

April 17, 2009

Karen Geraghty  
Maine Public Utilities Commission  
18 State House Station  
Augusta, ME 0433-0018

Dear Commissioners:

We, the undersigned islanders (see Petition attached) and CBITD owners and electors of Casco Bay Island Transit District, pursuant to 35-A M.R.S.A. §1302, are requesting that the Maine Public Utilities Commission (MPUC) formally investigate the rate and freight increases that the CBITD Board of Directors has approved to take effect on May 1, 2009. We specifically request that the commission investigate the following:

1. Whether the rate changes proposed by the CBITD Board of Directors are just and reasonable under MPUC guidelines.
2. Whether the CBITD is operating efficiently and is utilizing sound management practices.

Specific items of concern for these issues are detailed as follows.

(a) The CBITD Board of Directors and management decided to increase passenger, car and truck, and freight rates in amounts ranging from 7% to 22% of rates that were already too high, completely ignoring the express petition signed by over 300 of island residents-- the putative owners of CBITD.

These increases are outrageous in light of the current economy, the CBITD's charter to consider the needs of islanders first, and the cumulative fare increases of the past eight years, that have been significantly above the CPI index, which CBITD has promised not to exceed.

(b) The budget CBITD recently adopted includes these excessive increases in all categories of rates and is greatly inflated with shore-side overhead items which could and should be trimmed. These expenses are over 118% of actual ferry operations costs and must be examined immediately for reduction. For example Management outsources jobs previously done by staff (yet no staff reductions), leading to very high overhead costs.

(c) Many CBITD employees, fearing retaliation and thus speaking on condition of anonymity, have proposed specific cost-cutting measures, but CBITD has refused to consider or adopt their proposals for various unacceptable and poor reasons. For instance, trips to several islands could be combined at various times with little more than 5-10 minute variances, and minimal passenger inconvenience.

(d) The current operations scheme has been in existence for over 30 years, and it is time to look "outside-of-the-box" for cost-cutting solutions. Most ferry riders want efficiency, safety, and economy and will tolerate schedule adjustments to achieve this end.

(e) CBITD annual fare increases are a direct result of fiscal mismanagement. CBITD could operate over the next several years with no fare increases. A fair and impartial look at the budget reveals many ways to cut unnecessary expenses. Freezing wages this year, as many companies are doing, would allow CBITD to keep the current rates, and we understand that most CBITD workers would accept this. Overhead and fixed prices are allocated by passengers only, not vehicles, freight, charters, or cruises, which amounts to an overhead of \$5.87 on every ticket.

(f) Against explicit Board advice and direction to "hedge" against higher fuel prices, CBITD management locked into a high fuel price in 2008 when it dropped one cent below what we were then paying and resulted in the fuel surcharge remaining in effect for well over a year while prices elsewhere continued to drop. That surcharge was part of the equation when new rates were projected for 2009-2010, costing riders more than \$300,000 extra this year, at current prices. CBITD now pays \$3.62/gal until September 2009, which is \$1.50/gal above current costs, and simply passed on as a fare increase.

(g) CBITD management has repeatedly refused to divulge the expenses and revenues associated with cruises and charters, effectively preventing any accountability to determine whether they are actually profitable when overhead is properly considered in the cost. Three other companies now offer cruise packages that formerly were the sole domain of CBITD.

(h) The CBITD bookkeeping system is convoluted and rampant with errors, precluding any accurate system of checking revenue and expenses. The annual audits fail to delve into the substantive data but rely instead on summaries provided by CBITD management, thus failing to uncover numerous errors. The continued use of flawed data results in an inability to make accurate projections, and inability to produce accurate (monthly) data for Board and owners (islanders) to review. We can go into this in greater detail if you wish.

(i) The postings of Notice Of Public Meetings with regards to the proposed fare increase was not, in our opinion, in accordance with the procedures established by the Public Utilities Commission, particularly in publishing the notice at least twice in the Portland Press Herald. There was a Notice Of Public Hearing with regards to a proposed fare increase to be held on March 4, 2009. There was no mention of a second Public Hearing nor was a date or time specified. Subsequently, there was a second Public Hearing scheduled for March 16, 2009 which was referred to as a continuation of the Public Hearing. However, there was no newspaper notice with the second Notice Of Public Hearing as with the first which we believe is required. The reason there was no second publication in the newspaper, we were told, was that CBITD could not stick to the time table to allow the rate increase to go into effect on May 1, 2009 if they had to post the newspaper notices of a second Public Meeting on fare increases. There was no mention of a second Public Meeting in the Notice of the first Public Meeting and during the meeting several Board Members promised a follow up meeting. Subsequently, management argued another meeting was not needed but the Directors felt they had committed to a follow up meeting. It seems that management was so fixated on increasing rates that they were disregarding public input and did not give the proper notice period for the second Public Hearing.

(j) As Maine law grants CBITD a monopoly, the unnecessary rate increases adopted by the CBITD Board of Directors were made at the expense of island travelers, who have no other legal means to get to and from their homes, their jobs, their sustenance, their families and their friends, putting their continued ability to reside in their island homes at risk. Chebeague and Long Island alternate travel arrangements create a loss of revenue of over \$70,000/yr, but the Board has done nothing about this for the past two years. The DOT representatives and Portland City Councilor on the Board are not island residents and should not be allowed to vote on owner/rider issues. Peaks islanders make up a majority of owners and riders, yet unfairly make up (elect) only 40% of the Board.

3. In the interest of the continued existence of island communities which own the Casco Bay Island Transit District, we respectfully request that the Maine Public Utilities Commission conduct or order to be conducted an in-depth and independent forensic investigation of the books of CBITD. We also request an immediate revocation of any new rate hikes until that is completed in order to determine whether the recent rate increases are just and reasonable, and whether CBITD is operating as efficiently as possible. The MPUC should demand that any future rate hikes be balanced by cost-cutting measures affecting all aspects of CBITD costs.

Respectfully submitted for all Casco Bay islanders,

Jane Gerrard

Sid Gerard

Howard Pedlikin

Marjorie Phyfe

Judith Piawlock