

Casco Bay's Ferries

In 1988 the Maine legislature was considering a proposal by private boat operators and the Maine Public Utility Commission to allow private operators to provide scheduled ferry service in Casco Bay. Under current law only one carrier, the publicly owned Casco Bay Island Transit District (CBITD), can offer scheduled ferry service between the mainland and the six Casco Bay islands.

The private boat operators argue that it is unfair that CBITD can compete with them for lucrative summer charter and excursion ferry trips, while they can not compete with CBITD for scheduled service. The CBITD and many of the island residents contend that CBITD was granted as a monopoly on scheduled service in return for an obligation to provide regular service in the winter months, when vacationers have left Maine and traffic is far lower. Profits on the heavily traveled summer services support unprofitable winter service, CBITD supporters argue, and competition in the summer might force it to abandon its winter schedule.

Casco Bay

Casco Bay lies off Portland, Maine's largest city; Portland has a population of almost 200,000 in the winter and twice that in the summer. Six public islands in the Bay are included within Portland's city limits: Peaks, Little Diamond, Great Diamond, Cliff, Long, and Great Chebeague. CBITD, a quasi municipal corporation owned by the islanders themselves, provides regularly scheduled ferry service between Portland and the six islands.

The islands have a year-round population of less than 2,000 persons which swells to over 10,000 in the summer with an influx of vacation-home owners. The summer season also brings day trippers to the islands to enjoy the scenery and the beaches.

Peaks Island is the closest to Portland and has the largest year-round population (see Exhibits 1 and 2). The island's ferry slip is only 2.6 miles from CBITD's downtown Portland wharf. Many of Peaks' 900 year-round residents commute daily by ferry to jobs on the mainland, and Peaks passengers make up approximately 77 percent of all CBITD passengers and 93 percent of its daily commuters.

The two Diamond islands, although about the same distance from the mainland and Peaks, have more seasonal populations. In the winter Great Diamond has only about 16 residents and Little Diamond only about 11. Long Island, two to three miles past Peaks, has about 160 year-round residents. Great Chebeague has the largest land area and 400 year-round residents, but it is less dependent on CBITD services than the other islands. Although Chebeague is eight miles from Portland's wharf, it is only a one-mile ferry ride from Cousin's Island, which is connected to the mainland by a bridge. Cliff Island, nine miles out into the bay, has about 110 winter residents.

This case was prepared by Professor Jose A. Gomez-Ibanez based largely on Lucy Dyke, "Analysis of Ferry Regulation in Casco Bay" (prepared for the Maine Office of the Public Advocate, April 1988) and from other public documents, for use at the John F. Kennedy School of Government, Harvard University. (0295)

The character of the Casco Bay islands has changed dramatically in the past two decades. In the 1950s Peaks was known locally as "Welfare Island" because it was the site of Portland's low-income housing projects. The City removed the housing projects in the 1970s, and housing prices increased steadily during the 1980s. The average house on Peaks Island now sells for about \$100,000 and most new houses are being built as second homes. The largest development currently underway is on Great Diamond, where an old fort is being transformed into luxury condominiums for seasonal residents. Planners at the Greater Portland Council of Governments predict that the growth in summer residences on the islands will continue, although at a slower rate.

CBITD Ferry Services

CBITD was established in 1963 after a private ferry operator which had provided scheduled service to the Casco Bay islands went bankrupt. The Maine legislature granted CBITD a monopoly in scheduled service between the islands and Portland, but gave the Maine Public Utilities Commission authority to regulate its fares and services. The legislature also specified that CBITD must provide daily, year-round service even to Cliff island, nine miles down the bay.

The District currently operates one vessel capable of carrying automobiles and five others that carry passengers only. The passenger-carrying vessels, which were purchased used and are aging, vary in capacity from 200 to 300 persons each. A vessel's life is essentially determined by the thickness of its original hull and the number of years it has been in corrosive salt water. Although the process of corrosion can be slowed by regular painting and scraping, eventually the salt water weakens the hull until it is unseaworthy.

