serviced properly with the goods and materials which Mr. Packer provides, without regard to whether they continue to be provided by Mr. Packer or another business.

Cape Cod Regional Transit Authority:

Mr. Tiberio advised the Members that, as part of the Cape Cod Regional Transit Authority's efforts to encourage the Authority's customers to use public transportation, it had asked permission for its representatives to travel on the Authority's vessels for the purpose of handing out literature and giving away tokens for free bus transportation. In this regard, Mr. Sayers noted that this activity might more appropriately be considered part of the Authority's own efforts to encourage its customers not to drive their cars to reduce traffic congestion on both the Cape and the Islands.

Mr. Parker asked Mr. Tiberio also to consider the possibility of handing out literature on the vessels regarding the Authority's passenger service from New Bedford, and Mr. DeWitt suggested that the island transit authorities may be interested in similarly promoting their services. Mrs. Grossman, however, expressed her concern that all of this activity might disturb passengers who are trying to relax. In response, Mr. Tiberio assured the Members that everything would be done in an organized fashion, and Mr. Murphy emphasized that only government entities should be given such permission, and that no one should be allowed to promote individual businesses.

IT WAS VOTED -- on Mrs. Grossman's motion, seconded by Mr. DeWitt -- to allow representatives of the Cape Cod Regional Transit Authority to travel on the Authority's vessels for the purpose of handing out literature and giving away tokens for free bus transportation, provided that they do not disturb passengers who are trying to relax on the boats.

VOTING AYE: Mr. Parker, Mr. DeWitt and Mrs. Grossman
VOTING NAY: None

Search for a New General Manager:

Mrs. Grossman declared that, in light of the news that Mr. DeWitt was resigning and that Mr. Tiberio was planning to submit his resignation within the following ten days, she wished to move that the Members hold a special meeting as soon as possible to develop a new job description for the General Manager's position and to determine the method by which the position is to be filled, and that no new position be filled until such time as the new General Manager and Falmouth Member are appointed.

Mr. Murphy, however, asked whether this subject could be discussed by the Members in executive session. In response, Mr. Sayers said that he would research the matter and advise the Members so that they could then schedule another meeting and provide the appropriate notice as required by law. The Members agreed, and Mr. O'Brien suggested that, in the meantime, the Members might also want to review the materials that had been developed in connection with the Authority's previous search for a General Manager, as he did not believe that the criteria had changed that much since then.

Public Comment:

Hyannis resident Rita Karath asked the Members whether the Authority could provide traffic control on South Street where the Authority's customers exit the Hyannis terminal. Ms. Karath said that there had been a few accidents at that location because the Authority's customers immediately switch lanes to turn left onto School Street and also because there was no sign instructing the Authority's customers to stop before entering South Street.

Tisbury resident Nora Nevin asked the Members whether the Authority could allow customers who arrive earlier than their stated reservations to take an earlier boat without being required to telephone the reservations office to change their reservations.

George Leontire, City Solicitor and Economic Development Director for the City of New Bedford, declared that the City of New Bedford had been looking into Mr. Packer's situation to see what could be done about it, but that the matter was a complicated one which involved a lot more than Mr. Packer. Mr. Leontire said that he found it interesting how important Mr. Packer's barge service was to Martha's Vineyard, which demonstrated as well the importance of New Bedford harbor to the island despite the fact that Mr. Packer's operation represented no value to New Bedford. For this reason, Mr. Leontire said, he was somewhat disappointed that the All-Island Selectmen had voted not to support a seat for New Bedford on the Authority's board. Mr. Leontire also declared that he had been disturbed to learn that Mrs. Grossman had sent a letter to Senator Kennedy urging him not to support a grant for a high-speed ferry between New Bedford and Martha's Vineyard, and that she apparently was trying to prevent an appropriation which was intended to open options.

In response, Mrs. Grossman declared that she had never said that New Bedford does not have a role to play in providing transportation for the islands. Rather, Mrs. Grossman pointed out, the fact was that in the Authority's history no community has ever been eligible to appoint a voting Member for the Authority unless the Authority had a permanent port in that community. With respect to her letter to Senator Kennedy, which she said was a personal letter from herself and Walter Beinecke, Mrs. Grossman noted that the Members had never voted to apply for a grant for a high-speed ferry and that she did not feel it was appropriate to apply for such a grant until the Members had voted to do so.

Mr. Parker said that he believed the Members should make public policy in public, and that he could not believe that such a letter had been privately sent when the opportunity was available to Mrs. Grossman to publicly state whatever position she had. While acknowledging that such a public process is sometimes painful and produces disagreements, Mr. Parker declared that he honored Mrs. Grossman's right to disagree with him on any public policy that they are making together, and that he did not believe it was constructive for her privately to attempt to undo an effort that had been undertaken by the Authority's management, especially when she had been offered an opportunity to go to Washington with them but had declined.

In response, Mrs. Grossman said that at the time she had been offered the opportunity to travel to Washington, she had stated the reason why she declined to go. Mr. Parker acknowledged that he had not made the offer to her personally and had not been told why she did not want to go. Nevertheless, Mr. Parker declared that he was disheartened by Mrs. Grossman's letter, particularly where the matter pertained to raising funds for service to Martha's Vineyard, not Nantucket, and he asked her whether she would share her letter.

Mrs. Grossman declined to do so, saying that her letter was a private one from herself and Mr. Beinecke and, in any event, did not oppose any service to Martha's Vineyard. Rather, Mrs. Grossman said, it pertained to a grant for the high-speed ferry that originally had been proposed for Nantucket. It was later changed, she said, but the Members had never discussed that and had never voted to go to Washington to obtain a grant. In this regard, Mr. Parker noted that the Members do not vote on everything that the Authority does, and that the General Manager's performance review contains a provision evaluating him on his efforts to obtain grants for the Authority.

Vineyard Gazette reporter Julia Wells asked whether the Members and the Finance Advisory Board agreed with the suggestion that had been made by Justice Rudolph Kass to abolish the Finance Advisory Board. Mr. Murphy said that he agreed with the suggestion unless the Legislature were to change the duties and responsibilities of the Finance Advisory Board significantly. Both Mr. Tornovish and Mr. Asendorf agreed, and Mr. Asendorf further noted that the current structure did not really make sense, with the Members, who are appointed, having the power to vote, and the Finance Advisory Board having no such power even though two of its members are elected.

Mr. O'Brien stated that if, as proposed by Justice Kass, the number of voting Members were increased to five and all of their communities shared in any deficit incurred by the Authority, he felt that it would be unwieldy to have an additional five-member Finance Advisory Board because there would just be too many people involved. The other Members agreed, and all of them were of the opinion that, in such a situation, the Finance Advisory Board should be abolished unless their duties were increased and more clearly defined.

In response to another question from Ms. Wells, Mr. Parker declared that no decision had been made to acquire another high-speed ferry, and that he and Mr. Tiberio, in asking for the federal grant, had stated only that there was a proposal to try to charter a vessel for a couple of years to determine whether the service will work and that, if it does work, the grant money would then be used toward acquiring the Authority's own high-speed vessel. Mr. Tiberio

agreed, and further noted that, in addition to the \$1,500,000 which Senator Kennedy had appropriated for the project in the Senate version of the federal budget, the Authority had applied for another \$2,000,000 for the project from the ferry boat discretionary fund, and that application already had been submitted by the Massachusetts Highway Department to the Federal Highway Administration. In this regard, Mr. Tiberio stated that he had never before asked for authorization from the Members before applying for any grant. Further, with respect to this particular project, Mr. Tiberio said, there was no specific time line, and the only decision which had been made by the Authority was to look into its feasibility.

Finally, Mr. Flathers requested, under the public records law, copies of the certificates of insurance that have been submitted to the Authority by private barge operators who have been allowed to off-load their cargo at the Authority's Nantucket facilities.

At approximately 12:30 p.m., Mr. Parker 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. DeWitt'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 contract negotiations with nonunion personnel.

VOTING AYE: Mr. Parker, Mr. DeWitt 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

August 16, 2001

The Members of the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority met this 16th day of August, 2001, beginning at 9:38 a.m., in the Large Instruction Room of the Nantucket High School, located at 10 Surfside Road, Nantucket, Massachusetts.

Present were all three Members: Chairman J. B. Riggs Parker of Dukes County; 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: S. Eric Asendorf of Falmouth; and Steven A. Tornovish of Nantucket. Finance Advisory Board member Robert C. Murphy of Dukes County was not present.

The following members of the Authority's management were also present: General Manager Armand L. Tiberio; Treasurer/Comptroller Wayne C. Lamson; and General Counsel Steven M. Sayers.

Mr. Parker began the meeting by acknowledging the presence of Mary ("Pat") Flynn, Chairman of the Falmouth Board of Selectmen. Noting that the Authority's former Falmouth Member, Edward J. DeWitt, had resigned and that the Falmouth Selectmen had not yet appointed a new Member to replace him, Mr. Parker stated that he would recognize Ms. Flynn during the course of the meeting so that she could participate in the discussion of any of the issues pending before the Authority.

Public Comment on Agenda Items:

A member of the audience asked whether it would be possible for the Authority to make its agenda and written materials available to the public in advance of the meeting, as it was virtually impossible to read all of those

documents and make any meaningful comment on them at that time. In response, Mr. Parker acknowledged the problem, but observed that there was no easy solution for it because the materials often were not prepared until shortly before the meeting.

With respect to the agenda item regarding the Authority's consideration of the amount of license fees to be paid by Hyannis Harbor Tours, Inc. ("Hy-Line"), Nantucket legislative liaison Timothy Madden asked that the Authority also attempt to address scheduling issues involving Hy-Line's high-speed ferry service. Another member of the audience also asked the Members to consider establishing license fees in a manner that would favor high-speed vessel operations and disfavor conventional vessels, on the theory that high-speed ferry service reduces the amount of air traffic and provides better service for the traveling public.

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 July 19, 2001.

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

Hy-Line Cruises License Fee Reconsideration:

Mr. Sayers then reviewed Management Summary #L-325, dated August 14, 2001, in which he summarized the recent activities undertaken by the Authority's management in connection with its review of the current license fees paid by Hy-Line and other passenger ferry operators pursuant to their various license agreements with the Authority, as well as what changes should be made to the license fee provisions contained in those agreements.

After Mr. Sayers completed his presentation, Mr. O'Brien observed that the Authority needed to proceed very cautiously with this matter and should take time to discuss the subject with all of its licensed carriers. Mr. Tornovich agreed, reporting that he and Mrs. Grossman had a productive discussion with

Hy-Line representatives the prior week and believed that all of the outstanding issues could be resolved. Mr. Tornovish noted that the Authority's current license fee formula needed to be simplified and, in doing so, the Authority had to consider both its obligations to its ratepayers and the licensees.

Mr. Parker similarly declared that any licensing arrangement had to be in consonance with making certain that the Authority's financial stability was preserved, and that the Authority had to have a firm understanding of what revenues it was giving up whenever a competitor carried passengers to and from the islands. In this regard, Mr. Parker stated that he did not believe the Authority was as yet fully informed about the amount of revenues it was losing because it was not yet in a position to say what its own tariffs should be at this particular time. Accordingly, while he acknowledged that the Authority should reach some decision on this matter to enable Hy-Line to decide whether to acquire a new high-speed vessel, Mr. Parker cautioned that Hy-Line would have to understand that this was an ongoing process and that there may be some changes. In other words, Mr. Parker said, the Authority could not come to a quick conclusion on license fees and remain committed to any new license fee formula for a long period of time.

Mrs. Grossman declared that, in her opinion, the amount of license fees paid by ferry operators should be established by the Authority on an individual basis, based upon the size and needs of each operation. Mrs. Grossman also agreed that the Authority could not postpone this matter indefinitely because Hy-Line needed to know what the Authority's position was in order to decide whether to acquire a new vessel.

Ms. Flynn also asked the Members, when establishing the amount of license fees to be paid by ferry operators, to consider what community benefits result from each operation and to provide financial incentives for such benefits. For example, Ms. Flynn said, the operation of *Pied Piper* between Falmouth and Edgartown disperses traffic from Woods Hole, thereby easing traffic congestion, and gives the public the opportunity to travel directly to Edgartown instead of having to go through Oak Bluffs or Vineyard Haven.

Future Freight/Shipper Policies:

Mr. Tiberio reviewed Management Summary #MCR-104, dated August 10, 2001, describing a number of proposed changes to the Authority's freight policies that had been developed over the course of the prior five months and

which represented a consensus of opinion of not only the Authority's own employees, but industry representatives as well. Mr. Tiberio observed that the driving force behind the proposed changes was the need to maximize and manage the use of freight deck space on the Authority's vessels and to develop an equal playing field among all of the freight shippers traveling on the Authority's vessels.

Addressing a concern that was raised by Mrs. Grossman, Mr. Tiberio also emphasized that the proposed changes prohibiting the practice of transferring reservations among freight shippers were not intended to be followed after a service disruption due to bad weather or other reason, and that the Authority would continue to address the islands' needs as it historically has done in those situations by making certain that essential supplies are given first priority regardless of which shippers actually possess reservations.

IT WAS VOTED -- upon Mr. O'Brien's motion, seconded by Mrs. Grossman -- to approve the proposed changes to the Authority's freight/shipper policies described in Management Summary #MCR-104, dated August 10, 2001, with the following modifications:

- (a) the dates for the two-tier season for all freight tariffs are changed to coincide with the semi-annual bulk freight reservation processing periods, resulting in the on-season tariffs being in effect from May 1st through October 31st and the off-season tariffs being in effect from November 1st through April 30th; and**
- (b) the change prohibiting the practice of transferring reservations among freight shippers shall not apply after a service disruption due to bad weather or other reason, during which times the Authority will continue to give first priority to essential supplies for the islands regardless of which shippers actually possess reservations.**

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

Proposed 2002 Operating Schedules:

Mr. Tiberio reviewed Management Summary #MCR-105, dated August 10, 2001, in which management's proposed 2002 vessel operating schedules were presented to the Members for discussion. Mr. Tiberio recounted how the Members had directed management to look at the schedule with a "bottoms up" approach in order to isolate any inefficiencies and reduce costs wherever possible. But Mr. Tiberio stated that, ultimately, management was unable to identify any specific trips that could be eliminated based upon the historic utilization of vessel capacity. In this regard, Mr. Tiberio noted while there may be times where vessels going in one direction might not be full on certain trips, they generally were full when going in the other direction.

Mr. Tiberio declared that this phenomenon was particularly true with respect to the Nantucket route and, as a result, management's proposed 2002 Nantucket schedule basically mirrored the Authority's current schedule for that route.² However, Mr. Tiberio noted that management was proposing to operate the *Flying Cloud* for the first time during the winter when Hy-Line's *Grey Lady II* was tentatively scheduled to be out of service (from January 1st through 16th, from February 16th through March 2nd), and that, during the summer, the vessel's mid-afternoon trip would be operated seven days a week instead of only on weekends. In response to a request from Mrs. Grossman, Mr. Tiberio stated that management also would see whether the *Flying Cloud's* last trip from Hyannis during the winter could leave Hyannis closer to 5:30 in the afternoon, rather than 4:30 p.m., and remain within a 12-hour operating day.

² Reporter's Note: During his presentation, Mr. Tiberio stated that the management was proposing one substantive change to the 2002 Nantucket winter operating schedule, namely, increasing the number of days it operates three daily freight trips from five days a week (Mondays through Fridays) to seven days a week. However, during Mr. Tiberio's presentation, Mr. O'Brien expressed surprise that management was thus proposing to operate approximately sixty additional freight trips during this period, and noted that other pages in the summary indicated that Nantucket freight trips would continue to be operated only on weekdays during the winter. Mr. Tiberio then reviewed the matter and acknowledged that he had been mistaken, saying that no additional freight trips were being proposed for Nantucket during the winter schedule and that the three daily freight trips would continue to be operated only on a Monday-through-Friday basis.

Mr. Tiberio then said that the only changes management was proposing to the 2001 Martha's Vineyard operating schedule was during the period between May 1st and September 30th, when freight service would be provided between New Bedford and Martha's Vineyard. During this time, Mr. Tiberio said, management was proposing to eliminate the 6:00 a.m. hazardous freight trip from Woods Hole during the weekdays, and having that cargo carried on the first freight trip from New Bedford, although the 6:00 a.m. freight trip would still have to be operated from Woods Hole on Saturdays in order to remove garbage from the island. Mr. Tiberio also stated that management was proposing to increase the number of daily weekday freight trips between New Bedford and Martha's Vineyard during this period from two to three.

Further, Mr. Tiberio noted that, if the Authority were to provide freight service from New Bedford with the *Katama*, that vessel could also make one trip between Woods Hole and Martha's Vineyard during the weekdays; the *Sankaty* also could operate four freight trips between Woods Hole and Martha's Vineyard during the weekdays (instead of the seven trips that the *Katama* was operating this summer); and during the weekends the *Katama* could replace the *Sankaty*, providing service between Woods Hole and Martha's Vineyard and thereby allowing the *Sankaty* to be a spare vessel during those times. As a result of these changes, Mr. Tiberio said, on a weekly basis there would be five fewer freight trips originating from Woods Hole during the summer, although there would be more freight capacity for Martha's Vineyard because of the different vessels being used.

Ms. Flynn declared that the changes being proposed by management, in particular the elimination of the 6:00 a.m. freight trip during the summer, were extremely important to the Town of Falmouth. Ms. Flynn also expressed her hope that, while major changes could not be made to the Authority's operations all at once, the Members would continue to work towards the elimination of the 6:00 a.m. freight trip on a long-term basis.

Capital Improvement Plan:

Mr. Tiberio recounted how the previous year the Authority had held its Capital Improvement Plan in abeyance while it looked at what the needs of the organization would be in the future, and declared that it now appeared that the Authority's first priority should be a replacement vessel for the *Islander* due to the age, condition and limitations of that vessel. Accordingly, Mr. Tiberio said, over the next several years the Authority would have to devote all of its funds

earmarked for major capital projects to this particular project, which will delay the planned refurbishment of the *Nantucket* and the *Eagle* even further.

Mr. Tiberio also questioned whether the Authority could reduce the amount of freight passing through its Hyannis and Woods Hole terminals in the near future, as there was little interest in expanding the amount of freight being barged as well as limitations on the types of freight that can be barged. On the other hand, Mr. Tiberio said, the Authority did not see the existing level of barge activity decreasing, which meant that something had to be done for the Nantucket terminal facilities, as they were not designed for such activity.

Mr. Tiberio declared that the only likely choice was the utilization of the New Bedford facility; but, as a practical matter, the Authority's existing vessels were not fast enough to provide service from that port in an efficient manner. In order to do so, Mr. Tiberio said, the Authority would have to acquire a mid-speed dedicated freight vessel capable of sailing around 24 to 26 knots, which would be more than capable of making the trip between New Bedford and both islands in a reasonable time. However, Mr. Tiberio noted, there were no funds available to acquire such a vessel.

Mr. Tiberio also declared that the Authority needed to make reservations more accessible for island residents and that one possible solution was to encourage tourists to use high-speed ferries so that they would not bring their cars to the islands. Mr. Tiberio stated that he did not think the *Schamoonchi* could attract a sufficient number of those tourists because it was only capable of sailing at 14 knots. Instead, Mr. Tiberio said, he felt a vessel that could sail at 34 knots would provide the kind of service that could address this problem.

Mr. Tiberio also stated that the Authority needed to improve connections with public transportation so that customers would not have to travel in their cars. Saying that the current Relax and Ride program was a positive step in that direction, Mr. Tiberio announced that the Authority had secured funding for that program for the year 2002. He also noted that both islands had embraced the development of their own public transportation systems, which was allowing all of the pieces to be connected in a way that was making travel to the islands without an automobile easy, fast and enjoyable.

Finally, Mr. Tiberio observed that all of these were long-term issues which would not be resolved within the following six months. But Mr. Tiberio declared that the Authority nevertheless should be prepared to capitalize on whatever opportunities that became available.

After Mr. Tiberio finished his presentation, Mr. Parker declared that it was an excellent summary of the areas where the Authority's service for the future needed to be explored. Mr. Parker then announced that the Authority would be advertising a public forum on Martha's Vineyard on August 28th, so that the public could receive information and understand what the facts were.

Mr. Lamson then reviewed management's proposed Capital Improvement Plan for the years 2003 through 2007, as set forth in Management Summary #A-405, dated August 9, 2001. In short, Mr. Lamson reported that if the Authority's first priority were to replace the *Islander* with a new vessel, it will have neither the money nor bond authorization to do any other capital projects over the next five to six years except for a few small projects, such as possibly lengthening the *Sankaty*. Indeed, Mr. Lamson said, the Authority will not even have sufficient bond authorization to enter into the estimated \$22,500,000 contract for construction of the *Islander's* replacement vessel until 2005. Therefore, while Mr. Lamson had listed a number of other capital projects in his summary that management believed should be considered, he noted that none of those projects could be funded unless the Authority were to receive federal or state grants.

Mr. Asendorf then questioned why there was such resistance to having the Authority's bond limit raised, observing that the current low interest rates could provide the Authority with an opportunity to borrow more money without significantly increasing its costs. Mr. Tornovish agreed, declaring that the bond limit should be increased on a periodic basis to make certain that the Authority always has sufficient working capital. In addition, Mr. Tornovish said, an advantage of issuing bonds was that eventually its capital projects would be paid for by deflated dollars. Mr. O'Brien also noted that the Authority would not be required to borrow any additional money in the event its bond limit were increased, although such an increase would provide the Authority with the flexibility to do so if additional money were needed.

However, Mr. Parker declared that the Authority would simply create further financial impasse if it were to increase its bond limit without generating sufficient revenues to service the increased debt. Mr. Parker stated that the Authority needed to address the long-term problem of creating larger operating surpluses in order to refurbish its facilities and replace its fleet, which so far it had not done. While the Authority was paying its current bills, Mr. Parker said, it was not setting aside funds for the future and already had reached its maximum borrowing level. Further, Mr. Parker noted that the Authority needed to reduce its costs, which was an ongoing problem given the fact that seventy percent of those costs were related to personnel.

In response to a question from Ms. Flynn, Mr. Lamson said that, unless the Authority were to receive some grants, it did not appear that any serious renovation work could be undertaken with respect to the Woods Hole terminal until after 2010 or 2011, and even then the Authority may have other priorities for whatever funds were available.

Declaring Mr. Lamson's report to be sobering, Mr. O'Brien observed that the only capital project the Authority would be able to undertake before 2009 was the replacement for the *Islander*. After that, Mr. O'Brien said, the Authority would be faced with the refurbishment of the *Nantucket* at a cost of \$11,500,000. Noting that this was almost fifty percent of what it would cost to acquire a new vessel, Mr. O'Brien stated that the Authority should seriously reconsider at that time whether to refurbish a vessel of that age (40 years). And after that, Mr. O'Brien observed that the Authority would be in the same situation with the proposed refurbishment of the *Eagle*.

Mr. O'Brien also noted that the proposed Capital Improvement Plan was predicated upon being able to transfer \$2,500,000 to the replacement fund each and every year, and he questioned where that money would be coming from in light of the Authority's experience over recent years. Mr. O'Brien stated that the only way he felt the Authority could accomplish that was through a substantial increase in fares.

Mr. Parker agreed, declaring that the Authority, like all businesses, must provide sufficient funds for the future renewal of its vessels and equipment, and the only way to do that was to create sufficient revenues. With respect to increasing the Authority's bond limit, Mr. Parker cautioned that the Authority should not encourage any financial model premised on an increased level of debt in the absence of a feasible business plan to service that debt, and that without fare increases or cost reductions the Authority would not have sufficient revenues to service that debt.

Mrs. Grossman also stated that the Authority should not issue any more bonds, saying that it already had enough debt. However, she declared that island residents simply could not afford any more rate increases and the Authority had to find other creative ways, such as merchandising, to generate new revenues.

Fairhaven Vessel Maintenance Facility:

Mr. Tiberio reported that, since purchasing the Hathaway/Braley Wharf property earlier that year, the Authority had been engaged in a designer selection process so that it could construct permanent shop facilities and other improvements there in the future. However, Mr. Tiberio stated that, apart from that process, the Authority needed to install a system of fender pilings and mooring bollards, and to remove a derelict barge and fishing boat, in order for the facility to be usable during the upcoming repair season. Noting that bids for the work were scheduled to be opened on August 24th, Mr. Tiberio asked the Members to authorize him to award the contract to the lowest eligible and responsible bidder for the work so that the contractor could mobilize before the Authority's next meeting on September 27th.

Addressing a concern raised by Mr. O'Brien, Mr. Tiberio stated that he did not believe the Authority would encounter any contamination (either in the water or in the underlying silt) in the course of removing the barge and fishing boat. Further, in response to a question from Mrs. Grossman, Mr. Tiberio said that the cost of this particular contract had been included in the \$1,200,000 overall budget for the project, and that the Authority would be able to complete all of the site's anticipated repairs and refurbishments within that budget.

IT WAS VOTED -- upon Mrs. Grossman's motion, seconded by Mr. O'Brien -- to authorize the General Manager to award the contract for construction and installation of fender pilings and mooring bollards, demolition and removal of a derelict barge and fishing boat at the Authority's vessel maintenance facility in Fairhaven, Massachusetts, at a cost not to exceed \$400,000, as described in Management Summary #OP2001-1, dated August 13, 2001.

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

Treasurer's Report:

Mr. Lamson reported that the Authority's net operating income for the month of July was expected to be around \$180,000 lower than the Authority's budget projection and that, as a result, the Authority's net operating loss for the first seven months of 2001 would be approximately \$366,000 more than the Authority's original budget estimate. Noting that the Authority originally had projected an annual operating income of \$3,297,000, Mr. Lamson stated that he now expected the Authority to end up with an annual operating income of between \$2,000,000 and \$2,500,000, as the Authority would continue to incur unbudgeted expenses related to the operation of the *Schamonchi*.

Mr. Parker observed that, in addition to incurring expenses relating to the *Schamonchi*, the Authority was running over budget with respect to repairs to its other older vessels, and noted that there was no way the Authority could accurately predict these types of expenses. It was also noted that the Authority had spent approximately \$230,000 for repairs and modifications to the *Flying Cloud* this year, which was \$76,000 more than had been projected. Ultimately, Mr. Lamson said, he expected that the Authority would be able to transfer around \$1,600,000 to the replacement fund by the end of the year.

Mr. Lamson also reported that the Authority was in the process of obtaining certificates of insurance from private barge operators who unload their products at the Authority's Nantucket terminal, and that thereafter the certificates will be maintained in the Authority's General Offices.

Appointment of Acting General Manager:

IT WAS VOTED -- upon Mrs. Grossman's motion, seconded by Mr. O'Brien -- to appoint Mr. Lamson as the Authority's Acting General Manager, effective September 14, 2001 until the appointment of the Authority's next General Manager.

VOTING AYE: Mr. Parker and Mrs. Grossman

VOTING NAY: None

Before the Members' vote and in response to a question from Mr. Parker, Mr. Lamson stated that he was in fact willing to serve as the Authority's Acting General Manager during this time period.

Search for a New General Manager:

The Members then discussed how to proceed with the Authority's search for a new General Manager. In this regard, Mrs. Grossman stated that she felt it was important to use an executive search firm from Massachusetts or New England, and she related proposals she had received from Bennett Associates, Isaacson Miller, Heidrick & Struggles and executive resources international. Mrs. Grossman also suggested that the Members interview firms before making a decision as to which one would be best suited for the assignment.

Mr. Parker then advised the Members that he similarly had discussed the subject with a number of firms, and had learned that the larger firms now only give personal attention to searches for positions over a certain minimum salary (varying from \$175,000 to \$300,000), and charge a fee equal to one-third of the successful candidate's total cash compensation for the first year. For positions with lower salaries, such as middle management positions, Mr. Parker stated that the firms offer a second tier service, which is basically an internet search. Mr. Parker further related that one of the larger firms, Spencer & Stewart, had recommended Judy Rabinowits for the assignment, who worked alone in her own firm, but he had not yet received her materials. In addition, Mr. Parker said, he had met with representatives of Korn/Ferry International, who seemed intrigued by the assignment, but there would be fee issues, as their minimum fee, even for charitable organizations, was normally between \$50,000 and \$60,000.

Mr. Parker further reported that Heidrick & Struggles had recommended Ronald Knapp, who had many years of experience working in Connecticut and Massachusetts, but not specifically with the marine transportation industry; and that he also had contacted Kaye/Bassman International, an international firm of substantial size and quite a lot of transportation experience which was based in Texas. Ultimately, Mr. Parker said, the decision over which firm to use would depend a lot on the individual in the firm who actually would be conducting the search, and he agreed with Mrs. Grossman that it would be preferable to use a firm from Massachusetts.

Ms. Flynn then took this opportunity to recognize the contributions that Mr. Tiberio had made as the Authority's General Manager, declaring that he had helped establish a level of trust on the part of citizens which has enabled them to be heard and become part of the solution. Ms. Flynn observed that in finding his replacement, defining the necessary personal attributions of the successful candidate will be much harder than establishing the minimum qualifications. Accordingly, while Ms. Flynn encouraged the Members to move

quickly, as it would be six to eight months before a new General Manager could join the Authority, she also encouraged them to move with care.

Ms. Flynn advised the Members that she expected the Falmouth Selectmen to appoint a new Falmouth Authority Member by the day after Labor Day, if not sooner. Noting that their next meeting was not scheduled until September 27th, Mr. Parker suggested that the Members use the intervening time to interview various firms and, if possible, select one of them promptly after Labor Day at a special meeting.

Mr. O'Brien then suggested that the Members should also interview the firms collectively. Because Mrs. Grossman was scheduled to be away from August 23rd through August 27th, and Mr. O'Brien stated that he similarly would not be available after August 30th, the Members agreed to hold a special meeting for this purpose at the Authority's Hyannis terminal on August 29th, beginning at 8:30 a.m., and Mr. Parker agreed to make the necessary arrangements with the executive search firms so that they could all be interviewed that day.

Public Comment:

In response to a question from a member of the audience, Mr. Parker stated that he would have no objection to having the Authority's meetings broadcasted on a public access channel.

Martha's Vineyard legislative liaison Russell Smith declared that both Martha's Vineyard and Nantucket had the same interests. Although it made no sense to sail from New Bedford instead of Woods Hole, Mr. Smith said, the All-Island Selectmen had supported the expenditure of \$1,500,000 to provide freight service from New Bedford in order to address the concerns of Woods Hole and divert 2,000 trucks from its streets. Mr. Smith also noted that the island also had supported the elimination of guaranteed standby on weekends and had cut the number of available building permits. However, with respect to the exploration of a fast ferry from New Bedford, Mr. Smith said, the island wanted the Authority to expand the scope of what was being looked at, and to not focus on just a high-speed vessel.

Hy-Line's Vice President of Operations, R. Murray Scudder, stated that while Hy-Line disagreed with some of the comments made by the Authority's management and Members that day, it also agreed with other comments and

looked forward to continuing the dialogue in the days to come. Mr. Scudder also noted, however, that the timing was important to Hy-Line, because now was a good time to make capital expenditures.

With respect to coordinating when Hy-Line's and the Authority's high-speed ferries were out of service during the winter season, Mr. Scudder stated that Hy-Line was not as concerned about splitting revenues during that period as it was about making certain that the island is not without a high-speed mode of transportation. However, Mr. Scudder said, those discussions were contingent upon a successful resolution of the other discussions the parties were having with respect to license fees.

