A Study Of The Casco Bay Ferry Services

APPENDICES

Office of Public Advocate
Maine Public Utilities Commission
Maine Department of Transportation

MARCH 1989

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CABLE ADDRESS "BROWNSHIP"
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BROWN SHIP CHANDLERY, INC.

36 Union Wharf, P.O. Box 7302
Portland, Maine 04112

February 1, 1989

Mr. Robert D. Elder
Division of Ports and Marine Transportation
Transportation Bldg. #16
Augusta, Maine 04333

Dear Mr. Elder:

Brown Ship Chandlery, Inc. would like to offer the following comment regarding, A Study of the Casco Bay Ferry Services by Martin O'Connell Associates, December 1988.

We would like to state at the outset, that the CBITD Franchise should and must continue with regard to scheduled passenger and freight service to the Casco Bay Islands they now serve. They are committed to providing their service year round and we feel it benefits no one to shoot holes in their program, undermine their schedules, cause them to loose regular operating revenue, and have others go into direct competition with CBITD. They are doing a good job and we want them to continue and be successful.

Regarding unscheduled freight and passenger service, Brown Ship Chandlery and its freight division, Marine Transportation & Lighterage would like to see a small door left open so that we may attempt to fully utilize our facility, vessel and people. Our primary business is serving ships, all types, along the Maine and N.H. Coast; We are the link between the ship and supplier of provisions, deck and engine equipment and any other services a ship may need. However, our business does have voids that need filling, especially at a time when ship traffic is down significantly.

We feel the most economical way to fill these voids is to stay within our present framework, using our vessel to handle freight and possibly passengers. As the study indicated, small freight loads would not be of interest as they are not economical for us or the customer. Our interest is in larger volume loads where product can be moved by pallett. Brown Ship is equipped with:warehousing, loading and unloading capability via 2 ton high speed monorail hoist, office and staff to help process freight quickly and efficiently.Our facility also has ramp and float space along with on site parking which would lend itself to a small water taxi service following the guidelines set by the PUC.

In summary, we would have no interest in competing with CBITD, but to have the ability to serve that customer(freight or water taxi) when the opportunity arises would be a real asset to our company. Brown Ship Chandlery would like to serve a few customers well,which in turn will help it maintain a solid financial footing. We feel this can be done with little if any harm to CBITD assuming the recommendations of the Casco Bay Ferry Services report are followed.

Telephone 207-772-3796
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CABLE ADDRESS "BROWNSHIP"
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BROWN SHIP CHANDLERY, INC.

36 Union Wharf, P.O. Box 7302
Portland, Maine 04112

I would like to thank you for taking time to drop a copy of the study off for my review. I found it most interesting and I compliment your department on a fine effort.

Please keep us on your mailing list as we are most interested in following this issue to a conclusion. When you are in Portland next, I would like to show you are facility on Union Wharf, just let me know when you will be in town.

Thanks again.

Sincerely,

Charles A. Poole

Charles A. Poole
President

Casco Bay Island Development Association Inc.
P.O. Box 62
Peaks Island, Maine

January 30, 1989

Robert D. Elder
Department of Transportation
State House Station 16
Augusta, Maine 04333

Re: Legislative Report on Casco Bay Ferry Service

Dear Mr. Elder:

Thank you for the copy of the Martin O'Connell Report. CBIDA will not be able to get official comments to you by February 1, but I would like to make a couple of points that I am sure will be forthcoming.

The deregulation of water taxis carrying 6 people could mean that any small boat could be hired to take people to any of the islands for any reason and could cause unfortunate congestion particularly during week-ends. It is important to realize that the islands do not have public restrooms to accommodate such visitors. We have a similar concern that tour boats be allowed to take people to the islands for clambakes -- especially unless the clambakes are run by definite organized groups who do this regularly -- not just some individual with a leaflet of direcitons and a clam hoe.

Also any public meeting should be held in a central location in the city and be scheduled to allow island residents to catch the 5:30 boat home.

On a personal level I am concerned that having the City of Portland as the regulatory agency might cause a reduction in the service to Chebeague since we have alternate transportation. I would point out that the alternate boat is of no use to those who do dot drive and do not have a car available. As you must be aware the problem of Cousins Island is a serious one and Chebeague could use more service from CBL rather than less.

Thank you for your consideration of this hurried letter.

Sincerely,
Jean Dyer, President CBIDA

Jean Dyer
RR 1 Box 191
Chebeague Island, Maine 04017

Casco Bay Island Development Association Inc.
P.O. Box 62
Peaks Island, Maine

Febrsary 8, 1989

Mr. Robert Elder
Department of Transportation
State House Station 16
Augusta, Maine 04333

Dear Mr. Elder:

As I said in my letter of January 30, CBIDA needed more time to comment on the Martin O'Connell report, and we appreciate this opportunity to be more specific than in that letter.

Cbida is vdry concerned with the suggestion that the Transit District reduce its trips and most concerned at the idea of dropping one or two islands from the service. The intent and purpose of the legislation creating the Transit District was to provide safe, economical, reliable service to all the islands, and the people of all the islands worked very hard and contributed funds toward making the District possible. How are the people of the eliminated islands to be served? In my letter of January 30 I pointed out that Chebeague's alternate transportation does not serve those without cars on Cousins Island as well as the problems it has with the town of Yarmouth. Also the CTC cannot handle large freight in winter. The other islands have no alternate trassportation at all.

We also question the chart on page 19 that claims 1.2 riders per call from Chebeague, Cliff in winter. This is not a fair picture. Presumably the 5:20 AM boat does not have many rėders, if any, but a person going to Portland should rate as more than ½ a rider, particularly as that is the only boat until nearly noon. The same consideration should be given to the return trip of the 5:35 PM boat which has taken everyone home.

Waxter Taxis: In assuming that the expense of starting a water taxi would be a deterrent, Martin O'Connell fails to consider the number of lobster boats and pleasure boats already in the water whose owners might be pleased to make some extra money by taxiing people here and there. The greater availability of such water taxis, with on demand service, would surely make them more appealing to the affluent and hurt the Transit District by taking away these riders and leaving the TD the less affluent riders who could not afford a compensatory increase in rates. A subsidy granted the District under these circumstances would actually be a subsidy to the private operators. The present water taxis are seen to be taking care of those who have missed the last boat or need to get somewhere before the first one.

Tours: As I pointed out in my January letter, we have the same concern for the Transit District if tours are deregulated and/or if the tour boats are allowed to land tours on the islands. Clambake tours are mentioned in the study, but what would prevent walking tours, bicycle tours, dine-at-the-local-eatery tours, or visit=the -church-fair tours? Biking, walking, and all such activitiees can be done via the Transit District, thereby supporting the ferry that the island residents need themselves. There is no need for private operators to land such groups on the islands, ill-equipped to handle large numbers of uninvited visitors.

The question of deregulation has been raised periodically ever since the Transit District was formed in 1981, and the answer has been the same -- it would be harmful to the District and, therefore, to the island residents who are dependent upon it. How have circumstances changed now? The Martin O'Connell study points out that the Transit District's operating surplus is minimal and states on page 56 "... it is clear that the loss of any revenues would have a significant negative effect on its ability to fulfill its mission." Therefore, who is asking for deregulation? Island riders? the Transit District? the City? the State? or Private Operators? Who stands to benefit? Private operators? Certainly not the Island Riders, the Transit District, the City or the State.

Please keep us informed as to legislative workshops and hearings. We feel strongly that it is important that the public be heard. There was not much time between the arrival of the Study and the comment deadline and , of course, the number of copies available was necessarily limited.

Thank you so much for your consideration.

Sincerely,

Jean Dyer

Jean Dyer, President CBIDA

RR 1 Box 191
Chebeague Island, Maine 04017

CASCO BAY ISLAND TRANSIT DISTRICT

P.O. BOX 4656, DTS • PORTLAND, MAINE 04112 **(207) 774-7871**

February 3, 1989

Mr. Robert D. Elder
Interagency Study Team
Maine Department of Transportation
State House Station 16
Augusta, ME 04333

Re: Legislative Report on Casco Bay Services

Dear Rob:

The Casco Bay Island Transit District's response to the Martin-O'Connell report follows, with a more detailed critique attached.

A prime motivation for the legislatively mandated study of regulation and deregulation is the Public Utility Commission's desire to be excused from its statutory responsibility to regulate service in Casco Bay. Yet fortunately or unfortunately, the PUC is the best-equipped to regulate public transportation judiciously in Casco Bay.

Since beginning operations in March, 1982, CBITD has provided safe and reliable service to the six islands that make up the District. It has operated in a fiscally responsible manner (as the report also notes). The exclusive franchise that the District purchased when the privately owned Casco Bay Lines was forced into receivership has been invaluable in protecting this essential service. When other private carriers petitioned the PUC for the right to provide alternative transportation services (water taxis, large vehicle and freight service), CBITD negotiated in good faith with these carriers. A process for granting temporary authority to carriers was adopted by the Commission. Three water taxis and two freight carriers have received PUC permission to operate since 1982, proving that when the situation arose, the system worked well.

The issues have been complicated and the debates have sometimes been acrimonious, but the net effect is that the public interest has been served by the present arrangement. And compared to other regulatory responsibilities, the burden of this duty has not been time-consuming.

For CBITD the issue of regulation is an economic one. By maintaining the current regulatory system, CBITD's franchise is left intact, its revenues and needs are known, and the amount of an operating subsidy is predictable. If the system is further deregulated, revenues will fall and the amount of an operating subsidy will loom still higher.

Serving the Islands of:

PEAKS · LITTLE and GREAT DIAMOND · LONG · GREAT CHEBEAGUE and CLIFF

The MOA report recommends deregulation of transportation by water taxis, unscheduled freight carriers and tour boat operators taking tour groups to the islands. This would complicate the regulatory process and have a significant impact on CBITD revenues, which the report itself indicates when it states that "any form of deregulation enacted by the Legislature could have a negative impact on CBITD revenues."

The report further states that CBITD will not need a general fund subsidy for the next five years. This conclusion is not supported by the report's analysis nor by the in-depth "Five Year Projection of CBITD Finances" study done by the Greater Portland Council of Governments.

Please review the attached detailed critique of the report, which highlights our concerns about some of the inaccuracies in the report and the lack of data supporting most of the recommendations.

In summary, CBITD believes that the current system of regulation has worked well and serves the public's best interests. The system is not broken, so let's not fix it.

Thank you for your cooperation in this matter.

Sincerely,

Patrick R. Christian
General Manager

PRC/dtc
pc: Steve Ward, Public Advocate
Elizabeth Paine, Public Utilities Commission
Encl:4

Casco Bay Island Transit District
Response to "A Study of the Casco Bay Ferry Services"

Detailed Comments in Chronological Order:

P. 1 possible effect on the annual revenues [of CBITD]

A. There are no actual cost estimates made to show the effect of deregulation, only the often repeated phrase "any form of deregulation could have a negative impact on CBITD's revenues" (p. 65), or "although deregulating the unscheduled freight market would have a negative impact on CBITD..." (p.67). There should be actual cost estimates of the effect.

B. There is no recommendation to grant "an exclusive franchise by law to the Casco Bay Island Transit District for scheduled passenger and freight service." Why?

P. 1 possible modes of continued regulation
Why are only three regulators mentioned in the recommendation? Were other options explored, including CBITD as the regulator?

P. 4 See B-1. Cliff Island's wharf is owned by the City of Portland and not the State of Maine.

P. 6 The Machigonne II has a load capacity of 75 tons or 150,000 pounds.

P. 7 It is our interpretation that CBITD has an exclusive lease for the State-owned wharves and that the State does not have the right to allow other ferries to use them. Further, if they could lease to other carriers, the State would have to require them to maintain liability insurance in the amount of $1,000,000 as CBITD does.

P. 9 In addition to Peak's Island, CBITD can transport vehicles to Great Diamond Island (via Diamond Cove) and Cliff Island. The Machigonne II cannot operate to Long or Chebeague Islands.

P. 14 The report shows that there are a higher number of elderly living on the islands than on the mainland and that the average income of island residents was substantially lower (25%). This should have been a consideration in the subsidy discussion.

2/1/89

P. 17 At no time was there an inner bay route that did not stop at Peaks.

P. 21 The ridership graphs, summation of the current situation, and the review of the operations are generally reliable. The population counts on the islands are difficult to predict accurately.

P. 28 The analogy made between ridership and fuel prices was enlightening.

Pp. 31 & 32 There is no evidence to substantiate the assumption that "removing the current limitations on unscheduled freight operators would improve service for shippers of time-sensitive cargoes."

With two private companies operating and a mechanism established for temporary authority, a time-sensitive cargo can be easily transported without costly delays. To our knowledge, there has never been a shipment unnecessarily delayed.

P. 32 A precise definition of "time-sensitive cargo," along with specific examples, would be helpful.

P. 33 Balance Sheets
MOA's analysis highlights the fact that CBITD has operated in a fiscally responsible fashion.

P. 34 Total assets should equal total liabilities and equity.

P. 36 The corrections are $1.49 million in 1988 and 12.1% increase in revenues.

P. 36 Profit margin on Sales was adversely affected because of "CBITD's policy of setting rates at the marginal level required to cover costs." In general, that is what a publicly-owned utility is supposed to do.

P. 37 Income Statement for 1988 is inaccurate. Attached is an audited financial statement. Also attached is the five-year projection of revenues and expenses prepared by Council of Governments (COG).

Miscellaneous revenues should be	$ 16,405	not	$53,850	
Depreciation should be	91,248	not	75,600	
Net Income	17,862	not	71,470,	a 75% difference

2/1/89

P. 38 Tour and Cruise revenues declined by 30.8% primarily because of the increasing numbers of other tour boat operators. In 1983 there were 3 other boats with a total capacity of 190 passengers. In 1988 there were 8 other tour boats with a capacity of over 800 passengers. To further complicate matters, all of the other boats have their operations in an attractive, highly-visible area at the "foot of the Old Port," while CBITD has moved even further away from the central business district and tourist area.

P. 38 The chart should be updated to more accurately reflect the available data.

P. 38 It is interesting to note that our costs rose almost exclusively in the areas over which we had little control.

P. 39 The 1988 figures are inaccurate.

P. 40 Interest income increased because of the investing of bond money that CBITD borrowed to finance the local share of the construction of the Machigonne and not from UMTA funds.

P. 40 CBITD's personnel-related costs are in line with other ferry operators which indicates our costs are reasonable.

P. 40 In your comparison of the CBITD labor costs and the MSFS's costs, several important factors were not identified:

1. For MSFS, labor cost calculations should include professional fees. So called Professional Fees are payments to non-regular ship crews used on a contract basis. They are called "contract employees."
2. Augusta-based MSFS employees may not have been calculated into their payroll.
3. There are no payroll taxes accounted for.
4. The total labor cost is probably nearer 50% of total costs once you calculate these figures.

P. 41 1988 figures are inaccurate.

Pp. 42 & 43 The MSFS's figures should be checked more closely.

2/1/89

P. 44 In order to highlight the disparate treatment of Casco Bay passengers in relation to Penobscot Bay passengers, we include this quote from the report:

"MSFS's revenues cover only 44.1% of its operating costs and none of its capital costs. In comparison, CBITD must use the farebox to cover all of its operating costs and all of its capital costs that are not covered by UMTA."

P. 53 The majority of the surveyed group think that CBITD should have an exclusive franchise for scheduled passenger and freight service.

P. 61 The graph on page 58 showed conclusively that CBITD's Tour and related businesses were profitable and contributed to overhead. Yet, there is no corresponding data to support MOA's recommendation that CBITD should not have an exclusive franchise for transporting passengers to and from the islands solely for Tour or related services.

P. 64 Once again, the assumptions promulgated on the deregulation of freight service have no supporting facts. Terms like "unlikely to capture a significant share of the cargoes currently carried by CBITD" are filled with ambiguities and no supporting documentation.

P. 64 The following paragraph deserves emphasis because it accurately reflects the fragile nature of our operation:

"Whether the Legislature deregulates Casco Bay ferry services or not, CBITD will remain undercapitalized. Consequently, if CBITD were to lose revenues as a result of deregulation, and it were to encounter a cyclical downturn at the same time, there would be a significant deterioration in CBITD's financial condition. CBITD has no significant base of retained earnings from which it can draw to weather difficult times. If revenues are not sufficient to cover costs, rates must be raised immediately to insure adequate cash flow. If rates continue to be raised more rapidly than the rate of inflation, as they have been in recent years, usage is likely to decline. A decline in usage would create a downward financial spiral for CBITD because it would have to continue to raise rates to offset the revenue shortfall."

P. 64 CBITD's position is that limited water taxi service is in the best public interest. Yet, we realize that almost every passenger transported by the water taxi is a lost passenger to us and results in a reduction in our revenues. In some cases, water taxi rates are not significantly higher than CBITD's rates. For instance, 6 adults would pay $24.60 ($4.10 each) to go to Long Island and $34.50 ($5.75 each) to go to Cliff Island. The corresponding water taxi rates are $30-$40 one way. With our new ticketing system, there is no charge for the return trip to Portland. In reality, water taxi rates should be set at the higher cost of a minimum per trip or minimum per passenger.

A. Recommendations

Water taxis should continue to be regulated for the following reasons:

1. Protects public safety -- they are now required to have insurance and licenses.

2. At the outset they are informed of the rules and regulations, which results in fewer questionable practices.

3. Keeps "gypsy" carriers out of the business and reduces the loss of revenues to CBITD.

4. There is a mechanism for establishing a tariff and enforcing rates that are not competitive with CBITD.

We agree with the statement in the consultants' report that "any form of deregulation enacted by the Legislature could have a negative impact on CBITD revenues."

Freight service should continue to be regulated as it currently is.

1. "Deregulating the unscheduled freight market would have a negative impact on CBITD."

2. To our knowledge there has never been a shipper who has been delayed by CBITD.

3. There are other authorized carriers of freight and large vehicles.

4. CBITD has the right to subcontract to any of these carriers if the need were to arise.

5. The PUC has established procedures for temporary authority which

can expedite any so-called time-sensitive cargoes.

6. CBITD recently agreed to provide service with its equipment or subcontract with other carriers for the "emergency" shipments of bulk propane gas trucks.

B. Possible Modes of Continued Regulation

As stated in our cover letter, the Public Utilities Commission should continue to function as the regulatory authority. It is clear that they do not want to, but sometimes you just have to do it.

The Commission is in the business of regulating public utilities and they are good at it.

P. 69 Exhibit VI-1: The exhibit states that the PUC has no ferry expertise, no technical expertise in maritime safety matters, and that regulation has been time consuming. We do not feel that any of these are legitimate reasons for abdicating their responsibility. We believe that neither the City nor MDOT are qualified to act as an administrative regulatory body.

We were surprised that other possible regulators were not considered, such as the Cumberland County Commissioners, the Harbor Commission, or CBITD itself.

C. Possible Requirement for a General Fund Subsidy

1. We concur with the report's statement that "over the next 10 years, fares probably cannot continue to be raised at a rate substantially higher than inflation (as they have been in recent years) without having a negative effect on ridership and, consequently, on CBITD's revenues and profitability."

2. We concur with the report's statement that there do not appear to be any cost savings that CBITD can realize while maintaining service at current levels.

3. CBITD's new fare collection system was designed to be revenue neutral or show a slight 1% increase in passenger fare collections.

4. CBITD is seeking $110,000 from the City of Portland and $20,000 from the Town of Cumberland for operations assistance to balance the FY 1989 budget.

5. CBITD's so-called plans for a rate increase that would include a summer rate differential were done in concept only. There are no plans now for a rate increase or for what the structure might be if there were one. Any rate increase would have to go through the policy process after all other means of balancing the budget were exhausted (subsidies or service cuts).

6. We concur with the report's statement that "without changes in service, a very small percentage of costs are controllable by CBITD. Costs that essentially are outside CBITD's control include crew costs, fuel, insurance and maintenance and repair."

7. Based on the statements made up to this point in Section C, along with the results of the 5-year Financial Forecast made by COG, our conclusion is that CBITD will need an operating subsidy now and for the foreseeable future. But the consultants' report inexplicably (and without any supporting data) concludes that no subsidy will be needed for five years. Their conclusions are not supported by their own evaluation and that done by an independent agency (COG).

8. As stated previously by us, it is highly unlikely that the new ticketing system will account for more than a token increase in total revenues.

9. A one-time payment by the State or local government to be used to reduce CBITD's bond costs is an excellent idea. This one-time capital expenditure is a reasonable and fiscally responsible way for the State or municipality to eliminate costly interest payments and relieve the near term requirement for an operating subsidy by CBITD. It was due to circumstances beyond CBITD's control that there was insufficient time to secure a Federal grant to purchase the private company. This, in turn, forced CBITD, on its own, to secure high interest bonds to purchase the equipment and operating rights of the old Casco Bay Lines. This one bold move would rectify many problems.

2/1/89

D. Anticipated Effect on CBITD's Tour, Charter and Catering Revenues

P. 73: We would like a clarification of this statement: "The relatively small profits it derives from tour and charter services are not, however, of critical importance to CBITD, nor are they likely to have a significant negative impact on competing tour boat operators."

P. 74: We disagree with the recommendation to adopt the PUC's Advisory Ruling. State statute clearly gives CBITD the exclusive right for transportation to the six islands. Transportation, by definition, means moving people or property from one point to another point. Therefore, these so-called tours are being transported to the islands regardless of their reported reasons and fit into the definition of transportation.

The recommendation made to limit the fleet capacity to a single spare boat and not add capacity for the sole purpose of increasing our ability to offer tours and charters is acceptable to CBITD.

E. Appropriate Limits on Service

P. 74: There are no enforcement policies or penalties recommended. There are no specific definitions for terms like tours, transportation, or how much is a sufficient "negative impact."

G. Anticipated Effect on State Administration of Piers and Wharves

1. There is no mention of liability insurance for other carriers.

2. There are no assurances that other carriers would not interfere with the regularly scheduled public service provided by CBITD if they were docked at one of the State-owned wharves.

3. How would CBITD be compensated and its customers serviced if another carrier inflicted damage to a wharf sufficient enough to put the facility out of service for days, or even weeks or months?

2/1/89

Eagle Tours, Inc.
19 Pilot Point Road
Cape Elizabeth, Maine 04107

February 2, 1989

Mr. Robert D. Elder
Inter-Agency Study Team
Department of Transportation
State House Station 16
Augusta, Maine 04333

Dear Mr. Elder:

We thank you for the opportunity to remark on the published report of Martin O'Connell Associates.

Permit me to provide a short background on my experience in Casco Bay transportaion history. I started work (summers) for Casco Bay Lines at the age of 14, was elevated to the title of Mate at 16, and became a captain at the age of 18. During my college years I served as Assistant Manager along with other duties. I worked for Casco Bay Lines part-time, in many capacities, for another 20 years.

Three years ago, I along with my two sons (also having years of experience with Casco Bay Lines) purchased Eagle Tours and the two tour boats Kristy K and Fish Hawk.

So I guess that would lead one to recognize that we are pretty well versed in the problems of Casco Bay transportation. We are rather disappointed that despite the fact that O'Connell promised to interview us in their study . . . it was not done. At any rate, we appreciate the findings of the report and concur with the recommendations set forth. We realize that CBITD must be able to continue their limited tour, travel and catering service, again agreeing that expansion of their service would improperly interfere with private enterprise.

Any proposed legislation should explicitly point out CBITD monopoly should be for only those islands presently served by CBITD on a regular basis.

Eagle Tours presently serves Eagle Island and Bailey Island. Another private company serves Cushing Island.

Sincerely,

Edward J. Legere
Assistant Treasurer

EJL:ecl

Greater Portland Council of Governments
233 Oxford Street · Portland, Maine 04101 · (207) 774-9891

February 7, 1989

Mr. Robert B. Elder
Interagency Study Team
Maine Department of Transportation
State House Station 16
Augusta, ME 04333

Dear Mr. Elder:

The Greater Portland Council of Governments (COG) has reviewed the Final Report, "A Study of the Casco Bay Ferry Services", and offers the following comments regarding the Findings, Conclusions, and Recommendations.

1. **Unscheduled Passenger Services**

   COG concurs with the recommendation that water taxi services should be deregulated as to market entry. The water taxis provide valuable emergency and night services, and they do not take a significant number of passengers away from CBITD's regular service.

2. **Unscheduled Freight Services**

   COG has concerns with the recommendation to deregulate unscheduled freight services as to types of cargoes regardless of size or weight. Given that the report states "Although deregulating the unscheduled freight market would have a negative impact on CBITD,. . . " (page 67), and ". . . it is clear that any loss of revenues would have a significant negative effect on its ability to fulfill its mission" (page 56), the loss of freight revenues may be significant enough to warrant continuation of existing regulations.

   It is possible that deregulation could reduce CBITD's freight revenues by as much as 20%. For example, CBITD is projecting freight revenues of $162,230 in FY '88. 65% of these revenues ($105,450) were shipments to Peaks and Long Islands (page 61). The two largest single customers shipped an average of 30% of the total revenues to these two islands (page 63). If the two largest single customers were to use a service other than CBITD, the loss of revenue could amount to approximately $31,635, or 20% of total freight revenues and 2% of total operating revenues.

This scenario is consistent with the private shippers carrying freight for only one shipper at a time. Although the report states that "Small-volume freight--whether moving on a regular or irregular basis--would not likely be attractive to unscheduled operators" (page 67), the prospects of an additional 65% in revenues (as unscheduled operators now earn less than $50,000) may be attractive enough for an unscheduled operator to seek this business away from CBITD.

On page 68, the report states that "The large shippers that account for the majority of CBITD's revenues tend to ship on a frequent basis during the month. . . Thus cargo flows are compatible with the regular daily service offered by CBITD and incompatible with the services offered by competing unscheduled freight carriers". This is based on the assumption that unscheduled operators would not provide frequent enough service for some of the larger shippers. The report does not address this possibility.

Before any action is taken on this recommendation, it may be appropriate to obtain more than two month's worth of CBITD's data to verify shipping trends, including freight volumes, number of shipments, and cargo type per shipper. The number of trips, types of cargos and other available information from the unscheduled freight operators should also be included in the report.

3. **Possible Modes of Continued Regulation**

The recommendation to hold discussions with the City of Portland to determine their willingness to regulate ferry services should be expanded to include a recommendation on what to do if the City of Portland decides not to become involved with Casco Bay regulations.

4. **Possible Requirement for a General Fund Subsidy**

COG has concerns with the recommendation that CBITD will not require a regular operating subsidy in the forseeable future (which the report implies will be at least five years). The report's recommendation is based on the assumption that significant increases in revenue will accrue due to its new ticketing and fare procedures. The assumption is not sufficient to justify not considering a subsidy.

