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Washington Utilities and Transportation Commission
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RE: Docket number TS-180677 Backcountry Travels

Thank you for the opportunity to weigh in on the matter pertaining to docket number TS-180677 that requests additional regulated passenger service on Lake Chelan.

The views expressed here are mine only and have not been reviewed by any other.

My Perspective

As a lifelong resident of Stehekin I hope you will consider my perspective as you decide what is the right and just course of action. My great grandfather homesteaded on Lake Chelan in 1889 and opened the Moore Inn in 1990 when commercial steamboats first started plying the waters of Lake Chelan. I have helped in the family outfitting business, built and managed Stehekin Valley Ranch, established and operated Stehekin Adventure Company and managed Stehekin Landing Resort. I have also been partial owner of Stehekin Outfitters which was the family business that my parents began in 1947. At 57 years old I have done little else besides live and run businesses in this area and I have spent a good portion of my life pondering and fighting for a more equitable, efficient and satisfying option for passenger service on Lake Chelan. Currently I live in Stehekin and own and operate Stehekin Valley Ranch.

This proceeding is not about whether to regulate. An entire study was done about that issue and the determination was that the UTC should continue regulating scheduled passenger transportation on Lake Chelan because of the supposition that without such regulation necessary transportation would become erratic, costly or nonexistent. The question now is about whether adequate and necessary service can be maintained and whether additional service can be allowed that would be largely recreational in nature yet give businesses and the community a daily year around option. This is my attempt to aide in helping those making that decision to understand the different elements involved. It has been said that the application before the Commission is just a replay of the application presented earlier by Jim Courtney. I strongly disagree. That was a different time and that proposal did not supply the community year around transportation. Since that time we have lost our air service and there is considerably more demand for services. In just the last 10 years overnight visitation in the Lake Chelan Valley has increased by over 80%.

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The Law

The law that created the jurisdiction over ferry systems in Washington state dates back to the early 1900s and seeks to provide continuity and stability for necessary transportation services provided by vessels throughout the state. Lake Chelan has enjoyed this "protection" since the early 1920s and since the issuance of a single certificate to the Lake Chelan Boat Company, the lake has never enjoyed the luxury of a choice when it came to scheduled passenger service.

The controlling term that WUTC uses to determine whether or not an additional certificate will be issued deals with the term, necessary and convenient. The first term, "necessary", I believe, follows the common definition of that word and is at the crux of what is before the commission today in a large part. It was never intended for this law to control recreational use and by extension tourism to the degree that it is. When the law was enacted it was exactly as it seems, a protective certificate to give preference to a company who would be under strict supervision to conduct a quasi monopoly so that the need of the community's or islands would be served on a year around basis. The fear being that price wars would cause several competing enterprises to take advantage of the profits of the high season and that communities would be left without "necessary" transportation in the off season.

This law has been nuanced and changed over the years but in practical effect it has only become more restrictive for services that are allowed on Lake Chelan. A variety of exceptions and exemptions have been passed or tried, but today it can be asserted with some degree of credence that what the state certificate creates is a virtual monopoly on scheduled passenger service. It is time for some relief from the oppressive restrictions and this will be the last best effort to try to determine if current regulations can allow any reasonable solution or if the law needs changed or eliminated.

Choices

After the end of WWII float planes started air service on Lake Chelan and, in one form or the other, continued that service until 2016. The demise of this service was at least partially due to the loss of an operating base in Chelan. It was decided by the owner of the property where the office and parking was located that the airplane base was needed for a more lucrative marina and condominiums. This termination of service ended any commercial choice by floatplane a visitor or resident had for accessing Stehekin. Many people opted to pay for this much higher priced option mostly because of scheduling latitude. The flight would get them to Stehekin a day earlier and save the cost of a motel room. It is possible we may regain this service but having lost the continuity of service it will be tough to reach-establish even if an adequate base is found. If it is to return the seat rate will be north of \$100 each way. At one time this service also enabled daily service for visitors or residents year round. Currently options in the dead of winter are now only 3 days per week on LCBC boats.

