

MAINE STATE FERRY SERVICE

BUSINESS PLAN

Options for the Future

April 29, 2010

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Executive Summary

The Maine State Ferry Service (MSFS) provides a vital link between the mainland and the island communities of Islesboro, North Haven, Swans Island, Vinalhaven, Frenchboro and Matinicus. MaineDOT is committed to operating a safe and reliable service that links the island communities to the mainland. MaineDOT is also concerned about the impacts of rising fares, surcharges and fees on island residents, and is committed to working closely with the Ferry Service Advisory Board to develop alternatives to rate increases.

Maine Department of Transportation (MaineDOT) owns, operates and maintains the ferries and the associated infrastructure including transfer bridges, terminal buildings and crew quarters. MaineDOT also employs all MSFS personnel. By law, at least 50% of the costs of operating the Ferry Service must come from its users. The role of the Ferry Service Advisory Board is to advise the Department on Ferry Service issues and ensure communication between MaineDOT and the island communities.

Since 2005, the costs of operating the Ferry Service have increased substantially, resulting in annual double-digit rate increases. The last increase was a surcharge that went into effect on July 1, 2009. The Ferry Service Advisory Board recommended the surcharge as a temporary increase that could be eliminated by cost savings and/or revenue enhancements identified in the Business Plan.

Operating costs are projected to continue to increase over the next five years. Unless there are significant cuts (\$300,000 to \$500,000 annually) and/or additional revenues from other sources, the surcharge will become permanent and additional fare and parking fee increases will likely be needed by July 1, 2011.

To begin addressing rising costs and funding needs, MaineDOT has undertaken minor service adjustments such as eliminating under-utilized trips and slowing ferry speeds. At this time, there is little support from the stakeholders for major cost-cutting or revenue enhancement options other than reducing homeland security costs and making crew scheduling changes. All of the major, remaining options would mean some degree of change to the services.

This Business Plan was prepared over a period of two years with a great deal of input from the Ferry Service Advisory Board members and the general public at numerous meetings and hearings. The purpose of the Plan was to identify cost-cutting and revenue-enhancing alternatives to rate increases. Originally intended to be a one-year effort, the time frame expanded to two years to allow more time to analyze various alternatives and to allow island communities to consider and comment on these alternatives. MaineDOT envisions that this Plan will provide a menu of options that MaineDOT and the Advisory Board can consider for improving the Ferry Service and meeting financial obligations.

Business Plan highlights include:

- **Rising Operating Costs:** The Maine State Ferry Service's (MSFS) operating costs have grown from \$6.3 million in FY 2005 to \$8.6 million in FY 2009, and are expected to increase to \$9.2 million in FY 2010. This is an increase of over \$500,000 annually since FY 2005. See Section 3 for more detail.

- **Additional Maintenance and Capital Costs.** Each year, MaineDOT invests in maintenance and capital needs (over \$3 million annually since FY 2007; over \$7 million in FY 2008). See Section 3.
- **Future Fare Increases:** In the absence of significant cost cutting or substantial revenue enhancement, future fare increases of 10% or more are likely, beginning on July 1, 2011. See Section 3 for a discussion of hypothetical 10% yearly fare hikes, and Section 6 for a discussion of fare increase options.
- **Cost Cutting and Revenue Enhancement Options:** There are a number of cost-cutting and revenue enhancement steps that can be taken, as outlined in Section 5. There are five major cost-cutting options with annual savings of \$100,000±, and one (closing island terminals) with annual savings up to \$800,000.
- **Needed Actions.** The MaineDOT estimates that it will have to implement many of the major cost-cutting options, as well as rely on major revenue enhancements, to minimize fare and parking fee increases.
- **Municipal Contributions.** Municipal contributions constitute a potential source of new revenue, and would have a minor impact on each \$100,000 of assessed value (see Appendix A).
- **Comparison to Other Systems.** The passenger fares charged by the Maine State Ferry Service are generally lower than those of other systems; the vehicle fares are substantially less (see Appendix B).
- **Island Financial Management Priorities.** This Business Plan contains island-by-island ratings of the financial management options for ensuring the long-range viability of the Ferry Service (see Appendix C).

1. Introduction

Purpose of Business Plan

The purpose of this Business Plan is to identify cost savings and/or new sources of revenue for the Maine State Ferry Service which, if implemented, will minimize the need for fare or parking increases over the next five years, and to plan long-term for meeting future Ferry Service needs.

MaineDOT's Ferry Service Commitment

MaineDOT is committed to operating and maintaining, within the limits of available resources and in accordance with all applicable laws and regulations, safe, reliable, efficient and sustainable transportation of people, vehicles, goods and services to and from the islands served by the Maine State Ferry Service.

Public Participation

MaineDOT actively solicited public input in the preparation of this Plan. The Department developed the Plan with input from the Ferry Service Advisory Board and island residents. Public participation included:

- **Kick-off Meeting** - May 20, 2008: MaineDOT held a Business Plan kick-off meeting with the Ferry Service Advisory Board, selectmen, legislators, and members of the public. MaineDOT staff explained the purpose of the Business Plan and solicited comments and suggestions from the people in attendance.
- **Island Meetings:** MaineDOT offered all six island communities the opportunity to hold a public meeting on-island and held public meetings on four islands during the summer of 2008. In general, island residents expressed support for the Ferry Service, stated their concerns over rising fares, and offered suggestions for better management of the Ferry Service. The following meetings were held:

Swan's Island - July 22, 2008
North Haven – August 13, 2008
Frenchboro – August 14, 2008
Vinalhaven – August 25, 2008
- **Advisory Board Meeting** - March 5, 2009: MaineDOT met with the Ferry Service Advisory Board to review an initial draft of cost-cutting and revenue enhancement ideas.
- **Workshop** - June 3, 2009: MaineDOT held a workshop with the Ferry Service Advisory Board and members of the public to review a revised draft of cost-cutting and revenue enhancement options.
- **Workshop** - June 26, 2009: MaineDOT held a workshop with the Ferry Service Advisory Board and members of the public to review financial management options and ideas generated by island residents.

- **Advisory Board Meeting** - July 9, 2009: MaineDOT met with the Ferry Service Advisory Board to review and consider island comments as well as draft sections of the Plan.
- **Advisory Board Meeting** - September 10, 2009: MaineDOT met with the Ferry Service Advisory Board and members of the public to review a first draft of the Plan and a draft Business Plan questionnaire designed to gauge the degree of support for or opposition to each of the Plan's financial management options.
- **Island Rating of Maine State Ferry Service Business Plan Options** - September 10 through mid-October, 2009: Members of the Ferry Service Advisory Board completed and returned a revised Business Plan questionnaire, based on public input from their respective islands.

Note: The Business Plan has been on the agenda and has been discussed at every Advisory Board meeting since work on the Plan began.

2. Overview of the Maine State Ferry Service

Overview

The Maine State Ferry Service (MSFS) is a part of the Bureau of Maintenance and Operations within the Maine Department of Transportation (MaineDOT). The Ferry Service maintains a vital link between the mainland and six island communities. Daily service is provided to Vinalhaven, North Haven, Islesboro, and Swan’s Island. Semi-weekly service (three round trips per week) is provided to Frenchboro; there are approximately 30 trips annually to Matinicus. The MSFS is the primary means of transportation for these Maine Islands, providing safe and reliable transportation year-round for people, vehicles, goods and services.

Ferries

The Ferry Service maintains a fleet of seven ferries ranging in age from the seventeen year old *Captain Neal Burgess (1993)* to the fifty-one year old *North Haven (1959)*. While the ferries are well maintained, almost half of the MSFS fleet is at or nearing the end of its useful service lives (three ferries more than 40 years of age). Four ferries are berthed at the islands overnight (one each at Vinalhaven, North Haven, Islesboro and Swan’s Island). One island (Vinalhaven) has two ferries assigned for daily service due to volume of traffic. Vinalhaven has one ferry based at the island, and one in Rockland. Key characteristics of the ferry fleet are summarized in Table 2.1.

Ferry	Year Constructed	Length in Feet	Service
North Haven	1959	90	Matinicus
Everett Libby	1960	105	Matinicus, Spare
Governor Curtis	1968	130	Vinalhaven
Margaret Chase Smith	1987	166	Islesboro
Capt. Henry Lee	1992	130	Swan’s Island, Frenchboro
Capt. Charles Philbrook	1993	130	Vinalhaven
Capt. Neal Burgess	1993	130	North Haven

Terminals

The MSFS operates seven ferry terminals with associated infrastructure at three mainland locations (Rockland, Lincolnville and Bass Harbor) and four island locations (Vinalhaven, North Haven, Islesboro and Swan’s Island). All locations are equipped with transfer bridges which act as the interface between ship and shore.

Rockland Office Staff

The main offices for the MSFS are located at the Ferry Terminal Building in Rockland. The six-member management team includes the Manager, the Port Engineer, the Port Captain, the Warehouse Supervisor, the Office Supervisor, and the Transportation Planning Analyst.

Ferry Crews

The Ferry Service employs about 63 full time and intermittent ferry crew employees. Each ferry has two alternating crews that work seven day rotations. The crews work a 10 to 12 hour day for seven consecutive days, then have seven days off. Vinalhaven, North Haven, Islesboro and Swan's Island have their designated ferry berthed at the island at night. These crew members are either island residents who go home at night, or are mainland residents who reside in the MSFS crew quarters while off duty. The crew members of the Rockland-based Vinalhaven ferry (the Governor Curtis) are all mainland residents who go home at night.

All ferries except the Margaret Chase Smith have a crew of four: a Captain, an Engineer, and two Able Seamen. The crew of the Margaret Chase Smith has one additional crew member: an Ordinary Seaman. These manning levels are mandated by the U.S. Coast Guard. The MSFS also employs a relief crew for vacation/sick relief for the regular crews. The relief crew is based in Rockland and works under the direction of the Port Captain.

Terminal Agents

The Ferry Service also employs a total of about 36 full time, part time, seasonal and intermittent terminal agents. Nine additional agents were added in 2005 to assist the Ferry Service in complying with the requirements of the Maritime Transportation Security Act of 2002. The MSFS now has two terminal agents on duty during all periods of operations. One agent performs operational, customer service functions, and one performs security functions.

Advisory Board

The Maine State Legislature created the Ferry Service Advisory Board in 1958. The Advisory Board advises MaineDOT on matters relating to the MSFS and submits recommendations for change to the service and makes comments on the present and future needs of that service to the Commissioner of Transportation. The Board is comprised of one primary member and one alternate member from each island the MSFS serves. In addition, the Board has a primary member from each mainland locale in which the MSFS operates. The Advisory Board convenes on a bi-monthly basis in Rockland.

Service Levels

The annual operating budget is approximately \$9 million in FY10. In FY09 the MSFS safely transported:

188,037 vehicles (cars, trucks, motorcycles)
527,948 passengers
5,931 bicycles

Crossing Distances and Times

The Maine State Ferry Service website lists the following distances and crossing times for the islands it serves:

Islesboro:	3 miles, 20 minutes
Swan's Island:	6 miles, 40 minutes
Frenchboro:	8.25 miles, 50 minutes
North Haven:	12.5 miles, 1 hour and 10 minutes
Vinalhaven:	15 miles, 1 hour and 15 minutes
Matinicus:	23 miles, 2 hours and 15 minutes

Island Population

Table 2.2 provides a summary of the year-round population served by the MSFS, as reflected in the U.S. Census. If the population estimates are correct, the total island population has increased by 123 people, or 4.7% since the year 2000.

Table 2.2		
Year-Round Population of the Islands Served by the MSFS		
Island	2000 Population	2008 Population Estimate
Islesboro	603	653
North Haven	381	380
Swan's Island	327	303
Vinalhaven	1,235	1,334
Frenchboro	38	41
Matinicus	51	47
Total	2,635	2,758

Source: U.S. Census

There are no known official estimates of summer population levels, but overall ridership increases substantially during that time, in large part due to an influx of summer residents and visitors.

3. The Dilemma of Rising Costs Maine State Ferry Service

Summary of Operating Costs

The costs of operating the Maine State Ferry Service have continued to rise in recent years, resulting in annual fare increases beginning in FY 2006. Fare increases were needed to help generate the revenue needed to pay up to 50% of the anticipated operating costs of the ferry service for the coming year (the other 50% comes from the State's Highway Fund). The FY 2010 increase was in the form of fare surcharges that potentially can be reduced over time if operating costs can be reduced significantly. Unfortunately, if past experience is any indication, operating costs will continue to climb for the foreseeable future.

Customer opposition to each of the fare increases has focused on the financial hardships that increasing fares impose. There is also concern on the islands and within MaineDOT that higher fares can result in a downward spiral under which fewer people ride the ferries because of higher prices, resulting in a need to raise fares even more. Inevitably, public discussions include questions about why costs continue to rise, and why the ferry service can't do a better job of controlling them.

Table 3.1 and the chart on the next page show actual expenditures by major category for the period FY 2005 through FY 2009, as well as budgeted expenditures for FY 2010. Table 3.2 shows the year-to-year rate of cost increases by major category. As can be seen in Table 3.1, the overall costs of operation have grown from \$6.3 million in FY 2005, to \$8.6 million in FY 2009, and are expected to increase to \$9.2 million in FY 2010. The single largest category of operating costs is personal services, accounting for \$4.3 million, or 69% of total costs in FY 2005 and \$5.4 million, or 63% of total costs in FY 2009. Some of the reasons for continually rising costs are summarized on the next page. MaineDOT can affect costs by implementing some of the financial management options outlined in Section 5 of this Business Plan.

The major categories included in Tables 3.1 and 3.2 and the chart include:

Personal Services: This includes all salaries and overhead. The MSFS has limited control over these increases. Personnel costs have increased due to additional personnel needed to meet Homeland Security requirements, reclassifications because of changes in duties and responsibilities, cost increases resulting from collective bargaining, health insurance premium increases and cost increases due to higher overtime expenditures. The FY 2010 budget includes an increase of about 5% (\$300,000) for personal services.

Fuel: This is primarily for operating the ferries. The MSFS has minimal control over fuel cost increases, although it has reduced fuel consumption somewhat by slowing ferries and eliminating runs.

Repairs: This category includes vessel maintenance. Although the MSFS can and does adjust maintenance schedules somewhat, there is minimal control over escalating shipyard repair costs and the fact that an aging fleet needs more frequent and extensive repair work. Repair costs have also risen with increasing US Coast Guard (USCG) mandates including a requirement that each vessel go into the shipyard at least every two to three years, and stricter regulatory enforcement than in prior years.

Other: This includes all other MSFS costs including contracted services, travel/expenses, insurance and utilities.