The new ticketing and fare procedures have been in operation only since January 2, 1989, so actual results are not yet available. Other related factors such as changes in fuel prices and inflation, existing long term debt, possible fare increases and related passenger declines and the unknown effects of any deregulation measures implemented as part of this study may have significant negative impacts on an already marginal financial position. In addition, the report does not mention the fact that CBITD has sought an operating subsidy from the City of Portland each of the past two years.

There is very little justification or analysis provided in the report for recommending that no subsidy be considered. On page 71 the report includes the likely scenario that operating costs will increase more rapidly than inflation and ridership may increase only two percent, leaving CBITD with three alternatives: 1) increase rates at the risk of losing ridership and revenue, (2) reduce service,or (3) seek an operating subsidy. The report does not elaborate further on any of these alternatives. It simply says these are the alternatives, and goes on to recommend not considering a subsidy at this time. If a subsidy is not the solution, the other two choices are not recommended either.

The report presents a strong argument for the use of subsidizing CBITD's long term debt, describing a methodology for managing the benefits of the one time payment to improve the District's financial position. This would not be an ongoing subsidy by the City or State, but might enable the CBITD to avoid any of the three alternatives described in the report. COG recommends that the report be changed to recommend a one time payment to CBITD to reduce bond costs.

4. **Anticipated Effect on CBITD's Tour, Charter, and Catering Revenues**

COG agrees with the recommendation that the Legislature should adopt the PUC ruling allowing tour boat operations, so long as they are for the purpose of tours only. CBITD should be allowed to continue providing tour, charter, and catering services on an incidental basis.

5. **Appropriate Limits of Service**

As discussed under Item 2, COG disagrees with deregulation of unscheduled freight service. In addition, the wording in the report under this section regarding limiting operators to a single shipper is confusing. If the report's recommendation is implemented, limitation to a single shipper should be required, not considered.

Thank you for the opportunity to comment on the Final Report. My staff would be glad to attend a meeting in Portland if one is scheduled by the Interagency Study Team.

Sincerely,

Richard Wiggins

for John Walker
Executive Director

Lionel Plante Associates
ISLAND AVE.
PEAKS ISLAND, MAINE 04108
(207) 766-2508

January 27, 1989

Mr. Robert Elder
State of Maine
Department of Transportation
Transportation Building
State House Station 16
Augusta, ME 04033

RE: Legislative Report on Casco Bay Ferry Services

Dear Mr. Elder:

Lionel Plante Associates (LPA) wishes to supply you with our reaction to the Martin O'Connell Associates (MOA) report. In effect, we have no problem with the conclusions or recommendations on the unscheduled frieght services. However, we do see room for improvement in the unscheduled passenger service area. As you know LPA operates the primary water taxi service to the Portland islands. We take great pride in providing a safe, reliable, and above all affordable means of ferrying persons between the islands and the mainland when the scheduled ferries just won't fill the bill. As the report states, the taxis fulfill an important role in Casco Bay. The report also states that entering new operators would have a negative effect on existing taxis. No one is more aware of this fact than we are.

Basically, LPA fits the description of "CBITD's Mission" on page 3 of the MOA report. The major differences are:

1) We operate on the riders schedule, and

2) We are supported by user fees and are not subsidized by the taxpayer monies.

My company has spent five years and invested extraordinary amounts of time and money convincing area businesses that the islands are not taboo. Prior to our inception, trying to get a service related company to do business on the islands was tantamount to pulling teeth. Most companies feared having a service man stranded on an island for hours on end; therefore simply refused to work for islanders. The fact that our operation runs year round has opened the door for many people to work and reside on the islands and has raised the quality of life so more people desire island living. We have doctors, nurses, businessmen who travel at late hours, and many others who have told us that without our services they could not stay on the islands imprisoned by the CBITD schedule. With that in mind, I submit the notion that we do not take revenues from CBITD, rather we compliment them by encouraging growth and therfore a larger revenue base with which to support them.

With the increased competition allowed by the PUC in recent years, LPA has found it to be increasingly difficult to operate 24 hours a day and throughout the winter months at the affordable rates which are now set. Comparable to the transit district, we balance our non-profitable periods with our profitable periods of summer revenues. Allowing unlimited access to the summer trade diverts much needed revenues from our committed transportation business and places it into the pockets of fair weather spoilers trying to supplement their summer recreation. This not only erodes our ability to remain in business, but also undermines the whole concept of making island living reasonably convenient.

Since the public cannot benefit by competive pricing due to regulated rates, I see no advantage to deregulation moreover, substantial harm will result with deregulation of market entry. Casco bay already has four licensed taxi operators, quite sufficient to meet the demand.

The water taxi service may not be the primary transportation but we are the secondary and undoubtably the primary emergency transportation. Without our service, to which people have grown quite accustomed, there would be increased demand on the transit district to run more often to the less populated and unprofitable islands. For that reason I submit that market entry for unscheduled passenger should be regulated as it is for scheduled passenger service.

Thank you for soliciting our comments.

Sincerely,

Coleman A. Mulkern

Coleman A. Mulkern
Operations Manager

CAM/jm

CITY OF PORTLAND, MAINE
TWO PORTLAND FISH PIER, SUITE 307
PORTLAND, MAINE 04101
(207) 773-1613

TRANSPORTATION & WATERFRONT

THOMAS F. VALLEAU
DIRECTOR

January 26, 1989

Robert Elder, Director Division of Waterways
Maine Department of Transportation
State House Station 16
Augusta, Maine 04333

Dear Rob:

I am responding to your letter of January 17 with the following comments on the Martin O'Connell Associates' study of the Casco Bay Ferry services. I appreciate your giving the City an opportunity to comment.

While the City has no hard and fast position on any of the specific issues raised in the report, we do have an underlying principle which expresses our interest and that is to have a ferry system which will provide safe and reliable year-round transportation to the islands. I hope that we can agree that the merits of any specific proposals should be viewed according to the degree that they contribute to that end. It may be, for example, that cheaper transportation could be provided to the islands at certain times and in certain ways or that freight might be shipped somewhat sooner through a private service, but when we evaluate these possibilities we return to the underlying goal of safe and reliable year-round transportation.

The report has gone a long way toward consolidating and analyzing all of the service and financial data available as to the operation of the Line. It has always been our opinion that the Bay Lines needs to convert these figures into the single datum used by most common carriers in analyzing the efficiency of their service, and that is cost per seat mile. It is through this method that individual trips, rates, and services can be evaluated and breakeven load factors set for each of the runs. With all of the excellent work done by Martin O'Connell Associates, it might be possible for the State to authorize one further step and that would be to provide the formula and develop a per seat mile cost of operation for each of the vessels. Without this, the financial analysis of the existing service levels is an inexact science.

With regard to the recommendations on water taxis, we would like to know more about Martin O'Connell Associates' thinking as to why the six passenger limit should be exceeded in the future. We wonder if he feels that this would be helpful to the Bay Lines or to the water taxi operators. We may be wrong, but it appears to us that any passenger transported through the water taxi system is revenue lost to the Bay Lines. We are open to be persuaded, but at this point the idea of increasing the six passenger limit is hard to understand. Also, Martin O'Connell Associates suggests that the Portland police monitor what we understand to be a function of the U. S. Coast Guard, and that is compliance with the six passenger limit. We wonder what would be involved legally for the City of Portland if we were to ask our police to enter this area. We would like the Consultant to provide more detail as to his thought process so that we can better understand the reasoning. Finally, on the subject of water taxis, the Consultant does not make a recommendation as to the regulation of fares. The Consultant seems to be suggesting that the water taxis could become larger in the future and that their fares would be unregulated. One could imagine a situation where the water taxis were able to undercut the Casco Bay Lines fares during the peak season and syphon off important revenues. This does not seem to be good public policy.

As to the deregulation of unscheduled freight, there is no discussion in the recommendations of the report as to the current system which, as far as we are aware, is working well and does not appear to require changing. The current system was negotiated among the PUC, the private freight haulers, and the Casco Bay Lines to meet the twin objectives of protecting the Lines' revenue base while offering an alternative service where the public necessity so requires. The Consultant does not go into detail as to why he feels the current system is unsatisfactory, except to say the obvious, that some customers would get faster service if there were no regulations.

The report recommends that the City of Portland consider substituting itself for the Public Utility Commission as regulator of transportation in Casco Bay. The Portland City Council is a political body, not a judicial one. As such, it is responsible for considering subsidies to the Casco Bay Lines (which have been requested for the past two years) sitting on the PACTS Committee which is responsible for allocating federal funds to the various transit systems, and ultimately setting the tax rate for the City. The Consultant feels it would be structurally appropriate for the City Council also to be the regulator of transit fares and competition in Casco Bay. In order to assist us in participating in a discussion of the merits of this recommendation, we would like to request the docket of cases which came before the Public Utility Commission over the past three years in summary form. We wonder to what extent legal council is required in dealing with these matters. It may be possible that an additional attorney will need to be hired or one of our current staff specially trained for these types of proceedings.

Martin O'Connell Associates believes that no subsidy will be needed for the operation of the Line for the next five years, notwithstanding that last year the Line requested a $55,000 subsidy from City Council and this year the request is for $110,000. We hope that the Consultant was made aware of these requests, but if not we will take the blame. The Consultant states that the MACHIGONNE II will result in a cost saving to the Line. We did not see any analysis in the report to support this statement. The passenger carrying capacity of the MACHIGONNE II is only slightly larger than that of the 65 footers. Its fuel and crew requirements, however, are higher. The vessel is only used intermittently during the winter season. I wonder if it would be possible to see the Consultant's working papers or have some further analysis on this subject. Also, the Consultant was evidently told that the old car ferry, REBEL, would be sold; however it is not certain that this can be done. The State is evidently not in a position to repair and reconstruct the downbay facilities for use by the MACHIGONNE II and this may require the Line to reconsider the disposition of the REBEL. Also there is the cost of the new terminal to be taken into account. This new building requires more in the way of utility expense, repairs, and janitorial service than did the old facility on Custom House Wharf. Notwithstanding all of this, the Consultant says that no subsidies will be needed for five years. We wonder where the five year figure came from. Even if this is a guess, there should be some analysis or thought process behind it which we would be interested in seeing.

The Consultant recommends that the tour boats be allowed to transport their passengers directly to and from the islands. There is no doubt that this would be more convenient for the private tour operators and would increase their gross sales. Still, we come back to our basic principle of looking for recommendations that support year-round island ferry service and it is not obvious how the Consultant's recommendation relates to this. Also, there will be scheduling and enforcement responsibilities if this recommendation is accepted insofar as the use of State docks is concerned. We would like to know if MDOT is in a position to assume these responsibilities if the recommendation is accepted.

Our final question goes to the Consultant's suggestion that further deregulation measures be considered in two years. We wonder what these might be, and why two years. Perhaps the Consultant could state what some of these issues are and why he feels that two years from now would be the appropriate time for them to be considered.

Again, we thank you for this invitation to comment. Martin O'Connell Associates is to be complimented for the thoroughness of their work.

Sincerely,

Thomas F. Valleau

TFV/bjk
pc: Robert B. Ganley, City Manager
Gerald B. Garman, President, Casco Bay Lines

LONGFELLOW CRUISE LINE
NO. 1 LONG WHARF
PORTLAND, MAINE 04101
(207) 774-3578

February 24, 1989

Robert Elder,
Maine Department
of Transportation
State House Station #16
Augusta, Maine 04333

Gentlemen:

Longfellow Cruise Line wishes to thank you for allowing us to make a belated comment with respect to the Martin O'Connell Associates study dated December of 1988.

Beginning with page 65 of the aforementioned report, Section 6, Findings, Conclusions, and Recommendations,in Section A, in the first paragraph, MOA describes the results of a survey of island residents, indicating that an overwhelming majority of 61.5 per cent of the respondents favored an extension of CBITD's franchise. First of all, 61.5 per cent does not represent and overwhelming majority of the islanders. Second, the respondents do not represent the majority of islanders. 61.5 per cent refers only to those who responded, and by no means includes any signifigant number of islanders other than those who continuously tend to respond to these various issues.

We continue on at this time to page 66, addressing the first paragraph, please. In the first paragraph on page 66, MOA discusses unscheduled passenger services, speaking specifically to the issue of water taxis and their role on the Bay. MOA believes that they draw passengers away from CBITD. While, admittedly, the lost revenue is not great, it should be noted that the taxi service also adds to the passenger list on the ferries, as many may take a water taxi to the islands but choose to take the ferry back to the mainland, so the summation that the water taxis draw passengers away from the District is inconclusive, as many

AMERICAN BUS ASSOCIATION

NATIONAL TOUR ASSOCIATION, INC.

passengers may, at a later date, choose to return to the island via a cheaper method, thus providing the District with revenues they might not normally have appreciated.

In paragraph 3, MOA does not believe that the services of small water taxis should be protected by statute from competition. Quoting MOA in the last part of paragraph 3, on page 66,

> "Demand for these services in the economic marketplace will constrain the number and size of these services."

It is LCL's contention that the same economic principle clearly does, and should, apply to larger vessels. Larger vessels which meet Coast Guard standards, and whose crews meet professional requirements, should be allowed to compete against the heavily-subsidized CBITD ferries for bona fide island transportation, both summer and winter.

Under the category of Recommendation, on page 66, speaking to the issue of water taxis which may be carrying more than six passengers, and suggesting penalties for exceeding the specified passenger capacity be imposed by a severe enough Act to serve as a deterrent: Although the U. S. Coast Guard monitors compliance with the certificate which it issues to each operator, the Portland Police Department, under the MOA proposal, could also be asked to use its boat to monitor compliance on a spot basis. LCL's response to that is simply that the City of Portland is perhaps the greatest offender in that its fireboat frequently serves as a large ferry operation for large numbers of city council members to have annual parties, to visit various islands, in addition to which, the city police boat, from time to time, is used as a crew boat in order to take policemen to various islands, thus saving the city the difficulty and the expense of placing these policemen on regularly scheduled ferries, at expense to the city. The city, later on in the proposal, is asked to serve as a regulatory entity. In this case, they would clearly have a conflict of interest, in addition to which, the police are: number one, not qualified, and, number two, more frequently needed on more pressing assignments landside. Very few Portland policemen have sufficient marine background or sufficient understanding of PUC laws and regulations to carry out this requirement effectively.

LCL would, at this time, like to comment on Section 2, Unscheduled Freight Services, with information found on page 67. MOA estimates that approximately fifty thousand dollars a year is earned by unscheduled freight operators in the waters of Casco Bay. LCL questions the accuracy of that particular figure. In paragraph 2, MOA refers to automobiles as freight. LCL believes that automobiles may not necessarily be considered as freight, but fall into a category separately and totally unto themselves. MOA believes that the small volume of freight, whether movin on a regular or an irregular basis, would likely be attractive to unscheduled operators. LCL believes that marine conditions are so economically depressed in the Casco Bay area, and have been for so many years, that small operators would be delighted at the opportunity for any year-round amount of freight business. It could provide some income and some entry-level jobs in the Merchant Marine and the boating industry.

With respect to the third and fourth paragraph on page 67, dealing with unscheduled freight services, LCL generally agrees that unscheduled freight would operate in the best interests of the consumer and the islander.

On page 68, with respect to the category entitled "Recommendation" in the third paragraph, LCL believes that vessels should be permitted to carry cargo for more than one shipper or consignee, but believes that that should be done within the rules and regulations specified by the United States Coast Guard for vessels which carry freight for hire, or some other appropriate subchapter dealing specifically with that transportation issue. To carry a cargo for only one shipper at a time, to only one island at a time, is not cost-effective, is an unwise use of labor, material, and natural energy. If American merchant ships are allowed to maneuver along the coast and around the verious ports of the world, carrying more than one cargo, for more than one shipper, and if they find it difficult, in the world market, to compete and survive on that level, then certainly this prqctice would inhibit and make impossible unscheduled freight service in Casco Bay. In short, LCL believes that the unscheduled freight vessel should be allowed to carry a variety of cargoes to a variety of islands, provided that they are doing so in a manner which is consistent with applicable United States Coast Guard regulations as issued by the U. S. Department of Transportation.

Section B - "Possible Modes of Continued Regulation" - MOA considers the three possibilities - the Maine Public Utilities Commission could continue, the Maine Department of Transportation could regulate it, or the City of Portland could regulate it.

On page 70, the recommendation of MOA is that discussion should be held with the City of Portland to determine if it would be willing to regulate ferry services within Casco Bay. I suspect that other interested parties should be present for that discussion. Because the City of Portland is located within the near physical proximity to Casco Bay is no indication that the City of Portland has any remote maritime expertise. Number one - the City of Portland still can't decide how to zone, divvy up, develop, or undevelop its waterfront. Number two - the City of Portland has a difficult time trying to make the Fish Pier operate in a profitable fashion. Number three - the city was taken to the cleaners in one of their other maritime endeavors in recent times by the Bath Iron Works corporation, who, once the deal was signed, left our wise and learned city officials reading from prepared statements, and the taxpayers of the City of Portland, twenty-seven million dollars in the hole. Clearly, the City of Portland has little or no maritime expertise, in addition to which, if they were to operate the Casco Bay Island Transit District, or, rather, if they were to regulate CBITD, there would be a major conflict of interest. CBITD pays the City of Portland a percentage of their tour and charter revenue, over and above their rental agreement for being at the new terminal, which is owned by the city. This kind of relationship clearly leads to an appearance of conflict of interest, if not a complete conflict of interest. In addition to which, tour and charter operators operating out of the City of Portland are competing with the Casco Bay Island Transit District, and from time to time, must go before the city for various requests pursuant to the course and conduct of their trade. Therefore, the city is a competitor, in many ways, to private tour and charter boat operators, and so for the city to regulate the Casco Bay Island Transit District is clearly like asking the wolf to guard the hen-house.

The City of Portland has no qualified persons with any clear expertise in the area of transportation. This burden would undoubtedly fall upon Portland's corporate counsel. For those of you who haven't been following the various adventures of Portland's corporate counsel, they live in continuous fear of being sued by a battalion of barristers representing Michael Liberty from the famous law firm of Bernstein, Shur, Sawyer and Nelson. When not fighting off that group, corporate counsel is constantly having to justify the city's various positions on zoning in the area of waterfront development. The city is undecided. B - most serious of all, of all of the incidents which take up the time of corporate counsel, are the affairs of David Koplow, also known as "Dave the Dog Man," who continuously and repeatedly apparently violates city ordinances, which, once taken to court, with Koplow frequently representing himself, has the cases thrown out. If the City of Portland is unable to write and enforce a proper dog ordinance against a lone individual who, for all intents and purposes, is indigent, then it seems to me, clearly, that the City of Portland is unable to develop any kind of effective maritime transportation policy that would be without conflict, well-administrated, and equitable. My recommendation is that the City of Portland be left well out of this entire fray to solve its various problems with developers and dog men. Again, on page 70, in section C, "Possible Requirement for a General Fund Subsidy," MOA speaks to the issue that Casco Bay Island Transit District has had to raise fares in the last five years. I should like to point out that everyone else has, too. What else is new? In paragraph 2, with respect to the M/V Rebel, CBITD, as part of its deal with the Urban Mass Transit Administration, was to sell the Rebel. Ah, but alas! That was two or three years ago. The arrival of the M/V Machigonne II has by no means seen the elimination of the Rebel. The fact that the Machigonne II can not effectively operate from any other pier than that on Peaks Island is a clear reflection of the District's inability to effect proper engineering on the one hand, and continually to look for an opportunity to go to the general trough of the public, on the other.

On page 71, I refer to the third paragraph, toward the very end, where MOA refers to a cost which CBITD can not control. First of all, clearly CBITD is capable of conducting some negotiations with a union. Clearly, CBITD purchases fuel in such large blocks that it can be purchased fairly inexpensively. Clearly, CBITD could take advantage of the American free enterprise system by allowing various insurance companies to bid, one against the other, and by taking steps to see that better maintenance is performed, and by seeing that the insurance companies are satisfied that a safer, cleaner operation is at hand. There are a number of creative options open to CBITD to control maintenance and to effect repairs. However, it is not the position of LCL that we would wish to offer any creative suggestions to CBITD which would further enhance the strength of their economic position. This committee should be assured that CBITD, with a little creative thinking, clearly does have control over those six different alleged "uncontrollable costs."

On page 72, in the first paragraph, LCL wishes to respond to MOA's analysis that there is a strong correlation between consumer prices of gasoline and CBITD's ridership. MOA's position is that when gasoline purchases decline, so does CBITD's ridership. That hardly seems feasible, as when gasoline prices decline, tourists get out on the road and drive more, therefore increasing the volume of tourism found on the CBITD boats. MOA claims that since declines in gasoline purchases are driven by increases in the price of gasoline, CBITD's fuel cost can be expected to increase, at the same time that ridership and revenues are declining. LCL disagrees. When gasoline prices go up, more people choose not to take the boat from the island to the mainland, which is operated principally by gasoline, but rather, choose to ride on the Casco Bay Island Transit District ferry, in order to save fuel for leisure boating; in addition to which, CBITD operates with diesl fuel rather than gasoline, which is a substantially lower product in terms of price.

In paragraph 2, on page 72, MOA discusses the possibility of providing an operating subsidy to CBITD. This would be for the state or local government to provide a one-time payment to reduce CBITD's bond cost. LCL would be delighted to have someone make a "one-time" payment to reduce some of our mortgage costs. Once again, addressing paragraph 2, should there be a down turn in the market, there should be no need for older existing boats. Some boats could be eliminated and newer ferries could be purchased which specifically address themselves to the business of island transportation. In general, LCL agrees with MOA that CBITD should not require, and will not require, operating subsidy in the foreseeable future.

Section D refers to anticipated effect on CBITD's tour, charter, and catering revenues. This begins on page 72 and continues, I believe, on to page 74. LCL, in general, agrees with the ruling of the PUC, and essentially believes that the islands in Casco Bay are a natural resource and should be available to all tour and charter boat operators for purposes of tourism. With respect to paragraph 4 on page 73, LCL believes that the Legislature should define "incidental," reminding the Legislature that the Casco Bay Island Transit District was brought into being by a piece of emergency legislation and is, in our view, by and large, a poorly-conceived piece of legislation, i.e. the need for this study, and others which I presume will follow. CBITD alleges that LCL and other cruise vessel operators will detract from the District's revenue picture. LCL contends that a number of riders may visit an island as part of an LCL-organized tour, but may opt to remain, and return on the ferry. Such a scenario is one over which LCL would have little or no control, but one which indeed would increase the revenue picture of the District. Once again, on page 74, LCL wishes to respond to MOA's comments with respect to appropriate limits on service. LCL does not believe that unscheduled freight operators should be limited to the carriage of cargo of one single shipper at a time. Once again, LCL would like to reiterate that the American merchant fleet can't compete while carrying a variety of cargoes to different ports for different shippers. It is not a wise use of labor, material, or natural resources to take only one cargo out to an island at a time and return with another cargo for another shipper. The ability of the unscheduled freight carrier to carry varied cargoes should rest with the Coast Guard's interpretation of which cargoes are compatible and can be carried on vessels carrying freight for hire.

In section 3, MOA expresses concern about any diversion of revenues that would compromise its ability to provide year-round service to islands. LCL would like to remind MOA, as our meeting with them was only 45 minutes in length, and other interested parties, that if tour and charter operators are to remain on board in Casco Bay as bona fide and legitimate entities, they are going to have to accept some responsibility for the operation of transportation in Casco Bay during the winter months. LCL specifically believes that the island residents of the down-the-Bay islands, including one of the inner-Bay islands, Long Island, should be allowed, should they choose, by virtue of popular vote, to secede from the District and make other, or alternative, transportation arrangements. LCL desperately needs winter work in order to amortize its present debt service. LCL would be more than happy to make runs to Chebeague Island and Cliff

Island on a daily basis year around.

Once again, on page 74, CBITD currently has two spare boats but has not yet decided on the disposition of the M/V Rebel. However, it is our understanding that the M/V Rebel was to be sold upon the arrival of the Machigonne II. This was part of the contract which the Casco Bay Island Transit District entered into with the Urban Mass Transit Administration and has to date, at least apparently, in our view, has not honored the terms and conditions of that contract. The purpose of eliminating the spare boat was to provide an atmosphere of limited competition with private enterprise. LCL suggests that if the District wishes to keep the Rebel, which they previously have said was in terrible shape, that perhaps they should eliminate one of the other passenger ferries. In the event that the Transit District needs a backup boat in the wintertime, LCL would be happy to enter into some arrangement with the Transit District, winter or summer. The fact that CBITD can't decide what to do with the spare boat, and the fact that the M/V Machigonne II can service but one island, clearly demonstrates a misuse of material and the taxpayers' money and also demonstrates the CBITD's continued ability to go to the federal coffers.

Under section F, page 75, MOA indicates that they can not predict whether services of tour boats visiting various islands in the Bay would have an impact on the District. LCL, once again, wishes to reiterate that it might increase the CBITD's revenue picture as some visitors who had arrived on the island tour might choose to take the ferry back, thus increasing the District's revenue picture.

In section G, on page 75, MOA believes that allowing tour boat operator to use these piers, which are now reserved for the exclusive and sole use of CBITD, would not be wise. They do not recommend that other operators be allowed to use these piers because of the possible conflicts which could occur, and the resulting possible disruption of CBITD's services. LCL wishes to address this statement, saying that it is the position of tour operators that the regularly-scheduled ferry services should not be unduly impaired. Certain other navigation rules in effect on the federal and international level affect the conduct of various vessels within sight of one another. Both the captains with the CBITD vessels and LCL vessels, as well as tour boat operators, are familiar with those various navigation rules and would apply them where they were necessary, much the same as is done in the airline industry, etcetera, in addition to which, modern radio communication between the vessels makes it clear as to who will dock and who will sail, and when. LCL believes that the CBITD schedule should be maintained, and that the tour schedule is somewhat more flexible, though no less important in the vast scheme of commerce and trade.

With respect to paragraph 2, LCL would be willing to talk about the possibility of a fee structure for the use of wharves and piers. However, such a fee structure could not be scheduled in such a way as to make the utilization of the piers cost-prohibitive. After all, LCL and others have paid for these piers previously in their taxes, and to the extent that they are part of the infrastructure of the transportation system between the mainland and the islands, we feel that we should have access to them as well as the District at fees perhaps somewhat less than the CBITD's vessels currently enjoy, as our use would not be as extended or as great, and/or the potential for damage, we feel, would be limited.