In 1990 LCBC brought on the Lady Express to replace the retiring Speedway. When this boat was "sold" to the public it was supposed to cruise at around 35 mph and run a "W" schedule which would be a leg from Chelan to Stehekin, a leg from Stehekin to Fields Point, a leg from Fields Point to Stehekin, and then a final leg from Stehekin to Chelan. This was a great idea but because of design inefficiency that speed could not be maintained economically. The schedule was never instituted.

Another good idea that operated intermittently for 7 years was The Lady Cat. It was a 50' catamaran that was unfortunately, fraught with design issues. The schedule was good but the price point was high, (equivalent to \$123 per round trip in today's dollars) the ride was loud and rough and eventually maintenance issues caused them to abandon the idea. It was capable of hauling 50 passengers and at one time promised to run at 50mph.

At another point Lake Chelan Recreation Incorporated (LCRI, parent company of LCBC) did expand winter service to 5 days per week. This was when they owned the NPS concession in Stehekin. They understood that transportation was the key to economic viability and even stayed longer in Stehekin during that time so that day trippers could enjoy food and activities. After relinquishing control of the lodge and other visitor services, they cut the schedule back to 3 days per week in the winter. This basically makes the decision to close the lodge in the winter since weekend visitation is impossible and the duration of the stay for the day tripper is not adequate for any reasonable experience.

Over the years various small charter boats have plied the Lake Chelan waters. Most of these have been vessels that carried 6 passengers or less that were exempt from L and I inspections commonly known as "six packs". This lake is brutal for small boats and the economy of scale makes them either expensive or unprofitable or both. Shortly before the float plane stopped operating, Lake Chelan Tours, a small charter operation, terminated service as well and today we are not left with this option either.

Under the management of Nick Nolen, the float plane service terminated year around service. Whether this was a byproduct of competition from increased runs by LCBC at the time or from competition from the Lady Cat, I do not know. What I do know is with the termination of year around floatplane service and the subsequent elimination of days operated in the off season by LCBC, **the upper lake has not seen such lack of service and choice since WWII.**

The Vessel

what it is and what it isn't.

The original intent of the proposed vessel was to fulfill the needs of the community and of the visitor in a fashion that was believed to be exempt from WUTC regulation. It was designed to be under the five gross tonnage weight and to essentially fill gaps left by the pullback of the LCBC schedule, the elimination of the Lady Cat and the demise of the floatplane service.

After reading the law, the study, and the checklist provided to possible applicants, combined with UTC staff opinion, I believed a vessel could be built and ran as exempt. The following was received from Mike Dotson on November and, 2017: "Unloaded water vehicle's under 5 tons and powered by gas are exempt from our ferry rules. Any questions, let me know"

This scenario in our minds was a solution. This is the type of vessel that was needed for efficiency and to fill some of the vacuum left by the float plane discontinuing service, first in the off season and then entirely.

The vessel we came up with was a displacement hull catamaran designed by Kurt Hughes of Seattle. Kurt has a long history of designing sail boats with very efficient hulls and a history of designing power catamarans as well. These boats are strong and durable and many are operated on the open ocean. This vessel has sleek 50' hulls and will be able to cruise at 20 knots and come in at just under 10,000 pounds.

There is a lot of discussion within boating circles about what is best. What is agreed upon however is that long slender hulls and light weight are very efficient. Since our challenge was to replace defunct passenger services primarily, we set out to build a lightweight, durable, safe and comfortable passenger vessel. We believe we have the vessel designed that can operate very efficiently so that it is affordable to operate even in the off season. With a length of 50' and a width of 20' it will handle what this lake can dish out and do so without beating up the passengers. It will be capable of handling 32 passengers plus their luggage plus crew. It can only land at docks sufficient for such a vessel.

What it is not.

It is not a freight boat. It will in no way replace the Lady II. It is not capable of beach landings. It is small and lightweight by design and will be an incredible supplement to the existing services. Even though BT, LLC has proposed to run a Thursday boat in the off season that will serve as the grocery boat, it generally is designed (like an airline) to haul about 50# of baggage per person.