CBITD's service varies by season and by island, as does its traffic (see Exhibits 2, 3 and 4). Approximately 110 trips per week are operated to Peaks Island year-round, and the one-way ferry trip takes only 20 minutes. Service to the other islands "down bay" is usually operated as an extension to the Peaks Island trips; CBITD vessels stop at Peaks to disembark passengers, then go down bay to other islands and return to Portland via Peaks. Service to Little Diamond and Great Diamond is almost as frequent as service to Peaks during the summer, but in the winter is by appointment only due to the small number of winter residents. Service to Long Island is frequent in summer but infrequent (about 23 trips per week) in winter. Service to Cliff and Chebeague is frequent all seasons.

CBITD also operates tours and excursions for tourists during the warmer months, and its vessels are also available for charter. On many excursions or charters CBITD sells snacks or offers catering services. In addition, CBITD operates a pay parking lot at its Portland terminal and carries freight and US mail to the islands.

CBITD reports modest profits for the year as a whole, but only due to summer earnings. In the summer months of FY 1986-87 it earned \$256,990 but every other season was unprofitable so that total profits for the year were only \$15,200 (see Exhibit 5).

Private Ferries and Water Taxis

The number of private ferry boats operating in Casco Bay has increased in the last decade due to the growth in tourism and the expansion of the boat excursion and charter business. The only regularly scheduled private ferry service in the Bay is between Chebeague and Cousin's islands (since private operations are prohibited from operating scheduled service to Portland).

The private ferry boat operators use smaller vessels than CBITD's: typically 90 to 100 passengers as opposed to 200 to 300 passengers. Not all costs decline proportionately with capacity, however; while a 100 passenger ferry costs about half as much to buy as a 200 passenger ferry its operating costs per hour are about 70 percent as great.

Casco Bay is also served by private water taxi services that provide transportation in response to individual requests. Water taxis are much more expensive than the CBITD's ferries, however, and thus are used mainly for emergencies.

The Debate

The proposal to open competition in scheduled service was initiated by a private ferry boat operator who claims that he will provide year-round service (Exhibit 6). The proposal has won the support of the Maine Public Utilities Commission, which believes that regulating the Casco Bay services takes an inordinate amount of the agency's resources and that the City of Portland should oversee the local ferry market instead.

CBITD is adamantly opposed, arguing that it's year-round services would be in serious trouble if "fair weather summer operators" skimmed the cream of the summer market. These concerns are echoed by many of the year-round residents of the islands, who rely on the CBITD. The Maine Department of Transportation is also skeptical, largely because it fears that it may be pressured to step in and subsidize CBITD if the ferry district goes bankrupt. The Department of Transportation was forced to take over a similar ferry service in Penobscott Bay after the local operator quit, although Penobscott Bay is farther north and has far more serious winter ice and severe weather conditions than Casco Bay.

One compromise being considered in the legislature is to continue the CBITD's monopoly on scheduled service but to prohibit it from competing with private operators for excursion and charter. Another possibility is to allow competition in scheduled service but to require all operators to offer year-round services.