For the record, I should like to note that a representative from Martin O'Connell Associates spent about 45 minutes with me during the course of this entire process. The representative from MOA visited the vessel and our input, suffice it to say, has been altogether too brief. I believe that the effects of the Casco Bay Island Transit District's presence in the marketplace have been understated here in the terms of their adverse impact upon free enterprise, and I am disturbed that MOA spent no more than 45 minutes with private enterprise, and more specifically, Longfellow Cruise Line preparing this report. It should also be noted that MOA has taken the opportunity, on this occasion, to set themselves up for a continued study process. It is my feeling that this report is a basic whitewash, and was basically prepared by DOT and other government agencies which would wish to alleviate themselves of the problem.

It is with a deep sense of regret that by and large, I find myself unable, in any way, to feel proud of, or associated with, the results of this study, and will make my feelings known at the appropriate time to committee.

Sincerely yours,

Capt. R. E. Ross III

Capt. R. E. Ross III
President, Longfellow Cruise Line

Casco Bay Island Transit District

FINANCIAL STATEMENTS

Years Ended September 30, 1988 and 1987

CLARK, FRIEL
and
NICHOLSON, P.A. CERTIFIED PUBLIC ACCOUNTANTS

CONTENTS

CLARK, FRIEL
and
NICHOLSON, P.A. **CERTIFIED PUBLIC ACCOUNTANTS**

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(207) 797-2746

19 Congress Street
Rumford, Maine 04276
(207) 364-2241

Dana C. Clark, CPA, MST
Suzanne Friel, CPA, MST
Bryant F. Nicholson, CPA

Board of Directors
Casco Bay Island Transit District
Portland, Maine

We have examined the balance sheets of Casco Bay Island Transit District as of September 30, 1988 and 1987, the related statements of operations, changes in equity and cash flows for the years then ended. Our examination was made in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the Standards for Audit of Government Organizations, Programs, Activities, and Functions issued by the U.S. General Accounting Office and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Casco Bay Island Transit District as of September 30, 1988 and 1987, and the results of its operations and cash flows for the years then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding years.

Our examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules of operating expenses and Federal financial assistance - cash basis are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the examination of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Clark, Friel and Nicholson

Clark, Friel and Nicholson, P.A.
November 22, 1988

Casco Bay Island Transit District
BALANCE SHEETS
September 30, 1988 and 1987

ASSETS

	1988	1987
CURRENT ASSETS		
Cash	$ 302,792	$ 257,611
Cash - restricted	376,212	421,764
Accounts receivable	25,038	35,746
Capital grants receivable	9,852	21,715
Interest receivable	4,583	4,090
Prepaid expenses	49,162	44,404
Total current assets	767,639	785,330
PROPERTY, PLANT AND EQUIPMENT (at cost)		
Land	12,000	12,000
Vessels	2,011,802	831,369
Equipment	78,797	33,908
	2,102,599	877,277
Less accumulated depreciation	374,158	282,910
Total property, plant and equipment	1,728,441	594,367
OTHER ASSETS		
Prepaid bond expense	60,660	71,821
Cash - restricted	111,489	113,190
Construction in progress	-	758,106
Total other assets	172,149	943,117
	$2,668,229	$2,322,814

LIABILITIES AND EQUITY

	1988	1987
CURRENT LIABILITIES		
Bonds payable - payments due within one year	$ 105,000	$ 100,000
Accounts payable	60,293	53,647
Accrued and withheld payroll taxes	5,256	5,146
Accrued interest	38,887	42,035
Accrued payroll and vacation pay	23,990	16,862
Accrued pension	50,933	15,709
Accrued expenses - other	4,543	4,266
Unearned revenues	4,263	-
Total current liabilities	293,165	237,665
LONG-TERM DEBT		
Bonds payable (less payments due within one year - above)	960,000	1,065,000
Total liabilities	1,253,165	1,302,665
EQUITY		
Contributed capital:		
Federal Urban Mass Transportation Administration grant for property, plant and equipment acquisitions	1,033,170	674,542
Contributions from the islanders	10,457	10,457
Maine Department of Transportation grant for property, plant and equipment acquisitions	88,918	70,493
Retained earnings	282,519	264,657
Total equity	1,415,064	1,020,149
	$2,668,229	$2,322,814

The accompanying notes are an integral part of these statements.

Casco Bay Island Transit District
STATEMENTS OF OPERATIONS
Years Ended September 30, 1988 and 1987

	1988	1987
OPERATING REVENUES		
Passenger	$ 770,042	$ 658,545
Vehicle	175,205	130,448
Freight	162,230	141,675
Mail contract	62,210	62,024
Parking	9,208	19,125
Tours and cruises	105,682	122,650
Charters	89,454	89,729
Catering	102,179	97,643
Miscellaneous	16,405	8,904
Total operating revenues	1,492,615	1,330,743
OPERATING EXPENSES	1,321,172	1,163,738
Operating income before other operating expenses	171,443	167,005
OTHER OPERATING EXPENSES		
Depreciation	91,248	60,908
Amortization of bond expense	11,161	11,118
Total other operating expenses	102,409	72,026
Operating income	69,034	94,979
OTHER INCOME (EXPENSE)		
Interest income	42,028	41,065
Interest expense	(93,200)	(99,133)
Total other expense	(51,172)	(58,068)
NET INCOME	$ 17,862	$ 36,911

The accompanying notes are an integral part of these statements.

Casco Bay Island Transit District
STATEMENTS OF CHANGES IN EQUITY
Years Ended September 30, 1988 and 1987

	Maine Dept. of Transportation Capital Grants	Federal Urban Mass Transportation Administration Capital Grants	Contributed Capital	Retained Earnings	Total
Balance, September 30, 1986	$ -	$ 45,362	$10,457	$227,746	$ 283,565
Federal Urban Mass Transportation Administration grants earned for vessel and equipment	-	629,180	-	-	629,180
Maine Department of Transportation grant earned for vessel and equipment	70,493	-	-	-	70,493
Net income	-	-	-	36,911	36,911
Balance, September 30, 1987	70,493	674,542	10,457	264,657	1,020,149
Federal Urban Mass Transportation Administration grants earned for vessel and equipment	-	358,628	-	-	358,628
Maine Department of Transportation grant earned for vessel and equipment	18,425	-	-	-	18,425
Net income	-	-	-	17,862	17,862
Balance, September 30, 1988	$88,918	$1,033,170	$10,457	$282,519	$1,415,064

Casco Bay Island Transit District
STATEMENTS OF CASH FLOWS
Years Ended September 30, 1988 and 1987

	1988	1987
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 17,862	$ 36,911
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	91,248	60,908
Amortization of bond expense	11,161	11,118
(Increase) decrease in accounts receivable	10,708	(20,040)
Decrease in capital grants receivable	11,863	1,636
Increase in interest receivable	(493)	(2,959)
Increase in prepaid expenses	(4,758)	(15,869)
Increase in accounts payable	6,646	13,392
Increase (decrease) in accrued interest	(3,148)	7,394
Increase (decrease) in accrued payroll and vacation pay	7,128	(10,014)
Increase (decrease) in accrued pension	35,224	(20,005)
Increase in unearned revenues	4,263	-
Increase in accrued expenses - other	387	1,975
Increase in prepaid bond expense	-	(4,633)
Total adjustments	170,229	22,903
Net cash provided by operating activities	188,091	59,814
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(1,225,322)	(57,875)
(Increase) decrease in construction in progress	758,106	(739,757)
Net cash used in investing activities	(467,216)	(797,632)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on bonds payable	(100,000)	(60,000)
Proceeds from issuance of bonds	-	400,000
Proceeds from Federal Urban Mass Transportation Administration grant for property, plant and equipment acquisitions	358,628	629,180
Proceeds from Maine Department of Transportation grant for property, plant and equipment acquisitions	18,425	70,493
Net cash provided by financing activities	277,053	1,039,673
INCREASE (DECREASE) IN CASH	(2,072)	301,855
Cash, beginning	792,565	490,710
Cash, ending	$ 790,493	$ 792,565

The accompanying notes are an integral part of these statements.

Casco Bay Island Transit District
NOTES TO FINANCIAL STATEMENTS
September 30, 1988 and 1987

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property, Plant and Equipment

Property, plant and equipment is stated at cost. Expenditures for maintenance and repairs are charged to income as incurred; major renewals and betterments are capitalized. When these assets are retired or otherwise disposed of, the assets and accumulated depreciation accounts are adjusted and any resulting gain or loss is reflected in operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 5 to 25 years.

Capital Grants

Grants received, from the Federal Urban Mass Transportation Administration and the Maine Department of Transportation, for capital projects are recorded as capital contributions upon expenditure.

Change in Presentation

The September 30, 1988 financial statements include a statement of cash flows showing cash provided and used by operating, investing, and financing activities in place of a statement of changes in financial position showing changes in working capital as presented in prior years. Amounts for September 30, 1987 have been restated to conform with the September 30, 1988 presentation.

PREPAID BOND EXPENSE

Prepaid bond expense represents professional fees and other costs incurred in connection with the issuance of bonds. This asset will be amortized over the lives of the bonds.

CONSTRUCTION IN PROGRESS

Construction in progress represents costs incurred through September 30, 1987 for constructing a new vessel. The vessel was placed in service in February, 1988. The cost of the vessel will be subsidized 75% - 80% from an UMTA capital grant and 10% from a Maine Department of Transportation capital grant. The total cost of the vessel was $1,174,874.

LINE OF CREDIT

The District has established a line of credit with Maine National Bank of $100,000 for current operating expenses. The interest rate is 70% of the prime rate. On September 30, 1988 and 1987, there was no outstanding balance.

LONG-TERM DEBT

At September 30, 1988 and 1987, long-term debt consisted of the following:

	1988	1987
7% - 11% Series A Serial bonds payable in annual installments beginning November 1, 1984 through November 1, 1994	$ 505,000	$ 555,000
7.75% - 11.75% Series B Serial bonds payable in annual installments beginning November 1, 1985 through November 1, 1994	190,000	210,000
5% - 6% Series C Serial Municipal bonds payable in annual installments beginning October 25, 1987 through October 25, 1996	370,000	400,000
	1,065,000	1,165,000
Less current maturities	105,000	100,000
	$ 960,000	$1,065,000

The maturity schedule of the Serial bonds is as follows:

For the years ending September 30,	
1989	$ 105,000
1990	115,000
1991	125,000
1992	140,000
1993	150,000
1994-1997	430,000
	$1,065,000

Security for the bonds is vessels, land and equipment owned by the District. The District has complied with all covenants of the bond indenture. The covenants include restriction of cash in trust accounts for the Debt Service Fund, Reserve Maintenance Fund and Debt Service Reserve Fund.

PENSION PLAN

The District has a non-contributing money purchase plan. The District's contribution is 15% of the total compensation of all eligible participants and is funded currently. The plan also reflects credits against current year expense for nonvested amounts of employees who are no longer employed by the District. The District's contribution for the years ended September 30, 1988 and 1987 is $50,933 and $17,520, respectively.

RENT

Effective June 1, 1986 and expiring October 31, 1988, the District leases office space, piers and ferry slips. The Portland facilities are leased at a monthly rate of $1,055 from June 1, 1986 through March 31, 1987. Beginning April 1, 1987 and 1988, the monthly rent will increase to $1,165 and $1,280, respectively.

Effective June 1, 1988 and expiring October 31, 1988, the District sublet the Portland facilities at a monthly rate of $1,280.

The District has a lease agreement with the City of Portland to lease their facilities in the new Casco Bay Ferry Terminal. The lease began June 1, 1988, and the lease term is for thirty years.

The annual rent will be 5% of gross revenues from tours and cruises and charter operations. The rent will be subject to a minimum annual rent of the following:

10/1/85 - 9/30/89	$ 6,000
10/1/89 - 9/30/92	8,000
10/1/92 - 9/30/95	10,000

The minimum annual rent will be paid in equal monthly installments. The District will pay to the City, no later than November 15th of each year, an amount equal to 5% of gross revenues mentioned above for each fiscal year from October 1 to September 30th. This amount will be reduced by the monthly payments already paid to the City during the year. The minimum annual rent after September 30, 1995 has not been determined. The District is responsible for all costs and expenses related to the new Casco Bay Ferry Terminal.

The annual lease payment for the Bailey Island piers and ferry slips for both the years ended September 30, 1988 and 1987 is $1,500. The lease was effective June 1, 1985 and expired on Labor Day, September, 1988. The District plans to renew the lease.

The rent expense for the years ended September 30, 1988 and 1987 is $14,702 and $14,820, respectively.

The following is a schedule of future minimum lease payments required under the two leases for the years ending September 30,

1989	$ 7,280
1990	8,000
1991	8,000
1992	8,000
1993	10,000
Thereafter	20,000
	$61,280

CONTINGENCY

The District uses piers and ferry slips that belong to the Maine Department of Transportation. At the present time, the District is not paying rent to the State for the use of these facilities. The State has excused the lease payments through September 30, 1988, but could restate the lease payments that the District would have to pay.

OPERATING LEASE

The District has a lease agreement for a photocopier. The lease term is for 36 months beginning July, 1988. The monthly payment is $228 plus a per copy charge.

The following is a schedule of future minimum lease payments required under the lease for the years ending September 30,

1989	$2,736
1990	2,736
1991	2,052
	$7,524

Casco Bay Island Transit District
SCHEDULES OF OPERATING EXPENSES
Years Ended September 30, 1988 and 1987

	1988	1987
Salaries and wages	$ 624,873	$ 536,619
Payroll taxes	54,278	46,654
Advertising	40,187	30,811
Catering	58,863	62,711
Dues and subscriptions	4,551	4,045
Repairs and maintenance	126,870	163,972
Fuel	58,218	50,341
Heat and utilities	12,802	9,043
Injuries and damages	4,640	10,745
Professional fees	28,403	20,898
Mail agent	2,520	2,470
Office expense	29,299	28,376
Pension	50,933	17,520
Postage	2,640	1,781
Rent	14,702	14,820
Security	17,774	16,781
Telephone	8,076	8,646
Employee benefits	39,673	31,503
Terminal	20,340	18,631
Travel	5,467	4,503
Insurance	111,056	80,518
Miscellaneous	5,007	2,350
	$1,321,172	$1,163,738

Casco Bay Island Transit District
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE - CASH BASIS
Year Ended September 30, 1988

Federal Grantor Program Title	Federal CFDA Number	Program Or Award Amount	Cash Balance At September 30, 1987 (Beginning Balance At September 30, 1987)	Receipts Recognized	Disbursements	Cash Balance At September 30, 1988 (Ending Balance At September 30, 1988)
ME-05-0006 U. S. Department of Transportation Urban Mass Transportation Administration Grant Sections 3 and 9	20500 20507	$616,000	$ -	$ 20,437	$ 20,437	$ -
ME-90-X013 U. S. Department of Transportation Urban Mass Transportation Administration Grant Section 9	20507	57,378	-	22,838	22,838	-
ME-90X007 U. S. Department of Transportation Urban Mass Transportation Administration Grant Section 9	20507	88,000	-	39,930	39,930	-
ME-03-0017 U. S. Department of Transportation Urban Mass Transportation Administration Grant Section 9	20507	274,998	-	255,982	255,982	-
ME-90-X030 U. S. Department of Transportation Urban Mass Transportation Administration Grant Section 9	20507	92,632	-	12,600	12,600	-
Total Federal Assistance			$ -	$351,787	$351,787	$ -

ANALYSIS OF FERRY REGULATION IN CASCO BAY

A

Policy Analysis Exercise

Prepared For

the Office of The Public Advocate

Augusta, Maine

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by

Lucy C. Dyke

John F. Kennedy School of Government

April, 1988

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Jose A. Gomez-Ibanez

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Executive Summary

The State of Maine regulates scheduled ferry traffic in the Casco Bay. It grants a year-round monopoly on scheduled ferry operations to Casco Bay Island Transit District (CBITD) so that the District can use profits from its summer season to subsidize its winter operations.

Potential competitors would like the state to revoke the monopoly so they can provide residents and visitors with better, cheaper service. Private operators have a history of success in the unregulated tour and cruise market. But, CBITD fears that summer competition would rob it of revenue needed to maintain winter operations.

Analysis of CBITD operations suggests that the primary cross-subsidies are not from summer to winter passengers, but rather from Peaks riders to down-the-bay riders. Subsidized services lose money in part because CBITD ferries are large relative to passenger demand. Appropriately-sized ferries could serve passengers more efficiently and profitably. Deregulation would permit local operators with smaller ferries to serve the islands with fewer passengers. Their lower service costs could eliminate much of the need for subsidies and regulation. CBITD maintain its comparative service advantage in the car ferry market and in the high-density Peaks and inner bay summer runs.

To create a truly competitive market, the legislature would have to allow all public ferries to use its piers and slips on the islands.

A competitive market could save money for passengers and operators. It could allow local entrepreneurs to grow successful businesses by offering island passengers superior services and could also spur CBITD to become more responsive to passenger needs.

Table of Contents

1. The Problem:

Should the Maine Legislature Deregulate Casco Bay Transportation?

Private ferry operators and the Public Utilities Commission have petitioned the Maine Legislature to deregulate ferry service in Casco bay. Legislators must decide in the 1989 session whether to honor the request for deregulation. Under current law, only one carrier, Casco Bay Island Transit District, can offer scheduled transportation between the Portland mainland and six Casco Bay islands. As the sole condition of its monopoly on heavy summer traffic, CBITD agrees to provide regular scheduled winter service to the same six islands. Essentially this regulation allows CBITD to generate excessive summer profits which will subsidize winter service.

The justification for regulation is that winter service is too costly to be profitable; without regulation, no carrier would have an incentive to offer winter service. Deregulation could, therefore, deprive winter commuters of dependable transportation. Two pieces of evidence invoke this scenario: 1) The state of Maine runs 1.4 million dollar annual deficits on similar ferry operations in Penobscot Bay, and, 2) The string of monopoly carriers in Casco Bay has had a relatively poor financial performance history. (The previous carrier declared bankruptcy in 1981 and the incumbent relies on summer tour and charter income for 25-30% of its annual budget.)

The argument against regulation is that competitive transportation services can save significant transportation costs for consumers and be more responsive to market changes. To support their position, opponents of regulation can point to national successes of trucking and airline deregulation. Opponents also cite particular features of Casco Bay which promise local success for deregulation. Casco Bay now has more vessels and experienced ferry operators than it can use. Three vessels suitable for ferry transportation were for sale in Casco Bay at the time of this writing. In the one market segment which does enjoy competition–island cruises–CBITD's competitor has grown 260% in passengers and 390% in revenues over five years and won hearty endorsements from all the major tourist and travel operations in the Portland area in the process. Furthermore, winter conditions which plague Penobscot Bay services are much less extreme in Casco Bay; Casco Bay never freezes, its islands form a protective barrier against the worst storms, and it is located in the most densely populated area of the state.

In short, there are two issues for legislators to consider when they evaluate the merits of regulation vs. competition. One is how much the ferry services will cost. The other is who will pay. Regulation costs less than public provision because private operators pay lower wages than the Maine State Ferry system. It also allows income redistribution from passengers on profitable services to passengers on unprofitable ones. A competitive market would unquestionably improve on regulation if it lowers total service costs enough to eliminate the need for subsidies. The rest of the paper addresses both the issue of total service cost and who will pay it. Readers not familiar with Casco Bay and its Transit District might benefit from a brief description of the area and its scheduled ferry service before beginning the analytic sections.

2. Overview of Current Operations

Casco Bay is where the Atlantic Ocean meets Portland, Maine, the largest city in the state with a population of almost 200,000 in winter and twice that in summer. Included in the city proper are six public islands: Peaks, Little Diamond, Great Diamond, Cliff and Great Chebeague. CBITD is a quasi-municipal corporation which provides regular scheduled transportation between Portland's mainland and the six islands. It is owned by the islanders themselves.

The islands vary by population and distance from the mainland (See Map, Appendix, Figure 1.). Peaks is the closest to downtown Portland. It's year-round population is about 900 and its ferry slip is only 2.6 miles from CBITD's Portland wharf. Peaks passengers make up about 77% of CBITD riders and about 93% of its daily commuters. The Diamond islands, although about the same distance from the mainland as Peaks, have more seasonal populations. In winter Great Diamond has only about 16 residents and Little Diamond has only about 11. Long Island, two to three miles past Peaks, has about 160 year-round residents. Great Chebeague (Chebeague) has the largest land area and 400 year-round residents, but it is less dependent on CBITD than other islands. Althougth it is eight miles from Portland's wharf, Chebeague is only a one-mile ferry ride from Cousins' island which is connected to the mainland by a bridge. Cliff island, nine miles out into the bay, has about 110 year-round residents.

Service to Peaks, which takes about 20 minutes, is frequent throughout the year. Islanders can choose from about 110 trips per week. Service to the Diamonds is almost as frequent in summer but by appointment only in winter. Service to Long is frequent in summer and infrequent—about 23 trips per week—in winter. Service to Cliff and Chebeague is infrequent in all seasons.

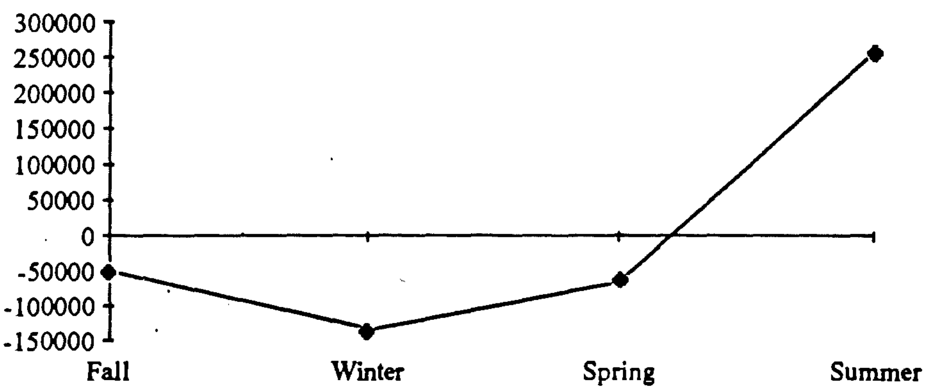
Over the three decades of ferry regulation in Casco Bay, the character of the islands has changed. In the 1950's Peaks was known as "Welfare Island", because of the high proportion of ADC families who lived there. It became the sight of Portland's low-income housing projects. In the seventies the city removed these projects. Now housing costs have "increased dramatically on the islands" according to the Greater Portland Council of Governments (COG). Home prices on Peaks average about $100,000 and most buyers are purchasing them as second homes. The largest development underway is on Great Diamond where an old fort is on its way to becomming luxury condominiums for seasonal residents. Planners at COG predict the islands will continue to become primarily summer residences and that they will experience only slow growth in the future.

3. Profitability: Which Services Does the Monopoly Subsidize? & Which Services Generate the Subsidies?

3.1 Accounting vs. Service Costs

As you can see from the chart below, CBITD does use summer revenues to finance year-round costs.[1] The District just turns a profit ($15,200) on its annual operations although its summer months produce a positive cash flow of $256,190. The accounting record shows steady losses in the other three seasons. The losses erode the positive balance built up in warm weather. This information suggests the monopoly is necessary: an unregulated operator would probably serve only the summer passengers and leave winter commuters to fend for themselves.

Seasonal Profits
(Accounting Cost Allocation)



What the accounting record does not explain is why other carriers are so eager to compete with CBITD to serve winter riders. If we want to understand what is really happening in the Casco Bay ferry market, we will have to look beyond the accounting figures. Accounting figures merely track cash flows; they do not track profitability by season or by

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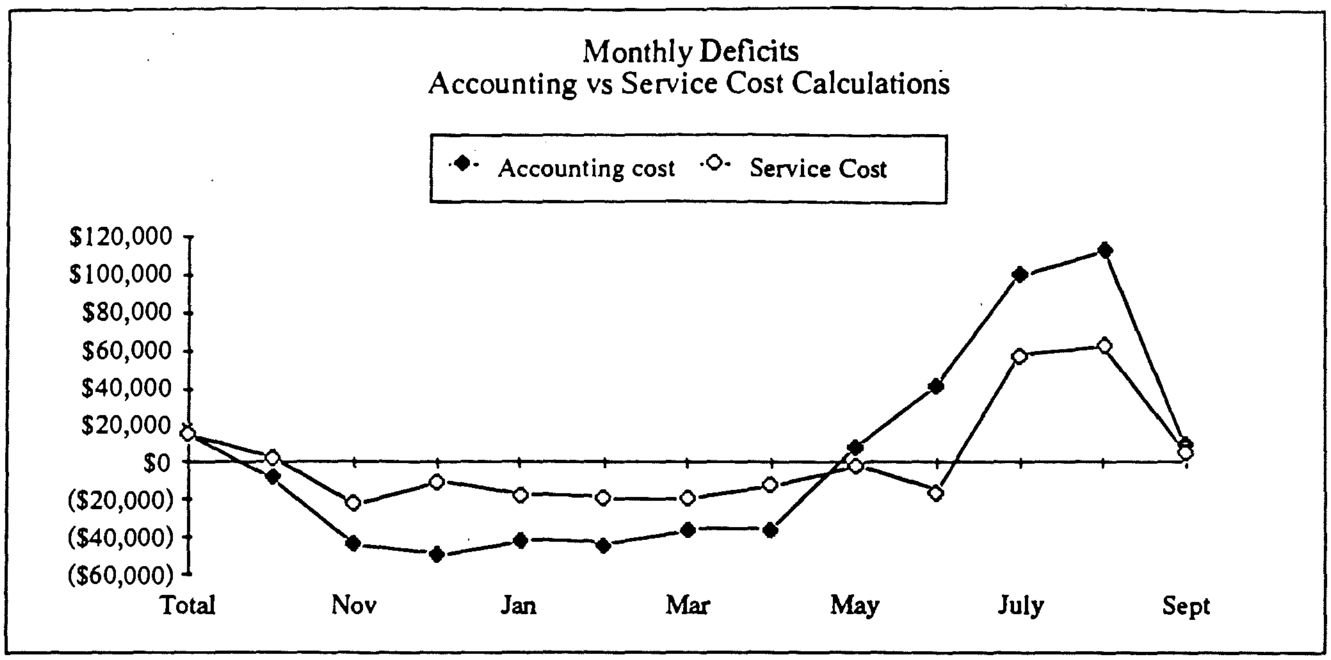
[1] More detailed numbers are in the Appendix, figure 4.

service. The reason is that the accountant records costs when money is paid out, not when the District actually incurred the cost. For example, District accounting shows ferry maintenance costs at their highest levels in winter. The District does pay more for maintenance in winter months, but the reason is not that winter service requires more repairs. Maintenance and repairs are simply more convenient to undertake in winter when the operations schedule is lighter. Expenses for capital (the cost of buying ferries) are spread evenly throughout the accountant's record even though the District buys its ferries primarily to serve the large, profitable summer market. Summer people should be charged the full costs of buying the vehicles while winter people should be charged only the extra costs of operating them during the winter.