**Table 3.1
Maine State Ferry Service Operating Costs
FY 2005 – FY 2009
Plus FY 2010 Budget**

Category	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010*
Personal Services	\$4,357,478	\$4,607,422	\$4,805,616	\$5,124,118	\$5,413,121	\$5,700,000
Fuel	\$779,188	\$1,033,724	\$1,178,518	\$1,524,883	\$1,323,493	\$1,345,000
Repairs	\$481,208	\$458,638	\$489,528	\$964,834	\$915,254	\$1,003,000
Other	\$712,963	\$845,544	\$899,133	\$975,938	\$917,610	\$1,122,000
Total	\$6,330,837	\$6,945,328	\$7,372,795	\$8,589,773	\$8,569,478	\$9,170,000

* Budgeted expenses

The following chart shows how these expenses have grown since FY 2005. The chart includes projected expenses for FY 2010.

MSFS Costs in Millions

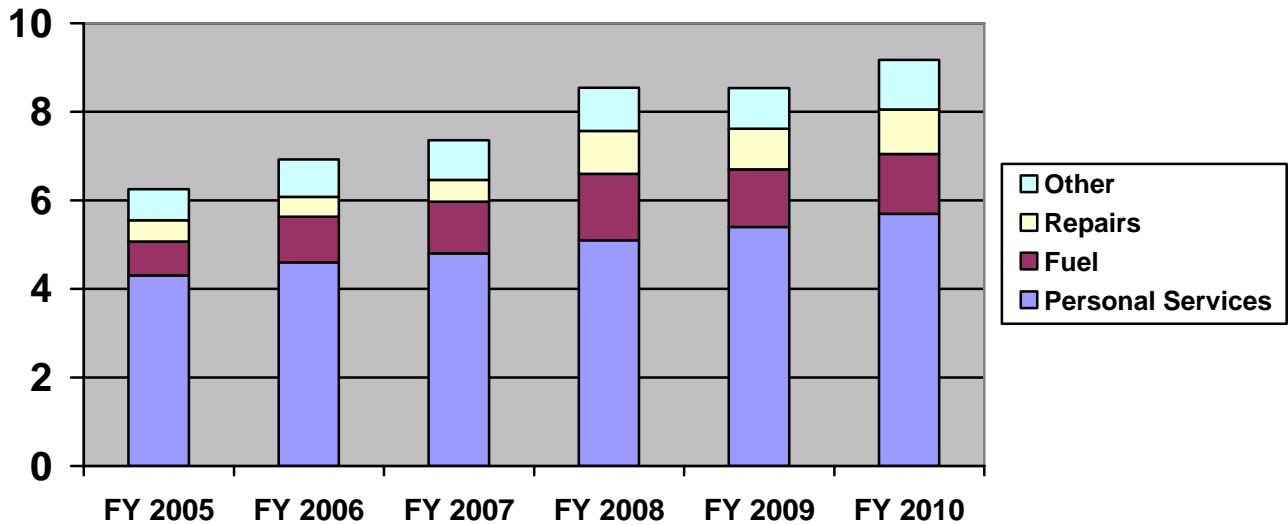


Table 3.2 shows the rate of growth for each major category of operating expenses. For the period FY 2005 through FY 2009, personal services costs grew by \$1.0 million, or 24% (6% per year); fuel increased by \$0.5 million, or 69.9%; the cost of repairs rose by \$0.4 million, or 90.2%; the “other” category grew by \$0.2 million; and the overall costs of operation rose by \$2.2 million or 35.4%. Overall costs have increased by an average of about \$560,000 (8.9%) each year. The budget for FY 2010 contains another \$600,000 to support the operations of the Ferry Service.

Table 3.2
Rate of Cost Increases by Category
Operating Costs FY 2005 – FY 2009

Category	Change FY 05-06		Change FY 06-07		Change FY 07-08		Change FY 08-09		Total Change FY 05-09	
	\$	%	\$	%	\$	%	\$	%	\$	%
Personal Services	249,944	5.7	198,194	4.3	318,502	6.6	289,003	5.6	1,055,643	24.0
Fuel	254,536	32.7	144,794	14.0	346,365	29.4	-201,390	-13.2	544,305	69.9
Repairs	-22,570	-4.7	30,890	6.7	475,306	97.1	-49,580	-5.1	434,046	90.2
Other	132,581	18.6	53,589	6.3	76,805	8.5	-58,328	-6.0	204,647	28.7
Total	614,491	9.7	427,467	6.2	1,216,978	16.5	-20,295	-0.2	2,238,641	35.4

Projected cost increases between FY 2009 and FY 2010 by category, as reflected in the FY 2010 budget, are:

- Personnel costs: \$287,000 or 5.3%
- Fuel: \$21,507 or 1.6%
- Repairs: \$87,746 or 9.6%
- Other: \$204,390 or 22.3% and
- Overall costs: \$600,522, or 7.0%

Asset Maintenance and Capital Costs

In addition to the operating costs outlined above, MaineDOT spends a significant amount of money each year to maintain Ferry Service transfer bridges, piers, roadways, lighting, crew quarters and terminals (most of the regular maintenance of vessels comes out of the operating budget). The goal is to keep up with the maintenance of these facilities and infrastructure so as to reduce the need to respond to emergencies which cost more and negatively impact our customers. MaineDOT also invests a significant amount each year on capital projects. Between FY 2005 and FY 2009, major capital expenditures included refurbishment of the ferry pens at Bass Harbor and Swans Island and an upper parking lot expansion at Bass Harbor, the Rockland pier and transfer bridges, Lincolnville/Islesboro transfer bridges, and the Curtis Replacement vessel. MaineDOT pays for 100% of all maintenance and capital expenditures from various state and federal accounts. Maine has used a combination of sources to support ferry system investments including bonds, funds from the Federal Ferry Boat Discretionary Fund (available to Maine only on a competitive basis), and funds from the Federal Transit Administration. Table 3.3 includes a summary of maintenance and capital costs between FY 2005 and FY 2009, as well as budgeted costs for FY 2010.

Table 3.3
Maine State Ferry Service Maintenance and Capital Costs
FY 2005 – FY 2009
Plus FY 2010 Budget

Category	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010*
Maintenance	\$324,684	\$565,262	\$414,023	\$214,418	\$268,542	\$71,516
Capital	\$174,288	\$410,903	\$2,698,202	\$6,793,278	\$3,698,824	\$3,312,768
Total	\$498,972	\$976,165	\$3,112,225	\$7,007,696	\$3,967,366	\$3,384,284

* Budgeted expenses

Potential Fare Increase with no Significant Cost Cutting or Revenue Enhancement

Based on current revenue and cost estimates, the fare surcharges implemented on July 1, 2009 are expected to provide sufficient revenue for the FY 2010/FY 2011 biennium if ridership levels remain stable. However, in the absence of significant cost-cutting or revenue enhancement during that time period, two scenarios are likely:

- The fare surcharges will remain in effect;
- Additional revenues and/or cost cuts will likely be necessary beginning on July 1, 2011, to cover FY 2012/FY 2013 operating costs.

If no effort is made to implement major cost reductions or secure other, major sources of revenue future fare increases are likely. Tables 3.4 and 3.5 include hypothetical examples of the types of fare increases that could occur beginning July 1, 2011. Table 3.4 shows potential fare increases of 10% for Vinalhaven, North Haven and Swan's Island for an adult round-trip ticket and a vehicle round-trip ticket purchased on the island. Table 3.5 shows similar increases for Islesboro.

Table 3.4
Vinalhaven, North Haven, Swan's Island
Hypothetical Example of 10% Yearly Fare Hike Beginning July 1, 2011

	Existing Fare July 1, 2009	July 1, 2011	July 1, 2012	July 1, 2013	July 1, 2014	July 1, 2015
Adult RT	\$9.75	\$10.75	\$12.00	\$13.25	\$14.50	\$16.00
Veh RT	\$27.25	\$30.00	\$33.00	\$36.25	\$40.00	\$44.00
Total	\$37.00	\$40.75	\$45.00	\$49.50	\$54.50	\$60.00

Table 3.5
Islesboro
Hypothetical Example of 10% Yearly Fare Hike Beginning July 1, 2011

	Existing Fare July 1, 2009	July 1, 2011	July 1, 2012	July 1, 2013	July 1, 2014	July 1, 2015
Adult RT	\$5.50	\$6.00	\$6.50	\$7.00	\$7.75	\$8.50
Veh RT	\$13.75	\$15.00	\$16.50	\$18.00	\$20.00	\$22.00
Total	\$19.25	\$21.00	\$23.00	\$25.00	\$27.75	\$30.50

4. Revenue Sources Maine State Ferry Service

The revenues for operating the Maine State Ferry Service come primarily from fares, parking fees and State contributions. State contributions came primarily from the General Fund through FY 2005, and from the Highway Fund beginning in FY 2006.

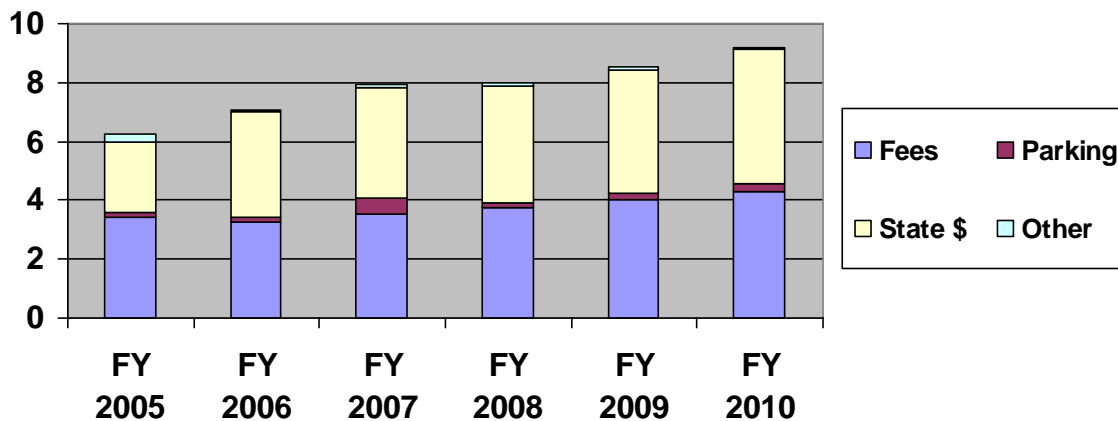
Table 4.1 and the chart that follows show actual revenues by revenue category for the period FY 2005 through FY 2009, as well as budgeted revenues for FY 2010. Table 4.2 shows the year-to-year rate of revenue increases by major category. As can be seen in Table 4.1, revenues from fares have grown from \$3.4 million in FY 2005, to \$4.0 million in FY 2009, while State contributions have grown from \$2.4 million from the General Fund in FY 2005, to \$4.2 million from the Highway fund in FY 2009.

Table 4.1 Maine State Ferry Service Revenues FY 2005 – FY 2009 Plus FY 2010 Budget						
Category	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010**
Fares	\$3,415,775	\$3,246,849	\$3,551,091	\$3,772,707	\$3,998,657	\$4,300,000
Parking Fees	\$178,433	\$159,905	\$152,208	\$145,351	\$232,758	\$240,000
State Contribution	\$2,409,317	\$3,586,503	\$3,754,808	\$3,994,957	\$4,176,635	\$4,600,000
Other*	\$272,742	\$56,528	\$134,423	\$77,455	\$110,721	\$50,000
Total	\$6,276,267	\$7,049,785	\$7,592,530	\$7,990,470	\$8,518,771	\$9,100,000

* Includes interest, federal grants, miscellaneous income and insurance settlement.

** Budgeted revenues

MSFS Revenues in Millions



In FY 2005, fares accounted for 54% of all MSFS revenues, but in FY 2009, this percentage had declined to 47%. Conversely, the State's contribution in FY 2005 was 38% of all MSFS revenues, but was 49% of all revenues in FY 2009.

Table 4.2 shows the rate of revenue increases by major category for the period FY 2005 through FY 2009. During this period, revenues from fares grew by 17.1%; parking fee revenues increased by 30.4%; State revenue contributions grew by 73.3 percent; other revenues declined by 59.4%; and total revenues grew by 35.7%.

Table 4.2
Rate of Revenue Increases by Category
FY 2005 – FY 2009

Category	Change FY 05-06		Change FY 06-07		Change FY 07-08		Change FY 08-09		Total Change FY 05-09	
	\$	%	\$	%	\$	%	\$	%	\$	%
Fares	-168,926	-4.9	304,242	9.4	221,616	6.2	225,950	6.0	582,882	17.1
Parking Fees	-18,528	-10.4	-7,697	-4.8	-6,857	-4.5	87,407	60.1	54,325	30.4
State Contribution	1,177,186	48.9	168,305	4.7	240,149	6.4	181,678	4.5	1,767,318	73.3
Other	-216,214	-79.3	77,895	137.8	-56,968	-42.4	33,266	42.9	-162,021	-59.4
Total	773,518	12.3	542,745	7.7	397,940	5.2	528,301	6.6	2,242,504	35.7

5. Financial Management Options For The Maine State Ferry Service (MSFS)

Each year over the past five years, the Maine State Ferry Service’s operating costs have increased by over \$500,000. Over the next five years, these costs are likely to continue to increase, resulting in additional fare and parking fee increases unless there are significant cuts (\$300,000 to \$500,000 annually) and/or additional revenues from other sources. There are no easy fixes. Minor changes, such as slowing ferry speeds, adjusting fares to increase ridership and offering excursion rates to tourists, will have very little impact on overall revenues and costs. Major cuts and/or major new sources of revenue will have to be in place by July 1, 2011 to avoid possible fare and/or fee increases.

The following is a summary of financial management options for the Maine State Ferry Service. The intent is to identify major actions that may reduce the costs of, or raise revenues for, providing safe, reliable, efficient and sustainable transportation of people, vehicles, goods and services to and from the islands served by the Maine State Ferry Service. The financial management options discussed below are not listed in any priority order, but fall into one of five categories:

- **Major cost-cutting options:** potential cuts of \$100,000 or more;
- **Minor cost-cutting options:** potential cuts less than \$100,000 or unknown;
- **Major revenue enhancement options (other than fare increases):** potential additional revenue of \$100,000 or more;
- **Minor revenue enhancement options:** potential additional revenue less than \$100,000 or unknown;
- **Other:** suggested improvements to system – little or no known financial impact.

Note: Islands comments are verbatim. Initials used to identify comments by island of origin are: S.I. - Swans Island, V - Vinalhaven. N.H. - North Haven and I - Islesboro.