Exhibit 1: Map of Casco Bay

Appendix

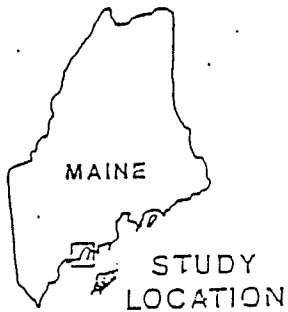
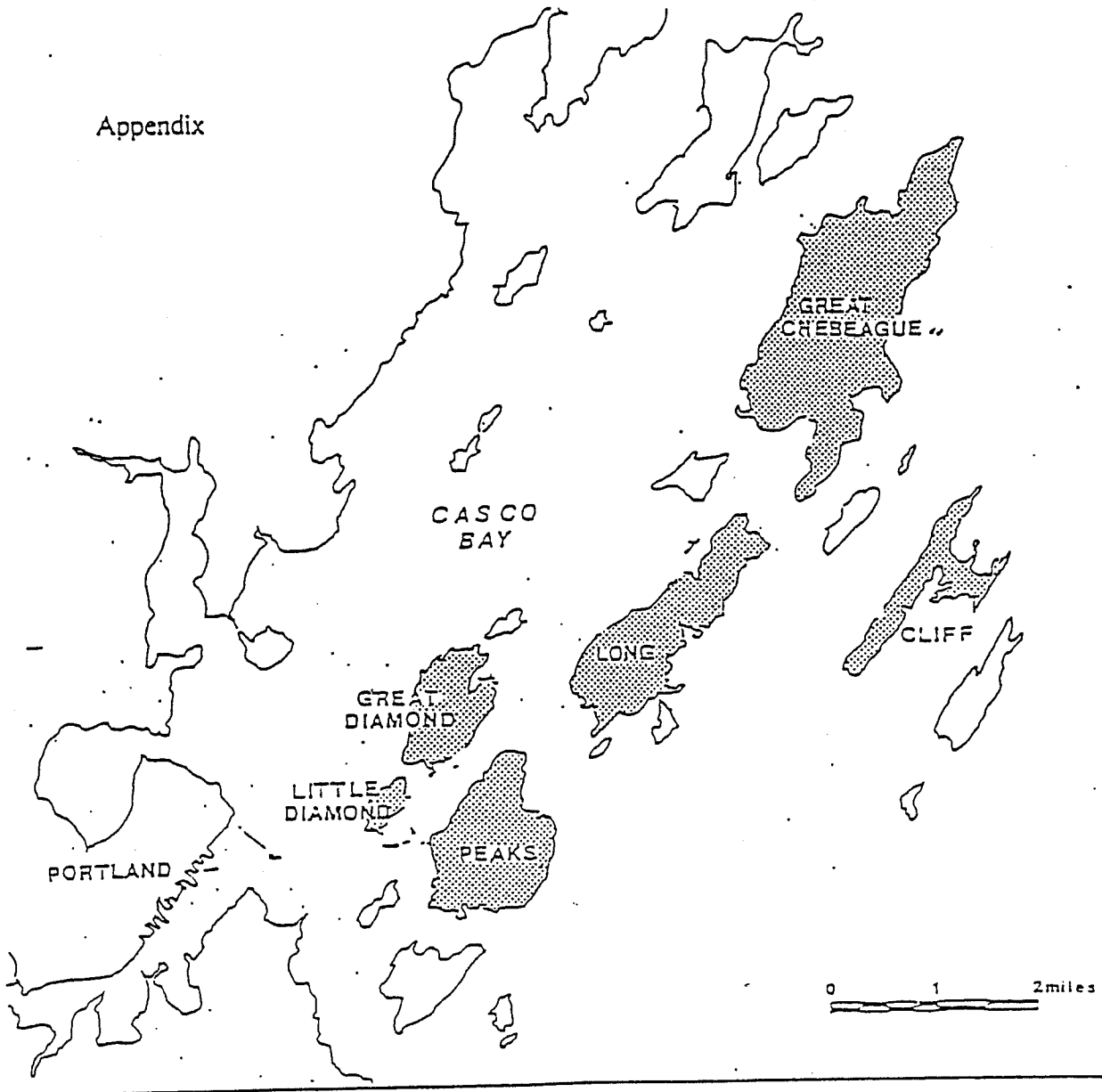


Figure 1

CASCO BAY ISLAND
TRANSIT DISTRICT
SERVICE AREA

Exhibit 2: Casco Bay Islands

| Island | Winter Population (approx.) | Distance to Portland (miles) | Minutes to Portland by ferry | CBITD ferry trips per week | |
|----------------|-----------------------------------|------------------------------------|------------------------------------|----------------------------|----------------|
| | | | | Summer | Winter |
| Peaks | 900 | 2.6 | 20 | 110 | 85 |
| Great Diamond | 16 | 3.0 | n.a. | 102* | by appointment |
| Little Diamond | 11 | 2.0 | n.a. | 102* | by appointment |
| Long | 160 | 5.0 | n.a. | 60* | 23 |
| Chebeague | 400 | 8.0 | n.a. | 26 | 21* |
| Cliff | 110 | 9.0 | n.a. | 26 | 21* |