To get a more thorough understanding of the profitability of District operations, I use service cost accounting in the balance of this paper. Service cost accounting reallocates expenses so that they are charged to the month which caused the money to be spent. For example, maintenance costs are allocated by operating time. Capacity costs—expenses related to buying the ferries—are charged to peak summer users. This kind of cost allocation, although not a standard accounting method, is commonly used in economic analysis.

Service cost accounting changes the way we look at CBITD's operations. The graph below shows that service cost accounting erodes both the peaks and the valleys of CBITD's monthly profitability. Although the District does lose money for six months, the amounts it loses each month are much smaller—at least 50% smaller—than the accountant's record indicated. These smaller losses might be eliminated by service and operations changes instead of subsidized by monopoly regulation.



The balance of this section uses service cost accounting to identify which CBITD services are profitable and which are subsidized. The analysis will serve a dual purpose. It will point out which services are most at risk of cuts under deregulation and it will highlight opportunities to improve profits by making service or operational changes.

3.2 Profitability by Service

3.2.1 Auto Profitability

By doing a service cost allocation on passenger and auto services separately, we continue to erode the myth of extreme summer profits and winter losses. Auto service ran operating deficits in spring and fall. The table below puts the deficit in perspective: the car ferry, Rebel, lost $25,052—14% of its overall expenses. It made $15,464 in summer and winter operating profit but this was not enough to offest operating losses in fall and spring and cover capacity costs. Measures to improve profitability should target spring, summer and fall operations.

CAR FERRY (Rebel)	Total	Fall	Winter	Spring	Summer
Revenues					
Vehicle	$128,000	$28,500	$9,000	$20,000	$70,500
Freight	$31,280	$6,555	$4,370	$6,670	$13,685
Expenses					
Operating	$131,438	$36,486	$9,649	$27,610	$57,692
Capacity	$26,332	$0	$0	$0	$26,332
Operating overhead	$26,550	$5,900	$2,950	$5,900	$11,800
Operating Profit (loss)	$1,292	($7,331)	$771	($6,840)	$14,693
Total Profit (Loss)	($25,052)	($7,331)	$771	($6,840)	($11,651)

3.2.2 Passenger Profitability

For passenger service there is also an overall deficit; it is $9,708—less than one percent of the total FY1987 budget. Service cost accounting does reveal the expected pattern of seasonal profits and losses. In winter, there is an operating loss of about 30% of total expenses ($59,156). Fall and summer service is profitable, and spring is close to even.

PASSENGER FERRIES

Revenues	Total	Fall	Winter	Spring	Summer
Passengers	$635,000	$142,000	$97,000	$138,000	$258,000
Freight	$104,720	$21,945	$14,630	$22,330	$45,815
Mail	$63,000	$15,750	$15,750	$15,750	$15,750
Tour/Charter	$318,000	$47,200	$5,300	$27,500	$238,000
Expenses					
Operating	$774,562	$187,006	$191,836	$178,687	$217,033
Capacity	$166,656	$0	$0	$0	$166,656
Ops. overhead	$ 61,950	$15,488	$0	$15,488	$30,975
Tour/Charter	$132,300	$13,776	$0	$9,734	$108,790
Operating Profit	$213,858	$26,113	($59,156)	$15,159	$231,741
Total Profit (Loss)	($9,708)	$10,625	($59,156)	($328)	$34,110

However, this simple seasonal pattern is misleading. CBITD passenger service is not a single operation. It is an aggregate of services to six islands. Each island has its own population and unique traffic pattern. Since a competitive carrier could choose to serve some islands but not others, this analysis needs to consider the profitability of each island's services independently.

I have used fare, ridership and schedule information from FY1987 to allocate revenues and costs to each island. Costs are allocated in proportion to the extra operating time required to service each island. Revenues are allocated according to actual ridership and standard fare differentials.

After separating each island's costs and revenues from the aggregated passenger totals, I conclude that the pattern of profits and losses by island dwarfs the seasonal pattern. Whereas service to some islands is generally profitable, service to others is subsidized throughout the year. Below is the breakdown by island.

Peaks

Peaks Island services show an annual operating profit of $190,332, more than enough to cover the total capacity costs of passenger operations ($171,556). [1]

Winter figures from FY1987 do show an operating loss ($15,002) for Peaks service. It is significant, about fourteen percent of the season's operating expenses ($87,646). But this loss is partly an artifact of the operations schedule. Most down-the-bay ferries stop at Peaks in winter. Although Peaks island no longer has sufficient passenger demand to make all of its runs profitable, the allocation still charges Peaks the full cost of a round trip for each down-the-bay run which stops there. It therefore overestimates Peaks' share of winter operating costs and identifies specific service cuts which could make Peaks

[1] In this respect, my allocation is not quite fair. I have underestimated the costs of down-the-bay service by allocating all capital costs to Peaks. Actually, the summer schedule requires a separate ferry to be used for some down-the bay runs. This ferry capital cost should be charged to down-the-bay islands. If it were, it would only accentuate the differences between Peaks profitability and down-the-bay deficits.

operations profitable. On the whole, Peaks service does pay for itself. So Peaks passengers (77% of CBITD's riders) should anticipate lower fares or better service from a deregulated market because they would no longer have to pay overhigh fares to subsidize down-the-bay trips.

Peaks Island

Revenues	Total	Fall	Winter	Spring	Summer
Passengers	$453,640	$105,472	$78,841	$100,525	$168,802
Freight	$21,676	$4,389	$3,658	$4,466	$9,163
Mail	$13,388	$3,150	$3,938	$3,150	$3,150
Operating expenses	$373,298	$89,200	$101,438	$69,032	$113,628
Net Profit (Loss)	$115,404	$23,810	($15,002)	$39,109	$67,487

Great Diamond

Great Diamond has more of the classic seasonal profitability problem. Although it earns a small operating profit ($1,305 for the year) it appears to be a financial loser in fall and winter. The reason is that Great Diamond riders are overwhelmingly fair weather riders. Only 373 riders come out in February although 4127 ride District ferries in July. This cycle is so extreme that CBITD serves Great Diamond in winter by appointment only.[1] Spring services, earning $836, are mildly profitable from an operating standpoint. They do not cover much capital cost. Fall services run a deficit of comparable magnitude ($693).

Great Diamond

Revenues	Total	Fall	Winter	Spring	Summer
Passengers	$21,784	$4,026	$1,333	$4,142	$12,283
Freight	$14,414	$3,511	$0	$3,573	$7,330
Mail	$7,560	$2,520	$0	$2,520	$2,520
Operating expenses	$42,454	$10,750	$4,919	$9,399	$17,385
Net Profit (Loss)	$1,305	($693)	($3,586)	$836	$4,748

[1] Since I do not know how many appointments the District keeps with Great Diamond islanders, my winter cost estimate is not very firm. I assumed ferries stopped on one-quarter of their trips by the Diamonds. I have probably overestimated, so my estimate of winter losses is an overestimate as well.

Little Diamond

Little Diamond has a traffic pattern similar to that of Great Diamond, but it is smaller. As a result, Little Diamond service is even less profitable for CBITD. It runs an annual deficit ($7,462: eighteen percent of its operating expenses). Even in summer, when its ridership swells to 20 times its winter level, Little Diamond service earns an operating profit of only $289.

Little Diamond

Revenues	Total	Fall	Winter	Spring	Summer
Passengers	$13,017	$1,951	$410	$2,832	$7,824
Freight	$14,414	$3,511	$0	$3,573	$7,330
Mail	$7,560	$2,520	$0	$2,520	$2,520
Operating expenses	$42,454	$10,750	$4,919	$9,399	$17,385
Net Profit (Loss)	($7,462)	($2,767)	($4,508)	($475)	$289

Long

Of all the islands, Long experiences the most clear cycle of seasonal profitability. It has operating profits in summer ($30,987) and fall ($6,319) which offset winter and spring losses and produce a $13,335 annual operating profit for the service as a whole. This operating profit does make a significant contribution to capital expenses. But, it might be higher if the District were to cut out some of its winter and spring runs.

Long

Revenues	Total	Fall	Winter	Spring	Summer
Passengers	$106,199	$20,916	$11,385	$23,197	$50,700
Freight	$18,072	$3,511	$3,658	$3,573	$7,330
Mail	$11,498	$2,520	$3,938	$2,520	$2,520
Operating expenses	$122,433	$20,628	$28,649	$43,593	$29,564
Net Profit (Loss)	$13,335	$6,319	($9,669)	($14,303)	$30,987

Such a cut might hurt Long's year-round commuters. Long, a large island with CBITD-dependent population does have many year-round commuters. Its large population and steady winter ridership contribute to its overall profitability.

Chebeague

Chebeague island is further out in the bay than the islands mentioned above. It is also the only island served by another scheduled ferry. This ferry runs between Chebeague and Cousins island which is connected to the rest of Cumberland County by a bridge. Most Chebeague commuters avail themselves of the opportunity to ferry to Cousins and drive from there. So Chebeague's regular ridership on CBITD ferries is not commensurate with the size or commuting pattern of its population.

On the bottom line, Chebeague service is a loss for CBITD. The District's profitable services subsidized Chebeague riders by funding the $30,651 annual deficit from Chebeague trips. The summer season registers a slight operating profit ($3,297), but not enough to entice or maintain much capital investment.

Chebeague

Revenues	Total	Fall	Winter	Spring	Summer
Passengers	$13,554	$3,259	$1,112	$2,060	$7,124
Freight	$18,072	$3,511	$3,658	$3,573	$7,330
Mail	$11,498	$2,520	$3,938	$2,520	$2,520
Operating expenses	$73,775	$21,622	$20,143	$18,333	$13,677
Net Profit (Loss)	($30,651)	($12,332)	($11,436)	($10,180)	$3,297

However, Chebeague represents a potential growth market for the ferry service. If the quality of CBITD service were to improve, or if fares were to drop, CBITD might be able to draw commuters off of the Cousins ferry line.

Cliff

Cliff, the most remote island, is also the most vulnerable to CBITD service cuts. Cliff operations run a deficit of about $63,775. They do not show an operating profit, even in summer. Despite its apparent reliance on regulation for transportation support, Cliff's population is less subject to seasonal fluctuations than any other down-the-bay island. Cliff has regular commuters, but their fares just do not cover the cost of their trips. Service to down-the-bay islands, particularly Cliff and Chebeague, is infrequent and expensive. Since Cliff has such a small population, each islander would have to travel on the same run with an out-of-town guest or two each to fill a CBITD passenger ferry. Higher fares now charged to Cliff and Chebeague would cover operating costs if the passengers did not travel routinely on an empty ferry.

Cliff

Revenues	Total	Fall	Winter	Spring	Summer
Passengers	$26,807	$6,376	$3,919	$5,245	$11,267
Freight	$18,072	$3,511	$3,658	$3,573	$7,330
Mail	$11,498	$2,520	$3,938	$2,520	$2,520
Operating expenses	$120,149	$34,057	$31,768	$28,930	$25,394
Net Profit (Loss)	($63,773)	($21,649)	($20,255)	($17,593)	($4,276)

3.3 Summary: Uneasy Interdependence

CBITD successfully maintains the terms of its monopoly. Because it has no competitors, it can charge enough extra on popular routes to make up for losses on the less popular ones. However, the monopoly has a powerful influence on how much the total service costs as well as on who pays for it.

Because the District's largest and most profitable services are Peaks' services, especially in summer, the CBITD fleet is tailored to meet this demand. By running large ferries all year, CBITD can easily absorb the influx of summer passengers. Each additional passenger brings in extra money, but few additional costs because the ferries always have room for more. Down-the-bay operations, because they bring in less revenue, are operated as extra, or marginal services added to the Peaks schedule. As a result, down-the-bay operations use the same ferries that Peaks operations do. But these ferries are huge relative to down-the-bay demand, and even the summer passenger fail to fill them.

The large ferries have correspondingly large capital and operating costs. So, there is an uneasy interdependence between the Peaks operations and the down-the-bay operations. Although Peaks service generates money to defray deficits from down-the-bay service, these deficits might not be as large if CBITD did not provide down-the-bay service with lPeaks' ferries.

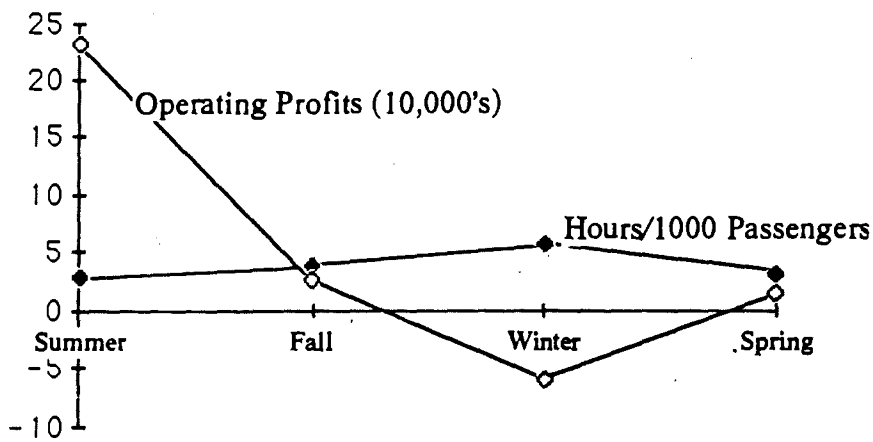
In sum, this analysis presents a mixed picture of success for regulation. Auto, Cliff, Chebeague and Diamonds services are financial losers. Because the District as a whole is profitable, these services are cross subsidized with revenues from Peaks passengers as well as through interest income and parking revenues. Though one might expect the losing services to be cut in a competitive market, perhaps alternative operations could provide these services at costs low enough to generate profits by meeting current demand. The next section considers operational changes which might accomplish the goal of serving the smaller, more distant islands profitably.

4. Potential Alternatives

4.1 Cut Schedules

Passenger capacity is a product of the size of ferries and the number of trips each ferry makes. One way to reduce it is to cut the total number of trips. This reduces expenses because it eliminates some operating costs. Operating costs make up about 60% of CBITD's annual expenses. Small changes in operating time per passenger result in large changes in operating profits, as the chart below illustrates. The challenge is to reduce trips without reducing passenger convenience so much that people take fewer trips. Mail and freight revenues would not be likely to fall in response to service cuts.

Passenger Service
Operating Time per Passenger vs
Operating Profits



As a way to improve Casco Bay ferry profitability, service cutting is most promising on routes that need only fine-tuning. It might balance Peaks winter service accounts, for example. A study by the Greater Portland Council of Governments found that passengers favor certain morning and late afternoon runs. A carrier could maintain a schedule with only the most popular runs. If the CBITD could cut back Peaks winter operations by about 15%, or 14 trips per week from a schedule of close to 100, it would show a winter operating profit on the service. About twice that number of Peaks winter trips are the first legs of a multiple island run.

The Peaks Island winter service cuts would help Peaks profitability, but they would increase service cost accounting deficits for down-the-bay trips if these services were not also cut back. The operating profits table (Appendix, Figure 14.) suggests that Cliff and Chebeague operations would have to be 50% less frequent and maintain current ridership to be profitable. Such large service cuts may not be feasible. These islands currently enjoy only about 26 trips per week anyway.

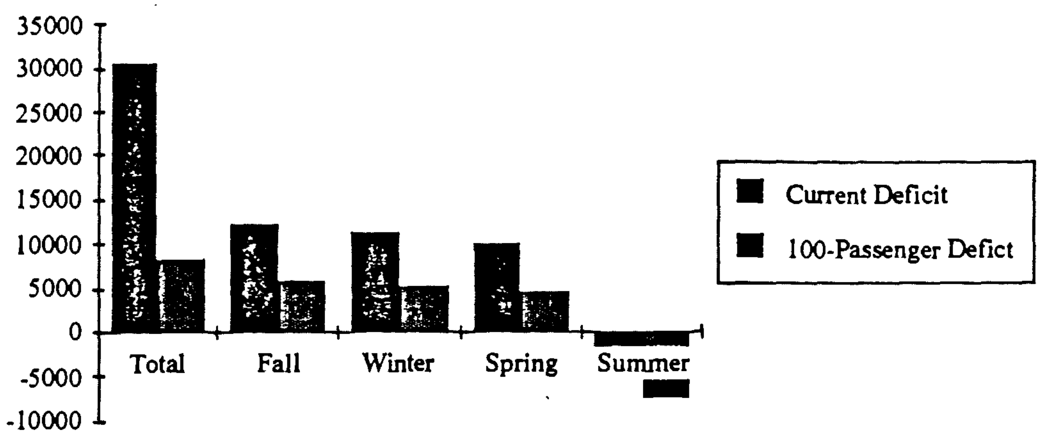
With auto operations, infrequent service is not as objectionable as with passenger service, and the District uses service cuts successfully to balance winter revenues. Since people seldom ferry their cars, they seem to be willing to adjust to the ferry schedule instead of avoiding the service altogether. Auto operations also could become more profitable in fall, spring and summer if they were less frequent. To earn money, they could operate at about 80% of the current schedule. This might mean extending the reduced winter schedule into spring and fall months. Alternatively, they could raise fares to cover costs.

4.2 Downsize Fleet

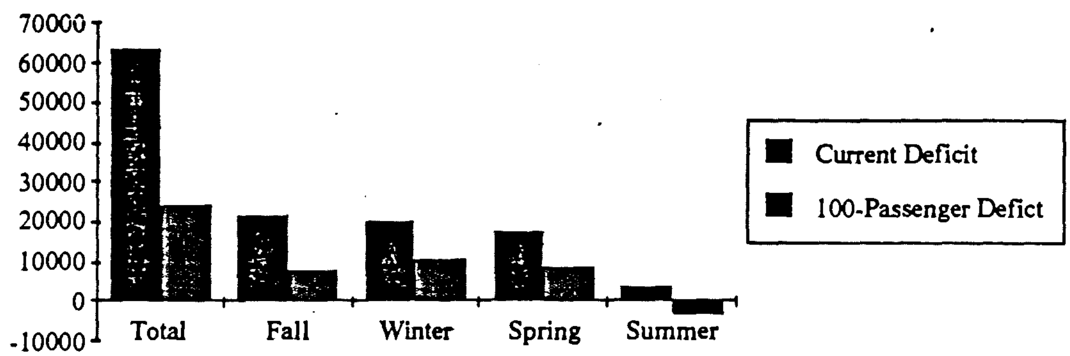
The second way to reduce excess capacity is to use smaller boats. This solution is most promising for services with chronic excess capacity problems. Down-the-bay routes, which operate at less than five percent of capacity, are prime candidates. Large ferries make overall ferry costs on these routes more expensive in two ways. First, large ferries cost more to buy. CBITD paid $200-$225,000 for each of its 200-300 passenger vessels. The going rate for a 90-passenger vessel today is less than $100,000.[1] Second, they are more expensive to operate. Labor costs—47% of CBITD's expenses and 78%of operating costs—tend to be 40% higher on 200-passenger ferries than 100-passenger ferries. Although large ferries do keep summer per-passenger costs low on Peaks runs, they impose high per passenger costs on down-the-bay runs and Peaks winter runs. The two graphs below show how much 100-passenger ferries could reduce deficits from service to Chebeague

[1]Geoff Uttmark, Transtech Marine Consultants (New York) estimated costs for a 100-passenger ferry between $20,000 and $100,000 ($80,000 average) after conducting an exhaustive east coast search in the highly imperfect used ferry market.

Profitability Improvements
From Downsizing
Chebeague



Profitability Improvements
From Downsizing
Cliff



The smaller ferries could reduce deficits by 60-75%. The rest could be made up by schedule changes—one or two trips less per week could save another 5-7% of overall operating costs, and moderate fare increases or higher profits on specialized commuter service. Also, it may be possible to serve these islands woth even smaller ferries, about 50-passenger capacity. Although I do not have any estimates for costs savings from these ferries, they could improve on the 100-passenger profitability. In addition, they could save on travel time, which is also an important passenger cost of travel to Cliff and Chebeague.

Unregulated passenger ferry services in the bay have had considerable success with smaller ferries. One operator who runs a fifty-passenger ferry to a private island has said that the islands would be more cheaply and conveniently served with 50-passenger ferries. Another operator profitably ran a 90-passenger ferry for summer cruises though his major competitor was a state-subsidized monopoly. Private operators are confident enough in their ability to generate winter operating profits that some have asked to sub-contract winter runs which the monopoly regulation presumes unprofitable.

Large ferries do have advantages as well as extra costs. One important large-ferry advantage is winter stability. However, the record shows that smaller vessels can keep up with Casco Bay's rough season. News cameras filmed the area's worst storm in 20 years from the deck of a 51 ft. ferry far out in the bay near Cliff island. Also, the regulated taxi service operates boats with less than 50-passenger capacities throughout the year with the legislature's blessing.

4.3 Summary: Likely Passenger Benefits

In a competitive market, CBITD and other operators would have to charge each Casco Bay route enough to cover its own operating costs. Fares for Peaks service would drop as much as 20%. Fares might rise for down-the-bay services and car ferry services, but the preceding analysis suggests that large increases are unlikely. Some operators will probably specialize in down-the-bay service. To capture the down-the-bay markets, carriers will probably use smaller vessels more appropriately sized for the traffic densities. There are already several such vessels operating in Casco Bay, so the market lacks neither experienced competitors nor equipment.

Carriers may offer special services. Portland commuters, who are the steadiest ferry passengers, may care more about service convenience, quality and availability than price. In other commuter markets, private transit operators have discovered an important,.profitable niche in providing comfortable, convenient, albeit higher-priced alternatives to public transit. Since the price of a CBITD fare is small relative to other commuting costs—time, cold, waiting, local rather than direct service, this niche may be important in Casco Bay, too. At least one potential competitor, Captain Ross from Longfellow Cruise lines, believes that Casco bay commuters would prefer warm winter service, newspapers and coffee on board, and be willing to pay more for them. With deregulation, they would get the opportunity to choose.

Car ferry users might not be as blessed with competition. They are presently enjoying a subsidy, and no other car ferry operators serve the bay. Fall and spring service may be cut back to match demand. However, the problem may not be important any more: the Department of Transportation has just bought a new car ferry for the District, so CBITD's share of car ferry capital expenses will drop.

5. Is Competition Feasible?

5.1 Comparative Advantages By Route Density

For Casco bay, the primary opportunty of ferry deregulation is that carriers could tailor their operations to serve its distinct market segments. Now that CBITD alone serves the whole market, the regulated islands make do with one-size-fits-all ferries. CBITD is particularly well-suited to provide transit along the high density routes—ones which have enough passengers to fill its ferries. Its large ferries give it substantial flexibility to serve summer peak passengers including tour and charter groups. These unique advantages can allow CBITD to remain an effective competitor in a deregulated market. Other operators, such as Buccaneer Lines, Eagle Island Lines and Longfellow Lines and new entrants, are better positioned to serve smaller and more specialized markets.

If CBITD were to get out of down-the-bay service altogether, it could sell some of its ferries and concentrate more on its most profitable services. According to The Wall Street Journal, ferry services are reviving all along the east coast.[1] The market for second hand ferries is growing.

Other ferry operators will find winter commuter service a profitable complement to summer and tour work. Most operate on a limited schedule, if at all, in winter. The reason is that few winter opportunities exist nearby and seasonal relocation is too complex and costly to be profitable.

5.2 Dominance in Auto Ferry Market

CBITD will probably continue to operate the only car ferry service. Barriers to entry of fixed costs, loading space availability and experience may leave the District with a *de facto* monopoly in car ferry markets even if its regulatory monopoly is cancelled. However, the monopoly will probably not mean higher fares or no winter service. CBITD rates are not subject to regulation anyway and its winter service already covers its operating costs. Deregulation may have little effect on the auto ferry market.

5.3 Implicit Subsidies May Block Competition

Although the District proudly proclaims that it receives no operating subsidies from the government, there is no doubt that it receives government assistance. By restricting market entry, government capital subsidies decrease the potential benefits of competition. The state government builds and maintains docks and piers for exclusive use by the District. The city of Portland just built a new mainland facility for the District. CBITD will pay a small variable fee to lease the city pier. Similarly, other bay docks and piers are open only to the District.

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[1] "In Waterfront Cities, Ferries Are Making a Comeback as an Option for Commuters," The Wall Street Journal, March 16, 1988.

The total dollar value of these subsidies is low (10,000's), but their effective value is much higher since they are the gateways to Casco Bay's popular destinations. Although the mainland has dock space available at market rates, on the islands, space is restricted. The state should make its publicly built docks and slips available to all public carriers, if it favors deregulation.

Without opening up piers and docks to competing services the government will not be able to effectively deregulate the market.

Conclusion

Transportation regulation in Casco Bay does ensure year-round service for all islanders. Some of the services Casco Bay Island Transit District now offers are losing money, and would not operate with the same fares, equipment and schedules in a competitive market. The split between profitable and unprofitable services is not just a split between summer vacationers and winter commuters; it is a split between islands and services in all seasons.

Of the islands, Peaks is the only one with enough traffic volume to justify the District's 200-300 person ferries. Service to Peaks, as a result, is the only service which is profitable all year. So Peaks residents, especially Peaks commuters, are subsidizing operations to Cliff, Chebeague, the Diamonds and, in winter, Long.

However, Cliff and to a lesser extent, Chebeague have a relatively steady passenger volume including some dedicated year round commuters. If ferries and schedules were carefully tailored to meet passenger demand on Chebeague and, more particularly, Cliff, services to these islands would likely be profitable too. Because scheduled service to these islands is already so thin, sizeable service cutbacks are not feasible.

Service cutbacks might help the car ferry, though. The car ferry is a financial loser only in spring and fall, when its schedule increases faster than its passenger base. Car ferry services could become profitable if they were to be merged with Peaks passenger services to cut down on overhead. Alternatively or additionally, car fares could increase if necessary to cover operating costs. Since car trips are already too costly for commuters, demand for car services is relatively inelastic with respect to both price and schedule: if the District were to raise rates, volume might not change significantly.