MAJOR COST-CUTTING OPTIONS

Major Cost-Cutting Option	Perspectives/Comments
<p>1. Homeland Security Costs. Consider revising the State-written security plan to provide the necessary security at less cost.</p> <p>Potential annual savings: \$50,000 - 100,000+</p>	<p>State Comment: The State wrote its own security plan which was approved by the US Coast Guard and resulted in nine (9) additional MSFS positions, costing \$450,000 - \$500,000/year, plus the costs of maintaining security cameras and contracting with a private security firm. Re-writing the plan, and obtaining Coast Guard concurrence, would take time, but could yield considerable savings.</p> <p>This would require ferry schedules to be adjusted to allow more time for ferry crew to perform the screening. If island terminals are closed, some of the work now performed by terminal agents or island line attendants would have to be done by the crews.</p> <p><u>Issue 1: How will this affect service?</u> Boarding time on islands would likely be increased by five minutes to 20 minutes. This may require some schedule adjustments.</p>

Major Cost-Cutting Option	Perspectives/Comments
	<p data-bbox="565 233 1414 373"><u>Issue 2: What are the risks?</u> At higher federal security alert-levels, MaineDOT may have to incur additional costs to comply with Homeland Security requirements. There needs to be a contingency plan.</p> <p data-bbox="565 415 797 447">Island Comment:</p> <ul data-bbox="565 457 1349 604" style="list-style-type: none"> <li data-bbox="565 457 797 489">• General support <li data-bbox="565 499 1040 531">• Strive to minimize schedule impact <li data-bbox="565 541 959 573">• V, no problem (30 min now) <li data-bbox="565 583 1349 615">• NH, SI (trucks) – more than 5 minutes would be a problem
<p data-bbox="167 646 516 751">2. Crew scheduling. Consider options for better utilization of crews.</p> <p data-bbox="167 793 516 898">Potential annual savings: 2 full-time equivalents or \$100,000±</p>	<p data-bbox="565 646 1463 825">State Comment: Currently, one crew is assigned to a specific boat for a 7-day period. This makes sense from an administrative standpoint, but there may be more efficient ways to schedule crews and reduce overtime costs. This would require more study by MaineDOT, possibly including a review of historical crew scheduling practices.</p> <p data-bbox="565 867 1463 930">There may be a need to condense schedules some to maximize savings and efficiency.</p> <p data-bbox="565 972 1463 1339">Currently, it requires about 88,000 hours of operation to run the ferry system – the Ferry Service has two more people than it would need if it operated at 100% peak efficiency. One approach would be to have a primary crew work 8 days in a 2-week period, then use floating crews to fill in for the remaining 6 days. Floating crews would work more than one boat. This would probably require more staff time to administer - up to ½ FTE. Current change-out days are either Monday or Tuesday. The new system might have a Sunday change out day with the primary crew leaving Sunday a.m. after 4 hours, and the new crew coming in later Sunday for four hours of work, leaving a mid-day gap.</p> <p data-bbox="565 1381 1463 1591"><u>Issue: What are the potential downsides?</u> MSFS’ administrative burden would increase. Crew attrition may increase; some people may resent being on a floating crew, having to move around to different vessels, and not having a permanent island assignment. It may be difficult to fill these jobs. Employee grievances may increase. Travel and expense costs may also increase.</p> <p data-bbox="565 1633 797 1665">Island Comment:</p> <ul data-bbox="565 1675 1398 1780" style="list-style-type: none"> <li data-bbox="565 1675 797 1707">• Need more info <li data-bbox="565 1717 1398 1780">• S.I. – A mid-day gap would leave the islands vulnerable in the event of a medical emergency.

Major Cost-Cutting Option	Perspectives/Comments
<p>3. Island terminals. Consider reducing island terminal costs.</p> <p>Potential annual savings: Up to \$800,000</p>	<p>State Comment: There are 12.77 full-time equivalent island terminal staff, costing an average of at least \$54,000 (salaries and overhead) for a total of \$690,000. The non-personnel terminal costs in FY 2007 amounted to \$112,000, for a total of about \$802,000. In addition, there were over 300 hours of overtime generated by island terminal personnel in the past year. The State does not have a vested interest in maintaining island terminals; they are not absolutely essential to operation of the ferry system. Options for reducing costs include:</p> <ol style="list-style-type: none"> a. <u>Cost-sharing</u> the operation of the terminals with local government b. <u>Reducing the operation</u> of the terminals to a part-time and/or seasonal basis (for example, during the winter months) c. <u>Closing</u> the island terminals. <p>Ticket sales for options b. or c. could be handled through ticket vending machines, which are very expensive, or block sale of tickets to the respective town offices. There could be a central 1-800 number for reservations; crews would have computerized access to the reservation information. During the winter months, a single fare with all tickets sold on the mainland could be implemented.</p> <p>Closing island terminals is the single biggest cut that can be made without significantly affecting the transport of people and goods to and from the islands, but there are several issues besides island opposition that will need to be addressed:</p> <p><u>Issue 1: What to do with the ferry terminals?</u></p> <p><u>Option a:</u> lease the terminals to the islands for their use if they are interested</p> <p><u>Option b:</u> lease the buildings to a third party for other uses, thereby retaining the option for future state use</p> <p><u>Option c:</u> sell the buildings</p> <p><u>Issue 2: How to sell tickets to islanders at the island rate?</u> Require that all tickets be purchased at mainland terminals with a means of identifying who is an island resident (such as a driver's license or other form of identification issued by each island). There is a question about whether MaineDOT can legally do this.</p> <p><u>Issue 3: How will Homeland Security requirements be met?</u> MaineDOT would have to revise the Homeland Security Plan (work is already underway on this) to have crews do more of the checking.</p> <p>Island Comment:</p> <ul style="list-style-type: none"> • Line up and reservation procedures – possibility for extraordinary chaos

Major Cost-Cutting Option	Perspectives/Comments
	<ul style="list-style-type: none"> • Handicapped access to facilities • Can cost be reduced with out closing? • Should study Grand Manan • Every thing you do that reduces service or makes it more difficult to use can affect long term viability. • Vinalhaven would not want the terminal to close; the town would want to choose whether or not to pick up the cost • Need to analyze impacts associated with elimination of mainland terminals as well • Islesboro: This should be considered on a case-by-case, island-by-island basis • Islesboro: Islands have a vested interest in the terminals and consider them essential to the operation of the system.
<p>4. Mainland terminals at Lincolnville and Bass Harbor. Consider closing mainland terminals at Lincolnville and Bass Harbor.</p> <p>Potential annual savings: \$200,000 - \$400,000±</p>	<p>State Comment:</p> <p><u>Issue 1: There would have to be another system for selling tickets to mainland travelers.</u> MaineDOT would have to invest in new technology (such as ticket vending machines), sell tickets on the boat, or sell round-trip tickets on the islands. Such investments are too large for the operating budget, but are too small to be considered capital investments.</p> <p><u>Issue 2: There would have to be a new system for selling tickets to Frenchboro travelers because the island does not have a terminal.</u> One option would be to sell tickets on the boat; another would be investing in ticket vending machines.</p> <p>Island Comment: Ticket sales could be handled by vending machines. There has been no discussion of spending money to achieve efficiencies. Perhaps we could tell the public that the surcharge is in effect for three years to pay for the technology that's needed to reduce costs.</p>
<p>5. Mainland base for ferries. Consider basing the Swan's Island ferry at Bass Harbor and, after the North Haven ferry is sold, consider basing North Haven's ferry, the Burgess, at Rockland.</p> <p>Potential annual savings: \$100,000 ±</p>	<p>State Comment: The per diem and crew quarter costs for Swan's Island and North Haven are about \$100,000.</p> <p>Changing to a mainland base of operations would require that options for dealing with medical emergencies be identified for Swan's Island and North Haven.</p> <p><u>Issue 1: Loss of stand-by emergency transportation.</u> There has been a long tradition of island-based crew availability (at no cost to the islands) for medical emergency transportation. Islanders strongly oppose this option. North Haven and Swan's Island would have to purchase their own boats or make other arrangements for medical emergencies.</p>

Major Cost-Cutting Option	Perspectives/Comments
	<p><u>Issue 2: Crew members, some of whom live far away, would have to commute to the mainland terminal.</u> This may cause ferry departure delays, especially in bad weather. A long commute would add several hours to some crew members' 12-hour days, potentially resulting in diminished alertness. The Ferry Service could grandfather existing employees by leasing a house in Rockland for crew quarters. New employees could be told they will have to find their own housing.</p> <p>Island Comment:</p> <ul style="list-style-type: none"> • Medical evacuation. Would take 2.5 hours if performed by the ferry leaving from mainland (NH) • Crew commutes – may be delays getting started during adverse weather conditions • 1st trip of day is later – working day on mainland would be impossible • High school kids – would affect schooling • NH – completely unacceptable – lethal to island economy- medical is critical • Grandfathering current employees might be an option (provide mainland housing for current employees, but not new employees) • Would take jobs from island contractors • Would reduce time that islanders could spend on the mainland
<p>6. Vinalhaven Ferry. Consider serving Vinalhaven with one ferry when the new, larger ferry comes on line.</p> <p>Potential annual savings: \$300,000±</p>	<p>State Comment: One larger, faster ferry could serve Vinalhaven with four round trips/day using a single crew within a 12-hour period. Currently, the island is served by two ferries, each of which makes three round trips daily. Using one ferry would eliminate two crews, reduce the need for daily use of one boat, and save fuel. Or, one crew could be reduced to seasonal status. It would be hard to complete four trips in bad weather.</p> <p><u>Issue: What are the potential downsides?</u> Crew attrition. It may be difficult to find crew members who are willing to work on a seasonal basis. Another concern is that there would be a significant loss of capacity and lower revenue.</p> <p>Island Comment:</p> <ul style="list-style-type: none"> • Vinalhaven concerned – “huge reduction in service” “already more underserved than every other island” “problem meeting the trucking need” “tough to sell” “ • Could a single vessel be supplemented by occasional truck runs – perhaps by Governor Curtis?

MINOR COST-CUTTING OPTIONS

Minor Cost-Cutting Option	Perspectives/Comments
<p>7. Rockland office staff. Consider reducing staff in Rockland where such reductions could be achieved without negatively impacting service. Alternatively, hire a staff person with marketing skills when one or more staff vacancies arise.</p> <p>Potential annual savings: \$0 to \$50,000</p>	<p>State Comment: There really isn't an excess of staff.</p> <p><u>Issue: Staff cuts may not be advisable if MaineDOT implements other cuts (such as closing island terminals and implementing crew scheduling changes) that increase administrative burdens.</u> The best course of action may be to postpone action until other cuts are made to better determine long-range administrative needs at the Rockland terminal.</p> <p>Island Comment: Why not make staff cuts?</p>
<p>8. Run reductions. Consider reducing the number of scheduled runs.</p> <p>Potential annual savings: \$25,000+</p>	<p>State Comment: Cost savings can be achieved in conjunction with crew scheduling changes. Run reductions could be considered for:</p> <ul style="list-style-type: none"> • Periods of slack demand • One or two days/week • Half-days • Crew changes (old crew leaves after first a.m. run, new crew arrives for last run). <p>Eliminating a run saves fuel, but not personnel costs. To increase savings, run reductions would have to be accompanied by schedule changes.</p> <p>Island Comment:</p> <ul style="list-style-type: none"> • More viable in 'off season' • Don't want to lose revenue 'in season' • Don't want a shorter day
<p>9. Matinicus service. Consider subcontracting service to Matinicus.</p> <p>Potential annual savings: \$50,000±</p>	<p>State Comment:</p> <p><u>Issue: MaineDOT will eventually have to buy another ferry to serve Matinicus.</u> In the long run, privatization would eliminate the need to purchase and maintain another boat. MSFS recommends selling the North Haven now, and serving Matinicus with the Libby. When the Libby is being repaired, and when it approaches the end of its service life, it makes sense to contract with a private carrier. Subcontracting would cost about \$72,000 annually. The yearly cost of vessel maintenance, man-hours (including overtime) and insurance exceeds \$72,000.</p> <p>Alternatives to privatization include purchasing a small boat or relocating the transfer bridge on Matinicus to accommodate larger</p>

Minor Cost-Cutting Option	Perspectives/Comments
	<p>ferries already in the fleet. The Ferry Service would like to avoid building a small vessel needed to serve Matinicus.</p> <p>Island Comment:</p> <ul style="list-style-type: none"> • Long term viability is a concern – will subcontracting costs skyrocket? • Size of pen is limits the size of vessel that can serve Matinicus • Matinicus – not a problem as long as we get service
<p>10. Frenchboro service. Consider using a MSFS vessel, rather than a private vessel, to provide the passenger-only service.</p> <p>Potential annual savings: \$20,000±</p>	<p>State Comment: The MSFS may be able to provide this service more cheaply using the Henry Lee, especially if service to Swan’s can be accommodated during the same trip.</p> <p><u>Issue: This would save money, but would cut into the service Swan’s Island now receives.</u> There would be a need to work with Swan’s Island to reach an agreement on the necessary schedule changes.</p> <p>Island Comment:</p> <ul style="list-style-type: none"> • Don’t like it – can of worms – complexities loading and unloading on joint trips (Swans) • Time factor – 2 hour trip? • “Would totally devastate Swans’ schedule”
<p>11. Subcontracting costs. Consider options for reducing subcontracting costs.</p> <p>Potential annual savings: \$20,000±</p>	<p>State Comment:</p> <p><u>Issue: MaineDOT contracts for some services that could be performed by crew members or the municipalities served by the MSFS.</u></p> <p>There may be opportunities for crews to take on some duties now handled by contractors. There may be some equipment purchase costs. Some work now being done by subcontractors, such as cutting grass, could be done by crews.</p> <p>Some services such as trash removal and snow plowing could be undertaken by the towns.</p> <p>Island Comment:</p> <ul style="list-style-type: none"> • Town can pick up the plowing (SI, NH) • NH lights burn 24 hours
<p>12. Privatization. Consider privatizing the operation of portions of the system, when such privatization can result in significant cost savings. Potential annual savings: Unknown</p>	<p>State Comment: Privatization could begin with Matinicus, but could include other parts of the system as warranted. Perhaps truck traffic could be pulled off the system to be handled by the private sector.</p>

