

City of Mackinac Island

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SOME BASIC QUESTIONS AND ANSWERS REGARDING THE MACKINAC ISLAND FERRY BOAT ISSUE

Why are the City of Mackinac Island, its Council and its citizens concerned about this issue?

There are existing gross inefficiencies leading to ticket prices that are higher than they need to be. The average boat on the average run carries about 50 or 60 passengers. Boat capacities, however, range from 150 to 600.

There is a need for reliable 10-12 month service by reputable, responsible carriers. Presently only one company is willing to operate beyond November 1 and before the following May 1 even though the Island is a functioning year-around community with a year-around need for service.

Isn't all of this primarily a "tourist" issue involving the tourism season?

No! Ferries are the lifeline of the Mackinac Island community, which needs and requires year around service that is reasonably priced and dependable. Mackinac Island and its 500 permanent residents have more at stake in this matter than anyone else.

What is the City of Mackinac Island doing to address its concerns?

At this point the City, under the guidance of its attorneys, has merely asked the three ferry companies to submit their respective plans and proposals for providing services. After these proposals are submitted, the City will evaluate them and make determinations. No decisions have yet been made and no assumptions should be made regarding the possible outcome. All proposals will be fully and fairly reviewed.

What is the City considering?

1. Granting one, two or three franchises to operate.
2. Acquisition of terminal facilities in St. Ignace, Mackinaw City and Mackinac Island.

In addition, all three boat companies have been invited to submit any other proposals they wish to make.

Does the City have the power to grant one or more franchises and the power to acquire facilities?

Yes, to both questions. The City's charter (LA 437 of 1899) grants broad powers regarding the regulation and licensing of ferries. The City has exercised this power on numerous occasions in the past and, in a sense, these are not new issues. With regard to acquisition of terminal facilities, the Michigan Constitution (Article VII, Section 24) specifically allows any city to own or operate transportation facilities within or without its corporate limits.

NOTE: Mackinaw City owns ferry terminal facilities which it leases to the Shepler Company. It is ironic that some persons are criticizing the Island for considering the ownership and lease-back of terminal facilities when in fact that is exactly what the Village of Mackinaw City already does with the Shepler Company as its lessee.

Would tax dollars be spent by the City of Mackinac Island to acquire terminal facilities?

No. Any such acquisition, if it takes place, would be financed by a revenue bond issue which would be repaid by monies the City receives by virtue of its ownership of the terminals, including possibly leasing the terminal facilities back to the seller probably on a triple net basis. At the end of twenty years, when the bonds are paid off, the City of Mackinac Island would own the facilities outright and be entitled to retain lease revenues for all time thereafter, to the great benefit of its taxpayers.

If only one company receives a franchise will the public be at that company's mercy regarding prices, schedules, quality of service?

No! The City of Mackinac Island has the power, and will exercise such power, to regulate prices, schedules and quality of service for the public good. If anything, the public will have more protection regarding prices and services than it does now.

Is it accurate to say, as some have, that there has been "robust competition" in the past among the competing ferry lines?

No, at least as regards to the six months every year between November 1 and May 1. Only one company has operated its boats and served the public in the winter months. While all three lines have been eager to operate in the profitable six months between May 1 and November 1, and have been eager to reap the resulting benefits, only one company has been willing to provide service to the Island's permanent residents during the six months of winter. The concern

over the availability of on-going services is one of the City's chief motivations in asking that the three companies present their proposals for service to the City Council for its consideration.

Do all three ferry lines have an equal opportunity to be awarded a franchise?

Yes! All three ferry lines have been asked to submit proposals and make their case in writing in a free and open competition. Price, reliability, and frequency of service are among the relevant factors the City will weigh in evaluating the written proposals it receives.

What is the City's over-all objective?

To provide our residents and the general traveling public economical, reliable, frequent, and uninterrupted ferry service and facilities of a high quality.