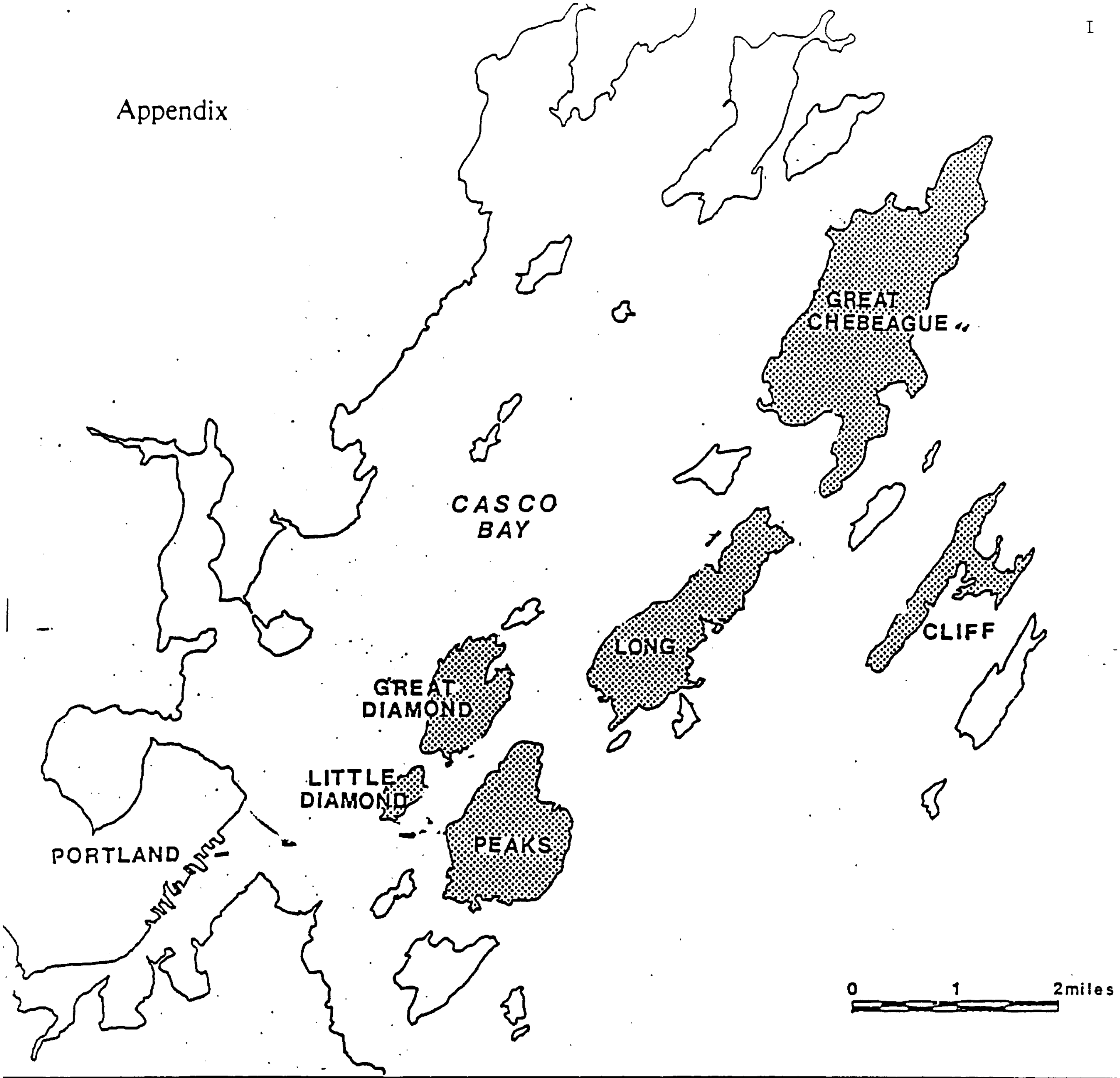
These changes, whether a result of regulation or competition, could make transportation on the Casco Bay cheaper. Those to benefit the most would be Peaks and Long passengers who currently subsidize the inefficient services and Cliff and Chebeague passengers, who suffer from poor service despite stable demand. Down-the-bay islanders would probablt get more responsive and faster serivice at fares close to what they are already paying.

On the bottom line, regulation ensures serivice to Cliff residents, who are isolated, and Chebeague residents, who have an alternative, at the expense of Peaks residents. A few of these people might have a strong claim for subsidy based on income, but increasingly they are wealthy enough to maintain $100,000 summer homes.

Other costs are less obvious. The Public Utilities Commission andthe Public Advocate must administer the regulations. More important, small operators are unable to compete. The skill and experience they have built up in the tour and cruise markets and in private island services is unavailable to winter residents of distant islands, who could use it.

Given this situation, the Leislature will have to choose whether to maintain or dismantle its monopoly regulation. Through the monopoly, CBITD has provided dependable continuous service to all islands, even in winter. Since it provides year-round service , CBITD fulfills the public's regulatory goal. However, this analysis suggest that the cost to the Casco Bay transportation system as a whole for providing service with overlarge vehicles is significant. Without regulation, winter service would be cheaper for more than 77% of Casco Bay passengers, and still be available at close to current rates for the others. With this information, decisions are left to Maine decision makers, in the Public Advocate's Office and in the Legislature.

Appendix



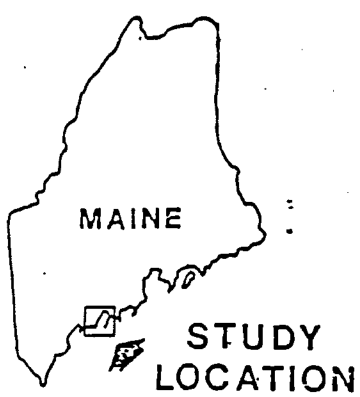


Figure I

CASCO BAY ISLAND TRANSIT DISTRICT SERVICE AREA

Appendix

Figure 2.

Proportion of Passengers
By Island
(Summer)

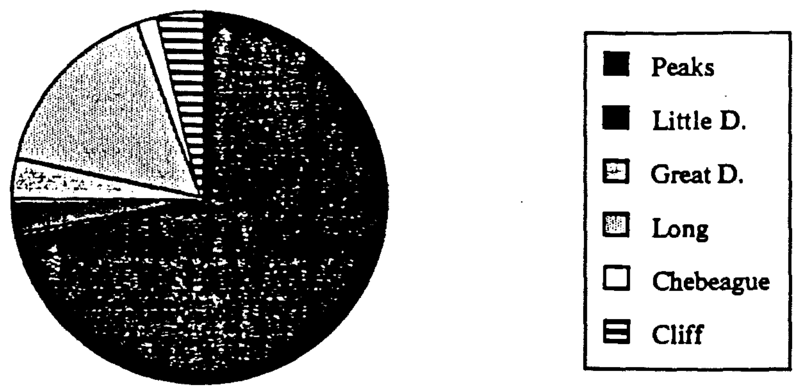
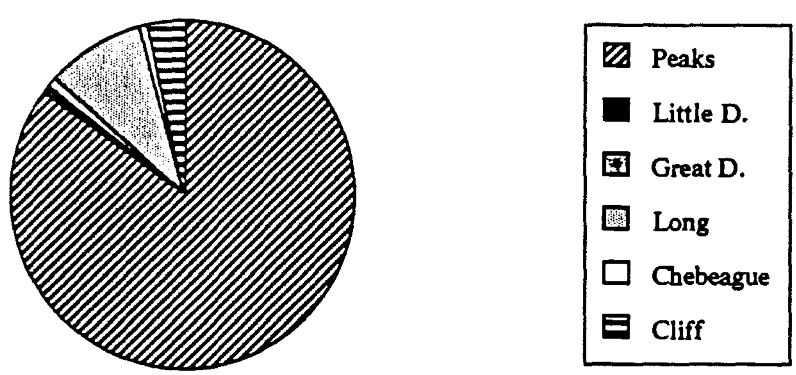


Figure 3.

Proportion of Passengers
By Island
(Winter)



Appendix

Figure 4a.

Monthly Accounting Cost

	Total	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept
'ENUES													
Passenger	$635,000	$51,000	$37,000	$36,000	$31,000	$30,000	$36,000	$42,000	$60,000	$70,000	$93,000	$95,000	$54,000
V-hicle	$128,000	$8,000	$4,000	$4,000	$2,500	$2,500	$3,000	$4,000	$13,000	$19,000	$25,000	$26,500	$16,500
ght	$136,000	$10,000	$7,500	$8,000	$6,000	$5,000	$6,000	$9,000	$14,000	$17,500	$21,000	$21,000	$11,000
[illegible]	$63,000	$5,250	$5,250	$5,250	$5,250	$5,250	$5,250	$5,250	$5,250	$5,250	$5,250	$5,250	$5,250
Parking	$21,000	$2,000	$1,500	$1,500	$1,200	$1,200	$1,200	$1,200	$1,500	$2,000	$3,000	$3,000	$1,700
Tours/Cruises	$143,000	$4,000	$500	$200	$300	$300	$1,500	$2,000	$4,000	$18,000	$49,000	$49,000	$14,200
rters	$80,000	$3,000	$3,000	$500	$2,000	$2,000	$2,000	$2,000	$10,000	$15,000	$15,000	$15,000	$10,500
ring	$95,000	$2,000	$0	$0	$0	$0	$0	$0	$6,000	$10,000	$27,000	$40,000	$10,000
Interest	$22,000	$1,500	$1,500	$2,000	$1,500	$1,500	$2,000	$1,500	$1,500	$2,000	$2,000	$2,000	$3,000
Miscellaneous	$12,000	$600	$500	$200	$500	$500	$2,900	$500	$500	$300	$3,000	$500	$2,000
TAL REVENU	$1,335,000	$87,350	$60,750	$57,650	$50,250	$48,250	$59,850	$67,450	$115,750	$159,050	$243,250	$257,250	$128,150
EXP. ES													
roll*	$524,000	$41,000	$35,000	$34,000	$37,000	$37,000	$37,000	$38,000	$43,000	$45,000	$65,000	$65,000	$47,000
Taxes*	$47,000	$3,600	$3,000	$3,000	$3,000	$3,100	$3,100	$3,300	$4,000	$4,200	$6,200	$6,200	$4,300
BC/BS/Dental/Lif	$33,000	$2,750	$2,750	$2,750	$2,750	$2,750	$2,750	$2,750	$2,750	$2,750	$2,750	$2,750	$2,750
sion*	$48,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000
sel Repairs*	$90,000	$5,500	$25,000	$20,000	$4,000	$4,000	$4,000	$7,500	$4,000	$4,000	$4,000	$4,000	$4,000
Fuel*	$68,000	$3,000	$3,500	$4,500	$5,000	$5,000	$6,000	$6,000	$6,000	$7,000	$7,500	$7,500	$7,000
Insurance*	$90,000	$7,500	$7,500	$7,500	$7,500	$7,500	$7,500	$7,500	$7,500	$7,500	$7,500	$7,500	$7,500
ols*	$1,000	$50	$50	$50	$50	$100	$100	$100	$100	$100	$100	$100	$100
it/Utilities**	$8,500	$600	$700	$1,000	$800	$800	$800	$700	$700	$600	$600	$600	$600
ephone**	$9,000	$700	$700	$700	$700	$700	$700	$800	$800	$800	$800	$800	$800
Mail Agents**	$2,500	$208	$208	$208	$208	$208	$208	$208	$208	$208	$208	$210	$210
Security**	$17,000	$1,417	$1,417	$1,417	$1,417	$1,417	$1,417	$1,417	$1,417	$1,416	$1,416	$1,416	$1,416
it**	$15,000	$1,060	$1,060	$1,060	$1,060	$1,060	$1,060	$1,200	$1,200	$1,700	$1,700	$1,700	$1,140
ice**	$22,000	$1,500	$2,500	$4,000	$1,500	$1,500	$1,500	$1,500	$2,000	$1,500	$1,500	$1,500	$1,500
Postage**	$2,000	$200	$200	$100	$100	$150	$150	$150	$150	$200	$200	$200	$200
Terminal**	$5,000	$300	$500	$500	$500	$400	$400	$400	$400	$400	$400	$400	$400
vel**	$5,000	$200	$1,000	$300	$300	$300	$300	$300	$300	$500	$500	$500	$500
nage/Self Ins.*	$3,000	$500	$200	$200	$200	$200	$200	$200	$200	$200	$300	$300	$300
Vehicle**	$2,500	$208	$208	$208	$208	$208	$208	$208	$208	$209	$209	$209	$209
Miscellaneous*	$2,000	$150	$150	$150	$150	$150	$150	$150	$150	$150	$150	$250	$250
fessional(P)	$25,000	$5,500	1000	$1,000	$1,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,500
C Assesment(I	$2,800	$208	208	$238	$238	$238	$238	$238	$238	$239	$239	$239	$239
vertising(P)	$38,000	$1,000	$1,000	$3,000	$3,000	$3,000	$3,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000
Memberships(P)	$2,500	$250	$75	$75	$500	$200	$200	$200	$200	$200	$200	$200	$200
Catering***	$64,000	$1,500	$0	$0	$0	$0	$2,000	$3,500	$5,000	$11,200	$15,000	$15,000	$11,000
rest(P)	$97,000	$7,016	$7,016	$8,296	$8,296	$8,297	$8,297	$8,297	$8,297	$8,297	$8,297	$8,297	$8,297
preciation(P)	$96,000	$5,416	$5,416	$8,516	$8,516	$8,517	$8,517	$8,517	$8,517	$8,517	$8,517	$8,517	$8,517
TOTAL EXPENS	$1,319,800	$95,333	$104,358	$106,768	$91,993	$92,795	$95,795	$103,135	$107,335	$116,886	$143,286	$143,388	$118,928
PROF.. (LOSS)	$15,200	($7,983)	($43,608)	($49,118)	($41,743)	($44,545)	($35,945)	($35,685)	$8,415	$42,164	$99,964	$113,862	$9,222

Appendix

Figure 4b.

Monthly Service Cost Analysis

CASCO BAY ISLAND TRANSIT DISTRICT
Service Cost Allocation for FY1987

	Total Budget	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept
REVENUES													
Passenger	$635,000	$51,000	$37,000	$36,000	$31,000	$30,000	$36,000	$42,000	$60,000	$78,000	$93,000	$95,000	$54,000
Vehicle	$120,000	$8,000	$4,000	$4,000	$2,500	$2,500	$3,000	$4,000	$13,000	$19,800	$25,000	$26,500	$16,500
Freight	$136,000	$10,000	$7,500	$8,000	$6,000	$5,000	$6,000	$9,000	$14,000	$17,500	$21,000	$21,000	$11,000
Mail	$63,000	$5,250	$5,250	$5,250	$5,250	$5,250	$5,250	$5,250	$5,250	$5,250	$5,250	$5,250	$5,250
Parking	$21,000	$2,000	$1,500	$1,500	$1,200	$1,200	$1,200	$1,200	$1,500	$2,000	$3,000	$3,000	$1,700
Tours/Cruises	$143,000	$4,000	$500	$200	$300	$300	$1,500	$2,000	$4,000	$10,000	$49,000	$49,000	$14,200
Charters	$80,000	$3,000	$3,000	$500	$2,000	$2,000	$2,000	$2,000	$10,000	$15,000	$15,000	$15,000	$10,500
Catering	$95,000	$2,000	$0	$0	$0	$0	$0	$0	$6,000	$10,000	$27,000	$40,000	$10,000
Interest	$22,000	$1,500	$1,500	$2,000	$1,500	$1,500	$2,000	$1,500	$1,500	$2,000	$2,000	$2,000	$3,000
Miscellaneous	$12,000	$600	$500	$200	$500	$500	$2,900	$500	$500	$300	$3,000	$500	$2,000
TOTAL REVENUES	$1,335,000	$87,350	$60,750	$57,650	$50,250	$48,250	$59,850	$67,450	$115,750	$159,850	$245,250	$257,250	$128,150
EXPENSES													
Payroll*	$524,000	$43,667	$43,667	$34,933	$34,933	$34,933	$41,920	$41,920	$41,920	$54,147	$54,147	$54,147	$43,667
Taxes*	$47,000	$3,917	$3,917	$3,133	$3,133	$3,133	$3,760	$3,760	$3,760	$4,857	$4,857	$4,857	$3,917
BC/BS/Dental/Life*	$33,000	$2,750	$2,750	$2,200	$2,200	$2,200	$2,640	$2,640	$2,640	$3,410	$3,410	$3,410	$2,750
Pension*	$48,000	$4,000	$4,000	$3,200	$3,200	$3,200	$3,840	$3,840	$3,840	$4,960	$4,960	$4,960	$4,000
Vessel Repairs*	$90,000	$7,500	$7,500	$6,000	$6,000	$6,000	$7,200	$7,200	$7,200	$9,300	$9,300	$9,300	$7,500
Fuel*	$68,000	$5,667	$5,667	$4,533	$4,533	$4,533	$5,440	$5,440	$5,440	$7,027	$7,027	$7,027	$5,667
Insurance*	$90,000	$7,500	$7,500	$6,000	$6,000	$6,000	$7,200	$7,200	$7,200	$9,300	$9,300	$9,300	$7,500
Tools*	$1,000	$83	$83	$67	$67	$67	$80	$80	$80	$103	$103	$103	$83
Heat/Utilities**	$8,500	$600	$700	$1,000	$800	$800	$800	$700	$700	$600	$600	$600	$600
Telephone**	$9,000	$700	$700	$700	$700	$700	$700	$800	$800	$800	$800	$800	$800
Mail Agents**	$2,500	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	$210	$210
Security**	$17,000	$1,417	$1,417	$1,417	$1,417	$1,417	$1,417	$1,417	$1,417	$1,416	$1,416	$1,416	$1,416
Rent**	$15,000	$1,060	$1,060	$1,060	$1,060	$1,060	$1,060	$1,200	$1,200	$1,700	$1,700	$1,700	$1,140
Office**	$22,000	$1,833	$1,833	$1,833	$1,833	$1,833	$1,833	$1,833	$1,833	$1,833	$1,833	$1,833	$1,833
Postage**	$2,000	$200	$200	$100	$100	$150	$150	$150	$150	$200	$200	$200	$200
Terminal**	$5,000	$0	$0	$0	$0	$0	$0	$0	$625	$1,250	$1,250	$1,250	$625
Travel**	$5,000	$417	$417	$417	$417	$417	$417	$417	$417	$417	$417	$417	$417
Damage/Self Ins.*	$3,000	$750	$750	$200	$200	$200	$240	$240	$240	$310	$310	$310	$250
Vehicle**	$2,500	$200	$200	$200	$200	$200	$200	$200	$200	$209	$209	$209	$209
Miscellaneous*	$2,000	$500	$500	$133	$133	$133	$160	$160	$160	$207	$207	$207	$167
Professional(P)	$25,000	$0	$0	$0	$0	$0	$0	$0	$3,125	$6,250	$6,250	$6,250	$3,125
PUC Assessment(P)	$2,000	$0	$0	$0	$0	$0	$0	$0	$350	$700	$700	$700	$350
Advertising(P)	$38,000	$0	$0	$0	$0	$0	$0	$0	$4,750	$9,500	$9,500	$9,500	$4,750
Memberships(P)	$2,500	$0	$0	$0	$0	$0	$0	$0	$313	$625	$625	$625	$313
Catering***	$64,000	$1,347	$0	$0	$0	$0	$0	$0	$4,042	$6,737	$18,189	$26,947	$6,737
Interest(P)	$97,000	$0	$0	$0	$0	$0	$0	$0	$12,125	$24,250	$24,250	$24,250	$12,125
Depreciation(P)	$96,000	$0	$0	$0	$0	$0	$0	$0	$12,000	$24,000	$24,000	$24,000	$12,000
TOTAL EXPENSES	$1,319,800	$84,324	$83,876	$67,345	$67,145	$67,195	$79,273	$79,413	$116,743	$174,315	$185,767	$194,527	$122,349
PROFIT (LOSS)	$15,200	$3,026	($22,326)	($9,695)	($16,893)	($18,945)	($19,423)	($11,963)	($993)	($15,265)	$57,483	$62,723	$5,801

*Operating expenses: allocated in proporting to operating hours
**Operating overhead: allocated according to accountant's method
(P) Capacity and Overhead unrelated to operating time: allocated to peak months only

Appendix

Figure 5.

Seasonal Service Cost Accounting FY 1987

REVENUES	Total	Fall	Winter	Spring	Summer
Passenger	$635,000	$142,000	$97,000	$138,000	$258,000
Vehicle	$128,000	$28,500	$9,000	$20,000	$70,500
Freight	$136,000	$28,500	$19,000	$29,000	$59,500
Mail	$63,000	$15,750	$15,750	$15,750	$15,750
Parking	$21,000	$5,200	$3,900	$3,900	$8,000
Tour/Cruise/Charter	$318,000	$47,200	$5,300	$27,500	$238,000
Interest	$22,000	$6,000	$5,000	$5,000	$6,000
Miscellaneous	$12,000	$3,100	$1,200	$3,900	$3,800
TOTAL REVENUES	$1,335,000	$276,250	$156,150	$243,050	$659,550

EXPENSES					
Operating Costs					
Passenger	$774,562	$187,006	$191,836	$178,687	$217,033
Auto	$131,438	$36,486	$9,649	$27,610	$57,692
Fixed Costs	$88,500	$22,125	$0	$22,125	$44,250
Capacity Costs	$193,000	$0	$0	$0	$193,000
Tour/Charter	$132,300	$13,776	$0	$9,734	$108,790
TOTAL EXPENSES	$1,319,800	$259,394	$201,484	$238,156	$620,766
PROFIT (LOSS)	$15,200	$16,856	($45,334)	$4,894	$38,784

Appendix

Figu

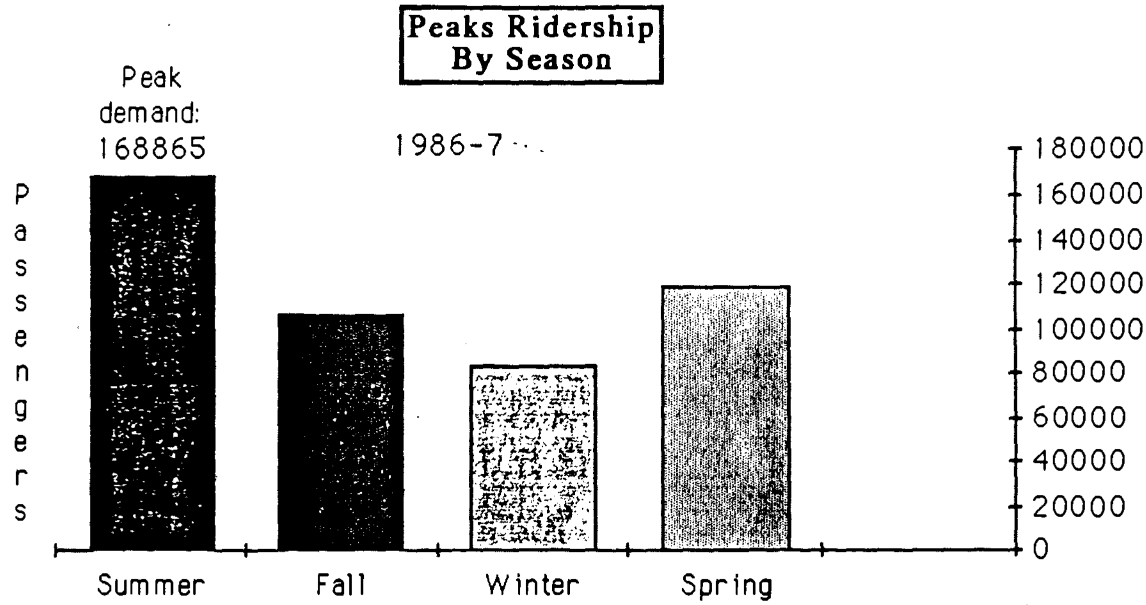
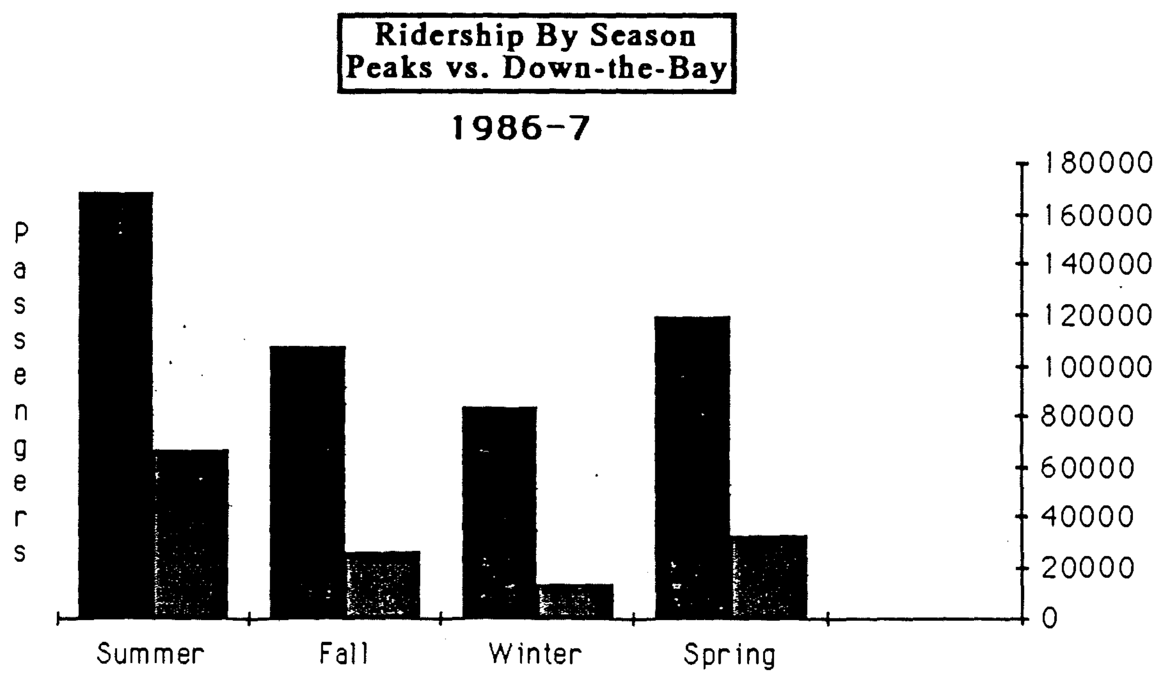


Figure 7.



Appendix

Figure 8.