Is it the ultimate Lake Chelan Boat for the off season if it were to replace all existing services? The answer is no and that is not the intent. Would it be the best design of a vessel that was designed to service upper Lake Chelan if the current legal restraints were not dictating service? The answer again is probably no. While it is a great vessel for what it is designed for there are other elements that would likely be designed in if the market was to decide what was needed rather than a law. It is my belief that the next vessel added should be a 49 + 2 capacity vessel built just as efficiently but with hybrid electric engines, more freight capacity, more luxurious spacing for passengers and capable of beach landings. The current proposed vessel will in fact be a very safe and comfortable vessel and would make a tremendous charter and backup vessel if the other vessel is built and permitted.

The Need

When Chelan Seaplanes decided to terminate all service on Lake Chelan, I made every attempt to bring another float plane on the lake. Drawing on the experience of Jim Courtney, a long time pilot on Lake Chelan and the past owner of Stehekin Air Service and as a partner in Chelan Airways, I tried to make it so that float plane service would stay on Lake Chelan, and hopefully, to even bring back the year around service. This attempt failed, largely because of the short notice but also because the economics of the service in this age. It was determined that if a dependable, sustainable service were to continue that the seat rate would need to be \$100 per seat each way or more. In the UTC study conducted in 2010, a "death spiral" is noted when a service must charge more than the market would bear. We are not sure where this point is for the air service or if that had an impact (other than maintenance issues) on the catamaran operated by LCBC, but it is worth considering. That is why Colter is proposing an efficient vessel only operating to and from Fields Point. We also know that customers base their decision on much more than price point. When the Lady Cat was operated it charged \$99 round trip and Chelan Seaplanes rates when they quit was \$178 round trip. These prices in today's dollar is closer to \$123 and \$186 respectively. I believe the proposed price point is reasonable and that the market will agree that the advantage of the proposed schedule and the quality of this new vessel is well worth the higher price.

The following was stated in the UTC 2010 study: "In the short term, it is conceivable, and perhaps likely, that during the busy summer months customers would enjoy the benefits of competition among boat operators, who would lower fares and improve service to make their offerings more attractive to potential customers. During these periods, tourism may even increase as prices fall."

I strongly disagree with the premise that falling prices are the key ingredient for the tourists decision to partake of a service. If it is in fact true then LCBC would have little concern about any competition and the Hilton would fail quickly at the hands of Motel 6.

In the days of the steamboat the trip uplake took all day and the tourists that did partake often stayed for longer durations. Much has changed. Today the new norm is for the visitors to take fewer short vacations and transportation is sought that is both enjoyable, convenient and that does not rob precious time from an already tight schedule. It is time to look at the present situation and the present law with today's needs to see if this commission can affect a remedy for a very real issue.

The first issue we need to address is the difference between necessary transportation and that transportation that is, as the law differentiates, recreational. In other terms this difference would be put in terms of what residents "need" versus what tourists "want". An example of a needed service, on a much larger scale, is the difference between what the State of Alaska offers with the marine highway idea. Like Stehekin or Holden it was decided that money would not be spent on highway improvements but rather the budget (or monopoly which curtails revenue which equals expenditure) would be spent on a system of transport by vessel.

Much like the service offered by the Lady II operated by LCBC, the Alaska ferries are an austere service at a reasonable price that performs essentially the "milk run" for residents and carries not only passengers but vehicles, freight, and mail. A case could be made that if the State suspended this service that the needed transportation of islands and community residents on this route would lack "necessary" service. It is interesting to note that at this moment Alaska is considering privatizing the ferry system because of financial instability. Apparently even State run systems do not guarantee continuity. In contradistinction let's look at cruises offered by various companies that offer "convenient" and pleasurable transport for a clientele who may not "need" the service but rather "want" the service and are willing to pay a premium far above that offered by the state. The cruise ships drop approximately 950,000 visitors in to Ketchikan in any given year. Without allowing for this service it would be a huge blow to the economy of Alaska to disallow this use. Without a doubt this use is "desireable" and convenient but not "necessary". It is a want but not a need.

In essence what is happening on Lake Chelan (and other parts of this state) is for the WUTC to restrict recreation for the protection of certificate holders and thereby deny the public the choices desired for enjoyment and recreation. There is little dispute that the law recognizes an exemption for recreation. What is disputed is that, unless the application is a pure play on recreation, that any mix of "necessary" transport dictates the decision. I beg to differ if this law is to continue as written. It seems essential that this commission must make their decision on a mix of the two. That is that much of the application before you is "recreational" and only a minor part is "necessary". Part of the provision for an exemption for recreation passenger transport also requires substantiation that allowing that exemption would not cause financial hardship to the current certificate holder. This is also a hurdle that needs to be addressed when issuing any additional Certificate.