n.a. indicates information not available

*** indicates an approximate figure

Exhibit 3: Passenger Ridership and Revenues
by Island and Season

| | Total | Fall | Winter | Spring | Summer |
|---|-------|-------|--------|--------|--------|
| <u>Passengers (thousands)</u> | | | | | |
| Peaks | 454.6 | 105.5 | 78.8 | 100.5 | 169.8 |
| Great Diamond | 12.5 | 2.3 | 0.8 | 2.4 | 7.0 |
| Little Diamond | 16.2 | 2.4 | 0.5 | 3.5 | 9.8 |
| Long | 80.4 | 15.8 | 8.6 | 17.6 | 38.4 |
| Chebeague | 7.4 | 1.8 | 0.6 | 1.1 | 3.9 |
| Cliff | 21.1 | 5.0 | 3.1 | 4.1 | 8.9 |
| <u>Passenger Vessel Revenues</u> <u>(\$ thousands)</u> | | | | | |
| Peaks | | | | | |
| Passengers | 453.6 | 105.5 | 78.8 | 100.5 | 168.8 |
| Freight | 21.7 | 4.4 | 3.7 | 4.5 | 9.2 |
| Mail | 13.4 | 3.2 | 3.9 | 3.2 | 3.2 |
| Total | 488.7 | 113.1 | 86.4 | 108.2 | 181.2 |
| Great Diamond | | | | | |
| Passengers | 21.8 | 4.0 | 1.3 | 4.1 | 12.3 |
| Freight | 14.4 | 3.5 | 0.0 | 3.6 | 7.3 |
| Mail | 7.6 | 2.5 | 0.0 | 2.5 | 2.5 |
| Total | 43.8 | 10.0 | 1.3 | 10.2 | 22.1 |
| Little Diamond | | | | | |
| Passengers | 13.0 | 2.0 | 0.4 | 2.8 | 7.8 |
| Freight | 14.4 | 3.5 | 0.0 | 3.6 | 7.3 |
| Mail | 7.6 | 2.5 | 0.0 | 2.5 | 2.5 |
| Total | 35.0 | 8.0 | 0.4 | 8.9 | 17.6 |
| Long | | | | | |
| Passengers | 106.2 | 20.9 | 11.4 | 23.2 | 50.7 |
| Freight | 18.1 | 3.5 | 3.7 | 3.6 | 7.3 |
| Mail | 11.5 | 2.5 | 3.9 | 2.5 | 2.5 |
| Total | 135.8 | 26.9 | 19.0 | 29.3 | 60.5 |
| Chebeague | | | | | |
| Passengers | 13.6 | 3.3 | 1.1 | 2.1 | 7.1 |
| Freight | 18.1 | 3.5 | 3.7 | 3.6 | 7.3 |
| Mail | 11.5 | 2.5 | 3.9 | 2.5 | 2.5 |
| Total | 43.2 | 9.3 | 8.7 | 8.2 | 16.9 |
| Cliff | | | | | |
| Passengers | 26.8 | 6.4 | 3.9 | 5.2 | 11.3 |
| Freight | 18.1 | 3.5 | 3.7 | 3.6 | 7.3 |
| Mail | 11.5 | 2.5 | 3.9 | 2.5 | 2.5 |
| Total | 56.4 | 12.4 | 11.5 | 11.3 | 21.1 |

Exhibit 4: Percentage of CBITD Vessel Hours Operated
by Ferry Type and Season

| | All Year | Fall | Winter | Spring | Summer |
|--|-------------|--------|--------|--------|--------|
| <u>Percent of hours per season for each ferry type</u> | | | | | |
| Car ferry | 100.0% | 27.8% | 7.3% | 21.0% | 43.9% |
| Passenger ferries (scheduled) | 100.0% | 24.1% | 24.8% | 23.0% | 28.0% |
| Passenger ferries (charter) | 100.0% | 8.3% | 0.0% | 8.3% | 87.7% |
| All types | 100.0% | 23.5% | 20.7% | 21.8% | 34.0% |
| <u>Percent of hours per ferry type for each season</u> | | | | | |
| Car ferry | 13.5% | 15.9% | 4.8% | 13.0% | 17.4% |
| Passenger ferries (scheduled) | 79.5% | 81.6% | 95.2% | 84.3% | 65.4% |
| Passenger ferries (charter) | 7.0% | 2.5% | 0.0% | 2.7% | 17.2% |
| All types | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