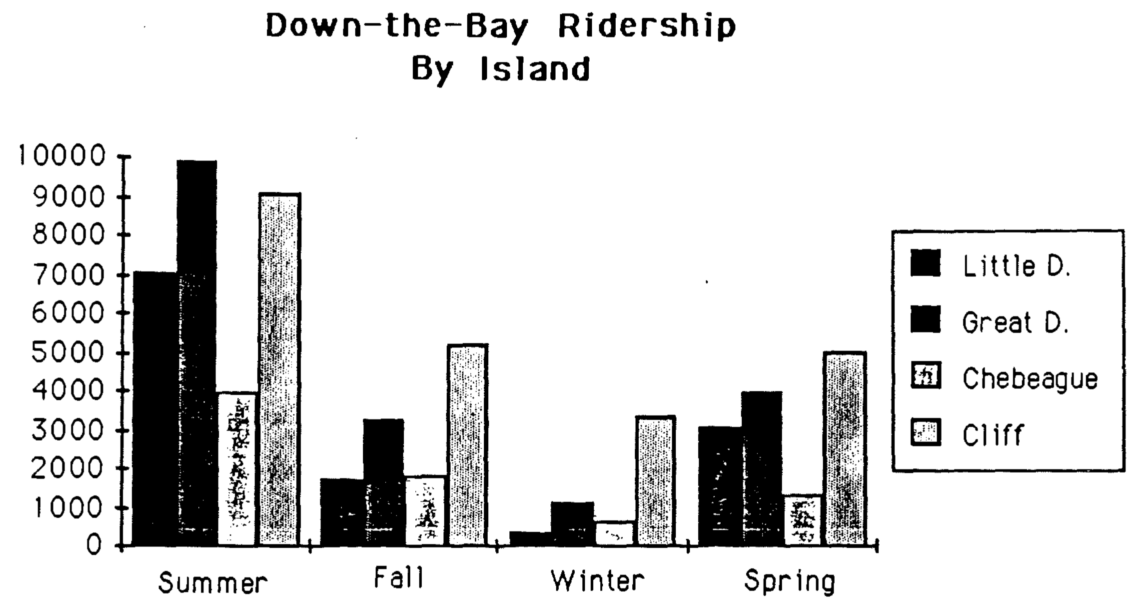
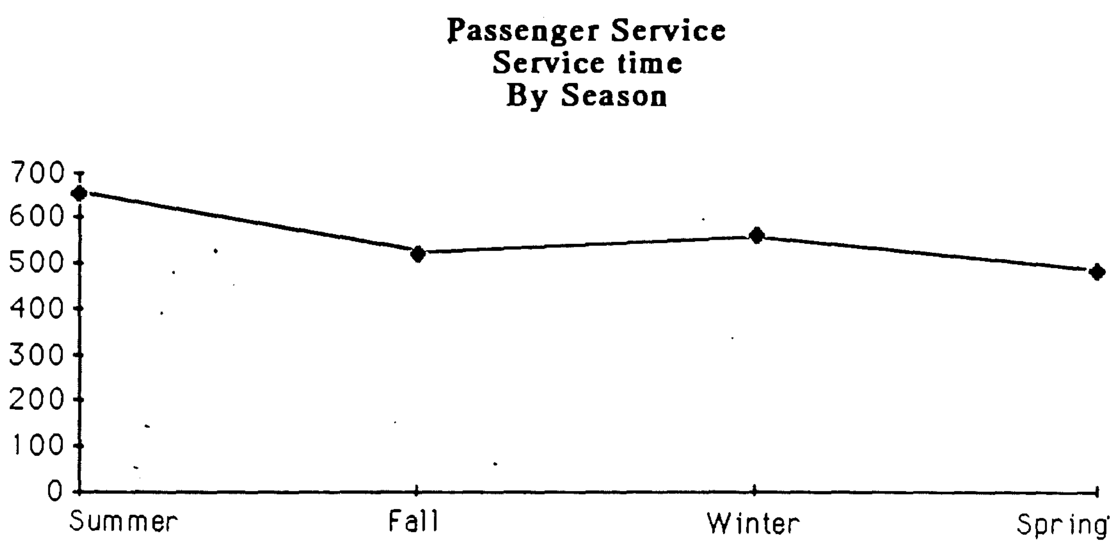
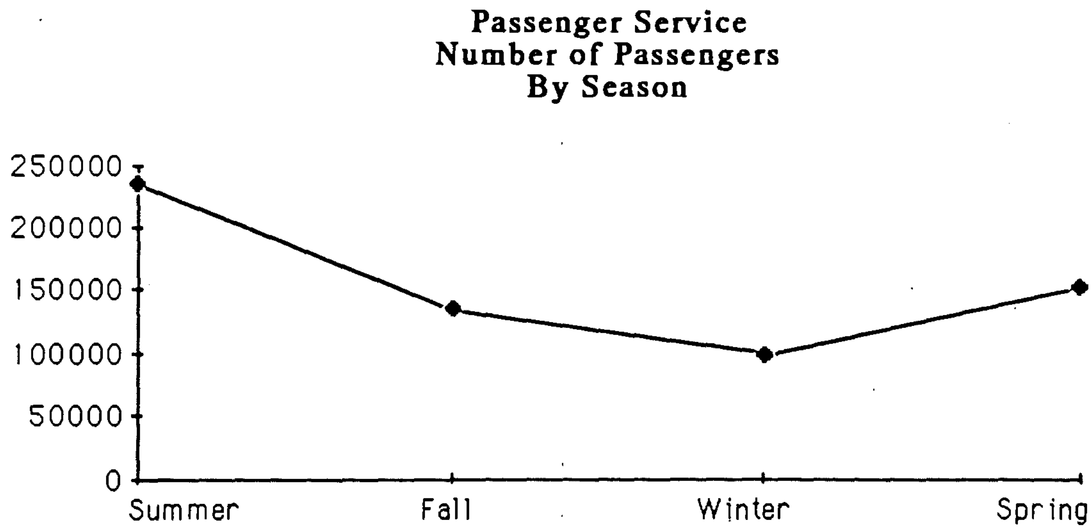


Figure 9.



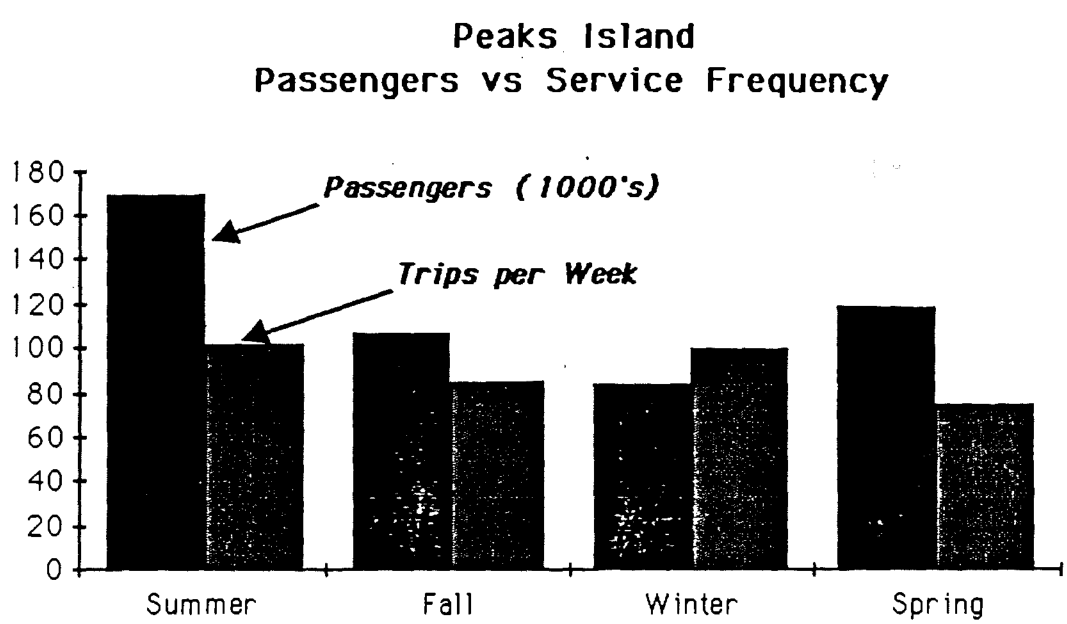
Appendix

Figure 10.



Appendix

Figure 11.



Appendix

Figures12 &13

CAR FERRY (Rebel)	Total	Fall	Winter	Spring	Summer
Revenues					
Vehicle	$128,000	$28,500	$9,000	$20,000	$70,500
Freight	$31,280	$6,555	$4,370	$6,670	$13,685
Expenses					
Operating	$131,438	$36,486	$9,649	$27,610	$57,692
Capacity	$26,332	$0	$0	$0	$26,332
Operating overhead	$26,550	$5,900	$2,950	$5,900	$11,800
Operating Profit (loss)	$1,292	($7,331)	$771	($6,840)	$14,693
Total Profit (Loss)	($25,040)	($7,331)	$771	($6,840)	($11,639)

PASSENGER FERRIES					
Revenues					
Passengers	$635,000	$142,000	$97,000	$138,000	$258,000
Freight	$104,720	$21,945	$14,630	$22,330	$45,815
Mail	$63,000	$15,750	$15,750	$15,750	$15,750
Tour/Charter	$318,000	$47,200	$5,300	$27,500	$238,000
Expenses					
Operating	$774,562	$187,006	$191,836	$178,687	$217,033
Capacity	$166,656	$0	$0	$0	$166,656
Operating overhead	$61,950	$15,488	$0	$15,488	$30,975
Tour/Charter	$132,300	$13,776	$0	$9,734	$108,790
Operating Profit (Loss)	$213,858	$26,113	($59,156)	$15,159	$231,741
Total Profit (Loss)	($14,748)	$10,625	($59,156)	($328)	$34,110

MISCELLANEOUS					
Parking	$21,000	$5,200	$3,900	$3,900	$8,000
Miscellaneous	$12,000	$3,100	$1,200	$3,900	$3,800
Interest	$22,000	$6,000	$5,000	$5,000	$6,000
	$55,000	$14,300	$10,100	$12,800	$17,800

Appendix

Figure 14.

Peaks Island					
Revenues	Total	Fall	Winter	Spring	Summer
Passengers	$453,640	$105,472	$78,841	$100,525	$168,802
Freight	$21,676	$4,389	$3,658	$4,466	$9,163
Mail	$13,388	$3,150	$3,938	$3,150	$3,150
Ops expenses	$373,298	$89,200	$101,438	$69,032	$113,628
Net Profit	$115,404	$23,810	($15,002)	$39,109	$67,487

Great Diamond					
Revenues	Total	Fall	Winter	Spring	Summer
Passengers	$21,784	$4,026	$1,333	$4,142	$12,283
Freight	$14,414	$3,511	$0	$3,573	$7,330
Mail	$7,560	$2,520	$0	$2,520	$2,520
Ops expenses	$42,454	$10,750	$4,919	$9,399	$17,385
Net Profit	$1,305	($693)	($3,586)	$836	$4,748

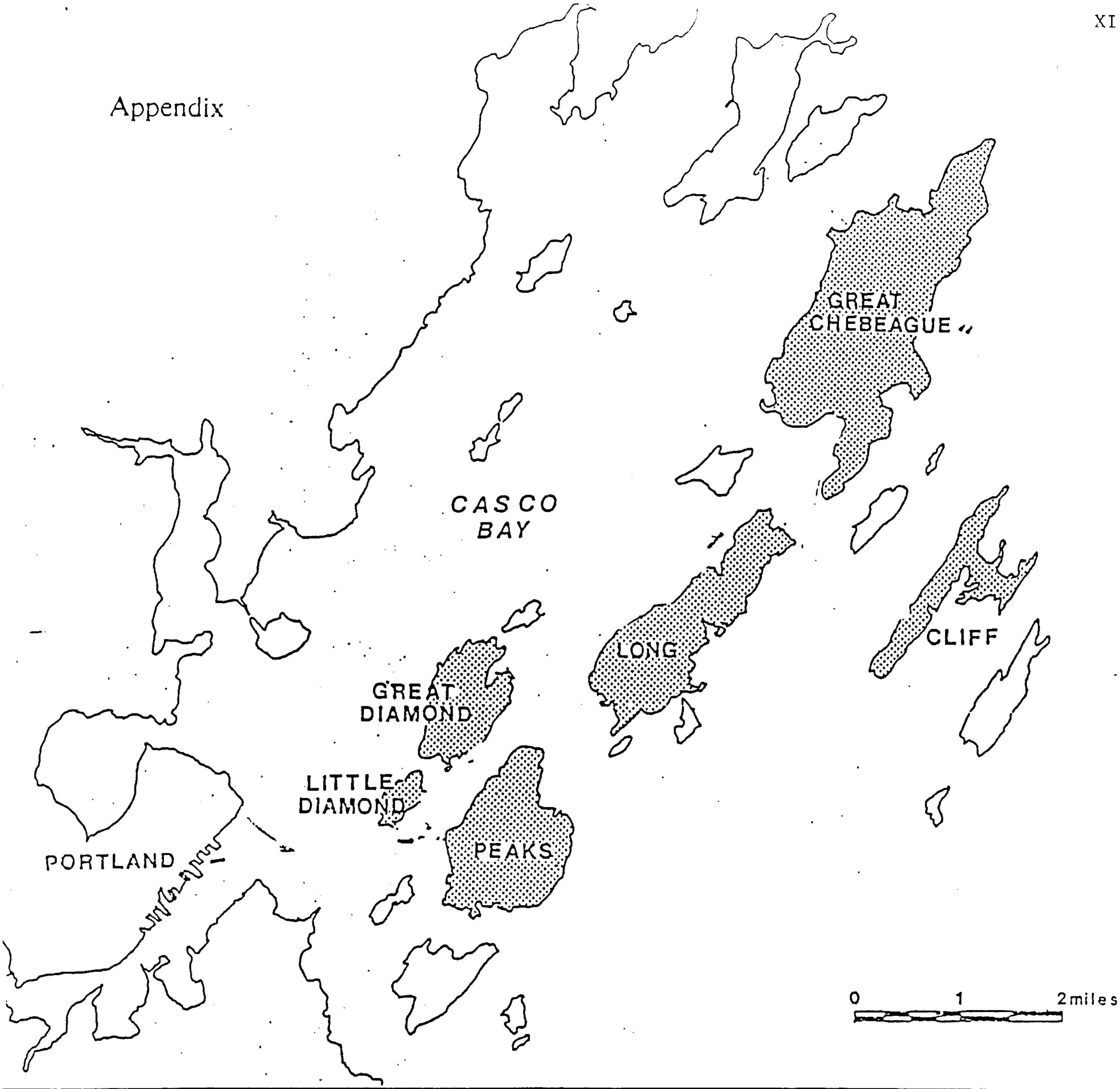
Little Diamond					
Revenues	Total	Fall	Winter	Spring	Summer
Passengers	$13,017	$1,951	$410	$2,832	$7,824
Freight	$14,414	$3,511	$0	$3,573	$7,330
Mail	$7,560	$2,520	$0	$2,520	$2,520
Ops expenses	$42,454	$10,750	$4,919	$9,399	$17,385
Net Profit	($7,462)	($2,767)	($4,508)	($475)	$289

Long					
Revenues	Total	Fall	Winter	Spring	Summer
Passengers	$106,199	$20,916	$11,385	$23,197	$50,700
Freight	$18,072	$3,511	$3,658	$3,573	$7,330
Mail	$11,498	$2,520	$3,938	$2,520	$2,520
Ops expenses	$122,433	$20,628	$28,649	$43,593	$29,564
Net Profit	$13,335	$6,319	($9,669)	($14,303)	$30,987

Chebeague					
Revenues	Total	Fall	Winter	Spring	Summer
Passengers	$13,554	$3,259	$1,112	$2,060	$7,124
Freight	$18,072	$3,511	$3,658	$3,573	$7,330
Mail	$11,498	$2,520	$3,938	$2,520	$2,520
Ops expenses	$73,775	$21,622	$20,143	$18,333	$13,677
Net Profit	($30,651)	($12,332)	($11,436)	($10,180)	$3,297

Cliff					
Revenues	Total	Fall	Winter	Spring	Summer
Passengers	$26,807	$6,376	$3,919	$5,245	$11,267
Freight	$18,072	$3,511	$3,658	$3,573	$7,330
Mail	$11,498	$2,520	$3,938	$2,520	$2,520
Ops expenses	$120,149	$34,057	$31,768	$28,930	$25,394
Net Profit	($63,773)	($21,649)	($20,255)	($17,593)	($4,276)

Appendix



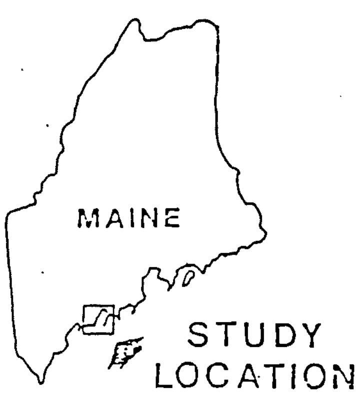


Figure I

CASCO BAY ISLAND TRANSIT DISTRICT SERVICE AREA

Appendix

Figure 4b.

Monthly Service Cost Analysis

CASCO BAY ISLAND TRANSIT DISTRICT
Service Cost Allocation for FY1987

	Total Budget	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept
REVENUES													
Passenger	$635,000	$51,000	$37,000	$36,000	$31,000	$38,000	$36,000	$42,000	$60,000	$70,000	$93,000	$95,000	$54,000
Vehicle	$128,000	$8,000	$4,000	$4,000	$2,500	$2,500	$3,000	$4,000	$13,000	$19,000	$25,000	$26,500	$16,500
Freight	$136,000	$10,000	$7,500	$8,000	$6,000	$5,000	$6,000	$9,000	$14,000	$17,500	$21,000	$21,000	$11,000
Mail	$63,000	$5,250	$5,250	$5,250	$5,250	$5,250	$5,250	$5,250	$5,250	$5,250	$5,250	$5,250	$5,250
Parking	$21,000	$2,000	$1,500	$1,500	$1,200	$1,200	$1,200	$1,200	$1,500	$2,000	$3,000	$3,000	$1,700
Tours/Cruises	$143,000	$4,000	$500	$200	$300	$300	$1,500	$2,000	$4,000	$18,000	$49,000	$49,000	$14,200
Charters	$80,000	$3,000	$3,000	$500	$2,000	$2,000	$2,000	$2,000	$10,000	$15,000	$15,000	$15,000	$10,500
Catering	$95,000	$2,000	$0	$0	$0	$0	$0	$0	$6,000	$10,000	$27,000	$40,000	$10,000
Interest	$22,000	$1,500	$1,500	$2,000	$1,500	$1,500	$2,000	$1,500	$1,500	$2,000	$2,000	$2,000	$3,000
Miscellaneous	$12,000	$600	$500	$200	$500	$500	$2,900	$500	$500	$300	$3,000	$500	$2,000
TOTAL REVENUES	$1,335,000	$87,350	$60,750	$57,650	$58,250	$48,250	$59,850	$67,450	$115,750	$159,850	$243,250	$257,250	$128,150
EXPENSES													
Payroll*	$524,000	$43,667	$43,667	$34,933	$34,933	$34,933	$41,920	$41,920	$41,920	$54,147	$54,147	$54,147	$43,667
Taxes*	$47,000	$3,917	$3,917	$3,133	$3,133	$3,133	$3,760	$3,760	$3,760	$4,857	$4,857	$4,857	$3,917
BC/BS/Dental/Life*	$33,000	$2,750	$2,750	$2,200	$2,200	$2,200	$2,640	$2,640	$2,640	$3,410	$3,410	$3,410	$2,750
Pension*	$48,000	$4,000	$4,000	$3,200	$3,200	$3,200	$3,840	$3,840	$3,840	$4,960	$4,960	$4,960	$4,000
Vessel Repairs*	$90,000	$7,500	$7,500	$6,000	$6,000	$6,000	$7,200	$7,200	$7,200	$9,300	$9,300	$9,300	$7,500
Fuel*	$68,000	$5,667	$5,667	$4,533	$4,533	$4,533	$5,440	$5,440	$5,440	$7,027	$7,027	$7,027	$5,667
Insurance*	$90,000	$7,500	$7,500	$6,000	$6,000	$6,000	$7,200	$7,200	$7,200	$9,300	$9,300	$9,300	$7,500
Tools*	$1,000	$83	$83	$67	$67	$67	$80	$80	$80	$103	$103	$103	$83
Heat/Utilities**	$8,500	$600	$700	$1,000	$800	$800	$800	$700	$700	$600	$600	$600	$600
Telephone**	$9,000	$700	$700	$700	$700	$700	$700	$800	$800	$800	$800	$800	$800
Mail Agents**	$2,500	$208	$208	$208	$208	$208	$208	$208	$208	$208	$208	$210	$210
Security**	$17,000	$1,417	$1,417	$1,417	$1,417	$1,417	$1,417	$1,417	$1,417	$1,416	$1,416	$1,416	$1,416
Rent**	$15,000	$1,060	$1,060	$1,060	$1,060	$1,060	$1,060	$1,208	$1,208	$1,700	$1,700	$1,700	$1,140
Office**	$22,000	$1,833	$1,833	$1,833	$1,833	$1,833	$1,833	$1,833	$1,833	$1,833	$1,833	$1,833	$1,833
Postage***	$2,000	$200	$200	$100	$100	$150	$150	$150	$150	$200	$200	$200	$200
Terminal**	$5,000	$0	$0	$0	$0	$0	$0	$0	$625	$1,250	$1,250	$1,250	$625
Travel**	$5,000	$417	$417	$417	$417	$417	$417	$417	$417	$417	$417	$417	$417
Damage/Self Ins.*	$3,000	$750	$750	$200	$200	$200	$240	$240	$240	$310	$310	$310	$250
Vehicle**	$2,500	$208	$208	$208	$208	$208	$208	$208	$208	$209	$209	$209	$209
Miscellaneous*	$2,000	$500	$500	$133	$133	$133	$160	$160	$160	$207	$207	$207	$167
Professional(P)	$25,000	$0	$0	$0	$0	$0	$0	$0	$3,125	$6,250	$6,250	$6,250	$3,125
PUC Assesment(P)	$2,800	$0	$0	$0	$0	$0	$0	$0	$350	$700	$700	$700	$350
Advertising(P)	$38,000	$0	$0	$0	$0	$0	$0	$0	$4,750	$9,500	$9,500	$9,500	$4,750
Memberships(P)	$2,500	$0	$0	$0	$0	$0	$0	$0	$313	$625	$625	$625	$313
Catering***	$64,000	$1,347	$0	$0	$0	$0	$0	$0	$4,042	$6,737	$18,189	$26,947	$6,737
Interest(P)	$97,000	$0	$0	$0	$0	$0	$0	$0	$12,125	$24,250	$24,250	$24,250	$12,125
Depreciation(P)	$96,000	$0	$0	$0	$0	$0	$0	$0	$12,000	$24,000	$24,000	$24,000	$12,000
TOTAL EXPENSES	$1,319,000	$84,324	$83,076	$67,343	$67,143	$67,193	$79,273	$79,413	$116,743	$174,315	$185,767	$194,527	$122,349
PROFIT (LOSS)	$15,208	$3,026	($22,326)	($9,693)	($16,893)	($18,943)	($19,423)	($11,963)	($993)	($15,265)	$57,483	$62,723	$5,801

*Operating expenses: allocated in proporting to operating hours
**Operating overhead: allocated according to accountant's method
(P) Capacity and Overhead unrelated to operating time: allocated to peak months only

Appendix

Figure 4a.