In response to a question from a member of the audience, Mr. Parker noted that the Authority's original proposed service model contemplated that the Authority's operating expenses would be reduced if it were to replace several of its existing vessels with a three-tiered high-speed ferry, and that the reduction in those expenses would have helped the Authority finance the cost of the new ferry. However, Mr. Lamson said, as the Authority developed the original assumptions, it became clear that the Authority's operating costs would be the same with the proposed high-speed ferry. Mr. Parker agreed, noting that such high-speed ferries are not able to carry large amounts of freight and, as a result, the Authority would not have been able to reduce its operating expenses sufficiently even with such a ferry. Nevertheless, Mr. Parker said, the principle of using technology to reduce the Authority's operating expenses was still on the table.

Mrs. Grossman further noted that the only alternative service model that had been proposed was a three-tiered high-speed ferry for Nantucket, and that ultimately no financial data had been presented to show that it would have resulted in any reduction of the Authority's operating expenses. Mr. Tiberio further noted that the Authority had not been able to validate certain of its original assumptions, but that the basic principle was the Authority's operating costs would be less if it were able to serve Nantucket with only one vessel.

Martha's Vineyard resident Harriet Barrow then asked the Authority to consider other types of vessels, such as those operating from Port Jefferson, Connecticut, instead of a high-speed ferry. Ms. Barrow stated that while she felt New Bedford was needed as part of the solution, she did not see the main issue to be speed *per se*. However, Mr. Tiberio stated that the Authority was not considering a fast ferry from New Bedford that could carry automobiles, and that the idea was to replace the *Schamanchi* with a faster passenger vessel so that tourists would not take their cars to the island.

Mr. Tiberio also observed that no one supported using New Bedford as a year-round port, and he declared that there was no logical reason to operate from New Bedford on a year-round basis. For this reason as well, Ms. Barrows said, the Authority should consider broadening the scope of its inquiry so that it could get more use of the vessel. Ms. Barrows noted that the Authority appeared to be making a huge investment for a vessel with such a narrow use of carrying tourists for a few summer months each year.

Nantucket resident Nathaniel Lowell declared that the answer for the Nantucket route was a medium-speed freight boat, observing if such a vessel could make five daily round trips, the Authority could reduce the period each year when it needed to run three vessels on that route.

Nantucket legislative liaison Timothy Madden declared that there had been some misunderstanding about what the 800 Nantucket residents had said at the Authority's meeting on the island in April 2001 regarding its proposed service model. Mr. Madden stated that the island residents were not in favor of changing their traditional way of service to the mainland for the proposed fast ferry system for a number of legitimate reasons. Mr. Madden also noted that the residents had just been presented with only one option and had to say "yes" or "no" to that particular option. However, Mr. Madden said, they were not opposed to the exploration of other service models and, in fact, would like to see whether there were other options and possibilities.

Mr. Madden further suggested that the Authority's relationship with Hy-Line and the other private operators should be explored as a partnership and that the Authority's competition with them should be friendly. In addition, the possibility of replacing the *Schamanchi* with a fast ferry, Mr. Madden said, was a matter for the residents of Martha's Vineyard to review and discuss. In this regard, Mr. Madden noted how Nantucket residents had voted for a fast ferry at a town meeting before the Authority tried to operate a high-speed vessel to see if it were viable, and he thought that Martha's Vineyard residents similarly should have that opportunity.

Mr. Parker then agreed with a member of the audience that the Members' action the prior month to decrease the Authority's barge unloading rates to \$1.00 a ton was fiscally irresponsible and nothing more than a token gesture to Hyannis. However, Mr. Parker said, he voted for that decrease because he feels very strongly that he should not be telling the Nantucket route, which was going to be responsible for its own fares, how it should be conducting its business, and he also feels that such respect should work both ways.

In response to a question from a member of the audience, Mr. Sayers reported that when former Falmouth Member Edward J. DeWitt resigned from the Authority in order to apply for the position of Associate Counsel, he had conferred with the State Ethics Commission over the propriety of his actions. Mr. Sayers said that at that time Mr. DeWitt received an oral opinion, which had been later confirmed in writing, that his actions were perfectly appropriate.

Martha's Vineyard resident Miles Carpenter declared that the only reason for the Authority's existence was the two islands, and they were important because plain ordinary people live on them who rely on the Authority for the things they need. Mr. Carpenter declared that he also was concerned because people seemed to be playing up the differences between the islands rather than their similarities, and that the two islands needed to be united. Mr. Carpenter further stated that there needed to be better communications with year-round residents, and he suggested that, because the Members were already occupied with making important decisions, another body possibly should be created for that purpose.

At approximately 1:05 p.m., Mr. Parker 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 contract negotiations with nonunion personnel.

VOTING AYE: Mr. Parker 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

August 29, 2001

The Members of the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority met this 29th day of August, 2001, beginning at 8:45 a.m., in the second floor meeting room of the Authority's Hyannis terminal, located at 141 School Street, Hyannis, Massachusetts.

Present were all four Members: Chairman J. B. Riggs Parker of Dukes County; Secretary Grace S. Grossman of Nantucket; Associate Secretary Robert L. O'Brien of Barnstable; and Galen M. Robbins of Falmouth. No members of the Authority's Finance Advisory Board were present at the beginning of the meeting.

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

Search for a New General Manager:

The sole item on the Members' agenda was the interviewing of executive search firms who were interested in conducting the search for the Authority's new General Manager. Mr. Parker began the meeting by announcing that Heidrick & Struggles, one of the firms scheduled to be interviewed that day, had advised him the day before that it was withdrawing from the process because it did not feel it was particularly suited to the assignment.

At 8:45 a.m., Richard Bennett and Ned Rightor of Bennett Associates joined the meeting. Messrs. Bennett and Rightor were interviewed by the Members until 9:50 a.m., after which time they left the meeting.

At 9:53 a.m., Paul Buchanan-Barrow and Richard M. Railsback of Korn/Ferry International joined the meeting. Messrs. Buchanan-Barrow and Railsback were interviewed by the Members until 10:45 a.m., after which time they left the meeting.

Finance Advisory Board member S. Eric Asendorf of Falmouth joined the meeting at approximately 10:20 a.m.

At 10:50 a.m., Ronald A. Knapp of Knapp Consultants joined the meeting. Mr. Knapp was interviewed by the Members until 11:30 a.m., after which time he left the meeting.

At 11:30 a.m., Bob Bassman and Ken E. Phipps II of Kaye/Bassman International Corp. joined the meeting. Messrs. Bassman and Phipps were interviewed by the Members until 12:15 p.m., after which time they left the meeting.

At 1:00 p.m., John C. Jay of executive resources international LLC joined the meeting. Mr. Jay was interviewed by the Members until 2:17 p.m., after which time he left the meeting.

At approximately 2:22 p.m., David A. Haley of Isaacson Miller joined the meeting. Mr. Haley was interviewed by the Members until 2:45 p.m., after which time he left the meeting.

The Members then discussed how they wished to proceed and agreed that, in selecting a firm, it was important for them to be very comfortable with the individual who would be assigned the responsibility for actually conducting the search. Mr. Robbins stated that, after consideration, his first preference was executive resources international, although he had been impressed with Korn/Ferry International and Bennett Associates as well. Mrs. Grossman and Messrs. O'Brien and Asendorf stated that their first preference similarly was executive resources international, and Mr. Parker declared that he would be happy to work with any one of the three firms mentioned by Mr. Robbins.

IT WAS VOTED -- on Mr. Robbins' motion, seconded by Mrs. Grossman -- to authorize the Treasurer/Comptroller and General Counsel to negotiate and execute an agreement with executive resources international LLC to conduct the search for the Authority's new General Manager.

**VOTING AYE: Mr. Parker, Mrs. Grossman and Mr. Robbins
VOTING NAY: None**

After the Members voted, Mr. Parker stated that he would advise all of the firms interviewed that day of the Authority's decision.

The Members suspended their meeting in public session without a vote at approximately 3:10 p.m.

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 27, 2001

The Members of the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority met this 27th day of September, 2001, beginning at 9:30 a.m., in New Agricultural Hall, located at 35 Panhandle Road, West Tisbury, Massachusetts.

Present were all four Members: Chairman J. B. Riggs Parker of Dukes County; Secretary Grace S. Grossman of Nantucket; Associate Secretary Robert L. O'Brien of Barnstable; and Galen M. Robbins of Falmouth. Also present were two members of the Authority's Finance Advisory Board: Robert C. Murphy of Dukes County; and S. Eric Asendorf of Falmouth. Finance Advisory Board member Steven A. Tornovish of Nantucket was not present at the beginning of the meeting.

The following members of the Authority's management were also present: Acting General Manager and Treasurer/Comptroller Wayne C. Lamson; General Counsel Steven M. Sayers; Director of Operations James P. Swindler; Director of Marketing & Community Relations Gina L. Barboza; Director of Information Technologies Mary T.H. Claffey; Reservations/Customer Relations Manager Mark Rozum; and Executive Secretary to the General Manager Maxine Horn.

Mr. Parker began the meeting by asking all in attendance to stand in a moment of silence in memory of the victims of the terrorist acts of September 11, 2001, and in honor of those working to retrieve them.

Election of Vice Chairman:

IT WAS VOTED -- on Mrs. Grossman's motion, seconded by Mr. O'Brien -- to elect Galen M. Robbins as the Authority's Vice Chairman for the remainder of the year 2001.

VOTING AYE: Mr. Parker and Mrs. Grossman

VOTING NAY: None

Public Comment on Agenda Items:

Chilmark Selectman Warren M. Doty urged the Members not to issue a request for proposals ("RFP") from private vessel operators to provide freight service between New Bedford and Martha's Vineyard during the 2002 calendar year, saying that he thought the Authority should provide the service itself as proposed by management several months ago, except that the service should begin on May 15th and run for only twenty weeks.

Martha's Vineyard resident Arthur E. Flathers then read the contents of his letter to Mr. Parker dated September 26, 2001 regarding the topic of rebalancing revenues between Nantucket and Martha's Vineyard.

Oak Bluffs Selectman Roger Wey asked whether there was any money in the Authority's budget for the renovation of the Oak Bluffs terminal, whether the operating schedule for vessels using the Oak Bluffs terminal had been changed, whether the Authority could justify the survey regarding the need for a fast ferry from New Bedford, and whether such a fast ferry would be financially sound.

Another member of the audience questioned why the rates for trucks traveling between New Bedford and Martha's Vineyard were the same as the rates for trucks traveling between Woods Hole and Martha's Vineyard, saying that customers should be charged fares in proportion to the distance traveled.

Tisbury Selectman Ray LaPorte informed the Members that the Town of Tisbury had issues with the increased traffic that was going through Vineyard Haven, that it was looking for mitigation in terms of public safety and traffic, and that the Oak Bluffs terminal had to be upgraded over the long term so that it could accept freight traffic.

Another member of the audience noted that the proposed rate increases fell heavily on the excursion rates, and requested that all fares be increased proportionately.

Finally, in response to a question from Mr. Wey, Mr. Parker confirmed that there would be a meeting with the Oak Bluffs selectmen in October.

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 August 16, 2001.

**VOTING AYE: Mr. Parker, Mr. Robbins and Mrs. Grossman
VOTING NAY: None**

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 August 29, 2001.

**VOTING AYE: Mr. Parker, Mr. Robbins and Mrs. Grossman
VOTING NAY: None**

New Bedford-Martha's Vineyard Freight Service:

The Members then discussed whether the Authority should issue a request for proposals ("RFP") from private vessel operators to provide a freight transportation service between New Bedford and Martha's Vineyard during the 2002 calendar year. Mrs. Grossman began the discussion by declaring that the Authority definitely should issue an RFP to find out what alternatives existed and whether the service could be provided at less expense, observing that the Authority would lose nothing by issuing an RFP and might actually gain a lot from it. Mr. Robbins agreed, noting that by issuing an RFP the Authority would be able to compare all of its options side by side, such as whether to contract with a private operator to provide the service or whether to provide the service itself, and make an educated decision.

In response to a question from Mr. O'Brien, Mr. Lamson stated that management was recommending the issuance of an RFP notwithstanding the fact that it previously had recommended continuing the pilot New Bedford freight program with the Authority's own vessels and crews. Mr. Lamson noted that the Authority would then be able to evaluate all proposals submitted by private operators, compare them against what it will cost the Authority to provide the service, and take into consideration other issues, such as possible problems with the processing of reservations if a private operator were to provide the service.

After Mr. O'Brien similarly declared that he was in favor of issuing an RFP, Mr. Parker asked management to comment on potential operational problems associated with the issuance of an RFP which Messrs. Lamson and Sayers had identified in a memorandum to the Members dated September 14, 2001. In response, Mr. Sayers acknowledged that he and Mr. Lamson did have some concerns about issuing an RFP so late in the season, but that they had attempted to address those concerns. One of those concerns, Mr. Sayers said, was the delay that would result in the processing of bulk freight reservations; but they had decided that if the Members approved the winter operating schedule that day, those reservations could be processed separately. Another problem was the quick turnaround time that would be required to submit proposals in response to the RFP, but Mr. Sayers said that Seabulk International Incorporated ("Seabulk") had informed them that the proposed timeline would not pose a problem. In addition, Mr. Sayers said, he had asked other private vessel operators to advise the Authority if the proposed timeline would be a problem for them, and none had done so.

Mr. Sayers further acknowledged that there might be some operational problems if Seabulk were to process its own reservations and collect its own ticket proceeds instead of being paid by the Authority to provide the service. However, Mr. Sayers said, those issues would be addressed when the Authority evaluated proposals submitted in response to the RFP. Mr. Sayers also noted that, although the Authority had prevailed in its arbitration with the Southeast Massachusetts Maritime Employees Association ("SMMEA") over the Authority's ability to contract with a private operator to provide the service, there were still two arbitration cases pending with the Licensed Officers and Maritime Workers Union ("LOMWU") and the Marine Engineers Beneficial Association ("MEBA") over the same issue.

Mr. Sayers also noted that there were a number of other potential issues with Seabulk's anticipated proposal. For example, Mr. Sayers said, Seabulk had stated that it wanted a minimum commitment from the Authority of three

years, while management would prefer a one-year commitment to maintain the Authority's flexibility. In addition, a question was raised as to whether Seabulk or another private operator would charge higher fares than what the Authority would charge. But again, Mr. Sayers said, such issues could be considered when the Authority evaluated proposals submitted in response to the RFP.

On the other hand, Mr. Sayers stated that there would also be a number of benefits from having a private operator provide the service instead of the Authority, such as the possibility of having the service being provided over a longer period of time and, as a result, being able to eliminate more early morning hazardous freight trips from Woods Hole. Ultimately, Mr. Sayers said, it would be management's responsibility to review all of the proposals and provide the Members with as much information as possible to enable them to make a final decision.

IT WAS VOTED -- upon Mrs. Grossman's motion, seconded by Mr. O'Brien -- to approve the issuance of a request for proposals ("RFP") from private vessel operators to provide a freight transportation service between New Bedford and Martha's Vineyard during the 2002 calendar year.

VOTING AYE: Mr. Parker, Mr. Robbins and Mrs. Grossman
VOTING NAY: None

Finance Advisory Board member Steven A. Tornovish of Nantucket joined the meeting at approximately 9:58 a.m.

Mr. Parker then began a discussion among the Members regarding the role of the port of New Bedford in the Authority's freight operations. Due to the length of the statements made by the Members during that discussion, they are attached hereto as a supplement to the minutes of this meeting

Mr. Sayers reviewed Management Summary #L-327, dated September 27, 2001, describing the RFP that management had drafted. Mr. Sayers stated that management also intended to revise certain aspects of the RFP, such as changing the minimum requirements for a proponent's vessel so that it must have a freight deck capacity equivalent to at least twenty vehicle spaces, and making corresponding revisions to the evaluation criterion for a proponent's vessel and providing for a "highly advantageous" rating in that category only if the vessel's freight deck capacity is equivalent to at least thirty vehicle spaces.

Mr. Robbins and Mrs. Grossman stated that they had no objections to the draft RFP, with the modifications described by Mr. Sayers. Mr. O'Brien, however, expressed his concern that the Authority's stated preference to be committed to the agreement for only one year appeared to be very restrictive and would likely discourage prospective proponents from submitting proposals. In response, Mr. Sayers emphasized that no proposal would be disqualified simply because it required more than a one-year commitment.

IT WAS VOTED -- upon Mrs. Grossman's motion, seconded by Mr. O'Brien -- to approve the form of the Request for Proposals to Provide a Freight Transportation Service between New Bedford and Martha's Vineyard, as drafted by management and dated September 21, 2001, with the revisions described today by the General Counsel.

VOTING AYE: Mr. Parker, Mr. Robbins and Mrs. Grossman
VOTING NAY: None

Proposed 2002 Vessel Operating Schedules:

Mr. Lamson then asked the Members to approve the vessel operating schedules for the Martha's Vineyard route for the period from January 2, 2002 through March 26, 2002, and the vessel operating schedules for the Nantucket route from January 2, 2002 through December 30, 2002. Mr. Lamson stated that, with respect to the Martha's Vineyard route, there were no changes in the schedules from the prior year; but with respect to the Nantucket route, the third scheduled freight trip would be eliminated from January 2 through March 26, 2002. Mr. Lamson also stated that, at the request of Mrs. Grossman, the *Flying Cloud* had been scheduled for five round trips a day during the winter months except for periods totaling approximately six weeks for the vessel's annual overhaul. (Mr. Lamson also noted that the actual dates of that overhaul may change depending on the Authority's ability to coordinate its overhaul schedule with Hy-Line's overhaul schedule for the *Grey Lady II*.)

IT WAS VOTED -- upon Mr. Robbins' motion, seconded by Mrs. Grossman -- to approve the 2002 Vessel Operating Schedules from January 2, 2002 through March 26, 2002 for the Martha's Vineyard route, and from January 2, 2002 through December 30, 2002 for the Nantucket route, as set forth in Management Summary #MCR-106, dated September 21, 2001.

**VOTING AYE: Mr. Parker, Mr. Robbins and Mrs. Grossman
VOTING NAY: None**

New Bedford High-Speed Feasibility Review:

Mr. Lamson reported that management was then in the preliminary stages of negotiations for a possible bare-boat charter of a passenger-only high-speed vessel, and he suggested that the Members defer the subject of the New Bedford high speed feasibility review until the following month. The Members agreed, although Mr. Asendorf noted that, as part of the review, the Authority also will need to address the question of what to do with the *Schamonchi*.

Hy-Line License Fee Reconsideration:

Mr. Sayers reviewed Management Summary #L-326, dated September 20, 2001, in which management proposed a compromise short-term license fee provision for the Authority's license agreement with Hyannis Harbor Tours, Inc. ("Hy-Line") governing all of Hy-Line's ferry services between the mainland and the islands of Nantucket and Martha's Vineyard.

Mrs. Grossman cautioned that, consistent with the reasons why the Legislature accorded the Authority its licensing powers, the Authority needed to be able to revise its license agreement with Hy-Line in the event the operation of the *Grey Lady III* were to have a negative impact on the Authority's revenues. Accordingly, Mrs. Grossman said, she was going to vote for management's recommendation on one condition, namely, that if the Authority were to lose revenues during the first year of the *Grey Lady III*'s operations due to the expected economic downturn, Hy-Line would have to be reasonable with the Authority and make other arrangements at that time which would be in the Authority's interests as well as Hy-Line's.

Mr. O'Brien declared that he was certainly in favor of management's recommendation, saying that he thought it was in the Authority's best interests for Hy-Line to stay healthy and remain a good competitor.

IT WAS VOTED -- upon Mr. Robbins' motion, seconded by Mr. O'Brien -- to authorize the Acting General Manager to enter into a new license agreement with Hyannis Harbor Tours, Inc. ("Hy-Line") containing the provisions recommended in Management Summary #L-326, dated September 20, 2001, in addition to all of the other provisions contained in the Authority's current license agreements with Hy-Line that are not inconsistent therewith.

**VOTING AYE: Mr. Parker, Mr. Robbins and Mrs. Grossman
VOTING NAY: None**

Preliminary 2002 Operating Budget:

Mr. Lamson reviewed Management Summary #A-406, dated September 21, 2001, regarding the Authority's expected cost of service for the year 2002, noting that a large part of the 6.8 percent increase in the cost of service was attributable to major maintenance projects which he did not believe could be deferred any longer. Mr. Lamson reported that management was proposing a \$3,000,000 rate increase for next year, which would allow \$3,400,000 to be transferred to the replacement fund. Observing that the maximum amount which the Authority could transfer to the replacement fund was \$4,900,000, Mr. Lamson stated that the projected transfers in 2002 would result in a 70% funding of that fund. Accordingly, Mr. Lamson suggested that the Authority's budget policy guidelines should be changed next June to require a higher level of funding over the following two years, even though increasing the amount of those transfers in the future would require additional rate increases.

Mr. Parker declared that he felt very strongly that the Authority should move as fast as it could to maximize the funding of the replacement fund so that the Authority could move forward with much needed capital projects such as the Oak Bluffs terminal reconstruction project and vessel replacements and refurbishments. Indeed, Mr. Parker said, the limit on the replacement fund itself may need to be increased to accomplish all of these overdue projects, and the Authority had to face the reality that higher fares will be needed.

Mrs. Grossman, however, observed that the Authority had been raising fares constantly, particularly on the Nantucket route, and that there was a limit on how much the Authority could raise from year-round island residents without affecting their ability to afford living on the islands.

Mr. Lamson also reported that certain routine annual maintenance expenses next year for the *Flying Cloud*, such as changing injectors, had been mistakenly characterized in the management summary as a main engine overhaul. (In response to a question from Mr. O'Brien, Hy-Line Vice President R. Murray Scudder stated that Hy-Line similarly changed all of the *Grey Lady II*'s injectors as part of a total overhaul of the vessel's engines on an annual basis.) Mrs. Grossman then mentioned that she had been hearing many adverse comments from the Authority's captains regarding the vessel to the effect that the Authority was going to have problems with the engines, and she noted that she had suggested engaging the services of an outside engineer to make certain the vessel was in good condition. However, Mr. Lamson asked Mrs. Grossman to forward those comments to him so that he could discuss the captains' concerns with them before spending additional money on outside services.

Mr. Tornovish also suggested that the Authority might be able to save money by refocusing the currently vacant Associate Counsel position so that it became a full-time procurement position. Mrs. Grossman agreed, although she suggested that the matter instead be discussed as an item of new business.

Mr. Asendorf observed that, in addition to the Oak Bluffs terminal, the Woods Hole terminal needed substantial renovations, and that the Authority would soon have to spend large amounts of money for a number of projects. Mr. Parker agreed, declaring that the Authority either had to raise rates or reduce costs. While Mr. Asendorf noted that the most effective way to reduce costs would be to cut service by reducing the number of trips, he also thought the Authority needed to be prepared to handle more tourists next year, as the slowdown in the economy could result in more people traveling to the islands instead of flying farther away.

Mr. Parker also noted that there did not appear to be any provision in the budget for training, and he urged that substantial attention be paid to that matter despite its expense, as he felt the Authority needed to improve its service by making its employees more customer-oriented, perhaps using Hy-Line as a model. Mrs. Grossman suggested that such training could be accomplished in-house, and stated that the most effective way to improve service was to increase the morale of the Authority's employees.

Proposed 2002 Rate Adjustments:

Mr. Lamson reviewed Management Summary #A-407, dated September 21, 2001, in which he described the 2002 rate adjustments that are expected to be needed in order to provide sufficient revenues to meet the Authority's projected cost of service next year. Mr. Lamson also stated that he believed the Authority should revise its Policy for the Distribution of Any Future Rate Increases by Routes by increasing the recapture period from five years to ten years, setting a threshold of five percent of revenues within which no "catch-up" adjustment would be required, and eliminating the "catch-up" provision provided that projected revenues are sufficient to meet the allocated cost of service budget estimates for the ensuing year. Further, because of the impact that the policy would have on next year's revenue adjustments, Mr. Lamson asked the Members for direction on whether they believed the policy should be revised.

Mr. Robbins expressed his concern that, if the Authority were to follow its current policy, there would be a point in time where increases in the Authority's rates on the Nantucket route would cause its customers to migrate to Hy-Line's vessels, thereby making that route even less profitable than it is today. Accordingly, Mr. Robbins declared that it would be very harmful for the Authority to take the draconian position that almost all of next year's rate increases should fall on Nantucket. By contrast, Mr. Robbins said, he thought that Mr. Lamson's proposal made great sense, although he suggested that the proposed five percent threshold be reduced to 3.5 percent. Mr. Robbins then asked Mr. Lamson why he was proposing to increase the recapture period from five to ten years. In response, Mr. Lamson noted that a route's losses which would be subject to recapture may represent an accumulation of losses over ten years, and it may be difficult to recapture them over a shorter time period. Mr. Robbins then declared that he was in favor of Mr. Lamson's proposal, saying that the Members had to begin thinking of the Authority as one organization and not as two separate businesses.

Mr. Parker, however, declared that the Members were faced with two questions, one as to the past and another as to the future. Mr. Parker stated that, on behalf of Martha's Vineyard, he was unalterably opposed to foregoing recovery of what the Authority had agreed upon in the past. Observing that Martha's Vineyard needed those funds, Mr. Parker noted that the Nantucket route had received the benefit of them when Martha's Vineyard had covered its deficits, and said that it was now time for Nantucket to contribute so that

Martha's Vineyard could proceed with the projects it needs. Mr. Parker stated that the Authority should not abandon the past and that the policy should be adhered to with respect to the past. Mr. Parker also observed that, given the tradition of each island deferring to the other on its own service, the Authority should not have a policy that requires one island to pay for another island's service. On the other hand, Mr. Parker said, he was not opposed to a different policy going forward once parity is established parity between the islands. In this regard, however, Mr. Parker thought a reasonable threshold would be somewhere between 1.5 and two percent, which he observed was still a large amount of money.

Mr. Murphy noted that, over the past ten years, it would have taken around \$7,300,000 in additional revenues for the Nantucket route to pay for its allocated cost of service, and he asked Mr. Lamson what that figure was for the last twenty years. In response, Mr. Lamson stated that he did not remember the exact amount, although it probably was around \$8,000,000 to \$9,000,000. Mr. Lamson also noted that the trend was that the losses on the Nantucket route were getting smaller, and he doubted that the Authority would now want to review figures for the last twenty years when the policy had only been established in 1998. Mr. Parker agreed.

Mrs. Grossman then reviewed the differences in service between the Nantucket and Martha's Vineyard routes due to the fact that Nantucket is located thirty miles out at sea while Martha's Vineyard is only seven miles from the mainland, resulting in longer and fewer trips for Nantucket. Declaring that there was no way Nantucket could ever make up the difference, Mrs. Grossman noted that the Authority was established for both islands as one organization and it should be treated as one organization. Mrs. Grossman further stated that it would not be fair to follow the current policy, that Nantucketers were already paying their fair share if not more, and that they could not afford any more rate increases.

Mr. Tornovish similarly observed that it would be an exercise in futility for the Nantucket route to try to make up its accumulated \$7,000,000 shortfall over a five-year period. However, Mr. Parker disagreed, declaring that each route had the option of cutting service and thereby reducing costs. In this regard, Mr. Parker noted that, since 1995, the number of Nantucket trips had increased by eighty percent, while the net revenue per trip had decreased by 6.4 percent. Based upon those statistics, Mr. Parker declared that obviously there were too many trips scheduled for the Nantucket route, which was a principal reason for that route's increased costs, and that if the Authority were

to have sufficient revenues to fund its cost of service and capital projects for the future, it needed to begin reducing costs by cutting back service.

Mrs. Grossman then declared that Mr. Parker was pitting the two islands against each other. But Mr. Parker disagreed, saying that the current policy had been established to avoid pitting the two islands against each other by making certain that neither island would be paying for the other island's service. Nevertheless, Mr. Robbins observed that following the policy would be highly devastating to Nantucket's ability to continue to pay its own way, and he believed that the Members should accept Mr. Lamson's proposal.

Mr. Parker stated that while he would vote against giving up the past, he was willing to accept Mr. Lamson's proposal for the future, although he felt a more reasonable threshold would be two percent. In response, Mr. Robbins stated that he would accept a two percent threshold instead of the five percent threshold proposed by Mr. Lamson.

IT WAS VOTED -- upon Mr. Robbins' motion, seconded by Mrs. Grossman -- to revise the Authority's Policy for the Distribution of Any Future Rate Increases by Routes as follows:

- (a) Increasing the recapture period from five years to ten years;**
- (b) Setting a threshold of two percent of revenues within which no "catch-up" adjustment is required; and**
- (c) Eliminating the "catch-up" provision provided that projected revenues are sufficient to meet the allocated cost of service budget estimates for the ensuing year.**

VOTING AYE: Mr. Robbins and Mrs. Grossman

VOTING NAY: Mr. Parker

Treasurer's Report:

Mr. Lamson reported that, for the month of August 2001, the Authority's net operating income was around \$614,000 higher than had been projected and that, as a result, the Authority's net operating income for the first eight months of the year was \$392,000 more than management's original budget estimate. Mr. Lamson also stated that he now expected the Authority to end up with an annual operating income of somewhere around \$3,000,000.

Proposed Moratorium on New Positions:

Mrs. Grossman moved to have a moratorium on the creation of all new positions within the Authority until the arrival of the Authority's next General Manager. Her motion was seconded by Mr. O'Brien.

Mr. Lamson expressed some concern over the motion, pointing out that no one knew when a new General Manager would start employment, but that the Authority's Senior Procurement Officer was retiring the following day. In response, Mrs. Grossman noted that that particular position was not a new one, but a vacancy to be filled. When Mr. Lamson then stated that he hoped he would have the flexibility to fill that position, Mrs. Grossman requested that it be filled as a procurement and merchandising position.

Mr. Murphy, however, observed that such a position would be a new one, and that the Members already had approved replacing that employee with an Associate Counsel in an attempt to reduce the Authority's outside legal bills, which had amounted to \$1,600,000 over the prior four years. Mr. Parker noted that those legal bills would probably be even higher in the future, now that the Authority had lost its motion to dismiss and was about to enter into the discovery phase of the lawsuit that had been commenced against the Authority by the City of New Bedford.

Mr. Parker also stated that, in his opinion, this should be a management prerogative and that the Acting General Manager should have the authority to fill whatever positions at that level he believes are necessary. Declaring that the Members should not try to micro-manage this issue, Mr. Parker noted that if they are dissatisfied with the Acting General Manager's performance, they should appoint a new one.

In response to a question from Mr. Robbins, Mr. Sayers estimated that if the new Associate Counsel were to work twenty hours a week over the next six months on the New Bedford lawsuit, the Authority probably would save around \$80,000 on that litigation matter alone, and the person would still have twenty hours each week to work on procurement and other matters. Mr. Tornovich then asked whether a defendant generally is able to recover its attorneys fees if it is named as a defendant in a frivolous lawsuit. In response, Mr. Sayers stated that, in order to do so, a defendant usually is required to prove that the lawsuit had been commenced in bad faith.

Mr. Parker noted that because the Associate Counsel position already existed, Mrs. Grossman's motion would not affect that position. Mr. O'Brien then proposed a substitute motion, namely, that the Authority not fill any new management positions other than the procurement position then being vacated, and that the Associate Counsel position not be filled, pending the arrival of the new General Manager. Mrs. Grossman seconded that motion and withdrew her original motion. Mr. Lamson stated that he would like to have the flexibility to fill either one of those positions, but not both of them, and that he would like to discuss the subject further with Mr. Sayers.

IT WAS VOTED -- upon Mr. O'Brien's motion, seconded by Mrs. Grossman -- to not fill any new management positions other than the procurement position then being vacated, and that the Associate Counsel position not be filled, pending the arrival of the new General Manager.

VOTING AYE: Mrs. Grossman

VOTING NAY: Mr. Parker and Mr. Robbins

Security Measures:

Mr. Tornovich mentioned that he recently had listened to a radio talk show program which he felt reflected the public's concern over the extent of the Authority's security measures in light of recent events. Mr. Parker agreed, but stated that he felt it would be more appropriate to discuss the subject in executive session.

