



Final Report Companion Document

Date: 17 July, 2024 Project: ToE23.04.01:Chappaquiddick Ferry Ownership Analysis

Purpose:

The purpose of this memorandum is to expand on some key points and provide additional background and understanding behind elements contained in the Final Report on Chappaquiddick Ferry Ownership Analysis.

Background:

Maritime Consulting Partners LLC (MCP) was tasked with performing an analysis of three options for future ownership of the Chappaquiddick Ferry. These included a government-owned option, a privately owned corporation and a nonprofit entity. The proposed approach was to investigate the details of each option in their current states of planning (understanding that things may change) and develop a tool to compare each option that could then be updated to reflect changes that occur.

Following the development and presentation of the draft (75%) report, several insightful ideas and questions were posed by stakeholders. We discussed these in detail and used them to make adjustments to our analysis where appropriate. These adjustments have been incorporated into the updated KT Matrix and final report.

In addition to these adjustments, we identified the need to provide clarification on a few key points that are critical to the development of the KT Matrix and our analysis.

Key Points for Clarification:

1. The use of the KT Matrix as a tool – we feel that the true value of the KT Matrix as a tool is that it provides a clear view of how several options compare and contrast based on specified criteria, of both objective and subjective content. This has been done with some key assumptions, as follows:
 - a. The KT Matrix represents a moment in time and does not encompass all possible future variables. As options evolve, it can be updated to reflect these changes.
 - b. Subjective criteria rely heavily on our experience in the ferry industry.
 - c. Weighting of the criteria is based on our discussions with stakeholders and our experience with other ferry systems.

The KT Matrix is a tool that can continue to be used and adjusted by the Steering Committee to assess changes in strategy as well as additional options that present themselves. It promotes constructive discussion and quickly identifies opportunities and challenges.



2. Cost of Capital – the cost of capital to purchase the business, assets and future investments in infrastructure was not considered as a criterion for the KT Matrix. The cost of capital is a challenge for all options but there are so many variables involved in possible financing strategies and ‘what ifs’ that it does not fall within our scope of work to consider as a determining factor. That is not to say that it is not critical for all options to develop realistic financing options. Access to capital is a consideration of both the CAPEX and Sustainability evaluation criteria.
3. Hybrid Model – our analysis immediately uncovered a potential for additional ‘hybrid models’ for ownership. We will address this in our recommendations, but it is not within our current scope to perform additional analysis on a hybrid model. This represents a perfect example of how the KT Matrix can be utilized as a tool moving forward to analyze changes or additional options.
4. Resident Accessibility to the Ferry – we feel this aspect requires additional clarification. When we refer to ‘accessibility’ it could include multiple elements of physical accessibility (scheduling, ADA, capacity) or financial accessibility. In our analysis, the primary area where accessibility to the ferry system varied between options is through financial accessibility. This arises in some cases where federal grants place restrictions on discounting fares. Recipients of some federal grants must ensure that financial accessibility is equal to all approved fare classes. In Federal Transit Authority ferry discretionary grants we have experienced the denial of ‘resident’ class fares. This may not be the case for all grant programs and some ferry systems may utilize other funding sources to avoid this restriction.
5. Financial Sustainability – it was suggested that we add Financial Sustainability to the KT Matrix as an evaluation criterion. This recommendation makes very good sense as the long-term financial sustainability of a ferry system without the need for some form of significant subsidy (tax revenue, fare increases, etc) is crucial to its feasibility and effectiveness. The challenge we had with using this as an evaluation criterion is that so many variables around long term debt and financing are as-yet to be defined (see Cost of Capital above). In addition, financial sustainability is closely related to the CAPEX and OPEX criteria already in the matrix. After careful consideration we elected to add Financial Sustainability as a criterion in the KT Matrix to illustrate the challenge posed to all options. The fact is that none of the options, including the existing baseline, perform well in this category.

Final Recommendations:

1. Investigate various models of Government Ownership – of the three options identified in the scope of work for our analysis, Government Ownership was largely viewed as direct ownership of the ferry system by the Town of Edgartown. In reality, this (or other government ownership) could take on a multitude of different formats. This includes setting up a Transit District/Authority or contracting with an existing entity such as Vineyard Transit Authority. These various options present opportunities as well as challenges and identifying one that matches the needs of the community best would be the next step in evaluating potential government ownership.



2. 3rd Party management of operations – initially it was our impression that some of the ownership options were considering utilizing 3rd Party vessel managers to operate the ferry system on their behalf. This is a common and proven strategy utilized by entities (public and private) new to ferry ownership. Following the 75% draft report review we were able to clarify with all parties what their intended management and operating strategies would be and have adjusted the report and KT Matrix accordingly. As it currently stands none of the three options intend to utilize 3rd Party vessel managers to operate the ferry. It is our recommendation for all options to reconsider this. While the 3rd Party vessel management strategy is initially more expensive, in our experience it results in higher service levels; improved safety, reliability and efficiency. The key to accomplishing this is to achieve the right blend of the inherent knowledge of the current operator and the industry best practices and resources of an experienced vessel management company.
3. Expand licensing requirements to improve transparency regardless of the ownership – the existing conditions for licensing of the ferry do not sufficiently address transparency issues, only requiring a confidential review of the owner’s financial records when changes to the schedule or maximum rates is requested. Typically, we see similar operating licenses require more transparency with public disclosure of audited financials as well as regularly reported performance metrics.
4. Add a well-defined hybrid option to the analysis – consider a Public-Private Partnership (P3) model (within the rules of the State of Massachusetts) or similar structure that takes advantage of the strengths of each through ownership, governance and management. Once defined, add this option to the KT Matrix for comparison.

We view the evaluation of the various ownership options to be an iterative process and are of hopes that the analysis tools provided in our final report will support that process moving forward. We greatly appreciate the assistance and feedback from all of the stakeholders we engaged with and welcome any further conversation on the final report.

Sincerely

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