MAJOR REVENUE ENHANCEMENT OPTIONS

Major Revenue Option	Perspectives/Comments
<p>1. Additional State Financial Support. Provide additional State financial support for the operation of the ferry system.</p> <p>Potential additional revenue: \$100,000+</p>	<p>State Comment: The State of Maine already provides substantial financial support for the MSFS. This support includes:</p> <ul style="list-style-type: none"> • Capital Investments. Responsibility for all capital investments including new ferries, transfer bridges, terminal buildings, piers and other infrastructure. Maine has used a combination of sources to support ferry system investments including bonds, funds from the Federal Ferry System Discretionary Fund (available to Maine only on a competitive basis, and only for small amounts of money), and funds from the Federal Transit administration. During FY 2009, Maine received approximately \$8 million in Federal stimulus money to support rural transit systems. Ordinarily, FTA capital funds would be used to replace aging vehicles used by rural transit providers, but the FY 2009 stimulus money was instead directed to support the construction of a new ferry for the MSFS. • Operating Support. Responsibility for up to 50% of the operating costs of the ferry service. Currently, this support is provided from the Maine Highway Fund. In recent years, despite shortfalls in the Highway Fund, allocations to the ferry service have increased. <p>Given significant budget challenges facing the State, it seems unlikely that the Legislature would be able or willing to increase existing levels of support at this time. Opportunities for future funds may include reimbursement for social services such as transporting students or patients.</p> <p>Island Comment: Look at this option again in 3 years.</p>
<p>2. Additional Federal Financial Support. Maximize opportunities to use federal funds for the operation of the ferry service.</p> <p>Potential additional revenue: \$100,000+</p>	<p>State Comment: The Maine Department of Transportation will continue to be proactive in its pursuit of federal funds to help support the ferry service. The most recent infusion of federal funds included \$8 million of federal stimulus money to support the construction of a new ferry.</p> <p>All parties need to continue efforts to include Maine under the federal Ferry Discretionary fund so that Maine can be assured of a dependable source of federal funds for the MSFS. Currently, Maine has to apply annually for limited funds which are highly competitive. Islands could lobby for Maine to receive a fixed amount every year.</p> <p><u>Issue: One option for MSFS funding is the federal Section 5311 program that provides support to rural transit systems throughout Maine. However:</u></p>

Major Revenue Option	Perspectives/Comments
	<ul style="list-style-type: none"> • The total transit allocation to Maine’s non-urbanized transit systems is small (\$3.4 million), and there currently are quite a few recipients (14). MSFS funding would reduce the potential support for other transit systems. • State financial support for all other rural transit systems is currently about \$0.5 million annually; it hasn’t grown in recent years. This is about 1/9 of what the MSFS receives annually in State financial support. The argument against 5311 funding for MSFS is that MaineDOT already provides a \$4 million contribution through the Highway Fund. • Section 5311 requires a local match.
<p>3. Municipal Financial Support for operations. Provide municipal financial support for ferry system functions/services that are not necessary from the standpoint of providing efficient, reliable and affordable transportation, but that are deemed essential from an island perspective.</p> <p>Potential additional revenue: \$100,000 to \$1,000,000</p>	<p>State Comment: The three functions/services that are not absolutely necessary from a State perspective, but which are supported by State dollars and fares are:</p> <ul style="list-style-type: none"> • <u>Island terminals.</u> There are other, much less expensive options for selling tickets to islanders. A reduction in the hours of operation or the elimination of island terminals altogether would require revisions to the State’s homeland security plan, and alternative arrangements for keeping order on some islands. • <u>Crew quarters.</u> These are not needed where there are opportunities for basing ferries on the mainland. Crew quarters help ensure crew availability for the first run and emergencies, but they also impose costs on the system. <p><u>Issue 1: Municipal contributions are voluntary. Islanders would likely want to tie their contribution to a direct benefit such as retaining an island terminal or island crew quarters, avoiding a fare increase, or eliminating the surcharge.</u></p> <p><u>Issue 2: Virtually all transit systems in Maine receiving state/federal financial support are also supported in part by municipal contributions.</u> The Business Plan contains several options for apportioning a municipal contribution among the islands, but there currently is no island incentive to provide support.</p> <p>Island Comment: How would it be calculated? Perhaps a formula that includes:</p> <ul style="list-style-type: none"> • Valuation • Population • Ridership • Other?

Major Revenue Option	Perspectives/Comments
<p>4. Municipal Financial Support for capital investments. Consider establishing a municipal capital reserve account that could be used to help offset the costs of one or more new ferries.</p> <p>Potential additional revenue: \$100,000+</p>	<p>State Comment: Finding sufficient money for a new ferry is always a challenge, but more so when the State is facing severe funding shortfalls. Federal Transit Administration funds (which were used in FY 2009 to support the purchase of a new ferry) are not a long term solution because the capital needs of the State’s rural transportation providers are so great.</p>
<p>5. Non-resident island ticket purchase. Consider options for limiting the purchase of island tickets to island residents.</p> <p>Potential annual savings: \$100,000+</p>	<p>State Comment: Currently, 80% of the Ferry System’s tickets are purchased on the islands. Summer residents are able to purchase an initial ticket on the mainland, then buy the rest of the tickets they need on the islands. This has a negative impact on fare revenues. Options for limiting island-priced tickets to residents include:</p> <ul style="list-style-type: none"> • Bulk purchase of tickets by towns and sale at appropriate prices to residents and visitors through the town office • Bulk purchase of tickets by towns, town sale at uniform prices, town rebate to residents through municipal appropriation <p>This option could be combined with island terminal closures, operation of island terminals by towns, or operation of terminals on a part-time or seasonal basis. It can be implemented to address the financial impact of having 80% of ticket sales at island-originated prices. If challenged this option may be found not viable, but other systems have used similar approaches.</p> <p>Island Comment: Make sure the question of legality of ticket sales is fully addressed (island/mainland in-state/out of state).</p>

MINOR REVENUE ENHANCEMENT OPTIONS

Minor Revenue Option	Perspectives/Comments
<p>6. Emergency and other runs. Consider municipal financial support for emergency ferry runs.</p> <p>Potential annual revenue: \$40,000 ± Consider raising MSFS special trip rates (presently \$677)</p>	<p>State Comment:</p> <p><u>Issue: MaineDOT is providing free emergency services to four of the islands that have on-island crew quarters.</u> The total cost of an emergency run is about \$137/hour, with minimum of 6 hours of crew pay, for a total of \$822 per run. There are roughly 35 – 40 runs per year, for an annual cost to the MSFS of about \$40,000, plus overtime costs on certain runs or the use of a fresh crew next day.</p> <p>This tariff change was recommended by the Advisory Board and was approved by the MaineDOT Commissioner on January 13, 2010. It will take effect on July 1, 2011.</p> <p>Island Comment:</p> <ul style="list-style-type: none"> • Send us a bill • Easy one • Changes should be coordinated with town budget processes
<p>7. Marketing and Promotion to increase ridership. Form a State/local committee or team for the purpose of marketing and promoting passenger use of the ferry service.</p> <p>Potential additional revenue: \$25,000+</p>	<p>State Comment: There may be opportunities for increasing ridership through a comprehensive marketing and promotion program. Currently, very little is being done to encourage tourists to use the ferries. Other ferry systems have undertaken similar efforts.</p> <p>Prior to undertaking any marketing and promotion, there needs to be a clear understanding of whether or not islanders want more visitors. Some islands may want to encourage tourism, but others may not. Marketing and promotion may have to be island-specific.</p> <p>Low-cost efforts could include:</p> <ul style="list-style-type: none"> • A brochure describing the ferry service and suggesting an itinerary for each island; • Working with Maine Tourism officials to encourage island visits; • Developing a more complete and user-friendly web site; • Stocking each ferry with maps, brochures, and pamphlets describing each island. <p>Since space for vehicles is at a premium during the tourist season, efforts should focus on island destinations that can be reached by foot or bicycle.</p> <p>MaineDOT does not have a staff person whose time could be devoted to marketing and promotion. However, assuming there have been no</p>

Minor Revenue Option	Perspectives/Comments
	<p>cuts to Rockland terminal staff, when one or more staff openings occur, a person with marketing expertise could be hired. A successful marketing and promotional effort would require a joint, cooperative effort of the MSFS and island residents.</p> <p>Currently, MaineDOT can provide some assistance, such as improving the MSFS website and working collaboratively with island residents. MSFS staff could contribute (e.g. distribute ferry schedules to local businesses).</p> <p>Island Comment:</p> <p>NH - More significant revenue generation might occur via joint marketing and sales efforts with both mainland and island-based businesses. Questions include:</p> <ul style="list-style-type: none"> • Would mainland hotels, B&Bs, and restaurants be willing to act as sales agents for ferry tickets? During the summer season, this might capture customers who would not ordinarily think about a day trip to the islands. Perhaps tickets could be sold in bulk to these organizations, leaving them to price tickets according to how they want to market their business. • Similarly, would there be island-based organizations interested in offering discounts to customers if they present a ferry ticket, with some portion of the discount “cost” shared with the ferry service? • Could package deals entice more island-based trips? For example, suppose a ferry ticket included two taxi trips within Rockland or, as noted previously, a shuttle bus from Lincolnville Beach to Camden or Rockland. • How about other kinds of packages (e.g., boxed lunches prepared by a mainland restaurant or take-out place near the terminal, a museum-like tape-recorded tour that’s coordinated with the ferry route)? • Need 4 taskforces • Need to get the resources to make progress on these initiatives • Need a mechanism that helps ensure progress <p>Aside from fare box shock, what else makes a customer cancel, postpone or consolidate a trip?</p> <ul style="list-style-type: none"> • Lack of a reservation (see island perspective under #3, below) • Difficulty in bringing groceries, building materials and other purchases back from the mainland. <u>Solutions:</u> <ul style="list-style-type: none"> ○ Provide wheeled pull-along grocery carts, similar to luggage carts in airport baggage claim areas, as well as a “parking space” on the boat for them; ○ Provide a shuttle service between boats and standard destinations such as supermarkets and medical facilities • Winter month travel is often unpredictable and uncomfortable. <u>Solutions:</u> <ul style="list-style-type: none"> ○ Add web-based access to updates on status and possible

Minor Revenue Option	Perspectives/Comments
	<p>cancellations (limited, but timely telephone reports are available now, which perhaps do not comply with ADA requirements for equal access)</p> <ul style="list-style-type: none"> ○ Invest in some amenities such as more comfortable seating, sound insulation and better temperature control ○ Increase the number of reservations and lower the reservation price drastically
<p>8. Excursion tickets. Explore the possibility of selling excursion tickets that would allow people to ride the ferry to one or more islands and back without getting off the ferry.</p> <p>Potential additional revenue: \$10,000₊</p>	<p>State Comment: Excursion tickets could be offered as way for people to experience an off-shore boat ride.</p> <p>This tariff change was recommended by the Advisory Board and was approved by the MaineDOT Commissioner on January 13, 2010. Excursion round trip tickets will be sold annually at mainland terminals from May 25 through October 15.</p> <p>Island Comment: SI – Excursion tickets should be offered at a reduced rate.</p>
<p>9. Ticket sales by vehicle length. Explore alternatives for selling tickets by vehicle length to raise revenues and encourage smaller-sized vehicles so that more vehicles can fit on each ferry.</p> <p>Potential additional revenue: \$0 to \$25,000</p>	<p>State Comment: Truck fares are based on length, but other vehicles pay the same fare regardless of size. Vehicle fares based on size may have merit, provided that crews don't have to measure each vehicle.</p> <p>One approach would be:</p> <ul style="list-style-type: none"> ● Small vehicle – reduced rate ● Mid-size vehicle – current rate ● Large vehicle – increased rate <p><u>Issue: All non-commercial vehicles are charged the same, regardless of vehicle length, even though a larger vehicle consumes more deck space than a smaller one.</u></p> <p>Ferry systems throughout the country base fares on vehicle length. Examples are in the Business Plan Appendix. Some have broad categories of length (for example: under 20 feet, 20-25 feet, 25-30 feet, etc.). This eliminates the need to measure every vehicle and allows various makes and models to be assigned to specific categories.</p> <p>Island Comment: Need to differentiate between ridership and deck space. Although it would be a longer term solution to additional revenue generation, selling tickets by vehicle length might over time motivate drivers to use smaller vehicles and thus increase carrying capacity.</p> <p>This would not be popular with islanders, but may raise a lot more revenue than \$25,000.</p>

Minor Revenue Option	Perspectives/Comments
<p>10. Reservations. Consider increasing the number of reservations on one or more of the ferries.</p> <p>Potential additional revenue: \$0 to \$25,000</p>	<p>Island Comment:</p> <p>NH - Aside from fare box shock, what else makes a customer cancel, postpone or consolidate a trip?</p> <ul style="list-style-type: none"> • Fear of not being able to complete a vehicle round trip without a reservation. <u>Solutions:</u> <ul style="list-style-type: none"> ○ More reservations (perhaps or particularly in the off-season) ○ Last minute reservations at a reduced price? ○ Last minute reservations at a premium? (perhaps varying the strategy by season or by attendant’s decision on what the traffic will bear that day) ○ In winter, increase the number of reservations and lower the reservation price drastically. <p>Need to increase the number of reservations so people can be sure they’ll get back.</p>
<p>11. Advertising. Continue exploring the option, desirability and feasibility of selling advertising space on one or more ferries or in one or more terminals.</p> <p>Potential additional revenue: \$4,000 - \$5,000</p>	<p>State Comment:</p> <p><u>Issue: There may not be much interest on the part of advertisers because ferry riders constitute a small captive audience. This is not expected to generate substantial income.</u> MaineDOT has already been in contact with one interested party, so this option may be feasible.</p> <p>Island Comment:</p> <p>NH - Although potential for additional revenue could be small, we should consider how space on the ferries – both inside the cabin and outside – could be sold to local firms that would benefit from a captive audience viewing their advertisements.</p>
<p>12. Fare Adjustments to Encourage Ridership. Consider fare adjustments designed to encourage greater bike/ pedestrian use of the ferry system.</p> <p>Potential additional revenue: -\$25,000 to \$25,000</p>	<p>State Comment: Possibilities include:</p> <ul style="list-style-type: none"> • Lower fares for a single island on an experimental basis, provided the designated island shares the risk of a revenue shortfall; • Group discounts, to encourage visits to the islands by school children and other groups and organizations; • One-day promotional fares (modeled after fare-free Fridays for fixed-route systems, but not necessarily free), provided such promotions can be widely advertised; • Lower fares to encourage specific categories of users, such as bicyclists. <p>Island Comment:</p> <p>NH - If raising fares depresses ridership, then it is logical to assume that lowering them could have the opposite effect. Certainly, this has been true in the case of other transportation industry organizations</p>

Minor Revenue Option	Perspectives/Comments
	<p>(e.g., the airlines, who manage fares and seat inventory to maintain the highest profitable level of capacity utilization possible). The questions to be asked about lower fares include:</p> <ul style="list-style-type: none"> • When? How? Perhaps through a trail period in the “shoulder” months • Can we vigorously promote and publicize lowered fares? <p>What about commuter, seasonal or monthly tickets?</p>
<p>13. Ticket Expiration. Consider a ticket expiration date.</p> <p>Potential additional revenue: \$3,000</p>	