Search for a New General Manager:

Mr. Parker announced that, within the next few weeks, the Authority's executive search firm hoped to be able to present to the Members a draft of a statement to be used in the executive search process describing the situation which will be faced by the new General Manager.

Request for Student Discount Rate:

Mr. Lamson advised the Members that he had received a letter from Paul Cotton asking the Authority to establish a half-price commuter book for students traveling between Martha's Vineyard and Woods Hole. Mr. Lamson noted that Mr. Cotton had made a similar request last year and that, according to the minutes of the Authority's February 15, 2001, former General Manager Armand L. Tiberio had recommended that the Authority not create such a new rate. Mr. Lamson stated that he agreed with that recommendation.

Mr. Parker then asked Mr. Lamson if he could provide the Members with a current list of all discounts the Authority offers, including excursion fares, and what those discounts cost the Authority in terms of lost revenue. While Mr. Parker noted that he was not proposing to change any of those discounts, he stated that he thought the Members should have that information.

Public Comment:

Dukes County Commissioner Daniel Flynn declared that he could not say how disappointed he was with this meeting because it was imperative for the Members to follow the recapture process that Mrs. Grossman and former Dukes County Member Ronald H. Rappaport had voted for in 1998. Mr. Flynn stated that Martha's Vineyard residents needed the Authority to replace the *Islander* and rebuild the Oak Bluffs terminal, but the Authority was not in a position to do so because Martha's Vineyard had subsidized the Nantucket route in the amount of \$7,000,000, and that Mr. Robbins did not understand all of the criteria that went into the policy. Mr. Flynn then declared that, as an elected public official of Martha's Vineyard, he would have to relook at how he felt about all of the commitments that he had made to the Town of Falmouth about a lot of things, because the Town of Falmouth was not supporting the island that services its community.

Mr. Robbins took exception to Mr. Flynn's assertion that he did not fully understand the implications surrounding Mr. Lamson's proposed revisions to the recapture policy. Mr. Robbins stated that he had analyzed the subject very thoroughly, and had reviewed the proposal with Mr. Lamson, whose opinion he trusted in light of his 29 years of service to the Authority and his history of commitment to the island. Mr. Robbins declared that, as a result, he was comfortable voting for Mr. Lamson's proposal, which he thought was the right decision for the Authority.

Mr. Robbins also observed that Mr. Flynn's comment that he would have to reconsider his commitments to the Town of Falmouth in light of Mr. Robbins' vote certainly did not sound as if Mr. Flynn were part of one Authority. Rather, Mr. Robbins said, it sounded like a war of factions between Martha's Vineyard, Falmouth, Nantucket and Barnstable, and that is what he could not tolerate. Indeed, Mr. Robbins observed that Mr. Flynn's statements made it perfectly clear that this was not one Authority, and he urged Mr. Flynn to put this matter behind them.

Mr. Wey declared that he also disagreed with Mr. Flynn's comments, that he believed the Members acted that day as one Authority, and that everyone had to work together as a team in accepting Mr. Lamson's recommendation.

Lorna Andrade, Second Vice President of the NAACP and Co-President of the League of Women Voters, asked Mr. Parker if he would address what measures were in place for the security of the public. However, Mr. Parker said that he would prefer not to answer her question in public because security measures are best when they are not publicly known. Nevertheless, Mr. Parker stated that this subject would be discussed in executive session, that options were being planned and taken, and that the Authority was in contact with the appropriate authorities who were providing their advice.

Dukes County Commissioner Leonard Jason, Jr. declared that it was a sad day for the Authority because he felt the Members' vote to revise the recapture policy was a step backwards and a recipe for disaster. Mr. Jason stated that Martha's Vineyard should not pick up an added cost that is the responsibility of Nantucket, and the fact that Nantucket could not afford any more rates did not mean that Martha's Vineyard could. Mr. Jason emphasized that Martha's Vineyard residents had to be treated fairly, and that he did not think they had been treated fairly that day.

Other members of the audience also spoke, including New Bedford City Solicitor and Economic Development Director George Leontire, Martha's Vineyard resident Arthur E. Flathers, Tisbury Selectman Tom Pachico and Nantucket Town Counsel Paul R. DeRensis.

At approximately 12:58 p.m., Mr. Parker 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. Robbins' 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, contract negotiations with nonunion personnel, and the deployment of security measures.

**VOTING AYE: Mr. Parker, Mr. Robbins and Mrs. Grossman
VOTING NAY: None**

A TRUE RECORD

GRACE S. GROSSMAN, Secretary

**DISCUSSION REGARDING THE
ROLE OF THE PORT OF NEW BEDFORD
IN THE AUTHORITY'S FREIGHT OPERATIONS**

September 27, 2001

J.B. Riggs Parker: Before we discuss the specifics of the RFP itself, I would like to say something about New Bedford which I think bears on what has been mentioned about the pilot program. I believe very strongly that the Authority needs New Bedford. I think we have to accept that. I think that is important. There is no way we can meet the obligations that we have to our other mainland communities if we don't use New Bedford, and I believe very strongly that it is not about New Bedford, it is not about their economic viability, it is not about legislation, it is not about lawsuits. It is the fact that this island and the other island demand service for freight and other equipment that exceeds the capacity of the mainland, and we have reached agreements with the mainland to try to reduce that. And until someone shows us a port other than New Bedford through which we can do that, we are going to have to deal with it, and we are going to have to face New Bedford, and my suggestion is that we get real, understand it and work with them, and try to develop it to our advantage. And I think that can be done.

And I would caution you on one other thing. At the moment we are in a very fragile negotiation for the preservation of a private barging enterprise's facilities in New Bedford. It is at a very delicate point. We hope it can go forward. Negotiations have been fruitful, but if it fails Vineyard Haven will see 8,000-plus trucks a year coming through its port, and I think that is intolerable. And we have to do what we have to do in order to avoid that. So I say to you all, that is where I stand on New Bedford. That is where I believe this Authority should go. We need it, and we need it probably more than they need us because we haven't got any other way to get our freight on this island, and unless people stop buying things and stop ordering things we are going to carry the freight.

Grace S. Grossman: I think that the economy is going to dictate what is going to happen to all of us, our islands and the mainland. Right now everyone is seeing a downturn. I don't know about the Vineyard, but I know about Nantucket. There were six properties that were supposed to be built and

the people have stopped them. We are in a situation today where we don't know whether we are going to be at war or we are not going to be at war. We are going to have to assess the situation as we see it. We can't rush into anything because we don't know. And we have to be careful what we wish for, because we may find that we are not having the building which is immediately going to cut down on our freight. On Nantucket, one of the biggest items of freight right now is building materials. If building materials stop, and people stop coming to the islands -- which we hope they won't, but we don't know for sure -- I think we have to be very careful what we plan and what we do, and I am for being a little more conservative than Mr. Parker, and I think we have to be very careful and watch what is going on before we commit ourselves to a third port.

Mr. Parker: Well, I don't have any disagreement about watching carefully, but we have already committed ourselves to reduce our freight and we are a long way from it. We are a long way from it in Barnstable and in Falmouth. We are making efforts that way, we are trying our best, but we have a long way to go even if we have a total collapse in the economy for a period of time as we have had before. We had a crash in 1987 which was substantial. Well, we have grown thirty percent in the 1990s. we have had times in the 1980s when building went wherever in a handbasket, and it has come back. There is no question about that, and I believe in America. It will come back. And I don't think we can look forward and plan on the idea that people aren't going to reproduce and want to come to our islands, because they are. They are reproducing right now and they are still coming to our islands. So I think that is an important thing we have to keep in mind, and I think now we ought to discuss the RFP.

Galen M. Robbins: I am new to this, but I sense that we are in a position of fear or reprisal with this whole decision, and you have mentioned that this was a concern with that delicate negotiation, and that troubles me. Secondly, I have tried to get through all of this in the analytics about New Bedford, but do we truly have a handle on it? The fact that people will be migrating from Woods Hole to New Bedford and taking that boat, as opposed to incremental people leaving New Bedford to Martha's Vineyard. Do we know that we are going to pull people out of Woods Hole and let them go through New Bedford? My sense is no. My sense is that, incrementally, we will probably have more people, and I think that is a major concern that we need to look at and I know that you have, but that is one of my concerns. And some of these issues are getting interwoven with delicate negotiations now, and some of these decisions have to be made with fear of reprisal, and that is unfortunate.

Mr. Parker: I don't think that is the point at all. I think that it is clear. The only point I am making -- I am not making a brief for any particular service or the timing of any particular service -- I am making a point for being realistic and working with these people and the negotiation that I refer to is for that purpose. I do not suggest that there will be reprisals or anything else. I simply suggest that it is time we face these issues and work on the problem instead of pretending that it might go away. It is not going to go away. We are not going to use less freight.

Mrs. Grossman: In your opinion.

Mr. Parker: I don't think there is anybody who is knowledgeable in the business world today who believes that the transmission of freight is going to drop to a point where we can reach the 1997 levels on its own. Now I could be mistaken about that, there may be somebody out there who believes that, but I have not encountered them, and I do not see them coming down the pike, and I think we also have to understand that we are being served today by an enormous amount of service out of New Bedford in the form of these private operators. To Nantucket, all of the aggregate, all of the modular homes that Nantucket needs and wants come out of New Bedford. They come out of there today, and we get the equivalent of 8,000 truck loads of gasoline and aggregate out of New Bedford today. That is what they are servicing us with today, and to say that we are not acting, that these islands don't need that port, or may not need it in the future, is not wise.

Steven A. Tornovish: One thing that always comes up immediately when we start talking about the port of New Bedford is the extreme differential between the needs of the Vineyard and the needs of Nantucket. I don't think that anybody has clearly demonstrated that it is going to be profitable or wise to run conventional freight, excluding modular homes and things that lend themselves to be barged, where the Steamship Authority has really no role in it, from the port of New Bedford to Nantucket. Furthermore, I know that when Mr. Lamson met with Mrs. Grossman and me earlier this week, we talked about reducing service to the island of Nantucket as a cost-cutting measure, taking a look at where we could find some savings for the people of the island. If we were in such dire need of opening another port, I don't think we would be looking at cutting back on existing service with existing fixed costs. So I think that the agreement that Nantucket has with Barnstable is being met in the

sense that we have not increased the number of trips. In fact, we are decreasing that number.

Furthermore, I think that the head of the building department for the Town of Nantucket has told us at a public meeting that we should expect a significant decline in building materials required to be shipped due to what he had seen coming across his desk. That makes a lot of sense to me because this is a man who accurately predicted the increase that we would see several years back. Why? He has the inside information. He knows the size and the number of permits being requested. The size of the jobs. We are approaching something of a build-out on the island, so that is also going to impact how much freight is going to be hauled on the Steamship Authority's vessels. And, as you point out, the modular home business is not our business. So I think that when you start talking about New Bedford, you have to be specific and address the Vineyard's needs and not the needs of Nantucket.

Mr. Parker: Well I certainly wouldn't propose to vote for Nantucket on any issue, and you make a point about positions and I am cognizant about that, and I am certainly not suggesting that that is any minor matter. That is certainly a major matter and if technology cannot solve it, that may be a showstopper, but that is not what I am talking about. I am speaking about this island, principally, and our obligations. And I don't see any way. I have spent a lot of time on this job since I got it, and I have looked at all of the facts carefully and I don't see any way we are going to do this without working with New Bedford. And all I am saying is that I think it is time to start working with them. It can be done, it can be done successfully now, and I think it should continue without trying to tiptoe through the tulips. We should see what we can do to help ourselves in using New Bedford. Yes, it would be more expensive to run to New Bedford. There is no question about that. The distance is longer. But if we are going to bring freight here and we can only bring one hundred through one port and we have 120, and we have to spend more money to get the other twenty here, the total cost for the total amount is going to have to be spread over the whole business. We cannot hope to simply say that that amount of freight is going to be more expensive. We have to spread our freight costs across the whole island and across whatever ports it is necessary to bring it from. Otherwise we might as well tell New Bedford, "Hey, go home. We are not going to work with you." And tell Woods Hole, "Forget it, we are coming through your port." That is another alternative.

Mr. Robbins: Mr. Chairman, we are already working with them. we are in New Bedford.

Mr. Parker: I rest my case. I think we should go ahead with the RFP unless somebody else has some further comment.

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

The Meeting in Public Session

October 18, 2001

The Members of the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority met this 18th day of October, 2001, beginning at 9:30 a.m., in Room 104 of the Marine Biological Laboratory's Candle House, located on Water Street, Woods Hole, Massachusetts.

Present were all four Members: Chairman J. B. Riggs Parker of Dukes County; Vice Chairman Galen M. Robbins 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: Acting General Manager and Treasurer/Comptroller Wayne C. Lamson; General Counsel Steven M. Sayers; Director of Operations James P. Swindler; Director of Marketing & Community Relations Gina L. Barboza; Director of Information Technologies Mary T.H. Claffey; Director of Engineering Carl R. Walker; and Executive Secretary to the General Manager Maxine Horn.

Mr. Parker began the meeting by acknowledging the presence in the audience of State Representative Eric Turkington; New Bedford City Solicitor and Economic Development Director George Leontire; members of the New Bedford Harbor Development Commission; Dukes County Commissioners Daniel Flynn and Robert Sawyer; and Tisbury Selectmen Tom Pachico and Tristan Israel.

Public Comment on Agenda Items:

Barry Fuller noted that Woods Hole Passage is well known as a very treacherous piece of water, riddled with rocks, shoals and treacherous tidal currents; that, even though the controlling depth of the channel is eleven to thirteen feet below mean low water, vessels drawing eight feet or more should only sail the passage at slack tide, as the depth can be reduced by as much as two feet in a gale; and that Quick's Hole is the only passage between Buzzards Bay and Vineyard sound eastward of Cuttyhunk for vessels with drafts of over ten feet. Accordingly, Mr. Fuller stated that any schedule for service between New Bedford and Martha's Vineyard should allow for enough flexibility for the vessel's captain to use his discretion as to which route to take depending upon the circumstances and conditions. To do otherwise, Mr. Fuller said -- such as requiring a captain to traverse Woods Hole Passage six times a day with a 230-foot vessel which has a fully loaded draft of close to or over ten feet -- would be irresponsible, and he trusted that the Members would consider navigational hazards and safety as top priorities in their deliberations that morning.

Martha's Vineyard resident Arthur Flathers declared that, in his opinion, the fast ferry proposal was a "slam dunk," in that it had good upside potential and little downside risk. With respect to freight service, Mr. Flathers stated that, if it necessary to continue New Bedford freight service, he believed that Falmouth should pay the entire deficit and each truck \$100 for each one-way trip, because Falmouth was the primary beneficiary of the service and their traffic growth had been five times that of the ferries to Martha's Vineyard in the past ten years. Finally, Mr. Flathers stated that the Authority should devote some time in the future to look at all cost elements, particularly the cost of the work force.

Noting that the Authority has become more publicly accountable over the years, Woods Hole resident Frank Shephard recounted how the Falmouth Selectmen had voted unanimously to endorse a high-speed experiment from New Bedford and how sixteen out of twenty All-Island Selectmen similarly had voted for it. Mr. Shephard stated that he thought it was important for the Members to understand that this would be an experiment and maybe it would not work, but he declared that the Authority needed to try and that he did not believe it would have been supported unless there was financial sense to it.

New Bedford resident Michael Pimentel, whose family owns and operates the facility in New Bedford used by the Authority to dock the *Schamonchi*, noted that the Authority had a lease for that facility through the following summer. Mr. Pimentel then recounted how he had spoken to many passengers

over the past season about a possible change to a high-speed ferry. In this regard, Mr. Pimentel noted that the typical family of four going to Martha's Vineyard would pay the following amounts (without paying for parking): if traveling from Woods Hole, \$30; if traveling on the *Schamonchi*, \$60; and if traveling on a high-speed ferry, \$160, based upon the rates of the *Flying Cloud*, which is all he had to go on. Mr. Pimentel declared that the passengers' choice was not high speed, and that Mr. Leontire's formulas and percentages for high speed were a formula for disaster and not proven.

Mr. Pimentel questioned why there appeared to be such a rush to replace the *Schamonchi*, as the Authority would not have to worry about competition unless it licensed someone else. Mr. Pimentel also questioned whether a high-speed ferry would alleviate any traffic problems in Falmouth, as he thought Falmouth would receive more traffic because most people would not pay the fare. In this regard, Mr. Pimentel declared that average working men as well as tourists could not and would not pay a higher price in New Bedford when travel from Woods Hole is so inexpensive, so they would either leave from Woods Hole or possibly not go at all. On the other hand, Mr. Pimentel said, if the capacity of the fast ferry is less than the *Schamonchi*, the Authority would be leaving a lot of people at the dock for the first trip of the day during the height of the season.

Mr. Pimentel declared that the decision to operate a fast ferry should not be rushed into out of fear and threats. Noting that his family has an excellent facility in New Bedford with parking for about 1,000 cars all within walking distance and a large building that would make a fine terminal, Mr. Pimentel declared that, for the \$3,600,000 cost of the charter, the Authority could own everything and steer its own course in New Bedford. Accordingly, Mr. Pimentel urged the Authority not to operate a fast ferry from New Bedford or, if it did, to continue to operate the *Schamonchi* alongside it, as people needed a choice.

Tom Richardson, Director of the Tisbury Business Association, stated that his organization would like to see at least half of the fast ferry's trips dock in Vineyard Haven, noting that Tisbury was no longer receiving the economic benefit of the *Schamonchi's* 90,000 walk-on passengers who were now arriving in Oak Bluffs. Mr. Richardson also questioned why the Authority at this late stage had not yet announced where the vessel would be docking.

Tisbury Selectman Tristan Israel similarly expressed his concern over having lost the *Schamonchi* this past year without any input from the town, noting that it certainly has had an impact and declaring that he would like Tisbury to get more passengers, not just more freight and automobiles. Never-

theless, Mr. Israel stated that this fast ferry was not the right boat for the island or for Vineyard Haven harbor; that the vessel's manufacturer should represent that it is environmentally sound; and that other models should be considered, including one that is faster than the *Schamonchi* but not a high-speed ferry which could be more profitable.

Mr. Israel questioned why the Authority was running ahead with this high-speed boat when the financials showed that it would still be running at a loss, which would mean higher ticket prices. Accordingly, Mr. Israel urged the Members to take their time, saying that there was no rush and that the deadline was very arbitrary. Mr. Israel also observed that, if the Members were to approve the fast ferry, it would impact the Authority's other capital needs and inevitably result in increased prices. For these reasons, Mr. Israel urged the Members to not vote for the fast ferry, to look at other models that would be more efficient, more financially beneficial, and more environmentally beneficial for the island and Vineyard Haven.

Woods Hole resident Susan Shephard suggested that the Members should consider reducing the level of service from Woods Hole in order to make the New Bedford route a success. Mrs. Shephard also noted that former Falmouth Member Edward DeWitt had said that, in the end, people pay for speed. Finally, Mrs. Shephard declared that the whole issue was time sensitive because, if the Members did not act then, it would be at least another year before high-speed service could start from New Bedford, and high speed was a better way to go.

Nantucket resident Nathaniel Lowell declared that he felt it was unfair for people to compare high-speed service between New Bedford and Martha's Vineyard with high-speed service between Hyannis and Nantucket, noting that they were totally different transportation situations. For example, Mr. Lowell observed that nobody flies from Martha's Vineyard to the mainland. Further, on the Nantucket route, passengers are traveling the same distance at different speeds from the same locations, while on the Martha's Vineyard route, a 22-mile high-speed trip will be trying to compete with a seven-mile conventional trip. Thus, Mr. Lowell said, the choice will be between paying five dollars for a 40-minute trip or fifteen to twenty dollars to travel for an hour, which sounded like a pretty simple decision to him.

Craig Johnson questioned how the Authority could provide freight service between New Bedford and Martha's Vineyard itself for only \$750,000, when its estimated operating costs for the fast ferry (not including the bareboat charter) was around \$2,000,000 for a shorter operating period. Mr. Johnson noted that

Seabulk International, Inc. was offering to provide three round trips for nine months for the same amount of money that the Authority was paying in 2001, plus five percent. Declaring that his company had worked hard to develop this business, Mr. Johnson stated that he thought it would be a shame to reduce the service, as it makes sense for the people who want to use it and might grow in the future to a point where a private operator could survive on it.

The President of the League of Women Voters in Falmouth, stated that her organization supported limitations on the growth of ferry service from Falmouth; that it supported links to other forms of transportation; that it encouraged measures to reduce vehicular pollution and develop alternative transportation systems, including alternate mainland ports; and that the use of New Bedford may help alleviate one of Falmouth's transportation problems.

Dukes County Commissioner Robert Sawyer asked the Members not to vote on fare increases that day because he felt a lot of people would like to have input on the matter. Observing that management's recommendation included minor increases in non-excursion fares and major increases in excursion fares, Mr. Sawyer respectfully suggested that the Authority was created to provide for the transportation needs of people on the islands, and that the excursion fares are already high because those people have to travel back and forth and pay the rates just like their utility bills. By contrast, Mr. Sawyer said, a ten-dollar increase in an automobile fare is insignificant for a tourist. For this reason, Mr. Sawyer asked the Members to reconsider the recommendation and realize that the Authority's revenues should be generated by the non-excursion fares.

New Bedford resident Carl Pimentel recounted how he had been operating the *Schamonchi's* parking lot for the last fifteen years and how the Thompsons had built a successful business. Mr. Pimentel declared that if the Members were to vote for a fast ferry from New Bedford, they would be buying a ticket on the *Titanic*. Mr. Pimentel observed that such a vote would leave the Authority with no destination of its own, while if it stayed with the *Schamonchi*, its lease for Billy Wood's Wharf could be made enforceable for the following five years. Mr. Pimentel urged the Members to do what they did in Fairhaven and run their own operation. In this regard, Mr. Pimentel stated that, for the money the Authority would spend over the next three years on a trial package, it could buy its own property and double its own parking.

Falmouth Selectman Carey Murphy reported that the Falmouth Selectmen did vote unanimously in support of the high-speed ferry largely upon Mr. Leontire's presentation, although they did receive Mr. Lamson's views on the matter. Observing that the political emotions clearly ran very high in

Falmouth to relieve traffic and parking, in the event the Members did not vote for the high-speed ferry that day, Mr. Murphy asked them to look at financial and other issues and, if the numbers worked, for the Authority to buy its own boat and run its own service from New Bedford. Mr. Murphy acknowledged that he was just making a suggestion, but he cautioned the Members not to wipe the concept of high-speed service off the board totally.

Tisbury Selectman Tom Pachico echoed Mr. Sawyer's concerns with respect to the proposed increases in excursion fares, observing that the family of four was going to see a \$22 increase from \$35 to \$57, which he thought was an unreasonable request. Mr. Pachico noted that island families are able to travel only a few times during the summer, but that during the winter they spend a lot of money in Falmouth and Barnstable. Mr. Pachico stated that the proposed increase would be a big deal for island residents who have to travel back and forth, but not to tourists, and he therefore asked the Members to take another look at that issue.

With respect to the proposed New Bedford freight service, Mr. Pachico noted that the All-Island Selectmen had voted unanimously for the Authority to provide the service itself, so he hoped the Members would honor that sentiment. While Mr. Pachico also acknowledged that the Falmouth Selectmen similarly had voted unanimously for the proposed New Bedford high-speed service, he stated that the Falmouth Selectmen would have voted unanimously for a mid-speed ferry or a slow-speed ferry from New Bedford because Falmouth want to alleviate traffic, and he agreed with them.

Mr. Pachico reported that he himself had voted the previous night for the proposed high-speed service, and he was still anguishing over it. Mr. Pachico declared that he did not think it was the perfect solution, but that it was a pilot run. He also hoped that the Authority would expand that service in the future to allow people to travel with their cars from New Bedford, and suggested that the Authority might want to allow cars to travel on the freight boat on a stand-by basis.

Minutes:

The Members agreed to defer consideration of the minutes of the Authority's September 27, 2001 meeting in public session because they had not had sufficient time to review them.

New Bedford-Martha's Vineyard Freight Service:

Mr. Lamson reviewed Management Summary #GM-436, dated October 12, 2001, noting that the Authority had received only one proposal, from Seabulk International, Inc. ("Seabulk"), in response to its request for proposals from private vessel operators to provide freight service between New Bedford and Martha's Vineyard next year. Mr. Lamson stated that management was recommending that the Authority not award any agreement at this time with Seabulk for such service, but that instead the Authority should provide freight service between New Bedford and Martha's Vineyard itself from May 2 through September 25, 2002, as previously outlined in management's proposed 2002 Vessel Operating Schedules, contingent upon being able to enter into a satisfactory agreement with the City of New Bedford for the use of the New Bedford State Pier Freight Ferry Terminal.

In response to a question from Mr. Robbins, Mr. Lamson noted that the Authority's estimated incremental cost of \$750,000 to provide the service did not include the cost of operating the *Katama* between New Bedford and Martha's Vineyard next year, because that vessel otherwise would operate during the 2002 summer schedule between Woods Hole and Martha's Vineyard. Mr. Lamson also stated that he had asked several people, including the Authority's Port Captain and its most senior captain, whether the *Katama* could be safely operated through Woods Hole Passage, and he had been told that it would not be a problem. Of course, Mr. Lamson said, in unsafe conditions the vessel's captain would always have the option of sailing through Quick's Hole, and there was sufficient slack in the schedule to accommodate that.

Mrs. Grossman, however, expressed her concern about the safety issues raised by Mr. Fuller regarding Woods Hole Passage during the public comment period, noting that the dangerous passage could affect the Authority's ability to transport freight needed by Martha's Vineyard. Mr. O'Brien then asked how the Authority's enabling act affected the Authority's proposed service between New Bedford and Martha's Vineyard.

In response, Mr. Lamson said that the period of management's proposed freight service, which coincided with the period of increased traffic congestion, was within the parameters of the legislation. Mr. Sayers also stated that, with respect to whether the Authority had the statutory ability to operate through Quick's Hole, the Authority certainly would be required to go through Woods Hole Passage in the ordinary course, but it may be allowed to sail elsewhere in the case of an emergency or necessity.

Saying that he had spent a good deal of time in Woods Hole Passage himself, Mr. Parker agreed that there was much merit to what Mr. Fuller had said about the currents there, in that they are difficult at particular times. But Mr. Parker declared that he did not believe the enabling act was intended to overrule the law of the sea that empowers a captain, if he does not think that a certain passage is safe, to change course and protect the safety of his vessel and cargo. Mr. O'Brien agreed, observing that such a result would be dictated by prudent seamanship.

Mrs. Grossman stated that she would vote for management's recommendation if it were amended to be a one-year pilot program. However, Mr. Parker declined to allow such an amendment because Mr. O'Brien (who had seconded Mr. Robbins' motion to approve management's recommendation) refused to allow the motion to be withdrawn. Mr. Parker also noted that voting already had begun on the motion, with Mr. Robbins voting aye.

IT WAS VOTED -- upon Mr. Robbins' motion, seconded by Mr. O'Brien -- for the Authority to provide freight service between New Bedford and Martha's Vineyard next year from May 2, 2002 through September 25, 2002, as previously outlined in management's proposed 2002 Vessel Operating Schedules, contingent upon being able to enter into a satisfactory agreement with the City of New Bedford for the use of the New Bedford State Pier Freight Ferry Terminal.

VOTING AYE: Mr. Parker and Mr. Robbins
VOTING NAY: None

New Bedford High-Speed Feasibility Review:

The Members discussed a high-speed passenger-only demonstration project between New Bedford and Martha's Vineyard, as described in Management Summary GM-437, dated October 12, 2001. Due to the length of the statements made by the Members during that discussion, they are attached hereto as a supplement to the minutes of this meeting

IT WAS VOTED -- upon Mr. O'Brien's motion, seconded by Mr. Parker -- that the General Manager be authorized to proceed with the implementation of a three-year high-speed passenger-only seasonal service demonstration project between New Bedford and Martha's Vineyard commencing May 17, 2002, subject to the following:

- (a) Development of a written agreement between the City of New Bedford Harbor Development Commission and the SSA encompassing the offer of financial assistance made by the City Solicitor that is deemed satisfactory in all respects to the General Manager;**
- (b) Development of a bare-boat charter agreement between Boston Harbor Cruises for charter of the motor vessel *Catalina Jet* for not more than the amount stated in the Management Summary, 10/12/01, File GM-437, and is deemed satisfactory in all respects to the General Manager;**
- (c) Development of an agreement deemed satisfactory to the General Manager for termination of the existing Dockage Agreement with Clarks Point Realty for the use of Billy Wood's Wharf in New Bedford;**
- (d) Development of a plan to lay up the motor vessel *Schamonchi* pending outcome of the demonstration project; and**
- (e) That he provide an immediate report to the Board should a satisfactory agreement not be reached regarding conditions (a), (b) or (c) above and, further, that he provide the Board with a progress report each month with respect to the implementation of the project.**

VOTING AYE: Mr. Parker

VOTING NAY: Mr. Robbins and Mrs. Grossman

Proposed 2002 Vessel Operating Schedules:

Mr. Lamson then asked the Members to approve the vessel operating schedules for the Martha's Vineyard route for the period from March 27, 2002 through December 30, 2002. Mr. Lamson stated that there were no significant changes in those schedules from the prior year except for the elimination of the 6:00 a.m. hazardous freight trip from Woods Hole from May 2, 2002 through September 25, 2002.

IT WAS VOTED -- upon Mr. Robbins' motion, seconded by Mr. O'Brien -- to approve the 2002 Martha's Vineyard Vessel Operating Schedules from March 27, 2002 through December 30, 2002, as set forth in Management Summary #MCR-107, dated October 12, 2001.

**VOTING AYE: Mr. Parker, Mr. Robbins and Mrs. Grossman
VOTING NAY: None**

2002 Operating Budget and Rate Adjustments:

Mr. Lamson reviewed Management Summary #A-408, dated October 12, 2001, regarding management's proposed 2002 operating budget, which he said was essentially identical to the preliminary draft that had been discussed at the September 27, 2001 meeting except for a \$400,000 reduction in expenses associated with dolphin repairs at the Nantucket terminal. Mr. Lamson stated that, because of the licenses and permits required to make more permanent repairs to those dolphins, it appeared that the Authority would only be able to complete temporary repairs before the beginning of next season. Accordingly, Mr. Lamson reported that he was recommending approval of the proposed 2002 operating budget contingent upon the approval of a \$3,250,000 rate increase effective January 2, 2002.

At Mr. Robbins' suggestion, the Members then considered management's proposed 2002 rate adjustments before voting on the proposed 2002 operating budget. Mr. Lamson began the discussion by reviewing Management Summary #A-409 (revised), dated October 12, 2001, in which he had proposed three sets of alternative rate adjustments. The first one, in the amount of \$2,600,000, was expected to generate replacement fund transfers of around \$3,700,000; the second one, in the amount of \$3,900,000, would maximize those fund transfers

at approximately \$4,900,000; and the third one, in the amount of \$3,250,000, would generate replacement fund transfers totaling \$4,300,000. Mr. Lamson stated that he was recommending the third option, which was intended to gradually move towards full funding of the replacement fund within a few years.

In response to a question from Mr. Robbins, Mr. Lamson stated that he thought that any safety issue posed by the condition of the Nantucket dolphins would be addressed by the proposed temporary repairs until more permanent repairs could be effected. However, Mr. Parker criticized the previous deferral of these repairs, as well as the previous deferrals of other maintenance on the Authority's facilities over the past several years, declaring that this practice was now requiring expensive temporary measures while permits for appropriate repairs were obtained. Mr. Parker noted that he was not laying the blame for this practice on Mr. Lamson, as he had asked for sufficient funds to make those repairs in the past but had been unsuccessful due to the Members' desire to hold down fares. But Mr. Parker declared that this had made it very difficult for the Authority to keep its equipment in sound condition and was not an example of fiscal responsibility.