Monthly Accounting Cost

	Total	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept
EVENUES													
assenger	$635,000	$51,000	$37,000	$36,000	$31,000	$30,000	$36,000	$42,000	$60,000	$70,000	$93,000	$95,000	$54,000
Vehicle	$128,000	$8,000	$4,000	$4,000	$2,500	$2,500	$3,000	$4,000	$13,000	$19,000	$25,000	$26,500	$16,500
eight	$136,000	$10,000	$7,500	$8,000	$6,000	$5,000	$6,000	$9,000	$14,000	$17,500	$21,000	$21,000	$11,000
ail	$63,000	$5,250	$5,250	$5,250	$5,250	$5,250	$5,250	$5,250	$5,250	$5,250	$5,250	$5,250	$5,250
arking	$21,000	$2,000	$1,500	$1,500	$1,200	$1,200	$1,200	$1,200	$1,500	$2,000	$3,000	$3,000	$1,700
Tours/Cruises	$143,000	$4,000	$500	$200	$300	$300	$1,500	$2,000	$4,000	$18,000	$49,000	$49,000	$14,200
Charters	$80,000	$3,000	$3,000	$500	$2,000	$2,000	$2,000	$2,000	$10,000	$15,000	$15,000	$15,000	$10,500
atering	$95,000	$2,000	$0	$0	$0	$0	$0	$0	$6,000	$10,000	$27,000	$40,000	$10,000
iterest	$22,000	$1,500	$1,500	$2,000	$1,500	$1,500	$2,000	$1,500	$1,500	$2,000	$2,000	$2,000	$3,000
Miscellaneous	$12,000	$600	$500	$200	$500	$500	$2,900	$500	$500	$300	$3,000	$500	$2,000
OTAL REVENU	$1,335,000	$87,350	$60,750	$57,650	$50,250	$48,250	$59,850	$67,450	$115,750	$159,050	$243,250	$257,250	$128,150
E SES													
ayroll*	$524,000	$41,000	$35,000	$34,000	$37,000	$37,000	$37,000	$38,000	$43,000	$45,000	$65,000	$65,000	$47,000
axes*	$47,000	$3,600	$3,000	$3,000	$3,000	$3,100	$3,100	$3,300	$4,000	$4,200	$6,200	$6,200	$4,300
BC/BS/Dental/Lif	$33,000	$2,750	$2,750	$2,750	$2,750	$2,750	$2,750	$2,750	$2,750	$2,750	$2,750	$2,750	$2,750
ension*	$48,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000
essel Repairs*	$90,000	$5,500	$25,000	$20,000	$4,000	$4,000	$4,000	$7,500	$4,000	$4,000	$4,000	$4,000	$4,000
uel*	$68,000	$3,000	$3,500	$4,500	$5,000	$5,000	$6,000	$6,000	$6,000	$7,000	$7,500	$7,500	$7,000
Insurance*	$90,000	$7,500	$7,500	$7,500	$7,500	$7,500	$7,500	$7,500	$7,500	$7,500	$7,500	$7,500	$7,500
Tools*	$1,000	$50	$50	$50	$50	$100	$100	$100	$100	$100	$100	$100	$100
leat/Utilities**	$8,500	$600	$700	$1,000	$800	$800	$800	$700	$700	$600	$600	$600	$600
elephone**	$9,000	$700	$700	$700	$700	$700	$700	$800	$800	$800	$800	$800	$800
Mail Agents**	$2,500	$208	$208	$208	$208	$208	$208	$208	$208	$208	$208	$210	$210
Security**	$17,000	$1,417	$1,417	$1,417	$1,417	$1,417	$1,417	$1,417	$1,417	$1,416	$1,416	$1,416	$1,416
ent**	$15,000	$1,060	$1,060	$1,060	$1,060	$1,060	$1,060	$1,200	$1,200	$1,700	$1,700	$1,700	$1,140
ffice**	$22,000	$1,500	$2,500	$4,000	$1,500	$1,500	$1,500	$1,500	$2,000	$1,500	$1,500	$1,500	$1,500
ostage**	$2,000	$200	$200	$100	$100	$150	$150	$150	$150	$200	$200	$200	$200
Terminal**	$5,000	$300	$500	$500	$500	$400	$400	$400	$400	$400	$400	$400	$400
ravel**	$5,000	$200	$1,000	$300	$300	$300	$300	$300	$300	$500	$500	$500	$500
amage/Self Ins.*	$3,000	$500	$200	$200	$200	$200	$200	$200	$200	$200	$300	$300	$300
ehicle**	$2,500	$208	$208	$208	$208	$208	$208	$208	$208	$209	$209	$209	$209
Miscellaneous*	$2,000	$150	$150	$150	$150	$150	$150	$150	$150	$150	$150	$250	$250
Professional(P)	$25,000	$5,500	1000	$1,000	$1,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,500
UC Assesment(I	$2,800	$208	208	$238	$238	$238	$238	$238	$238	$239	$239	$239	$239
dvertising(P)	$38,000	$1,000	$1,000	$3,000	$3,000	$3,000	$3,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000
Memberships(P)	$2,500	$250	$75	$75	$500	$200	$200	$200	$200	$200	$200	$200	$200
Catering***	$64,000	$1,500	$0	$0	$0	$0	$2,000	$3,500	$5,000	$11,200	$15,000	$15,000	$11,000
nterest(P)	$97,000	$7,016	$7,016	$8,296	$8,296	$8,297	$8,297	$8,297	$8,297	$8,297	$8,297	$8,297	$8,297
epreciation(P)	$96,000	$5,416	$5,416	$8,516	$8,516	$8,517	$8,517	$8,517	$8,517	$8,517	$8,517	$8,517	$8,517
TOTAL EXPENS	$1,319,800	$95,333	$104,358	$106,768	$91,993	$92,795	$95,795	$103,135	$107,335	$116,886	$143,286	$143,388	$118,928
r (LOSS)	$15,200	($7,983)	($43,608)	($49,118)	($41,743)	($44,545)	($35,945)	($35,685)	$8,415	$42,164	$99,964	$113,862	$9,222

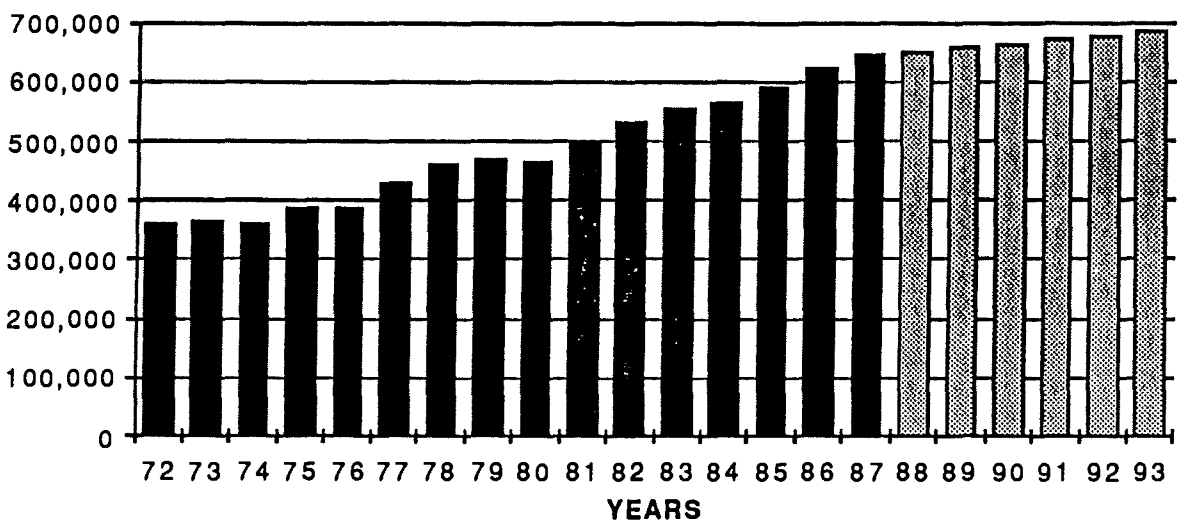
FINAL DRAFT

1989 TO 1993 FINANCIAL PROJECTION

FOR THE

CASCO BAY ISLAND TRANSIT DISTRICT

RIDERS



Greater Portland Council of Governments

June 1988

1989 to 1993 Financial Projection

for the

Casco Bay Island Transit District

by the

Greater Portland Council of Governments

The contents of this report reflect the view of the author. Partial funding for this report was provided by the Urban Mass Transportation Administration, United States Department of Transportation.

1989 To 1993 Financial Projection
For The
Casco Bay Island Transit District

Table of Contents

EXECUTIVE SUMMARY

During the next five years the Casco Bay Island Transit District (the District) will continue to operate within continuously changing business and public policy environments. These dynamics will offer a variety of opportunities for and constraints to District financial growth and stability.

While it appears that the economic growth experienced recently in Southern Maine may begin to level off, the level of activity in Casco Bay is probably going to continue to increase at a modest rate. Fortunately the District is in a position to enjoy some of the financial benefits which will accrue from that modest growth. However the District also faces increasing competition for the provision of services to visitors of Casco Bay and even to the six islands' residents by and for whom the District was created in 1982.

This financial forecast is the product of considerable effort by the Board of Directors, District staff and staff of the Greater Portland Council of Governments (COG). However the assumptions upon which the dollar forecasts are made can only be as reliable as the available information. For instance the assumption of a five (5) percent annual increase in costs may seem high given recent low inflation rates, but then it may turn out to be low if world events produce a major increase in inflation. Likewise if recent trends in the volume of the District's vehicle and freight business continue then our revenue forecasts in these categories may turn out to be overstated.

While the District is a quasi-municipal entity it will continue to operate in the same riskful business environment within which for-profit firms operate. In light of this the District must remain flexible: be ready to respond to new opportunities as well as be tough enough to make difficult decisions as necessary.

In this context the following list is a summary of issues discussed by the Board of Directors during the development of this report.

Service Related Issues

1. Investigate new market opportunities.

2. Replace the Abenaki, possibly in 1991.

3. Cut service if necessary. (An unpopular option when discussed!)

4. Improve parking opportunities on the mainland.

5. Improve facilities on Chebeague and Long Islands.

Control Issues

6. Institute higher daily off-peak rates and/or reinstitute a summer/winter rate differential.

7. Revise commuter book policy.

8. Control costs in general.

9. Minimize rate increases in general.

Financial Management

10. Seek state and local subsidies -- operating assistance or assistance with current and/or future capital needs.

11. Refinance existing debt in the private market.

I. INTRODUCTION

This report summarizes the financial forecasting analysis undertaken by the Board of Directors of the Casco Bay Island Transit District (the District) during the spring of 1988. During the course of seven meetings the Board and its Executive Committee provided direction to the study and discussed issues raised by COG's analysis.

Discussions were also held with the Maine Department of Trans-portation (MDOT), the Public Advocate, the Maine Public Utilities Commission and Martin-O'Connell Associates, the firm hired by the State to study transportation policy issues in Casco Bay during the spring and summer of 1988.

This study process is also an update of a five year financial analysis performed by the Board of Directors and COG in 1983. Annual updates of the income statement projections will be made early each fiscal year.

II. GENERAL ASSUMPTIONS

A number of general assumptions about the District's service and finances are presented below. Agreement on assumptions of this nature was necessary in order to have a framework within which the Board could discuss the issues and analysis. (However, note that the assumptions are not statements of policy by the Board.) Also, additional and more detailed assumptions are included in the section of this report which explains the procedures used in the preparation of the line item forecasts in the series of pro forma income statements.

The general assumptions are listed here.

1. A constant level of service, except for the addition of service to Diamond Cove in fiscal year 1989 (involving no additional costs).
2. A conservative growth in the use of the District's services (following an expected drop in FY 1989 in certain revenue categories).
3. No rate increases during this five year period. (Again, this is not a statement of intent, but rather a convenient baseline assumption.)
4. A five (5) percent annual increase in most expenses.
5. Operation of the Machigonne II beginning in March, 1988.
6. Operations in the new Casco Bay Ferry Terminal beginning in March, 1988.
7. Sale of the Rebel by September, 1988.
8. No operating subsidies.
9. Replacement of the Abenaki in 1991.
10. Other capital improvements listed in Exhibit B of the Appendix.
11. MDOT maintenance and improvement of existing piers, and establishment of priorities for any major reconstruction or improvement.

III. INCOME AND EXPENSE PROJECTIONS

Exhibit 1 on Page 5 is a series of seven income statements for audited 1987, the 1988 budget, and forecasts for 1989 to 1993. The 1988 budget figures are those adopted by the Board of Directors in September, 1987. (Exhibit A in the Appendix shows how certain expense line items were consolidated for the purposes of this analysis.)

The notes at the bottom of the page provide details on certain line items. The righthand column, '89 to '93 Annual Growth Rates, lists the forecasted annual rates of growth for each line item using the 1988 budget as the base.

IV. NOTES TO THE PROJECTIONS

A. Revenue Forecasts

Please refer to Exhibit A for a list of definitions of the revenues line items.

1. Passenger Revenues: One (1) Percent Annual Growth Rate

The following six factors were considered in forecasting passenger revenues:

a. Population growth and change on the six islands

Exhibit C in the Appendix is a summary of the population growth forecast used in the passenger revenue forecast.

b. Recent trends in ridership growth

Exhibit D in the Appendix has a chart which shows a levelling in the rapid ridership growth trend of the early 1980's.

c. The Machigonne II and the new service schedule and routes

The new boat will probably have a positive impact on passenger volumes.

d. District rate policy

Since March 1983, the District has raised passenger rates five times. While we have not identified a measurable cause and effect price/volume relationship during the past five years, we feel that future District rate increases will have negative impacts on volume. (Exhibit E in the Appendix is an analysis of possible future rate increases and their estimated effects on passenger, vehicle and freight volumes.)

CASCO BAY ISLAND TRANSIT DISTRICT INCOME STATEMENT PROJECTIONS · THROUGH FY 1993

General Assumptions:

1. Constant Level of Service
2. Conservative Growth in Use of the District's services
3. No Rate Increases
4. Five Percent Annual Expense Growth
5. Service to Diamond Cove (start '89)

REVENUES	AUDITED 1987	BUDGET 1988	ESTIMATE * 1989	ESTIMATE 1990	ESTIMATE 1991	ESTIMATE 1992	ESTIMATE 1993	'89 - '93 ANNUAL GROWTH RATES
Passenger	$658,545	$754,500	$823,280	$838,143	$860,064	$870,105	$878,208 1	1%
Vehicle	$130,448	$147,000	$149,940	$152,939	$155,998	$159,118	$162,300	2%
Freight	$141,675	$156,500	$159,630	$162,823	$166,079	$169,401	$172,789	2%
Mail Contract	$62,024	$65,000	$57,000 2	$58,710	$60,471	$62,285	$64,154	3%
Parking	$19,125	$7,000	$0	$0	$0	$0	$0	NA
Tours and Cruises	$122,650	$135,000	$125,000 3	$128,750	$132,613	$136,591	$140,689	3%
Vessel Charters	$89,729	$90,000	$85,000 4	$87,550	$90,177	$92,882	$95,668	3%
Catering	$97,643	$101,000	$95,000 5	$97,650	$100,786	$103,809	$106,923	3%
Interest	$41,065	$23,000	$23,000 6	$23,230	$23,462	$23,697	$23,934	1%
Miscellaneous	$8,904	$16,000	$16,800	$17,640	$18,522	$19,448	$20,421	5%
Total	$1,371,808	$1,495,000	$1,534,650	$1,567,634	$1,606,191	$1,637,335	$1,665,083	
EXPENSES								
Personnel	$536,619	$575,000	$608,750	$639,188	$671,147	$704,704	$739,940	5%
Benefits/Taxes	$95,677	$134,500	$141,225	$148,286	$155,701	$163,486	$171,660	5%
Vessels	$294,831	$298,000	$350,000 7	$367,500	$385,875	$405,169	$425,427	5%
Operations	$143,089	$145,500	$152,775	$160,414	$168,434	$176,856	$185,699	5%
Sales	$93,522	$107,000	$112,350	$117,968	$123,866	$130,059	$136,562	5%
Interest	$99,133	$97,223	$89,373	$80,573	$90,773	$79,201	$66,350 8	NA
Depreciation	$60,908	$117,839	$145,766	$147,100	$182,450	$178,000	$183,000 9	NA
Amortization	$11,118	$11,161	$11,161	$11,161	$11,161	$11,161	$11,161	NA
Total	$1,334,897	$1,486,223	$1,811,400	$1,672,189	$1,789,407	$1,848,636	$1,919,799	
INCOME (LOSS)	$36,911	$8,778	($76,750)	($104,554)	($181,216)	($211,301)	($254,716)	

NOTES

1. **Passenger Revenue Estimate:**
   - Includes Dictar occupancy and worker transport estimates, plus $1,000 annual revenues for freight and vehicles.
2. **Drop in 1989 Mail Contract Revenue:**
   - Based on June, 1988 contract.
3. **Drop in 1989 Tour/Cruise Revenues:**
   - Harbor Views Cruise is sold as roundtrip to Peaks.
   - More and larger tour operators in area.
4. **Drop in 1989 Charter Revenues:**
   - Dictar development complete. Similar size charter boat available.
5. **Drop in 1989 Catering Revenues:**
   - Soft market. Other tour operators can land at islands.
6. **Drop in 1989 Interest Income:**
   - Series "C" Bonds spent in 1988.
7. **Increase in Vessel's Expense:**
   - Full year of Machigonne II insurance.
8. **Interest Expense:**
   - Based on bond payment schedules, plus $20,000 annual interest payments for replacement boat beginning in 1991.
9. **Depreciation Expense:**
   - Based on depreciation schedule (COG 3/21/88).

* 1989 figures omit operation of "Rebel." (Estimated net cost of operation is $40,000.)

e. Improvements in the ticket sales and collection process

The District is currently planning to change its ticket sales and collection procedures in order to streamline the process for customers and to develop a tighter control on cash transactions.

f. Casco Bay Ferry Terminal

This new, attractive, comfortable, easier to use terminal (which will soon offer convenient parking) will have a positive impact on future ridership.

2. Vehicle Revenues: Two (2) Percent Annual Growth Rate

The factors involved in forecasting vehicle revenues are similar to those used in forecasting passenger revenues. The key ones are population growth, other providers in the bay and increased user convenience. The population growth during the next five years is the major determinant in increased demand for vehicle transport, while future competition could reduce the demand for, or at least limit the growth of, the District's vehicle transport services.

Several other factors will make it more attractive for people to bring their cars and trucks to the islands, including: improved vehicle access to the ferry at the new ferry terminal, increased vehicle carrying capacity of the new ferry, and increasing parking prices on the mainland.

3. Freight Revenues: Two (2) Percent Annual Growth Rate

Future growth in freight revenues will be a function of the freight transport process at the new terminal, District rate policy, popu-lation growth and other providers' services.

4. Mail Contract Revenues: Three (3) Percent Annual Growth Rate

This forecast is based conservatively on the estimated rate of growth of the Consumer Price Index which has been used by the District and the U. S. Postal Service in their past contracts.

5. Parking Income

The District will be out of the parking business after 1988, thereby eliminating future parking revenues.

6. Incidental Tour/Cruises, Charters and Catering Revenues: Three (3) Percent Annual Growth Rate

   Future revenues in these categories are a function of the health of Maine's tourism and the economy of the Northeast, District rates, the District's promotion efforts, the District's ability to provide an good product, State regulation, other cruise operators in Casco Bay and the summer weekend weather.

7. Interest Revenues: One (1) Percent Annual Growth Rate

   This projection is an extrapolation of the District's regular interest income earned during each summer, fall and early winter. (Recently high interest revenues are a function of UMTA grant funds being held temporarily prior to their use in payment for the Machigonne II and for other capital purchases.)

8. Miscellaneous Revenues: Five (5) Percent Annual Growth Rate

B. Expense Forecasts

As noted earlier, an estimate of five (5) percent has been used to forecast most of the District's expense categories. This is an average figure based on rising wages and benefits in the Southern Maine labor market, the Consumer Price Index (4.4 percent in 1987), increasing insurance rates and the District's aging fleet.

1. Personnel Expenses and Benefits/Taxes: Five (5) Percent Annual Growth Rate

   Personnel levels will remain constant except for part-time seasonal help. The tight Southern Maine labor market will continue to force higher wages in all categories, especially seasonal help.

2. Vessel Expenses: Five (5) Percent Annual Growth Rate

   The key factor in the increase forecast for 1989 is a full year of insurance for the Machigonne II and its higher operating costs (in comparison to the passenger boats). Generally the District faces increasing repair costs as its fleet gets older, particularly with the Abenaki (25 years old) and the Island Holiday (21 years old).

3. Operations Expenses: Five (5) Percent Annual Growth Rate

   The cost of operations at the new Casco Bay Ferry Terminal could be very different from the cost of operations at Custom House Wharf. Certain costs such as heat and rent are already known to be greater at the new location, whereas most other costs will be difficult to estimate until after the District has operated there for a year.

4. Sales Expenses

This estimate is based on a continuation of past advertising and catering efforts.

5. Interest Expense

This estimate is based on existing bond repayment schedules, plus $20,000 in annual interest payments for a replacement to the Abenaki beginning in 1991. (Refer to Exhibit G in the Appendix for a summary of the District's annual debt service commitments through 1997.)

6. Depreciation Expense

These amounts are based on existing depreciation schedules and schedules prepared for future capital purchases. Refer to Exhibit F in the Appendix for a complete schedule.

7. Amortization Expense

Refer to the depreciation schedule (Exhibit F) in the Appendix.

APPENDIX

Exhibit A: Aggregation of 1988 Expense Line Items

Exhibit B: Capital Improvement Program

Exhibit C: Population Projection

Exhibit D: Price Sensitivity Memorandum (5/18/88)

Exhibit E: Impact of rate increases on users if projected shortfalls are covered entirely by rate increases

Exhibit F: Depreciation Schedule

Exhibit G: CBITD Annual Debt Service Chart

AGGREGATION OF 1988 EXPENSE BUDGET LINE ITEMS*
(BUDGET ADOPTED IN SEPTEMBER, 1987)

Personnel	
Salaries/Wages	$575,000
Benefits/Taxes	
Payroll taxes	$51,000
Pension	$48,500
Employee benefits	$35,000
Subtotal	$134,500
Vessels	
Repairs/maint.	$101,000
Fuel	$72,000
Insurance	$125,000
Subtotal	$298,000
Operations	
Injuries/damages	$3,000
Vehicle	$1,000
Dues/subscription	$4,500
Heat/utilities	$17,000
Professional fees	$22,000
Mail agent	$2,500
Office supplies	$21,000
Postage	$2,500
Rent	$17,000
Security	$18,000
Telephone	$10,000
Terminal	$17,000
Travel	$5,000
Uniforms	$4,000
Miscellaneous	$1,000
Subtotal	$145,500
Sales	
Advertising	$40,000
Catering	$67,000
Subtotal	$107,000
Interest	$97,223
Depreciation	$117,839
Amortization	$11,161
Total Budget	$1,486,223

* Refer to the following three pages for line item definitions.

Key to Line Items

Revenues

Passenger:	Includes Adult, Child, Senior Citizen; one way, round trip and commuter tickets; dogs, inter-island, and school children tickets.
Vehicle:	Includes all vehicle traffic to/from Peaks Island on regularly scheduled service; and Down Bay vehicles.
Freight:	Includes: a) all freight shipped from Custom House Wharf; b) freight shipped on trucks to Peaks via car ferry; c) bicycles; d) upfreight.
Mail:	USPS contract.
Tours and Cruises:	Any of the five Tour tickets, and Bailey Island.
Charters:	Passenger boat charters; car ferry charters.
Catering:	Lobster bakes, beverage bar on charters and Bailey Island snack bar.
Miscellaneous:	Advertising on Sailing Schedules; commission on concessions; pay phone; books; maps, etc; fees on NSF checks; interest on overdue receivables.
Interest:	Earned on all accounts.

Expenses

Payroll:	All employees compensation.
Payroll Taxes:	Unemployment Federal and State; cost of employer's FICA.
BC/BS:	Blue Cross/Blue Shield, Dental, Life.
Pension:	Company contribution to employee benefit plan.
Vessel Repair:	All boat supplies and repairs; outside contracting; gangplanks.

Fuel:	Diesel fuel for the boats.
Catering Exp:	All bar: liquor, beer, supplies; all catering bills - - Jones Landing, Lions Club; liquor license.
Adv/Printin:	Brochures; schedules; convention expenses; advertising (TV, raido publications); signs.
Vehicle Exp:	Van, repairs.
Dues/ Memberships; PUC:	All dues for ABA, NTA; all advertising clubs, Maine Travel Association, subscriptions; PUC assessment.
Heat/Utilities:	Heating terminal; electricity, sewer, water; shorepower; lighting.
Telephone:	Rent of telephones; monthly telephone bills and long distance.
Insurance:	Premiums on all eight policies, including hulls, liability.
Mail Agents:	Monthly stipend to Agents on Peaks, Cliff and Long to take mail to PO and return to boat, six days per week.
Office:	Freight forms; copier bills; office supplies (pens, paper, etc.), tickets; Rebel charge slips; receipts; parking freight tags; accounting forms; computer supplies; cleaning supplies; temporary help through temporary agency; payroll processing; copier supplies and rent; Bayliner; help wanted advertising.
Professional Fees:	Election costs, including advertising and printing; audit; accounting; legal; marine engineer; GPCOG fees; advertising; legal advertising.
Rent:	Bailey Island, Whart and CBFT.
Small Tools:	Tools for the Maintenance Crew and Captains.
Terminal:	Repair; trash collection; plowing; wharf repairs; island wharves; trash bags, supplies.

Travel:	Mileage, tolls and expenses for sending crews to Rockland; borchure distribution; trips to Augusta, Cambridge for conferences, etc.; fuel for daily use of van (mail and maintenance).
Security:	Contract with Scott Security for cleaning and security from 11:30 p.m. - 7:00 a.m., 7 days per week.
Damage Self Ins.:	Freight and car damage either on the boat or at the terminals; medical bills for crew or passenger injuries.
Debt Service:	Includes interest expense for the three series of bonds and the principal payments.

Exhibit B

CASCO BAY ISLAND TRANSIT DISTRICT
1988 TO 1993 CAPITAL IMPROVEMENTS PROGRAM

Year	Items	Cost	Funding Sources	Amounts**	PACTS Formula for UMTA Section 9
1988	Machigonne II	$1,250,000	UMTA Sec. 3	**$704,000**	$30,000
			UMTA Sec. 3	**$275,000**	
			Series C Bond	**$200,000**	
	Terminal Equipment (from UMTA Grant X013)	$25,000	UMTA Sec. 9	**$20,000**	
			Series C Bond	$5,000	
	Terminal Equipment (from UMTA Grant X030)	$50,000	UMTA Sec. 9	**$40,000**	
			Series C Bond	$10,000	
1989	Terminal Equipment (from UMTA Grant X030)	$65,000	UMTA Sec. 9	**$52,000**	$30,000
			Series C Bond	$13,000	
	Service truck	$18,000	UMTA Sec. 9	$14,400	
			Series C Bond	$3,600	
	Handicap gangplanks	$22,000	UMTA Sec. 9	$17,600	
			Series C Bond	$4,400	
1990	Service van	$15,000	UMTA Sec. 9	$12,000	$30,000
			Series C Bond	$3,000	
	Vessel/terminal equip.	$100,000	UMTA Sec. 9	$80,000	
			Series C Bond	$20,000	
1991	New vessel (replace Abenaki)	$1,000,000	UMTA Sec. 3	$750,000	$30,000
			Series D Bond	$250,000	
1992	Computer update	$75,000	UMTA Sec. 9	$60,000	$30,000
			Series D Bond	$15,000	
1993	Terminal improvements	$125,000	UMTA Sec. 9	$100,000	$30,000
			Series D Bond	$25,000	
					TOTAL $150,000
			'89 to '93 Totals		
			UMTA Grant X030	$52,000	
			UMTA Sec. 3	$750,000	
			UMTA Sec. 9	* $284,000	
			Series C Bond	$259,000	
			Series D Bond	$290,000	
			Total	$1,635,000	

* The PACTS five year allotment of $150,000 is less than the $284,000 needed.

** Highlighted amounts are already obligated.

Exhibit C

February 17, 1988

TO: Pat Christian

FROM: Tracy Perez

SUBJECT: Population Projection

INTRODUCTION

The islands served by CBITD, like all of Greater Portland, have experienced rapid population growth in recent years. U.S. Census figures for 1980 show a 12.9% increase in year round island population from 1970. We can assume that the seasonal (summer) population also increased during this period and that both groups have grown since 1980. Unfortunately, there is no census data to document this seasonal and recent growth. Data from other sources (real estate agents, CBITD, and building permits) were used for this future population estimate.

RESEARCH AND ANALYSIS

Since 1983, 55 building permits for single family dwellings (habitable year round) and 12 seasonal cottages were issued (see Attachment A). The majority, 39 single family dwellings and 3 summer cottages, were on Peaks Island. Subdivision permits have been issued for 4 house lots on Chebeague, 5 on Great Diamond, 7 on Little Diamond and 134 condominiums on Great Diamond. In addition, a permit for 70 single house lots on Great Diamond is currently before the Department of Environmental Protection. The Great Diamond projects are the only recent large scale projects on the islands.

It is widely assumed that the islands, especially Peaks, have experienced rapid population growth since the late 1970's. This growth is attributed to the rehabilitation of older dwellings and the conversion of summer residences to year round homes. Unfortunately, no records are kept of these conversions. Since 1983, Portland has issued permits for over $800,000 in renovations, alterations, or additions on its CBITD served islands.