OTHER OPTIONS

Other Options	Perspectives/Comments
<p>1. Web Site Improvements. Upgrade the website to make it more readily accessible, to include more complete information about the Ferry Service, and to provide a profile on each of the islands served.</p>	<p>State: The web site is hard to reach. It includes schedules, a small map, and links to other MaineDOT information. Other ferry systems have developed more complete web sites.</p> <p>MaineDOT could also explore getting links on other web sites to MSFS. This option also helps marketing and promotion.</p>
<p>2. Ferry Amenities. Consider adding low-cost amenities to each ferry.</p>	<p>State: Amenities could include:</p> <ul style="list-style-type: none"> • Maps, brochures and other information about the ferry service, the coast of Maine and the islands; • Ferry-compatible vending machines. <p>Island: Invest in some amenities such as more comfortable seating, sound insulation and better temperature control.</p>
<p>3. Surcharge elimination. Eliminate the FY 2010 surcharge for islands that agree to substantial cuts and/or provide substantial municipal financial support.</p>	<p>State: Elimination of the surcharge is possible if substantial cuts can be implemented and/or if islands can provide municipal financial support. It is preferable to be able to eliminate the surcharge for all islands, rather than some islands but not others.</p>
<p>4. Implementation Committee. Form an Implementation Committee to help refine, develop consensus, and implement various components of the Business Plan.</p>	<p>State: The Business Plan should be viewed as a general guide for controlling costs, raising additional revenues, and making overall improvements to the Ferry Service.</p>
<p>5. Discounts/passes. Examine commuter passes from the standpoint of relieving hardship without jeopardizing the viability of the ferry service.</p>	

Other Options	Perspectives/Comments
<p>6. Off-season fare reductions. Consider off-season surcharge/fare reductions first if major cost reductions and/or revenue enhancements are achieved.</p>	<p>State: This would ease the financial burden of fares for island residents while retaining maximum revenues during the in-season.</p>
<p>7. Fare and Fee Increases. Consider fare and/or fee increases if implementation of cost cutting and/or revenue enhancement options does not provide sufficient funds for operations.</p>	<p>State: Fare and fee increases could include additional surcharges. Consideration could also be given to freight handling services (e.g. use of palletized freight and allocating additional deck space for freight) and charging for parking on a year-round basis at all locations,</p>

TIMETABLE/RESPONSIBILITY

The following is summary of the financial management options discussed on the previous pages. For each action, there is a potential time frame (the length of time estimated to implement the action), as well as a summary of how much it would cost to undertake the recommendation, and whether it would result in cost savings or additional revenues. The information is presented as a general guide, and does not preclude the Legislature, the Governor or the Maine Department of Transportation from implementing any or all of the potential options.

MAJOR COST-CUTTING OPTIONS

Option	Potential Time Frame	Responsibility	Implementation Cost	Potential Savings	Potential Revenues
1. Homeland Security costs	<1 year to 2 years	MaineDOT	In-kind	\$50,000 - 100,000+	NA
2. Crew scheduling	<1 year to 2 years	MaineDOT	In-Kind	\$100,000±	NA
3. Island terminals	<1 year to 2 years	MaineDOT	Unknown	Up to \$800,000	NA
4. Mainland terminals	2 to 4 years	MaineDOT	Unknown – ticket vending machines	\$\$200,000 - \$400,000±	NA
5. Mainland base for ferries	2 to 4 years	MaineDOT	Unknown	\$100,000±	NA
6. Vinalhaven Ferry	<1 year to 2 years	MaineDOT	Unknown – possible truck run	\$300,000±	NA

MINOR COST-CUTTING OPTIONS

Option	Potential Time Frame	Responsibility	Implementation Cost	Potential Savings	Potential Revenues
7. Rockland office staff	<1 year	MaineDOT	In-kind	\$0 to \$50,000	NA
8. Run reductions	<1 year to 2 years	MaineDOT	In-kind	\$25,000+	NA
9. Matinicus Service	<1 year to 2 years	MaineDOT	In-kind	\$50,000±	NA
10. Frenchboro service	1 – 3 years	MaineDOT	In-kind	\$20,000±	NA
11. Subcontracting costs	1 – 3 years	MaineDOT	In-kind	\$20,000±	NA
12. Privatization	4 to 5 years	MaineDOT	In-kind and Unknown	Unknown	NA

MAJOR REVENUE OPTIONS

Option	Potential Time Frame	Responsibility	Implementation Cost	Potential Savings	Potential Revenues
1. Additional State \$ support	1-5 years	MaineDOT	In-kind	NA	\$100,000+
2. Additional federal \$ support	1-5 years	MaineDOT	In-kind	NA	\$100,000+
3. Municipal \$ support for operations	<1 to 5 years	Islands	In-kind	NA	\$100,000+
4. Municipal \$ support for capital investments	<1 to 5 years	Islands	In-kind	NA	\$100,000 to \$1,000,000
5. Non-resident ticket purchase	3 – 5 years	MaineDOT	In-kind	NA	\$100,000+

MINOR REVENUE OPTIONS

Option	Potential Time Frame	Responsibility	Implementation Cost	Potential Savings	Potential Revenues
6. Emergency, other runs	<1 year	MaineDOT	In-kind	\$40,000±	NA
7. Marketing and promotion	Some: <2 years Many: 2 – 5 years	MaineDOT/Islanders	\$50,000+	NA	\$25,000+
8. Excursion tickets	<1 to 2 years	MaineDOT	In-kind	NA	\$10,000±
9. Ticket sales by vehicle length	1 to 3 years	MaineDOT	In-kind	NA	\$0 to \$25,000
10. Reservations	<1 to 1 year	MaineDOT	In-kind	NA	\$0 to \$25,000
11. Advertising	<1 to 3 years	MaineDOT	In-kind	NA	\$4,000 - \$5,000
12. Fare adjustments to increase ridership	<1 to 2 years	MaineDOT	In-kind	NA	-\$25,000 to \$25,000
13. Ticket expiration date	1 month	MaineDOT	In-kind	NA	\$3,000

OTHER OPTIONS

Option	Potential Time Frame	Responsibility	Implementation Cost	Potential Savings	Potential Revenues
1. Web site improvements	<1 to 1 year	MaineDOT	In-kind	NA	NA
2. Ferry amenities	1 to 5 years	MaineDOT	Unknown	NA	NA
3. Surcharge elimination	1 to 2 years	MaineDOT	Unknown	NA	NA
4. Implementation committee	<1 to 1 year	MaineDOT/ Islanders	In-kind	NA	NA
5. Discounts/Passes	1 to 2 years	MaineDOT	Unknown	NA	NA
6. Off-season fare reductions	<1 to 2 years	MaineDOT	In-kind	NA	NA
7. Fare or fee increases	1 – 3 months	MaineDOT	In-kind	NA	As needed

6. Fare Increase Options Maine State Ferry Service (MSFS)

The purpose of this Business Plan is to identify cost-cutting and revenue-enhancing alternatives to rate increases. Over the next five years, Ferry System operating costs are likely to increase substantially. Unless there are significant cuts (\$300,000 to \$500,000 annually) and/or additional revenues from other sources, the surcharge that went into effect on July 1, 2009, will become permanent and additional fare and/or parking fee increases will likely be needed by July 1, 2011.

At this time, there is little support from the stakeholders for major cost-cutting or revenue enhancement options, other than reducing homeland security costs and making crew scheduling changes. A fare/fee increase by itself, or in combination with one or more cost cuts/revenue enhancements, may emerge as the most viable alternative for addressing operational costs. Some of the options for fare/fee increases are summarized below. Revenue estimates for various options are based on an Excel spreadsheet calculator using FY 2009 ticket sales and FY 2009 revenues for trucks.

Based on FY 2009 ticket sales, fare revenues in FY 2010 are expected to be about \$4.287 million, which is very close to the budget projection of \$4.29 million. The following are some of the options that can be considered if fares/fees need to be raised. More than one option can be chosen to meet financial obligations. Potential revenues shown in the paragraphs below are rough approximations, based on FY 2009 ticket sales.

1. **Seasonal Rate Structure.** There are many options for a two-season rate structure, but a key feature would be to increase rates during the summer season (the in-season), when more people and vehicles are being transported by the Maine State Ferry Service, and to maintain existing rates the rest of the year (the off-season). The options listed below are based on either a three-month (June through August) or a four-month (June through September) in-season. The following table shows the extent to which total FY 2010 projected Ferry Service revenues (\$4.287 million) are expected during the in-season. The totals for Swan’s Island include revenues from Frenchboro.

Projected FY 2010 Revenues in millions of dollars					
	Total Projected FY 2010 Fares	June – August Revenues		June – Sept. Revenues	
		\$	% of Total	\$	% of Total
Vinalhaven	1,426,000	612,000	43	783,000	55
North Haven	664,000	273,000	41	337,000	51
Swan’s Island	814,000	344,000	42	423,000	52
Islesboro	1,360,000	562,000	41	712,000	52
Matinicus	23,000	10,000	43	11,000	48
Total	4,287,000	1,801,000	42	2,266,000	53

- A. **10% across-the-board increase during the in-season.** This would raise about \$180,000 during June-August and about \$226,000 during June-September.

- B. 20% across-the-board increase during the in-season.** This would raise about \$360,000 during June-August and about \$452,000 during June-September.
- C. Surcharge during the in-season.** A surcharge similar to the one that went in effect on July 1, 2009 (\$1.50 for mainland tickets, \$1.25 for island tickets, no change for trucks or reservations) would raise about \$143,000 during June-August, and about \$174,000 during June-September.
- D. Summer Truck Rate Increase.** An in-season increase of \$1/foot for one-way and round-trip trucks at all locations would generate about \$84,000 during June-August and about \$116,000 during June-September.
- E. Summer Reservation Increase.** Raising the cost of all reservations by \$2 at all locations during the in-season would generate about \$27,000 during June-August and \$37,000 during June-September.

Advantages: Summer months are high-traffic months and tend to attract more visitors and tourists than at other times. A higher in-season rate will shift more of the cost burden to visitors and tourists.

Disadvantages: Higher in-season rates also affect island residents, many of whom travel to the mainland more often than during the off-season.

- 2. 10% Across-the-board Increase (\$426,000).** A year-round, 10% across-the-board increase would generate about \$428,000 in additional revenue, assuming no fall-off in ridership because of the increased rates.

Advantages: Straight-forward; all toll categories are treated equally.

Disadvantages: No flexibility to increase some rates and not others; increases disparity between different fare rates.

- 3. Another Surcharge (\$327,000).** A year-round surcharge similar to the one that went in effect on July 1, 2009 (\$1.50 for mainland tickets, \$1.25 for island tickets, and no change for trucks or reservations) would generate about \$327,000.

Advantages: Straightforward, acknowledges possibility that it could be reduced or eliminated if significant cost savings or revenue enhancements can be achieved.

Disadvantages: Leaves truck rates and reservations the same; increases disparity between island and mainland rates.

- 4. Truck Rate Increase (\$217,000).** Truck rates were one of two rate categories that did not increase on July 1, 2009. A year-round increase of \$1/foot for one-way and round-trip trucks at all locations would generate about \$217,000).

Advantages: Truck traffic serves island economies and is not likely to undergo significant change because of increased rates. Rate increases will likely be passed along to customers. An increase is fair because truck rates did not increase in FY 2010.

Disadvantages: An increase in truck rates will be passed along to island customers, thus raising the costs of goods and services on the islands.

5. **Reservation Increase (\$66,000).** Raising the cost of all reservations by \$2 year-round at all locations would generate about \$66,000.

Advantages: With the exception of Islesboro, the reservation category was one of only two rate categories that did not increase on July 1, 2009, so an increase would be fair.

Disadvantages: Costs will increase for people needing a reservation. The number of reservations may decrease substantially, as was the case on Islesboro.

6. **Rate Increase for Larger Vehicles** (dollar amount unknown). Larger vehicles consume more deck space and could be charged accordingly. Other ferry systems have established several broad categories of vehicle length (for example: vehicles under 20 feet in length; vehicles between 20 and 40 feet in length, vehicles greater than 40 feet in length) and charge more for vehicles determined to be in the larger categories. In order to estimate potential additional revenues, the extent to which larger vehicles use the service would need to be documented.

Advantages: The increased rate will generate more revenue and/or encourage the use of smaller vehicles which, in turn, will allow existing vessels to carry more vehicles (thereby generating more revenue).

Disadvantages: Costs will increase for residents who rely on larger vehicles to earn their living.

7. **10% Parking Fee Increase (\$23,000).** A 10% increase for parking and miscellaneous services would generate about \$23,000.

Advantages: This would provide additional income for the Ferry Service while maintaining the capacity of existing parking facilities.

Disadvantages: The use of Ferry Service parking facilities may decrease because of the higher fees.

APPENDIX

Appendix A

Possible Formulas for Municipal Contributions to Maine State Ferry Service

More than one islander has compared the Maine State Ferry System to a bridge or a road because it is a critical link between the island communities and the mainland. However, it is first and foremost a transit system. Like other fixed route transit systems, the MSFS provides service according to a fixed schedule. However, there are a number of significant differences besides the obvious fact that the ferry system operates over the water rather than the State's roads:

- Municipalities across Maine contribute to fixed route transit systems, but none of the islands served by the MSFS provides a municipal contribution;
- The MSFS is the only transit system in Maine that is run by State employees - there are no municipal employees involved in its operations;
- The MSFS is the only transit system with a two-tier rate system designed to keep fares lower for local residents and higher for visitors.

The discussion that follows provides examples of formulas that could be used to support major revenue enhance option #3, Municipal Financial Support for Operations, identified in Section 4 of the Business Plan. A municipal contribution could be used to minimize the need for a fare increase at very little cost for each \$100,000 of assessed valuation

Factors for Consideration

The formulas illustrated below are based on varying percentages of valuation, population, and system usage. The data used in each of the formulas is based on the information contained in each of the two tables below:

Table A.1 Valuation and Population Totals and Percentages by Island				
	2008 State Valuation	Percent of Island Total	2000 Census Population	Percent of Island Total
Islesboro	\$595,700,000	34.8%	603	22.9%
North Haven	\$401,050,000	23.4%	381	14.5%
Swan's Island	\$137,700,000	8.0%	327	12.4%
Vinalhaven	\$530,100,000	30.9%	1,235	46.9%
Frenchboro	\$11,400,000	0.7%	38	1.4%
Matinicus	\$38,050,000	2.2%	51	1.9%
Island Total	\$1,714,000,000	100%	2,635	100%

Table A.2 Totals and Percentages by Island						
	Adult Trips	Percent of Total	Vehicle Trips	Percent of Total	Truck Feet	Percent of Total
Islesboro	136,219	43.0%	85,261	51.5	264,472	47.0%
North Haven	34,998	11.1%	18,122	10.9	56,496	10.0%
Swan's Island	38,063	12.0%	28,275	17.1	74,234	13.2%
Vinalhaven	104,177	32.9%	32,188	19.4	160,829	28.6%
Frenchboro	2,510	0.8%	1,521	0.9	4,366	0.8%
Matinicus	684	0.2%	179	0.1	2,626	0.5%
Total	316,651	100	165,546	99.9	563,023	100.1%

Note: Adult trips and vehicle calculated using FY 2007 data; round-trips doubled and added to one-way trips; vehicle feet calculated same way.