Mr. Parker further observed how, in the last five years, the Authority's contributions to its replacement fund had been only 37 percent of the amount established by the Members to be the maximum, namely, the amount of the prior year's depreciation of assets at cost. Mr. Parker stated that the Authority should cease this practice, especially since it is an organization where most of its assets already have been depreciated due to the age of its vessels. Instead, Mr. Parker said, because the Authority's future costs will only increase, the Authority similarly should increase the amount of its contributions to the replacement fund so that the Authority is fiscally sound instead of being fare driven.

Mrs. Grossman, however, disagreed with Mr. Parker, noting that the two islands were completely dependent upon the Authority, which had increased its fares every year. Indeed, Mrs. Grossman observed, this year the Authority had raised its fares twice. Mrs. Grossman declared that there was a maximum amount that island residents and average working people can afford to be able to travel and come home to their island. Recounting how the Authority had been established to take care of the islands, their people and their necessities of life, Mrs. Grossman stated that if the Authority increased its rates too much, it would put the islanders out of business. Instead, Mrs. Grossman said, the Authority had an obligation to make travel economically feasible for the people who live there.

Mr. Parker acknowledged that Mrs. Grossman's position on the issue was a popular one, and that he shared her emotions; but he declared that there would be no Authority if its vessels and facilities were allowed to deteriorate, and he also observed that its fares would continue to increase if the Authority were repeatedly required to perform patch-up repairs. Mr. Parker stated that he felt the Authority had to move forward responsibly and increase the amount of its transfers to the replacement fund. The Authority's fares have increased, he said, because its costs keep rising and its revenues are constrained. In this regard, Mr. Parker observed that excursion fares represented a significant discount and that, as they consumed more and more capacity, the financial pressures on the Authority were becoming more difficult to overcome. As a result, Mr. Parker said, the Authority had to solve its problems through such things as high speed. Alternatively, Mr. Parker suggested that if the Members did not want to increase fares, they could cut service, noting that Nantucket had increased its service by eighty percent over the prior five years while its revenue per trip had decreased.

Ultimately, Mr. Robbins declared that he thought Mr. Lamson's proposal was a reasonable solution, in that it would move the Authority towards fully funding the replacement fund over two years, and would allow the policy issues to be addressed in June. Mr. Parker stated that, while he would prefer to fund it at the higher level now, he would join with Mr. Robbins in voting for the intermediate fare increase if there was agreement to move towards the higher levels in the future.

IT WAS VOTED -- upon Mr. O'Brien's motion, seconded by Mr. Robbins -- to approve a \$3,250,000 rate increase, as set forth in Management Summary #A-409 (revised), dated October 12, 2001, which is expected to increase next year's transfers to the Replacement Fund by an additional \$600,000 (compared to management's preliminary 2002 operating budget) to an estimated \$4,300,000.

VOTING AYE: Mr. Parker and Mr. Robbins
VOTING NAY: None

Mr. Lamson then stated that management was recommending approval of its proposed 2002 operating budget as set forth in Management Summary #A-408, dated October 12, 2001. Observing that the budgeted amount for repairs to buildings and structures had increased significantly from the prior

year, Mr. Robbins asked if that amount could be itemized in the future and if he could have a breakdown of the advertising budget as well. Mr. Parker also asked Mr. Lamson to provide the Members with a list of maintenance items which had been deferred for this year and the prior year. In response to a question from Mr. Robbins, Mr. Sayers stated that the accuracy of the budgeted amount for legal expenses would depend upon how the Authority's lawsuit with the City of New Bedford continued and whether the Authority hired an Associate Counsel.

IT WAS VOTED -- upon Mr. O'Brien's motion, seconded by Mrs. Grossman -- to adopt management's proposed 2002 Operating Budget, as set forth in Management Summary #A-408, dated October 12, 2001.

VOTING AYE: Mr. Parker, Mr. Robbins and Mrs. Grossman
VOTING NAY: None

Future Freight/Shipper Policies:

Mr. Lamson then reported that some disagreements had arisen over the policies approved by the Members in August regarding the bulk reservations program, and that management hoped to resolve those disagreements in a manner that the Members could consider at their next meeting.

Mr. Parker acknowledged that he was aware of the disagreements and was concerned because it appeared that the Authority was deviating from the policies that had been agreed upon with the freight shippers and voted by the Members. Specifically, Mr. Parker said, the policy that was adopted was that freight shippers who do not participate in the bulk reservations program would have to pay a premium when subsequently making their reservations, while those who participate in the program would not, and this was adopted to encourage as many shippers as possible to participate in the system so that the Authority could plan its business and know how much space it needed. Mr. Parker stated that participants in the program were now being told that they too would have to pay a premium for their subsequent reservations, and that he thought the policy should stay the way it had been adopted, especially since those participants are now required to make an up-front, non-refundable payment equal to ten percent of the cost of their reservations.

Mr. Parker noted that there may be abuses to the policy, such as if a participant were to make only a small portion of its reservations through the bulk reservations program to avoid paying the premium; but in the absence of such abuses, he felt that any adjustments to the policy could wait until it is reviewed next year to see how it is working. Nevertheless, Mr. Parker stated that he would be willing to have the Members reconsider the policy at next month's meeting so long as the freight shippers were involved in the process, declaring that he did not want the Authority working with its customers and arriving at a successful conclusion only to find later that the policy which was agreed to is not being scrupulously followed.

Group Discounts for High School Athletic Teams:

Mr. Tornovish asked Mr. Lamson for a one-page letter setting forth the Authority's policy on the availability of discounts on high-speed passenger fares for high school athletic teams, noting that it was both his and Mrs. Grossman's recollection that such discounts were available to both island teams and teams from the mainland who were traveling to the island for an event.

Public Comment:

Martha's Vineyard resident Robert Iadicco said that he was not sure the fast ferry was a terrific idea, but he thought it was a reasonable proposal with reasonable risk. Mr. Iadicco stated that, now that it had been turned down, the only other alternative was to sell the *Schammonchi*, run everything out of Woods Hole, abrogate the agreement with Falmouth, and let the surrounding neighborhoods solve their own traffic problems.

Woods Hole resident Frank Shephard stated that he was not happy that day, but he nevertheless wanted to express his appreciation to Mr. Parker and Mr. O'Brien, as well as to New Bedford. Mr. Shephard declared that there was no question in his mind that in the future New Bedford would be part of boat service to the islands, with the only question being what form it would take, and that hopefully the parties were still talking with each other. Mr. Shephard also criticized the Authority for not be accountable to the public, and stated that the legislative recomposition of the Authority was the only way to go.

Tom Richardson, Director of the Tisbury Business Association, expressed his disappointment that the Members did not vote for the fast ferry, not because of the specific issue but because it appeared that the Martha's Vineyard Member was not being listened to on matters that are significantly important to that island and that the Members were dysfunctional on Martha's Vineyard issues.

Martha's Vineyard resident Virginia Jones declared that this had been one of the most distasteful public meetings she had ever attended, and that she was shocked at the way New Bedford has acted. Ms. Jones criticized New Bedford's methods of doing business as having been deplorable and nothing less than political thuggery.

Martha's Vineyard resident Arthur Flathers questioned why the Authority has a policy that only allows the replacement fund to go up to the prior year's depreciation when in reality it has long-life assets that require the replacement fund to be adjusted for inflation going forward. Mr. Flathers stated that this was particularly important because Martha's Vineyard was being serviced by two ferries which are fifty years old, and the Authority was clearly violating its fiduciary responsibility of running a business.

Nantucket Town Counsel Paul R. DeRensis stated that he had observed at least three violations of Robert's Rules of Order that day, and asked the Chairman to adhere to those rules. Mr. DeRensis noted that the reason boards have Robert's Rules of Order is to provide fairness, and that they should be followed carefully.

Dukes County Commissioner Robert Sawyer declared that some of the views he had heard that day were not representative of Martha's Vineyard, noting that he had voted against the proposal the prior evening and had talked to a number of people who had voted for it but were not strongly in favor of it or enthusiastic about it. Mr. Sawyer stated that they felt it was a last resort, that there was pressure, and that it was the lesser of two evils. Mr. Sawyer further stated that he thought his view was the mainstream view of Vineyard residents, who are totally committed to do everything they can to support and help Falmouth's traffic problems, who are totally committed to doing something to encourage traffic from New Bedford to relieve the toll on Falmouth, and who are totally committed to strengthening their relationship with their sister island Nantucket. Mr. Sawyer further stated that he did not think sophisticated businesses would have made that commitment with such little research and little planning, and that the Authority had to get back to the drawing board and get something that makes much more sense.

At approximately 11:55 a.m., Mr. O'Brien left the meeting.

Dukes County Commissioner Daniel Flynn disagreed with Mr. Sawyer's analysis of the previous night's vote, cautioned how the Authority's vote that day was going to be perceived by groups of people who have control over the Authority, and predicted that a very different Authority would evolve as a result of its actions that day.

Martha's Vineyard resident Stephen Bernier declared that the Authority's biggest asset was the ability of its Members and General Manager to work together, and declared that everyone needed to conduct themselves civilly and appropriately. Mr. Bernier acknowledged that he was not a supporter of the fast ferry, stated that he appreciated the political pressure which Mr. Robbins had been under the previous few weeks, and declared that what Mr. Robbins had spoken to that day had a lot to do with truth, reason and prudence. After also complimenting Mrs. Grossman and Mr. Parker, Mr. Bernier asked all of the Members to put down their swords and to start using their synergy to give the public the best product possible. Mr. Bernier stated that, while he was asking for prudence, he also realized there had to be a boat from New Bedford, but he did not think the Authority had the right boat. Instead, he asked the Members to wait one more summer in order to get a better plan together and a better finished product. Mr. Bernier predicted that the economy was going to shift a lot of things, more so than people could imagine, and the Authority was already in enough financial trouble.

Mr. Shephard recounted how Falmouth and Martha's Vineyard had been trying for a long time to come to an agreement on common issues, and agreed that Mr. Bernier was definitely coming with the right spirit. Mr. Shephard then declared that if somehow a constructive dialogue could come out of the terrible meeting that day, and if Mr. Robbins would honor in principle the need to open another port, he believed that everyone should give it a try.

Craig Johnson thanked the Authority for the working relationship which had existed between it and Seabulk International, Inc. over the last few years, and offered his company's services if there is any need for them in the future. In response, both Mr. Parker and Mrs. Grossman complimented Mr. Johnson, observing that Seabulk had performed well for Martha's Vineyard and that it had been a pleasure working with both him and his company.

Tisbury Selectman Tom Pachico recounted how, at the Authority's last meeting on Martha's Vineyard, he had asked to speak on a very vital issue to the town of Tisbury with respect to the request for proposals that the Authority

was issuing for New Bedford freight service, but that at that meeting Mr. Parker had not allowed people to speak during the meeting and he was not allowed to speak. Mr. Pachico stated that at this meeting Mr. Parker called Mr. Leontire a partner and allowed him to speak because he wanted to hear what Mr. Leontire had to say. Mr. Pachico declared that he did not believe that was fair, and he was appalled to think that Tisbury is not a partner in freight service while New Bedford is considered a partner in a proposed service. Mr. Pachico then said that he had an issue with how Mr. Parker conducted the meeting, saying that if he is going to allow people to speak, then he should allow everyone to speak, and that if he is not, he should not anyone to speak. Mr. Pachico stated that he thought it was wrong for Mr. Parker to pick and choose who he wanted to speak.

Mr. Pachico also observed that it is tough to figure out in advance what position each the Members will take on any particular issue, saying that if he had known where Mr. Robbins would be coming from, his vote might not have been the same the previous night, as he agreed with what Mr. Robbins said.

In response to a question from *Martha's Vineyard Times* reporter Nelson Sigelman, Mrs. Grossman stated that she voted against the New Bedford fast ferry proposal because she thought it was fiscally wrong and needed much more study. Mrs. Grossman stated that she did not know why there was such a rush and, in light of the economy and the war, she did not think this was the right time to go into something that the Authority knew nothing about.

Also responding to a question from Mr. Sigelman, Mr. Robbins recounted the events of the prior week pertaining to the fast ferry proposal, namely, how a notice had been posted the previous Thursday that the Falmouth Selectmen would hold a special meeting the following Tuesday to listen to Mr. Leontire's presentation, how he received both Mr. Lamson's summary and Mr. Leontire's summary of that summary on Monday, how the Falmouth Selectmen did not receive Mr. Lamson's summary until Tuesday, and how Mr. Leontire's presentation materials had been distributed to the Selectmen at the meeting itself. Mr. Robbins stated that, in the circumstances, he would not expect anyone to be able to absorb all of the information that night, and was also concerned that the Authority had not had an opportunity to make a similar presentation.

Mr. Robbins stated that, considering the number of hours he had spent on this matter over the prior month, he felt confident and comfortable with his vote, and that he believed he accomplished both of his responsibilities that day, which were to mitigate the impact of the Authority on the Town of Falmouth and to fulfill his fiduciary duty to assist this organization.

Mr. Lamson confirmed, in response to a question from *Vineyard Gazette* reporter Julia Wells, that his management summary had only been made public sometime on Tuesday afternoon, although it had been circulated to the Members that Monday. Mr. Lamson stated that, although it was against the Authority's regular policy of not distributing management summaries before an Authority meeting, he thought it was important to get out the information in light of the various other public meetings which were going to take place.

At approximately 12:25 p.m., Mr. Parker 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. Robbins' 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, contract negotiations with nonunion personnel, and the deployment of security measures.

**VOTING AYE: Mr. Parker, Mr. Robbins and Mrs. Grossman
VOTING NAY: None**

A TRUE RECORD

GRACE S. GROSSMAN, Secretary

**DISCUSSION REGARDING THE
PROPOSED HIGH-SPEED PASSENGER-ONLY
DEMONSTRATION
PROJECT BETWEEN NEW BEDFORD AND MARTHA'S
VINEYARD**

October 18, 2001

Wayne C. Lamson: Mr. Chairman, as everybody knows, we are down to one option at this time. Boston Harbor Cruises has offered to charter the *Catalina Jet* to the Authority for approximately \$100,000 per month over a minimum three-year period. The Authority would have an option to purchase the vessel after two years for \$7,650,000. The estimated cost to lease and operate the high-speed vessel would be \$3,130,000 for the first year on an annualized basis. I have attached a comparison of the operating losses and capital expenditures of operating the *Schamonchi* versus a high-speed demonstration project in 2002 based upon certain ridership assumptions.

If we ran the *Schamonchi* next summer, we are expecting to have an operating loss of approximately \$860,000. In addition, we have to put in at least \$400,000 into certain vessel and terminal modifications. With New Bedford's offer to pay fifty percent of any loss from the stand-alone New Bedford service, we may not be much worse off under the demonstration project than if we continued to operate the *Schamonchi* next year, depending upon the ridership of the high-speed service and what we get for additional ridership.

But it should also be noted that the Authority entered into a Consent to Assignment agreement earlier this year with the owner of Billy Wood's Wharf in New Bedford in which the Authority agreed that it would continue to operate service from Billy Wood's Wharf through the 2002 season. So the staff is looking for further direction from the Board as to whether you would like us to continue to proceed in finalizing any agreements that would be necessary for this demonstration project for the year 2002.

J.B. Riggs Parker: Thank you, Mr. Lamson. Do we have a motion on this matter?

Robert L. O'Brien: I have a motion.

Mr. Parker: Mr. O'Brien.

Mr. O'Brien: I move that the General Manager be authorized to proceed with the implementation of a three-year high-speed passenger-only seasonal service demonstration project between New Bedford and Martha's Vineyard commencing May 17, 2002, subject to the following:

- (a) Development of a written agreement between the City of New Bedford Harbor Development Commission and the SSA encompassing the offer of financial assistance made by the City Solicitor that is deemed satisfactory in all respects to the General Manager;
- (b) Development of a bare-boat charter agreement between Boston Harbor Cruises for charter of the motor vessel *Catalina Jet* for not more than the amount stated in the Management Summary, 10/12/01, File GM-437, and is deemed satisfactory in all respects to the General Manager;
- (c) Development of an agreement deemed satisfactory to the General Manager for termination of the existing Dockage Agreement with Clarks Point Realty for the use of Billy Wood's Wharf in New Bedford;
- (d) Development of a plan to lay up the motor vessel *Schamionchi* pending outcome of the demonstration project; and
- (e) That he provide an immediate report to the Board should a satisfactory agreement not be reached regarding conditions (a), (b) or (c) above and, further, that he provide the Board with a progress report each month with respect to the implementation of the project.

Mr. Parker: Any second of the motion for discussion? I'll second it. Discussion among the Members?

Galen M. Robbins: Yes, I would like to. Mr. Chairman?

For the past several weeks now, Mr. Leontire has visited a number of communities to present a proposal that was by and large based on numbers that were provided by the Steamship Authority. However, the numbers that

were always presented were the ones the most aggressive, the high-end, and not necessarily what I consider the conservative or even a realistic number.

I see the New Bedford high-speed ferry as really having two components of ridership. The first component I have referred to as migration in the past, and this would be the number of people that would migrate from the Woods Hole conventional ferries to New Bedford. Conceivably they would do that to save time and traffic and parking.

In Mr. Leontire's review of Mr. Lamson's presentation or summary, he mentioned that the SSA analysis, however, that only five to ten percent of the market captured for the New Bedford high-speed in one year versus the 23 percent actual market capture in year one for the Nantucket high-speed run. I have heard that 23 percent number several times. In other words, 23 percent potentially could leave Woods Hole and move to New Bedford, and that is based upon what has happened in Nantucket, and I beg to differ with Mr. Leontire on that number.

From 1997 to 2000, the conventional ferry in Nantucket has gone from 497,000 passengers to 413,000 passengers in 2000. That is a negative growth of 5.9 percent. You could consider that to be migration, migration from a conventional SSA boat in Hyannis to the *Flying Cloud*. In 1998, that number was just over 10 percent. In 1999, given the shortened season, it was less than one percent that chose to go from conventional to high speed, and in 2000 that number is around seven percent. So over three years, that average of what I consider migration is about 5.9 percent.

And that number gets confused with total market share. Certainly the total market share of high speed, when you compare it to the total market share, is 23 percent, but it is confused in this analysis with migration. And that is a critical piece, because that is the biggest chunk of customers that will eventually move to New Bedford. So I beg to differ with Mr. Leontire and I would suggest that that number of migration, that first component of ridership, will only be somewhere between five and ten percent, and more likely closer to five.

The second component I call new business, which essentially is probably migration from the *Schamoonchi* to the high-speed ferry. Projections in the analysis in the presentations to the Board of Selectmen of Falmouth, as well as the All-Island Board of Selectmen, the 66 percent of all *Schamoonchi* customers who are willing to pay two times more for the added value of time and convenience. That is not a quote. The number is what is important. And also that we would capture 100 percent of the *Schamoonchi* traffic because the

others -- 37 percent, 27? -- would actually migrate to Woods Hole. They would just take the boat down there.

I am skeptical about that. The facts are that only 59 percent said that they were willing to pay a higher rate, and only 33 percent said that they would be willing to pay between \$35 and \$45. This is an unscientific survey that we did, but guess what, that's all we have. That's all we have. And the other thing is, if you were willing to accept, and if the proposal, if the analysis by Mr. Leontire is willing to accept the 66 percent number that migrate from the *Schamonchi* to the high speed, and to be consistent, they should also accept that 33 percent of the people that said they ultimately would be willing to pay that price.

This speaks to ridership and the number of people that we would need to make this as much of a loss or equal to the loss of the *Schamonchi* today, and to continue to lessen traffic in Falmouth. The Nantucket high-speed service was added to the same port as the regular service, you had a natural customer base for high speed, including Hy-Line customers and many customers are going to the islands from destinations on the Cape and therefore are not potential users of this service. And I truly believe that.

The second component, if I may continue, Mr. Chairman. At this time, the New Bedford market on conventional ferries has been declining year after year. I do not have these numbers in front of me. I believe it was like 111,000. it is down now to about 90,000. Well, it goes to say that for some reason that savings of 45 minutes which I have calculated -- in other words, to drive from the exit in New Bedford to Woods Hole, park, get on a bus, go to the Vineyard, have a 45-minute trip versus a 90-minute trip out of New Bedford -- that savings or that draw is not compelling enough to increase that volume on the *Schamonchi*. So essentially our customers have not [unintelligible] by not leaving New Bedford is that compelling a case in terms of time. Now granted, you will knock off another thirty minutes with a high-speed ferry, but the question remains the number of people that would be willing to pay that twice cost for thirty minutes.

S. Eric Asendorf: Yes, may I ..., are you done? ...

Mr. Robbins: No, I am not.

Mr. Asendorf: Okay.

Mr. Robbins: May I continue, Mr. Chairman?

Mr. Parker: Please. You have the floor.

Mr. Robbins: As far as debt, Boston Harbor Cruises would lease this vessel to the SSA for \$100,000 a month, \$1,200,000 a year, over a 136-day period. At the end of the lease, we would need to (a) purchase the vessel for \$7,000,000; (b) extend the lease or [(c)] return the vessel and bring conventional back, essentially, or license it or do some other alternative. Boston Harbor Cruises would have received \$10,600,000 for a boat that they paid \$8,275,000 for three years prior. If we choose to buy this vessel, which is I think, in my opinion, the most likely scenario, this expense would converge on planned replacement of the *Islander* starting in 2005 and not to mention Oak Bluffs terminal improvements. This would necessitate a bond limit increase to properly balance expenses. And as far as I have heard -- you know, of state and capital grants -- I firmly believe that they will dry up very quickly, if they haven't already today.

Financials, and I will try to conclude and let other people speak. Based on the information today we have from our own, albeit unscientific [survey], the projected customer base, I believe, will be the five percent migration from Woods Hole and fifty percent of the market from the *Schamonchi*. Under that scenario, we would expect to carry approximately 90,000 customers, what we are doing today. It would not take one car out of Woods Hole, and would result in a loss of more than double the *Schamonchi* at \$1,700,000.

Two more points, really miscellaneous. The Authority, as Wayne mentioned, is under contractual obligation to dock its vessel at Wood's Wharf through April 2003 when providing service between New Bedford and Martha's Vineyard. Breaching this agreement will result in a settlement with Clarks Point Realty or pay some damage for breach of warranty. This is not calculated in any proposal.

The current Woods Hole trip, and I have been in Falmouth for 37 years -- I have made some trips and lived elsewhere but predominantly in Falmouth -- and I heard the other night that the trip from New Bedford to Martha's Vineyard provides no joy, no scenic interest for the vistas, and there is no value to the customers. I travel with a six and an eight-year-old. I actually have to take the six-year-old down to the Steamship Authority in Woods Hole just to take the boat just for the [unintelligible]. It is a value. It has a value. It is different in Nantucket because I think you don't see land for most of the trip, but the passage from New Bedford to Martha's Vineyard, I think it is compelling and I think people like that and are willing to travel for a longer period for that.

And finally, for my opinion, as if I haven't already given you enough, less than twenty days ago, on September 27th, we had a simple narrative from the outgoing GM with limited financial information. Today, twenty days later, we have a proposal before this Board to invest \$10,000,000 over the next three years. Twenty days. Noticeably missing from all proposals is a market study to at least give us some directional guidance as to the potential customers. Again, a \$10,000,000 investment over three years with no market [unintelligible]. As my predecessor mentioned at the other night's Falmouth Selectmen's meeting, this has the potential to be a disaster if not properly executed. I agree with him. A financial proposal prepared in twenty days, with no RFP's, quantitative or qualitative market research, and a three-year commitment with over \$10,000,000 in expenses will result in faulty execution and -- my opinion -- a financial disaster.

As far as a test or a pilot, this cannot be a test. You cannot invest \$10,000,000 and call it a test. Tests are performed in controlled environments with a [unintelligible] strategy to prepare and draw conclusions upon completion of the tests. This is not a test. If a market analysis, if we were to choose to do a market analysis and it leads us to the conclusion that New Bedford high-speed service will be a successful endeavor, we should commit to build it ourselves, staff it accordingly, and eliminate the conventional ferry. Save the \$1,200,000 in costs to lay the boat up for three years, and essentially the \$3,000,000 cost to lease a boat for three years. That is a \$4,200,000 savings, minus the cost of the market analysis, whatever that cost may be. But that decision must be founded in well based and justified projections.

And, finally, I am not against New Bedford in any way. I respect Mr. Leontire's passion and his drive to do what is right for his city. I was appointed to this Board [(a)] to manage and mitigate the impact of this institution to the villages of Falmouth, and (b) to manage the financial or to ensure the financial well-being of this Authority in the future through my votes on this Board. But you know I am equally impassioned and driven to do what is best for Falmouth and the SSA. This is not the right deal nor the right time. Let us proceed with the market analysis, base our investment on data and execute flawlessly. Thank you Mr. Chairman.

[change of tape]

Grace S. Grossman: There is something that I have been accused of that I feel is not true, and that is, that I am not interested in new technology, that perhaps I have lived too long and I am not as up on all the new technology as some of the younger people. But I was the one back in 1997 to recommend at Town Meeting in Nantucket that if we wanted to have some other way of our people getting back and forth to Nantucket and back, which is usually a two hour and fifteen minute trip, that I would recommend to my colleagues on the Board of the Steamship Authority that we look into a fast ferry, and the reason being that it would be an hour versus two and a quarter hours to go to Nantucket.

And for our people who cannot afford to stay overnight with two children and perhaps two dogs, and be able to go back and forth, take those children to the doctors, to the hospital, to school, to shopping, this would be a good alternative. It would also be a good alternative for our people who have appointments in Boston, business appointments and still be able to get back the same day. Now when you take the conventional ferry and you have a full day on the mainland, and you have two children who are little ones and you have to go back that same night, you leave at 8:30 and you get to your house usually at eleven o'clock or eleven thirty at night. That is a very difficult day for little ones. We passed it and it has been successful, but it is from the same port that we have always done and it is mostly for the convenience of our people. It is also for the tourists to have a choice. And it has worked out very well, but it is like apples and oranges to the Vineyard.

And I feel that, number one, considering the fact that we are in a severe economic downturn and we are at war, the Steamship Authority should be very cautious as to what we do at the present time. It is not business as usual. I think it is a very frightening time for everybody. Economically, it is a frightening time to do new things when we don't know what tomorrow brings, and as we have no crystal ball to foresee how the economy and the war will affect the Steamship Authority in the year to come, I feel that we should take our time, not rush into anything, consider status quo until we know where we are going to go in six months or a year from now. We may be in great shape and I hope to God and pray that we will be, but if we are not at least we are not going to worry about where the nickel is coming from to pay for all of this.

I also feel very strongly that we have a contract with the Thompsons and I think it is a very, very, very bad public policy to break a lease and particularly a public authority and I would be very much against it. Thank you, Mr. Parker.

Mr. Parker: Further comment?

Mr. Asendorf: If I may, Mr. Chairman. I don't want to make too much out of something that is totally immeasurable, but I do believe that if "newer and faster" wasn't somewhat of an attraction, then we probably wouldn't have a new car industry in this country. We would be happy with the "older and slower." "Newer and faster" is an attraction. People are drawn to "newer and faster."

But that I think is small compared to the fact that, in Mr. Robbins' detailed presentation, the one thing he assumed, which has been completely overlooked at this point, is that everybody drives to Woods Hole and gets on the ferry. Probably 95 percent of the people that we transport in the summer time do not drive to Woods Hole and get on the ferry. They stop somewhere a half hour away, get all of their luggage out of their car, put it on a bus, take it to Woods Hole, or they drive all their luggage to Woods Hole and they go back to the parking lot. It is a totally inconvenient, totally inefficient and unacceptable form of transportation. The fact that we might possibly be able to put the ferry and the car closer together by using New Bedford is an enormous attraction for people to use the New Bedford route as opposed to using the Falmouth route and having to make that transfer.

And, finally, I totally support the proposition with the exception of the fact of laying up the *Schamonchi*. I think that, as it sits right now, the *Schamonchi* is not particularly useful to the Steamship Authority and that paying to lay it up for three years is a waste of money and, if anything, it should be sold. And if we don't utilize this fast ferry certainly something else will come along that we can replace it with. Thank you.

Mrs. Grossman: Mr. Parker, ...

Mr. Parker: Please, Mrs. Grossman.

Mrs. Grossman: I think, in regards to the *Schamonchi*, when we bought it, we were going to use the *Schamonchi* because the argument was that we needed to have that route. Now I don't think that is a good argument because the Steamship, with their enabling ability, can license ... have to license whatever ferry or vessel that someone else ..., and they are so worried that someone else is going to run that fast ferry. They can't do that without our permission because we have the licensing ability and, in the legislators' wisdom, they gave us that ability, so that in times of downturn or the fact that we are having economic troubles we will always be able to make it because we don't have to necessarily have that competition. Thank you, Mr. Parker.

Mr. Robbins: Mr. Chairman ...

Mr. Parker: Yes.

Mr. Robbins: If I may respond to Mr. Asendorf. As far as one hundred percent, I actually took that from Mr. Leontire's review or analysis of Mr. Lamson's analysis or summary. And what it said, basically, is that "66 percent of the current 92,000 *Schamonchi* customers would use the service. The remaining 31,416 passengers disappear into thin air. They were not accounted for anywhere. They should have been accounted for as riders taking the slow boat from Woods Hole." It was presented as such. I disagree with that. I think we will probably end up with half of those left going to Woods Hole and the other half finding some other alternative, some other destination and potentially off-island, somewhere else, or decide not to go at all.

Mr. Parker: Mr. Murphy.

Robert C. Murphy: I think we have seen, responding to Mrs. Grossman, I think we have seen the results of what licensing does to our revenues, because each year we have to pass on increases to our residents of the island because of some of these licenses, especially on Nantucket, where each year the rates go up because we have allowed this traffic to get away from us. The Hy-Line beat us on the high speed down there and it wasn't wisdom that got us into it. It was the competition and the loss of revenue and the loss of passengers that made us go into first leasing a vessel without a study. We leased the *Finest* and we used it as a test, and after that test we decided, well, we are going to buy a vessel, and we did, and this year Nantucket is showing a \$1,200,000 profit on that high-speed vessel. Now, they went into that not knowing what they were going to come out of, and that is what they ended up with, three years later, so I don't know why it doesn't apply to the Vineyard and why Nantucket would speak against the Vineyard run when they lobbied us so heavily to go with them, to give them that chance for their high-speed run, so I am a little taken back by that.

Mrs. Grossman: May I answer that, Mr. Parker?

Mr. Parker: Please, Mrs. Grossman.

Mrs. Grossman: The Vineyard has a 45 minute run from Woods Hole to the Vineyard. We have no choice. We have two and a quarter hours. Mr. Murphy, there is quite a bit of difference. Secondly, it is from the same port and it is like apples and oranges. It is not comparable.

Mr. Murphy: Well, it is the Vineyard that is willing to take the risk. It is not Nantucket.

Mrs. Grossman: It is not the Vineyard that is willing to take the risk
...

Mr. Murphy: The Vineyard is going to pay for it.

Mrs. Grossman: ... It is the Steamship Authority.

Mr. Murphy: The Vineyard is going to pay.

Mr. Robbins: Mr. Chairman?

Mr. Parker: I am sorry. Are there any ...?

Mr. Murphy: Galen, do you want to go?

Mr. Robbins: I just want to respond to Mr. Murphy. There is a significant difference.

Mr. Parker: Give Mr. Robbins [your] attention.