COG's William Carroll's 1982 population projection for the islands states that while housing units decreased by 132 units between 1970 and 1980, population increased by 165. He attributed this increase to conversion of seasonal homes. Citing an abundant stock of convertible dwellings (approximately 1,000) and the low cost of real estate on the islands[1], he projected a population increase of between 8% and 22% from 1980 to 1985 and between 17% and 44% from 1980 to 1990 (see Attachment B).

Howard Heller, of Port Island Realty, has lived on Peaks Island year round for ten years and for summers twenty years previously. He estimates that Peaks' winter population has increased from 1,000 in 1980 to 1,500 currently. This would be a 50% increase or about 7% a year. This far exceeds Mr. Carroll's projections. Mr. Heller believes that conversions account for most of this growth. His firm currently handles fifteen winter rentals a year, about one-third of the island's total, compared to one or two in 1980.

Casco Bay Island Transit District annual ridership shows a 65% increase between 1972 and 1987 or 3.8% per year (see Attachment C). Segmenting the ridership into winter (January through March, November and December) and summer (April through October) gives an idea of the growth in year round population, assuming that most winter riders live on the islands. Winter ridership grew 92.9% between 1972 and 1987, or 5.5% per year.

Summer ridership increased 55.4% (3.25% per year) between 1972 and 1987. However, summer ridership does not just consist of island residents (year-round or seasonal) but also their guests, day-trippers to the islands, and riders out for a cruise who never leave the ferries. Therefore, based on the available information, it is impossible to establish what percentage the summer ridership increase was caused by an increase in the seasonal population.

Certainly rapid population growth has occurred on the islands since 1980, especially on Peaks. However, I do not believe that this high rate of growth will continue, especially for year round population. Real estate prices have increased dramatically on the islands, as in all of Cumberland County. Mr. Heller said that prices for houses he handles on Peaks range from $70,000 to over $200,000, averaging at $100,000 with few properties in the lower price range.[2] Recent buyers are not purchasing homes for year round use, but as second homes or retirement homes. These are usually occupied for part of the spring and fall as well as the summer. He felt that the increased housing costs, as well as the costs of transportation to the mainland and parking there, and the inconvenience of winter island living, have reduced the demand for year round island homes.

David Bateman, of Dictar Associates, developers of the Great Diamond Island Projects, said that sales of condominiums have been to people purchasing second homes for vacation use. When all of the units are sold, then this large scale project will dramatically increase the summer population on Great Diamond. It appears unlikely that other projects of this magnitude will be built, due to new state legislation banning overboard sewage disposal and the prohibitive cost of extending city sewage systems to the islands.

SUMMARY AND RECOMMENDATION

I feel that the growth in winter population will stabilize due to the short supply and high cost of homes, the inconvenience of island living and commuting for working couples and families with children, and a shift in lifestyles. The 'Back to the Land' movement of the 1970's has been replaced with the 'Young Urban Professionals' of the late 1980's who would find the inconvenience of island life a hindrance. There may be a shift in dwelling use from year round to seasonal as the demand for vacation homes increases. Increased summer population will be limited by the availability of land and houses.

Based on the analysis summarized above, I estimate a year round annual population growth of one to two percent for 1989 to 1993. My estimate for growth in seasonal population, which includes an increased length of stay by seasonal residents, is two to three percent annually during this period.

1 1980 Census shows median house values as: Chebeague Island, $34,400; Cumberland, $60,600; Portland Islands, $37,700; Portland, $41,400.

2 Maine Multiple Listing Services, Inc. gives the 1987 (January-September) average house costs as $107,357 for Portland and $175,875 for Cumberland.

T2

Attachment A

BUILDING PERMITS

PEAKS

1987	8 year round, 1 summer
1986	5 year round
1985	16 year round, 1 summer
1984	7 year round
1983	3 year round, 1 summer

LONG

1987	1 year round, 1 summer
1986	1 year round
1985	1 year round, 1 summer
1984	1 year round
1983	1 year round, 2 summer

CLIFF

1987	2 year round, 1 guest house
1986	1 guest house
1985	1 year round
1984	1 year round
1983	None

GREAT DIAMOND

1987	1 year round, 1 summer
1983-1986	None

LITTLE DIAMOND

1987	2 year round
1986	1 summer
1984-85	None
1983	1 summer

Total for all Islands

	Year Round	Summer Cottages/Guest Houses
1987	14	4
1986	6	2
1985	18	2
1984	9	-
1983	4	3

Source: City of Portland Permits and Inspection Department

T2

Attachment B

CASCO BAY ISLANDS POPULATION PROJECTION: 1980 - 1990

1970 to 1980 Growth Rate: 12.9%

Households	Peaks	Long	Great Diamond	Little Diamond	Cliff	Chebeague	TOTAL
1980	350	60	6	4	41	142	603
Est. 1985	407	72	7	5	49	171	711
Est. 1990	473	87	8	6	59	206	839
Population (Persons)							
1980	812	136	14	9	93	333	1397
Low Estimate							
1985	862	148	15	10	101	362	1505 (8%)
1990	935	163	16	11	111	397	1633 (17%)
High Estimate							
1985	977	173	17	12	118	410	1,707 (22%)
1990	1,135	209	19	14	141	494	2,012 (44%)

GPCOG 1982

T2

Attachment C

CBITD RIDERSHIP

YEAR	SUMMER	CHANGE	%	WINTER	CHANGE	%	TOTAL	CHANGE	%
1972	269,804			92,231			362035		
1973	258,428	-11,376	-4.2	100,644	8,413	9.1	359072	-2963	-0.8
1974	265,767	7,339	2.8	96,756	-3,888	-3.9	362523	3451	1.0
1975	286,019	20,252	7.6	104,638	7,882	8.1	390657	28134	7.8
1976	282,600	-3,419	-1.2	105,600	962	0.9	388200	-2457	-0.6
1977	320,038	37,438	13.2	110,813	5,213	4.9	430851	42651	11.0
1978	338,372	18,334	5.7	123,526	12,713	11.5	461898	31047	7.2
1979	337,707	-665	-0.2	135,431	11,905	9.6	473138	11240	2.4
1980	324,987	-12,720	-3.8	139,252	3,821	2.8	464239	-8899	-1.9
1981	349,768	24,781	7.6	146,221	6,969	5.0	495989	31750	6.8
1982	385,265	35,497	10.1	148,806	2,585	1.8	534071	38082	7.7
1983	401,971	16,706	4.3	153,430	4,624	3.1	555401	21330	4.0
1984	400,659	-1,312	-0.3	163,055	9,625	6.3	563714	8313	1.5
1985	420,759	20,100	5.0	171,462	8,407	5.2	592221	28507	5.1
1986	451,587	31,000	7.3	174,030	2,568	1.5	625617	33396	5.6
1987	461,845	10,258	2.3	184,078	10,048	5.9	645,923	20,406	3.3

Source: CBITD Records

T2

Exhibit D

Greater Portland Council of Governments

233 Oxford Street · Portland, Maine 04101 · (207) 774-9891

May 18, 1988

TO: CBITD Board of Directors

FROM: John W. Duncan, Transportation Planner

SUBJECT: Price Sensitivity of the District's Rate Payers

As the District looks ahead at increasing operating costs and the possible effects of deregulation it is important to consider if future rate increases will be able to offset the potential operating losses forecast in the COG projections for 1989 to 1993.

The District has raised its passenger rates an average of eight (8) percent annually since 1982. These rate increases have been vital in the District's efforts to meet its increasing operating and debt service costs during the past six years. Here is a summary of the percentage increases.

	FY 1982	FY 1983	FY 1984	FY 1985	FY 1986	FY 1987	July 1987	May 1988	Average Annual Increase
Commuter Books	10%	--	10%	4%	--	5%	12%	9%	8%
OW/RT Tickets	10%	--	10%	4%	13%	5%	12%	9%	10%
Vehicles	10%	--	10%	4%	--	25%	--	15%	10%
Freight	10%	--	--	14%	--	5%	--	15%	7%
Tour/Cruise	--	--	--	(17%)	--	--	20%	8%	1%
Charter	--	--	7%	3%	--	10%	--	6%	4%
Advertising	Average five percent annually.								5%
Bailey Island	--	--	--	--	--	11%	--	2%	2%
Lobster Bakes	Average six percent annually.								6%

The District's passenger volumes have risen substantially since 1982, but the growth rate is diminishing (having dropped to a 1.6 % increase in 1987 from 4.5 % increases and 1.9 % increases in 1985 and 1984 respectively). The District's freight and vehicle transport activities have actually suffered losses in volumes during this period, as shown here. (See chart.)

Year	Vehicles	% Change	Freight **	% Change
1983	13,578	+ 11.5%	$101,729	NA
1984	13,750*	+ 1.3%	$119,772	+ 17.7%
1985	13,087	- 4.8%	$118,399	- 1.2%
1986	10,915	- 16.6%	$109,420	- 7.6%
1987	9,445	- 13.5%	$127,861	+ 16.9%

* Estimate.

** Based on 1983 freight rates.

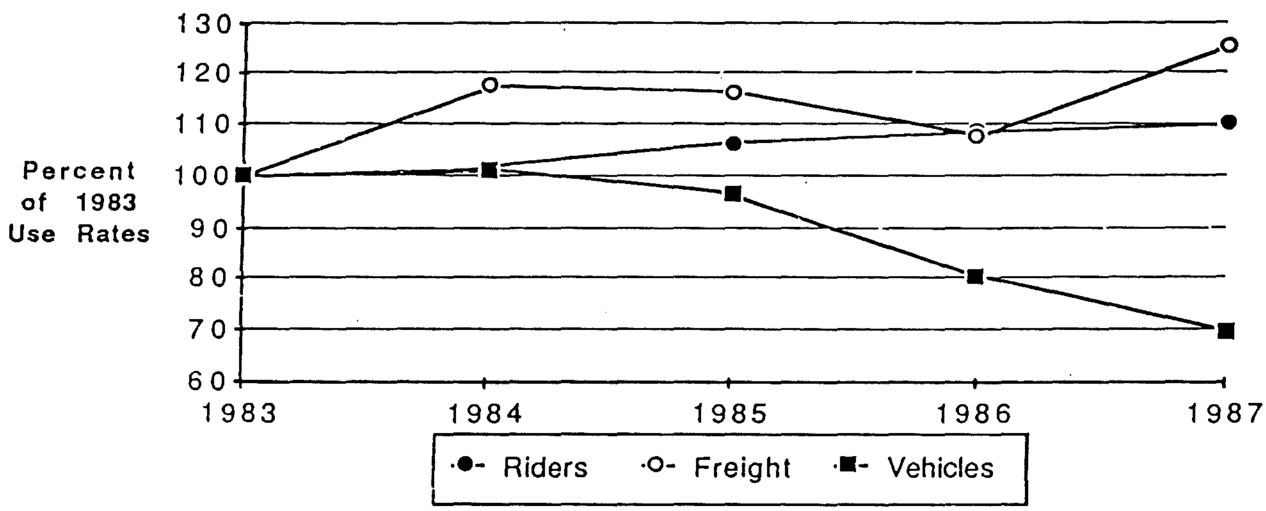
Given six years of rate increases, changing use patterns and the possibility of increased deregulation, the District should consider carefully the possible negative effects which future rate increases might have on the use of its services.

The District might want to research the effects which its recent rate increases have had on use patterns and how people might react to rate increases in the near future. Here are several questions which the District could use in framing a research effort on this.

1. When does the District reach the point of diminishing returns in increasing its rates?
2. How many passenger and vehicle trips are made on a discretionary basis?
3. Are people making more or less discretionary trips than they did five years ago?

The District might want to perform a survey of its rate payers to solicit answers to these questions. Three research techniques could be used: (1) a focus group process, (2) a telephone survey, or (3) a questionnaire for riders and drivers.

**CHANGES IN LEVELS OF USE SINCE 1983
BY PASSENGER, FREIGHT AND VEHICLE
REVENUE CATEGORIES**



IMPACT OF RATE INCREASES ON USERS IF PROJECTED SHORTFALLS ARE COVERED ENTIRELY BY RATE INCREASES

Options #1 and #2 present possible rate increases which would help the District to breakeven each year between 1989 and 1993

A key assumption is that future rate increases will have a negative effect on the demand for the District's services.

For example I estimate that a 12 % increase in passenger rates in 1989 would create a 3 % drop in passengers for the year.

Likewise, increases in vehicle and freight rates will have negative effects on the use of these services.

Option #1

Years	Increases Only to Passenger Rates
1989	12%
1990	7%
1991	8%
1992	6%
1993	5%

Option #1 Rates

	One-way trip w/commuter book 1988	One-way trip w/commuter book 1993	One-way trip w/roundtrip ticket 1988	One-way trip w/roundtrip ticket 1993
Peaks	$1.13	$1.63	$1.50	$2.16
L. Diamond	$1.20	$1.73	$1.65	$2.38
G. Diamond	$1.32	$1.90	$1.80	$2.59
Long	$1.43	$2.06	$2.05	$2.95
Chebeague	$1.78	$2.56	$2.60	$3.75
Cliff	$2.00	$2.88	$2.85	$4.11

Option #2

Years	Increases To Passenger Vehicle And Freight Rates
1989	9%
1990	3%
1991	8%
1992	4%
1993	4%

Option #2 Rates

	One-way trip w/commuter book 1988	One-way trip w/commuter book 1993	One-way trip w/roundtrip ticket 1988	One-way trip w/roundtrip ticket 1993
Peaks	$1.13	$1.48	$1.13	$1.48
L. Diamond	$1.20	$1.57	$1.20	$1.57
G. Diamond	$1.32	$1.73	$1.32	$1.73
Long	$1.43	$1.88	$1.43	$1.88
Chebeague	$1.78	$2.33	$1.78	$2.33
Cliff	$2.00	$2.62	$2.00	$2.62

CASCO BAY ISLAND TRANSIT DISTRICT — GPCOG 4/6/88 — Exhibit F

DEPRECIATION AND AMORTIZATION SCHEDULE: 1988 TO 1993

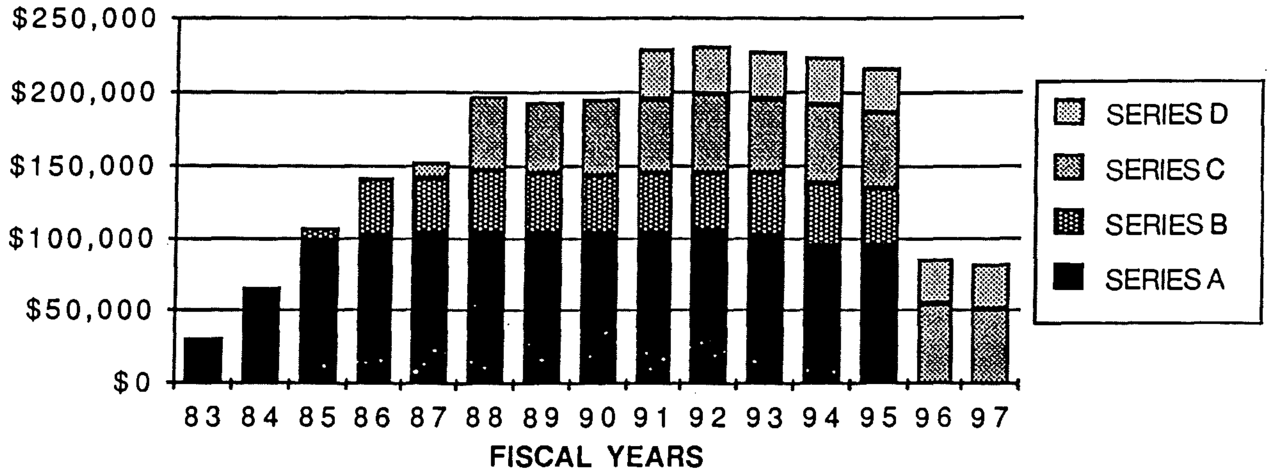
ITEM	*	USEFUL LIFE	1988	1989	1990	1991	1992	1993
Prepaid Bond Expense	1	NA	$11,161	$11,161	$11,161	$11,161	$11,161	$11,161
Three boats		15	$47,100	$47,100	$47,100	$47,100	$47,100	$47,100
Rebel		15	$5,500	$5,500	$0	$0	$0	$0
Machigonne II		25	$50,000	$50,000	$50,000	$50,000	$50,000	$50,000
MSD #1	2	5	$4,400	$4,400	$4,400	$2,200	$0	$0
MSD #2 and #3		5	$8,800	$8,800	$8,800	$8,800	$0	$0
Computer (UMTA X013)	2	5	$2,000	$2,000	$2,000	$1,000	$0	$0
Radars (UMTA X013)	2	5	$2,900	$2,900	$2,900	$1,450	$0	$0
Van (UMTA X013)		3	$3,666	$3,666	$0	$0	$0	$0
Office equip. (UMTA X013)	3	5	$2,500	$5,000	$5,000	$5,000	$5,000	$2,500
Equipment (UMTA X030)	4	10	$2,500	$11,500	$11,500	$11,500	$11,500	$11,500
Service truck		3	$0	$6,000	$6,000	$6,000	$0	$0
Gang planks		5	$0	$4,400	$4,400	$4,400	$4,400	$4,400
Replace Abenaki		25	$0	$0	$0	$40,000	$40,000	$40,000
Service van		3	$0	$0	$5,000	$5,000	$5,000	$0
Computer update		5	$0	$0	$0	$0	$15,000	$15,000
Terminal improvements			$0	$0	$0	$0	$0	$12,500
Total			$140,527	$162,427	$158,261	$193,611	$189,161	$194,161

* 1. Expenses related to Series A, B, and C which continue beyond 1993.

2. The depreciation schedule for these items includes a final half year depreciation expense.
3. This $25,000 in equipment for the new terminal is to be spent in FY 1988: a half year of depreciation expense in FY 1988 and the final half year in FY 1993.
4. This $115,000 in equipment for the new terminal is to be spent as follows: $50,000 in the latter half of FY 1988 and $65,000 in FY 1989. The $50,000 is to be depreciated on a 2.5/5/5/5/5/5/5/5/5/2.5 basis. The $65,000 is to be depreciated in ten equal $6,500 amounts.

Straight line depreciation used for all items.

CBITD ANNUAL DEBT SERVICE
SERIES A, B, C AND D
FY 1983 TO FY 1997



Total Principal and Interest Payments

Fiscal Year	Series A	Series B	Series C	Series D**	Totals
1983	$32,519	$0	$0	$0	$32,519
1984	$65,036	$0	$0	$0	$65,036
1985	$98,812	$7,894	$0	$0	$106,706
1986	$101,088	$39,712	$0	$0	$140,800
1987	$102,788	$38,550	$11,019	$0	$152,357
1988	$103,863	$42,312	$51,047	$0	$197,222
1989*	$104,263	$40,563	$49,548	$0	$194,374
1990*	$103,938	$38,713	$52,923	$0	$195,574
1991*	$102,838	$41,762	$51,173	$33,000	$228,773
1992*	$105,744	$39,200	$54,258	$32,500	$231,702
1993*	$102,700	$41,512	$52,138	$32,000	$228,350
1994	$94,200	$43,137	$54,798	$31,500	$223,635
1995	$94,950	$39,113	$52,244	$31,000	$217,307
1996	$0	$0	$54,475	$30,500	$84,975
1997	$0	$0	$51,500	$30,000	$81,500

This chart shows that the District has an average $216,000 per year to pay through 1995 for Series A, B, C and D -- a high fixed cost.

* Five year forecast period.
** Replace Abenaki.

114th MAINE LEGISLATURE
FIRST REGULAR SESSION - 1989

In the Year of Our Lord
Nineteen Hundred and Eighty-Nine

AN ACT to Expand Unregulated
Transportation Service in Casco Bay

Be it enacted by the people of the State of Maine as follows:

Section 1. Section 5101 of Title 35-A, as last amended by P.L. 1987, c. 475, is further amended to read:

Section 5101. Franchise of Casco Bay Island Transit District and others.

<u>1.</u> No person, except for the Casco Bay Island Transit District, created by Private and Special Law 1981, chapter 22, may, directly, by lease or other arrangement, transport passengers or property by vessel <u>on a scheduled basis or transport more than six passengers on a non-scheduled basis,</u> for compensation, between the mainland of Cumberland County and Peaks Island, Great Diamond Island, Little Diamond Island, Long Island, Chebeague Island or Cliff Island, or between the Islands mentioned in this paragraph, without obtaining a certificate of public convenience and necessity from the commission authorizing the transportation. The District and any person who must obtain

a certificate are ferries subject to the jurisdiction of the commission with respect to the service which requires authority. The commission shall specify in the certificate the business and operation of the ferry and shall attach to it at the time of issuance and from time to time after issuance reasonable terms, conditions and limitations as it determines necessary to maintain adequate transportation to these Islands. The Casco Bay Island Transit District may assign or subcontract to another person any service for which it has a franchise.

2. For the purposes of this section, transportation of passengers or property on a scheduled basis means scheduled transportation over regular routes and between fixed and regular termini in which passengers and property are indiscriminately received and discharged along the route.

3. The transportation of passengers by vessel on a scheduled or non-scheduled basis shall not include excursion tours and charters which include stops at the named Islands. Excursion tours and charters are recreational trips in which all the customers of the excursion are returned as a group to the point of origin.

4. The Casco Bay Island Transit District may file a petition with the commission alleging that, in order to prevent substantial injury to the Casco Bay Island Transit District's business or to the interests of its ridership, or in the event

of an emergency, resulting from the absence of commission regulation of unscheduled property transportation services, the public interest requires the resumption of commission regulation. The commission shall investigate the merits of the petition under Section 1303. Upon a finding that substantial injury to the Casco Bay Island Transit District's business or to the interests of its ridership has resulted from the absence of commission regulation of unscheduled property transportation services and that the public interest requires the resumption of regulation, the commission may issue an order reinstating its jurisdiction over such services. This subsection is repealed, effective June 30, 1994.

Section 2. Section 5106 of Title 35-A, as last amended by P.L. 1987, c. 475, is further amended to read:

Section 5106. Temporary certificates of public convenience and necessity.

1. Subject to the provisions of this chapter, the commission may issue a temporary certificate of public convenience and necessity to authorize other persons to provide services to the Islands of Casco Bay as set out in Section 5101, when persons authorized under Section 5101 are unable to provide a needed service. The commission may attach reasonable terms, conditions and limitations to the temporary certificates.

<u>2. Persons issued a temporary certificate of public convenience and necessity under this section are not public utilities subject to the jurisdiction of the commission, except that comission may attach reasonable terms, conditions and limitations to the temporary certificate.</u>

Section 3. Section 5107 of Title 35-A, as last amended by P.L. 1987, c. 475, is further amended to read:

Section 5107. Violation of this chapter; penalty.

1. Offense. Whoever violates this chapter is guilty of unlawfully operating a ferry in Casco Bay.

2. Penalty. Unlawful operation of a ferry in Casco Bay is a Class E crime. <u>Notwithstanding any other provision of this Title, the commission has complete discretion to investigate or act upon complaints of unlawfully operating a ferry in Casco Bay.</u>

3. Civil Remedy. In addition to any other remedy provided in this chapter for the enforcement of this chapter or any rule, order or decision of the commission issued with relation to the operation of a ferry covered by this chapter, the Superior Court has jurisdiction upon complaint filed by ~~the commission or~~ the Casco Bay Island Transit District <u>for lost revenues or other damages, and</u> to enjoin a person from committing an act prohibited by this chapter or prohibited by a rule, order or

decision of the commission in relation to the operation of transportation facilities in Casco Bay. It is the intention of the Legislature that the ~~commission or~~ Casco Bay Island Transit may seek lost revenues, other damages or an injunction under this section without first resorting to another form of administrative proceedings or court procedures as a condition precedent to the granting of the injunction.

4. Legislative Review. With respect to all changes to this chapter enacted during the First Regular Session of the 114th Legislature resulting from or incorporating recommendations of the Joint Inter-Agency Study Group, authorized by P.L. 1987, c. 475, section five, the First Regular Session of the 116th Legislature shall review the effects of such changes on the operations of the Casco Bay Island Transit District and of other providers of passengers or transportation services in Casco Bay which may be affected by such changes.

Section 4. P.&S.L., c. 22, Section 1, as last amended by P.L. 1987, c. 475, is further amended by adding at the end a new sentence to read:

For the purposes of this section, incidental tour and charter service means that the District shall not add capacity to its fleet for the purpose of increasing its ability to offer tours and charters. The District shall limit its capacity for tour and charter service to a single spare vessel. The First Regular Session of the 116th Legislature shall review this definition of incidental tour and charter service and its effects, if any, on the operations of the Casco Bay Island Transit District and of other providers of tour and charter services.

Section 5. P.&S.L., c. 22, Subsection 1 of Section 12, as last amended by P.L. 1987, c. 475, is further amended as follows:

Section 12. Regulation by the Public Utilities Commission.

Nothing in this chapter may be construed to exempt the District from regulation by the Public Utilities Commission. The District shall operate under all the restraint, responsibilities and privileges as have applied to Casco Bay Lines, provided that alterations to rates, rate design and tolls by the District shall go into effect after such public notice as the Public Utilities Commission shall by rule prescribe without further action by the Public Utilities Commission, unless 50 ratepayers request in writing an investigation of the alterations, in which case the investigation shall be conducted as prescribed in the Revised Statutes, ~~Title 35, chapter 15~~ Title 35-A, chapter 13. The District shall hold a public hearing on the proposed alterations at least 14 days in advance of the effective date of the alterations.

Section 6. P.&S.L., c. 22, Section 13 is enacted to read as follows:

Section 13. Ratepayer complaints.

The directors of the District shall, by resolution and after public hearing, adopt a written procedure by which its ratepayers can bring complaints for resolution concerning rates, rate design, tolls, service quality or any other matter that affects the operation of the District. Notwithstanding any provision of Title 35-A, complaints concerning matters mentioned in this section may be brought before the commission only upon written complaint by 50 ratepayers after the District's procedure for resolving ratepayer complaints has been completed. This section is not intended to affect the commission's authority to investigate the District on its own motion under Title 35-A, Section 1303.

STATEMENT OF FACT

This legislation implements the legislative recommendations of the Inter-Agency Study Group pursuant to Public Laws 1987, chapter 475, which directed the Department of Transportation, in cooperation with the Public Utilities Commission and the Public Advocate to undertake a study of ferry service in Casco Bay. It generally provides for a review by the Legislature of these changes during the 116th session, four years hence.