At this point we need to look at what would constitute a financial burden that would in some way constitute a reason for denial. Let us look at various factors this commission should consider. LCBC operated simultaneously with Chelan Airways since WWII. For all but the last few years this service was a year around service. At its apex this service flew 3 planes with a maximum capacity of 14 passengers. With a one hour turnaround this service could turn up to 6 round trips per day. That equals 84 round trip passengers per day. The most that the proposal before you would carry is 32 round trip passengers. The last few years the service was cut to a single 6 pax Beaver that would rarely make more than 5 trips daily. Even this number is very close to what is being proposed. During this entire tenure it was never suggested that this number of passengers would cause the demise, hardship or even price increase by the LCBC.

The service and schedule proposed starts at Stehekin and returns to Stehekin. This precludes this service from carrying excursion passengers or "day trippers" as they are often called. This leaves this very well established boat company that is situated in downtown Chelan with a lock on excursion business. In just the last 10 years heads in beds in the Chelan area have increased by around 83%. There should be a correlating percentage of increase in traffic uplake if a service was being offered that is desirable.

The Lady II has fallen out of favor for the vessel of choice for the Stehekin visitor but it is very much still the boat that has and will have a lock on light freight to points uplake and virtually all of the travelers to Holden Village. Holden can accommodate more than double the overnight capacity of Stehekin. To point to the capacity of the Lady II as adequate or even considering that capacity "over serves" shows either that the provider is not in tune with customers wishes or chooses to ignore a core issue as stated above. It also ignores their very own numbers that suggest that Stehekin bound customers only chose the Lady II when the Express is either full or not running. In the days of old the Lady was a time honored and (in the case of the old wooden vessel) a quaint and nostalgic service. Demand and needs have changed. Our experience has been that if The Lady II is the only option then many people will not go. Too obviate this we watched the spike in demand for air travel as soon as the Express shut down mid September.

To synopsise, what is being proposed is a service that would leave LCBC with a lock on day trippers, a virtual lock on the US Mail contract, and the same on Holden Village clients. It would not haul freight except for passenger baggage and it would not take away any more passengers than what the now defunct float plane service hauled. Combine this with an enormous increase in possible clients and an increasing demand for overnight client transport one will easily determine that this is not a zero based game at all. Any financial difficulty will not come from this limited competition but rather from the unwillingness to adapt to market condition.

An interesting point to ponder is that LCBC justified a 50' catamaran a few years ago because of the need for a different schedule. This was even when the float plane was operating. It is interesting that they felt that that boat could "compete" against the revenue of their other two vessels without causing a financial hardship. This vessel was fraught with design problems for maintenance, efficiency and comfort and was terminated without any replacement. Even at a price point of today's equivalency of \$123 per round trip this was an idea whose time had come. It is too bad that this vessel was not successful, but the point here is that this vessel which was justified by LCBC was larger and actually would have competed directly with excursion fares. Isn't it also interesting that a vessel 35% smaller will suddenly be their demise. Another interesting point to ponder is that The Lady Cat was designed to compete head to head with the air service and certainly that operation and the additional runs of the other vessels had an impact on the viability of Chelan Airways. Both have now terminated but not for lack of demand.

What the UTC Needs To Consider

The community needs to survive and by extension businesses and community services need to survive if there are to be any services provided for visitors. Without services and activities the current certificate holder will have little business. It is our contention that our community as well, as the visitor, need the services and schedule that is being offered. Not only will this Stehekin based business employ Stehekin residents it will also make Stehekin a much more desirable place to live. It will make it possible to commute more for work, pleasure, or education and will facilitate a more stable and expanding population.

This vessel on its face will simply compete with existing passengers spending one night or more in Stehekin without adding passengers. This is not the whole picture.