Mr. Robbins: The *Finest* was a year agreement. It wasn't a three-year commitment. There is a significant difference between that and for doing it.

Arthur E. Flathers: Two. Two year agreement.

Mr. Robbins: One with an option.

Mrs. Grossman: One with an option, I am sorry.

Steven A. Tornovish: Mr. Parker?

Mr. Parker: Mr. Tornovish.

Mr. Tornovish: A couple points, folks. First, Bob, I understand what you are saying and if the people of the Vineyard through you and the Chairman decide that is what you would like to do, well, that is fine. I understand, but do keep in mind several things.

Nat Lowell, you were right on the money. Nantucket's high-speed services, both the Steamship Authority and the Hy-Line vessel, compete more with the airlines than anything else. Vineyard air travel is non-existent when you compare it with travel to Nantucket. Why? Distance and convenience. That is a market segment that you are going to be hard pressed to develop, in my humble opinion.

Two. Expansion. A lot of business people in this room. How many of you are expanding right now? That is what I thought. Okay. Not a good time.

Also, back to the first point, the high-speed service that we run for the Steamship Authority from Hyannis to Nantucket utilizes existing costs in a more efficient way. We didn't have to add a lot of people to run those boats out of Hyannis. Okay. We owned the property, utilizing fixed costs. You are scoffing a little bit over there, Art, but let me tell you, what is going to happen - more staff, more facilities, more maintenance. Go ahead and do the math. I will help you if you need it.

Finally, the generous offer by the City of New Bedford to fund deficits is a little hard for me to swallow. This is the same City of New Bedford that we are involved with a lawsuit with currently? Geez, it is a little tough to make that deal, isn't it, folks? You know, if a mugger took my wallet and then offered me ten bucks so I could take a cab home, I don't think that I would feel a whole lot better about it. That is just me.

Mr. Parker: I think we can avoid that now.

Mr. Tornovish: That is just me.

Mr. Parker: Further? Well, in accordance with my practice when we have an applicant and a partner, such as Hy-Line has been and Seabulk was allowed to speak, I am going to recognize Mr. Leontire for the City of New Bedford since they are a partner in this operation and I think they are entitled to be heard.

George J. Leontire: Thank you, Mr. Chairman. First of all, I would like to say a very heartfelt thanks ...

Mr. Robbins: Excuse me, George. Did we allow Seabulk to ...

Mr. Parker: Yes we did. In the licensing hearing we allowed ...

Mr. Robbins: Did we allow them on the floor this morning?

Mr. Parker: Yes. I allowed Hy-Line to speak when we were doing the licensing on Nantucket, and there have a number of exceptions, and I rule that way and that is the way ...

Mr. Robbins: Just a point of clarification ... question.

Mr. Parker: These people, I think, are entitled to be heard.

Mr. Robbins: Am I entitled to be heard now?

Mr. Parker: Yes, sir.

Mr. Robbins: Okay.

Mr. Parker: But Mr. Leontire has the floor, so we are interrupting.

Mr. Robbins: Okay. But before Mr. Leontire has the floor, I would like to ask a question.

Mr. Parker: Sure.

Mr. Robbins: I don't see that we offered the Seabulk representatives today to get up and speak their piece on the freight service. We did not offer that opportunity to those partners. As far as allowing Mr. Leontire to speak, he has spoken a number of different times for the last couple of weeks, to the public, to the selectmen, to this Board. I don't know ...

Mr. Parker: As have we all.

Mr. Robbins: Why are we inconsistent? Should we go back and allow Mr. Fuller and Mr. Johnson to speak to their partnership and their proposal on the first agenda item?

Mr. Parker: I am sorry, Mr. Robbins. I have allowed this before in situations where people are making application and providing some new information to this Board. I am going to allow it now.

Mrs. Grossman: Excuse me. I concur with Mr. Robbins that you did not allow anyone else to speak, including Seabulk, who has a proposal for the freight ...

Mr. Parker: I did not allow it today, that is correct. They didn't indicate an indication of wanting to speak ...

Mrs. Grossman: But you already announced that no one was going to be able to.

Mr. Parker: Mrs. Grossman, I am going to do this. If you find it unpleasant for you, I am sorry. I am going to do this. I think New Bedford is entitled to speak. They have had a lot of things said about them. I think they are entitled to reply and make whatever comments they seem appropriate.

Mr. Robbins: Mr. Chairman, I would move that we do not allow that ...

Mr. Parker: I rule that out of order, Mr. Robbins. I am the Chairman of this meeting and I am ...

[Unknown]: Point of order.

Mr. Parker: Aside from that, Mr. Leontire has the floor, and I think that we should ... Mr. Leontire, you have the floor.

Mr. Leontire: Thank you. What I wanted to first say is that I want to give my heartfelt thanks, thanks on behalf of the citizens of New Bedford, to the people of Martha's Vineyard, to the sixteen elected officials last night out of twenty who voted for this proposal, to the people of Woods Hole and Falmouth, to the Selectmen of Falmouth who voted unanimously for this proposal. We greatly appreciate it. We have gone down a long road together, and you are wonderful. And you showed that you had the character, the spirit, the dignity and courage, and the people of New Bedford will recognize that.

With respect to the merits, let me say something. I have dealt with a lot of political situations. Don't give me excuses. If I was sitting in that chair and I didn't want New Bedford, do you know what I would say? I wouldn't talk about more studies and more time. This has been studied to death. The Steamship Authority has hundreds of thousands of dollars worth of studies. I would be man enough, and I would be woman enough to sit in that chair ...

Mr. Parker: Please speak up. They can't hear you ...

Mr. Robbins: What does this have to do, Mr. Chairman ...

Mr. Leontire: I would be man enough and woman enough ...

Mr. Parker: He has the floor, Mr. Robbins ...

Mr. Leontire: ... to be able to say, "Mr. Leontire, people of Woods Hole, I am not going to play the bureaucratic shuffle game. That's the way we kill things, you know. We don't want this. I am going to vote against it. ... We don't want it. I don't want it. I, Mr. Robbins, or I, Mrs. Grossman, I, anybody else, I am a man. I am a woman. I am going to stand up for what I think is right. And that is their choice. But we don't want it." Instead, they play the bureaucratic game. It's wrong. It's not the way government should operate.

On the merits. On the merits. Let me tell you why high speed from New Bedford is much more competitive than high speed from Nantucket, because Nantucket the only savings from Hyannis is over water. From New Bedford the savings is as follows: it is fifty minutes to Martha's Vineyard from New Bedford by high speed; it is at least fifty minutes to drive to Woods Hole ...

Mr. Parker: A little louder, please, Mr. Leontire.

Mr. Leontire: It is at least fifty minutes to drive from New Bedford to Woods Hole and park and then take a 45-minute boat. It is an hour and fifteen minutes, roughly, two hours and fifteen minutes, roughly, from New Bedford to get to Martha's Vineyard versus fifty minutes from New Bedford. Therefore, the time differential that the Hyannis to Nantucket save is the same time differential that you save out of New Bedford, except they save it over water and we save it over bridges, in traffic congestion, in Cataumet parking lots and Falmouth parking lots. So to say that they are not comparable issues is wrong. It doesn't make any sense. So that is the first issue.

The second issue is, I want you to know, and you keep referring to my numbers, these aren't my numbers. I don't have any numbers in this proposal. All I said was, "If you take the Steamship Authority's worst case scenario, worst case, the high speed loses \$1,300,000 and the *Schamoonchi* loses \$1,200,000. That is at five percent and fifty percent. If you take the ten percent, they are making money on the high speed. And if God forbid this thing should succeed, you are driving \$1,000,000 at twenty percent and seventy-five percent to the bottom line.

And so the fact of the matter is, I have no problem with any public official voting against any proposal, but you've got to have the guts to stand up and say what the real issues are, and the guts to say it like it is, and not to hide behind bureaucratic nonsense. And that is a shame. But beside what has taken place here today, New Bedford will continue to be a friend to the people of Falmouth, continue to be a friend to the people of Martha's Vineyard, and we

will continue to do our best to help you solve your traffic problems. We will be there for you and someday, when people have some guts, I think you will be there for us. Thank you.

Mrs. Grossman: Mr. Parker.

Mr. Parker: Yes, Mrs. Grossman, you have the floor.

Mrs. Grossman: I would like to address a couple of things that Mr. Leontire has said. Number one, as far as being bureaucratic, I believe that we have given good examples of why we feel, right now, it is not going to work. But secondly, Mr. Leontire, you have -- I think when I watch what is going on today with ... on the war and people bullying us and threatening us -- I don't believe in that. I think that is ..., we have had enough terrorism going on in the last ... since September 17th, and I want to tell you that we care about this as much as anybody. We care about Falmouth. We care about Hyannis, and when you say that you are so concerned about their traffic, why are you so concerned about Falmouth traffic and Hyannis traffic?

Mr. Leontire: Let me answer that question. You asked the question. Do you know why? Because the only way we can exist in this society is to work together to solve our problems, and New Bedford has some solutions to some problems that the Cape has, and the Cape has some solutions to the problems that New Bedford has. And that is about one society, one community, working together, it is what government is about. It is not about, this is mine, it will always be mine. You will never touch it, and I don't care about the facts.

And I resent this terrorism issue because the implication is that somehow I am a terrorist involved in this situation, and I really object to that as much as I object to being called a mugger. I don't think I have accused anyone on this Board of being a terrorist. I even said that it is your right to vote this way, ma'am, you are the appointed official. All I have said is, "Let's state the real reasons and stop the bureaucratic nonsense."

Mrs. Grossman: Well, Mr. Leontire, what you have said is, "If you don't do as I want, we'll sue you. If you do as I want, we'll take away the hostage." That to me is threatening.

Mr. Leontire: Do you want me to answer that? ...

Mrs. Grossman: Do you want to?

Mr. Tornovish: Mr. Chairman?

Mr. Parker: Mr. Tornovish.

Mr. Tornovish: Question to Mr. Sayers, through you, sir?

Mr. Parker: Mr. Sayers.

Mr. Tornovish: Approximately how much have we spent on outside counsel to defend frivolous lawsuits brought by New Bedford concerning the enabling act in the past twelve months? Ballpark. Within a hundred thousand dollars.

Steven M. Sayers: Through the last bill that we have received, we have spent \$210,000.

Mr. Parker: But I would point out to you, Mr. Tornovish, we lost the last motion before the judge. I am not so sure that we can say that this suit is frivolous. I think we will win it, but I think that frivolous is the wrong word. We are still paying. We are still paying, isn't that correct?

[Unknown]: A whole lot less than you do in Hyannis and what it cost you over there.

Mr. Parker: All right. Are there further comments from the Members or the Finance Advisory Board?

Mr. Asendorf: Just one comment because, respecting Mrs. Grossman's opinion and certainly the fact of being bullied, and I would like to take that a step further as we run into this situation of anticipating what the economy is going to do, once again, given the media pressure to buckle under here and run into the cave like chicken little with the fox, I think that on the other hand we have an opportunity, here particularly in New England where there are 5,000,000 people within a tank of gas of us, and I think that if you look at the statistics already for the leaf season, that you will find that tourism is up locally. If people are not going to fly, if people are not going to travel long distances, there are certainly enough people who are going to come here and, contrary to us backing up, I think we ought to at least expect the status quo and possibly more going into next year. That there is really an opportunity here.

Mr. Robbins: Excuse me, Mr. Chairman:

Mr. Parker: Yes, Mr. Robbins.

Mr. Robbins: I read something recently that room taxes are down on the Cape. Is that the case? Are room taxes down?

Mr. Asendorf: Room taxes are down?

Mr. Robbins: On the Cape.

Mr. Asendorf: Well, is it a fact that occupancy is down?

Mr. Robbins: No, just room taxes overall.

Mr. Asendorf: And the point is?

Mr. Robbins: My point is that I think there is some financial concern there, and the economy may struggle, as it is struggling now. But none of us are, you know, fortunetellers and know what is going to happen with the stock market or the economy within the next twelve months. It is very uncertain. If anything, that is what it is.

Mr. Parker: Further comment? If not, I would like to say a few things myself. First of all, I would like to say that I support this experiment. I think it is a sound business opportunity. It is also a reasonable business risk. I call upon my colleagues, whom I have supported, and I have supported Mrs. Grossman in everything she has asked for, even though I disagreed with some of the things. I call upon my colleagues to join me in supporting this experiment. It has the unanimous support of the Board of Selectmen of the Town of Falmouth. It has overwhelming support from the All-Island Selectmen, which represent six towns, and the County Commissioners on the island of Martha's Vineyard. And getting that kind of support on the island of Martha's Vineyard is not a simple matter. So it has wide support on Martha's Vineyard.

It is essentially a sound experiment. It follows in very successful footprints. My colleague on Nantucket conducted such an experiment. No market surveys. No nothing. Under pressure from the competition. And it succeeded under pressure from the competition who had taken away some 64,000 passengers from the Steamship, and they roared back. The first year of the experiment, they took fourteen percent of the overall market of Hy-Line and the Steamship and they took 23 percent of the Steamship's passengers in the first year. The Steamship's total passengers were 584,000 and they took 137,000 of them. That is performance. It is successful.

Now as to whether the two routes are comparable, I say this to you. High speed offers value added, when you take a product, add value to it, it becomes both attractive and it is usually more profitable. It provided in Nantucket value added on the water. From New Bedford it will provide value added as well. It is twenty miles closer from Boston to New Bedford than it is to Woods Hole. It is 42 miles closer from the west to New Bedford than it is to Woods Hole. There are no bridges going across the highway to New Bedford. There are four lane highways going to New Bedford. There is bus service to Boston going from New Bedford. There will be, presumably, hopefully, within three to four years about the end of our pilot program, rail service straight to Boston in two stops. That becomes a transportation system. It provides added value.

If we don't do this, someone else will do it and, notwithstanding the comments here today, we will not as an Authority be able to resist the license because it will make so much sense and there will be so much political pressures to grant a license, just as there has been enormous pressure for Mrs. Grossman to permit the expansion of the Hy-Line service which she recommended and I voted for just a few months ago to a larger boat which is going to provide competition for the Steamship on that line and we may very well have to respond with more and larger boats for the Nantucket high speed in order to protect our revenues. We need to protect these revenues.

Secondly, we need to open up for our own residents on the Vineyard, whom I represent, more space on our Woods Hole route so that they can come and go more frequently than they can now. There is no guarantee we will be able to do that, but we will find out in a pilot program. We will find out if that is feasible. And to not do that, to not find out, is an atrociously bad business risk.

A three-year pilot program offers us the opportunity to find these things out. It offers us to find out whether we are talking about moving five percent of the ridership, ten percent of the ridership, fifteen percent of the ridership, whatever number you want to pick. We don't know and no survey will tell us. If you have been in business you know, after you have done your analysis you have to put the product out there and try it, and that is what I propose. And this is a matter that the Vineyard wants, and I believe that if we are going to have unity on this Authority that we need to allow the representative of the particular island when he reports that that is what the island wants and has the votes to establish it, that that is what should happen and it should receive the support of the other members of the Authority.

There will be naysayers, and this may fail. It may not work and I will be the first to admit that it may not work, but I believe passionately that this Authority needs to do new things to save itself. It is in financial difficulty. It is not putting aside much in the cookie jar for the future. And if we could generate \$1,200,000 as Nantucket has, with no argument, mind you, that they lost any money on the passengers who left their low-speed boats, if we could generate \$1,200,000 for more ability to put into our capital fund, it will be very important for the Vineyard and for the Steamship Authority. We need to expand that. Now we need that facility, and I think that this is one of the ways, the most important way we can get it, and we will use technology to do a good thing.

And if it doesn't work, we give it up, and if we don't want to keep the *Schamonchi*, as has been suggested, we'll sell it, and deal with what we have to deal with at the end of three years. Those are all decisions that can be made down the line, and I don't think we should be caught up in them. I don't think that doing nothing is sound business judgment. I don't think that postponing endless talk about it, this has been studied for years. The port of New Bedford has been studied for years. We are dealing with the port of New Bedford. It offers us these things. We need to recognize it and move forward. Thank you.

Mrs. Grossman: Mr. Parker?

Mr. Parker: Yes, Mrs. Grossman.

Mrs. Grossman: I would like make a couple of corrections. One is that when we voted for the Hy-Line's expansion and a new vessel, I specifically said and asked Mr. Scudder that if we ran into difficulty with our revenues that I would expect them to change the license fee so that they would have to pay more in order for us to be able to operate or cut back on the number of people they were having, and they agreed to it.

As far as the vote in Nantucket, I asked for a vote of 800 who were there, which is as much or more than we have at Town meeting, and you would not allow it, I asked you if we could have a vote, we did vote if everyone was in favor of not going ahead with a three-tiered fast ferry, and you said that you would not second it because you found that we were uninformed and therefore it had to have more study. So you have not gone along with what I wanted. I mean, you keep saying that, and I think I better correct that notion.

Mr. Parker: I am sorry. I don't accept that correction. If you read the minutes of every meeting we have had, Mrs. Grossman, when you have proposed something, I have often spoken against it, but I have often voted with you on it. And I would just like to close my comments by reading what I think are some very accurate statements and I think they apply to this situation.

"In order to make the deficit incurred by limiting the number of automobiles, it was suggested that Steamship's management evaluate the possibility of adding a high-speed passenger-only vessel service to Nantucket to help offset the deficit of curtailing cars. As a result, the Steamship Authority chartered a fast ferry on trial basis, which has been extremely well received and economically successful even though it did not have the comfort of ride control, as it was built for the calmer waters of New York harbor. We are now in the 21st Century, and as much as we would like, we cannot return to the simple way of life due to the population explosion in the entire world. Times have changed and we have to change with the times. The Steamship Authority takes cares of all segments of the population: cars, trucks, people, children, bicycles, dogs and cats. We also subsidize freight, excursion rates and school teams, enabling our citizens to have the quality of life on an island that is still affordable. Revenues derived from the *Flying Cloud* will help to subsidize the freight components of the Authority's operation. The Steamship Authority needs the *Flying Cloud* to survive, and Nantucket needs the Steamship Authority to survive."

Those are the words of Mrs. Grossman at the dedication of the *Flying Cloud*, and a newspaper article about the vote on that, that is, "Over the objections of a very fiscally conservative chairman, the Steamship Authority governors approved a contract yesterday to build a passenger-only fast ferry. Grossman said islanders are very pleased, but before the motion passed two to one, the non-voting Barnstable member of the board said the service has only added to the problems on the mainland. What happened was," this is a quote, "what happened was it left a heck of a lot of automobiles in Hyannis, said Robert L. O'Brien."

I would like to leave a heck of a lot of automobiles in the City of New Bedford. Not bring them to the island, and not bring them to the Cape. And I ask for your support in doing just that.

Is there further comment by the Members?

If not, it comes before you for a vote. All those in favor please say "Aye."
Aye. Opposed?

Mr. Robbins: No.

Mrs. Grossman: No.

Mr. Parker: This matter is settled.

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

The Meeting in Public Session

November 15, 2001

The Members of the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority met this 15th day of November, 2001, beginning at 9:30 a.m., in Room 104 of the Marine Biological Laboratory's Candle House, located on Water Street, Woods Hole, Massachusetts.

Present were all four Members: Chairman J. B. Riggs Parker of Dukes County; Vice Chairman Galen M. Robbins 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 S. Eric Asendorf of Falmouth. Finance Advisory Board member Steven A. Tornovish of Nantucket was not present.

The following members of the Authority's management were also present: Acting General Manager and Treasurer/Comptroller Wayne C. Lamson; General Counsel Steven M. Sayers; Director of Operations James P. Swindler; Director of Marketing & Community Relations Gina L. Barboza; Director of Information Technologies Mary T.H. Claffey; Director of Engineering Carl R. Walker; Special Projects Manager Wesley J. Ewell; and Executive Secretary to the General Manager Maxine Horn.

Public Comment on Agenda Items:

George Leontire, City Solicitor and Economic Development Director for the City of New Bedford, declared that he believed this day had the potential for being one of the historic moments in the Authority's history, as there were few times in public life that public officials can have such a positive impact on their

communities and their region. Mr. Leontire stated that New Bedford had the potential to play an extraordinary, unique and valuable role as a transportation hub which would help benefit both Cape Cod and the Islands.

Noting that Mr. Robbins had raised a number of concerns over the prior few weeks, Mr. Leontire said that New Bedford was not insensitive to those concerns, that the City had heard them and that it had tried to address them. For example, Mr. Leontire noted that Mr. Robbins had raised a concern about Ralph Packer, and he announced that the City had located a site for Mr. Packer and that they were well on their way of designing what that site was going to look like and how it was going to be implemented. Mr. Leontire further stated that New Bedford was ready to drop its litigation against the Authority and move forward. And finally, noting that there had been a question about New Bedford's financial commitment to this process, Mr. Leontire announced that, if this proposal were approved, the City would put up over \$1,000,000 to build a parking facility and that it would arrange for another \$500,000 to help build a passenger facility on the New Bedford State Pier. Accordingly, Mr. Leontire said, New Bedford was trying to live up to its commitments.

New Bedford resident Carl Pimentel declared that, as the owner of Billy Woods Wharf in New Bedford, he had some rights which the Authority should be addressing.

Martha's Vineyard resident Arthur Flathers declared that, with regard to the appointment of a new General Manager, he felt the position should be a "Chief Executive Officer" consistent with the kind of responsibilities that job entails. Mr. Flathers noted that, in terms of annual revenues and expenses, the Authority was a \$60,000,000 to \$70,000,000 enterprise; that it had capital assets whose replacement cost was around \$200,000,000; that it operates essentially as a private business with minimal public subsidy; that it operates ten vessels from six terminals and licenses additional carriers; and that it employs up to 800 people with affiliations with nine different unions. Noting that this position in the private sector would command a salary of \$200,000 per year (give or take ten percent), plus a bonus, Mr. Flathers declared that the Authority should spend that amount for the quality of executive necessary to lead and manage the Authority properly.

Dukes County Commissioner and Oak Bluffs Selectman Roger Wey then applauded Mr. Robbins and Mrs. Grossman on their decision the prior month regarding the fast ferry, and he encouraged the Members to defer making any decision with respect to a fast ferry until adequate information was received regarding the ridership and the vessel's condition.

Nantucket resident Nathaniel Lowell recounted how, three years ago, the City of New Bedford had approached the Islands with its proposal for freight service from that City; how the Authority had contracted for two years of a pilot freight service between New Bedford and Martha's Vineyard; and how the Authority had just voted to provide that freight service itself. Mr. Lowell then declared that the freight service had now become simply a pawn for fast ferry service from New Bedford.

Mary "Pat" Flynn, Chairman of the Falmouth Board of Selectmen, noted that the Falmouth Selectmen had sent a letter to the Members, which was in support of the new fast ferry proposal. With respect to the search for a new General Manager, Ms. Flynn stated that she agreed the position should be elevated to that of a Chief Executive Officer so that the person in that position would have a certain presence in the communities and the skills necessary to work with everyone on a regional basis, including the Legislature.

Nantucket Town Counsel Paul DeRensis asked the Members to defer action at this time on all of the current proposals regarding fast ferry service from New Bedford. Mr. DeRensis declared that all three proposals appeared to be unsound, money-losing propositions, with the differences between them being only the extent of their losses. Mr. DeRensis further noted that there had been no requests for proposals, no competitive bidding and no market studies; that each of the proposals was inconsistent with the Authority's capital plan; that there appeared reason to believe there would be better offers in the future, given the recent history of offers getting better over time; that the country was in the middle of an economic downturn, with unknown effects on Authority ridership; that the Authority's recently increased fares indicates that it needs additional revenue, not more losses; that each of the proposals would require the Authority to breach a contract with an innocent third party, with damage estimates in the range of \$200,000; and that they were all tainted by the involvement of New Bedford, whose representatives had no credibility.

Ultimately, Mr. DeRensis declared that all of the current proposals were essentially nonsense, and he asked why there was an incredible rush to spend millions of dollars with just days to consider the ramifications. Accordingly, he stated that the proposals should be deferred for further study, that by working together everyone could find solutions that can work for all of the communities, and that this does not mean rushing to judgment.

Noting that the staff summary pertaining to the high-speed demonstration project raised the issue of whether the Authority should first explore other

possible service models for the route, Dukes County Commissioner Robert Sawyer recounted how the elected officials on Martha's Vineyard had voted overwhelmingly for consideration of a mid-speed ferry. Mr. Sawyer declared that Martha's Vineyard had accepted New Bedford as an alternative port to relieve traffic on Cape Cod and, accordingly, asked why it did not make sense to consider operating a ferry that can carry cars, especially since there was no evidence that this passenger-only fast ferry would have any measurable impact on taking vehicles off of Cape roads. By contrast, Mr. Sawyer said, if the Authority were to operate a ferry that carries cars, clearly people from New York and Connecticut would use the New Bedford port.

Woods Hole resident Judy Stetson declared that she was very much in favor of the Authority's proposed new shuttle buses being powered by compressed natural gas, and she commended the Authority for making such a proposal. Ms. Stetson also urged the Members to consider other ways of increasing the area's transportation efficiencies.

Mr. Flathers declared that he seriously doubted the Authority could get a reputable market research firm to conduct a study to determine unequivocally that the high-speed demonstration project would be a success, as there were too many variables in the equation to get definitive answers. Mr. Flathers therefore stated that the only alternative was to attempt the project at minimal expense and, given the fact that the *Schamoonchi* would lose \$1,200,000 during 2002, he believed that providing the service with a fast ferry was a "no-brainer" and a no-risk proposition.

Tisbury Selectman Tom Pachico advised the Members that the Tisbury Selectmen were in the process of writing a position paper to the Authority, and were recommending that the Authority defer consideration of a pilot fast ferry program from New Bedford for a year. Mr. Pachico stated that the events of September 11th, the war on terrorism, and the current recession have put a cloud on next year's travel habits, and he felt the Authority should defer major financial commitments until those conditions improve. Mr. Pachico also stated that the Authority's fiscal priorities must remain paramount before any new commitments and, accordingly, replacing the *Islander* and improving the Oak Bluffs dock to accommodate freight service should not be placed in jeopardy. Further, Mr. Pachico said, the strong arm politics and intimidation by the City of New Bedford must not cloud good judgment, and resolution of freight service from New Bedford cannot be held hostage to the fast ferry issue. Mr. Pachico stated that the Authority's new management team should be given the opportunity to consider any new service proposals prior to implementation.

Dukes County Commissioner Leonard Jason suggested that one way to heal the wounds between the islands would be to have the Nantucket Member reconsider the recent revisions to the Authority's allocation policy; and he disagreed with Mr. Sawyer's statements, saying that no one was urging more cars to come to Martha's Vineyard. Mr. Jason stated that the Members that day had an opportunity to take a second bite at the apple; that to suggest that the Authority do nothing and maintain the status quo was neither a plan nor a solution; and that the island communities had made commitments to their neighbors. Accordingly, Mr. Jason said, the All-Island Selectmen believe that the fast ferry is worth trying, and he urged the Members to adopt the proposal.

At approximately 9:57 a.m., Nantucket Finance Advisory Board member Steven A. Tornovish joined the meeting.

Oak Bluffs Selectmen Richard Combra and Todd Rebello also urged the Members to adopt the fast ferry service proposal, noting that it had received the overwhelming support of the All-Island Selectmen. Mr. Rebello then recounted how the Authority recently had increased excursion rates to Martha's Vineyard by \$6.00, observing that the expense was going to be incurred by the residents with no additional services or benefits, and that if the excursion rate continued to escalate it would soon be a thing of the past. By contrast, Mr. Rebello said, the potential fast ferry service came with other possibilities, such as reduced traffic for Falmouth, reduced standby lines, possible additional preferred spaces for island residents, and less parking on the island. Mr. Rebello stated that, if he were from Nantucket, he also would ask the Members to defer the proposal because they already have expanded their service and have received new terminals. However, Mr. Rebello said, Nantucket's expansion had somewhat stymied the Authority's projects on Martha's Vineyard, and he urged the Members to follow through and approve the New Bedford fast ferry.

Minutes:

IT WAS VOTED -- upon Mr. Robbins' motion, seconded by Mr. O'Brien -- to approve the minutes of the Members' meeting in public session on September 27, 2001.

**VOTING AYE: Mr. Parker, Mr. Robbins and Mrs. Grossman
VOTING NAY: None**

IT WAS VOTED -- upon Mr. Robbins' motion, seconded by Mr. O'Brien -- to approve the minutes of the Members' meeting in public session on October 18, 2001.

**VOTING AYE: Mr. Parker, Mr. Robbins and Mrs. Grossman
VOTING NAY: None**

Bareboat Charter Proposal from Nichols Brothers:

The Members discussed a new bareboat charter proposal from Nichols Brothers, Inc. in connection with the proposed high-speed passenger-only demonstration project between New Bedford and Martha's Vineyard, as described in Mr. Lamson's memorandum to the Members dated November 9, 2001. Due to the length of the statements made by the Members during that discussion, they are attached hereto as a supplement to the minutes of this meeting.

IT WAS VOTED -- upon Mr. O'Brien's motion, seconded by Mr. Parker -- that the General Manager be authorized to proceed with the implementation of a two season high-speed passenger-only seasonal service demonstration project between Martha's Vineyard and New Bedford commencing May 17, 2002, upon such terms among those described in his summary dated November 9, 2001, and entitled Bare-Boat Charter Proposals for Nichols Brothers, as he determines to be most advantageous to the Authority, including the negotiation of agreements he deems necessary and that he provide an immediate report to the Members if there is any matter not satisfactory to him which impedes the implementation of the project and, further, that he provide the Members with a progress report each month with respect to implementation of the project.

**VOTING AYE: Mr. Parker
VOTING NAY: Mr. Robbins and Mrs. Grossman**

IT WAS VOTED -- upon Mrs. Grossman's motion, seconded by Mr. Robbins -- that Mr. Robbins' motion [set forth below] regarding the implementation of the high-speed passenger-only seasonal service demonstration project be amended to include another requirement (n) that George Leontire and the City of New Bedford be responsible for all of the legal charges that have been incurred because of the lawsuit.