Example - Municipal Formula Weighted Toward Ability to Pay

In the example contained in Table A.3 below, State Valuation is used as the measure for determining ability to pay - it is assumed that an island with a higher valuation would be better able to make a contribution to support the operations of the Ferry Service. State Valuation is given a weighting of 60%, meaning that for every \$500,000 raised, \$300,000 would come from a formula that measures relative valuation among the islands. Each island's contribution to the \$300,000 goal would be based on the valuation percentages contained in Table A.1. For example, Islesboro's contribution would be 34.8% of \$300,000, or \$104,400. Since population is given a weighting of only 10%, the total to be raised based on population would be 10% of \$500,000, or \$50,000, and Islesboro's percentage, as shown in table A.1 would be 22.9% of \$50,000, or \$11,450.

Weighting: 2008 State valuation: 60%
 Population: 10%
 Adult Trips: 10%
 Vehicle Trips: 10%
 Truck Feet: 10%

Table A.3 Example of a Formula Weighted Toward Ability to Pay To Raise \$500,000						
	Amount to be Raised Using Weighting Factors					
	State Val.	Population	Adult Trip	Veh Trip	Truck Feet	Total
Islesboro	\$104,400	\$11,450	\$21,500	\$25,750	\$23,500	\$186,600
North Haven	70,200	7,250	5,550	5,450	5,000	93,450
Swan's Is	24,000	6,200	6,000	8,550	6,600	51,350
Vinalhaven	92,700	23,450	16,450	9,700	14,300	156,600
Frenchboro	2,100	700	400	450	400	4,050
Matinicus	6,600	950	100	50	250	7,950
Total	\$300,000	\$50,000	\$50,000	\$49,950	\$50,050	\$500,000

Example: Municipal Formula Weighted Toward Usage

In the example shown in Table A.4, total usage is used to determine the contribution. Each of the categories is given a weighting of 20%, meaning that a total of 20% of \$500,000, or \$100,000, needs to be raised using each of the categories. Each island’s share of the \$100,000 is based on the relative percentages contained in tables A.1 and A.2. For example, for the State valuation category, Islesboro would need to raise 34.8% of \$100,000 or \$24,800.

Weighting: 2008 State valuation: 20%
 Population: 20%
 Adult Trips: 20%
 Vehicle Trips: 20%
 Truck Feet: 20%

Table A.4 Example of a Formula Weighted Toward Usage To Raise \$500,000						
Amount to be Raised Using Weighting Factors						
	State Val.	Population	Adult Trip	Veh Trip	Truck Feet	Total
Islesboro	\$34,800	\$22,900	\$43,000	\$51,500	\$47,000	\$199,200
North Haven	23,400	14,500	11,100	10,900	10,000	69,900
Swan’s Is	8,000	12,400	12,000	17,100	13,200	62,700
Vinalhaven	30,900	46,900	32,900	19,400	28,600	158,700
Frenchboro	700	1,400	800	900	800	4,600
Matinicus	2,200	1,900	200	100	500	4,900
Total	\$100,000	\$100,000	\$100,000	\$99,900	\$100,000	\$500,000

Tax Impact of Raising \$500,000

What would be the impact of raising \$500,000 on local island tax rates? To make this calculation, it is necessary to first determine existing tax rates. These are shown in Table A.5.

Table A.5 Municipal Valuation and Tax Rate				
	Municipal Valuation*	Tax Commitment*	Tax Rate*	Tax on \$100,000 Property
Islesboro	\$350,116,850	\$4,036,847	0.01153	\$1,153
North Haven	\$413,239,585	\$2,723,249	0.00659	\$659
Swan’s Is	\$91,691,140	\$1,329,522	0.01450	\$1,450
Vinalhaven	\$447,292,061	\$3,757,253	0.00840	\$840
Frenchboro	\$12,648,491	\$202,376	0.01600	\$1,600
Matinicus	\$30,239,310	\$214,699	0.00710	\$710

*From 2007 Municipal Valuation Return (most recent available)

The next step would be to add each island's share to the total tax commitment. In the example in Table A.6, below, the MSFS share is based on ability to pay, as determined from Table A.3. As can be seen, to raise \$500,000 overall, the annual tax increase on each \$100,000 of property would be very small, ranging from \$23 on North Haven, to \$56 on Swan's Island.

Table A.6 Tax Impact of Raising \$500,000 on Each \$100,000 of Island Property - Based on Ability to Pay						
	Tax Commitment	MSFS Amount	New Commitment	New Rate	New Tax on \$100,000 Property	Increase
Islesboro	4,036,847	186,600	4,223,447	0.01206	\$1,206	\$42
North Haven	2,723,249	93,450	2,816,699	0.00682	\$682	\$23
Swan's Is	1,329,522	51,350	1,380,872	0.01506	\$1,506	\$56
Vinalhaven	3,757,253	156,600	3,913,853	0.0875	\$875	\$28
Frenchboro	202,376	4,050	206,426	0.01632	\$1,632	\$32
Matinicus	214,699	7,950	222,649	0.00736	\$736	\$26

Examples of Municipal Contributions to Transit Systems

Municipalities throughout Maine contribute to their fixed route transit systems. Table A.7 contains examples of these contributions.

Table A.7 Examples of Municipal Contributions to Fixed Route Transit Systems - FY 2009				
System	FY 2009 Operating Revenues	FY 2009 Projected Ridership	Municipality	Municipal Contribution
BAT Community Connector City of Bangor	\$2,175,213	892,572	Bangor	\$415,234
			Brewer	\$105,540
			Hampden	\$57,057
			Veazie	\$24,093
			Old Town	\$25,907
			Orono	\$81,176
City Bus – City of Bath	\$101,957	12,000	Bath	\$40,425
Citilink Lewiston-Auburn Transit District	\$1,080,885	242,476	Auburn	\$130,000
			Lewiston	\$130,000
METRO Greater Portland Transit District	\$6,177,156	1,516,860	Portland	\$2,235,063
			Westbrook	\$358,708
			Falmouth	\$165,558
ShuttleBus Biddeford-Saco-Old Orchard Beach Transit Committee	\$1,411,181	158,000	Biddeford	\$64,000
			Saco	\$64,000
			Old Orchard Beach	\$64,000
South Portland Bus Service	\$1,221,873	209,300	South Portland	\$827,400
YCCAC - Sanford Transit (York Co. Community Action Corp)	\$71,286	19,439	Sanford	\$62,555

Appendix B

Summary of Other Ferry Systems

The following is a summary of fares charged by other ferry systems that serve island communities. In general, the fares charged by the other systems described on the following pages are higher than they are for the islands served by the Maine State Ferry System.

Adult Round Trip Fares. The adult, round-trip island fares charged by the Maine State Ferry Service (\$9.75 on North Haven, Swan's Island and Vinalhaven, and \$5.50 on Islesboro) are cheaper than most of the fares charged by other systems.

Cheaper fares include:

- Casco Bay Lines Peaks Island fare: \$4.10 - \$8.20, depending on the season;
- North Carolina Ferry System: \$2.00

Substantially more expensive fares include:

- Inter-Island Ferry Authority, Alaska: \$74; \$52 for seniors
- Nantucket to Hyannis: \$65

Round Trip Vehicle Fares. In general, the vehicle round-trip island fares charged by the Maine State Ferry Service (\$27.25 on North Haven, Swan's Island and Vinalhaven, and \$13.75 on Islesboro) are substantially lower than most of the fares charged by other systems.

Substantially more expensive fares include:

- Block Island: \$94.70 for standard sized car; \$114.20 for SUV, pickup
- Casco Bay Lines: \$36.65 to \$345, depending on size of vehicle and time of year
- Inter-Island Ferry Authority, Alaska: \$5/foot to \$8/foot for one-way trip, for a total of \$170 for a round trip in a vehicle 17 feet long
- Steamship Authority – Martha's Vineyard/Woods Hole: \$85 - \$155, depending on size of vehicle and time of year
- Steamship Authority – Nantucket/Hyannis: \$260 - \$380, depending on size of vehicle and time of year

Island Comparisons. No two ferry services are exactly alike, so caution should be used when making any comparisons. That being said, the distance between Lincolnville and Islesboro is the same as it is between Portland and Peaks Island. The off-peak adult, round trip ticket between Portland and Peaks Island (\$4.10) is cheaper than the comparable Island-originated ticket on Islesboro (\$5.50), but the round trip vehicle ticket between Portland and Peaks Island (\$36.65 off-peak; \$62.65 to \$82.65 during peak season) is a lot more than the round trip vehicle ticket purchased on Islesboro (\$13.75).

Block Island Ferry, Rhode Island

Block Island is located 12 miles off the coast of Rhode Island. The Block Island Ferry provides year-round ferry service, including vehicle ferry service, between the island and Point Judith in Galilee, Rhode Island. During the high season (late May through mid-October), the Block Island Ferry also provides high-speed passenger service to Block Island from Point Judith. Traditional ferry service is also offered on a seasonal basis between Newport and Block Island, and high speed service is offered seasonally between New London, Connecticut and Block Island.

<u>Point Judith to Block Island – Traditional</u> <u>12 miles, 1 hour</u> Adult One Way Adult Round-Trip Same Day Adult Round Trip Different Day Child (2-11) One Way Child Round-Trip Same Day Child Round-Trip Different Day	<u>Rates \$</u> 11.15 18.25 22.15 5.45 8.65 10.90	<u>Point Judith to Block Island – High Speed</u> <u>12 miles, 30 minutes</u> Adult One Way Adult Round-Trip Same Day Infant (0-3) One Way Infant Round Trip Same Day Child (4-12) One Way Child Round-Trip Same Day	<u>Rates \$</u> 16.90 31.65 4.90 7.80 9.65 15.30
<u>New London to Block Island – High Speed</u> <u>1 hour and 10 minutes</u> Adult One Way Adult Round-Trip Same Day Adult Round Trip Different Day Child (2-11) One Way Child Round-Trip Same Day Child Round-Trip Different Day	<u>Rates \$</u> 24.00 43.00 48.00 12.00 21.50 24.00	<u>Point Judith to Newport</u> <u>2 hours</u> Adult One Way Adult Round-Trip Same Day Senior (65+) One Way Senior Round Trip Same Day Child (5-11) One Way Child Round-Trip Same Day	<u>Rates \$</u> 8.00 12.00 7.50 11.00 4.00 6.00
<u>Newport to Block Island</u> <u>2 hours</u> Adult One Way Adult Round-Trip Same Day Senior (65+) One Way Senior Round Trip Same Day Child (5-11) One Way Child Round-Trip Same Day	<u>Rates \$</u> 10.85 15.75 10.35 14.75 4.90 7.05		

<u>Other Charges for Point Judith to Block Island;</u>			
<u>Bikes, Mopeds, Motorcycles</u>			
Bicycle, One-Way	\$3.05	Moped One Way	\$9.90
Bicycle Round Trip	\$6.10	Moped Round Trip	\$19.80
Bicycle Wagons One Way	\$6.10	Motorcycle One Way	\$20.70
Bicycle Wagons Round Trip	\$12.20	Motorcycle Round Trip	\$41.40
Tandem Bikes One Way	\$6.10	Surfboard One Way	\$6.50
Tandem Bikes Round Trip	\$12.20	Surfboard Round Trip	\$13.00
Electric Bicycle One Way	\$7.90		
Electric Bicycle Round Trip	\$15.80		

Other Charges for Point Judith to Block Island;

Motor Vehicles

Standard Size Passenger Car One Way	\$47.35
Standard Size Passenger Car Round Trip	\$94.70
Full Size Passenger Car (SUV) One Way	\$57.10
Full Size Passenger Car (SUV) Round Trip	\$114.20
Pickups and Vans One Way	\$57.10
Pickups and Vans Round Trip	\$114.20
Oversized Vehicles under 7' (price per foot per trip – Dual Wheel, ext cab pickups, stake bodies, limos, etc)	\$3.95
Oversized Vehicles over 7' (price per foot per trip – Straight trucks, tractor trailers, etc)	\$5.35
Hazardous Material Trucks (price per foot per trip)	\$8.05
Add-ons (top front or back)	\$7.35
Personal Pallet	\$7.85

Other Charges for Point Judith to Block Island;

Miscellaneous

Commuter Books (10 tickets) Adult	\$100.10
Commuter Books (10 tickets) Child	\$55.80
Reservation Cancellation (each one)	\$10.50
Lost Ticket (each way)	\$13.70

Casco Bay Lines

Casco Bay Lines (also known as the Casco Bay Island Transit District, CBITD) is a publicly run transportation company that provides year-round ferry service between Portland, Maine and Peaks, Little Diamond, Great Diamond, Long, Chebeague and Cliff Islands. CBITD also offers scenic cruises, summer-time music cruises, private charters and lobster bakes.

Crossing Times, One-Way

Peaks Island:	17 minutes
Little Diamond:	20-22 minutes
Great Diamond:	30 minutes
Diamond Cove:	40 minutes
Long Island:	45 minutes
Chebeague:	1 hour 30 minutes
Cliff Island:	2 hours

Passenger Fares

- All tickets are round-trip and are collected in Portland at boarding. Round trip passage is defined as transportation to an island with return on a different boat.
- Commuter books of 5 round-trip tickets are available and may be shared by family members only. Dog and bicycle books are also available.
- Child fares are for children aged 5-9. There is no charge for children under 5.
- Half-fares are available for seniors over 65 and up and for persons with transportation disabilities, including Medicare card or Regional Transportation Program card holders.
- Dogs require tickets to board and must be kept leashed at all times.
- Bicycles require tickets or must be shipped as freight.
- Monthly and annual frequent rider passes are available.