This vessel and this service is essential to keep the community and the very infrastructure alive. Currently the lack of service, both in days of the week and the duration of the stay in Stehekin dictates that Stehekin shut down in the winter. This does not have to be the case and should not be the decision of LCBC or the WUTC. If this service is allowed it will allow many more off season services; services that are needed if you hope to have visitors visit Stehekin. Certainly there are things that LCBC should do to help encourage excursions but most of that is beyond the scope of this proceeding.

This vessel will not only encourage an expanded community population it will also aid in the increase of visitation as businesses expand their client base and their season. It will also be a proactive way to help fulfill the expanding need for passenger transportation that will be created as numerous new vacation rentals come on line and as Mike Scherers development comes on line. These alone will amount to the probability of an additional 200+ seats needed per week.

Transportation Security is a Fallacy

The idea behind continuing the transportation stranglehold is based on the supposed fact that by eliminating competition and nationalizing the process so that fares and schedules are regulated will lead to stability. Here are the reasons:

1. The property where the current service is conducted has, in the words of the president, that the passenger boat business "is not the highest and best use of the property". Like the demise of the float plane service, the probability that the property will be developed for a use that is more profitable and thereby eliminating the base needed for docking, servicing and maintaining large monohull vessels is likely.
2. The current certificate holder only needs to give 30 days notice before terminating service. If for any reason it was decided to stop service there is currently no other facility on the lake that is capable of housing such a facility. Eliminating competing or parallel services has actually stopped any "plan B" from being invested in, leaving visitors much more vulnerable than if the service was not regulated.
3. On two different occasions the president of LCRI HAS THREATENED TO STOP SERVICE ALTOGETHER. If the lake level was dropped to legal limits. They have stated that the current facility is not deep enough for the vessels to operate safely if the Chelan County PUD decides to bring the lake down to legal minimums. The wording was not to come up with a solution but rather to stop service and leave Holden, Stehekin and other users with nothing. The issue could be solved by operating for a short time out of a Fields Point using mobile fueling and septic pumping but it seems no plan has been made other than curtailing service.
4. During the process when the community was trying to keep LCBC FROM SUSPENDING SUNDAY SERVICE in the winter it was stated by the WUTC that they could not force a certificate holder to operate a run that was not profitable. This flies in the face of the

supposition that all of the Sunday runs in the summer will subsidize the loser runs in the winter.

5. Given the above we must look at the main factor that keeps service on the lake in the winter even at the meager three days per week. This factor is in fact a Federal mail contract. Being Federal it is not controlled by the state and it is not unreasonable to surmise that if LCBC loses this contract that they can then turn to the WUTC and cite unprofitable runs and cut the service in the winter down even further. Would one day a week be adequate? How about one day per month? Shouldn't uplake communities be allowed an option such as has been proposed so that we can chose to pay a higher price for service 7 days per week! The current vessel used for winter service is horribly inefficient for small loads, is barely climate controlled, requires a 3 man crew and is running all the way from Chelan. **The efficiency of the proposed vessel would allow it to operate 7 days per week at far less cost than the current carrier spends for 3 days per week.** Is it our communities fault that winter scalability has been ignored so that a monopoly can be justified?

Not a Zero Based Game


Expanded opportunities in Stehekin will enhance day trip experience and the extra traffic will more than compensate for loss of revenue to LCBC. It is a given that certain improvements to make the off season trip more desirable would be necessary but they are all improvements that should be done. These improvements to the winter boat are things such as sound attenuation so that guests can talk to one another and hear the monologue, better climate control so that folks can be comfortable and see out the windows and also putting a fan in the bathrooms so that clients do not need to endure the pungency of those facilities.

The Answer Needed

It is my hope that the Commission will look at prior denials for expansion of service and even their own study and determine that these are different times, that there is expanded need and that there is tremendous room for services that are more desirable. Never before has a company offered our community daily year around service that it is woefully needed. I believe the Commission is charged with assuring adequate necessary services to all roadless point uplake. This is a perfect time to benchmark what is currently provided and what the price points are and to provide a mechanism to have oversight on whether that benchmark is maintained. Aside from that I sincerely hope that they will allow much needed and desired services to be added that do not jeopardize those services but will if fact enhance those offerings.

Thank you for your time and consideration.

Sincerely,


Cliff Courtney