Exhibit 5: CBITD's Revenues and Expenses, FY 1986-1987

| | All Year | Fall (Sept-Nov) | Winter (Dec-Feb) | Spring (Mar-May) | Summer (June-Aug) |
|-----------------------------|---------------|--------------------|---------------------|---------------------|----------------------|
| Revenues | | | | | |
| Passenger | 635.0 | 142.0 | 97.0 | 138.0 | 258.0 |
| Vehicle | 128.0 | 32.5 | 9.0 | 20.0 | 69.5 |
| Freight | 136.0 | 28.5 | 19.0 | 29.0 | 57.5 |
| Mail | 63.0 | 15.8 | 15.8 | 15.8 | 15.8 |
| Parking | 21.0 | 6.7 | 4.2 | 3.6 | 6.5 |
| Tours/charters | 223.0 | 35.2 | 5.3 | 21.5 | 161.0 |
| Catering | 95.0 | 12.0 | 0.0 | 6.0 | 77.0 |
| Interest | 22.0 | 6.0 | 5.0 | 5.0 | 6.0 |
| Misc. | 12.0 | 3.1 | 1.2 | 3.9 | 3.8 |
| Total | 1335.0 | 276.3 | 156.2 | 243.1 | 659.6 |
| Expenses | | | | | |
| Payroll | 524.0 | 123.0 | 108.0 | 118.0 | 175.0 |
| Benefits & pension | 81.0 | 19.2 | 17.4 | 18.6 | 24.8 |
| Fuel | 68.0 | 13.5 | 14.5 | 18.0 | 22.0 |
| Vessel repairs | 90.9 | 34.5 | 28.0 | 15.5 | 12.0 |
| Catering | 64.0 | 8.1 | 0.0 | 4.0 | 51.9 |
| Insurance | 90.0 | 22.5 | 22.5 | 22.5 | 22.5 |
| Office* | 166.0 | 43.5 | 42.6 | 48.8 | 34.0 |
| Advertising and mail agents | 40.0 | 5.6 | 9.6 | 11.6 | 12.7 |
| PUC assessment | 2.8 | 0.7 | 0.7 | 0.7 | 0.7 |
| Interest | 97.0 | 24.0 | 24.3 | 24.3 | 24.3 |
| Depreciation | 96.0 | 24.0 | 24.0 | 24.0 | 24.0 |
| Total | 1319.8 | 318.6 | 291.6 | 306.0 | 403.6 |
| Profit or (Loss) | 15.2 | (42.3) | (135.4) | (63.0) | 256.0 |

Note: totals may not always add due to rounding

*Office includes heat and utilities, telephone, postage, office and terminal rent, vehicles, travel, professional services and other misc. items.

Proposal to deregulate ferries spurs dispute

Mariners worry about future of business

Denise Goodman
Special to the Globe

AUGUSTA - Portland Harbor Islanders, faced with the possibility of ferry service competition for the first time in 24 years, are being brought back, worried their lifeline to the mainland will be less reliable and more costly.

Casco Bay Island Transit District ferries serve 2,000 year-round residents, many of them weekday commuters from six land Harbor Islands, and another 10,000 summer residents.

Capt. Rodney Ross, a long-time critic of regulation, told legislators here last week that the monopoly the district enjoys for scheduled ferry service is "un-American" and that opening the market to competition would improve service and reduce fares.

Dispute over a deregulation bill renewed a continuing controversy over who should do what in the harbor, and, some say, threaten reliable winter service to the distant islands.