Peak Season Rates – May 1 – August 30, 2009

Round Trip Passenger Tickets				
Island	Adult Ticket	Child/Senior/Disabled Ticket	Commuter Book (5 round trip tickets)	
Peaks Island	\$8.20	\$4.10	\$26.45	
Little Diamond	\$8.70	\$4.35	\$28.85	
Great Diamond	\$9.35	\$4.65	\$31.40	
Diamond Cove	\$10.50	\$5.25	\$32.45	
Long Island	\$10.50	\$5.25	\$32.45	
Chebeague	\$11.55	\$5.75	\$38.40	
Cliff Island	\$12.05	\$6.00	\$40.70	
Bicycle Rates				
	Adult	Child	5-Ticket Book	Monthly Pass
All Islands	\$6.50	\$3.25	\$16.85	\$31.25
Animal rates				
	Round Trip		5-Ticket Book	
All Islands	\$4.60		\$16.95	

Peak Season Rates – September 1 – October 12, 2009

Round Trip Passenger Tickets				
Island	Adult Ticket		Child/Senior/Disabled Ticket	Commuter Book (5 round trip tickets)
Peaks Island	\$7.70		\$3.85	\$23.95
Little Diamond	\$8.20		\$4.10	\$26.35
Great Diamond	\$8.85		\$4.40	\$28.90
Diamond Cove	\$10.00		\$5.00	\$29.95
Long Island	\$10.00		\$5.00	\$29.95
Chebeague	\$11.05		\$5.50	\$35.90
Cliff Island	\$11.55		\$5.75	\$38.20
Bicycle Rates				
	Adult	Child	5-Ticket Book	Monthly Pass
All Islands	\$6.50	\$3.25	\$16.85	\$31.25
Animal rates				
	Round Trip		5-Ticket Book	
All Islands	\$4.10		\$14.45	

Off - Peak Season Rates – Effective October 13, 2009

Round Trip Passenger Tickets				
Island	Adult Ticket		Child/Senior/Disabled Ticket	Commuter Book (5 round trip tickets)
Peaks Island	\$4.10		\$2.00	\$16.00
Little Diamond	\$5.20		\$2.60	\$19.35
Great Diamond	\$5.45		\$2.75	\$20.90
Diamond Cove	\$6.25		\$3.10	\$22.20
Long Island	\$6.25		\$3.10	\$22.20
Chebeague	\$6.75		\$3.35	\$23.75
Cliff Island	\$7.45		\$3.70	\$26.35
Bicycle Rates				
	Adult	Child	5-Ticket Book	Monthly Pass
All Islands	\$6.50	\$3.25	\$16.85	\$31.25
Animal rates				
	Round Trip		5-Ticket Book	
All Islands	\$4.10		\$14.45	

Annual Pass

The annual pass is payable in advance and allows unlimited passage to the island.

Island	Through August, 2009	Beginning September, 2009
Peaks Island	\$957.00	\$906.95
Little Diamond	\$1,006.50	\$968.00
Great Diamond	\$1,094.50	\$1,058.75
Diamond Cove	\$1,149.50	\$1,115.40
Long Island	\$1,149.50	\$1,115.40
Chebeague	\$1,292.50	\$1,263.35
Cliff Island	\$1,402.50	\$1,376.65

Monthly Pass

The monthly pass is payable in advance and allows unlimited passage to the island.

Island	May - August, 2009	Beginning September, 2009
Peaks Island	\$94.45	\$82.45
Little Diamond	\$98.50	\$88.00
Great Diamond	\$106.75	\$96.25
Diamond Cove	\$111.90	\$101.40
Long Island	\$111.90	\$101.40
Chebeague	\$125.35	\$114.85
Cliff Island	\$135.65	\$125.15

Vehicle Fares

Peaks Island is served frequently by the car ferry Machigonne II. All tickets are on a first come-first serve basis and are round-trip tickets.

Round-Trip Fares		
Vehicles and Vehicular Freight	Off-Peak Season	Peak Season
Freight carried on vehicle per 100 lbs	\$1.25	\$1.90
Commercial vehicle registration	\$25.00	\$25.00
Peaks Island Non-Commercial Vehicles	Off-Peak Season	Peak Season
Auto Mon-Wed	\$36.65	\$62.65
Auto or Light Truck (6,000 lbs)	\$36.65	\$82.65
Handicap Plates Mon-Wed	\$36.65	\$52.65
Handicapped Plates	\$36.65	\$72.65
Trailers up to 20 feet	\$27.65	\$40.65
Trailers over 20 feet	\$36.65	\$62.65
Peaks Island Commercial Vehicles by Registered GCW	Off-Peak Season	Peak Season
6,000 lbs	\$44.65	\$85.45
6,000 – 10,999 lbs	\$47.65	\$87.90
11,000 – 19,999 lbs	\$52.65	\$95.15
20,000 – 29,000 lbs	\$62.65	\$109.65
30,000 – 39,000 lbs	\$74.65	\$129.40
40,000 – 49,000 lbs	\$87.65	\$159.65
50,000 – 59,000 lbs	\$108.65	\$176.65
Over 60,000 lbs	\$134.65	\$196.65
Maximum charge per vehicle including freight	\$345.00	\$345.00
Construction Equipment to Peaks Island	Off-Peak Season	Peak Season
Bobcat, paving roller	\$54.65	\$77.65
Front end loader, road sweeper	\$74.65	\$106.15
Heavy equipment over 25,000 lbs	\$227.65	\$292.65
Downbay Non-Commercial Vehicles	Off-Peak Season	Peak Season
Car/station wagon/pickup/van	\$88.65	\$122.65
Trailers up to 20 feet	\$52.65	\$78.65
Trailers over 20 feet	\$88.65	\$122.65
Charter – Car Ferry per hour	\$400.00	\$400

Inter-Island Ferry Authority – Alaska

The Inter-Island Ferry, operated by the Inter-Island Ferry Authority, runs between Ketchikan and Prince of Wales Island twice daily in the summer and once daily in the winter.

Ketchikan and Prince of Wales Island Crossing Time: 2.5 to 3 Hours	
Passengers	One-Way Fares
Adult	\$37.00
Senior	\$26.00
Child	\$18.00
Under 2 years	One-Way Fares
Vehicles	Fares
Up to 20'	\$5.00 per foot
21' up to 25'	\$5.50 per foot
26' up to 30'	\$6.00 per foot
31' up to 35'	\$6.50 per foot
36' up to 40'	\$7.00 per foot
41' up to 45'	\$7.50 per foot
46' up to 55'	\$8.00 per foot
AMC*	\$3.00 per foot

*AMC = Alternate Means of Conveyance (kayaks, canoes, inflatables, motorcycles and 4-wheelers)

Bicycles are free

Seniors – 65 years and older

Child – 2 years through 11 years old

Under 2 years – travel free

North Carolina Ferry System

The North Carolina Department of Transportation Ferry Division operates seven routes to various islands along the North Carolina coastline. Ferry service is available year-round for pedestrians, cyclists and vehicle passengers, with trips varying in length from 20 minutes in length between Cherry Branch and Minnessott Beach to 2.25 hours between Swan Quarter and Ocracoke. The Ferry Division has 21 ferries and employs over 400 workers.

The fleet is based in Morehead City with maintenance and repairs on all the vessels completed by ferry personnel at the shipyard in Manns Harbor. In addition to the ferries, the Ferry Division has a dredge, barges and other support vessels. Each year, the ferries transport over 1.1 million vehicles and more than 2.5 million passengers across five separate bodies of water – the Currituck and Pamlico sounds and the Cape Fear, Neuse and Pamlico rivers.

Cedar Island, Ocracoke, Swan Quarter	
Crossing Time: 2 hours and 15 minutes	
	One-Way Fares
Pedestrian	\$1
Bicycle Rider	\$3
Motorcycle	\$10
Vehicle and/or Combination less than 20 feet	\$15
Vehicle and/or Combination 20 feet up to 40 feet	\$30
Vehicle and/or Combination over 40 feet up to 65 feet	\$45

Southport – Fort Fisher	
Crossing Time: 35 minutes	
	One-Way Fares
Pedestrian	\$1
Bicycle Rider	\$2
Motorcycle	\$3
Vehicle and/or Combination less than 20 feet	\$5
Vehicle and/or Combination 20 feet up to 40 feet	\$10
Vehicle and/or Combination over 40 feet up to 65 feet	\$15

The Steamship Authority

The Steamship Authority offers the only year-round and daily departure service between Woods Hole, Massachusetts and Martha's Vineyard, and between Nantucket and Hyannis.

Service Between Martha's Vineyard and Woods Hole				
Crossing Time: 45 Minutes				
	One-Way		Round Trip	
Passengers				
Adults	\$7.50		\$15.00	
Child 5-12	\$4.00		\$8.00	
Children Under 5	Free		Free	
Active Military	\$4.00		\$8.00	
Bicycles, Surf Boards, Wind Surfers				
Bikes	\$3.00		\$6.00	
Surf Boards	\$3.00		\$6.00	
Wind Surfers	\$3.00		\$6.00	
Passenger Automobiles				
	4/1/09- 10/31/09	11/1/09- 12/31/09	4/1/09- 10/31/09	11/1/09- 12/31/09
Under 17' in Length	\$67.50	\$42.50	\$135.00	\$85.00
17' but less than 20'	\$77.50	\$52.50	\$155.00	\$105.00
Extended Load Beyond Front or Rear Bumper	\$10		\$20	
Motorcycles				
	4/1/09- 10/31/09	11/1/09- 12/31/09	4/1/09- 10/31/09	11/1/09- 12/31/09
Motorcycles	\$26.00	\$17	\$52.00	\$34
Motorcycles with Side Car	\$35.00	\$24.50	\$70.00	\$49.00
Mopeds	\$15.00	\$10.00	\$30.00	\$20.00

Service Between Nantucket and Hyannis		
High Speed Service Crossing Time: 1 Hour		
Passenger Service Only		
	One-Way	Round Trip
Passengers		
Adults	\$32.50	\$65.00
Child 5-12	\$24.50	\$49.00
Children Under 5	Free	Free
Active Military	\$24.50	\$49.00
Bicycles, Surf Boards, Wind Surfers		
Bikes	\$6.00	\$12.00
Surf Boards	\$6.00	\$12.00
Wind Surfers	\$6.00	\$12.00

Service Between Nantucket and Hyannis
Traditional Service
Crossing Time: 2 Hours and 15 Minutes

	One-Way		Round Trip	
Passengers				
Adults	\$16.50		\$33.00	
Child 5-12	\$8.50		\$17.00	
Children Under 5	Free		Free	
Active Military	\$8.50		\$17.00	
Bicycles, Surf Boards, Wind Surfers				
Bikes	\$6.00		\$12.00	
Surf Boards	\$6.00		\$12.00	
Wind Surfers	\$6.00		\$12.00	
Passenger Automobiles	4/1/09- 10/31/09	11/1/09- 12/31/09	4/1/09- 10/31/09	11/1/09- 12/31/09
Under 17' in Length	\$190.00	\$130.00	\$380.00	\$260.00
17' but less than 20'	\$215.00	\$150.00	\$430.00	\$300.00
Extended Load Beyond Front or Year Bumper	\$20		\$40	
Motorcycles	4/1/09- 10/31/09	11/1/09- 12/31/09	4/1/09- 10/31/09	11/1/09- 12/31/09
Motorcycles	\$60.00	\$45	\$120.00	\$90
Motorcycles with Side Car	\$84.00	\$67.50	\$168.00	\$135.00
Mopeds	\$38.00	\$28.00	\$76.00	\$56.00

Grand Manan Ferry

The Grand Manan Ferry operates between Blacks Harbor, New Brunswick, and Grand Manan Island. Passengers and vehicle traffic traveling from Blacks Harbor to Grand Manan Island are not charged a fare, but must purchase a round-trip ticket at the Grand Manan terminal prior to embarkation. All fares are in Canadian currency.

Blacks Harbor to Grand Manan Island Crossing Time: 1.5 Hours Round Trip Fares		
Passengers	Adults	\$10.90
	Children 5-12 years	\$5.40
	Children under 5	Free
Group Rate	11 or more adults	\$9.70
Vehicles (excluding driver)	Automobiles	\$32.55
	Motorcycles	\$10.90
	Bicycles	\$3.70
	Trucks ½ ton/vans	\$32.55
When carrying a commercial product	-	\$8.20/m
Buses, trucks, tractor trailers, auto/camper trailers, motor homes	-	\$8.20/m
Over-wide loads (exceeding 3.2m)	-	\$16.30/m
Dangerous goods surcharge	Class B	\$54.80
Dirty goods (cleaning) minimum surcharge		\$109.50

Appendix C

Results of Island Rating of Maine State Ferry Service Business Plan Options

Goal: Strongly or somewhat support at least \$1,500,000 in cost savings, or \$1,500,000 in additional revenues, or some combination thereof for the five years covered by the Business Plan.

The following is a summary of island responses to the island rating of Business Plan options, exclusive of comments made in letters accompanying survey returns. None of the islands met the \$1.5 million goal, although Swan's Island, at \$614,000 to \$1,015,000, came closest. The total amounts that were somewhat or strongly supported by each of the islands are shown below. The island totals do not include \$200,000 in additional federal and state financial support, which may be desirable but is not realistic (federal support has been for capital only; state support is currently at the maximum allowed by law). The only option that received unanimous support is the first major cost-cutting option, Homeland Security costs (revising the State-written Homeland Security Plan).