VOTING AYE: Mrs. Grossman

VOTING NAY: Mr. Parker and Mr. Robbins

IT WAS VOTED -- upon Mr. Robbins' motion, seconded by Mr. Parker -- that the Acting General Manager be authorized to proceed with the implementation of the high-speed passenger-only seasonal service demonstration project between New Bedford and Martha's Vineyard as described as "Nichols Brothers - 23.5 Month Charter" in his memorandum of November 9, 2001, subject to the following:

- (a) Development of a bare-boat charter agreement between Catamaran Boat Company, LLC and Nichols Brothers Boat Builders Inc. for the charter of the motor vessel *Catalina Jet* as described as "Nichols Brothers - 23.5 Month Charter" that is deemed satisfactory in all respects to the Acting General Manager.**
- (b) Development of a written agreement between the City of New Bedford, the New Bedford Harbor Development Commission and the Steamship Authority allowing the Steamship Authority to use the New Bedford State Pier Freight and Ferry Terminal for both its proposed freight service and the demonstration project, which agreement shall be deemed satisfactory in all respects to the Acting General Manager.**

- (c) **Development of a written agreement between all necessary parties for the successful relocation of R.M. Packer's barge operations that are presently in New Bedford, which agreement is deemed satisfactory in all respects to the Acting General Manager.**
- (d) **Development of a written agreement between the City of New Bedford, the New Bedford Harbor Development Commission and the Steamship Authority for the dismissal of both the federal lawsuit and the discrimination complaint, which is to include a covenant by the City of New Bedford and the New Bedford Harbor Development Commission not to sue or file any complaint against the Steamship Authority based upon any alleged constitutional violations or alleged discrimination during the duration of the demonstration project.**
- (e) **Development of an agreement deemed satisfactory to the Acting General Manager for the termination of an existing Dockage Agreement with Clarks Point Realty for the use of Billy Wood's Wharf in New Bedford. Any payment associated with the termination of the existing Dockage Agreement would become part of the stand-alone operations and be included in the computation of any loss on the stand-alone operation and be subject to the fifty percent (50%) payment obligation by the City of New Bedford and the New Bedford Harbor Development Commission.**
- (f) **Development of a written agreement between the City of New Bedford, the New Bedford Harbor Development Commission and the Steamship Authority encompassing the City of New Bedford's offer of financial assistance as follows: A payment equal to fifty percent (50%) of any stand-alone operating deficit for the New Bedford high-speed ferry demonstration project. The determination of the stand-alone operating deficit will be determined by, and satisfactory to, the General Manager.**

- (g) **Development of a written agreement between the City of New Bedford, the New Bedford Harbor Development Commission and the Steamship Authority obligating the City of New Bedford to develop and make available for the demonstration project a 900-space parking facility ready for use on or before May 1, 2002, which agreement shall be deemed satisfactory in all respects to the Acting General Manager.**
- (h) **That necessary modification is made to the existing New Bedford ferry terminal facility, including a passenger service and waiting area at no expense to the Steamship Authority.**
- (i) **That the Steamship Authority receive appropriate security for New Bedford's performance of its obligations under its agreements in a manner deemed appropriate to the Acting General Manager.**
- (j) **That all agreements referred to herein with the exception of item (e) above be executed by all parties by no later than December 20, 2001.**
- (k) **That the Steamship Authority set aside \$75,000 for the purpose of studying the impact of this service on the villages of Falmouth and Martha's Vineyard including, but not limited to, traffic reduction and environmental impact. Said expenses would become part of the stand alone operations and be included in the computation of any loss on the stand alone operation and be subject to the fifty percent (50%) payment obligation by the City of New Bedford and the New Bedford Harbor Development Commission.**
- (l) **That the Steamship Authority immediately market the *Schamonchi* with the intent to sell it at fair market value, provided that any such sale shall be subject to the Members' approval.**
- (m) **That the Acting General Manager provide an immediate report to the Members should any satisfactory**

agreements not be reached regarding any of the items listed above and, further, that he provide the Members with a progress report each month with respect to the implementation of this project.

VOTING AYE: Mr. Parker, Mr. Robbins and Mrs. Grossman
VOTING NAY: None

Development Program for the Fairhaven Maintenance Facility:

The Members then discussed the proposed development program for the Authority's Fairhaven maintenance facility, as described in Staff Summary #SP-103, dated November 9, 2001. Due to the length of the presentation made by Special Projects Manager, Wesley J. Ewell, and the subsequent discussion among the Members, they are attached hereto as a supplement to the minutes of this meeting.

IT WAS VOTED -- upon Mr. Robbins' motion, seconded by Mrs. Grossman -- to approve the development program for the Fairhaven maintenance facility as presented by the Designer Selection Board and attached to Staff Summary #SP-103, dated November 9, 2001.

VOTING AYE: Mr. Parker, Mr. Robbins and Mrs. Grossman
VOTING NAY: None

Revised 2002 Freight/Shipper Policies:

Mr. Lamson requested approval of certain proposed changes to the 2002 freight/shipper policies that had been adopted by the Members the prior summer, as described in Staff Summary #MCR-109, dated November 8, 2001. Mr. Parker stated that he agreed with the proposed changes, and noted that he had been heavily involved in this matter. Mr. Parker also complimented the staff for working effectively with the freight shippers and resolving these last remaining issues.

IT WAS VOTED -- upon Mr. Robbins' motion, seconded by Mrs. Grossman -- to approve the proposed changes to the Authority's 2002 freight/shipper policies, as described in Staff Summary #MCR-109, dated November 8, 2001.

VOTING AYE: Mr. Parker, Mr. Robbins and Mrs. Grossman

VOTING NAY: None

M/V Flying Cloud 2002 Winter Schedule:

Mr. Lamson then advised the Members that the staff had coordinated the Authority's winter operating and maintenance schedules with Hyannis Harbor Tours, Inc. ("Hy-Line") to make certain that either the *Flying Cloud* or the *Grey Lady II* would be providing high-speed service for Nantucket during that entire time period, as described in Staff Summary #MCR-100, dated November 8, 2001. In response to a question from Mr. Robbins, Mr. Lamson confirmed that during the 2003 winter schedule the Authority may be able to substitute the New Bedford high-speed on the Nantucket route whenever the *Flying Cloud* is off line, although the Authority probably would be required to make an additional charter payment in order to do that. Then, in response to a question from Mr. Parker, Mr. Lamson confirmed that the cost of the *Flying Cloud's* 2002 winter service already had been included in the budget estimates upon which the Authority's recent fare increases had been based.

At Mr. O'Brien's suggestion, the Members thanked Murray Scudder, Hy-Line's Vice President for Operations, for his cooperation with respect to the schedule. In response to a question from Mr. Tornovish, Mr. Scudder also confirmed that Hy-Line would carry sports teams on the *Grey Lady II* at the Authority's rates when the *Flying Cloud* is out of service.

IT WAS VOTED -- upon Mr. Robbins' motion, seconded by Mrs. Grossman -- to approve the M/V Flying Cloud's operating schedule from January 2 through January 17, 2002 and February 25 through March 3, 2002, as set forth in Staff Summary #MCR-110, dated November 8, 2001.

VOTING AYE: Mr. Parker, Mr. Robbins and Mrs. Grossman

VOTING NAY: None

Requests for Proposals:

Noting that he generally was authorized only to award contracts under \$100,000 that are within budgeted amounts, Mr. Lamson then requested the Members to award certain contracts which met neither of those conditions.

IT WAS VOTED -- upon Mr. Robbins' motion, seconded by Mrs. Grossman -- to award Contract No. 12-01 for Drydock and Overhaul Services for the M/V Martha's Vineyard to the lowest responsible and eligible bidder, Thames Shipyard & Repair, Inc., in the amount of \$188,800.00, as described in Staff Summary #E-2001-1, dated November 7, 2001.

**VOTING AYE: Mr. Parker, Mr. Robbins and Mrs. Grossman
VOTING NAY: None**

IT WAS VOTED -- upon Mrs. Grossman's motion, seconded by Mr. Robbins -- to award Contract No. 15-01 for Drydock and Overhaul Services for the M/V Katama to the lowest responsible and eligible bidder, American Shipyard, in the amount of \$126,555.00, as described in Staff Summary #E-2001-2, dated November 7, 2001.

**VOTING AYE: Mr. Parker, Mr. Robbins and Mrs. Grossman
VOTING NAY: None**

Mr. Lamson also advised the Members that the Authority had scaled back a proposed contract for the provision of utility services at its Fairhaven Vessel Maintenance Facility, and was then in the process of rebidding that contract. Because the new bid opening date for the contract was November 28, 2001, Mr. Lamson asked the Members for authorization to award that contract, provided that the price does not exceed \$200,000, instead of waiting until the Members' next meeting on December 20, 2001.

IT WAS VOTED -- upon Mr. Robbins' motion, seconded by Mrs. Grossman -- to authorize the Acting General Manager to award Contract No. 22-01 for Vessel Utility Services to the lowest responsible and eligible bidder for that contract, as described in Staff Summary #E-2001-3, dated November 7, 2001, provided that the bidder's total contract price does not exceed \$200,000.00.

**VOTING AYE: Mr. Parker, Mr. Robbins and Mrs. Grossman
VOTING NAY: None**

Proposed 2002 Capital Budget:

Mr. Lamson announced that the staff had prepared a preliminary draft of the Authority's proposed 2002 Capital Budget, as described in Staff Summary #A-410, dated November 9, 2001, but that the staff would be revising that draft due to certain votes taken by the Members that morning. Even after those revisions, however, Mr. Lamson stated that the proposed capital budget would include \$655,000 for the additional costs for improvements to the Authority's Fairhaven Vessel Maintenance Facility; \$165,000 for the purchase of three shuttle buses to be powered by compressed natural gas; and \$328,000 to replace and upgrade the current reservations and communications network. Mr. Lamson noted that, while the draft was on the agenda for discussion that day, the staff was not asking for any action by the Members at that time.

Mr. Lamson also announced that the staff was working on a plan to make certain improvements to the Oak Bluffs terminal over the next three to four years, and were hoping to sit down with the Oak Bluffs Selectmen to discuss a possible timetable for the reconstruction of that terminal.

Mr. Robbins declared that the Authority needed to make a number of improvements to its Palmer Avenue parking lot, and that he would be looking at that matter over the following few weeks. In particular, Mr. Robbins noted that it was difficult for the Authority's customers to make the sharp turn into the lot, and that the pedestrian walkway on the northern side of the property was interactive with vehicular traffic.

Deloitte & Touche:

Mr. Lamson asked the Members to approve the appointment of Deloitte & Touche as the Authority's independent public accountants for the year ending December 31, 2001. Saying that one of his goals was to issue the Authority's Annual Report by April 1, 2002, Mr. Lamson noted that Deloitte & Touche had agreed to accelerate their work schedule so that it will be completed by March 8, 2002, thereby allowing the Annual Report to be issued the following month.

IT WAS VOTED -- upon Mrs. Grossman's motion, seconded by Mr. Robbins -- to appoint Deloitte & Touche as the Authority's independent public accountants for the year ending December 31, 2001, as proposed in Staff Summary #A-411, dated November 9, 2001.

**VOTING AYE: Mr. Parker, Mr. Robbins and Mrs. Grossman
VOTING NAY: None**

Treasurer's Report:

Mr. Lamson reported that the Authority's net operating income for the month of October 2001 was approximately \$400,000 lower than what had been anticipated in the 2001 Operating Budget, primarily due to less passenger traffic than projected (a decrease of almost seven percent to Martha's Vineyard and a decrease of three percent to Nantucket). As a result, Mr. Lamson said, the Authority's net operating income for the first ten months of 2001 was now only around \$500,000 ahead of budget projections.

Mr. Lamson also reported that, for the year to date, passenger traffic to Martha's Vineyard had increased by 64,000 passengers, or about 3.1 percent, over the same period of time last year; but he noted that 92,000 of the total number of passengers carried by the Authority this year had traveled on the *Schamonchi*. Accordingly, Mr. Lamson said, when the *Schamonchi* numbers are subtracted from the traffic statistics, the Authority carried 30,000 fewer passengers between Woods Hole and Martha's Vineyard during the first ten months of 2002 than it did during the same period last year.

Mr. Lamson further reported that the Authority had carried 13,000 more passengers on the Nantucket route, representing an increase of 2.5 percent, during the first ten months of 2002 than it did during the same period last year; that automobile and truck traffic for Martha's Vineyard had increased by 0.6 percent and 0.4, respectively; and that automobile traffic for Nantucket had decreased by 0.1 percent and 0.4 percent, respectively.

Public Comment:

A freight shipper in the audience complained about how the Authority was delaying the first daily freight trip from Martha's Vineyard during the upcoming winter schedule, resulting in that vessel arriving on the mainland at 9:30 a.m. instead of 8:00 a.m. He declared that this change in the schedule will double the freight shippers' downtime during the day, will result in too short a time period for shippers to get back to the island, and, accordingly, will cause them to incur additional costs that will result in an increase in the cost of goods and services on the island. He further complained that the freight shippers had not been included in the process and were not aware of any proposed changes to the schedule, let alone something this drastic.

Nantucket Town Counsel Paul DeRensis declared that the public had seen recently how the City of New Bedford's lawsuit against the Authority had been used for political purposes and as a cudgel held over the heads of the Authority to get what New Bedford wants. For this reason, Mr. DeRensis said, the Town of Nantucket had decided to take steps on its own to put a stop to New Bedford's tactics and to no longer sit on the sidelines while New Bedford's tactics unfold in the courtroom. Mr. DeRensis announced that, even as he stood there that day, lawyers on his staff were filing papers on behalf of the Town to set the stage for the Town to intervene as a formal, independent party in the lawsuit.

Mr. DeRensis stated that the Town was filing the papers because it believed Nantucket and Martha's Vineyard were the real parties in interest whose vital interests are at stake in upholding the licensing powers of the Authority. Mr. DeRensis further stated that the Town believed, based upon its own observations, that the Authority was too conflicted to fully defend itself. Mr. DeRensis declared that the Town's goal was to ensure that the Authority's licensing authority survives the lawsuit and any possible settlement, and that the Town was entering the lawsuit with the commitment to do whatever is necessary to win it for the good of all.

Mr. DeRensis acknowledged that the Members' approval of the fast ferry proposal that day would have possible implications on the lawsuit; but he observed that it was possible that the lawsuit may continue in the event not all of the conditions are achieved. Alternatively, Mr. DeRensis said, even if all of the conditions are met and there is a proposal to dismiss the lawsuit, because the Town is the real party in interest, it wants to be a party to the litigation to make certain that the Authority's licensing authority is preserved.

Nantucket resident Timothy Madden thanked Mr. Robbins for putting together a necessary motion which was well thought out, and said that his leadership was greatly appreciated by all parties. Mr. Madden observed that the parties now appeared to be moving in a positive direction, although he cautioned that everyone must remember the events of the last several months.

Martha's Vineyard resident Stephen Bernier also thanked Mr. Robbins, and commended all of the Members for taking a great step forward.

Tisbury Selectman Tom Pachico declared that Mr. Robbins had done an excellent job on his proposal, which answered many of the Tisbury Selectmen's questions regarding the fast ferry service. Mr. Pachico also wished the service the best of luck and stated that he would support it. However, Mr. Pachico again asked the Members to explore the possibility of a combination vehicle and passenger ferry, and cautioned them not to delay their planning until the end of the demonstration project. Mr. Pachico stated that he would like to see alternatives, noting that service from New Bedford first was going to be only for freight; then it included additional conventional passenger service; and now it had changed to high-speed passenger service. Mr. Pachico suggested that, if service from New Bedford was going to be an integral part of the Authority's service in the future, the Members may want to look at a small, faster version of the *Islander*, a double-ended vessel that may be more economically feasible on fuel and manpower to run to Nantucket during the winter.

At approximately 11:30 a.m., John C. Jay of Executive Resources International joined the meeting.

Search for a New General Manager:

Mr. Jay reviewed the documents earlier provided to the Members which summarized the activities of the search effort to date for the Authority's next General Manager. However, Mr. Jay reported that, in his opinion, the title of General Manager did not adequately reflect the actual position, which was one of a Chief Executive Officer, and he recommended that the title be elevated to that level. Mr. Jay further reported that his draft position description and candidate profile reflected that recommendation.

All four Members, as well as the members of the Finance Advisory Board, agreed with Mr. Jay's recommendation, and commended him for an excellent job. Mr. Robbins observed that the new Chief Executive Officer would have seven direct reports, and asked Mr. Jay whether he felt that was too many. In response, Mr. Jay stated that he did not believe so, as seven was the standard number of direct reports for managers at IBM, which historically has been looked to as a model for management.

Mr. O'Brien asked that the candidate profile be revised to emphasize that candidates for the position should have "strong political skills," "proven strong leadership" and "strong customer service experience." Mr. O'Brien also asked that the targets for the individual include Cape and Islands political leadership and that one of the objectives be a "viable long-range strategic plan."

Public Comment:

Mr. Flathers asked Mr. Jay what he thought the range of compensation should be for the Chief Executive Officer; but the Members and Mr. Jay, on the advice of Mr. Sayers, deferred answering the question until the subject could first be discussed in executive session.

In response to a question from *Cape Cod Times* reporter Paula Peters, Mr. Jay said that, because of the upcoming holiday season, it would be difficult for him to forecast when the Members would be in a position to consider a short list of candidates for the position.

At approximately 11:50 a.m., Mr. Parker 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. Robbins -- 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, contract negotiations with nonunion personnel, and the deployment of security measures.

**VOTING AYE: Mr. Parker, Mr. Robbins and Mrs. Grossman
VOTING NAY: None**

A TRUE RECORD

GRACE S. GROSSMAN, Secretary

**DISCUSSION REGARDING THE
PROPOSED HIGH-SPEED PASSENGER-ONLY
DEMONSTRATION
PROJECT BETWEEN NEW BEDFORD AND MARTHA'S
VINEYARD**

November 15, 2001

J.B. Riggs Parker: That brings us then to the General Manager's report and we turn to Mr. Lamson.

Wayne C. Lamson: Mr. Chairman, I would like to defer for the time being the discussion on item (a) under my report and move to item (b).

Mr. Parker: Okay. I confess ...

Grace S. Grossman: May I ... ?

Mr. Parker: Yes. Mrs. Grossman has asked to make a statement and I had agreed to make it at the beginning of the meeting and I ask ...

Mrs. Grossman: Thank you. I have read Mr. Leontire's letter of November 9th addressed to the Board of Governors and regard it as an unfair and mean-spirited effort to thwart the legitimate political process. It is apparent that Mr. Leontire has embraced the unsavory approach of personally maligning persons in office when the democratic process is not working in his favor. It is obvious that Mr. Leontire's objective is to disgust and discourage Mr. Robbins and myself by his personal attacks to the end that we will resign rather than endure. This will not happen. Mr. Leontire's tyrannical outbursts will not succeed. Mr. Leontire's letter containing the legal and factual misstatements, which it does, reflects discredit on himself, the legal profession to which he belongs, and the City of New Bedford, which deserves to be better served. I commend Mr. Hough on his View from Offshore, "War of Words Turned Cruel." Thank you, Mr. Hough, and thank you Representative Eric Turkington on your letter titled, "Bullying Extortionist Behavior." It is gratifying to know that there are people who cannot be intimidated and have the courage to stand up and be counted. As far as Mr. Shephard is concerned, his most recent letter of November 13th ends by saying, "Ms. Grossman and Mr.

Robbins have also used public displays of affection to announce and demonstrate their alliance,” followed by “when will this stuff ever end?” When will it end, Mr. Shephard, *et al.*? Thank you.

Mr. Parker: That takes us to the General Manager’s item number 3(b). Excuse me, 3(a) Go ahead, Wayne.

Mr. Lamson: About three weeks ago we received a bareboat proposal from Nichols Brothers, owner of the *Catalina Jet*. The subsequent discussions with Nichols Brothers prompted a couple of additional proposals. They are all for two years and the one that we prefer is the one for the 23-1/2 month charter, and that would include payments for the first year of approximately \$718,000. In addition, we would have to pay for the cost of delivering the vessel to Woods Hole, the cost of bow modifications, and so-called engine rundown payments, and this would cost a total of \$1,037,500. And there could be additional conditional payments as well if we carried more than 163,000 passengers.

The City has offered to pay fifty percent of the cost, the stand-alone operating deficit, and fifty percent of any lay-up costs for the *Schamonchi*, not including depreciation. The City has also committed to creating a nine hundred car parking facility and certain passenger and service waiting area improvements. The minimum charter payments under this proposal, the 23-1/2 month proposal, are approximately \$262,000 less per year than the proposal that was before you last month. It is also for two years rather than for three. If the Board votes to proceed with this project, I am recommending that we go with the 23-1/2 month charter under the terms contained in Nichols Brothers’ letter dated November 8, 2001.

Mr. Parker: Thank you, Mr. Lamson. I understand that, to get it before us for discussion, Mr. O’Brien has a motion.

Robert L. O’Brien: Mr. Chairman, I move that the General Manager be authorized to proceed with the implementation of a two season high-speed passenger-only seasonal service demonstration project between Martha's Vineyard and New Bedford commencing May 17, 2002, upon such terms among those described in his summary dated November 9, 2001, and entitled Bare-Boat Charter Proposals for Nichols Brothers, as he determines to be most advantageous to the Authority, including the negotiation of agreements he deems necessary and that he provide an immediate report to the Members if there is any matter not satisfactory to him which impedes the implementation of the project and, further, that he provide the Members with a progress report each month with respect to implementation of the project.

Mr. Parker: Is there a second? I will second it. It is open for discussion. Mrs. Grossman.

Mrs. Grossman: Mr. Chairman, I would like to quote from an article in the November 9th *Vineyard Gazette*. "Passenger ferry proposed for new service from New Bedford was the centerpiece of financial trouble in California. The high-speed passenger ferry that the Steamship Authority is negotiating to lease and possibly buy was returned to the Washington State shipyard where it was built because it had mechanical problems and because it was a financial disaster for the California company that bought it. In fact, the *Catalina Jet* was such a financial disaster that it nearly sank the 42-year-old ferry company that had launched the service. The story was published in September of 2000. It was one of a series of stories that chronicled the rise and fall of the *Catalina Jet*. Catalina Cruises said ongoing mechanical problems forced it to mothball the \$8,000,000 450-passenger craft and cease service. The foundering company also announced that it was laying off employees, reported the *Los Angeles Times* in September 2000."

Is the plan to scrap the *Catalina Jet* after we purchase it -- charter and purchase it -- as we are going to scrap the *Schamoonchi*? Is this good business practice? I don't think so. We are all cognizant that we must reduce the freight and automobile traffic to the islands through the ports of Woods Hole and Barnstable. Management has been working diligently over the past year to find solutions. One that was embraced by the Board and management was to barge more freight to and from New Bedford. Mr. Leontire immediately revoked Mr. Parker's lease -- Mr. Packer's lease -- at the time ...

Mr. Parker: Thank you.

Mrs. Grossman: Excuse me. And said that we cannot barge at all. Is that the kind of partnership the citizens want that holds the Steamship Authority hostage until he gets his wish?

New Bedford wanted the Steamship Authority to move freight back and forth to and from the islands on our own vessels. It was voted at the October meeting. After the meeting, Mr. Leontire proclaimed that unless we vote for a fast ferry we could not carry any freight to and from New Bedford. Is that the kind of partnership the citizens want? I do not think so. Thank you very much.

Galen M. Robbins: I have an amendment to the motion, Mr. Chairman.

Mr. Parker: Is this a substitute motion?

Mr. Robbins: I would like to actually substitute it if I may ...

Mr. Parker: I think we ought to discuss the motion before we substitute it. It has been moved and seconded. Are you willing to accept the substitute?

Mr. O'Brien: Yes, I am.

Mr. Parker: Well, I am not willing to release my second without some discussion. I think we ought to discuss it and if there is a vote to substitute a motion we will discuss that. ...

There has been a proposal to put a substitute motion on the floor and the original maker of the motion today has said that he will accept the substitute motion. I believe that we should discuss the original motion first and, therefore, have not released my second on the original motion and if the first motion is defeated after discussion then we will go with the substitute motion. Is that satisfactory to you?

Mr. Robbins: So I would move the question.

Mr. Parker: Are we trying to suppress discussion here?

Mr. Robbins: No.

Mr. Parker: I think that it bears discussion. I don't think that we want to move the question without discussion. Mrs. Grossman has said what she has to say about it. I have some things to say about it, and I am sure you have some things to say about it. And it would seem to me hardly in the interests of good discussion and in the making of good policy to go forward without some discussion. Would you like to speak to it, Mr. Robbins?

Mr. Robbins: No.

Mr. Parker: Okay. Well, I have some comments. As you all know, I believe that this proposal for a pilot passenger service is a prudent business risk. I believed it before with the three-year program. I believe it even more so now with a two-year program, which has been improved by the cooperation of the Steamship Authority management with the City of New Bedford, and they have done a good job of getting a better offer, and I don't believe that there are

any better offers out there. I think that they have worked it about as hard as they can work it.

And I would make a few comments as background. Forty years ago we probably didn't need New Bedford. In fact it was clear we didn't need New Bedford. It was probably clear ten years ago we didn't need New Bedford. But now I believe we do need New Bedford and we need this kind of passenger service to New Bedford and I would like to tell you why I believe that.

When I first came on this Board I really didn't -- I wasn't in favor of service to New Bedford. I thought that it was something we didn't need, that we could run our business through Falmouth and Woods Hole. I started to examine that issue. I started to go to the Cape Cod Transit Task Force meetings as the representative of the Steamship, and found out the difficulties that the Cape is facing with its own traffic problems and the extent to which we contribute to it. I read the studies. I read the freight studies, the passenger studies, the studies showing where everything came from, where the people came from, where they were going. We have endless studies that have been done, by the Steamship, by outside sources, and they have been studied again and again and again and every time the answer comes up, New Bedford is the port. Use it.

We are now at the point where we have to use it. If you look at the maps, the maps are clear. It is a short run to New Bedford from Boston and from the west. People like that. That's an improvement. We need to use that. We need to face the fact that on the Cape -- which is an island, it is served by two bridges, but it is cut off, it is an island -- those bridges are jammed and they are going to be jammed worse. The winter traffic is now what the summer traffic used to be some years ago and the bridges are going to be under construction. I don't know when, but there is talk of this fly-over at Sagamore. That is going to put a lot of traffic over on the Bourne Bridge and it is going to make more and more congestion. So we need to offer transportation to the island which does not contain these problems.

And lastly on that, we need to secure our spot in the harbor of New Bedford. I have spent a considerable amount of time on behalf of the Vineyard working with New Bedford, trying to alleviate the difficulties that have occurred in finding Mr. Packer a place for his activities. In the process of that, I have sat at the table and been over the harbor inch by inch on a map looking for available properties, and again and again and again the answer comes up, that is already committed to this, or we are building that there. And the answer is, there isn't going to be space in the harbor from New Bedford before we turn around, so I think we are going to have to get our place in it now because we

are going to need it. We need it now, and we are going to need it more in the future.

Today brings a convergence of forces at this point in time. We have over 23 elected public officials who have endorsed this plan. There is no question that it is supported by the island and by the mainland communities which serve the island. It is supported by the Falmouth Selectmen, the City of New Bedford, the Hyannis Town Council, the Martha's Vineyard All-Island Selectmen Association, and it goes on and on. I think we need to recognize that community interest in that community request. And in my view everyone wins with this. It is very few times that you can put together something where everyone wins. Falmouth gets traffic relief. New Bedford utilizes its intermodal center and system. The Vineyard residents get more space on the boats, as Mr. Rebello pointed out, to come and go. Less cars on the island. And a chance to make a profit to help our rates, which are going up.

Yes, the projections that have been discussed and looked at endlessly show a loss on worst case scenarios; but they show a profit on reasonable case scenarios and best case scenarios. And best case scenarios have been the experience for this Steamship Authority for high-speed service. It has done very well. The *Flying Cloud* has been a raging success. This is a pilot program. It is only a pilot program. There is an exit strategy. If it doesn't work, we don't buy the boat or build a boat. We will know that one way or another. With the *Schamanchi* there is no exit strategy. It will only disintegrate in our hands. It was never planned as the eventual vessel to run that route. And I recognize that there are obligations that the Steamship has -- there are signed agreements -- but we will work those out. That is a question of negotiation. These things happen all the time. Plans change, and one has to negotiate the value of one's rights. And that will be done, and it will be done fairly.

I say to you, let's do it and see. Let's come together, make an effort on this, move forward, leave the past behind us, and see if we can't make it work for everyone.

Mr. O'Brien, would you like to say anything?

Mr. O'Brien: In voting this morning, whether you vote for or against this particular motion or any other motion that is on the table or comes on the table, I think we all have to ask ourselves, "where do we want to be next year at this time?" Do we want to be here with an old vessel, with a declining ridership, placing increasing strain on our short maintenance monies, with no potential with this boat; or do we want a new boat, a virtually new boat, it may have lost the same amount of money, but with one heck of a potential for the

future, something we can develop more? So that is the kind of thing I think you have to ask yourself this morning when you vote.

Mr. Parker: I have one other comment, and then I will come to you, Mrs. Grossman. You will see in this motion that the decision on the implementation of this program, if it is approved, if the policy of having high-speed passenger service to New Bedford is approved, is delegated to our General Manager. The implementation of that project is a very complicated one, and it is the General Manager's function, in my view, and his responsibility, in my view, to see that through without any unnecessary interference from the Board. If he feels that there is something that he is not comfortable with under this motion, he can come back to the Board and say, "This isn't working out," or "I don't like this," or "I can't get this agreement the way I want." And we can deal with that. I believe that we should leave that in the hands of the General Manager with no strings attached. We hire him. We appoint him. We expect him to do his job. In the past we have always expected the General Manager to take care of these things, and I think we should do so in this case. Mrs. Grossman.

Mrs. Grossman: Yes. I don't think it is a good business practice to charter a boat that has had problems that we have heard about that were reported to the Gazette. I think that is good business practice I don't understand. We have not looked into that boat. No one has seen it. No one has examined it, and we are rushing into a pig in a poke.

Mr. Parker: I would say two things. One, we are trying to adopt a policy here this morning to go forward with this. There is much work to be done. I would call upon the General Manager and perhaps Mr. Swindler to put any information they can on the table about the boat, on these issues. Do you have anything to contribute?

Mr. Lamson: We have been in contact with the most recent charterer and they did not have any problems with the vessel. It was about a six month charter, but it stopped because they had no more use for the vessel.

Mr. Parker: Was there any -- is there any information on the mechanical difficulties? Mr. Swindler, can you help us on that?

James P. Swindler: I have spoken to [unintelligible] and he did indicate that when they first received the boat there were two problems they had to deal with, one was a water jet problem and the other one was a control problem, and after they dealt with them they had no problems with the boat.

Mr. Parker: What was the water jet problem? That is an important ...

Mr. Swindler: The water jet problem was a folding issue. The folds were apparently the wrong material ...

Mr. O'Brien: I had always assumed anyway that before we go out there, we are going to send somebody out there and perform a survey on that boat before we accept it, so ...

Mr. Parker: I agree with that.

Mrs. Grossman: But we did that with the *Schamonchi* and now we found that we don't want to use it because it has problems. I think that we bought it with the understanding that it didn't, and when we got it we found that it did. Now we are going to have the same problem.

Mr. Parker: Well, if this policy is approved, what is your program, Mr. Lamson? What will you do?

Mr. Lamson: We will send somebody out probably over the weekend to start looking over the vessel, and then send other people out the first of next week to get involved on the mechanical end, going over the engines and the machinery. So that we hope within a week or so to have a pretty good handle on it, and also hire a surveyor that will go through the vessel and determine if there are any problems.

Mr. O'Brien: Were you able to follow up on whether there are any warranties that are going to go with this boat?

Mr. Lamson: We don't know of any warranties. The vessel was built in 1999 and so we are not aware of any. It is being chartered "where is, as is."

Mr. Parker: For a two-year pilot program.

Mr. Lamson: Yes.

Mr. Parker: Mr. Robbins, do you have any comment? Finance Advisory Board? Mr. Murphy? Steve? Eric?

Steven A. Tornovish: Thank you. I have a great concern right out of the gate with the evaluation that Mr. Lamson has put together upon which this motion rides. An integral part of his financial analysis revolves around the City of New Bedford picking up fifty percent of the deficit of the vote. It is pretty

broad brushed. If I were calculating that deficit, I would want to make sure that not only are the direct operational costs obviously included, but a portion of the overhead as it is calculated for both the Vineyard and Nantucket runs currently. I would say that all of the frivolous legal expenses that we have had, that I am guessing probably are somewhere in the \$300,000 range right now, would be included in that. I think that Mr. Leontire's letter of the 13th, and I hope I have the date right, I was just looking at it, where he offers to withdraw his frivolous lawsuit but retains the right to bring it back anytime he feels the need to wave it around and threaten the Board in the future, would be renegotiated so that that would be withdrawn with prejudice. It is a very, very vague part of the deal.

I just want to say -- I may differ with Mrs. Grossman on this, respectfully -- but I have always felt that there is an opportunity, maybe not right now but in the future, to develop high speed service between New Bedford and the Vineyard. Rushing into it is not the way to do that. I have said this publicly before and I stand by it. I will also say that I would not have supported, as I did, the purchase of the *Schamonchi* without feeling that this was an integral step towards achieving that goal. So those are the "whats."