Maine's Public Utilities Commission, which has regulated ferry service in Casco Bay since 1963, submitted the deregulation because the ferry issue takes a disproportionate amount of the agency's time and because agency officials feel the city of Portland could better oversee harbor transportation, according to Charles Jacobs, commission administrative director.

Without return for its monopoly, the district - a nonprofit quasi-municipal authority - is obligated to provide daily year-round service to Cliff Island, nine miles from the bay.

The district loses \$50,000 a year during the lean winter season, according to general manager

Patrick Christian, and would be in serious trouble if "fair weather operators" skimmed the cream of the summer market on which the district relies to balance its books. "We're a \$1.3 million operation, but last year we had a surplus of only \$16,000," Christian said.

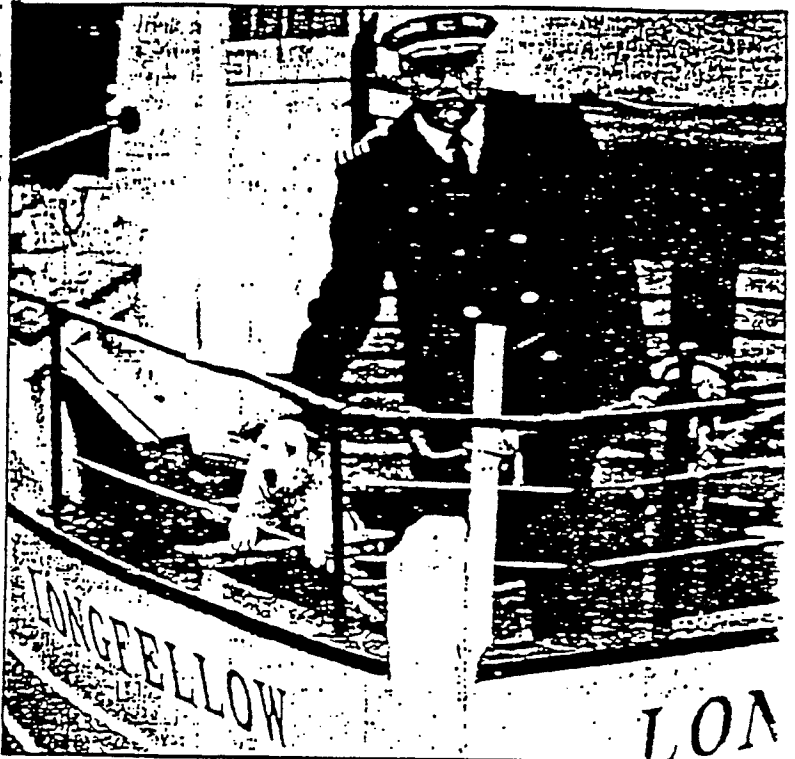
Without the full summer volume, he explained, the district would be forced to charge substantially higher fares or seek a subsidy from the state or city of Portland.

And if those options failed to keep the district financially afloat, the state - by law - would be obligated to step in. "We have legislation that says if they go belly-up, we're in it," Deputy Transportation Commissioner Russell Spinney said of the Maine Department of Transportation, which operates ferry service to six Penobscot Bay islands at a \$1.5 million annual cost to taxpayers. Picking up the Casco Bay service, he added, "would mean one enormous price tag for the state of Maine to absorb."

And while Peaks, the most populous of the Casco Bay islands, would continue to be a lucrative winter market, Cliff Island residents worry that with less than 60 year-rounders, they might be eliminated from winter service if ferry operations were deregulated.

Ross, the captain of the tour boat Longfellow, dismisses such doomsday predictions. In an interview last week, Ross said opening the bay ferry market to competition would give islanders more options and lower fares. Ross said he would offer "an upscale sort of limousine-style" service on his 50-foot replica of a wooden steamboat, offering coffee, cocktails,

FERRIES, Page 90



Globe photos/Merry Farnum
Above, Capt. Rodney Ross and Seabag aboard the Longfellow. Below, Patrick Christian, general manager of Casco Bay Island Transit District on a district ferry.