Swans Island: \$614,000 to \$1,015,000+
 North Haven: \$314,000 to \$515,000+
 Matinicus: \$314,000 to \$465,000+
 Vinalhaven: \$50,000 to \$200,000+
 Islesboro: \$354,000 TO \$480,000+

The specific responses of each island are shown below. The following abbreviations are used:

M Matinicus SI Swans Island Is Islesboro
 V Vinalhaven NH North Haven

Options	Potential Savings	Potential Revenues	Island Rating				
			Strongly Support	Somewhat Support	Neutral	Oppose	Strongly Oppose
Major Cost-Cutting Options							
1. Homeland Security costs. Consider revising the State-written security plan to provide the necessary security at less cost (Coast Guard approval required).	\$50,000 to 100,000+		NH V M Is	SI			
2. Crew Scheduling. Consider options for better utilization of crews (may include shorter days).	\$100,000±		M NH SI		Is		
V comment: Need details							
3. Island terminals. Consider reducing island terminal costs.	Up to \$800,000				M Is		SI V
NH comment: See cover letter Is comment: Only with renting out small space							
4. Mainland terminals. Consider closing mainland terminals at Lincolnville and	\$200,000 to		SI		M V		Is

Options	Potential Savings	Potential Revenues	Island Rating				
			Strongly Support	Somewhat Support	Neutral	Oppose	Strongly Oppose
Bass Harbor.	\$400,000+						
NH comment: Close Rockland ticket sales: \$100,000 potential savings							
5. Mainland base for ferries. Consider basing the Swan's Island ferry at Bass Harbor, and, after the North Haven Ferry is sold, consider basing the North Haven ferry, the Burgess, at Rockland.	\$100,000±				M V		SI NH Is
6. Vinalhaven ferry. Consider serving Vinalhaven with one ferry when the new, larger ferry comes on line.	\$300,000±			Is	M SI		V
Minor Cost-Cutting Options							
7A. Rockland office staff. Consider reducing staff in Rockland where such reductions could be achieved without negatively impacting service, or	\$0 - \$50,000		V	NH SI Is		M	
7B. Hire a staff person with marketing skills when one or more staff vacancies arise.	\$0		SI M		V		
Is comment:?							
8. Run reductions. Consider reducing the number of scheduled runs.	\$25,000+				SI Is	M	NH V
SI comment: Already done this							
9. Matinicus service. Consider subcontracting service to Matinicus.	\$50,000±				SI V	M	
10. Emergency and other runs. Consider municipal financial support for emergency ferry runs.	\$30,000±			NH SI M		V	Is
11. Frenchboro service. Consider using a MSFS vessel, rather than a private vessel, to replace the contract passenger-only service.	\$20,000±				M V		SI
Is comment:?							
12. Subcontracting costs. Consider options for reducing subcontracting costs.	\$20,000±		NH	SI M	V		
13. Privatization. Consider privatizing the operation of portions of the system, when such privatization can result in significant cost savings.	Unknown			NH Is M	V		S

Options	Potential Savings	Potential Revenues	Island Rating				
			Strongly Support	Somewhat Support	Neutral	Oppose	Strongly Oppose
Major Revenue Options							
1. Additional State Financial Support. Provide additional State financial support for the operation of the ferry system (maximum allowed by law currently being used)		\$100,000+	NH SI V Is	M			
2. Additional Federal Financial Support. Maximize opportunities to use federal funds for the operation of the ferry system.		\$100,000+	NH SI V Is	M			
3. Municipal Financial Support for operations. Provide municipal financial support for ferry system functions/services that are not absolutely necessary from the standpoint of providing efficient, reliable and affordable transportation, but that are deemed absolutely essential from an island perspective (this could also be used as an alternative to raising fares and fees).		\$100,000+		SI		NH Is M	V
		\$500,000+				SI M	NH V Is
		\$1,000,000				SI M	NH V Is
	NH comment: See cover letter Is comment: For each island pro-rated (see Appendix A) SI comment: should be by state valuation						
4. Municipal Financial Support for capital investments. Consider establishing a municipal capital reserve account that could be used to help offset the costs of one or more new ferries.		\$100,000+		SI		Is M	NH V
	SI comment: should be by state valuation						
5. Non-resident island ticket purchase. Consider options for limiting the purchase of island tickets to island residents.		\$100,000+	NH M		SI V Is		
Minor Revenue Options							
6. Marketing and Promotion to increase ridership. Form a State/local committee or team for the purpose of marketing and promoting passenger use		\$25,000+	NH SI	V M		Is	

Options	Potential Savings	Potential Revenues	Island Rating				
			Strongly Support	Somewhat Support	Neutral	Oppose	Strongly Oppose
of the ferry service.							
7. Excursion tickets. Explore the possibility of selling excursion tickets that would allow people to ride the ferry to one or more islands and back without getting off the ferry.		\$10,000±	NH SI	M	V Is		
8. Ticket sales by vehicle length. Explore alternatives for selling tickets by vehicle length to raise revenues and encourage smaller-sized vehicles so that more vehicles can fit on each ferry.		\$0 to \$25,000	NH	M SI Is	V		
SI comment: Hard to do if staff cut							
9. Reservations. Consider increasing the number of reservations on one or more of the ferries.		\$0 to \$25,000		M NH SI		V	Is
SI comment: Island specific							
10. Advertising. Continue exploring the option, desirability and feasibility of selling advertising space on one or more ferries or in one or more terminals.		\$4,000 - \$5,000		M NH SI Is	V		
11. Fare Adjustments to Encourage Ridership. Consider fare adjustments designed to encourage greater bike/ pedestrian use of the ferry system.		-\$25,000 to \$25,000	SI	NH V M		Is	
12. Fare increases. Raise fares as needed to increase revenues.		As needed		M		SI Is	NH V
13. Parking fee increases. Raise parking fees as needed to increase revenues.		As needed			M	SI Is	NH V

Appendix D

Municipal and Other Written Comments

Rich Rothe

From: "John Storck" <jstorck@bu.edu>
To: <rothe@midmaine.com>
Cc: "Lisa Shields" <lisadick@midcoast.com>; "Joe Stone" <nhadmin@midcoast.com>; "Jon Emerson" <jonemerson@earthlink.net>; "Linda Darling" <lindaadarling@gmail.com>; "Merton Howard" <mhoward@midcoast.com>; "William Lightfoot" <wlightfoot@monaco.edu>; <Margaret.Beverage@maine.gov>
Sent: Tuesday, April 14, 2009 9:48 AM
Subject: North Haven Ferry Service Strategic Planning Project

Dear Mr. Rothe -

I am writing on behalf of the Board of Selectmen of the Town of North Haven.

Lisa Shields - our ferry service representative - met with us a couple of weeks ago to describe the project that your firm is working on for the Department of Transportation. We are all hopeful that the outcome will be a more effective way of serving island communities. As I'm sure you are aware, the ferry is our literal lifeline in cases of emergency health needs. Also, and perhaps just as importantly to the sustainability of island life, the ferry is a key determinant of the cost of living on the island. Thus when we learned in the spring of last year that the Department of Transportation was developing a strategic plan for the ferry service, members of the Board of Selectmen and others in the community began to think about the kinds of changes that would help keep costs down and service levels at least where they are now.

As you begin considering the completion of this plan, we would like to offer to act as a sounding board for ideas, including those which represent out-of-the-box thinking. Some of the ideas that were put forward last spring and summer included:

1. Auto fares that vary by length of vehicle (three categories with a simple identification process). You should know that this idea was not viewed positively by many year-round residents, nor by ferry service personnel.
2. Seasonal fares (more expensive in the summer when capacity utilization is higher). The prospect of higher fares during the summer seems consistent with other tax initiatives at the State level which would shift more of the burden of paying for services to seasonal visitors. However, if new, seasonal fares were coupled with an increase in island-originated ticket prices, this would be wholly unacceptable to year-round residents, who view the ferry as an extension of the free state roadway system.
3. Fast passenger-only service. From time-to-time, similar privately-owned services have been operated, some of which ran on a scheduled basis. The analysis of this idea is complex, with cost as probably the biggest negative. However, such a service might make it easier to get jobs on the mainland, give islanders more flexibility in scheduling medical and other appointments, and generally increase access to the island, thus promoting tourism and local businesses, a result that would generate mixed feelings among both our summer and year-round population.

I am sure that Lisa and any member of the Board would be happy to talk with you further about these ideas and others. Your project is very important to us and we would genuinely like to participate in your analysis. Please let us know how we can be of assistance.

John Storck

4/14/2009



June 17, 2009

The undersigned want to acknowledge the Maine State Ferry Service for being responsive to the unbridged islands' requests to play a genuine role in crafting a five year plan for the Ferry Service.

While the Service's recent focus on cost-cutting measures is understandable, we are convinced that a strategy that merely couples cost-cutting measures with fare increases will lead to a spiral of declining ridership and ultimately could turn the unbridged islands into deserts. Another possible outcome of this type of downward spiral is that for-profit services will emerge to compete with the State and cherry-pick the most profitable routes at the most profitable times of the year.

We islanders are quick to claim that the ferry is our 'highway' and a primary determinant of the economic viability of life on the islands. As such it is a public good and conveys responsibilities to the government workers who maintain it and to legislators who fund it. It also conveys rights to the citizens who have paid for it with their tax dollars at the federal, local and state level. As we think about participating in the development of the five year plan, we should recognize that 'highway' is an analogy and that the ferry service is also a transportation company. Under the current cost sharing arrangement, one could argue that it is 50% a business for paying customers, and 50% a government service for citizens. The business aspects necessarily involve management of both costs and revenues. Until now, the focus has been principally on costs, but business executives also must be responsible for making decisions to retain and increase their customer base. Such decisions must be grounded by good data on sales and must be supported by analysis of possible services that will attract new business.

Thus, the creation of a five year plan involves analyzing history and mapping a future. We continued to be puzzled and frustrated by the Service's inability to provide recent-enough data on ridership to analyze that history and to map that future. With only 13 ticket categories and six islands, on an annual basis there are only 936 data points per year that need to be entered on a spreadsheet (assuming monthly capture of the data). Clearly, this is a matter of a small number of hours of work. The reason given by the Service that more recent data than 2007 is not available - that the staff member responsible for this task was furloughed - does not hold water.

As they map the future, the creators of the five year plan, remembering that they are also executives of a transportation company, need to think like marketing executives. As

noted above, we feel that operational issues have dominated discussions up to now. What follows is a list of considerations that marketing executives would perhaps be pondering:

- If raising fares depresses ridership, then it is logical to assume that lowering them could have the opposite effect. Certainly, this has been true in the case of other transportation industry organizations (e.g., the airlines, who manage fares and seat inventory to maintain the highest profitable level of capacity utilization possible). The questions to be asked about lower fares include:
 - When? How? Perhaps through a trial period in the “shoulder” months
 - Can we vigorously promote and publicize lowered fares?
 - What about commuter, seasonal or monthly tickets?
- Aside from fare box shock, what else makes a customer cancel, postpone or consolidate a trip?
 - Fear of not being able to complete a vehicle round trip without a reservation
 - Solutions
 - More reservations (perhaps or particularly in the off season)?
 - Last minute reservations at a reduced price?
 - Last minute reservations at a premium? (perhaps varying the strategy by season or by an attendant’s decision on what the traffic will bear that day).
 - Difficulty in bringing groceries, building materials and other purchases back from the mainland
 - Solutions
 - Provide wheeled pull-along grocery carts, similar to luggage carts in airport baggage claim areas, as well as a “parking space” on the boat for them.
 - Provide a shuttle service between boats and standard destinations such as supermarkets or medical facilities
 - Winter month travel is often unpredictable and uncomfortable
 - Solutions
 - Add web-based access to updates on status and possible cancellations (limited, but timely telephone reports are available now, which perhaps do not comply with ADA requirements for equal access)
 - Invest in some amenities such as
 - More comfortable seating
 - Sound insulation
 - Better temperature control
 - Increase the number of reservations and lower the reservation price drastically.
- Although potential for additional revenue could be small, we should consider how space on the ferries - both inside the cabin and outside - could be sold to local firms that would benefit from a captive audience viewing their advertisements.

This is already done in the Rockland terminal. Why not do it elsewhere?

- Although it would be a longer term solution to additional revenue generation, selling tickets by vehicle length might over time motivate drivers to use smaller vehicles and thus increase carrying capacity.
- More significant revenue generation might occur via joint marketing and sales efforts with both mainland and island-based businesses. Questions include:
 - Would mainland hotels, B&Bs, and restaurants be willing to act as sales agents for ferry tickets? During the summer season, this might capture customers who would not ordinarily think about a day trip to the islands. Perhaps tickets could be sold in bulk to these organizations, leaving them to price the ticket according to how they want to market their business.
 - Similarly, would there be island-based organizations interested in offering discounts to customers if they present a ferry ticket, with some portion of the discount "cost" shared with the ferry service.
 - Could package deals entice more island-based trips? For example, suppose a ferry ticket included two taxi trips within Rockland or, as noted previously, a shuttle bus from Lincolnville Beach to Camden or Rockland.
 - How about other kinds of packages (e.g., boxed lunches prepared by a mainland restaurant or take-out place near the terminal, a museum-like tape-recorded tour that's coordinated with the ferry route)?

The above list is just intended to jump-start the brainstorming that needs to take place. This innovation and planning process is by no means complete. As we move ahead with the planning, we do recognize that Service resources may be too limited to explore these ideas and others in sufficient depth. We suggest that support may be available from state and local chambers of commerce, the Island Institute, the Maine Community Foundation, governmental economic development agencies, and island-based volunteers. We look forward to helping the Service organize to develop a plan that will sustain the islands as a unique characteristic of our State.

Undersigned:
Town of North Haven
Jon Emerson, Chair, Board of Selectmen
Linda Darling, Vice Chair, Board of Selectmen
John Storck, Board of Selectmen
William Bartovics, Board of Selectmen
Merton Howard, Board of Selectmen
Joe Stone, Town Administrator

10/30/09

To: Jim MacCloud, Manager MSFS

From: Bill Banks / Tom Duchesneau

Comments: Draft Business Plan, Maine State Ferry Service, 9/10/09.

General comments:

1. At current levels, further fare increases will not generate increased revenue but will actually lower revenue. At some price level, consumers become so sensitive to higher prices that each percentage increase in fares results in a larger percentage reduction in users and revenues fall. In this situation, higher revenue only comes from lower prices. In setting prices, an estimate of how sensitive buyers are to higher prices is essential. While other factors (income) impact buying, fare levels are a critical influence. Lacking such an estimate, simply increasing fares can lead to a greater revenue-cost gap. In this situation, costs can not be cut sufficiently to close the gap. In other words, the current pricing policy (always increasing fares) is itself a major contributor to the gap;
2. The comparison to municipalities contributing to a bus system serving their towns is strained. A bus system is in addition to the state highway system connecting towns to other areas of the State. The bus systems cited serve local needs and are a complement to the local highway system supported by towns. The ferry system is clearly part of a state system and not similar to a municipal bus system.
3. The age distribution of the ferries and the 108 percent increase in repair costs over the 2010 (est.) – 2005 period suggests the need for a systematic plan to optimize the replacement schedule of the ferries. There is no mention of this in the draft. Repair costs can be influenced by managing the replacement cycle;
4. Swings in fuel cost could be reduced by using futures contracts rather purchasing on the open market. Other energy dependent industries do this with long run success in reducing the shocks of dramatic price increases. How do other systems purchase fuel (open market v. futures contracts);
5. What is the age distribution of ferries in the other systems cited in the draft;
6. How do other systems purchase fuel (open market v. futures contracts).

Specific comments:

7. Tables showing MSFS costs should show administrative costs as a separate item;
8. In comparing MSFS to other systems, cost per mile and revenue per mile should be presented. Also, revenue by source for other systems is needed for any meaningful comparison;
9. Is there a need for Homeland Security on island sides;
10. Is crew overtime a disproportionate part of labor costs;
11. Exactly how much is saved by cancelling a trip on each island;
12. Closing terminals, especially on the mainland, is a recipe for major problems;

13. At least MSFS seems to recognize legal problems arise from the current two tier fare system. A seasonal one fare system would be much better than the current system;
14. What is the federal contribution to the systems cited in the draft document relative to the MSFS?
15. If a system with municipal contributions is created, any formula incorporating usage is going to change impacts when number of trips and/or boat size to a specific island changes;
16. Do the Frenchboro numbers incorporate usage and costs of the Gott boat?

A significant amount of the current revenue-cost gap arises from the current policy of attempting to increase revenue by increasing fares and the inability to control repair and fuel costs. Repair costs and fuel costs can be significantly controlled by establishing vessel replacement and facility maintenance programs and alternative fuel purchase methods.

Respectfully

Bill Banks

Tom Duchesneau