But the thing that bothers me about this deal is the "how." How did we get to this point? Well, I am going to steal a lot from Mr. Turkington's letter, of which I have a copy here. It was printed in the *Falmouth Enterprise* on November 13th. I think he hit the nail right on the head. Almost every paragraph where Mr. Turkington outlines how we got to this point begins with a word: "threatened." "Threatened to oust the Packer barge operation from New Bedford harbor." "Threatened to bar the Steamship from running its freight boat to the State Pier in New Bedford harbor," an outrageous threat he mentions especially since the pier is owned by the Commonwealth, not New Bedford. "It was recently renovated extensively with federal and state funds for the express purpose of accommodating the SSA freight boat." Threatened basically Mr. Robbins -- I am not quoting now -- but contacted Mr. Robbins' employer, Fleet Bank, with threats to remove the City' funds from the bank because of Mr. Robbins' vote, a move that the *Falmouth Enterprise* termed despicable, and which the Falmouth Selectmen in a letter to New Bedford correctly termed malicious threats and actions that directly attacked the character and personal integrity of Mr. Robbins. And then we can go on and on, subpoenas and stuff. It is the "how" that really bothers me.

But right now we are talking about the "what." What we have on the table is too vague, folks. What we have on the table needs to be fleshed out. That is what I have to say.

S. Eric Asendorf: My biggest fear all along, I have said many times and particularly to this Board, is to move in a way of trying to micro-manage this decision when in fact we are a policy-making Board and not a micro-managing Board. But now the fear has turned from micro-management to the worse fear and, as any business school class on management would tell you, the worst thing that you can possibly do is manage by a motion, and that is what we are doing now.

As far as Nantucket is concerned, I feel that it is particularly self-serving for them to vote against this proposal when a majority of capital expenditures over the last number of years have flowed their way. As far as Mr. Leontire and New Bedford are concerned, I don't like Mr. Leontire. I don't like his tactics. But on the other hand, I realize that this is the best possible solution for problems we have and my emotions are not going to keep me from supporting a sound pilot program that has the potential for lots of solutions for the future of the SSA.

Mr. Parker: Well, I am going to make one last comment on this and then we will vote this motion, and that is, we all have tremendous confidence in Wayne Lamson. We have made him our General Manager pending the selection of a new one. He has been with this Authority for more years than I can possibly count. He knows the numbers inside and out. He knows the players inside and out. He has worked with New Bedford. He has worked with Falmouth. He has worked with the Vineyard. And I believe he is thoroughly competent to put this project in the water and implement it, and if he has problems with it he will come back to us. He has done an extraordinarily good job of researching and putting it together, and I think we need to show him that confidence and leave the details of it in his hands.

And I think to not do so would be to send a message that this Board is not going to treat any General Manager that it has, now or in the future, as a leader, but only as a person to carry out detailed instructions. And that is what I would like people to keep in mind. I think this is a sound motion. It moves us ahead. It leaves us the flexibility with Mr. Lamson to pick the one he wants. If he wants the 23-1/2 month project because that is the best, then he can do it. And he can negotiate the agreements, put them in place, and get back to us if he has any questions or problems. I think we have a great opportunity here and I would hate to see us miss it.

Any further comment?

Mr. Tornovish: Sir?

Mr. Parker: Yes?

Mr. Tornovish: I would like to ask the Board to respectfully consider making an amendment to this motion that is on the floor to tighten up the New Bedford part of that deal before we throw it into a scapegoat's hands.

Mr. Parker: Your statement isn't really clear to me, Steve ...

Mr. Tornovish: Well, I will make it more clear, if I may. I think that what you are asking is for Mr. Lamson to have to strike a deal and take all of the responsibility and all of the blame that may come with it down the road without giving the clear direction that we are responsible for providing. I think you can take a lot of that risk out of Mr. Lamson's in-box by modifying the motion before it goes to a vote to specifically request that no deal be entered into until we know exactly how the structure of the recouping of the monies from New Bedford would occur in great specifics. And pardon my distrust, but as I recall, we are in not one but two lawsuits with the City of New Bedford. I think that is a pretty reasonable request.

Mr. Parker: Well, I ...

Mr. Tornovish: It would be prudent, and it has a significant financial impact on the deal that you are asking Mr. Lamson to strike as the General Manager of the Steamship Authority.

Mr. Parker: Well, I think those are important issues. There is no question about it, and I have no concept that this would not be in Mr. Lamson's power to bring it back to us if he is unsatisfied with it. Are you concerned about the breadth of the authority given to you in this motion, Mr. Lamson?

Mr. Lamson: I would like to have some more specific direction, if I could.

Mr. Parker: There it is, then.

[change of tape]

Mr. Lamson: ... the use of the State Pier. We need to deal with Clarks Point Realty Trust and the issues with that ...

Mr. Parker: What guidance can we give you on all of these points?

Mr. Robbins: Excuse me, sir. Mr. Chairman, may I ...

I asked to make a substitute motion, and you have this motion. You have read this motion, and you have just heard from the General Manager that he wants some directions, and what he just mentioned is contained in my motion. And we need to move on. I would ask that we vote on the motion that is on the table now and then, depending on how that works out, that we entertain the next motion.

Mr. Parker: I agree with that ...

Mr. Robbins: So I would move the question.

Mr. Parker: The question has been moved.

Mr. O'Brien: I will second that.

Mr. Parker: It comes before you for a vote. All those in favor say "aye." Aye. Opposed?

Mr. Robbins: No.

Mrs. Grossman: No.

Mr. Parker: The motion is rejected.

Mr. Robbins: Mr. Chairman, I would like to ... actually, as you offered Mrs. Grossman an opportunity to speak first, and then make a motion.

Mr. Parker: Please.

Mr. Robbins: It has been a very difficult and challenging time for this Board and myself over the last thirty days. This institution, I feel, has been plagued with baseless innuendo that threatens to paralyze the ability of it to move forward. Specifically, potential partners have acted like schoolyard bullies. Appointing boards have wielded significant influence on the process that may turn away those who seek to serve the public on a volunteer basis. I have been told by financial advisors not to look at the numbers. Nonsensical comments about where I sit -- and I notice that I am sitting in a different seat today, but -- nonsensical comments about where I sit or my public displays of

affection. The legal system has been abused, and time and money has been wasted. All the while since October 18th the Board has been rudderless with no leadership. All because of a vote I made on October 18th based on fact and what I believed to be the best decision.

I vote with two issues in mind: How the expansion of the SSA's services can alleviate the impact of this institution on the villages of Falmouth; and the financial well being of the SSA. Unfortunately, few have examined my vote in the context of these issues. Instead I have been subjected to insinuations that my decisions are tainted.

For more than ten years, I have served Falmouth in some capacity through volunteer boards and committees. I am proud to say that I have never once allowed my judgment to be clouded by any external influence except the facts pertinent to a particular situation or vote. Judging by the numerous reports since October 18th, one would think the opposite was true.

Enough said. Now we are faced with a new proposal, one that was maneuvered by the Steamship Authority management. To their credit, Wayne and his staff have developed a plan that is less costly and more flexible than the one presented on October 18th. Unfortunately, the numbers presented in any proposal cannot quantify the impact of going forward with a high-speed ferry service. It is a question of moving forward and eliminating barriers, regardless as to how baseless they are. It's about somehow weaving this Board, this institution, back together again and focusing our energies on future initiatives that will strengthen the Steamship.

My motion, Mr. Chairman. I would move that the Acting General Manager be authorized to proceed with the implementation of the high-speed passenger-only seasonal service demonstration project between New Bedford and Martha's Vineyard as described as "Nichols Brothers - 23.5 Month Charter" in his memorandum of November 9, 2001, subject to the following:

(a) Development of a bare-boat charter agreement between Catamaran Boat Company, LLC and Nichols Brothers Boat Builders Inc. for the charter of the motor vessel *Catalina Jet* as described as "Nichols Brothers - 23.5 Month Charter" that is deemed satisfactory in all respects to the Acting General Manager.

(b) Development of a written agreement between the City of New Bedford, the New Bedford Harbor Development Commission and the Steamship Authority allowing the Steamship Authority to use the New Bedford State Pier Freight and Ferry Terminal for both its proposed freight service and the

demonstration project, which agreement shall be deemed satisfactory in all respects to the General Manager.

(c) Development of a written agreement between all necessary parties for the successful relocation of R.M. Packer's barge operations that are presently in New Bedford, which agreement is deemed satisfactory in all respects to the Acting General Manager.

(d) Development of a written agreement between the City of New Bedford, the New Bedford Harbor Development Commission and the Steamship Authority for the dismissal of both the federal lawsuit and the discrimination complaint, which is to include a covenant by the City of New Bedford and the New Bedford Harbor Development Commission not to sue or file any complaint against the Steamship Authority based upon any alleged constitutional violations or alleged discrimination during the duration of this demonstration project.

(e) Development of an agreement deemed satisfactory to the Acting General Manager for the termination of the existing Dockage Agreement with Clarks Point Realty for the use of Billy Wood's Wharf in New Bedford. Any payment associated with the termination of the existing Dockage Agreement would become part of the stand-alone operations and be included in the computation of any loss on the stand-alone operation and be subject to the fifty percent (50%) payment obligation by the City of New Bedford and the New Bedford Harbor Development Commission.

(f) Development of a written agreement between the City of New Bedford, the New Bedford Harbor Development Commission and the Steamship Authority encompassing the City of New Bedford's offer of financial assistance as follows: A payment equal to fifty percent (50%) of any stand-alone operating deficit for the New Bedford high-speed ferry demonstration project. The determination of the stand-alone operating deficit will be determined by, and satisfactory to, the General Manager.

(g) Development of a written agreement between the City of New Bedford, the New Bedford Harbor Development Commission and the Steamship Authority obligating the City of New Bedford to develop and make available for the demonstration project a 900-space parking facility ready for use on or before May 1, 2002, which agreement shall be deemed satisfactory in all respects to the Acting General Manager.

(h) That necessary modification is made to the existing New Bedford ferry terminal facility, including a passenger service and waiting area at no expense to the Steamship Authority.

(i) That the Steamship Authority receive appropriate security for New Bedford's performance of its obligations under its agreements in a manner deemed appropriate to the Acting General Manager.

(j) That -- and I have an amendment which I will pass out. It is a little bit different. I do not have a copy -- that the agreements referred to herein with the exception of item (e) above -- which is not included in your copy -- be executed by all parties no later than December 20, 2001.

Mr. O'Brien: Good amendment.

Mr. Parker: Yes.

Mr. Robbins: (k) That the Steamship Authority set aside \$75,000 for the purpose of studying the impact of this service on the villages of Falmouth and Martha's Vineyard including, but not limited to, traffic reduction and environmental impact. Said expenses would become part of the stand alone operations and be included in the computation of any loss on the stand alone operation and be subject to the fifty percent (50%) payment obligation by the City of New Bedford and the New Bedford Harbor Development Commission.

(l) That the Steamship Authority immediately market the *Schamoonchi* with the intent to sell it at fair market value, provided that any such sale shall be subject to the Board's approval.

And, finally, (m) That the Acting General Manager provide an immediate report to the Board should any satisfactory agreements not be reached regarding any of the items listed above and, further, that he provide the Board with a progress report each month with respect to the implementation of this project.

I appreciate your time.

Mr. Parker: I will second the motion. It comes before you for discussion.

Mrs. Grossman: May I make an amendment to that motion?

Mr. Parker: It comes before you for discussion, and Mrs. Grossman has asked -- please hear Mrs. Grossman.

Mrs. Grossman: I would like to add another point, after (m), (n) that Mr. Leontire and the City of New Bedford be responsible to pay for all of the legal charges that have been incurred because of the lawsuit.

Mr. Parker: Is that a motion to amend?

Mrs. Grossman: Yes.

Mr. Parker: Is there a second?

Mr. Robbins: Second.

Mr. Parker: It comes before you for discussion. Discussion?

Mr. O'Brien: Are we discussing the whole ..., or just the amendment?

Mr. Parker: We are just discussing the amendment, and then we will go to the motion. Mrs. Grossman's amendment. Is there any discussion on the amendment requiring New Bedford to pay all legal charges in connection with their legislation, I mean, their litigation.

Mr. O'Brien: Yes, I think this Board has got to come up to the plate and make a decision: Do they want this boat or don't they want the boat? If you keep throwing all of these contingencies in here and one of them fails, the whole thing fails, if I understand this correctly. And this is just disappointing. We can keep adding things and adding things and, sure enough, it is going to fail. This is a back door approach to making this thing fail.

Mr. Robbins: Mr. Chairman?

Mr. Parker: Yes, Mr. Robbins.

Mr. Robbins: Nothing -- and I think probably Mr. Leontire can attest - - nothing in this document in items at least (a) through (m) -- I am not speaking to (n) at this point -- but all of the items -- and I need to please respond to Mr. O'Brien -- all the items listed in (a) through (m) are not new. They have been structured. They have been formalized. I have added a couple that I think are totally reasonable, and I will tell you right now that I will not vote for this unless (a) through (m) are executed.

Mr. Parker: Well, all threats aside, I will tell you -- no, Mr. Leontire -- I will tell you that I have no doubt that items (a) through (m) would have been taken up and accomplished by Mr. Lamson in any course. They are perfectly reasonable and straightforward, and I don't have any trouble with them. All that we are talking about is the addition from Mrs. Grossman. And is there any discussion on that further? I will say that I think it is just inappropriate. I think that we need to move on. I think that we need to make progress, and I compliment Mr. Robbins for his effort to make progress here, and I would like to reject Mrs. Grossman's amendment and move on to the motion.

Mr. Tornovish: Mr. Chairman?

Mr. Parker: Yes.

Mr. Tornovish: I think that Mrs. Grossman's motion is based on the fact of accountability. We are going to enter into a long-term partnership with someone who is suing us. They want to bury the hatchet. Start by writing the check.

Mr. Parker: Is there any further comment? Well, then the amendment to the motion comes before you for a vote. All those in favor say "aye."

Mrs. Grossman: Aye.

Mr. Parker: Opposed?

Mr. Robbins: No.

Mr. Parker: No. The motion is not carried. We now deal with Mr. Robbins motion, with its details (a) through (m), and I will take comment on it.

Mr. O'Brien: I am in full support of that. My concern is that we keep adding new things to it. That's all. My concern has been addressed. I have no problem with (a) through (m).

Mr. Parker: Is there any other comment? I want to say that I read it quickly before the meeting, and this other motion seemed better to me because of the way the item (j) was composed, and the way Mr. Robbins has amended it I think is entirely satisfactory. I am in favor of it. I move the question.

It comes before you for a vote. All those who are in favor of Mr. Robbins' motion, please say "aye."

Mr. Robbins: Aye.

Mr. Parker: Aye.

Mrs. Grossman: Aye.

Mr. Parker: Opposed? Opposed there are none. The matter is done. Thank you for a very good job.

PRESENTATION AND DISCUSSION
REGARDING THE DEVELOPMENT PROGRAM
FOR THE FAIRHAVEN VESSEL MAINTENANCE FACILITY

November 15, 2001

Wayne C. Lamson: Mr. Chairman, we are asking for the approval of a development program for the proposed new maintenance shop building in Fairhaven. This will allow the Designer Selection Board to solicit proposals of architectural and engineering services to design the building. And through you, Mr. Chairman, I would like to ask Wes Ewell, our Special Projects Manager, to give you a brief overview of the proposed program.

J.B. Riggs Parker: Mr. Ewell, you have the floor, sir.

Wesley J. Ewell: Last year at this time we were considering a negotiated purchase of the Fairhaven property from the Hathaway-Braley Company for our vessel maintenance facility, which we completed on March 3rd. Back in January I was asked as Project Manager to suggest a way to develop and come up with a preliminary budget, which I did, and on January 25th I suggested a two-stage program. At that time my instructions as Project Manager were to develop a first-class facility. I suggested a two-stage program with which we could make temporary modifications to the pier for mooring our vessels and install temporary shop facilities at a cost of some \$1,200,000, and then over the next several years develop the property fully at an estimated cost of another \$2,500,000 at that time.

At that time we convened the Designer Selection Board to select designers to come up with an overall plan for development of the property and to design not only the shop buildings but the pier improvements and the rest of the property. And we also engaged Childs Engineering to design a temporary mooring system that would last in the interim until we had a more permanent system so we could begin repairing our vessels there by the end of this year.

By mid-year it became clear that the Steamship Authority was not going to be in a financial position to continue with that program, so we went back to the Designer Selection Board, we had the Designer Selection Board determine that the Steamship Authority staff had the ability to do certain components of

the project, including determining which buildings were to be demolished, including designing the site plan, and doing other work. The Designer Selection Board then came up with a revised program for shop facilities only.

In the meantime, Childs Engineering came up with a very economical and efficient mooring system that will last many years, and we decided to proceed with that instead of the temporary system that we originally had conceived. And that work is now underway and under construction. We also engaged Thompson Consultants out of Marion to design shore utilities systems to put in permanent electric power, compressed air and water for the vessels at various points along the pier, and that work is currently advertised for bid. We are using our own personnel. We converted one of the existing buildings on the site to temporary shop facilities that ought to serve our needs for several years until we can come up with a more permanent system.

We are now asking you for approval of a revised development program for a permanent shop building on this site, and a shop building only. And once you approve this program, then the Designer Selection Board will immediately advertise for a design team, which will be led by architects but include industrial designers. In the program, it asks the industrial designers to look at the existing shop facilities and the existing needs of the Steamship Authority and come up with a more refined program that will specify the specific size and configuration of each of the shops, and then the architects will design the building to do that. We also ask -- because there is an existing building on the site which independent structural engineers have determined is structurally sound even though it is quite derelict and had suffered a severe fire some fifteen years ago -- we are also asking within the program that the architects evaluate that existing building to see whether it would be more cost efficient to remove and build a new building completely, or to use the existing steel frame, which we know is structurally sound, for the new building.

So at this point we are not asking for permission to build a building. We are asking for permission to advertise for design work. The Designer Selection Board would then evaluate proposals that come in and come back to you probably by the end of January with a recommendation to contract with the design firm to do the design work. All we are asking for today is approval of the program.

Mr. Parker: Thank you. Do I hear a motion?

Grace S. Grossman: I was going to ask a question.

Mr. Parker: Perhaps it is better to do a motion first.

Galen M. Robbins: So moved.

Mr. Parker: Is there a second?

Mrs. Grossman: Second.

Mr. Parker: It comes before us for discussion. Yes, Mrs. Grossman.

Mrs. Grossman: Yes. Mr. Ewell, I am confused about what is done in the maintenance facility and what the shipyard does for us. In other words, I notice that we have shipyard bills as well as maintenance facility bills. Will that change, because we already have spent \$3,000,000 for the property and I was wondering how -- if we have this property, which is larger and perhaps it will be more efficient -- how much will we have to send out to the shipyard and what do we do in the maintenance facility.

Mr. Ewell: I am not sure there will be much difference in that. The shipyard work is primarily when the vessel has to be removed from the water for hull work and for heavy work. This facility will not include, and does not include, any facilities to remove the vessels from the water, so that will still have to be done by the shipyards. All of the work that previously has been done in Woods Hole on the vessels, which is the routine plumbing, wiring, painting, cleaning, and maintenance of the vessels would continue to be done at this facility. We once replaced the whole engine room on the *Islander* at Woods Hole. That was probably pushing the envelope a little further than it should have been pushed, and that work can probably be done at Fairhaven more easily than at Woods Hole. It is up to maintenance and engineering people to decide whether they want to do that or not, but the hauling of the vessels would still have to be done, and the heavy hull maintenance would have to be done, by shipyard.

Mrs. Grossman: But the painting and all of that other work will be done at the maintenance facility.

Mr. Ewell: Yes, it will. This facility, unlike the Woods Hole facility, is in an industrial waterfront district, so it is not sitting fifty feet away from a restaurant.

Mrs. Grossman: Thank you.

Mr. Parker: Mr. Robbins?

Mr. Robbins: Through you, Mr. Chairman. Wayne, maybe I missed it but we have projected the number of incremental employees or is this a migration from Woods Hole to Fairhaven.

Mr. Lamson: It would be migration. We had temporary facilities in Fall River for a couple of years, and now we have this permanent location since we are moved out of Woods Hole. So this facility in and of itself won't increase the number of employees over and above what we currently have working on the repair vessels.

Mr. Robbins: So we have about seventy employees between Fall River and Woods Hole?

Mr. Lamson: When there are several vessels in repair at the same time, there can ... we want to program it for that.

Mrs. Grossman: There aren't several vessels at one time in the maintenance ...

Mr. Lamson: Most of the time there are.

Mrs. Grossman: I thought they went into drydock as others leave, and we alternate vessels so we are still using the other vessels.

Mr. Lamson: But every year they go through the overhaul cycle, and for most of the year in the off-season we have at least two vessels in repair. You have the maintenance crew, the trades, and what we call the repair crew, and that can depend upon how many vessels we have in at any one time.

Mr. Parker: Mr. O'Brien, do you have a question?

Mr. O'Brien: I may have missed something, Wes. The \$500,000 to \$700,000, is that currently available? Is that already budgeted?

Mr. Ewell: Right now, what is budgeted is the \$1,200,000 that we had suggested.

Mr. O'Brien: Is that within the \$1,200,000?

Mr. Ewell: No, it is not.

Mr. O'Brien: So that is new money?

Mr. Ewell: Not entirely. Within the \$1,200,000 that we suggested, was \$400,000 to \$600,000 as the cost for the shop facilities. Since then there have been other decisions that have been made, which as I mentioned putting in permanent mooring facilities which increased the budget by about \$150,000. The vessel utilities which were not in the interim budget, that is out for bid right now. We are expecting that to come in around \$200,000. The estimate that was prepared by the architect on the Designer Selection Board, he came up with an estimate of about \$685,000 for the building as programmed here, which, as I said, may change after we have the industrial engineers look at it. So that is \$100,000 to \$150,000 to \$185,000 more than what we had originally estimated back in January before we bought the property. Those three elements would bring the total cost of what we are actually creating here, which is a permanent facility rather than the interim that we have been talking about before, at somewhere around \$1,700,000 to \$1,800,000, but with that investment you won't have to be saying, "Well, next year we have to spend another \$500,000 to redo the pier and, the year after that, additional money." There will be work that will have to be done. Eventually within the next five or six years you are going to want to repave the whole site, because the pavement is sort of a hodgepodge right now. At some point you are going to want to extend the pier. The federal channel is some 85 to 90 feet beyond the end of the existing pier, and we do have the right to go out there to provide more mooring space for additional vessels as the fleet grows. We don't need to do that for many years. The investment at this point -- we have the \$1,200,000 approved, I believe. We will be coming back to you after we have the design and asking at that time that we look at a total cost for a lot more than what we had suggested for \$1,200,000 to actually get a permanent operating facility with new shop facilities for \$1,800,000. Once we have the design, then we also can apply for federal or state assistance on this too. We cannot apply for those grants until we actually have the design and the permits in place.

Mrs. Grossman: What are our chances, particularly in this economy?

Mr. Ewell: I think the program certainly falls within the purview of at least two programs that I know of, one state and one federal. I think we have probably have a good opportunity to do this for the construction.

Mr. O'Brien: Can we go back to the same subject? The \$655,000 that is in the Capital Plan, is that the money that is going to pay for this?

Mr. Lamson: It would be the total, in excess of the original \$1,200,000, so the new estimate includes the estimated cost for the building as well.

Mr. Parker: Is there further discussion, questions for Mr. Ewell?

Mrs. Grossman: Could I ask one more question?

Mr. Parker: Please.

Mrs. Grossman: On this summary for contracts over \$10,000, \$45,000 for modification to floating docks, this \$14,000 for engineering. Is that all included in this other estimate?

Mr. Ewell: Yes, it is.

Mrs. Grossman: Okay. Thank you.

Mr. Parker: Is there a further question? If not, the approval of the development program for the Fairhaven Vessel Maintenance Facility comes before you for a vote. All those in favor please say "aye." Aye.

Mr. Robbins: Aye.

Mrs. Grossman: Aye.

Mr. Parker: Opposed there are none.

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

The Meeting in Public Session

December 20, 2001

The Members of the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority met this 20th day of December, 2001, beginning at 9:30 a.m., in Room 104 of the Marine Biological Laboratory's Candle House, located on Water Street, Woods Hole, Massachusetts.

Present were three Members: Chairman J. B. Riggs Parker of Dukes County; Vice Chairman Galen M. Robbins of Falmouth; and Associate Secretary Robert L. O'Brien of Barnstable. Secretary Grace S. Grossman of Nantucket was not present, but participated throughout the meeting by telephone.

Also present were two members of the Authority's Finance Advisory Board: Robert C. Murphy of Dukes County; and S. Eric Asendorf of Falmouth. Finance Advisory Board member Steven A. Tornovish of Nantucket was not present.

The following members of the Authority's management were also present: Acting General Manager and Treasurer/Comptroller Wayne C. Lamson; General Counsel Steven M. Sayers; Director of Operations James P. Swindler; Director of Marketing & Community Relations Gina L. Barboza; Director of Information Technologies Mary T.H. Claffey; Director of Engineering Carl R. Walker; and Executive Secretary to the General Manager Maxine Horn.

Public Comment on Agenda Items:

During the period of public comment on agenda items, Oak Bluffs Selectman Todd Rebello expressed his thanks to Mr. Parker, saying that while Mr. Parker had paid a political price, his efforts had not gone unnoticed on

Beacon Hill. Yarmouth resident Theodore Galkowski asked whether there were any other solutions if service from New Bedford could not be worked out. New Bedford resident Michael Pimentel stated that the Authority could use the dock at Billy Woods Wharf for the next one hundred years.

Chilmark Selectman Warren Doty observed that over a period of years the Authority had worked very hard to develop a program of service that works for New Bedford and Martha's Vineyard, and he expressed his concern that any part of that service may fall apart and not be available. Mr. Doty stated that one part of that service included the barging of bulk goods, stone, gravel and modular homes by Packer Marine, which was a very important component of any plan of service from New Bedford. The second component of the service, Mr. Doty said, was the freight service, which had been used by his business and other businesses over the past two years. Noting that the Authority was now prepared to send three boats a day to the New Bedford State Pier, Mr. Doty declared that it was a good service, that it had worked for Martha's Vineyard and Woods Hole, and that the Authority should do everything it could to maintain that service. Mr. Doty then stated that the third part of the service was the passenger service, and that there had been excellent passenger service between Martha's Vineyard and New Bedford every summer for many years. Mr. Doty declared that the Authority needed to make that a good, modern efficient service, whatever vessel was used, and could not lose that. He also noted that having that service use the same terminal that handles the freight service in downtown New Bedford would be an excellent thing.

Falmouth resident Frank Shephard then expressed his personal appreciation to Mr. Parker, declaring that the people of New Bedford, Falmouth and Martha's Vineyard were not going to go away and would prevail in the end.

At approximately 9:42 a.m., Nantucket Finance Advisory Board member Steven A. Tornovish joined the meeting.

Nantucket Town Counsel Paul DeRensis asked the Members not to take any action that day regarding New Bedford service, noting that Mrs. Grossman had not been able to attend the meeting due to health problems.

Election of Officers:

Mr. Parker announced that, in accordance with the Authority's enabling act, Mr. Robbins automatically would become the Authority's Chairman for the year 2002. Mr. Parker then stated that he would entertain motions for the election of the Authority's Vice Chairman and Associate Secretary for the upcoming year, but not for the position of Secretary, as that position must be occupied by a voting Member of the Authority and there was not a voting Member available to assume that job as of that date.

IT WAS VOTED -- upon Mr. O'Brien's motion, seconded by Mr. Robbins -- to elect Grace S. Grossman to serve as the Authority's Vice Chairman for the year 2002.

VOTING AYE: Mr. Parker and Mr. Robbins
VOTING NAY: None

IT WAS VOTED -- upon Mr. Robbins' motion, seconded by Mr. Parker -- to elect Robert L. O'Brien to serve as the Authority's Associate Secretary for the year 2002.

VOTING AYE: Mr. Parker and Mr. Robbins
VOTING NAY: None

Noting that this was Mr. Parker's last meeting as Chairman, Mr. O'Brien stated that he personally would like to thank him for his leadership that has been displayed all of this past year, which Mr. O'Brien declared had been exceptional. Observing that Mr. Parker had done a great deal for the islands, especially Martha's Vineyard, as well as all of the communities, Mr. O'Brien congratulated Mr. Parker and stated that it had been a pleasure to serve with him.

IT WAS VOTED -- upon Mr. Robbins' motion, seconded by Mr. O'Brien -- to elect Wayne C. Lamson to serve as the Authority's Treasurer for the year 2002.

VOTING AYE: Mr. Parker and Mr. Robbins
VOTING NAY: None

New Bedford Passenger and Freight Service:

The Members discussed the status of New Bedford passenger and freight service for the year 2002, as described in Staff Summary #GM-440, dated December 14, 2001. Due to the length of the statements made by the Members during that discussion, they are attached hereto as a supplement to the minutes of this meeting.

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

- (1) to reaffirm the vote taken by the Members at their November 15, 2001 meeting for the implementation of a high-speed passenger-only seasonal service demonstration project between New Bedford and Martha's Vineyard;**
- (2) to reaffirm all of the conditions of that vote with the exception of the date contained in item (j); and**
- (3) to change the date in item (j) of that vote from December 20, 2001 to January 17, 2002.**

VOTING AYE: Mr. Parker

VOTING NAY: None

Mr. Robbins abstained from voting on the motion.

Meeting Dates for the Year 2002:

The Members discussed the meeting dates for the year 2002 proposed by Mrs. Horn in her memorandum to the Members and Finance Advisory Board dated November 19, 2001. Mr. Lamson asked if the March 2002 meeting could be held on March 14th; Mr. O'Brien asked that the Members hold their April 2002 meeting in Hyannis rather than Woods Hole; and Mr. Robbins asked that the February 2002 meeting be moved to February 14th.

IT WAS VOTED -- to approve the dates and locations for the Authority's monthly meetings for the year 2002 as set forth in Mrs. Horn's November 19, 2001 memorandum to the Members and Finance Advisory Board, except that the meeting scheduled for February 21, 2002 is changed to February 14, 2002; the meeting scheduled for March 21, 2002 is changed to March 14, 2002; and the meeting scheduled for April 18, 2002 will be held in Hyannis instead of Woods Hole.

VOTING AYE: Mr. Parker and Mr. Robbins
VOTING NAY: None

Proposed 2002 Capital Budget:

Mr. Lamson reported that the staff was recommending the approval of twelve new capital projects for the year 2002 totaling \$2,014,000, as set forth in Staff Summary #A-412, dated December 14, 2001. Mr. Lamson stated that, since the Authority's last meeting, the staff had added a new project for improvements to the Palmer Avenue parking lot, in the amount of \$300,000, including a redesign of the entrance and exit, an upgrade of the restroom facilities, and additional landscaping to improve the lot's overall appearance.

Mr. Lamson said that the staff also was proposing that the Authority, beginning in 2002, set aside \$3,000,000 each year from transfers to the replacement fund for the reconstruction of the Oak Bluffs terminal, based upon the understanding that the Authority will begin to maximize its transfers to that fund in 2003.

Mr. Murphy stated that the Finance Advisory Board was recommending the adoption of the staff's proposed budget.

In response to a question from Mr. Parker, Mr. Lamson stated that the staff would have a better idea by the following month of how much work the Authority will be able to get done on the Oak Bluffs terminal reconstruction project, as well as the sequence in which the work will take place. Mr. Lamson cautioned, however, that the work will take several years in any event, because of all the permits needed by the Authority. Nevertheless, Mr. Lamson stated that he hoped the Authority would be able to make some temporary improvements to the terminal before next summer. In addition, Mr. Lamson said, he was proposing that the Authority earmark funds for the project without

impinging on the Authority's plans to replace the *Islander*, based upon the understanding that the Authority would be increasing the amount of transfers to the replacement fund to the maximum amount allowed by the Authority's enabling act.

Mr. Parker declared that it was important to have the assurance that the Authority will commit those capital funds to the terminal's reconstruction, and noted that none of the Members had objected to Mr. Lamson's recommendation which called for the Authority to make the maximum allowed transfers to the Authority's replacement fund for that purpose. However, Mr. O'Brien pointed out that it needed to be understood what will happen in the event the Authority does not maximize those transfers. In response, Mr. Lamson stated that the Authority would have to reduce the funds earmarked for the project on the same percentage basis as it reduces funds for its other capital projects, while at the same time exploring the availability of any grants. Mr. Parker also declared that he believed the Members had to make a commitment not to revert to the past practice of failing to transfer sufficient monies to that fund.

IT WAS VOTED -- upon Mr. Robbins' motion, seconded by Mr. O'Brien -- to approve the 2002 Capital Budget as proposed in Staff Summary #A-412, dated December 14, 2001.

VOTING AYE: Mr. Parker and Mr. Robbins
VOTING NAY: None

Monthly Route Allocation Reports:

Mr. Lamson reported that the staff had been asked to prepare monthly reports showing the allocation of the Authority's revenues and expenses by route, as set forth in Staff Summary #A-413, dated December 14, 2001. The purpose of the reports, Mr. Lamson said, would be to provide information as to each route's actual results so that they can be compared to the Authority's original budget projections on a monthly basis.

In response to a question from Mrs. Grossman, Mr. Parker stated that he had requested these reports as a management tool so that the staff could be aware as to how the Authority is performing on a route basis compared to its budget. Mr. Parker also observed that it was important for the Authority to know on a month-to-month basis whether it is meeting those targets and, if

not, to be able to correct mid-course to bring a particular route up to expectations. Mr. Parker stated that he thought Mr. Lamson had done an excellent job preparing the reports on a preliminary basis, and that he was sure the reports would be refined in the future.

In response to a question from Mr. Robbins, Mr. Parker stated that the reports could be used by the Authority to assist it in establishing profit centers on a route basis. For example, Mr. Parker said, the Authority should be able to measure each parking lot as a separate profit center, and determine whether each lot's revenues and costs are justified. In this regard, Mr. Parker observed that analyzing costs in the aggregate is not as constructive and that the Authority could not make proposals to improve its operations if it does not have such information.

Treasurer's Report:

Mr. Lamson reported that the Authority's net operating income for the month of November 2001 was expected to be approximately \$170,000 lower than what had been anticipated in the 2001 Operating Budget. As a result, Mr. Lamson said, the Authority's net operating income for the first eleven months of 2001 was now around \$637,000 ahead of budget projections, which originally had forecast a net operating income of \$3,300,000 for the year.

Requests for Proposals:

IT WAS VOTED -- upon Mr. Robbins' motion, seconded by Mr. O'Brien -- to award Contract No. 19-01 for Drydock and Overhaul Services for the M/V Eagle to the lowest responsible and eligible bidder, American Shipyard, in the amount of \$167,857.00, as described in Staff Summary #E-2001-4, dated December 14, 2001.

VOTING AYE: Mr. Parker and Mr. Robbins
VOTING NAY: None

IT WAS VOTED -- upon Mr. O'Brien's motion, seconded by Mr. Robbins -- to award Contract No. 23-01 for Drydock and Overhaul Services for the M/V Governor to the lowest responsible and eligible bidder, American Shipyard, in the amount of \$190,065.00, as described in Staff Summary #E-2001-5, dated December 14, 2001.

VOTING AYE: Mr. Parker and Mr. Robbins
VOTING NAY: None

New Business:

While noting that he had disagreed with Mr. Parker on several occasions during his short tenure as a Member, Mr. Robbins applauded Mr. Parker for his significant amount of work and wished him well. Mr. Robbins also stated that he looked forward to working with Kathryn Roessel and moving the Authority forward in 2002. Mrs. Grossman also wished Mr. Parker well and expressed her hope that the Authority will continue to do well in the new year.

Mr. Parker then declared that he would like to thank principally the communities that he said had come together in the last year in support of the Authority, bringing to rest warfare that had occurred for a number of years before. Mr. Parker observed that those communities had worked hard and had extended a lot of trust to each other, and he thanked them for that. Mr. Parker also thanked Mr. O'Brien and Mr. Murphy for their unwavering support and good advice. And last, Mr. Parker thanked Mr. Lamson, his staff and, most importantly, the men and women of the Authority who keep the boats on line, safe and on time.

Public Comment:

Martha's Vineyard resident Robert Iadicicco said that it was unfortunate that the intemperate remarks of the New Bedford City Solicitor had become an issue rather than making the pilot project work, and declared that the thirty day wait would have cost nothing and would have indicated the Members' good intentions.

In response to questions from Falmouth and Martha's Vineyard resident Richard Sherman, Mr. Parker stated that while the Authority had an excellent maintenance facility in Fairhaven, that facility clearly could not be used for other purposes such as freight or passenger service because of its location next to a residential area. Mr. Parker also stated that the Authority's search for a new Chief Executive Officer was proceeding, although the Members had no candidates before them at that time.

Martha's Vineyard resident Arthur Flathers then criticized the draft report recently issued by the Cape Cod Commission, entitled "Falmouth - Steamship Authority Traffic Study." Nantucket resident Nathaniel Lowell suggested that it would be useful for the Authority to differentiate in its traffic reports among the various types of "trucks" carried by the Authority.

Nantucket Town Counsel Paul DeRensis asked the Members not to agree to any dismissal of New Bedford's lawsuit against the Authority with prejudice, saying that it would not serve the interest of the Authority or either island. Declaring that Nantucket was very supportive of the Authority's licensing powers which were being challenged in that lawsuit, Mr. DeRensis stated that the Town did not want to see what has happened historically, namely, private operators taking the cream of the summer traffic and leaving the Authority with no money to provide service during the winter.

In response, Mr. Parker stated that he thought New Bedford eventually would lose its lawsuit if it pursued litigation, but he noted that a dismissal of the lawsuit without prejudice would simply place New Bedford in the same position as every other municipality in Massachusetts. Mrs. Grossman pointed out, however, that no other Massachusetts community had sued the Authority and that New Bedford previously had filed lawsuits against the Authority at least two other times.

In response to a question from *Martha's Vineyard Times* reporter Nelson Sigelman, Mrs. Grossman stated that she had called Mr. Lamson after New Bedford had announced that all deals were off with the Authority, although it was not immediately thereafter. Mrs. Grossman stated that after Mr. Lamson confirmed that he had talked with Mr. Leontire and that Mr. Leontire had confirmed that the deal was off and there was nothing the Authority could do to change his mind, she suggested that Mr. Lamson call Nichols Brothers to make certain that the Authority did not enter into a charter for the high-speed ferry which it was not going to be able to use. Mrs. Grossman emphasized that it was not her intention to cancel the arrangement with New Bedford, but simply to make certain that, once New Bedford had called everything off, the Authority did not end up paying for a charter for a vessel that the Authority

would not be able to use, and she felt that her actions were an example of fiscal responsibility.

In response to another question from Mr. Sigelman, Mrs. Grossman declared that she failed to see how the Dukes County Commissioners' decision not to re-appoint Mr. Parker as an Authority Member had anything to do with the Authority's negotiations with New Bedford. Further, Mrs. Grossman said, she had not been involved in Martha's Vineyard politics, and she did not recall speaking with Dukes County Commissioner Daniel Flynn about the subject earlier that year.

In response to a question regarding whether he felt the Legislature would now take any action to amend the Authority's enabling act, Mr. Parker declared that, as he had said before, the Legislature's activities were their business and that it was up to them to decide what to do. As an appointee under the enabling act, Mr. Parker said, he simply was seeking to do his job under that act, whatever it is.

Other members of the audience also spoke and asked questions of the Members, including Martha's Vineyard resident Stephen Bernier, Chilmark Selectman Warren Doty, Tisbury Selectman Tom Pachico, Dukes County Commissioner Robert Sawyer and Falmouth resident Susan Shephard.

At approximately 11:45 a.m., Mr. Parker 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. Robbins' 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, contract negotiations with nonunion personnel, and the deployment of security measures.

VOTING AYE: Mr. Parker and Mr. Robbins

VOTING NAY: None

A TRUE RECORD

GRACE S. GROSSMAN, Secretary

DISCUSSION REGARDING
PROPOSED FREIGHT AND PASSENGER SERVICE
BETWEEN NEW BEDFORD AND MARTHA'S VINEYARD

December 20, 2001

Wayne C. Lamson: Mr. Chairman, I regret that I have to report that, as of this date, we have been unsuccessful in meeting any of the conditions set forth in the Members' vote last month to proceed with the implementation of a high-speed passenger-only demonstration project between New Bedford and Martha's Vineyard. Yesterday I received a letter from the Mayor of New Bedford requesting that today's deadline be extended to January 15th notwithstanding the fact that it was the City who decided two weeks ago to sever its ties with the Steamship Authority.

I am therefore proposing that we: (1) continue to operate the *Schamoonchi* from Billy Woods Wharf next year in the same manner we provided passenger service this past season; (2) continue to pursue the use of the New Bedford State Pier to provide freight service to Martha's Vineyard in 2002 despite Mr. Leontire's recent statements to the contrary; and [(3)] that we come back to the Authority meeting next August with a long-range strategic plan for the year 2003 and beyond as to how we are going to proceed with both freight and passenger service from an off-Cape location.

The Town of Barnstable has written a letter to the Authority asking us to keep them informed as to our progress in developing an off-Cape freight terminal and, finally, the Office of the Inspector General has requested documents in connection with the purchase or lease of a high-speed passenger vessel for service between New Bedford and Martha's Vineyard, apparently in response to a letter they received.

J. B. Riggs Parker: Shall we have a motion to deal with these issues to begin with?

Robert L. O'Brien: I would like to make a motion. I would like to make a motion to reaffirm the vote that was taken at last month's meeting for the implementation of a high-speed passenger-only seasonal service

demonstration project between New Bedford and Martha's Vineyard, and that all of the conditions be reaffirmed with the exception of item (j), and I would like to change the date from December 20th to January 17, 2002.

Galen M. Robbins: I will second that for discussion.

Mr. Parker: It has been moved and seconded. Discussion, Mr. Robbins?

Mr. Robbins: I think Wayne has put together a very good summary of the events that have occurred since November 15th, and I would like to just comment on that briefly, just sort of chronologically. On November 15th, we had a unanimous approval of high-speed ferry pilot project from New Bedford. On November 16th, five representatives, including myself, went to Seattle to look at the boat, to meet with the owner, as well as to discuss modifications. Mr. Swindler, Mr. Lamson, Mr. Parker, as well as Mr. Leontire and myself. Wayne kicked off an implementation team for the execution of this very important project. I personally asked for a marketing plan from our agency to determine where we need to be in terms of marketing and positioning for this pilot next year, and also there was a concern that there wasn't enough money in that budget to support such a big project. Furthermore, I discussed the option of hiring an outside consultant that I had used for project execution, marketing project execution. I felt that our expertise and the sheer resources we have at the Steamship Authority would not be enough to carry out this program in 2002 in a short time frame and expense.

I say these things because I was committed to this program. We had a unanimous vote of this board. I have a fiduciary responsibility to the Steamship Authority as my position on the board to make sure this would work. I would never, ever set this up to fail, and I believe that we were well on the path of executing this for 2002.

Now, as of December 5th, the City severs ties with the Steamship Authority. According to Mr. Leontire, the City will not participate in any transportation projects with the Cape and the Islands as long as the Steamship Authority is structured as it is now. Furthermore, he cannot "in good conscience tell the Mayor and the City to proceed in good faith when there are people I know who are not operating in good faith and setting it up to fail." Furthermore, in a letter that the Acting General Manager sent to the City Solicitor, Mr. Leontire "confirmed the accuracy of newspaper reports and informed me that everything was over. When I asked you whether there was anything that could change your mind," -- and this is a quote from a letter to Mr. Leontire dated December 7th -- Mr. Leontire said no, that he already had

instructed his attorneys to resume the federal lawsuit and that he would be pursuing the proposed legislation to change the structure of the Authority.

Mr. Leontire acted on behalf of his position as Economic Development Director and he announced that the City was severing its relationship with the Authority. Furthermore, the City of New Bedford has taken the position that the Authority will not be allowed to use the New Bedford State Pier Freight Ferry Terminal for our proposed freight service between New Bedford and Martha's Vineyard. And this was all put together in the staff summary that I think all of us have, and if you don't, please see me afterwards and I will make a copy, as well as a letter that was dated December 7th to George Leontire, City Solicitor of New Bedford, from Wayne Lamson.

The point in sort of reviewing this is that I don't see that there is a proposal on the table today. It was the City and not the Authority who announced on December 5th and reiterated in subsequent statements that the November 15th agreement was finished; it was the City and not the Authority who declared that it would not participate in any further efforts to finalize the terms of various documents required by the agreement; and it was the City and not the Authority who announced that it had instructed its counsel to resume the federal litigation. Under these circumstances, the Mayor's current request to extend the deadline rests on the premise that there is and continues to be a viable agreement. There is no agreement that can be extended because the City and not the Authority already has repudiated it. So in my mind and my vote today, there is no proposal to extend and I think that this has been driven by the City of New Bedford, and we are here today in this position because the City of New Bedford chose to not honor its commitments as they said they would on the fifteenth of November shortly after that meeting. Thank you, Mr. Chairman.

Mr. Parker: Yes. Further comment?

Mr. O'Brien: I think we have come a long way on this and it would be a shame at this point, for the sake of a few words that were said back and forth probably during the heat of the day when they should not have been said, that we throw this down the drain, and I guess I cannot accept that as a good business decision.

Mr. Robbins: Mr. Chairman?

Mr. Parker: Yes.

Mr. Robbins: I think what was thrown around a lot in October, November and December was “partnership.” It was a partnership with the City of New Bedford, with the City of New Bedford caring for the people of Woods Hole, Falmouth and Martha's Vineyard, and they would provide some relief. What has transpired since December 5th is not a partnership. It is not a partnership and, from a business perspective I think probably the biggest concern of mine is that we don't have a partnership, and it has been directed since the fifth by the City of New Bedford. This board unanimously voted for a pilot program for 2002. It wasn't us who pulled out of this deal. It was the City of New Bedford and that is unfortunate.

Mr. Parker: Further comment? Well, I would say simply that I would echo Mr. O'Brien's comments. This proposal, which is not an agreement because it hasn't been signed -- Mr. Robbins is quite right about that -- this proposal to negotiate agreements and set up arrangements to conduct this service had a deadline of today on it, and Mr. O'Brien has proposed that the deadline for negotiating and finalizing those agreements, and arranging for the service be extended to January 17th. I favor that extension. I favor that extension because I believe it is good for Martha's Vineyard if this service can possibly be installed on the terms that this board voted unanimously for after rejecting a prior proposal. I believe we should make it happen because, as Mr. Robbins points out, there was a lot of work put into it and the staff has done an enormously good job in getting ready for it and, if the time can be extended to get it done by January 17th, I think it is terribly constructive. It is constructive for the Vineyard. It is constructive for the mainland communities. It recognizes the consensus that has been built among all the governmental agencies involved in this, except for Nantucket, and I think it is important to do it, so I would urge that it be done. Is there further comment?

Robert C. Murphy: Mr. Chairman?

Mr. Parker: Yes.

Mr. Murphy: If management can bring together either program on the 17th, what have we lost by waiting until the 17th?

Mr. Parker: I know of nothing.

Steven A. Tornovish: Mr. Chairman?

Mr. Parker: Yes.

Mr. Tornovish: It is tough to enter into an agreement with someone that you have been a party to such an acrimonious lawsuit with; but I think that both sides were willing to some extent to hold their noses, shake hands and find a way to make it happen. It was put up or shut up time. Guess what? They didn't put up. Very simple. New Bedford did not put up. I think that -- cynically, I wonder if Mr. Leontire looked at the chessboard and decided to resign the game because he knew he was going to have to go back to the taxpayers of New Bedford -- some of whom, by reading the *New Bedford Standard Times*, I notice, are already a little bit upset about their rates both commercially and residentially -- and say, "Folks, we are going to take \$4,000,000 of your funds and put them into this project, we are also going to bet that this project succeeds, and go from there with the Steamship Authority." I think they got very cold feet and were looking for a way out.

I am going to tell you, Mr. Leontire, that we, the Steamship Authority, also made a bet with money other than our own, the money that we collect from our ratepayers, and it is a substantial bet and something we do not take lightly. So I resent very much the implication that we were not going to be good partners and hold up our end of the deal. I echo what Mr. Robbins said. I would urge the voting Members if this motion is to be considered, to consider it only on one very serious condition, and that is that the lawsuit, the frivolous lawsuit in my humble opinion, that has been brought forth by New Bedford against the Steamship Authority, their erstwhile partner, be completely renounced and never to be brought back. Dismissed, if I have the legal term properly stated, without prejudice? With prejudice, pardon me ...

Mr. Parker: The audience will remain silent, Mr. DeRensis.

Mr. Tornovish: ... never to be brought forth again. That should be the minimum that we should request if we are going to go down this road any further. Having said that, I will also reiterate that I feel that we have an obligation to the people of Falmouth to find a way to alleviate their traffic. We could be an excellent partner with the City of New Bedford. They are making it very, very tough. Thank you.

Mr. Parker: Further comment?

Grace S. Grossman: Mr. Chairman?

Mr. Parker: Mrs. Grossman.

Mrs. Grossman: May I say a word or two? I agree with both Mr. Robbins and Mr. Tornovish in that when you have good business practices, which is what our Chairman has talked about for a long time, the partners you expect to work with are going to work with you, and they don't have a temper tantrum anytime they don't get their way, and I think it would be a big mistake at this time when we were willing to go along and have a pilot program. It was unanimous and we all approved it and then to have this happen. It was not the Steamship Authority, but it was the City of New Bedford who decided that this wasn't to their liking. Therefore, I agree with Mr. Robbins and Mr. Tornovish that this is not good business practice. Thank you.

Mr. Parker: Thank you, Mrs. Grossman. Any further comment?

Mr. Robbins: Mr. Chairman, if I may?

Mr. Parker: Yes.

Mr. Robbins: I will try to keep it brief. I just don't want it misunderstood. I was committed to the program, and I voted so on November 15th, and I think my actions from November 15th through December 5th definitely were in a direction that would move this business forward with a high-speed pilot from New Bedford. I was on board, despite what is out there today. And I am very discouraged that we could not put together something by the twentieth, today. But keep in mind, all of the pros and cons of the pilot program from New Bedford, the financial risks, the concerns, the tax rates, whatever it is, we had a deal, we voted on November 15th, we communicated with the City of New Bedford's Solicitor. He said the deal was finished. That was a quote. It is finished. It was reiterated in subsequent statements that the November 15th agreement was finished and that further efforts would cease.

Furthermore, we had a list of conditions that were voted on, but in a letter from the Mayor of New Bedford dated December 18th, the last paragraph - and again I would be happy to share this with you as well if you don't have a copy -- "In the final analysis it might turn out that the Legislature fails to act and therefore service from New Bedford cannot proceed." So in other words we have a new condition that was undisclosed, that unless New Bedford has a change in the legislation, that we can't do anything, so regardless of the January 15th deadline, if this other condition that this board did not agree with that was not disclosed to them in November, unless that happens we are out of luck on January 15th. That means that we are back to litigation, and freight and passengers not being allowed in New Bedford.

It has got to stop. There is no deal on the table. It was taken off the table by the City of New Bedford on December 5th. Enough said.

Mr. Parker: Any further comment?

Mr. Murphy: Mr. Chairman, my point is that we don't really lose any time if we go the extra yard here. I see us bend and twist meeting after meeting here, extending deadlines and everything, but it seems like we have no patience for New Bedford and we are not willing to give them that extra time. I think we are shortchanging the island of Martha's Vineyard and we are just letting this go out the door, and I think it deserves all the time necessary to make it complete. Thank you.

Mr. Parker: I think we have had extensive comment. Is there anything further?

Mr. Robbins: Mr. Chairman, I have to comment. We have been extremely patient, extremely patient, with the City of New Bedford for the last three months, and I will not sit here as if we haven't been patient with New Bedford.

Mr. Parker: With that, I guess it comes before us for a vote. And the motion is to extend the deadline for completion of arrangements to take service to the City of New Bedford to January 17th and to reaffirm the commitment to that service. That is the motion. All those in favor, please say aye. Aye. Opposed?

Mr. Robbins: I will abstain.

Mr. Parker: Mr. Robbins abstains. Does Mrs. Grossman wish her intentions to be recorded even though she can't vote?

Mrs. Grossman: I can't vote and I don't believe it is a vote because, as of the moment, there is nothing to vote on because we never signed a contract, because they pulled out before, so I will abstain also.

Mr. Parker: One vote in favor, two abstentions. I am afraid it fails and the motion is defeated, and we will go forward.

Mr. Lamson has raised a number of other issues in his opening statement on the issue of New Bedford and I think we ought to discuss that. He has raised the issue of having a study made for future service to the port

communities and I will take a motion on that and we can put it forth for discussion. Is there a motion?

Mr. Robbins: So moved.

Mr. O'Brien: Second.

Mr. Parker: It is before you for discussion. Would you like to amplify your statement first, Mr. Lamson?

Mr. Lamson: Well, I just think that we have made certain commitments to the Town of Falmouth and to the Town of Barnstable through agreements and different resolutions of reducing truck traffic through those two communities in particular, and this particular aspect was not addressed in the service model that we were talking about earlier this year as I recall.

Mr. Parker: You mean the Barnstable portion.

Mr. Lamson: The Barnstable portion, or how we are going to deal with service from New Bedford to Martha's Vineyard and getting the truck traffic levels down to the 1997 levels. I think the Authority has to develop a plan that will ensure that we do try to meet those obligations.

Mr. Parker: I would certainly agree with that. I think that one thing that has been -- and I choose my words carefully here -- left undone is the issue of meeting our obligations to the Town of Barnstable in the 1997 agreement which we have with them, because if we do not make substantial progress in 2003, the agreement provides for Barnstable having the right to bar Nantucket's high-speed service to Nantucket from landing in Hyannis, and also to bar a certain number of freight trips that were permitted by that 1997 agreement. That I believe would be a very serious matter and I do not think that this Authority can leave undone whatever is necessary to comply with that agreement and quickly, and if we do not do that, the cost of complying with that agreement could become so substantial and fall on the farepayers of Nantucket that they could well be severely impacted.

Mrs. Grossman: May I comment on that, Mr. Chairman?

Mr. Parker: Please.

Mrs. Grossman: As far as I know, we have been working very diligently to do more staging so that Barnstable won't have an impact on the trucks, and I want to thank Barnstable for giving us a place at the airport to do that. We also have been discouraging people, trucks and so forth, to make sure we have the minimum that are necessary to come to Nantucket as well as cars, and I do feel that we have been working on that. And I resent the fact that anyone says we aren't because it wasn't supposed to be, we are supposed to have a port by 2003. But in the agreement it did say that it has to be fiscally possible, and if it isn't fiscally possible, then we can't do it. And we have been making every effort and we will continue to make every effort to make sure that we will be able to make that agreement by 2003.

Mr. O'Brien: I am encouraged to hear that. The Town Council, apart from what is being recommended in here, are noted in this particular item and have written a letter to the Members here calling your attention to this agreement, and they are not that moved by what they feel are any actions showing real positive motion toward meeting this part of the agreement, and they have asked that there be quarterly reports made to them by the CEO beginning in January.

Mrs. Grossman: Well, thank you, Mr. O'Brien. I would also like to point out that our freight traffic is down by, I believe -- is it seven percent, Mr. Lamson?

Mr. O'Brien: I think it is 1.4 percent.

Mr. Parker: As I understand the agreement, there are absolute numbers that we are supposed to reach, not percentage reductions.

Mrs. Grossman: Well, I understand that, but we are well on our way with our freight being down at the present time.

Mr. Parker: Well, I can't do the calculation in my head. Maybe Mr. Lamson could, as to what percentage decrease there would have to be to get to the 1997 number.

Mr. Lamson: I don't have that right here, but here are the traffic statistics through December 14th, and the number of trucks carried between Hyannis and Nantucket for the year is down 1.2 percent.

Mr. O'Brien: The overall numbers are up substantially since 1997, Grace.

Mr. Parker: And the large trucks between Hyannis and Nantucket have had no change, and those are the trucks that I believe the Town council is most concerned about.

Mr. O'Brien: That is right.

Mr. Murphy: Wayne, has anything been done to identify a port? Is this an ongoing thing? Have you had any meetings or discussions as far as meeting this deadline?

Mr. Lamson: Well, I think we need to do a lot of work, and get some surveys and some market analysis, and that is why we are proposing that we come back by next August with this plan, because we will need something before we get into next year.

Mr. Murphy: So basically nothing is being done now in identifying that port.

Mr. Lamson: Well, we thought we had a port, the port of New Bedford.

Mr. Murphy: For Nantucket?

Mr. Lamson: Possibly as an off-Cape port.

Mr. Parker: Was that your assumption, Mrs. Grossman?

Mrs. Grossman: We have not come to that assumption yet, but we have not had any figures as to what it would cost, and that is why Mr. Lamson is going to do a study on that.

Mr. Tornovish: May I make a suggestion, Mr. Chairman?

Mr. Parker: Yes, please.

Mr. Tornovish: I think that the basis of a reasonable dialogue exists between Nantucket and Barnstable. I think that the clock is ticking. Let's get to work and let's see if we can't ask each of our respective -- either Town Council or Selectmen, in Nantucket's case -- to set up a meeting, involve the Steamship Authority. Let's get to the table and try to work things out. I think there is plenty to be done, and I think it would be a good proactive first step to

sit down, identify the problem and come up with mutually beneficial solutions to the best of our abilities or, at the very least, to do some brainstorming.

Mr. O'Brien: I think the Council would welcome that, Steve. I think that is a good suggestion. I think they have tried to do that in the past, but it doesn't seem to have gelled, but it can't hurt to try again.

Mr. Tornovish: If perhaps Mr. O'Brien and Mrs. Grossman could each contact their respective boards, we could get something going

Mrs. Grossman: I would be most happy to do that. We have done it before, Mr. O'Brien, and I would be happy to try it again.

Mr. Tornovish: Let's get to the table and find a way to make this work.

Mrs. Grossman: But I think, Mr. Tornovish, also we should have a study to see what the costs are going to be and how we are going to do this, and what the need is, and how many trucks we have to eliminate in order to meet the 1997 level.

Mr. Tornovish: I agree.

Mrs. Grossman: And that would be up to Mr. Lamson to have someone orchestrate that.

Mr. Tornovish: Well, I agree with you, Grace, but I think that what we need to do is to put this monster in the daylight to see if it shrinks a little bit.

Mrs. Grossman: We have already agreed to that, but I think the most important thing is to get the facts as to how many trucks we are talking about.

Mr. Robbins: Mr. Chairman?

Mr. Parker: Yes, Mr. Robbins.

Mr. Robbins: From Falmouth's perspective, we had made, and you had made, substantial progress towards identifying a port, and the service plan to run out of that port. But what had happened -- and I think also the letter from the Barnstable Town Council quotes "substantial progress" with that goal by the year 2003. We had made that, and that went out the window on December 5th, and that is what the whole discouraging thing is. That is what it is all about. The Authority unanimously voted for this plan that would reduce

traffic, that would help us, and I think we got to the point where it is financially viable and yet another condition was added and the deal was off. So I think we had made substantial progress, but through no fault of the Authority it is now off.

Mrs. Grossman: May I add one more thing, Mr. Chairman?

Mr. Parker: Yes, please, Mrs. Grossman.

Mrs. Grossman: In response to what Mr. Robbins has said, I feel it is very difficult for us to work with a City who the minute we have a plan or we have decided to do something with them, and I think we have bent over backwards to work in every way we could, including the pilot program for two years when we have lost over a million dollars, and we certainly have tried and were willing to try this new program. But if we are going to work, as I have said before, if we are going to have partners who are going to renege on conditions two minutes after they are voted, then I think we have to explore other avenues and see what else we can do. And certainly while we are in litigation I don't think we can make any plans with a City that is suing us. So I would like to emphasize that point.

Mr. Parker: Well, I would certainly agree with you, Mrs. Grossman, that it is unfortunate to have partners who renege on agreements; but sometimes business deals break down and this one apparently did. I would like to say one other thing, and that is, to my knowledge and I have been on the Authority now for thirteen months, I have never heard New Bedford identified as the alternative port for Nantucket.

Mrs. Grossman: It has not been, because we have not any fiscal figures as far as how much it would cost and we have never gotten to that, and certainly now is not the time as we are in the middle of litigation.

Mr. Parker: Well, I think we have pretty much had our discussion on this. Does the General Manager feel he needs more guidance on how to proceed? If so, we will craft a motion. If not, it seems to me he has heard a lot from the Members.

Steven M. Sayers: The motion is already on the floor.

Mr. Parker: We have a motion to make the study.

Mr. Robbins: Mr. Chairman, my motion is basically to adopt Wayne's staff summary and the recommendations within that staff summary, which are basically the study as well as the *Schamonchi* and pursuing the freight issue. That was my motion, which includes working on the *Schamonchi* ...

Mr. Parker: Are we talking about the A, B and C here?

Mr. Robbins: It is the whole memo: that New Bedford passenger service will continue, A on the first page; that we can simply run the *Schamonchi* at this point. That we will still try to provide freight service, B; that we look for other alternatives if we cannot move freight out of New Bedford, item C; and item D, some of the comments on the Packer Marine, and the plan.

Mr. Parker: It is certainly a plan that now has some holes in it, but would you entertain an amendment to your motion?

Mr. Robbins: Sure.

Mr. Parker: If I could craft it to suggest that the General Manager proceed with the studies that have been mentioned in his memorandum and to try to conceive a plan for the future which involves both freight, passenger and automobile service to the islands from whatever ports his study indicates should be used, and to report back to the board on a quarterly basis, as well as to the Town of Barnstable, as to the progress on his study, and set a deadline of August 2002 to complete his work.

Mr. Robbins: I will withdraw my motion if you want to make that motion. I will only add that we also need to report to Falmouth as well.

Mr. Parker: I agree with you.

Mr. Robbins: And so I will withdraw mine if you want to make that motion.

Mr. Parker: I appreciate it, and I will so move. Do I hear a second?

Mr. O'Brien: Second.

Mr. Parker: Is there discussion, any further discussion?

Mr. O'Brien: Just one last thing -- the *Schamonchi*, it just seems a shame to spend \$325,000 to operate that ship, to operate that.

Mr. Parker: I am with you, Bob.

Mr. O'Brien: What a waste.

Mr. Tornovish: Yes, I would like to add one thing concerning the *Schamonchi*, and I think that none of us who supported the purchase of the *Schamonchi*, myself included, thought that that was the vessel we would be running in the long term. We wanted to run fast ferry service -- I will speak for myself -- I wanted to see a fast ferry developed between New Bedford and the Vineyard. This is crazy. This is just more proof of the illogical basis of this entire deal. We came to the table in good faith. We have a lot of money invested. That's all I have to say, and that is a shame.

Mr. Parker: Is there further comment? If not, the motion comes before you for a vote. All those in favor, please say aye.

Mr. Robbins: Aye.

Mr. Parker: Aye. The motion is carried. You have your marching orders, Mr. Lamson.

Mr. Lamson: Thank you, Mr. Chairman.